



Nestlé

Good Food, Good Life

Enhancing Lives in Sri Lanka

Nestlé Lanka PLC | Annual Report

2016





A Local Multinational. Enhancing Lives in Sri Lanka.

Nestlé has been a part of Sri Lanka for the last 110 years. We have been committed to enhancing the quality of life of the people of Sri Lanka since then, creating shared value for everyone our business touches.

We pride ourselves in being a local multinational that manufactures products locally, largely using local ingredients. Today, our portfolio comprises some of the country's best loved brands, benefiting from our global expertise in nutrition, R&D network and stringent quality control procedures.

Our commitment to enhance the quality of life everywhere and every day is as strong today as it was when we began operations in the country. We enhance lives by empowering our coconut farmers, investing in dairy development activities, providing Nutrition, Health and Wellness to our consumers, leveraging our global technological know-how, protecting the environment and developing the people of Sri Lanka.

We look forward to the next 100 years in Sri Lanka, with pride and determination to deliver on our promise of Good Food, Good Life, as we remain an important part of the local community. We will continue to live our passion for nutrition and our passion for helping generation after generation of people live happy, healthy lives.





Table of Contents

6	Enhancing Lives in Sri Lanka	70	Financial Report
8	Empowering Coconut Farmers	72	Independent Auditors' Report
14	2016 Highlights	73	Statement of Profit or Loss and Other Comprehensive Income
20	Chairman's Message	74	Statement of Financial Position
22	Managing Director's Review	76	Statement of Changes in Equity
28	Supporting Dairy Development	77	Statement of Cash Flows
34	Board of Directors	79	Notes to the Financial Statements
36	Management Committee	111	Value Added Statement
38	Enhancing Lives with Nutrition Health and Wellness	112	Ten Year Summary
46	Corporate Governance	114	Share Information
49	Corporate Governance Reporting	116	Protecting the Environment
52	Report of the Audit Committee	120	Notice of Meeting
53	Report of the Remuneration Committee	121	Form of Proxy
54	Report of the Related Party Transactions Review Committee	124	Attendance Form
56	Global Technologies	125	Corporate Information
62	Directors' Responsibility for Financial Reporting	126	People Development
63	Annual Report of the Board of Directors on the Affairs of the Company		



Empowering Coconut Farmers

2016 marked the year we launched the Coconut Development Programme to further develop the local coconut industry and enhance the quality of life of our coconut farmers. We collaborated with the Sri Lanka Coconut Cultivation Board, and donated 10,000 coconut plantlets across 150 acres to 2,000 coconut farming families and developed 2 model coconut farms to showcase best practices. Read more about the Coconut Development Programme and our contributions to the local coconut industry on page 8.



Supporting Dairy Development

We have a long and rich history with Sri Lanka's dairy industry, having worked together with the government and local dairy farmers since the early 1980s. As Sri Lanka's largest private sector collector of fresh milk, we play a big role in helping to develop the local dairy industry and increase the production of local fresh milk in Sri Lanka. Read more about the work we do to help develop the local dairy industry on page 28.



Enhancing Lives with Nutrition, Health and Wellness

As a leading Nutrition, Health and Wellness Company in Sri Lanka, we enhance lives with science-based nutrition and healthy solutions for all stages of life. All our products are evaluated on a regular basis and fortified with essential micronutrients and other vitamins and minerals, and supplemented with vegetables, spices and other nutritious ingredients, where relevant. In 2016, we provided 515 million servings of micronutrient fortified products to our consumers. We also strongly promote healthy diets and lifestyles and empower people to make informed choices about their food and beverages. Read more about our Nutrition Health and Wellness initiatives on page 38.

Global Technologies

Nestlé has the largest R&D network of any food Company in the world. With our R&D capability, nutritional expertise and passion for quality in everything we do, each day we strive to make our products tastier and healthier to help consumers care for themselves and their families. Read more about how we leverage our global technological know-how to offer products of the highest quality on page 56.



Protecting the Environment

We have been committed to improve our environmental performance year on year. Over the past 8 years, through our environmental sustainability practices, we were able to successfully reduce our consumption of water by 39%, our consumption of energy by 42% and our greenhouse gas emissions by 39%. Read more about our environmental sustainability practices on page 116.



People Development

Enhancing lives, begins with our people. We believe that each of our 800+ employees should have the opportunity to realise their maximum potential. Hence, we encourage and facilitate lifelong learning and personal development. Read more about how we develop our people, exposing them to global best practices, to unleash their potential on page 126.





*Empowering
Coconut
Farmers*

Contributing to the Local Coconut Industry

Nestlé has a long and rich history with Sri Lanka's coconut industry. Ever since we began our export operations in 1986 and started producing Coconut Milk Powder exclusively at our Kurunegala Factory, we invested time and resources to develop the coconut industry in Sri Lanka and help uplift the lives of those communities whose livelihoods revolve around the industry.

Coconut is staple to Sri Lankan cuisine and a significant contributor to the country's economy via exports. We are one of the largest exporters of Coconut Milk Powder in the world procuring ~80 million coconuts annually. Using fresh, high quality coconuts, our *Maggi* Coconut Milk Powder is directly exported to over 50 countries in the world.





Enhancing the Quality of Life of our Coconut Farmers and Suppliers

We purchase coconuts indirectly from close to 6,000 rural coconut farming families through our suppliers, offering them a sustainable source of income. Our contribution to the coconut industry in 2016 for procuring fresh coconuts for our products, came to LKR 2.3 billion.

We work with coconut mills who supply our coconut milk needs. We have invested in these mills significantly in terms of knowledge sharing, technical support, equipment, and training and development to help develop the coconut industry.

We also generate sources of income and employment for thousands of people in the areas surrounding the mills, through our business activities.







Coconut Development Programme

2016 marked the year we launched the Coconut Development Programme to further develop the local coconut industry and enhance the quality of life of our coconut farmers. We collaborated with the Sri Lanka Coconut Cultivation Board, and donated 10,000 coconut plantlets across 150 acres to 2,000 coconut farming families and developed 2 model coconut farms to showcase best practices.

The programme was inaugurated by Honourable Navin Dissanayake, Minister of Plantation Industries at a model farm planting ceremony in Nikaweratiya, along with 150 Nestlé employees together with the coconut farmers.

We distributed our coconut plantlets to not just our existing coconut farmers within the traditional coconut triangle but also farmers located in areas outside of the triangle with good potential for coconut growing,

including Rasnayakapura, Padaviya, Vavuniya and Kebithigollewa.

We introduced a new 'model farm' concept by planting approximately a 100 plantlets each in 2 model farms in Nikaweratiya and Kebithigollewa with the aim of offering farmers an ideal coconut farm design to benchmark best practices and high quality coconut farming standards.

The programme included intensive technical assistance by the Coconut Cultivation Board including farmer trainings, soil tests, provision of manure and other pre and post planting assistance.

Our Coconut Development Programme will undoubtedly contribute positively towards Sri Lanka's development and empower our coconut farmers to grow crops that will benefit them, enhancing their quality of life and thereby developing the coconut sector.



"My family and I are very grateful to Nestlé for helping us earn a livelihood from our coconut farm. It is because of Nestlé that we are able to continuously supply our coconuts year on year and earn a sustainable income for the wellbeing of our family."

Nayana Nilmini
Coconut Farmer
Puttalam

Financial Performance

Revenue

Rs. 36.5 billion **+ 5.1 %**

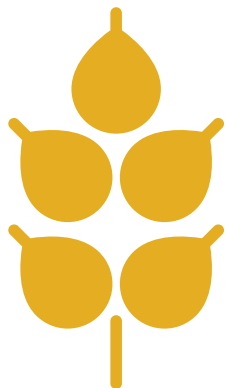
Contribution to Exchequer

Rs. 6.8 billion

Earnings per Share

Rs. 81.87

Contribution to the Rural Economy



Rs. 3.8 billion

paid to 21,000 local dairy farmers for fresh milk

Rs. 2.3 billion

contributed to the coconut industry as payment for procuring fresh coconuts

Strengthening our Nutrition, Health and Wellness credentials



2,500

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

150,000

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

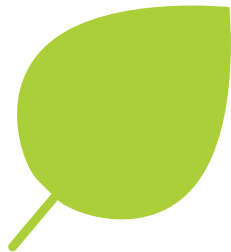
515 million

servings of micronutrient fortified Nestlé products

15,000

people provided with free health checks and nutritional counselling

Lowering our Environmental Footprint



Saving energy by

42%

(2008 - 2016 per tonne of production)

Saving water by

39%

(2008 - 2016 per tonne of production)

Reduction of greenhouse gas emissions by

39%

(2008 - 2016 per tonne of production)



RURAL DEVELOPMENT



NUTRITION



ENVIRONMENTAL SUSTAINABILITY

Innovations & Renovations



Maggi Daiya Chicken Flavoured Noodles - A calcium fortified, spicier and delicious chicken flavoured noodle with the goodness of spices, made for young teens who enjoy a little bit of spice in their life.



Nespray Everyday - Made with the goodness of local fresh milk, the all new *Nespray Everyday* is the only milk powder in Sri Lanka that is fortified with iron.



Nespray FortiGrow - Made with the goodness of local fresh milk and enriched with calcium and other essential nutrients like iron, protein, B vitamins, zinc and vitamins A and C, *Nespray FortiGrow* is designed to meet the nutritional needs of school-aged children in Sri Lanka.

All New Milo Activ-Go - Made from a unique malt extract with the combined goodness of 6 vitamins and 3 minerals.



All New Nescafé 3 in 1 - Offering more coffee and a richer aroma, letting consumers enjoy an authentic coffee experience each time.

All New Nescafé RTD Can - A low fat, milk coffee drink available in 3 variants: Original, Mocha and Latté to offer variety to young adults who have different needs and preferences.



Nestlé CoolPro - Sri Lanka's first smart Cool Beverage Solution, offering a trendy, chilled, refreshing beverage 'Nestlé Sjora', made from a delicious flavour fusion that combines mango, peach and milk.



Recognitions



Number 1 Most Respected Food and Beverage Company - Moved up 11 places from 2015, to achieve an overall ranking of eleventh place across all industries (LMD's Most Respected Entities for 2016).



Best Multinational Company Engaged in Exports for 2014 and 2015 - Awarded at the Presidential Export Awards, for the Company's contribution towards Sri Lanka's export sector.

RANK 2016	RANK 2015	BRAND	PARENT COMPANY	INDUSTRY GROUP	BRAND VALUE (RS M)	BRAND RATING	ENTERPRISE VALUE/ MARKET CAP	BRAND VALUE EVINC
1	1	BOC	Bank of Ceylon	Banking	41,418	AA+		
2	2	People's Bank	People's Bank	Banking	30,953	AA		
3	5	NBS	National Savings Bank	Banking	26,467	AA+		
4	3	Dialog	Dialog Axiata	Telecommunications	26,098	AAA-	99,299	26%
5	4	Commercial Bank	Commercial Bank of Ceylon	Banking	24,027	AA	111,944	21%
6	10	Lion Beer	Lion Brewery Ceylon	Beverages	21,167	A+	48,025	44%
7	7	Nestle	Nestle Lanka	Food	19,320	AA	107,463	18%
8	9	SriLankan	SriLankan Airlines	Airlines	18,813	AA-		
9	6	HNB	Hazen National Bank	Banking	18,640	AA	77,547	24%
10	8	Cargills Food City	Cargills (Ceylon)	Supermarkets (Retail)	14,568	AA+	46,809	31%

Ranked Number 7 Amongst the Country's Top 10 Most Valuable Brands (LMD's Brands Annual 2016).



Swarnadeepa Golden Award - Awarded by the Nidahas Lanka Mass Communicators Association, for the Company's significant contribution to the local dairy industry in support of Sri Lanka's vision of achieving self-sufficiency in dairy.



Milo voted by Sri Lankan students as the **'School Beverage Brand of the Year'** and the grand **'School Brand of the Year'** for 2015, giving it a double win.



Maggi **'Food Brand of the Year'** - This marks the fourth consecutive year *Maggi* has won this title at the SLIM - Nielsen People's Awards.



Ranked Number 9 in the Business Today TOP 30, 2015-2016 - Recognised as one of Sri Lanka's top corporate performers for the financial year 2015-2016 in the Business Today TOP 30.



Nestomalt Ranked Number 8 Amongst Sri Lanka's Top 10 Leading FMCG Brands from a total of 400 brands in the country, in the Kantar Worldpanel Brand Footprint study 2016.



Your Company's performance is the result of consistently addressing the needs of its consumers, and driving efficiencies across the value chain to eliminate waste and free up resources to support growth.

Dear Shareholders,

I am pleased to introduce the Annual Report and Audited Statement of Accounts for Nestlé Lanka PLC for the year ended 31 December 2016.

It is with satisfaction that I note that, despite a very difficult year, your Company has delivered steady results and healthy returns to you, our shareholders. This is the result of a strategic combination of agility, consumer centricity, innovativeness and a focus on lean value stream. The fact that your Company continued to excel in a challenging environment underlines the strength of our brands, the power of our people and the trust consumers place in our products. The Board is pleased with the vibrancy your Company has shown.

Nestlé has been present in Sri Lanka for over 110 years. As the Number 1 Most Respected Food and Beverage Company in the country (LMD's Most Respected Entities for 2016), we always stay true to what we believe in; enhancing the quality of life and contributing to a healthier future. Whilst leveraging our global expertise and local know-how, we, as a local multinational, will continue to innovate and



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

renovate our products in line with local consumer needs, support the country's efforts to address micronutrient deficiencies, and empower our consumers to make informed choices in their diets and lifestyles.

Your Company's performance is the result of consistently addressing the needs of its consumers, and driving efficiencies across the value chain to eliminate waste and free up resources to support growth. In line with your Company's performance, your Directors were pleased to declare an interim dividend of Rs. 40 per share on 21 February 2017 and are recommending a final dividend of Rs. 40 per share for your approval.

On behalf of the Board, I thank the entire Nestlé Lanka team for their hard work, commitment, loyalty, strength and resilience in driving your Company's performance. I would also like to thank you, our shareholders, for your investment, your trust and your confidence, which have enabled us to steer your Company in this challenging environment.

We will meet the challenges in a dynamic environment of 2017 with the same passion for nutrition and strong determination of our people, and continue to seize opportunities to strengthen our business and create value for the local community.

Suresh Narayanan
Chairman
NESTLÉ LANKA PLC

21 February 2017



We remain committed to strengthen the foundations for future growth for the continued success of your Company. We will confidently face the challenges that 2017 has in store for us, as we continue to enhance the quality of life and contribute to a healthier future for Sri Lankans.

Dear Shareholders,

2016 proved to be yet another challenging year, with volatile market conditions and significant uncertainties along the way. However I am pleased and proud to note that despite the challenging business environment, we were able to grow our business and also grow market shares across most categories. Due largely to the unflinching determination of our people, the quality and powerful equity of our products, and the steadfast trust of our consumers, we made our leading brands stronger and secured an even firmer foothold in the market.

As a leader in Nutrition, Health and Wellness, your Company upheld consumers' trust by continuing to innovate and renovate our products to offer great taste and a sound nutritional profile. As a local multinational, we combined global R&D expertise and local know-how to better cater to local consumers' tastes and nutritional needs. Identifying the deficiency of certain nutrients in the local diets, we fortified our products with essential nutrients, where relevant, and delivered over 500 million serves of micronutrient fortified food and beverages in 2016.

Nespray, which offers the goodness of locally sourced Sri Lankan milk, renovated its popular dairy product *Nespray Everyday* by fortifying it with a special mix of iron and other important micronutrients, to offer consumers higher nutritive value. It

also launched *Nespray FortiGrow*, a Hi-Calcium milk drink designed to support the nutritional needs of school-aged children.

Our *Maggi* noodles range was enhanced with the goodness of popular 'home ingredients' like vegetables and spices, and fortified with vitamin A and calcium to support the country's efforts to address micronutrient deficiencies. The *Maggi* range was further strengthened with the launch of *Maggi Daiya* Chicken flavoured noodles, a spicier and delicious chicken flavoured variant for youth. The product is fortified with calcium, and contains more spices, contributing to its great taste.

Milo powder, which has the goodness of malted barley, iron, B-vitamins and calcium, was further enhanced with a unique combination of various nutrients to allow optimum release of energy. We renovated our *Nescafé 3* in 1 coffee mix, offering more coffee and a richer aroma with a new recipe, enabling coffee lovers in Sri Lanka to enjoy an authentic coffee experience each time.

We also launched Sri Lanka's first ever proprietary cool beverage dispenser made with advanced smart technology, *Nestlé Coolpro*. This revolutionary machine has been designed specifically for the Out-Of-Home market, such as restaurants, hotels and food chains. Its aim is to help customers provide cold beverages like *Nestlé Sjöra* - a delicious flavour fusion of mango, peach and milk - quickly and conveniently.

Your Company also continued to enhance the quality of life of the people of Sri Lanka with worthy community initiatives across the value chain, to commemorate our 150th anniversary worldwide and 110th anniversary in Sri Lanka.

We launched the 'Kiri Govi Diriya' Programme, where 150 training and development programmes were conducted for 3,000 dairy farmers, with 150 of those farmers receiving essential milking equipment

to help develop their business. The programme positively impacted the farmers we work with daily, strengthening our efforts to develop the local dairy industry, and contributing to its prosperity.

2016 marked the first time we directly engaged with our coconut famers. To encourage coconut farming practices in non-traditional coconut growing areas, we donated 10,000 coconut plantlets across 150 acres to 2,000 coconut farming families. We also introduced a new 'model farm' concept by planting approximately 200 plantlets in two model farms in Nikaweratiya and Kebithigollewa, so farmers could benchmark best practices and high quality coconut farming standards. This was done in collaboration with the Sri Lanka Coconut Cultivation Board.

We also stepped-up our ongoing efforts to help people lead a healthier and active lifestyle. We rolled out a Wellness campaign in 150 towns across the island, where thousands of consumers and key stakeholders, including His Excellency, President Maithripala Sirisena, pledged to live an active lifestyle by signing a Wellness Pledge. In addition, we held Nutri-Counseling stalls in towns and villages across the country, where qualified dieticians and expert nutritionists provided free health and diet counselling to over 15,000 consumers. In addition to teaching 2,500 children about good nutrition and a healthy lifestyle through our Nestlé Healthy Kids Programme, we increased the programme's scale to conduct physical fitness camps for over 150,000 children across every province, encouraging them to be more physically active. This was done in collaboration with the Ministry of Education.

Your Company continued to invest in Sri Lanka. In 2016, we invested LKR 500 million in a new state-of-the-art UHT milk plant at our factory. We also continued our investments in the rural economy, and our contribution to the local dairy and coconut industries for procuring fresh milk and coconut from over 25,000 farmers came to over Rs. 6 billion.

Investments in training and skill development of our people were also stepped-up.

The numerous recognitions and awards we received in 2016, for the Company's financial performance and contribution to the economy, makes us proud of our achievements.

We are only as strong as our people and I would like to extend my heartfelt thanks and indeed, pride, to all our employees for their strength and determined performance. Despite the many challenges, their commitment has been unwavering.

On behalf of our Board of Directors, I would also like to thank you, our dear shareholders, for your loyalty and trust. I also thank our consumers, distribution partners, and suppliers for their support and contribution.

We remain committed to strengthen the foundations for future growth for the continued success of your Company. We will confidently face the challenges that 2017 has in store for us, as we continue to enhance the quality of life and contribute to a healthier future for Sri Lankans.



Shivani Hegde
Managing Director
NESTLÉ LANKA PLC

21 February 2017

හිතවත් කොටස් හිමිකරුවනි,

සැකසීමේ වෙනස්වන වෙළෙඳපොළ මෙන්ම සැලකිය යුතු අවිනිශ්චිත ස්වභාවයන් නිසා 2016 තවත් අභියෝගාත්මක වසරක් විය. කෙසේ වුවද එම අභියෝගාත්මක ව්‍යාපාරික වාතාවරණය නොතකා අපට අප ව්‍යාපාරය මෙන්ම, බොහෝ අංශවල වෙළෙඳපොළ කොටස්ද වර්ධනය කර ගැනීමට හැකිවූ බව සඳහන් කරන්නේ මහත් සතුටකින් මෙන්ම අනිමානයකින් යුතුවය. අප සේවකයින්ගේ නොපසුබස්නා අධීක්ෂකය, නිෂ්පාදනවල ගුණාත්මකභාවය සහ පාරිභෝගිකයන්ගේ ස්ථීර විශ්වාසය ආදියට ස්තූතිවන්තව අපට අපගේ ප්‍රමුඛ නිෂ්පාදන ශක්තිමත් සහ සුරක්ෂිත කරගනිමින් ස්ථාවරව වෙළෙඳපොළ තුළ රැඳී සිටීමේ අවකාශය ලැබීම.

පෝෂණය, සෞඛ්‍යය සහ යහගුණය පිළිබඳ ප්‍රමුඛයා වන ඔබේ සමාගම, විශිෂ්ට රසයක් සහ පෝෂණයක් ලබාදීම සඳහා නිරන්තරයෙන් නව නිෂ්පාදනයන් හඳුන්වා දෙමින් සහ පවතින නිෂ්පාදන ප්‍රකෘතිමත් කරමින් අඛණ්ඩව පාරිභෝගික විශ්වාසය දිනාගැනීමට සමත්ව සිටී. දේශීය බහුජාතික සමාගමක් ලෙස අප පාරිභෝගිකයින්ගේ රස සහ පෝෂණීය අවශ්‍යතා සපුරාලීම සඳහා ගෝලීය පර්යේෂණ හා සංවර්ධන වෙසෙසියාවන් සමග දේශීය දැනුම එකට එක් කිරීමට අප පියවර ගෙන තිබේ. දේශීය ආහාරවල ඇතැම් පෝෂණ උණනා හඳුනාගෙන අපි අපේ නිෂ්පාදන, අදාල අයුරින් අත්‍යවශ්‍ය පෝෂකවලින් සවිමත් කල අතර 2016 වසරේදී ක්ෂුද්‍ර පෝෂකවලින් සවිමත් කරන ලද ආහාර හා පාන පිරිහැමුම් මිලියන 500 කට අධික සංඛ්‍යාවක් බෙදා හැරීමට කටයුතු කළෙමු.

දේශීය වශයෙන් සපයාගනු ලබන නැවුම් කිරිවල යහගුණය සපිරි හෙස්ප්‍රේනි ජනප්‍රිය කිරි නිෂ්පාදනයක් වන හෙස්ප්‍රේ එවිර්බේ, විශේෂ යකඩ මුසුවකින් සහ අනෙකුත් ක්ෂුද්‍රපෝෂකවලින් සවිමත් කොට පාරිභෝගිකයන්ට ඉහළ පෝෂණ අගයක් ලබාදීම සඳහා ප්‍රකෘතිමත් කොට තිබේ. එසේම පාසල් වයසේ ළමුන්ගේ පෝෂණ අවශ්‍යතා සපුරාලීම සඳහා සැලසුම්කළ අධි කැල්සියම් සහිත කිරි පානයක් වන හෙස්ප්‍රේ ෆෝට්ග්‍රෝ ද හඳුන්වා දෙන ලදී.

ක්ෂුද්‍ර පෝෂක උපාංගවල දුරු කිරීම සඳහා අප රට දරන උත්සාහයට උර දීමක් ලෙස අප මැගී නුඬිල්ස් නිෂ්පාදන පෙළද විළවල හා කුළුබඩු ආදී ජනප්‍රිය 'ගෙදර අමුද්‍රව්‍ය' මුසු කොට විටමින් ඒ සහ කැල්සියම්වලින් සවිමත් කොට තිබේ. තරුණ පරපුරට වැඩි කුළුබඩු රසයකින් සහ දිව පිහවන රසයෙන් යුත් මැගී දැයියා එකක් රස මුසුකළ නුඬිල්ස් හඳුන්වා දෙමින්, මැගී නිෂ්පාදන පෙළ තව දුරටත් ශක්තිමත් කිරීමටද අපි පියවර ගත්තෙමු.

මෝල්ටි මුසු කළ බාර්ලි, යකඩ, බී විටමින් සහ කැල්සියම්වල යහගුණ සපිරි මයිලෝ, ප්‍රශස්ත ශක්තියක් මුදහැරීම සඳහා විවිධ පෝෂණවලින් සමන්විත අද්විතීය සංයෝගයකින් වැඩි දියුණු කොට ඇත. එසේම ශ්‍රී ලංකාවේ කෝපි වලට ප්‍රිය පාරිභෝගිකයින්ට සැබෑ කෝපි රසයක් අත් විඳගත හැකි වන පරිදි වැඩි කෝපි රසයක් හා සුවඳක් අඩංගු නව වට්ටෝරුවකින් අප හෙස්කැෆේ හී ඉන් වන් කෝපි මුසුව ප්‍රකෘතිමත් කොට තිබේ.

එසේම වැඩිදියුණු කළ විශිෂ්ට තාක්ෂණයකින් යුත් හෙස්ලේ කුල්ප්‍රෝ ශීත කළ පාන යන්ත්‍රය, අප ශ්‍රී ලංකාවට ප්‍රථම වතාවට හඳුන්වා දෙන ලදී. මෙම විප්ලවීය යන්ත්‍රය විශේෂයෙන්ම සැලසුම් කරන ලද්දේ නිවෙසින් බැහැර අවන්හල්, හෝටල් සහ ආහාර අලෙවි සැල් දමයන් සඳහාය. එහි අරමුණ වන්නේ අඹ, පීචි සහ කිරි අඩංගු ප්‍රතික රස සංයෝගයකින් යුත් හෙස්ලේ ස්පෝරා වැනි ශීත කළ පාන වර්ග පාරිභෝගිකයින්ට ක්ෂණිකව සහ ඉතා පහසුවෙන් ලබාගැනීමේ අවකාශය උදකරලීමයි.

ලොව පුරා 150 වෙනි සංවත්සරය සහ ශ්‍රී ලංකාවේ 110 වෙනි සංවත්සරය සැමරීම සඳහා ඔබේ සමාගම ඉතා වටිනා ප්‍රජා නවෝත්පාදන කීපයක් දියත් කරමින් ශ්‍රී ලාංකික ජනතාවගේ ජීවන තත්ත්වය ඉහළ නැංවීමේදී නිරත විය.

එසේම කිරි ගොවීන් 3,000 ක් සඳහා 'කිරි ගොවි දිරය' පුහුණු හා සංවර්ධන වැඩසටහන් 150ක් පවත්වන ලද අතර, ඒ අතරින් ගොවීන් 150 දෙනෙකු සඳහා ඔවුන්ගේ ව්‍යාපාර වැඩිදියුණු කරගැනීමට උපකාර කිරීමේ අරමුණින් කිරි දෙවීමට අවශ්‍ය උපකරණද බෙදා දෙන ලදී. අප දිනපතා එකට කටයුතු කරන ගොවීන් සඳහා මෙම වැඩ සටහන ධනාත්මකව බලපෑවේය. එසේම එමඟින් දේශීය කිරි කර්මාන්තය ශක්තිමත් කිරීමේ අපගේ උත්සාහය සවිබල ගැන්වුණ අතර එහි සමෘද්ධිය සඳහාද දායකත්වය ලබා දුන්නෙමු.

2016 වසර, අප අපගේ පොල් ගොවීන් සමග සෘජුවම සම්බන්ධ වූ ප්‍රථම අවස්ථාවයි. සාම්ප්‍රදායික ගොවන පොල් වගා කරන ප්‍රදේශවල පොල් වගාව දිරිමත් කිරීම සඳහා අපි අක්කර 150ක භූමි ප්‍රදේශයක් පුරා පොල් වගාවේ නිරත පවුල් 2,000 ක් වෙනුවෙන් පොල් පැළ 10,000 ක් ප්‍රදානය කළෙමු. තවද, පොල් වගාවේ නිසි ක්‍රමවේද සහ උසස් ප්‍රමිතිය සඳහා ආදර්ශයක් සැපයීමේ අරමුණින් ආසන්න වශයෙන් පොල් පැළ 200 කින් යුතු ආදර්ශ ගොවිපළ දෙකක් හිකවැරටිය සහ

කැබිනිගොල්ලුව යන ප්‍රදේශවල ඉදි කිරීමට අපි ශ්‍රී ලංකා පොල් වගා කිරීමේ මණ්ඩලය සමඟ සැලසුම් කළෙමු.

ජනතාව සෞඛ්‍ය සම්පන්න සහ ක්‍රියාශීලී දිවි පෙවෙතකට යොමුකිරීම සඳහා අප දරනු ලබන ප්‍රයත්නයන් වැඩි දියුණු කිරීමටද අප කටයුතු යොදා තිබේ. අපි දිවයින පුරා නගර 150 ක් තුළ යහගුණ ප්‍රවර්ධන වැඩසටහනක් දියත් කල අතර, අතිගරු ජනාධිපති මෙහිත්‍රිපාල සිරිසේන මැතිතුමන් ඇතුළු පාරිභෝගිකයින් දහස් ගණනක් සහ ප්‍රමුඛ පෙළේ සහයෝගිතාකරුවන් ක්‍රියාශීලී ජීවන රටාවක් වෙනුවෙන් යහගුණ ප්‍රතිඥාව අත්සන් කළේය. ඊට අමතරව අපි නගර හා ගම්මානවල පෝෂණ උපදේශක මධ්‍යස්ථාන පවැත් වූ අතර ඒ සඳහා සහභාගි වූ සුදුසුකම් ලත් පෝෂණවේදීන්, පාරිභෝගිකයන් 15,000 කට අධික පිරිසක් සඳහා නොමිලේ සෞඛ්‍ය හා පෝෂණ උපදෙස් ලබා දුනි. තවද, අපි අපගේ නෙස්ලේ හෙල්දි කිඩ්ස් වැඩසටහන තරහා සිසුන් 2,500 කට යන පෝෂණය සහ සෞඛ්‍යසම්පන්න ජීවන රටාවක් පිළිබඳ දැනුමක් ලබා දුන් අතර, ඊට අමතරව ඔවුන්ට වඩාත් ශාරීරික වශයෙන් ක්‍රියාශීලී වීමට දිරිගැන්වීම සඳහා සෑම පළාතකම සිසුන් 150,000 ක් සඳහා ශාරීරික යෝග්‍යතා කඳවුරු පවත්වමින් වීම වැඩසටහන තව දුරටත් ව්‍යාප්ත කළෙමු. මෙය සිදු කළේ අධ්‍යාපන අමාත්‍යාංශය සමඟ ඒකාබද්ධවය.

ඔබේ සමාගම, ශ්‍රී ලංකාව තුළ අඛණ්ඩව ආයෝජනයන් සිදු කර ඇත. 2016 වසරේ අප කර්මාන්ත ශාලාව තුළ අතිනවීන තාක්ෂණයෙන් යුත් UHT කිරි නිපැයුම් සංකීර්ණයක් ස්ථාපිත කිරීම සඳහා රුපියල් මිලියන 500 ක ආයෝජනයක් සිදු කරන ලදී. ග්‍රාමීය ආර්ථිකය වෙනුවෙන්ද අප අඛණ්ඩව ආයෝජනයන් සිදු කළ අතර 25,000 කට අධික ගොවීන්ගෙන් නැවුම් කිරි සහ පොල් ලබාගැනීම තුලින් දේශීය කිරි හා පොල් කර්මාන්ත සඳහා දැක්වූ දයකත්වය රුපියල් බිලියන 6කට අධික විය. අප සේවකයන්ගේ පුහුණු සහ කුසලතා සංවර්ධනය සඳහා දෙනු ලබන ආයෝජනයන්ද ඉහළ නංවා තිබේ.

සමාගමේ මූල්‍ය කාර්යක්ෂමතාව සහ ආර්ථිකයට දක්වන ලද දයකත්වය වෙනුවෙන් 2016 වසරේ විවිධ ඇගයීම් සහ සම්මාන වලට පාත්‍ර වීම අපට මනස් අභිමානයකි.

අපගේ ශක්තිය, අපගේ සේවකයන්ගේ ශක්තියයි. නිරතුරුවම අපට ශක්තියක් වූ සියලු සේවකයන්ට, ඔවුන් දක්වන ලද කැපවීම වෙනුවෙන් මේ මොහොතේ මම හඳුවනිම ස්තූතිවන්ත වන්නෙමි. බොහෝ අභියෝග හමුවේ ඔවුන්ගේ කැපවීම නොසැලී තිබිණ.

අප වෙත දක්වන ලද පක්ෂපාතිත්වය සහ විශ්වාසය වෙනුවෙන් අප අධ්‍යක්ෂ මණ්ඩලය වෙනුවෙන් අපේ පාර්ශ්වකරුවන්ටද මේ මොහොතේ මාගේ ස්තූතිය පුද කරමි. එසේම දක්වන ලද සහාය සහ දයකත්වය වෙනුවෙන් අප පාරිභෝගිකයින්ට, බෙදාහැරීමේ පාර්ශ්වකරුවන්ට සහ සැපයුම්කරුවන්ටද ස්තූතිවන්ත වෙමි.

අපේ සමාගමේ අඛණ්ඩ සාර්ථකත්වය වෙනුවෙන් අනාගත වර්ධනය සඳහා පදනම ශක්තිමත් කිරීමට අපි කැපවීමෙන් කටයුතු කරන්නෙමු. 2017 වසරේදීද ආත්ම විශ්වාසයෙන් යුතුව සියලු අභියෝගයන්ට මුහුණ දීමට අප සූදානම් අතර, ගුණාත්මක ජීවන රටාවක් වැඩි දියුණු කරමින් ශ්‍රී ලාංකිකයින්ට සෞඛ්‍ය සම්පන්න අනාගතයක් උදා කිරීම සඳහා අපගේ දයකත්වය සපයන්නෙමු.

Shuvani Hegde

ශිවානි හෙග්ඩේ

කළමනාකාර අධ්‍යක්ෂිකා

නෙස්ලේ ලංකා පිව්ල්සි

21 පෙබරවාරි 2017

அன்பிற்குரிய பங்குதாரர்களே,

2016 ஆம் ஆண்டானது, தளம்பல் மிகு சந்தை நிலைமைகள் மற்றும் குறிப்பிடத்தக்க ஏற்றத்தாழ்வு நிறைந்த சூழ்நிலைகளுடன் மறுமொரு சவால்மிக்க ஆண்டாகவே அமையப்பெற்றது. எவ்வாறாயினும், சவால்மிக்க வியாபார நிலைகளுக்கு மத்தியிலும், எமது வியாபாரத்தையும், அனேகமான உற்பத்திப் பிரிவுகளில் சந்தைப்பங்கினையும் வளர்ச்சி பெறச் செய்ய எம்மால் முடிந்துள்ளது என்பதை மகிழ்ச்சியுடனும், பெருமையுடனும் குறிப்பிட விரும்புகின்றேன். எமது அலுவலர்களின் திண்ணிய மனத்திடம், எமது உற்பத்திகளின் தரம், தகைமை, மற்றும் நுகர்வோர் எம் மீது கொண்டுள்ள திடமான நம்பிக்கை ஆகியனவே அதனை அடைந்துகொள்வதற்கான பிரதான உந்துசக்திகளாக அமைந்துள்ளதுடன், முன்னிலை வகிக்கும் எமது வர்த்தகநாமங்களை, சந்தையில் தொடர்ச்சியாகவும் வலிமைமிக்கவையாக மாற்றியமைத்து, அவற்றின் உறுதியான நிலையமைப்பையும் பேணிப் பாதுகாப்பதில் வெற்றி கண்டுள்ளோம்.

ஊட்டச்சத்து, ஆரோக்கியம் மற்றும் நலன் ஆகியவற்றில் முன்னிலை வகிக்கும் ஒரு நிறுவனம் என்ற வகையில், மகத்தான சுவை மற்றும் முழுமையான ஊட்டச்சத்து உள்ளடக்கத்தை வழங்குவதற்காக, எமது உற்பத்திகளை தொடர்ந்தும் புத்தாக்கப்படுத்தி, புதுப்பித்து, நுகர்வோரின் நம்பிக்கையை எமது நிறுவனம் பேணிப் பாதுகாத்துள்ளது. ஒரு உள்நாட்டு பல்தேசிய நிறுவனம் என்ற வகையில், சர்வதேச ஆராய்ச்சி மற்றும் அபிவிருத்தி தொடர்பான அனுபவம் மற்றும் உள்நாட்டில் நுகர்வோருக்கு சுவைகள் மற்றும் ஊட்டச்சத்து தேவைகளை சிறப்பாக ஈடுசெய்வதற்குத் தேவையான உள்நாட்டு அறிவு ஆகியவற்றின் சிறந்த இணைப்பை நாம் கொண்டுள்ளோம். உள்நாட்டு உணவுப்பழக்கவழக்கங்களில் குறிப்பிட்ட சில ஊட்டச்சத்துக்களின் குறைபாடுகளை இனங்கண்டு, பொருத்தமான வழிகளில் அத்தியாவசியமான ஊட்டச்சத்துக்களின் செழுமை நிரம்பியதாக எமது உற்பத்திகளை மாற்றியமைத்துள்ளதுடன், 2016 ஆம் ஆண்டில், 500 மில்லியனுக்கும் மேற்பட்ட, நுண்ணீட்டச்சத்து செழுமை நிரம்பிய உணவு மற்றும் பான வகை உற்பத்திகளை விறியோகித்துள்ளோம்.

உள்நாட்டிலிருந்து பெறப்படுகின்ற, நலச்செழுமைமிக்க பாலை உபயோகித்து தயாரிக்கப்படுகின்ற Nespray, நுகர்வோருக்கு அதிக ஊட்டச்சத்துப் பெறுமானத்தை வழங்கும் நோக்குடன், இரும்புச்சத்து மற்றும் ஏனைய முக்கியமான நுண்ணீட்டச்சத்துக்களின் செழுமை நிரம்பிய ஒரு விசேட கலவையாக, Nespray Everyday என்ற பாலை மூலமாகக் கொண்ட தனது பிரபலமான உற்பத்தியைப் புதுப்பித்துள்ளது. பாடசாலை செல்லும் வயதுடைய சிறுவர்களின் ஊட்டச்சத்து தேவைகளுக்கு உதவுவதற்காக, அதிக கல்சியம் கொண்ட ஒரு பால் உற்பத்திப் பானமான Nespray FortiGrow இணையும் அது அறிமுகப்படுத்தியுள்ளது.

நுண்ணீட்டச்சத்து குறைபாடுகளைத் தீர்த்துவைப்பதில் நாடு முன்னெடுத்துவருகின்ற முயற்சிகளுக்கு உதவும் வகையில், விட்டமின் A மற்றும் கல்சியம் ஆகியவற்றின் செழுமை நிரம்பிய, மரக்கறி

வகை மற்றும் வாசனைத்திரவியங்கள் போன்ற பிரபலமான 'விட்டு உட்சேர்க்கைப்பொருட்களின்' செழுமையுடன் எமது Maggi நாடிஸ்ஸ் உற்பத்தி வரிசை மேம்படுத்தப்பட்டுள்ளது. இளம் தலைமுறையினருக்காக, காரமான மற்றும் அற்புதமான கோழி இறைச்சி சுவை சேர்க்கப்பட்ட Maggi Daiya நாடிஸ்ஸை அறிமுகப்படுத்தி, எமது Maggi உற்பத்தி வரிசை மேலும் வலுப்படுத்தப்பட்டுள்ளது. இந்த உற்பத்தியானது கல்சியத்தின் செழுமை நிரம்பியதுடன், அதில் அடங்கியுள்ள அதிக வாசனைத்திரவியங்கள் அதன் மகத்தான சுவைக்கு பங்களிப்புச் செய்கின்றன.

மோல்ற்று ஆக்கப்பட்ட பார்லி, இரும்புச்சத்து, B விட்டமின்கள் மற்றும் கல்சியம் ஆகியவற்றின் செழுமை நிரம்பிய Milo பவுடர், அதியுச்ச அளவில் சக்தியைத் தருவதற்கு இடமளிக்கும் வகையில், பல்வேறுபட்ட ஊட்டச்சத்துக்களின் தனித்துவமான ஒரு இணைப்பாக மேம்படுத்தப்பட்டுள்ளது. இலங்கையிலுள்ள கோப்பி பிரியர்கள் எந்நேரமும் அசல் கோப்பியை அனுபவித்து மகிழ்வதற்கு இடமளிக்கும் வகையில், புதிய தயாரிப்பு முறையுடன், அதிகமான கோப்பி மற்றும் உயர்ந்த நறுமணம் ஆகியவற்றை வழங்கும் எமது Nescafé 3 in 1 coffee mix உற்பத்தியை நாம் புதுப்பித்துள்ளோம்.

அதிநவீன திறன் தொழில்நுட்பத்துடன் தயாரிக்கப்பட்ட, இலங்கையின் முதலாவது தனியுரிமை குளிர் பான வகை வழங்கல் இயந்திரமான Nestlé Coolpro இணையும் நாம் அறிமுகப்படுத்தியுள்ளோம். உணவகங்கள், ஹோட்டல்கள் மற்றும் உணவு மையங்கள் போன்ற வீட்டுக்கு வெளியிலான சந்தைக்கென, புரட்சிகரமான இந்த இயந்திரம், விசேடமாக வடிவமைக்கப்பட்டுள்ளது. மாம்பழம், குழிப்பேரி மற்றும் பால் ஆகியவற்றின் அற்புதமான சுவையிணைப்பை விரைவாகவும், சௌகரியத்துடனும் வழங்கும் Nestlé Sjora போன்ற குளிர் பான வகைகளை வாடிக்கையாளர்களுக்கு வழங்க உதவுவதே இதன் நோக்கமாகும்.

உலகளாவில் 150 ஆண்டு நிறைவையும், இலங்கையில் 110 ஆண்டு நிறைவையும் கொண்டாடும் வகையில், இலங்கை மக்களின் வாழ்க்கைத் தரத்தை மேம்படுத்த, நற்பயன்மிக்க சமூக மட்டத்திலான முன்னெடுப்புக்களை எமது நிறுவனம் தொடர்ந்தும் மேற்கொண்டு வந்துள்ளது.

'Kiri Govi Diriya' (பாற்பண்ணையாளர்களை முன்னேற்றுதல்) என்ற செயற்திட்டத்தை ஆரம்பித்த நாம், 3,000 பாற்பண்ணையாளர்களுக்கு, 150 பயிற்சி மற்றும் மேம்பாட்டு நிகழ்ச்சித்திட்டங்களை நடாத்தியதுடன், அவர்களில் 150 பேருக்கு, தமது வியாபாரத்தை அபிவிருத்தி செய்ய உதவுவதற்காக, பால் கற்ப்பதற்குத் தேவையான அத்தியாவசியமான உபகரணங்களையும் வழங்கியுள்ளோம். எம்முடன் அன்றாடம் இணைந்து தொழிற்படுகின்ற பாற்பண்ணையாளர்களின் வாழ்வில் இச்செயற்திட்டம் நற்பயனை விளைவித்துள்ளதுடன், உள்நாட்டு பாலுற்பத்தித்

தொழிற்சூழையை அபிவிருத்தி செய்யும் எமது முயற்சிகளை பலப்படுத்தி, அதன் சுபீட்சத்திற்கு பங்களிப்பாற்றியுள்ளது.

2016 ஆம் ஆண்டில் நாம் முதற்தடவையாக எமது தெங்குப் பண்ணையாளர்களுடன் நேரடி தொடர்புகளை ஏற்படுத்தியுள்ளோம். பாரம்பரியமாக தெங்குச் செய்கை நடைபெறாத பிரதேசங்களில் பயிர்ச்செய்கையை ஊக்குவிப்பதற்காக, தென்னந்தோட்ட செய்கையில் ஈடுபட்டுள்ள 2,000 குடும்பங்களுக்கு 150 ஏக்கர் நிலப்பரப்பில் 10,000 தென்னங்கன்றுகளை நன்கொடையாக வழங்கியுள்ளோம். தென்னம் தோட்ட செய்கை தொடர்பான மிகச் சிறந்த நடைமுறைகள் மற்றும் உயர் தரத்திலான தென்னம் தோட்ட செய்கை தர நடைமுறைகள் ஆகியவற்றின் தர ஒப்பீடாக நிக்கரவெட்டிய மற்றும் கெபித்திக்கொல்லாவ ஆகிய இடங்களிலுள்ள இரு மாதிரிப் பண்ணைகளில் கிட்டத்தட்ட 200 தென்னங்கன்றுகளை நாட்டி, 'மாதிரிப் பண்ணை' என்ற எண்ணக்கருவையும் நாம் அறிமுகப்படுத்தியுள்ளோம். இலங்கை தெங்கு அபிவிருத்திச் சபையுடன் இணைந்து இச்செயற்திட்டம் முன்னெடுக்கப்பட்டுள்ளது.

மக்கள் ஆரோக்கியமான மற்றும் உடற்பயிற்சி நிறைந்த வாழ்க்கைமுறையை முன்னெடுப்பதை வழிநடாத்தும் எமது தற்போதைய முயற்சிகளையும் நாம் தீவிரப்படுத்தியுள்ளோம். நாடெங்கிலும் 150 நகரங்களில் உடல் நலன் சார்ந்த பிரச்சாரத்தை நாம் முன்னெடுத்துள்ளதன், மேன்மைதங்கிய ஜனாதிபதி மைத்திரிபால சிறிசேன உட்பட, ஆயிரக்கணக்கான நுகர்வோர் மற்றும் சம்பந்தப்பட்ட முக்கிய தரப்பினர் அவற்றில் பங்குபற்றி, உடல் நலன் தொடர்பான உறுதிமொழியில் கைச்சாத்திட்டு, உடற்பயிற்சி மிக்க வாழ்க்கைமுறையை முன்னெடுப்போம் என உறுதிமொழி புண்ணுள்ளனர். மேலும், நாடெங்கிலும் நகரங்கள் மற்றும் கிராமங்களில் ஊட்டச்சத்து ஆலோசனை மையங்களை நாம் ஏற்பாடு செய்திருந்ததுடன், அங்கு தகைமை பெற்ற உணவு ஆலோசனை நிபுணர்கள் மற்றும் ஊட்டச்சத்து வல்லுனர்களால் 15,000 இற்கும் மேற்பட்ட நுகர்வோருக்கு ஆரோக்கியம் மற்றும் உணவுப்பழக்கவழக்கம் தொடர்பில் இலவச ஆலோசனை வழங்கப்பட்டது. எமது, நெஸ்லே ஆரோக்கிய குழந்தைகள் செயற்திட்டத்தின் மூலமாக, சிறந்த ஊட்டச்சத்து மற்றும் ஆரோக்கியமான வாழ்க்கை முறை தொடர்பில் 2,500 சிறுவர்களுக்கு அறிவுட்டப்பட்டதுடன், அனைத்து மாகாணங்களிலும் உள்ள சிறுவர்கள் உடற்பயிற்சி நிறைந்த வாழ்க்கை முறையை முன்னெடுப்பதை ஊக்குவிக்கும் வகையில், 150,000 இற்கும் மேற்பட்ட சிறுவர்களுக்கு உடற்பயிற்சி முகாம்களையும் ஏற்பாடு செய்யும் வகையில், இந்த செயற்திட்டத்தை விஸ்தரித்துள்ளோம். கல்வியமைச்சுடன் இணைந்து இச்செயற்திட்டம் முன்னெடுக்கப்பட்டுள்ளது.

எமது நிறுவனம், இலங்கையில் தொடர்ந்தும் முதலீடுகளை மேற்கொண்டு வருகின்றது. 2016 ஆம் ஆண்டில், எமது தொழிற்சாலையில் ஒரு புதிய, நவீன UHT பால் ஆலையை நிறுவுவதற்கு நாம் 500 மில்லியன் ரூபா தொகையை முதலீடு செய்துள்ளோம். கிராமியப் பொருளாதாரத்தின் மீதான எமது முதலீடுகளையும் நாம் தொடர்ந்தும் முன்னெடுத்து வருகின்றோம்.

25,000 இற்கும் மேற்பட்ட பண்ணையாளர்களிடமிருந்து, புத்தம்புதிய பால் மற்றும் தேங்காய் ஆகியவற்றைக் கொள்வனவு செய்து, உள்நாட்டு பாவுற்பத்தி மற்றும் தேங்காய் உற்பத்தித் தொழிற்சாலைகளுக்கு ரூபா 6 பில்லியனுக்கும் மேற்பட்ட தொகையை நாம் பங்களிப்புச் செய்துள்ளோம். எமது பணியாளர்களுக்கான பயிற்சி மற்றும் திறன் அபிவிருத்தி மீதான முதலீடுகளும் அதிகரிக்கப்பட்டுள்ளன.

2016 ஆம் ஆண்டில் நிறுவனத்தின் நிதியியல் பெறுபேறுகள் மற்றும் பொருளாதாரத்தின் மீதான பங்களிப்பு ஆகியவற்றிற்காக நாம் பல்வேறு இனங்காணல் அங்கீகாரங்கள் மற்றும் விருதுகளைப் பெற்றுள்ளதுடன், எமது சாதனைகளையிட்டு பெருமையடைகின்றோம்.

எமது அலுவலர்களே எமது பலமாக உள்ளதுடன், அவர்களது வலிமையான மற்றும் அர்ப்பணிப்பு மிக்க பெறுபேறுகளுக்காக நான் எனது மனப்பூர்வமான நன்றிகளைத் தெரிவிக்க விரும்புவதுடன், அவர்களையிட்டு பெருமையடைகின்றேன். பல்வேறு சவால்களுக்கு மத்தியிலும், அவர்கள் ஓயாத உழைப்பையும், அர்ப்பணிப்பையும் வெளிப்படுத்தியுள்ளனர்.

எம்மீது நம்பிக்கையும், விசுவாசமும் கொண்டுள்ள எமது அன்பிற்குரிய பங்குதாரர்களுக்கு, எமது பணிப்பாளர் சபையின் சார்பில் நன்றிகளைத் தெரிவித்துக்கொள்ள விரும்புகின்றேன். எமது நுகர்வோர், விநியோக பங்காளர்கள் மற்றும் வழங்குனர்கள் காண்பித்த ஆதரவு மற்றும் பங்களிப்பிற்காக அவர்களுக்கும் நன்றிகளைத் தெரிவித்துக்கொள்கின்றேன்.

எமது நிறுவனம் தொடர்ந்தும் வெற்றிகரமாக இயங்குவதற்கு, எதிர்கால வளர்ச்சிக்கான அத்திவாரங்களை வலுப்படுத்துவதில் நாம் தொடர்ந்தும் அர்ப்பணிப்புடன் உள்ளோம். 2017 ஆம் ஆண்டில் காத்திருக்கும் சவால்களுக்கு நாம் நம்பிக்கையுடன் முகங்கொடுப்பதுடன், இலங்கை மக்களின் ஆரோக்கியமான எதிர்காலத்திற்கு பங்களிக்கும் வகையில் அவர்களின் வாழ்க்கைத்தரத்தை தொடர்ந்தும் மேம்படுத்துவோம்.

Shuvani Hegde

ஷிவானி ஹெக்டே
முகாமைத்துவப் பணிப்பாளர்
நெஸ்லே லங்கா பிஸ்சி

21 பெப்ரவரி 2017



*Supporting
Dairy
Development*

Enhancing the Quality of Life of our Local Dairy Farmers

The overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic for the long term success of our business. In accordance with our purpose of enhancing the quality of life of the people of Sri Lanka, our approach to rural development aims at ensuring thriving farmers and thriving communities and making a positive difference in peoples' lives through employment and economic development.

We are Sri Lanka's largest private sector collector of fresh milk, collecting 58 million litres in 2016, from 21,000 farmers. We have been working closely with the government authorities since the 1980's and have contributed to the local dairy industry in support of Sri Lanka's vision of achieving self-sufficiency in dairy.





We work to not only increase the supply and quality of milk in the country but also provide local farmers a livelihood that is profitable and sustainable. We currently offer our farmers regular training and development programmes on a range of technical topics and best practices, including cattle feeding and breeding and animal health and farm management. In addition to donating vital equipment and medicine, we also provide financial assistance to develop dairy farms and promote artificial insemination for breeding high-yield cows, and facilitate mobile veterinary clinics, together with the government.



Investing in Dairy Infrastructure

We have 1,700 milk collection sources and approximately 90 milk chilling centres located across the country. Our milk collection points have been set up in strategic areas to provide our farmers with easy access to sell us their milk. Our milk chilling centres help us keep our milk fresh at a temperature of 4 °C. Each Nestlé chilling centre is equipped with testing equipment, and farmers are paid for the quality of milk they provide – the higher the quality, the higher the price they receive.

In our efforts to increase the supply and quality of milk of our farmers in the North, and provide them a livelihood that is sustainable, we opened two new chilling centres in Vaddakkachchi and Urumpirai in 2016. This further expanded our milk procurement network in the Northern Region.





Empowering the North and East

Our determined efforts to train farmers and help them produce more milk of better quality has had an especially positive impact on the North and East, contributing to the economic prosperity of these areas. When the civil conflict ended in 2009, we were the first to begin large scale development of the dairy industry in the North and East provinces and we're proud to say that we help many farmers in these regions today.

Kiri Govi Diriya Programme

In celebration of our 150th anniversary worldwide and 110 years locally, we launched our 'Kiri Govi Diriya' Programme in 2016, to empower our dairy farmers and help them produce more milk of higher quality. The dairy farmer development programme was the first of a number of public commitments we made to the local community to commemorate our anniversaries. Launched at a special event in Anuradhapura together with the Minister of Rural Economic Affairs, Honourable P. Harrison, 'Kiri Govi Diriya' committed to 150 intensive and comprehensive training and development programmes on modern technologies and best practices for 3,000 of our best dairy farmers. We also provided 150 farmers with essential equipment to further develop their farms.

Developing Sri Lanka's dairy industry has always been close to our hearts. We believe the work we do positively impacts the farmers we work with daily, thereby further strengthening the local dairy industry, contributing to its prosperity, and ultimately, enhancing our farmers' quality of life.



A man with dark hair, wearing a striped shirt and grey trousers, is kneeling and milking a large brown cow. He is smiling and looking down at the cow. A metal bucket is on the ground, and a stream of milk is visible falling into it. The background shows green foliage.

"I have continuously supplied milk to Nestlé for over 15 years. The Company has been providing me with financial aid and technical expertise over the years to help increase my pasture. I thank Nestlé with all my heart for continuously supporting me to develop my farm."

Wijenama Rathnayake
Dairy Farmer
Kuliyapitiya



Suresh Narayanan

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

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

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

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

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



Shivani Hegde

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

She commenced her career at Nestlé India as a Management Trainee in 1986 and has served various positions in Marketing, Sales and Nestlé Professional (Nestlé's Out-Of-Home F&B solutions arm). She has also served as the Head of Human Resources, in her 30 years' experience with the Company.

Shivani undertook the role of Managing Director at Nestlé Lanka PLC following her last appointment as the Executive Vice President of the Foods business for the South 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.

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



Jagdish Kumar Singla

is the Director - 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 the 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.



Shobinder Duggal

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

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



Mahen Dayananda

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

An expert on economic issues, Mahen Dayananda is the former Chairman of the Sri Lanka Business Development Centre, Ceylon Chamber of Commerce, Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, and Colombo Tea Traders' Association for a period of 4 years. He also chairs several organisations such as Total Tea Concepts (Pvt) Ltd and Indo Asia Teas (Pvt) Ltd.

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



Ranjan Seevaratnam

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

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

Management Committee at a Coconut Estate

Standing:

Mrinalini Mankotia – Business Executive Officer - Nestlé Nutrition
 Norman Kannangara – VP Beverages
 Enoca Sirimanne – VP Human Resources
 José Roldán – VP Supply Chain
 Deepal Abeywickrema – VP Sales
 Ruwan Welikala – VP Ambient Dairy
 Shivani Hegde – Managing Director
 Jagdish-Kumar Singla – VP Finance & Control
 Radhini DeCosta – AVP Marketing Services
 Rohit Mittal – VP Technical
 Kumudu Dias – Head of Management Accounting

Kneeling:

Priyadarshinie Karunaratne – VP Food
 Bandula Egodage – VP Corporate Affairs and Communications
 Roshan Perera – AVP Nestlé Professional





*Enhancing Lives
with Nutrition,
Health and
Wellness*

Delighting Consumers with our Products

In homes across Sri Lanka, we touch the lives of millions every day with our much loved and highly trusted food and beverages. Focused on understanding the changing lifestyles and needs of our consumers, we put emphasis on science-based innovation and renovation to develop great tasting products that provide affordable nutrition, catering to local palates and nutritional needs.





Fortified with calcium and vitamin A, and enhanced with added vegetables and real spices



Fortified with 8 vitamins and 4 minerals for optimum energy release



Fortified with 6 vitamins and 3 minerals



Fortified with iron and enhanced with real spices



Reduced sugar



Reduced sugar, and fortified with vitamins A and D



Fortified with calcium, iron, zinc, protein and essential vitamins



Fortified with vitamin A, iron and probiotics where relevant



Fortified with iron

Continuously Enhancing the Taste and Nutritional Profile of our Products

All of our products are evaluated on a regular basis and fortified with essential micronutrients and other vitamins and minerals, and supplemented with vegetables, spices and other nutritious ingredients, where relevant. We are also reducing the levels of public health sensitive nutrients – like salt, sugar, fat and saturated fat - in our products, whilst ensuring that the taste our consumers love remains unchanged.

Tastier and Healthier

We strive to ensure that our portfolio has a 60/40 win and a nutritional competitive advantage.

➔ The 60/40+ Programme

60/40+ is an internal programme we follow to ensure that our food and beverages are preferred versus competitor products, for their organoleptic properties.

➔ Nestlé Nutritional Profiling

We use criteria of the Nestlé Nutritional Profiling System (NNPS) to ensure that our products can be part of a balanced diet.

➔ Micronutrient Fortification

Nestlé is committed to helping reduce micronutrient deficiencies (iron, vitamin A, iodine and zinc) on a global scale. In Sri Lanka, local diets are deficient in iron and vitamin A. We have hence fortified our products with these micronutrients.

In 2016, we provided 515 million servings of micronutrient fortified Nestlé products to our consumers.



Nestlé Healthy Kids Programme

As a leading Nutrition, Health and Wellness Company, we are committed to help the local community lead a healthy lifestyle. We understand that, in addition to providing good food and beverages, creating awareness about nutrition is key.

The programme is part of the Education Ministry's "Poshanayai Suwadiviyai" (Nutrition for a Healthy Life) nutrition awareness campaign today, and is taught in schools as an extra-curricular subject by Ministry educationists.

As we believe that good dietary and lifestyle habits should be influenced from an early age, we launched the Nestlé Healthy Kids Programme globally in 2010 to help educate school-aged children on nutrition and health.

Consisting of six comprehensive modules, the programme explains about improved diets, nutritional deficiencies, food related disorders, food hygiene, and techniques to safeguard the nutritional value of food during preparation.

In Sri Lanka, to ensure that the programme was customised to local nutritional needs, we joined hands with the Ministry of Education and the University of Peradeniya to develop an interactive, modern and easy-to-understand Nutrition Awareness Programme.

Since the launch of the programme in 2010, we have been teaching an average of 2,500 school children every year about nutrition and a healthy lifestyle, in different parts of the country.



Nestlé Kids Athletics Programme

The Nestlé Healthy Kids Programme also has a physical activity component called the Nestlé Kids Athletics Programme, which was launched in 2015. It works together with the sports division of the Ministry of Education to hold athletic training and awareness building events across the country, to encourage children to be more physically active.

In 2016, to commemorate our global and local anniversaries we encouraged 150,000 children to be more physically active through the Nestlé Kids Athletics Programme. Together with the sports division of the Ministry of Education, we conducted physical fitness camps for school children in all 9 provinces to ensure the programme was rolled out island wide.

Wellness Pledge

In celebration of our 150th anniversary globally and 110 years locally, we rolled out a Wellness Campaign in 150 towns across the island, to encourage people to live an active lifestyle.

Thousands of consumers and key stakeholders, including His Excellency, President Maithripala Sirisena, participated in the high profile campaign and pledged to live an active lifestyle by signing a Wellness Pledge.

The majority of the pledges took place at key Nestlé-sponsored sport and family events across the country, to reinforce the positive messages of team spirit and physical activity.



Nestlé Choose Wellness Programme

The Nestlé Choose Wellness Nutri-Corner is an educational initiative that continues to be implemented across urban and rural areas. Trained qualified dietitians and experts provide much needed individual nutritional counselling to thousands of people around the island every year, helping them understand the importance of nutrition, and assessing their nutritional

status through BMI (Body Mass Index), blood pressure, blood sugar, waist circumference and body fat check-ups.

In 2016, we helped 15,000 consumers make informed choices about their food and beverages. These Nutri-Corners were taken to towns and villages across the country.





'Mom, Me and My Milo' Campaign: Encouraging the Habit of Breakfast

Milo, that has continually encouraged and inspired kids to grow up with sports over the years, launched its 'Mom, Me and My Milo' campaign for the second consecutive year to motivate kids to live a healthy lifestyle and promote the importance of a healthy breakfast.

Milo kicked off its campaign by hosting the country's biggest breakfast gathering where 6,000 children, together with their parents raised their Milo cups and pledged to have a healthy breakfast every day. 1,000 Milo branded cycles also took to the streets along with thousands of other participants, painting the streets of Colombo green in a mega Milo Cycle Parade, that showcased cycling as another form of physical activity.

Encouraging an Active Lifestyle through School Sports and National Marathons

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

We have been committed to developing school sports in the country for well over 20 years. We have been an energetic partner in the school sports arena, supporting different sporting events such as swimming, cricket, netball, athletics, hockey and rugby through our *Milo* brand.

The grand finalé of most of these sporting events is the Sri Lanka Schools Colours Awards (*Milo* School Colours) which honours the best sports stars in recognition of their performance. These awards are unequivocally accepted as the ultimate acknowledgement of achievement

in school sports in Sri Lanka today. All students who win a *Milo* School Colours award receive a bonus point towards their university entrance examination. Our present *Milo* brand ambassador, Angelo Mathews, was a recipient of the *Milo* School Colours for two consecutive years. Mathews went on to represent the country in cricket and is presently Captain of the national cricket team.

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



*"Nestlé is a Company
I wholeheartedly trust,
as I know I can give any
one of their products to
my family without any
fear. We are everyday
consumers of Nestomalt
and Milo and my children
are big fans of the taste."*

K. G. Pushpa Padmini
Consumer
Nugegoda



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 six Directors of whom two are Executive Directors, two are Independent Non-Executive Directors and two are 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 No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange (CSE).

The Directors' Interest / Involvement in the affairs of the Company are explained on pages 64 to 66 and the Corporate Governance Compliance Table is shown on pages 49 to 51.

Board Independence

All Directors make a formal declaration of all their interests on an annual basis. Based on the declarations made annually by each of the Non-Executive Directors, in accordance with the requirements set out in the Listing Rules of the CSE, two out of four Non-Executive Directors, namely Mahen Dayananda and Ranjan Seevaratnam are considered independent, notwithstanding that Mahen Dayananda and Ranjan Seevaratnam have completed more than Nine (09) consecutive years as Directors. The Board considers them as "Independent" having considered their unbiased approach to the matters of the Board and their indirect involvement in the management of day to day operations of the Company. Further it was noted that Mahen Dayananda and Ranjan Seevaratnam are independent of management and free from any business or other relationships which could materially interfere with the exercise of judgment, other than those that are disclosed in this report.

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

Company Secretary

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

Management Committee

The Management Committee is led by the Managing Director. The Board has entrusted certain responsibilities, including the day to day running of the business to the Management Committee. Every member of the Management Committee is responsible for operations and the delivery of objectives pertaining to his / her particular division. The Company's Management Committee can be viewed on pages 36 and 37.

Compliance Committee

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

The main objectives of the Compliance Committee are as follows;

- i. To sustain a compliance culture that enables good business decisions.
- ii. To ensure that the Company is compliant with local legislations, the Nestlé Corporate Business Principles, Code of Business Conduct, Insider Trading Policy and other Policies issued by the Nestlé Group from time to time.
- iii. To ensure independence of process in management of potential case of non-compliance reporting.
- iv. To devise a proper system to ensure compliance with the provisions of all applicable laws and internal controls and that such systems are operating effectively.
- v. To perform any other duties as directed by the Board or the Audit Committee or Management Committee.

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

Auditors

At the thirty fifth Annual General Meeting of Nestlé Lanka PLC, held on 05 May 2016, the shareholders reappointed KPMG as the Company's Auditors and authorised the Directors to fix their remuneration. The independent Auditors conducted the Annual Audit for the year ended 31 December 2016 in order to form an opinion on the Financial Statements. Their report on the Financial Statements is given on page 72.

Audit, Remuneration and Related Party Transactions Review Committee

The Audit Committee Report on page 52, the Remuneration Committee Report on page 53 and Related Party Transactions Review Committee Report on pages 54 and 55 detail the functions and responsibilities of the respective Board Sub-Committees.

Internal Controls

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

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

Risk Management

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

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

Employee Relations

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

Shareholders

Nestlé Lanka PLC aims to ensure that shareholders have access to relevant, up-to-date and consistent financial and non-financial information pertaining to the Company. The Annual Report and quarterly Financial Statements provide shareholders as well as prospective investors the required information to assess the Company's past performance and analyse its future prospects.

Disclosure Regarding the Board of Directors				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.1(a) to (c)	Non-Executive Directors	Two or at least one third of the total number of Directors should be Non-Executive Directors	Compliant	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 and two Non-Executive Directors have submitted to the Company a declaration in the prescribed format
7.10.3(a)	Disclosure relating to Directors	Determination of Independent Directors and their names should be disclosed in the Annual Report	Compliant	Please refer page 46 of the Annual Report
7.10.3(c)	Brief résumé of each Director in the Annual Report	A brief résumé of each Director should be included in the Annual Report including the area of expertise	Compliant	Please refer pages 34 and 35 of the Annual Report
7.10(b)	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	Compliant	Please refer page 46 of the Annual Report

Disclosure Regarding the Remuneration and Remuneration Committee				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.5(a)	Composition of the Remuneration Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be independent The Chairman of the Committee shall be a Non-Executive Director	Compliant Compliant	Please refer page 53 of the Annual Report
7.10.5(a)	Remuneration Committee	A Listed Company may be permitted to have the same Remuneration Committee if the Parent Company is also listed	Not applicable	The Parent Company is not listed in Sri Lanka. As such, a separate Remuneration Committee has been formed
7.10.5(b)	Disclosure of the Functions of the Remuneration Committee	The Remuneration Committee shall recommend the remuneration payable to the Board and the Executive Officers	Compliant	Please refer page 53 of the Annual Report
7.10.5(c)	Disclosure in the Annual Report	Names of the Directors comprising the Remuneration Committee A Statement of Remuneration Policy The Aggregate remuneration paid to Executive and Non-Executive Directors	Compliant Compliant Compliant	Please refer page 53 of the Annual Report Please refer page 87 of the Annual Report
Disclosure Regarding the Audit Committee				
Section	Subject	Applicable Rule	Compliance Status	Details
7.10.6(a)	Composition of the Audit Committee	Shall comprise of Non-Executive Directors, a majority of whom shall be Independent The Chairman of the Committee shall be a Non-Executive Director The Chairman or a member should be a Member of a professional accounting body	Compliant Compliant Compliant	Please refer page 52 of the Annual Report

7.10.6(a) and (c)	Audit Committee	A Listed Company may be permitted to have the same Audit Committee if the Parent Company is also listed	Not applicable	The Parent Company is not listed in Sri Lanka. As such, a separate Audit Committee has been formed
7.10.6.(b)	Functions of the Audit Committee	Should be detailed as per section 7.10.6(b) of the Listing Rules	Compliant	Please refer page 52 of the Annual Report
7.10.6.(c)	Disclosure in the Annual Report	<p>The names of the Directors comprising the Audit Committee</p> <p>The basis of determination of the Auditors' independence</p> <p>A report of the Audit Committee as per section 7.10.6(c) of the Listing Rules</p>	<p>Compliant</p> <p>Compliant</p> <p>Compliant</p>	Please refer page 52 of the Annual Report

Disclosure Regarding the Related Party Transactions Review Committee

Section	Subject	Applicable Rule	Compliance Status	Details
9	Related Party Transactions Review Committee	The Company shall have a Related Party Transactions Review Committee	Compliant	Related Party Transactions Review Committee duly appointed as per CSE Listing Rules
9.2.2	Composition of the Related Party Transactions Review Committee	<p>Shall comprise a combination of Non-Executive Directors, Independent Non-Executive Directors and Executive Directors</p> <p>The Chairman of the Committee should be an Independent Non-Executive Director</p>	<p>Compliant</p> <p>Compliant</p>	Please refer pages 54 and 55 of the Annual Report

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

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

The Company's Internal Audit presents regularly to the Committee on the progress of Internal Audits carried out during the period.

The Audit Committee's main duties include the following;

- Assisting the Board of Directors in reviewing the Financial Statements, to ensure that the Financial Reporting process is in compliance with the required standards.
- Reporting to the Board on the quality and acceptability of accounting policies and practices.
- Reviewing the Company's internal controls, risk management process and process for monitoring compliance with laws and regulations.
- Assessing the independence and 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 35 of this Annual Report displays the profiles of the members of the Audit Committee. The members have the requisite financial knowledge and business acumen to carry out their roles effectively and discuss matters that come within their purview independently and professionally.

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

Date of the meeting	Attendance Yes (✓) / No (x)		Attendance by invitation Yes (✓) / No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Managing Director	Director Finance & Control
23/02/2016	✓	✓	✓	✓
05/05/2016	✓	✓	✓	✓
11/08/2016	✓	✓	✓	✓
08/11/2016	✓	✓	✓	✓

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

The Audit Committee has assessed and reviewed the effectiveness of the independent performance of the External Auditors KPMG, and also recommended to the Board of Directors that KPMG be reappointed as Auditors for the financial year ending 31 December 2017 subject to the approval of the shareholders at the next Annual General Meeting.

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



Ranjan Seevaratnam
Chairman, Audit Committee

NESTLÉ LANKA PLC

21 February 2017

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 Seevaratnam who are Independent Directors, and Suresh Narayanan who 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 & Control and Vice President - Human Resources in providing relevant information. The remuneration packages are linked to individual performances, and are aligned with the Company's remuneration policy. The Committee makes every attempt to maintain the policy and attract and retain talent.

The Members of the Committee meet as and when necessary. During the year under review, the Committee met on 8 November 2016. The Managing Director of the Company, together with the Vice President - Finance & Control, and Vice President - Human Resources attended the said meeting by Invitation. The Company Secretary attended this meeting in the capacity of Secretary to the Committee.



Mahen Dayananda
Chairman, Remuneration Committee

NESTLÉ LANKA PLC

21 February 2017

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

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

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

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

The Committee held four (4) meetings during the financial year. Information on the attendance of these meetings by the members of the Committee is given below;

Date of meeting	Attendance Yes (✓) / No (x)			Attendance by invitation Yes (✓) / No (x)	
	Ranjan Seevaratnam	Mahen Dayananda	Jagdish Kumar Singla	Managing Director	Head of Financial Accounting & Reporting
23/02/2016	✓	✓	✓	✓	✓
05/05/2016	✓	✓	✓	✓	✓
11/08/2016	✓	✓	✓	✓	✓
08/11/2016	✓	✓	✓	✓	✓

The recommendations by the Committee were communicated to the Board of Directors quarterly at Board Meetings by the Chairman of the Committee.

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

The Committee confirmed that all the Recurrent and Non-Recurrent Related Party Transactions incurred during the year ended 31 December 2016 were at arm's length and in compliance with the rules and regulations. The Committee further confirmed that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2016 were in revenue or trading nature which were necessary for day to day operations of the Company, and terms were not favourable to respective related parties. Accordingly the Committee recommended to the Board to resolve at the meeting held on 21 February 2017 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2016 shall not fall within the ambit of Related Party Transactions Rules (Section 9 of Listing Rules) as per provisions of Section 9.5(a) of Listing Rules, and the Board approved same at their meeting held on 21 February 2017.

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

Details of Related Party Transactions are disclosed in the Annual Report of the Board of Directors under note 23 on pages 101 to 104 in accordance with provision of Rule 9.3.2 of Listing Rules.



Ranjan Seevaratnam

Chairman, Related Party Transactions Review Committee

NESTLÉ LANKA PLC

21 February 2017



*Global
Technologies*

World Renowned R&D

Innovation has been at the heart of our Company since its beginning. Ever since Henri Nestlé invented Farine Lactée to alleviate infant mortality, we have been dedicated to enhancing people's lives.

Each day we strive to make our products tastier and healthier to help consumers care for themselves and their families. This would not be possible without our unmatched global R&D capability, nutrition science and passion for quality in everything we do.

Behind every one of Nestlé's products there is a team of scientists, engineers, nutritionists, designers, regulatory specialists and consumer care representatives dedicated to earn our consumers' trust with safe products of the highest quality. At Nestlé, safety and quality are non-negotiable.

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



Nestlé Research Centre in Lausanne, Switzerland





Nestlé - Product Technology Centre - Konolfingen, Switzerland

Nestlé's Global Research and Development Network

Our Global R&D Network

Nestlé has the largest R&D network of any food Company in the world, with 34 R&D facilities (3 Science & Research Centres and 31 Product Technology Centres worldwide), and over 5,000 people involved in R&D.

The Nestlé Research Centre is widely recognised across the globe as one of the world's leading research institutions in food, nutrition and life sciences. Through our world renowned R&D, we incorporate the latest science, technology, processes and thinking to the products enjoyed by our Sri Lankan consumers every day.

We also have over 300 Application Groups worldwide. These Application Groups take products developed by the R&D and Product Technology Centres and adapt them to suit the preferences of the local market. All of our much loved brands in Sri Lanka cater to local palates, thanks to the efforts made by our very own Application Group located in our Kurunegala Factory.

Food Science and Technology

Technologies are a vital part of our R&D. We have engineers around the world working in R&D in a variety of fields – from packaging and equipment, to food processing technologies and manufacturing new beverage systems.

Alongside engineers, our food scientists develop processes



and technologies that enable the development of safe, nutritious food and beverages while keeping us on the cusp of new developments in food science and technology.





Investing in Manufacturing Technologies

We have been making significant investments to increase our manufacturing capacities at Nestlé Lanka over the years. We are proud to note that, the continual investments we have made in the country have supported and developed Sri Lanka's rural economy, especially the dairy and coconut sectors.

In 2016, we achieved another milestone with the opening of a new UHT milk plant in our factory in Kurunegala. We invested another LKR 500 million on this new production facility, as a commitment to develop the local dairy industry.

Through this investment, we expanded our production capacity for our popular dairy based beverages, providing local consumers with more milk based products that cater to local tastes and nutritional needs.

The UHT milk plant was inaugurated by Chief Guest, Dr. Indrajit Coomaraswamy, Governor of the Central Bank of Sri Lanka and Guest of Honour, Mr. Upul Jayasuriya, Chairman of the Board of Investment of Sri Lanka.



Quality and Safety

Quality and Safety for our consumers is our top priority. This applies to our entire portfolio, from food and beverages to all our systems and services.

We believe in our people, who are committed to deliver quality products to our consumers, and therefore make sure that they are empowered and equipped with the necessary skills and competencies, by conducting quality related exhibitions to disseminate knowledge, steering special training programmes, evaluating ideas, and rewarding and recognising talent.

We also extend our knowledge on quality to our external stakeholders. We regularly conduct knowledge sharing sessions with our suppliers and get them involved in quality related improvement projects.

We are proud to note that we have been verified by third party and External Audits as 'credible', for being compliant with all up-to-date external and internal requirements for all our food products, systems and services.



"We have been working with Nestlé for over 20 years. Today, we supply the highest quality packaging material under the most stringent quality control measures, thanks to Nestlé's advice, guidance and training on Nestlé Quality Standards. This in turn gave us the edge over other Companies to reach world class quality standards and be recognised in the ranks of a 'Global Supplier' in the Nestlé world. This is our success story and we couldn't be more thankful to Nestlé for everything they have done for us."

Lakshman De Fonseka
Supplier

Managing Director of
JF Packaging (Pvt) Ltd

The Company's Financial Statements, presented in this report for the financial year ended 31 December 2016, conform to the requirements of the Financial Reporting Standards and the Companies Act No. 7 of 2007. The Directors confirmed that the Financial Statements presented by them give a true and fair view of the Company's activities as at that date. The financial information is consistent with that in the Financial Statements.

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

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

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

M/s. KPMG, are the Auditors appointed by the shareholders. They have Audited the Financial Statements submitted by the Board of Directors and have expressed their opinion which is published under the Independent Auditor's Report on page 72.

By Order of the Board.



Keerthi Pathiraja
Company Secretary

NESTLÉ LANKA PLC

21 February 2017

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 2016 and the Auditors' Report thereon.

Board of Directors

Suresh Narayanan, Shivani Hegde, Shobinder Duggal, Jagdish Kumar Singla, Mahen Dayananda and Ranjan Seevaratnam are the Directors of the Company.

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

Ranjan Seevaratnam and Mahen Dayananda will retire pursuant to Section 210 of the Companies Act No. 07 of 2007 as they attained the age of 70 years on 24 September 2013 and 19 June 2016 respectively. Resolutions, in terms of Section 211, to the effect that the age limit of 70 years referred to in Section 210 of the Companies Act shall not be applicable to Ranjan Seevaratnam and Mahen Dayananda for re-election, will be proposed at the forthcoming Annual General Meeting.

Review for the Year

The Chairman's Message and Managing Director's Review on pages 20 and 22 highlight the Company's affairs and the performance of the period under review.

Results and Dividends

The profit achieved by the Company on a net turnover of Rs. 36.5 billion, after provisioning for all known liabilities and depreciation on fixed assets, but before taxation, amounts to Rs. 5,712 million. After deducting a sum of Rs. 1,313 million as taxation, the net profit was Rs. 4,399 million. The profit available for appropriation was Rs. 4,945 million, which is obtained by adding the profit of Rs. 519 million brought forward from the past year, and adding the Other Comprehensive Income amounting to Rs. 27 million.

The Statement of Profit or Loss and Other Comprehensive Income for the year 2016 is given on page 73.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 40.00 per share which will be paid to the shareholders of the Company on 14 March 2017, and were pleased to recommend a final dividend of Rs. 40.00 per share, payable on 18 May 2017, subject to the approval of the shareholders at the upcoming Annual General Meeting scheduled to be held on 5 May 2017.

Stated Capital

The stated capital of the Company as at 31 December 2016 amounts to Rs. 537,254,630.

Activity

The Company's flagship brands strengthened their position in the market, focusing on innovation and renovation to meet changing consumer needs and nutrition requirements. Identifying the deficiency of certain nutrients in the local diets, it delivered over 500 million serves of micronutrient fortified foods and beverages in 2016.

Nespray Everyday, which offers the goodness of locally sourced Sri Lankan milk, was fortified with iron and other micronutrients. The Company also launched *Nespray FortiGrow*, a Hi-Calcium milk drink, designed to support the nutritional needs of school-aged children.

Maggi Chicken and *Maggi* Curry noodles were enhanced with the goodness of popular home ingredients like vegetables and spices. *Maggi* also introduced *Maggi* Daiya Chicken noodles - a spicier variant fortified with calcium. *Maggi* was once again voted 'Food Brand of the Year' for the fourth consecutive year at the SLIM Nielson People's Awards.

Milo strengthened its 'Mom, Me and My *Milo*' campaign that encourages children to lead an active lifestyle and start the day with a healthy breakfast. *Nestomalt* was recognised as one of Sri Lanka's Top 10 FMCG brands in the Kantar Worldpanel Brand Footprint study 2016, from a total of 400 brands in the country. Its popular coffee brand *Nescafé*, introduced a new *Nescafé* 3 in 1 coffee mix, offering more coffee and a richer aroma for an authentic coffee experience.

Nestlé Professional continued to provide food and beverage solutions to the 'Out-Of-Home' sector, and introduced the *Nestlé CoolPro* beverage system to deliver a refreshing beverage, *Nestlé Sjora*, a delicious flavour fusion of mango, peach and milk.

In celebration of 110 years of operations in Sri Lanka and 150 years globally, the Company launched a number of initiatives to enhance the quality of life of the people, through development of rural communities and contributing towards a healthier generation of Sri Lankans, including:

- 'Kiri Govi Diriya' programme, in support of Sri Lanka's vision of achieving self-sufficiency in dairy, where 3,000 dairy farmers benefited from training on modern technologies, to produce more milk of higher quality.
- 'Coconut Development Programme' where 10,000 coconut plantlets were donated to 2,000 farming families and 2 model coconut farms were set-up to showcase best practices.
- 'Wellness Pledge' where consumers in 150 towns across the island including His Excellency, President Maithripala Sirisena pledged to live an active lifestyle, and the 'Choose Wellness, Choose Nestlé' campaign, to educate over 15,000 consumers on a healthy diet and lifestyle.
- The Company scaled up its Nestlé Healthy Kids Programme and 152,500 school children were educated on nutrition and the importance of physical activity.

Nestlé also supported the rural economy with a contribution of over Rs 6 billion to the local dairy and coconut industries, for procurement of fresh milk and coconuts from over 25,000 farming families.

Directors' Interest

a) In contracts

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

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

Interest Register

Suresh Narayanan - Transactions with affiliates or related parties.
Disclosed in notes 16 , 22 & 23 of pages 93,100 and 101 to the Financial Statements.

Shivani Hegde - Transactions with affiliates or related parties.
Disclosed in notes 16 , 22 & 23 of pages 93,100 and 101 to the Financial Statements.

Shobinder Duggal - Transactions with affiliates or related parties.
Disclosed in notes 16 , 22 & 23 of pages 93,100 and 101 to the Financial Statements.

Jagdish Kumar Singla - Transactions with affiliates or related parties.
Disclosed in notes 16 , 22 & 23 of pages 93,100 and 101 to the Financial Statements.

Mahen Dayananda - No transaction with affiliates
Directorships in other Companies:

Company	Position	Transaction (procurement) during the year (Rs.'000s)	Balance (due to) / from as at 31 December 2016 (Rs.'000s)
Total Tea Concepts (Private) Ltd	Chairman	No	Nil
Indo Asia Teas (Pvt) Ltd	Chairman	No	Nil
Pegasus Hotels of Ceylon PLC	Non Executive Director	No	Nil
Bukit Darah PLC	Non Executive Director	No	Nil

Ranjan Seevaratnam - No transaction with affiliates

Directorships in other Companies:

Company	Position	Transaction (procurement) during the year (Rs.'000s)	Balance (due to) / from as at 31 December 2016 (Rs.'000s)
Acme Printing & Packaging PLC	Non-Executive Director	No	Nil
Diesel & Motor Engineering PLC	Non-Executive Director	6,745	Nil
Lanka Aluminium Industries PLC	Non-Executive Director	No	Nil
Tea Small Holders Factories PLC	Non-Executive Director	No	Nil
Tokyo Cement PLC	Non-Executive Director	No	Nil
Colombo Fort Land and Building Co. PLC	Non-Executive Director	No	Nil
Omega Line (Pvt) LTd	Non-Executive Director	No	Nil
Hayleys Agriculture Holdings (Pvt) Ltd	Non-Executive Director	87	Nil
Hayleys Consumer (Pvt) Ltd	Non-Executive Director	No	Nil
Hayleys Advantis (Pvt) Ltd	Non-Executive Director	No	Nil
Metecno Lanka (Pvt) Ltd	Non-Executive Director	7,639	Nil
Distilleries Co. of Sri Lanka PLC	Non-Executive Director	No	Nil
Lankem Ceylon PLC	Non-Executive Director	No	Nil
EB Creasey & Company PLC	Non-Executive Director	468	Nil

b) In shares of the Company

	Director	Shareholding		Management
		1 January 2016	31 December 2016	
Executive	Shivani Hegde	Nil	Nil	Yes
	Jagdish Kumar Singla	Nil	Nil	Yes
Non-Executive	Suresh Narayanan	Nil	Nil	No
	Shobinder Duggal	Nil	Nil	No
Independent Non-Executive	Mahen Dayananda	1,000	1,000	No
	Ranjan Seevaratnam	Nil	Nil	No

Corporate Governance

The corporate governance practices of the Company are set out in detail on page 46.

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 90.

Donations

Total donations made by the Company amounted to a sum of Rs. 6.2 million as at year ended 31 December 2016.

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 Auditors' fees are disclosed in note 7 to the Financial Statements on page 86.

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 86.

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

Accounting Policies

The Company prepared its annual Financial Statements according to Sri Lanka Accounting Standards (SLFRS / LKAS). All relevant applicable standards have been followed in presenting the Financial Statements for the financial year ended 31 December 2016.

Disclosures on Related Party Transactions

Non-recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions which aggregate value exceed 10% of the equity or 5% of the total assets whichever is lower of the Company as per Audited Financial Statements for the year ended 31 December 2016, which requires additional disclosures in the Annual Report under Colombo Stock Exchange listing Rule 9.3.2.

Recurrent Related Party Transactions

Recurrent Related Party Transactions are shown in note 23 on page 101.

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

Based on the recommendations of the RPTRC, the Board of Directors confirmed at their meeting held on 21 February 2017 that all the Recurrent and Non-Recurrent Related Party Transactions incurred during the year ended 31 December 2016 were at arm's length and in compliance with the rules and regulations.

Based on the recommendation of the RPTRC, the Board had resolved at the meeting held on 21 February 2017 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2016 were in revenue or trading nature and were necessary for day to day operations of the Company and terms were not favourable to respective related parties. Accordingly the Board had resolved at the same meeting held on 21 February 2017 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2016 shall not fall within the ambit of Related Party Transactions Rules (Section 9 of Listing Rules) as per provisions of Section 9.5(a) of Listing Rules.

Certificate of Directors

Certificate of Directors on Transfer Pricing is not available for the Financial Year ended 31 December 2016, until guidelines are issued by the Institute of Chartered Accountants of Sri Lanka to be followed by the Chartered Accountants in issuing the Accountant's Certificate for the year under review, under Section 102 of the Inland Revenue Act no. 10 of 2006.

Material Issues

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

Risk Factors

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

Conclusion

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

For and on behalf of the Board.

NESTLÉ LANKA PLC



Shivani Hegde
Managing Director



Jagdish Kumar Singla
Director - Finance & Control



Keerthi Pathiraja
Company Secretary

21 February 2017

Financial Report

- 72** | Independent Auditors' Report
- 73** | Statement of Profit or Loss and Other Comprehensive Income
- 74** | Statement of Financial Position
- 76** | Statement of Changes in Equity
- 77** | Statement of Cash Flows
- 79** | Notes to the Financial Statements

Company Highlights

<i>In Thousands of Rupees</i>	2016	2015
Revenue	36,461,695	34,702,511
Profit before Taxation (PBT)	5,712,078	5,425,507
Profit after Taxation	4,398,762	4,124,324
Capital Expenditure	695,856	875,766
Shareholders Funds	5,482,574	4,521,636
PBT as a % of Revenue	16%	16%
Return on Capital Employed	85%	94%
Key Ratios		
Current Ratio	1.12	1.02
Net Assets Per Share	102.05	84.16
Earnings Per Share	81.87	76.77
Dividend Per Share	80.00	64.50
Dividend Cover	1.02	1.19
Dividend Payout Ratio	98%	84%
Market Value Per Share - Highest	2,445.00	2,390.00
- Lowest	1,903.30	1,960.40
- Average	2,144.11	2,149.77
- Last Traded	2,001.90	2,049.50
Number of Personnel	840	822



KPMG
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NESTLÉ LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Nestlé Lanka PLC ("the Company"), which comprise the statement of financial position as at 31st December 2016, 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 73 to 110 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 2016, 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
21st February 2017

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

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

For the Year Ended 31 December	Note	2016 Rs.'000s	2015 Rs.'000s
Revenue	5	36,461,695	34,702,511
Cost of Sales		(22,274,610)	(21,380,568)
Gross Profit		14,187,085	13,321,943
Other Operating Expenses	6	(12,982)	(13,454)
Marketing, Selling and Distribution Expenses		(6,263,268)	(5,766,041)
Administrative Expenses		(2,188,120)	(2,124,675)
Result from Operating Activities	7	5,722,715	5,417,773
Finance Income		33,095	38,328
Finance Expenses		(43,732)	(30,594)
Net Finance Income / (Expenses)	8	(10,637)	7,734
Profit Before Taxation		5,712,078	5,425,507
Income Tax Expense	9	(1,313,316)	(1,301,183)
Profit for the Year		4,398,762	4,124,324
Other Comprehensive Income / (Expenses)			
Actuarial Gain / (Loss) for the Year - Net of Tax		27,468	(16,762)
Total Comprehensive Income		4,426,230	4,107,562
Basic Earnings Per Share (Rs.)	10	81.87	76.77

"Notes to the Financial Statements," set out on pages 79 to 110, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

As at 31 December	Note	2016 Rs. '000s	2015 Rs. '000s
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	12	5,524,652	5,477,442
Capital Work-In-Progress	13	455,619	143,597
		5,980,271	5,621,039
Current Assets			
Inventories	14	3,935,497	3,322,433
Trade and Other Receivables	15	2,729,585	2,107,037
Amounts Due from Related Parties	16	247,957	203,975
Cash and Cash Equivalents	17	393,328	867,563
		7,306,367	6,501,008
Total Assets		13,286,638	12,122,047
EQUITY AND LIABILITIES			
Equity			
Stated Capital	18	537,255	537,255
Retained Earnings		4,945,319	3,984,381
		5,482,574	4,521,636
Non-Current Liabilities			
Retirement Benefit Obligations	19	464,750	522,240
Deferred Tax Liabilities	20	802,306	699,452
		1,267,056	1,221,692
Current Liabilities			
Trade and Other Payables	21	4,368,214	4,137,446
Amounts Due to Related Parties	22	899,085	713,686
Current Tax Payable		805,881	942,057
Dividends Payable		151,061	137,220

As at 31 December	Note	2016 Rs. '000s	2015 Rs. '000s
Bank Overdrafts and Other Short Term Finance	17	312,767	448,310
		6,537,008	6,378,719
Total Liabilities		7,804,064	7,600,411
Total Equity and Liabilities		13,286,638	12,122,047

"Notes to the Financial Statements," set out on pages 79 to 110, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

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



Jagdish Kumar Singla
Vice President - Finance & Control

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board.

NESTLÉ LANKA PLC
Colombo



Shivani Hegde
Managing Director



Ranjan Seevaratnam
Director

21 February 2017.

	Stated Capital Rs.'000s	Retained Earnings Rs.'000s	Total Rs.'000s
Balance as at 1 January 2015	537,255	3,550,673	4,087,928
Super Gain Tax (Note 9.3)	-	(638,365)	(638,365)
Adjusted Balance as at 1 January 2015	537,255	2,912,308	3,449,563
Total Comprehensive Income for the Year			
Profit for the Year	-	4,124,324	4,124,324
Other Comprehensive Expenses	-	(16,762)	(16,762)
Transactions with Owners of the Company Recognised Directly in Equity	-		
Second Interim Dividend for 2014	-	(1,531,176)	(1,531,176)
Final Dividend for 2014	-	(1,504,313)	(1,504,313)
Balance as at 31 December 2015	537,255	3,984,381	4,521,636
Balance as at 1 January 2016	537,255	3,984,381	4,521,636
Total Comprehensive Income for the Year			
Profit for the Year	-	4,398,762	4,398,762
Other Comprehensive Income	-	27,468	27,468
Transactions with Owners of the Company Recognised Directly in Equity			
Interim Dividend for 2015	-	(1,853,528)	(1,853,528)
Final Dividend for 2015	-	(1,611,764)	(1,611,764)
Balance as at 31 December 2016	537,255	4,945,319	5,482,574

"Notes to the Financial Statements," set out on pages 79 to 110, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

As at 31 December	2016 Rs. '000s	2015 Rs. '000s
Cash Flows from Operating Activities		
Profit before Taxation	5,712,078	5,425,507
<i>Adjustments for;</i>		
Depreciation	625,058	602,523
Gain on Sale of Property, Plant and Equipment	(14,584)	(31,100)
Amortisation of Staff Loan Interest	17,118	17,929
Interest Expense	43,732	30,594
Interest Income	(27,015)	(28,870)
Provision for Obsolete Inventories and Inventory Written Off	153,298	120,309
Provision for Impairment of Trade Receivable	11,909	7,696
Provision for Retirement Benefit Obligations	105,390	98,890
Operating Profit Before Working Capital Changes	6,626,984	6,243,478
Working Capital Changes		
Increase in Inventories	(764,367)	(462,235)
Increase in Trade and Other Receivables	(678,440)	(197,472)
Increase in Trade and Other Payables	414,171	309,746
Cash Generated from Operations	5,598,348	5,893,517
Interest Paid	(43,732)	(30,594)
Income Tax paid	(1,357,316)	(999,988)
Super Gain Tax Paid	-	(638,365)
Retirement Benefit Obligation Paid	(124,730)	(114,670)
Net Cash Flows Generated from Operating Activities	4,072,570	4,109,900

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Cash Flows from Investing Activities		
Purchase of Property, Plant and Equipment	(1,007,879)	(812,982)
Proceeds from Sale of Property, Plant and Equipment	38,173	35,457
Interest Received	9,896	10,941
Net Cash Flows Used in Investing Activities	(959,810)	(766,584)
Cash Flows from Financing Activities		
Dividends Paid	(3,451,452)	(3,001,224)
Net Cash Flows Used in Financing Activities	(3,451,452)	(3,001,224)
Net Increase in Cash and Cash Equivalents	(338,692)	342,092
Cash and Cash Equivalents at the Beginning of the Year	419,253	77,161
Cash and Cash Equivalents at the End of the Year (Note 17)	80,561	419,253
Analysis of Cash and Cash Equivalents at the End of the Year		
Cash in Hand and Balances with Bank	393,328	867,563
Bank Overdrafts and Other Short Term Finance	(312,767)	(448,310)
	80,561	419,253

"Notes to the Financial Statements," set out on pages 79 to 110, form an integral part of the Financial Statements. Figures in brackets indicate deductions.

1

Reporting Entity

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

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

2

Basis of Preparation

2.1 Statement of Compliance

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

The Financial Statements were authorised for issue by the Directors on 21 February 2017.

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.

1.1 Principal Activities and Nature of Operations

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

2.4 Use of Estimates and Judgments

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

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

2.5 Going Concern

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

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

3

Significant Accounting Policies

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

3.1 Foreign Currency Transactions

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

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

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

3.2 Financial Instruments**a) Non-derivative Financial Assets**

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

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

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

b) Loans and Receivables

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

Loans and receivables comprise 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 the effective interest rate method.

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

e) Derivative Financial Instruments and Hedge Accounting

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

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 or the date that the assets are derecognised.

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

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

e) Capital Work-In-Progress

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

f) Leased Assets

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

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

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

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

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

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

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

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

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

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

c) Share-Based Payments

The Company participates in the Nestlé 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 Finance Income and Finance Costs

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.

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

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

Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments”

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. SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

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 recognised. It replaces existing revenue recognition

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.

guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts. SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Sri Lanka Accounting Standard – SLFRS 16 Leases

SLFRS 16 requires lessees to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right of use assets.

The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Company is currently evaluating the impact of above SLFRSs adoptions. Accordingly, these Standards have not been applied in preparing these Financial Statements.

5

Revenue

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Local Revenue	33,122,595	31,734,274
Exports Revenue	5,065,652	4,524,729
Total Revenue	38,188,247	36,259,003
Less : Trade Discounts and Volume Rebates	(1,726,552)	(1,556,492)
Revenue	36,461,695	34,702,511

6

Other Operating Expenses

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Gain on Sale of Property, Plant and Equipment	14,584	31,100
Net Foreign Exchange Loss	(80,467)	(86,568)
Income from Scrap Sales	52,901	42,014
	(12,982)	(13,454)

7

Results from Operating Activities

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

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Depreciation	625,058	602,523
Provision for Obsolete Inventories and Inventory Written Off	153,298	120,309
Technical Assistance Fee	1,661,372	1,513,875
Lease Payment	809	540
Auditors Remuneration - Audit	3,550	3,350
- Audit related	100	100
- Non Audit	1,825	2,683

For the year ended 31 December	2016 Rs. '000s	2015 Rs. '000s
Provision for Impairment of Trade Receivables	11,909	7,696
Legal Fees	12,922	10,966
Directors' Fees	1,200	835
Employees Benefit Expenses (Note 7.1)	2,190,313	2,089,608

7.1 Employees Benefit Expenses

For the year ended 31 December	2016 Rs. '000s	2015 Rs. '000s
Personnel Costs		
Executive Directors' Emoluments	50,921	47,378
Salaries and Wages	1,462,534	1,377,317
Provision for Retirement Benefit Obligations (Note 19.3)	105,390	98,890
Contributions to EPF, MSPS and ETF		
Employees' Provident Fund and Mercantile Services Provident Society	120,357	110,390
Employees' Trust Fund	34,405	29,522
Other Benefits	416,706	426,111
	2,190,313	2,089,608

8

Net Finance Income / (Expenses)

For the year ended 31 December	2016 Rs. '000s	2015 Rs. '000s
Finance Income		
Interest on Deposits	9,896	10,941
Gain on Foreign Currency / Liquid Assets	6,081	9,458
Interest on Staff Loans	17,118	17,929
	33,095	38,328

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Finance Expenses		
Interest on Short Term Borrowings and Overdrafts	(43,732)	(30,580)
Loss on Foreign Currency / Liquid Assets	-	(14)
	(43,732)	(30,594)
Net Finance Income / (Expenses)	(10,637)	7,734

9

Income Tax Expense

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Tax on Current Year Profits (Note 9.2)	1,221,144	1,236,185
Deferred Tax Charge (Note 20.1)	92,172	64,998
	1,313,316	1,301,183

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 milks 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 31 March 2014 on the expansion of the existing business is eligible for Qualifying Payment Relief (QPR) at the rate of 25% every year over a four year period.

9.2 Reconciliation Between Accounting Profit and Taxable Profit

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Accounting Profit Before Tax	5,712,078	5,425,507
Adjustments Relating to Disallowances	258,540	290,181
Adjustments Relating to Capital Allowances	(295,524)	(222,579)
Profit from Tax Exempted Operations	(419,159)	(324,494)
Qualifying Payment Relief for Investment	(104,871)	(180,475)

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Taxable Profit	5,151,064	4,988,140
Income Tax at 10%	75,705	51,675
Income Tax at 12%	63,665	52,274
Income Tax at 28%	1,081,774	1,129,987
Income Tax Expense	1,221,144	1,233,936
Under Provision in respect of Previous Year	-	2,249
Tax on Current Year Profits	1,221,144	1,236,185

9.3 Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015, which were certified on 30 October 2015, the Company was liable for Super Gain tax. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act superseded the requirements of the Sri Lanka Accounting

Standards, hence the expense of Super Gain Tax was accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015. The Company has paid Rs. 638 million as Super Gain Tax during the year 2015.

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 weighted average number of ordinary shares are given below:

	2016	2015
Profit attributable to Ordinary Shareholders (Rs'000s)	4,398,762	4,124,324
Weighted Average Number of Shares	53,725,463	53,725,463
Basic Earnings Per Share (Rs.)	81.87	76.77

11

Dividend Per Share

a) The Directors have declared an interim dividend of Rs. 40.00 per share on 21 February 2017 and have also proposed a final dividend of Rs. 40.00 per share for the year ended 31 December 2016, to be approved at the Annual General Meeting to be held on 5 May 2017. In accordance with Sri Lanka Accounting Standard Events After the Reporting Period (LKAS 10), the interim dividend and final dividend has not been recognised as a liability as at 31 December 2016.

b) However, for the purpose of computing Dividend per Share, interim dividend of Rs. 2,149,018,520 (Rs. 40.00 per share) declared on 21 February 2017, and final dividend to be approved has been taken into consideration.

c) The dividend per share calculation is based on the total dividend attributable to ordinary shareholders of Rs. 4,298,037,040 (2015 – Rs. 3,465,292,364), divided by the number of ordinary shares as at the reporting date.

12

Property, Plant and Equipment

	Freehold Land Rs. '000s	Freehold Buildings Rs. '000s	Leasehold Buildings Rs. '000s	Plant and Machinery Rs. '000s	Tools Furniture and office Equipments Rs. '000s	Motor Vehicles Rs. '000s	Information System Equipment Rs. '000s	Total Rs. '000s
Cost								
Balance as at 1 January 2015	17,925	119,180	1,867,047	5,429,832	1,335,822	280,091	243,046	9,292,943
Additions During the Year	-	6,823	130,139	353,824	148,393	1,362	29,443	669,984
Transferred from Capital Work-In-Progress	-	-	10,009	100,091	80,464	9,433	5,785	205,782
Disposals During the Year	-	-	(8,046)	(27,966)	(37,994)	(55,102)	(20,511)	(149,619)
Balance as at 31 December 2015	17,925	126,003	1,999,149	5,855,781	1,526,685	235,784	257,763	10,019,090
Depreciation								
Balance as at 1 January 2015	-	29,040	299,284	2,444,172	896,092	236,060	179,739	4,084,387
Charge For the Year	-	3,076	55,762	323,055	166,667	26,432	27,531	602,523
On Disposals	-	-	(8,030)	(27,608)	(37,343)	(51,770)	(20,511)	(145,262)
Balance as at 31 December 2015	-	32,116	347,016	2,739,619	1,025,416	210,722	186,759	4,541,648
Cost								
Balance as at 1 January 2016	17,925	126,003	1,999,149	5,855,781	1,526,685	235,784	257,763	10,019,090
Additions During the Year	-	-	96,509	326,232	104,886	518	24,114	552,259
Transferred from Capital Work-in-Progress	-	-	32,389	74,409	22,868	13,931	-	143,597
Disposals During the Year	-	-	(27,942)	(21,669)	(21,133)	(63,216)	-	(133,960)
Balance as at 31 December 2016	17,925	126,003	2,100,105	6,234,753	1,633,306	187,017	281,877	10,580,986
Depreciation								
Balance as at 1 January 2016	-	32,116	347,016	2,739,619	1,025,416	210,722	186,759	4,541,648
Charge For the Year	-	3,200	59,908	352,608	169,984	13,205	26,153	625,058
On Disposals	-	-	(8,439)	(19,004)	(20,583)	(62,346)	-	(110,372)
Balance as at 31 December 2016	-	35,316	398,485	3,073,223	1,174,817	161,581	212,912	5,056,334
* Written Down Value as at 31 December 2015*	17,925	93,887	1,652,133	3,116,162	501,269	25,062	71,004	5,477,442
Written Down Value as at 31 December 2016	17,925	90,687	1,701,620	3,161,530	458,489	25,436	68,965	5,524,652

Property, Plant and Equipment include fully depreciated assets which are in use, the cost of which as at the reporting date amounted to Rs. 2,159,307,061 (2015- Rs. 1,917,634,145)

The Property situated at No.440, T.B. Jayah Mawatha, Colombo 10 (Area- 47,260 sq.ft.) was valued on 22 July 2016 by a chartered valuer.

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

Freehold Land	Rs. 1,912,000,000
Freehold Buildings	Rs. 159,000,000

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

13

Capital Work-In-Progress

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	143,597	206,381
Capitalised During the Year	(143,597)	(205,782)
Additions During the Year	455,619	142,998
Balance as at 31 December	455,619	143,597

14

Inventories

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Raw Materials	1,252,420	824,906
Packing Materials	248,745	258,113
Finished Goods	1,563,483	1,408,350
Energy, Technical Materials	213,708	200,604
Work-In-Progress	119,631	131,541
	3,397,987	2,823,514
Goods-In-Transit	579,163	532,532
	3,977,150	3,356,046
Less : Provision for Obsolete Inventories (Note 14.1)	(41,653)	(33,613)
	3,935,497	3,322,433

14.1 Provision for Obsolete Inventories

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	33,613	28,682
Charge During the year	8,040	4,931
Balance as at 31 December	<u>41,653</u>	<u>33,613</u>

15

Trade and Other Receivables

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Trade Receivables (Note 15.1)	1,999,032	1,603,110
Other Receivables (Note 15.2)	730,553	503,927
	<u>2,729,585</u>	<u>2,107,037</u>

15.1 Trade Receivables

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Trade Receivables	2,103,982	1,696,151
Less: Provision for Impairment loss (Note 15.1.1)	(104,950)	(93,041)
	<u>1,999,032</u>	<u>1,603,110</u>

15.1.1 Provision for Impairment Loss

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	93,041	85,345
Provision made During the Year	11,909	7,696
Balance as at 31 December	<u>104,950</u>	<u>93,041</u>

15.2 Other Receivables

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Prepayments	282,339	140,081
Derivative Asset	205	-

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Refundable Deposits and Non Trade Receivables	81,653	45,196
Loans to Employees (Note 15.2.1)	366,356	318,650
	730,553	503,927

15.2.1 Loans to Employees

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	318,650	306,478
Granted During the Year	173,602	102,663
Repaid During the Year	(125,896)	(90,491)
Balance as at 31 December	366,356	318,650

Loans to employees are disbursed to employees of the Company excluding Directors. The quantum of each loan in excess of Rs. 25,000 has been granted to 410 employees (2015 - 367 employees).

16

Amounts Due from Related Parties

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Nestlé UK Ltd	9,641	18,546
Nestlé Taiwan Ltd	11,384	-
Nestlé Australia Ltd	17,161	964
Nestlé S.A	46,651	17,517
Nestlé (PNG) Ltd	5,456	-
Nestlé Middle East FZE	60,671	83,767
Nestlé India Ltd	15,311	12,132
Nestlé Jamaica Ltd	30,790	14,679
Nestlé Trinidad and Tobago Ltd	39,425	44,581
Nestlé Panamá, S.A.	2,846	2,966
Nestlé Caribbean, Inc.	5,381	5,365
Nestle USA, Inc.	21	-

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Nestlé R&D Center (Pte) Ltd	1,035	-
Nestlé Singapore (Pte) Ltd	2,114	-
Nestlé Business Services AOA, Inc.	70	-
Nestlé Japan Ltd	-	3,458
	247,957	203,975

17

Cash and Cash Equivalents

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Favourable Balances		
Balances with Banks	393,245	50,315
Money Market Placements	-	817,191
Cash in Hand	83	57
Cash and Cash Equivalents	393,328	867,563
Unfavourable Balances		
Distributor Finance with recourse to Nestlé Lanka PLC	(92,813)	(98,187)
Bank Overdrafts	(219,954)	(350,123)
Bank Overdrafts and Other Short Term Finance	(312,767)	(448,310)
Cash and Cash Equivalents at the end of the year	80,561	419,253

18

Stated Capital

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
53,725,463 Ordinary Shares	537,255	537,255

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

19

Retirement Benefit Obligations

As at 31 December	2016 Rs. '000s	2015 Rs. '000s
Pension Scheme		
Present Value of Defined Benefit Obligations	589,930	608,110
Fair Value of Plan Assets	(141,220)	(106,560)
Present Value of Obligations	448,710	501,550
Gratuity Plan		
Present Value of Defined Benefit Obligations	508,480	510,070
Fair Value of Plan Assets	(492,440)	(489,380)
Present Value of Obligations	16,040	20,690
Total Present Value of the Defined Benefit Obligations (Note 19.1)	1,098,410	1,118,180
Fair Value of Plan assets (Note 19.2)	(633,660)	(595,940)
Total Retirement Benefit Obligations	464,750	522,240

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

The liability to Retirement Benefit Obligation under the payment of Gratuity Act No. 12 of 1983, is a defined benefit plan covering 833 employees of the Company. The pre 1996 liability is unfunded and provided for by way of an accounting provision in the Financial Statements of the Company in accordance with 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 using the "Projected Unit Credit Method". The Company expects to pay Rs. 80.47 million as contributions to its gratuity plan for the period ending 31 December 2017. Employees are not required to contribute to this fund.

Employees under the Pension scheme were provided an option to join a new Retirement Benefit scheme at the end of June 2014. From the 330 eligible employees, 205 accepted the new scheme offered, 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.

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

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

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	1,118,180	1,059,800
Current Service Cost	62,560	56,660
Interest Cost	97,520	90,620
Remeasurements		
Experience Loss	8,800	11,440
Actuarial (Gain) / Loss from Changes in Financial Assumptions	(45,260)	20,880
Benefits Paid	(143,390)	(121,220)
Balance as at 31 December	1,098,410	1,118,180

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

Pension Plan 6 years

Gratuity Plan 6 years

19.2 Movement in the Fair Value of Plan Assets:

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	595,940	545,060
Contributions Paid into the Plan	92,730	90,940
Benefits Paid by the Plan	(111,390)	(97,490)
Interest Income on Plan Assets	54,690	48,390
Return of Plan Assets Greater than Discount Rate	1,690	9,040
Balance as at 31 December	633,660	595,940

19.3 The expense recognised in the Statement of Profit or Loss and Other Comprehensive Income:

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Current Service Cost	62,560	56,660
Net Interest on Net Defined Benefit Liability	42,830	42,230
	105,390	98,890

19.3.1 The expense is recognised in the following line items in the Statement of Profit or Loss and Other Comprehensive Income:

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Cost of Sales	44,848	42,278
Administrative Expenses	60,542	56,612
	105,390	98,890

19.4 Expected Benefit Payments

The Expected Benefit Payment for the year ending	Pension Rs.'000s	Gratuity Rs.'000s	Total Rs.'000s
31 December 2017	57,200	39,890	97,090
31 December 2018	67,160	50,770	117,930
31 December 2019	100,580	83,100	183,680
31 December 2020	127,200	108,610	235,810
31 December 2021	71,800	60,690	132,490
31 December 2022 to 2026	412,000	385,770	797,770

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

For the year ended 31 December	2016 Rs.'000s	2015 Rs.'000s
Actuarial Gain / (Loss)	36,460	(32,320)
Surplus in Actual Return on Plan Assets	1,690	9,040
Actuarial Gain / (Loss) for the year	38,150	(23,280)
Deferred Tax impact on Actuarial Loss	(10,682)	6,518
Actuarial Gain / (Loss) for the year - Net of Tax	27,468	(16,762)

19.6 Actuarial Assumptions

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

	2016	2015
(1) Rate of Discount	10.0%	9.0%
(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

19.6.1 Sensitivity Analysis

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

The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result

of a change in the respective assumptions by 0.5%, holding other assumptions constant.

	Defined Benefit Obligation	
	+0.5% Rs.'000s	-0.5% Rs.'000s
Rate of Discount	(29,540)	31,160
Future Salary Increase	31,710	(30,310)
Future Pension Increase	4,270	(4,020)

If the mortality rates are scaled up / down by one year, the impact on the Defined Benefit Obligation of the pension scheme will be (Rs. 4,520) and Rs. 4,510 in '000s respectively while there is no material impact on the Gratuity Liability.

19.7 The composition of Insurance Plan Asset is as follows:

	2016	2015
Reporting entity's own financial instruments	Nil	Nil
Property occupied by, or other assets used by, the reporting entity	Nil	Nil
The investment portfolio of AIA Insurance Lanka PLC as at 31 December	2016	2015
Government Securities	45.00%	46.00%
Corporate Debt	34.00%	30.00%
Fixed Deposits	17.00%	18.00%
Equity	4.00%	6.00%

An interim Return on Plan Assets of 8.44% was declared by AIA Insurance Lanka PLC for the year 2016. (2015 - 8.44%)

20

Deferred Tax Liabilities

	2016 Rs.'000s	2015 Rs.'000s
Balance as at 1 January	699,452	640,972
Charge for the year (Note 20.1)	102,854	58,480
Balance as at 31 December (Note 20.2)	802,306	699,452

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

	2016 Rs.'000s	2015 Rs.'000s
Profit for the Year	92,172	64,998
Other Comprehensive Income	10,682	(6,518)
	102,854	58,480

20.2 Movement in Temporary Differences during the Year

	2016 Rs.'000s		2015 Rs.'000s	
	Temporary	Difference	Temporary	Difference
Property, Plant and Equipment		3,729,683		3,444,711
Retirement Benefit Obligations		(464,750)		(522,240)
Other Provisions		(399,555)		(424,429)
Net Deferred Tax Liabilities		2,865,378		2,498,042

21

Trade and Other Payables

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Trade Payables	2,762,550	2,836,199
Derivatives - Forward Exchange Contract	440	-
Other Payables	1,605,224	1,301,247
	4,368,214	4,137,446

22

Amounts Due to Related Parties

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Nestlé Deutschland AG	511	2,186
Nestlé France S.A.S.	4,194	6,259
Nestlé Waters Marketing & Distribution S.A.S.	4,044	4,476
Nestlé UK Ltd	-	487
Nestlé Nederland B.V.	4,758	4,353
Nestrad S.A.	11,416	10,479
Nestec S.A.	769	1,706
Servcom S.A.	3,622	2,103
Société des Produits Nestlé S.A.	108,653	99,594
Nestlé Suisse S.A.	15,960	978
Nestlé Operational Services Worldwide S.A.	30,163	12,037
Nestle Cameroun S.A.	6,556	-
Nestlé Dubai Manufacturing LLC	2,126	-
Nestle Dongguan Ltd	59	-
LOTTE - Nestlé (Korea) Co., Ltd	2,611	-
Nestlé India Ltd	23,952	41,524
Nestle R&D Centre India Private Ltd	620	-
P.T. Nestlé Indonesia	3,096	37
Nestlé Japan Ltd	750	924
Nestlé Products Sdn. Bhd.	5,863	17,730
Nestlé Asean (Malaysia) Sdn. Bhd.	3,771	3,057
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	189,724	155,887
Nestle Bangladesh Ltd	11,019	-
Nestlé Pakistan Ltd	145	139
Nestlé Philippines, Inc.	141,362	139,486
CPW Philippines, Inc.	18,700	9,667
Nestlé Business Service AOA, Inc.	-	964
Nestlé Singapore (Pte) Ltd	264,380	161,934
Nestlé R&D Centre (Pte) Ltd	-	8,937
Nestlé ROH (Thailand) Ltd	67	67

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Nestlé (Thai) Ltd.	9,958	8,009
Nestlé Australia Ltd.	27,519	19,150
Nestlé México, S.A. de C.V.	-	108
Nestlé Brasil Ltda	2,717	1,408
	899,085	713,686

23

Related Party Disclosure

23.1 Transactions with Related Companies

23.1.1 Recurrent Related Party Transactions

Name of the Company	Relationship	Transactions	2016 Rs.'000s	2015 Rs.'000s
CPW Philippines, Inc.	Affiliate	Imports / Re-Export	(39,333)	(37,074)
Globe Center AOA	Affiliate	IT Service Charges	(253,705)	(235,173)
LOTTE - Nestlé (Korea) Co., Ltd	Affiliate	Imports	(16,083)	(13,200)
Nestec S.A.	Affiliate	Reimbursement/Recoveries	(2,653)	(2,698)
Nestlé (PNG) Ltd	Affiliate	Exports	25,754	11,591
Nestlé (Thai) Ltd	Affiliate	Imports / Re-Export	(27,965)	(24,834)
Nestlé Asean (Malaysia) Sdn. Bhd.	Affiliate	Re-Export	(13,568)	(12,110)
		Exports	59,709	43,495
		Imports / Re-Export	(110,673)	(64,922)
		Technical	-	(1,369)
		Reimbursement/Recoveries	(185)	-
		Exports	13,711	8,883
Nestlé Bangladesh Ltd	Affiliate	Imports	(16,076)	-
		Reimbursement/Recoveries	(95)	263
Nestlé Brasil Ltda	Affiliate	Imports	(342)	(428)
Nestlé Business Service AOA, Inc.	Affiliate	Service Charges	(2,840)	(851)
Nestlé Cameroun S.A.	Affiliate	Imports / Re-Export	(6,581)	-
Nestlé Caribbean, Inc.	Affiliate	Exports	14,859	15,994
Nestlé Deutschland AG	Affiliate	Technical	(2,203)	(7,196)

Name of the Company	Relationship	Transactions	2016 Rs. '000s	2015 Rs. '000s
Nestlé Dubai Manufacturing LLC	Affiliate	Imports	(10,633)	(11,216)
Nestlé Dongguan Ltd.	Affiliate	Reimbursement	(59)	-
Nestlé France S.A.S.	Affiliate	Technical	(10,163)	(9,788)
Nestlé Ghana Ltd	Affiliate	Recoveries	-	3,124
		Exports	404,662	313,132
		Recoveries/Reimbursement	25,215	3,828
Nestlé India Ltd	Affiliate	Imports	(25,098)	(34,588)
		Laboratory /Service Charges	(108,751)	(97,041)
Nestlé Jamaica Ltd	Affiliate	Exports	150,885	116,256
		Exports	35,860	10,821
Nestlé Japan Ltd	Affiliate	Recoveries	550	-
		Imports	(2,477)	(2,091)
Nestlé Maghreb S.A.	Affiliate	RSUP *	-	(2,843)
		Recoveries/Reimbursement	(74)	6,293
Nestlé Manufacturing (Malaysia) Sdn. Bhd.	Affiliate	Import/Re-Export	(671,174)	(529,086)
		Technical	(2,331)	(2,945)
Nestlé México, S.A. de C.V.	Affiliate	Technical	(283)	-
		Exports	797,003	786,532
Nestlé Middle East FZE	Affiliate	Recoveries	-	330
		Import	(13,223)	-
Nestlé Nederland B.V.	Affiliate	Reimburesement	(95)	(12,858)
Nestlé Operational Services Worldwide S.A.	Affiliate	Service Charges	(38,673)	(26,119)
Nestlé Nigeria Plc	Affiliate	Reimburesement	(179)	-
Nestlé Panamá, S.A.	Affiliate	Exports	2,817	2,956
Nestlé Philippines, Inc.	Affiliate	Imports / Re-Export	(1,085,452)	(1,096,721)
		Imports / Re-Export	(63,557)	-
Nestlé Products Sdn. Bhd.	Affiliate	Recoveries/Reimbursement	1,537	(50,073)
Nestlé Purina PetCare Tianjin Ltd.	Affiliate	Imports	-	(208)
		Exports	751	-
Nestlé R&D Centre (Pte) Ltd	Affiliate	Technical	(15,905)	(37,972)
		Reimbursement	(1,218)	-
Nestlé R&D Centre India Private Ltd	Affiliate	Reimbursement	(610)	-
Nestlé ROH (Thailand) Ltd	Affiliate	Reimbursement	(96)	(196)

Name of the Company	Relationship	Transactions	2016 Rs.'000s	2015 Rs.'000s
Nestlé S.A.	Parent	Dividend Payment / RSUP *	(3,174,696)	(2,511,740)
		Exports	3,835	2,707
Nestlé Singapore (Pte) Ltd	Affiliate	Recoveries	5,033	1,494
		Imports	(1,530,535)	(1,467,581)
Nestlé Suisse S.A.	Affiliate	Exports	8,987	10,805
		Imports	(35,653)	(26,589)
Nestlé Taiwan Ltd	Affiliate	Exports	37,771	31,606
Nestlé Trinidad and Tobago Ltd	Affiliate	Exports	123,761	173,520
		Exports	105,840	71,753
Nestlé UK Ltd	Affiliate	Recoveries	-	483
		Service Charges	-	(488)
Nestlé USA, Inc.	Affiliate	Technical	(2,653)	-
Nestlé Vietnam Ltd	Affiliate	Reimbursement	(193)	-
Nestlé Waters Marketing & Distribution S.A.S.	Affiliate	Imports / Re-Export	(14,213)	(14,756)
		Technical	(763)	-
		Recoveries	39,171	8,059
Nestrad S.A.	Affiliate	Exports	162,344	122,463
		Service charges	(8,692)	(4,668)
		Imports	(5,538)	-
P.T. Nestlé Indonesia	Affiliate	Imports	(9,029)	(9,607)
		Reimbursement	(835)	-
Sanpellegrino S.p.A.	Affiliate	Technical	(274)	(99)
Servcom S.A.	Affiliate	Service Charges	(5,638)	(2,495)
Société des Produits Nestlé S.A.	Affiliate	Technical Assistance Fee	(1,661,372)	(1,513,875)

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

Aggregated value of the Recurrent Related Party Transactions as a percentage of Gross Revenue is 20.54% (2015 - 19.59%).

23.1.2 Non Recurrent Related Party Transactions

Name of the Company	Relationship	Transaction	2016 Rs.'000s	2015 Rs.'000s
Nestrade S.A.	Affiliate	Capex	(25,952)	(8,270)

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

23.2 Transactions with Key Management Personnel

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

	2016 Rs.'000s	2015 Rs.'000s
Short Term Employee Benefits	50,921	47,378
Directors' Fees	1,200	835
Non Cash Benefits	19,473	23,220
Share Based Payments	17,765	28,658
	89,359	100,091

Loans to Directors

No loans were given to the Directors during the year.

23.3 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 the Nestlé S.A. share price, over the vesting period of three years.

	2016 Rs.'000s	2015 Rs.'000s
Number of Shares Granted During the Year	2,478	2,255
Weighted Average Fair Value of RSU as at Period End	24,235	22,582
Total Expense Recognised in Profit & Loss	(7,362)	63,768
Carrying Amount as at the Reporting Date	48,403	83,264

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

24

Commitments

(a) Capital Commitments

The capital commitment for the year 2016, which has been approved and contracted for, is Rs. 884 million (2015 - Rs. 54 million) and approved but had not been contracted for, is Rs. 3,521 million (2015 - Rs. 162 million).

(b) Lease Commitment

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

The annual amount payable under the lease agreement is Rs. 809,310 (2015 - Rs. 539,540) from the year 2016, as 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:

	2016 Rs.'000s	2015 Rs.'000s
Not Later Than One Year	809	809
Later Than One Year and Not Later Than Five Years	3,642	3,238
Later Than Five Years	13,961	8,902
	18,412	12,949

25

Contingent Liabilities

An Income Tax assessment for Rs. 285 million was issued to the Company for the years of assessment 2011/12, 2012/13 and 2013/14. A formal appeal to the Commissioner General of Inland Revenue has already been lodged, setting out our submissions and requesting for withdrawal of the assessment. The Company's

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

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

26

Events Occurring After the Reporting Date

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

- An interim dividend of Rs. 40.00 per share amounting to Rs. 2,149,018,520 was approved on 21 February 2017 by the Board of Directors and will be paid on 14 March 2017.
- The Board of Directors has recommended a final dividend of Rs. 40.00 per share amounting to Rs. 2,149,018,520 for the year ended 31 December 2016. This is to be approved at the Annual General Meeting to be held on 5 May 2017.

27

Comparative Information

The Company has netted off some Trade Related Expenses (Rs. 1,323,253 (in '000s) in 2016) from revenue which were earlier reported as part of "Marketing, Selling and Distribution Expenses" for better presentation of Statement of Profit

or Loss and Other Comprehensive Income. Comparative amounts have also been reclassified for consistency (Rs. 1,152,291 (in '000s) in 2015). This adjustment has no impact on the profit or net assets of the Company in both the reported periods.

28

Financial Risk Management

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

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

(a) Credit Risk

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

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

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

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

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Trade Receivables	1,999,032	1,603,110
Loans to Employees	366,356	318,650
Amount Due from Related Parties	247,957	203,975
Refundable Deposits and Non Trade Receivables	81,653	45,196
	2,694,998	2,170,931
Trade Receivables		
Trade Receivables	2,103,982	1,696,151
Provision for Impairment Loss	(104,950)	(93,041)
	1,999,032	1,603,110
The Ageing of Trade as at the reporting date were as:		
Not Past Due	1,843,708	1,629,364
Past Due 1-30 Days	139,111	1,083

As at 31 December	2016 Rs.'000s	2015 Rs.'000s
Past Due 31-60 Days	66,626	18,713
Past Due 61-90 Days	8,592	20,737
Past Due 91-120 Days	1	10,113
Past Due More Than 120 Days	45,944	16,141
Provision for Impairment Loss	(104,950)	(93,041)
	1,999,032	1,603,110

(b) Liquidity Risk

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

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

The contractual maturities of financial liabilities are as follows:

As at 31 December	2016 Rs.'000s		2015 Rs.'000s	
	Less than 6 Months	6 - 12 Months	Less than 6 Months	6 - 12 Months
Trade Payables	2,762,550	-	2,824,035	12,164
Other Payables	1,542,767	62,897	1,231,458	69,789
Bank Overdrafts and Other Short Term Finance	312,767	-	448,310	-
	4,618,084	62,897	4,503,803	81,953

(c) Market Risk

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

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

(d) Currency Risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in foreign currencies, primarily the US Dollar (USD), Singapore Dollar (SGD) 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	2016 Rs. '000s			2015 Rs. '000s		
	EUR	USD	SGD	EUR	USD	SGD
Receivables	13,620	497,669	-	8,471	405,678	-
Payables	(40,242)	(1,100,531)	(111,535)	(69,817)	(767,935)	(94,209)
Net Statement of Financial Position	(26,622)	(602,862)	(111,535)	(61,346)	(362,257)	(94,209)

The following significant exchange rates are applied:

As at 31 December	2016	2015
USD	149.70	144.20
EUR	157.38	157.61
SGD	103.46	102.13

Sensitivity Analysis

Strengthening / weakening of the EUR/ USD/ SGD against the LKR as at 31 December 2016 would have affected the measurement of the financial instruments

denominated in foreign currencies, and the increase / decrease of profit or loss by the amount shown below.

	Strengthening Profit or Loss Rs. '000s	Weakening Profit or Loss Rs. '000s
As at 31 December 2016		
USD (1% movement)	6,029	(6,029)
EUR (5% movement)	1,227	(1,227)
SGD (5% movement)	5,576	(5,576)
As at 31 December 2015		
USD (1% movement)	3,623	(3,623)
EUR (7% movement)	4,105	(4,105)
SGD (3% movement)	3,631	(3,631)

(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.

	Held for Trading Rs.'000s	Held to Maturity Rs.'000s	Loans and Receivables Rs.'000s	Available for Sale Rs.'000s	Other Financial Liabilities Rs.'000s	Total Rs.'000s
As at 31 December 2016						
Financial Assets Not Measured at Fair Value						
Trade and Other Receivables	205	-	2,729,380	-	-	2,729,585
Cash and Cash Equivalents	-	-	393,328	-	-	393,328
	205	-	3,122,708	-	-	3,122,913
Financial Liabilities Not Measured at Fair Value						
Trade and Other Payables	440	-	-	-	4,367,774	4,368,214
Bank Overdrafts and Other Short Term Finance	-	-	-	-	312,767	312,767
	440	-	-	-	4,680,541	4,680,981
As at 31 December 2015						
Financial Assets Not Measured at Fair Value						
Trade and Other Receivables	-	-	2,107,037	-	-	2,107,037
Cash and Cash Equivalents	-	-	867,563	-	-	867,563
	-	-	2,974,600	-	-	2,974,600
Financial Liabilities Not Measured at Fair Value						
Trade and Other Payables	-	-	-	-	4,137,446	4,137,446
Bank Overdrafts and Other Short Term Finance	-	-	-	-	448,310	448,310
	-	-	-	-	4,585,756	4,585,756

	Rs. '000s			
	Level 1	Level 2	Level 3	Total
As at 31 December 2016				
Financial Assets Measured at Fair Value				
Forward Exchange Contracts	-	205	-	205
	-	205	-	205
Financial Liabilities Measured at Fair Value				
Forward Exchange Contracts	-	440	-	440
	-	440	-	440
As at 31 December 2015				
Financial Assets Measured at Fair Value				
Forward Exchange Contracts	-	-	-	-
	-	-	-	-
Financial Liabilities Measured at Fair Value				
Forward Exchange Contracts	-	-	-	-
	-	-	-	-

Cash and Cash Equivalents

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

Trade and Other Receivables

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

Trade and Other Payables

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

29

Directors' Responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements.

For the year ended 31 December

	2016 Rs.'000s
Revenue	36,461,695
Bought Out Goods and Services	(22,362,679)
Value Added	14,099,016

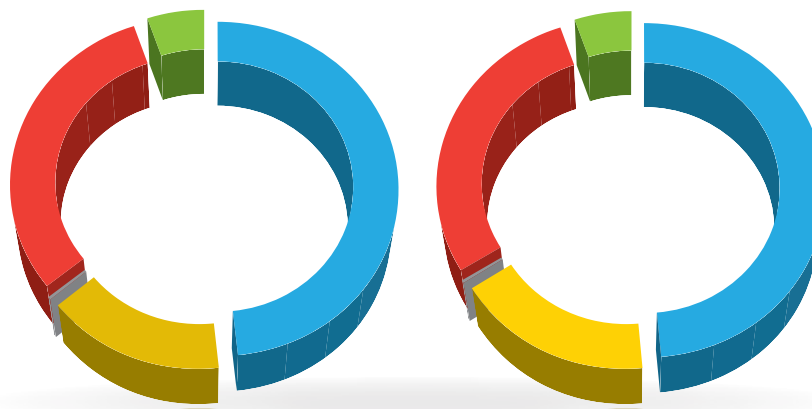
	2015 Rs.'000s
Revenue	34,702,511
Bought Out Goods and Services	(22,266,750)
Value Added	12,435,761

	Rs.'000s	%	Rs.'000s	%
To Government as Taxes / Duties	6,841,153	48.5	6,077,400	48.9
To Employees as Remuneration and Other Benefits	2,190,313	15.5	2,089,608	16.8
To Lenders as Interest	43,732	0.3	30,580	0.2
To Shareholders as Dividends	4,298,037	30.5	3,465,292	27.9
Retained with Business (Including Depreciation)	725,781	5.2	772,881	6.2
	14,099,016	100.0	12,435,761	100.0

Analysis of Value Addition 2016

Analysis of Value Addition 2015

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



112 Ten Year Summary

	2007 Rs. '000s	2008 Rs. '000s	2009 Rs. '000s	2010 Rs. '000s	2011 Rs. '000s	2012 Rs. '000s	2013 Rs. '000s	2014 Rs. '000s	2015 Rs. '000s	2016 Rs. '000s
Statement of comprehensive Income										
Net Revenue	16,255,216	19,111,985	19,427,135	21,422,984	25,575,780	28,571,488	30,913,413	32,902,885	34,702,511	36,461,695
Profit before tax	2,046,975	2,483,987	2,427,850	2,846,771	3,444,267	3,467,713	4,083,211	4,765,797	5,425,507	5,712,078
Taxation	(655,383)	(820,894)	(847,535)	(932,052)	(814,497)	(529,146)	(766,466)	(978,904)	(1,301,183)	(1,313,316)
Profit after tax	1,391,592	1,663,093	1,580,315	1,914,719	2,629,770	2,938,567	3,316,745	3,786,893	4,124,324	4,398,762
Other Comprehensive Income / (Expense)	-	-	-	-	-	39,101	30,859	(46,390)	(16,762)	27,468
Retained profits / (Loss) brought Forward	46,758	95,213	146,541	115,091	176,283	254,100	330,799	454,875	515,184	519,089
Super Gain Tax	-	-	-	-	-	-	-	-	(638,365)	-
Profit available for distribution	1,438,350	1,758,306	1,726,856	2,029,810	2,806,054	3,231,768	3,678,403	4,195,378	3,984,381	4,945,319
Interim Dividend	(483,529)	(537,255)	(483,529)	(644,704)	-	(1,611,765)	(1,719,215)	(2,175,881)	(1,853,528)	-
Final Dividend	(859,608)	(1,074,510)	(1,128,236)	(1,208,823)	(2,551,953)	(1,289,204)	(1,504,313)	(1,504,313)	(1,611,764)	-
Retained Profits carried forward	95,213	146,541	115,091	176,283	254,100	330,799	454,875	515,184	519,089	4,945,319
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	954,821	1,221,051	1,243,327	2,029,811	2,806,054	3,231,768	3,678,403	3,550,673	3,984,381	4,945,319
Non-Current Liabilities	206,541	371,650	430,965	522,736	594,713	794,419	929,020	1,155,712	1,221,692	1,267,056
	1,698,617	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,749,630

	2007 Rs.'000s	2008 Rs.'000s	2009 Rs.'000s	2010 Rs.'000s	2011 Rs.'000s	2012 Rs.'000s	2013 Rs.'000s	2014 Rs.'000s	2015 Rs.'000s	2016 Rs.'000s
Represented by:										
Tangible Fixed Assets	1,809,300	1,780,501	2,057,526	2,796,792	4,591,419	4,892,994	4,810,141	5,414,937	5,621,039	5,980,271
Intangible Assets	-	145,072	111,594	78,116	44,637	11,160	-	-	-	-
Net Current Assets										
Current Assets	3,196,200	3,157,602	3,238,362	3,673,888	4,290,657	3,739,135	5,719,972	5,394,992	6,501,008	7,306,367
Less: Current Liabilities	(3,306,883)	(2,953,219)	(3,195,935)	(3,458,994)	(4,988,691)	(4,079,847)	(5,385,435)	(5,566,289)	(6,378,719)	(6,537,008)
	(110,683)	204,383	42,427	214,894	(698,034)	(340,712)	334,537	(171,297)	122,289	769,359
	1,698,617	2,129,956	2,211,547	3,089,802	3,938,022	4,563,442	5,144,678	5,243,640	5,743,328	6,749,630
Average Market price per share (Rs)	262.85	278.75	345.64	611.42	764.38	1,154.07	1,978.75	2,105.00	2,149.77	2,144.11
Earnings per Share (Rs)	25.90	30.96	29.41	35.64	48.95	54.70	61.74	70.49	76.77	81.87
Dividend paid / proposed (Rs. 000s)	1,343,137	1,611,764	1,611,764	1,853,528	2,551,959	2,901,175	3,223,528	3,680,194	3,465,292	4,298,037
Dividend Per Share (Rs.)	25.00	30.00	30.00	34.50	47.50	54.00	60.00	68.50	64.50	80.00

Analysis of Shareholders According to the Number of Shares Held as at 31 December 2016

			Resident			Non-resident			Total		
Number of Shares Held			Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
1	to	1,000 Shares	4,791	676,953	1.26	57	13,037	0.02	4848	689,990	1.28
1,001	to	10,000 Shares	376	966,103	1.80	26	124,299	0.23	402	1,090,402	2.03
10,001	to	100,000 Shares	33	771,018	1.44	14	366,195	0.68	47	1,137,213	2.12
100,001	to	1,000,000 Shares	0	0	0.00	10	2,014,112	3.75	10	2,014,112	3.75
	Over	1,000,000 Shares	0	0	0.00	1	48,793,746	90.82	1	48,793,746	90.82
			5,200	2,414,074	4.50	108	51,311,389	95.50	5,308	53,725,463	100

Categories of Shareholders	Number of Shareholders	Number of Shares
Individual	5,151	2,324,794
Institutional	157	51,400,669
	5,308	53,725,463

High / Low Market Prices Per Share

Highest Market Value	Rs. 2,445.00
Lowest Market Value	Rs. 1,903.30
Market Value as at 31 December 2016	Rs. 2,001.90

Public Holding as at 31 December 2016	9.18%
Number of shareholders represented by the public holding	5,306
Float Adjusted Market Capitalisation as at 31 December 2016 : Rs.9,870,802 (Rs'000)	

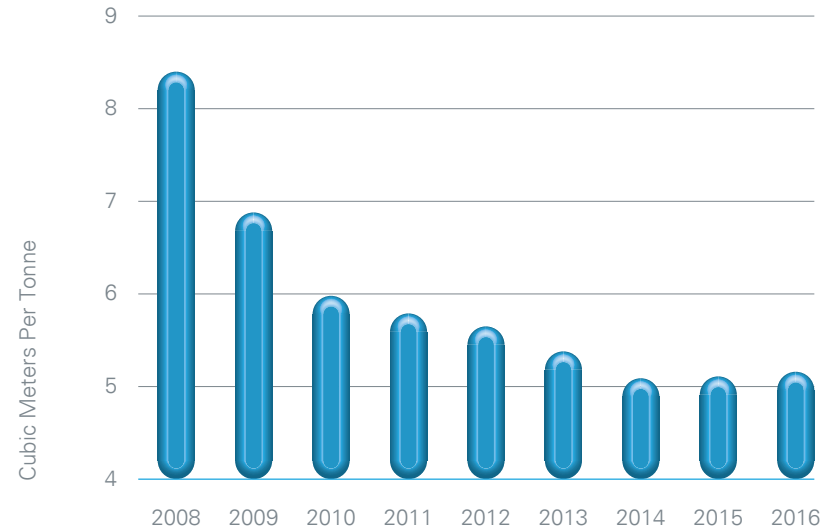
List of 20 Major Shareholders Based on the Number of Shares Held as at 31 December 2016

No.	Names	%	Shares as at 2016	Shares as at 2015
1	Nestlé S.A.	90.82	48,793,746	48,793,746
2	HSBC Int'l Nom Ltd - State Street London C/O SSBT - Fundsmith Emerging Equities Trust PLC	0.73	392,453	343,558
3	RBC Investor Services Bank-Coeli Sicav I-Frontier Markets Fund	0.44	238,500	238,500
4	HSBC Int'l Nom Ltd - SSBT - Wasatch Frontier Emerging Small Countries Fund	0.43	233,027	436,962
5	HSBC Int'l Nom Ltd - BBH - Fidelity Funds	0.40	214,302	-
6	Harnam Neesha J.K.P. Singh Jasbinderjit Kaur Piara	0.37	200,000	200,000
7	Northern Trust Company S/A Coupland Cardiff Funds PLC-CC Asian Evolution Fund	0.36	195,961	-
8	HSBC Int'l Nom Ltd - SSBT - Deutsche Bank AG Singapore A/C 01	0.29	155,600	155,600
9	HSBC Int'l Nom Ltd - JPMCB Na-Fidelity Asian Values Plc	0.26	142,193	35,602
10	HSBC Int'l Nom Ltd - SBT - Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3	0.24	128,076	-
11	HSBC Int'l Nom Ltd - SSBT - Multipartner SICAV-WMP EM Established Leaders Fund	0.21	114,000	-
12	Employees Provident Fund	0.19	100,000	100,000
13	HSBC Intl Nom Ltd - UBS AG Singapore Branch (Ex SBC)	0.16	85,000	85,000
14	Colombo Investment Trust PLC	0.09	50,904	50,904
15	Bandaranayake Jayampathi Divale	0.08	44,100	44,100
16	Hirdaramani Anil Kumar Lalchand	0.08	42,500	42,500
17	Merchant Asha Ajay	0.08	42,000	41,000
18	Singh Jasbinderjit Kaur Piara	0.07	40,100	40,100
19	Maheswaran Radhakrishnan	0.07	36,671	-
20	Radhakrishnan Andal	0.07	36,667	-

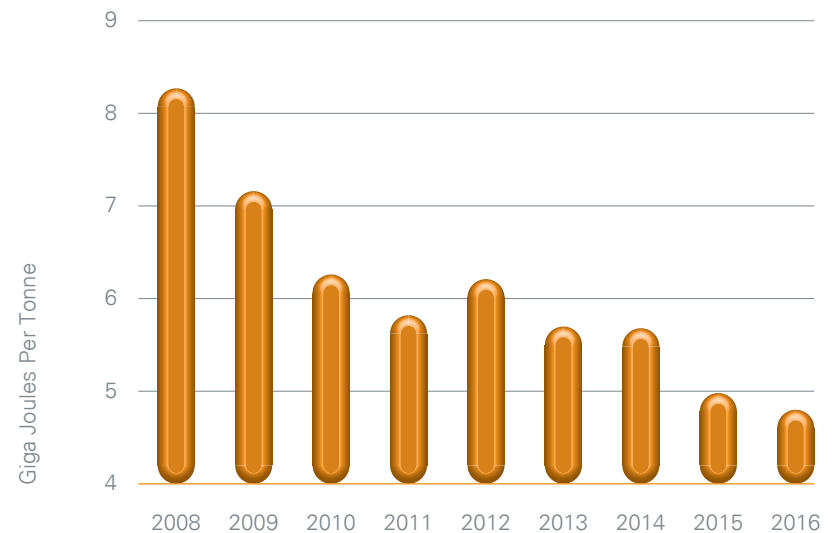
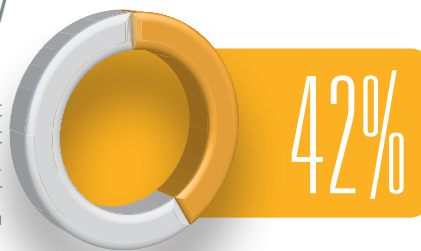


Protecting the Environment

Reducing our Consumption of Water by 39% from 2008 to 2016 (per tonne of production)



Reducing our Consumption of Energy by 42% from 2008 to 2016 (per tonne of production)



Water and Environmental Sustainability

Our goal is for our products to not only be tastier and healthier, but also be better for the environment. We are committed to improve our environmental performance, year on year.



Towards Zero Water Discharge

Our Kurunegala Factory opened a Reverse Osmosis (RO) plant in 2015 to help us become a 'Zero Water Discharge' factory. Currently most of our wastewater is not only treated and purified but also recycled so it can be used again in our operations.



Continuing our Journey to Save Energy

To ensure that our machines are able to run continuously even during a power failure, we began using two 1,250 KVA diesel power generators full time. However, the cost of generating in-house electricity (running the generators) full time was higher than the cost of electricity supplied by the CEB.

To address this, we installed a centralised UPS (Uninterrupted

Power Supply) system, similar to the emergency power systems used for computers. The system allows our machines to work uninterrupted even during a power failure for a limited time, buying us enough time to switch to the diesel generators. This has helped reduce our diesel consumption, energy consumption, CO2 emissions and energy costs.



Pre-engineered Green Distribution Centre Building Design

We redesigned our Distribution Centre (DC) to be more energy efficient and environmentally friendly. Our DC is powered using solar energy (215 solar cells); illuminated 100% by 40 sky lights, and ventilated via natural ventilators, helping us to reduce costs significantly.

Climate Change

Reducing greenhouse gas emissions by

 39%

(2008 - 2016 per tonne of production)

We are committed to reducing greenhouse gas (GHG) emissions from our operations by improving energy efficiency, switching to cleaner fuels and investing in renewable sources, such as solar and wind energy.

Water Conservation Education Programmes

→ Farmers

Agriculture requires a heavy use of water. We are increasing awareness regarding the depletion of water and advise farmers 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.



"We are committed to environmentally sustainable business practices at all stages – making the right choices to protect the future. By applying our 'Reduce, Reuse and Recycle' approach, over the past 8 years we were able to not only reduce our energy consumption equivalent to that of 90,000 households, but also our water consumption equivalent to that of 1,500 households, and even our greenhouse gas emissions by 18.4 tons, to optimise our environmental performance"

Deepal Magalla
Employee

*Senior Factory Engineering
Manager*

Notice is hereby given that the Thirty Sixth (36th) Annual General Meeting of Nestlé Lanka PLC will be held at the "Committee Room B", of the Bandaranaike

Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on Friday, 05 May 2017, at 10.00 am for the following purposes;

Agenda

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, Independent Auditors' Report and the Financial Statements for the year ended 31 December 2016.
2. To approve a Final Dividend for the year ended 31 December 2016 as recommended by the Directors.
3. To re-elect as a Director, Mr. Jagdish Kumar Singla, who retires by rotation in terms of Article 56, 57 and 58 of the Articles of Association.
4. To re-elect as a Director Mr. Ranjan Seevaratnam, who is over the age of 70 years and retires at the forthcoming Annual General Meeting, in terms of Section 210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.

"Resolved that Mr. Ranjan Seevaratnam, who is 73 years of age and is hereby re-elected as a Director of the Company and it is hereby resolved and declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director"

5. To re-elect as a Director Mr. Mahen Dayananda, who is 70 years of age and retires at the forthcoming Annual General Meeting, in terms of Section

210 of the Companies Act No. 07 of 2007 by passing the following ordinary resolution, in terms of Section 211 of the Companies Act No. 07 of 2007.

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

6. To re-elect Mr. Dian Gomes as a Director in terms of Article 64 of the Articles of Association.
7. To reappoint the Auditors M/s. KPMG and to authorise the Directors to determine their remuneration.

By Order of the Board.
NESTLÉ LANKA PLC.



Keerthi Pathiraja
Company Secretary

17 March 2017

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 hand over the same at the entrance to the meeting hall for registration.
5. Shareholders / proxy holders are requested to bring their National Identity Cards for the purpose of identification.
6. No parcels and other belongings will be allowed inside the meeting hall.
7. Only the shareholder will be permitted to enter the meeting hall. Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.
8. Kindly note that no complimentary gift parcels will be issued at the AGM.

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 Sixth Annual General Meeting to be held on Friday, 5 May 2017 at 10.00 a.m. and at any
 adjournment thereof.

Signed on this: day of 2017

.....
 Signature

Instructions as to the completion

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

නෙස්ලේ ලංකා පිවිල්සි

.....වන
 මම/අපයන ලිපිනයේ පදිංචි
 අතර ඉහත නම සඳහන් සමාගමේ සාමාජිකයෙකු / සාමාජිකයින් වෙමි / වන්නෙමු. මෙම පත්‍රය මගින්

 යන ලිපිනයෙහි පදිංචි
යන අය
 අපගේ පෙරකලාසිකරු / පෙරකලාසිකරුවන් ලෙස නම්කරන අතර මා / අප නියෝජනය කරමින් මා / අප වෙනුවෙන් 2017 මැයි 5 වැනි සිකුරාදා දින, කොළඹ
 07, බෞද්ධාලෝක මාවතේ පිහිටි බණ්ඩාරනායක අනුස්මරණ ජාත්‍යන්තර සම්මන්ත්‍රණ ශාලා පරිශ්‍රයේ 'B' කමිටු ශාලා පරිශ්‍රයේ පැවැත්වෙන තිස්තය වැනි
 වාර්ෂික මහා සමුළුවට සහභාගිවී ඡන්දය ප්‍රකාශ කිරීමට සහ ඉදිරියේදී ඕනෑම අවස්ථාවක මා / අප නියෝජනය කරමින් ඡන්දය ප්‍රකාශ කිරීමට බලය පවරමි.
 2017මස වැනි දින අත්සන් තබන ලදී.

 අත්සන

සම්පූර්ණ කිරීම සඳහා උපදෙස්

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

நெஸ்லே லங்கா பீஎல்சி

நான்/நாம்.....

முகவரி.....

மேற்குறிப்பிட்ட நிறுவனத்தின் உறுப்பினர் / உறுப்பினர்கள் என்ற வகையில் இத்தால் நியமிக்க விரும்புவது

என்ற முகவரியைச் சேர்ந்த

.....அல்லது தவறும் பட்சத்தில்

:.....அல்லது தவறும் பட்சத்தில்

.....2017 மே 5 ஆம் திகதி,

வெள்ளிக்கிழமையன்று மு.ப 10.00 மணிக்கு இடம்பெறவுள்ள முப்பத்தி ஆறாவது வருடாந்த பொதுக் கூட்டத்திலும் அல்லது அது ஒத்திவைக்கப்படும்

பட்சத்தில் மீள நடாத்தப்படும் கூட்டத்திலும் எனது/எமது சார்பில் வாக்களிப்பதற்கு எனது / எமது அதிகாரமுள்ள பிரதிநிதியாக சமூகமளிப்பார் என்பதை

அறியத்தருகின்றேன்/றோம்

இதனைப் பூர்த்தி செய்வதற்கான அறிவுறுத்தல்கள்

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

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

Folio no. / පත්‍රේ අංකය / கோவை இல:

NIC no. / ජාතික හැඳුනුම්පත් අංකය / தேஅஅ இல:

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

Signature / අත්සන / கையொப்பம்:

Notes:

- Shareholders are requested to bring this attendance form to the Thirty Sixth Annual General Meeting of Nestlé Lanka PLC. The meeting will 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 Friday, 5 May 2017 at 10.00 a.m.
- Shareholders are kindly requested to refrain from bringing children in order to avoid any inconvenience.

සටහන්:

- තෙස්ලේ ලංකා පීඑල්සී සමාගමේ තිස්වය (36) වැනි වාර්ෂික මහා සමුළුවට සහභාගිවන්නට පැමිණීමේදී, මෙම පැමිණීමේ ලේඛනය රැගෙන එන මෙන් කොටස් හිමියන්ගෙන් ඉල්ලා සිටිමු. 2017 මැයි 05 වැනි සිකුරාදා දින පෙරවර 10.00ට කොළඹ 07, බෞද්ධාලෝක මාවතේ, පිහිටි බණ්ඩාරනායක අනුස්මරණ ජාත්‍යන්තර සම්මන්ත්‍රණ ශාලා පරිශ්‍රයේ 'B' කමිටු ශාලාවේදී මෙම වාර්ෂික මහා සමුළුව පැවැත්වේ.
- කුඩා දරුවන් රැගෙන ඒමෙන් වළකින මෙන් කොටස් හිමිකරුවන්ගෙන් කාරුණිකව ඉල්ලා සිටිමු.

குறிப்புகள்:

- எதிர்வரும் 2017 மே 5, வெள்ளிக்கிழமை, மு.ப. 10.00 மணிக்கு கொழும்பு 07 பௌத்தாலோக மாவத்தையில் அமைந்துள்ள பண்டாரநாயக்க ஞாபகார்த்த சர்வதேச மாநாட்டு மண்டபத்தின் (BMICH) "Committee Room B" மண்டபத்தில் இடம்பெறுவுள்ள நெஸ்த்லே லங்கா பீஎல்சி நிறுவனத்தின் முப்பத்தி ஆறாவது (36ஆவது) வருடாந்த பொதுக் கூட்டத்தில் கலந்துகொள்ளும் போது இந்த சமூகமளிக்கும் படிவத்தை தம்முடன் எடுத்துவருமாறு பங்குதாரர்கள் கேட்டுக்கொள்ளப்படுகின்றனர்.
- எவ்விதமான அசௌகரியங்களையும் தவிர்க்கும் முகமாக பிள்ளைகளை தங்களுடன் அழைத்து வருவதைத் தவிர்த்துக்கொள்ளுமாறு பங்குதாரர்கள் அன்புடன் கேட்டுக்கொள்ளப்படுகின்றனர்.

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



People Development

Learning and Development

We know that it is our people that truly set us apart and drive our success year after year. We recruit a diverse work force that can thrive in a high performance culture, and continuously develop their talents and skills to be able to take on higher levels of responsibility.

Our employees are greatly benefited from our organisational structure. With fewer layers of authority and broader spans of control, more responsibilities are delegated throughout all levels of

the organisation. For a career at Nestlé, lateral professional developments, to broaden or deepen existing job responsibilities, will more frequently complement career moves.

Our Learning and Development philosophy is centred around the 70:20:10 principle, where interventions on Experiential Learning (70%), Relationship based Learning (20%) and Educational or Class Room based Learning (10%) are followed.



Nestlé International Training and Conference Centre, Rive-Reine, Switzerland

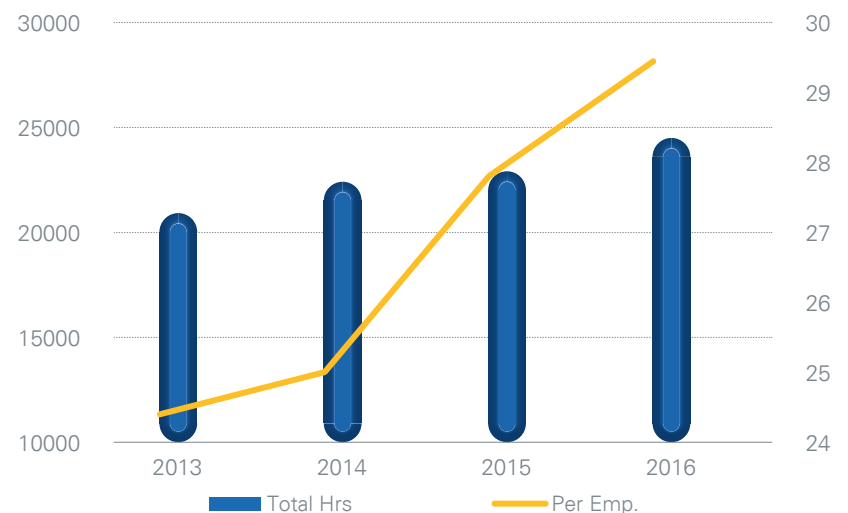
Exposing Employees to Local and International Trainings

We are committed to extend trainings to our employees year on year. Our global presence gives us the ability to provide international training exposures to our people. In 2016, we were able to expose over a third of our white collar employees overseas. Locally, we provide in-house and external programmes to build specific leadership and behavioural competencies, and upskill our talent.

In total, we have clocked in 29 training hours per person in 2016, which is a commendable achievement.

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

Total Training Exposure





Management Trainee Programme

The Nestlé Management Trainee Programme which spans across a 18 month period, prepares high-performing young talent to become future leaders of tomorrow. The programme has over the years, played a fundamental role in empowering talented high calibre graduates to discover their true potential and succeed in their careers.

Designed to speed up the mastery of management techniques and real-world skills in a specific area of expertise, our Management Trainee Programme expands the potential of all

selected individuals to gain invaluable insights and hands-on experience as they work alongside diverse top-class professionals.

During the training period, all Management Trainees are put through a rigorous cross-functional, multi-location training programme. Following the completion of the programme, they are absorbed into their respective functional departments, where they rise to key positions and impactful roles as they move up the hierarchy in their chosen field.



A Diverse Workforce

Diversity and Inclusion are an integral part of the Nestlé culture. We are committed to enhance gender balance in our workforce; 43% of our Management Committee and 18% of our management staff comprise of women, making it one of the highest representations of women in executive management positions at any one Company in the country.

Attracting young talent is driven in line with our global initiative - Nestlé needs YOUTH. The fact that 28% of our people are less than 30 years of age, reflects our ability to attract and retain young talent. Talent at all levels is recruited with a vision of grooming them to take up higher responsibilities in the foreseeable future.

Safety of our People

Nestlé is a Company founded on caring: for our consumers, the communities in which we operate and our work colleagues. This is why we say “one accident is one too many”, and for work-related injuries and illnesses – “our goal is zero”. Therefore, we devote all the necessary energy and attention to protect employees, contractors and any other people involved with the Company.

As an integral part of managing the business, Nestlé managers at all levels

are accountable for managing health and safety at the workplace with strong leadership and credibility. In reinforcing an already strong safety culture, Nestlé sets ambitious goals and high standards, as part of its occupational safety and health management process. Accordingly, safety at Nestlé is well planned out and executed through different dimensions.

➤ *Developing our Employees' Behaviours*

Nestlé implements programmes that encourage employees to engage in dialogue with peers and management about safety and risk behaviours. This practice of Behaviour Feedback Sessions (BFS) facilitate the observation of employee behaviour and giving feedback to avoid unsafe and risky behaviours. This in turn enables

“SHE” (Safety, Health & Environment) competency development of our employees. Project Suraksha, a globally recognised programme, has been instrumental in reducing road accidents and overall haulage cost of our Nestlé Milk Bowsers by inculcating defensive driving practices and better maintenance of vehicles.

➤ *Ensuring Safe Machineries to Work with*

Well-disciplined people alone, will not ensure safety; hence we introduced many processes within our day-to-day operations to ensure safe machineries. The “Machinery Safety Programme” ensures systematic and periodic

maintenance of machinery in our factory, eliminating the occurrence of unsafe incidents. Such practices are even incorporated to the vehicle fleet, ensuring more road worthy vehicles.

➤ *Standardizing Work Processes*

We have also introduced practices such as LOTO (Lock Out, Tag Out) standardization that prevents the running of those machinery under

maintenance, ensuring the safety of our staff when carrying out repairs and overhauls.





Nutrition, Health and Wellness for our Employees

We believe in encouraging people to support a healthy active lifestyle, all of which starts from our employees. As part of our campaign to create wellness ambassadors, we launched a number of internal wellness initiatives.

Some of them include, introducing a 'Wellness in Action' wall, featuring employee endorsements on Nutrition, Health and Wellness and wellness tips under our 'Eat Right', 'Get Active' and 'Cleanse Your Mind' wellness pillars; launching a Nestlé Wellness Centre that includes a fully-equipped gymnasium supervised by a qualified gym instructor, a badminton court that meets national standards, a table tennis court and a carom table; and conducting monthly health screenings for all our field staff with the help of qualified dieticians, to check their BMI (Body Mass Index), waist circumference, body fat, blood sugar and blood pressure with detailed diet counselling.



Going Beyond Nestlé

With the commitment to develop people across our value chain, we do not limit trainings to our own employees

but go beyond boundaries to train and develop third party personnel, on their respective areas of work.

➤ Partnering with Educational Institutions

We work with universities and institutions to provide opportunities for undergraduates to become familiar with the corporate environment. These students are assisted through the Nestlé Education Responsibility Initiative (NERI) Programme where modular based trainings on personal development are conducted to develop soft skills and enhance personal leadership traits to increase employability. We also get our line

managers involved in conducting guest lectures at institutions and work with the faculties to develop course material.

We are also proud to note that we have empowered the lives of many students by actively taking part in key recruitment drives with leading universities and institutions where the best talents are handpicked across multiple disciplines.



NERI Programme - University of Moratuwa

➤ Distribution Partners' Sales Force Training

Our Sales Training Team works closely with our distribution partners to train their staff on selling, customer engagement and merchandising tactics.

Through these trainings, we sharpen their sales knowledge and skills to maximise their selling capabilities, and familiarise them with Nestlé trade standards.



"Nestlé being a people focused Company, provided me the opportunity to reach my potential through exposure outside of our market at an early stage in my career. After having joined Nestlé as a Buyer, I soon grew to take on more responsibilities, and was selected for a mission assignment in Switzerland to be groomed in the global environment, with an effective career development plan. During this period, I received the opportunity to work in over 25 markets, including Germany, France, Philippines and Japan. Today, I am a proud employee of Nestlé Lanka, currently on an expatriation assignment in India. The people and leadership development culture at Nestlé enabled me to take bigger challenges in the new business environment to deliver the business needs. I am grateful to work in an organisation like Nestlé that has helped me achieve my potential."

Kanchana Fernando

Employee

*Business Excellence Manager – Procurement
India*





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