



**Nestlé**® Good food, Good life

# Together for good **My Nestlé, My Sri Lanka**

Annual Report 2022







## Together for good

At Nestlé, we believe that working together is when real change takes place. Healthier families, empowered communities, and a greener planet, all come out of a collective effort. That is why we work with people around us to help uplift lives and create a more sustainable world to live in. We believe that together, we can inspire and find inspiration to be better. Let's work together for good!





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## Key Highlights 2022

# Good For My Family

*At Nestlé, we believe that every journey of goodness begins at home. This is why we strive to offer tastier and healthier choices from early childhood to old age and inspire Sri Lankan families to live healthier and happier lives.*

*Let's work together for my family.  
Let's work together for good.*



**833 Million**

micronutrient enriched servings



**~2.6 Million**

reached via Nestlé Family Club offering free tips on health and wellness



**~4,500**

reached via Nestlé Choose Wellness Nutri-Corners offering free nutritional advice



**~24,000**

reached via sporting events conducted by Nestlé Nestomalt & Nestlé Milo



**7%**

reduction in import dependency by localising ingredients via Project Serendib



## Key Highlights 2022

# Good For My Community

*At Nestlé, we believe in working together with our communities to help uplift rural livelihoods, make youth more employable, and foster diversity and inclusion across our value chain.*

*Let's work together for my community.  
Let's work together for good.*



**Rs. 3.6 Billion**

contributed to the local dairy industry



**Rs. 6.8 Billion**

contributed to the local coconut industry



**Rs. 73.6 Million**

worth of donations benefiting communities across and beyond the value chain



**Rs. 14.3 Billion**

contributed to the economy via export earnings



**~10,800 youth**

reached via Nestlé Needs YOUNG initiatives



Extension of parental leave

primary caregiver: **6 months**

secondary caregiver: **4 weeks**







## Key Highlights 2022

### Good For My Planet

*At Nestlé, we believe that it takes all of us, doing our part together, to make our planet greener and cleaner. This is why we work closely with our stakeholders across the value chain to address climate change, tackle plastic pollution, and care for water.*

*Let's work together for my planet.  
Let's work together for good.*



**13%**

reduction in energy use\*

Saved 48,790 Gj\*\*, which is equivalent to the annual electricity consumption of ~15,265 households



**1%**

reduction in water use\*

Saved 427 m3\*\*, which is equivalent to the daily water consumption of ~897 households



**78%**

of our packaging is designed for recycling



**~350,000**

students reached via the Schools Waste Management Programme to inspire behavioural change



**~11,450**

trees planted in our dairy value chain

\*2012-2022 per tonne of production

\*\*In 2022 as compared to 2012



## Key Highlights 2022

# Financial Performance

*Even though 2022 was an extraordinary year with a multitude of volatilities experienced on many fronts, through the collective efforts of our employees and stakeholders across and beyond the value chain, we were able to achieve commendable financial performance, ensuring that our operations are sustained and value is created for our shareholders.*



Revenue  
**Rs. 73.7 Billion**



Contribution to exchequer  
**Rs. 11.1 Billion**



Earnings per share  
**Rs. 113.09**



# Innovations & Renovations

*Innovation has been at the heart of our company since its beginning. Each day we strive to make our products tastier and healthier choices that help consumers care for themselves and their families. This would not be possible without our unmatched R&D capability, nutrition science, and passion for quality in everything we do.*



## NANGROW 4 Tin

NANGROW 4 HMO is a milk formula designed for 3- to 5-year-old children, which is enriched with Omega 3 and 6, Probiotics, Iron and essential Vitamins and Minerals.



## NESTLÉ Cream

NESTLÉ Cream is versatile enough to be paired with a wide variety of ingredients, making it a good base for both savoury and sweet dishes. It helps balance different flavours, resulting in truly delightful dishes.



## NESTEA Cardamom Milk Tea Mix

NESTEA Cardamom Milk Tea Mix is the ideal option for tea drinkers seeking variety. Rich in flavour and aroma, this value-added milk tea is sure to elevate the tea experience of Out-Of-Home (OOH) consumers.



## MAGGI Seasoning

MAGGI Seasoning gives a savoury flavour to dishes, complemented by a unique aroma. Only a few drops are needed to elevate any dish without affecting its colour, making it the perfect liquid seasoning for a multitude of ingredients.



## MAGGI Masala Magic

MAGGI Masala Magic is a one-stop solution to create flavourful Indian and Sri Lankan dishes. It has a rich blend of ingredients such as turmeric, nutmeg, corn starch, onion, garlic, black pepper, ginger, clove, and cardamom.



# Awards & Accolades

*Despite the many challenges we faced last year, we continued on our journey of doing good for Sri Lanka and its people, positively impacting families and communities, as well as the planet. We are humbled and delighted to be recognised as a ‘Force for good’ for our untiring efforts towards a sustainable and resilient Sri Lanka across a multitude of platforms – both local and international.*



## Best Corporate Citizen Sustainability Awards 2022

We swept the board at the Best Corporate Citizen Sustainability Awards 2022, bagging six awards across many categories, including Second Runner Up – Best Corporate Citizen Sustainability Award 2022, Top Ten Best Corporate

Citizens, Sector Award – Manufacturing, Triple Bottom Line Award – Environmental Sustainability (Planet), Category Award – Environmental Integration, and Category Award – Financial Performance.



## 30<sup>th</sup> NCE Export Awards

We won the Bronze Award in the Coconut and Coconut Products Sector (Extra Large Category), at the 30<sup>th</sup> NCE Export Awards. Organised by the National

Chamber of Exporters of Sri Lanka (NCE), these prestigious awards recognize the outstanding performance and contribution of the country’s top exporters.

## Sri Lanka’s Most Respected Food and Beverage Entity 2022

We were ranked Sri Lanka’s Most Respected Food and Beverage Entity in LMD’s Most Respected Entities issue 2022, being among the Top 20 Most Respected Entities, out of over 100 renowned corporates across different industries.

**LMD**  
THE VOICE OF BUSINESS

| RANK | MOST RESPECTED ENTITIES 2022 | FIRST MENTION |          | SECOND MENTION |          | THIRD MENTION |          | TOTAL |
|------|------------------------------|---------------|----------|----------------|----------|---------------|----------|-------|
|      |                              | VOTES         | WEIGHTED | VOTES          | WEIGHTED | VOTES         | WEIGHTED |       |
| 1    | John Keells Holdings         | 185           | 925      | 76             | 228      | 72            | 72       | 1,225 |
| 2    | Hayleys                      | 74            | 370      | 62             | 186      | 57            | 57       | 613   |
| 3    | MAS Holdings                 | 56            | 280      | 54             | 162      | 52            | 52       | 494   |
| 4    | Commercial Bank of Ceylon    | 47            | 235      | 49             | 147      | 59            | 59       | 441   |
| 5    | DIALOG Axiata                | 42            | 210      | 53             | 159      | 40            | 40       | 409   |
| 6    | Unilever Sri Lanka           | 32            | 160      | 48             | 144      | 40            | 40       | 344   |
| 7    | LOLC Holdings                | 42            | 210      | 29             | 87       | 34            | 34       | 331   |
| 15   | Expolanka Holdings           | 13            | 65       | 17             | 51       | 14            | 14       | 130   |
| 16   | Singer (Sri Lanka)           | 12            | 60       | 13             | 39       | 10            | 10       | 109   |
| 17   | Nestlé Lanka                 | 10            | 50       | 14             | 42       | 14            | 14       | 106   |
| 18   | Nawaloka Hospitals           | 7             | 35       | 14             | 42       | 6             | 6        | 83    |
| 13   | Softlogic Holdings           | 11            | 55       | 30             | 90       | 30            | 30       | 175   |
| 14   | Virtusa                      | 19            | 95       | 11             | 33       | 19            | 19       | 147   |
| 15   | Expolanka Holdings           | 13            | 65       | 17             | 51       | 14            | 14       | 130   |
| 16   | Singer (Sri Lanka)           | 12            | 60       | 13             | 39       | 10            | 10       | 109   |
| 17   | Nestlé Lanka                 | 10            | 50       | 14             | 42       | 14            | 14       | 106   |
| 18   | Nawaloka Hospitals           | 7             | 35       | 14             | 42       | 6             | 6        | 83    |





## SLIM-KANTAR People's Awards 2022

Nescafé was voted the People's Hot Beverage Brand of the Year and Maggi was voted the People's Snack Brand of the Year

at the SLIM-KANTAR People's Awards 2022, reaffirming the love Sri Lankans have for Nestlé products.



**Brand Finance®**

## Sri Lanka's Most Valuable Food and Beverage Brand 2022

We were ranked Sri Lanka's Most Valuable Food and Beverage Brand by the world's leading brand valuation consultancy – Brand Finance. Securing the 11<sup>th</sup> position out of 100 corporate brands, we recorded a 20% growth in brand value in 2022 compared to 2021.



## Sri Lanka's Most Loved Brands 2022

Three of our brands were ranked among Sri Lanka's Most Loved Brands of the Year, which covered a total of 140 brands from diverse categories. Our flagship brand Nestlé Nestomalt and Nestlé Milo were ranked first and second respectively in the Dairy Products – Malt Drinks category, whilst Maggi was ranked second among the leading brands in the Noodles and Other Wheat category.

## Global Performance Excellence Award 2022

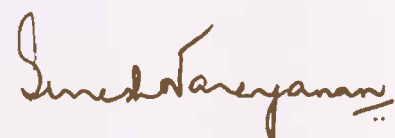
We won the Global Performance Excellence Award 2022 – World Class, by the Asia Pacific Quality Organization for our stringent quality standards across the value chain.





# Chairman's Message

In 2022, we accelerated our growth and profitability amidst extraordinary circumstances, driven by the tremendous effort and unwavering determination of many people, including our very own employees, partners, and stakeholders across and beyond our value chain.



**Suresh Narayanan**  
**Chairman**

NESTLÉ LANKA PLC



Dear Shareholders,

2022 was a year like no other, with new challenges experienced with each passing day. This was especially true for Sri Lanka, as the country went through possibly one of the most turbulent times in its history and yet, I am proud to note that we made significant progress on our journey as a force for good. Nestlé Lanka delivered strong business results driven by the tremendous effort and unwavering determination of many people, including our very own employees, partners, and stakeholders across and beyond our value chain.

Even through unprecedented volatilities, we did not waver in our commitment to Sri Lanka, towards healthier families, empowered communities, and a greener planet. We continued to deliver nutritious and high-quality food and beverages to our valued consumers; supported our employees, business partners, and thousands of farmers across the island by continuing our operations amidst business challenges; and accelerated our efforts towards positively impacting the environment, making progress towards our net zero ambition. We even furthered our investments in Sri Lanka last year by expanding the capacity of our Kurunegala factory, helping us deliver more of our world-class products to Sri Lankan consumers.

As the world's largest food and beverage company, we strongly believe that there is much we

can do to support Sri Lankans in these trying times. This is why we embarked on our journey of giving back to the country and its people, as we have been doing for the past 115 years, helping various groups, including our value chain partners as well as children and communities in need. I am grateful to organisations such as the SOS Children's Villages Sri Lanka and Sarvodaya Shramadana Movement which collaborated with us in this journey and to all our employees who came forward to help in these efforts at a time when it was needed the most. Your empathy and compassion were truly inspirational, and I thank you for being exemplary, living Nestlé's values.

In 2022, we accelerated our growth and profitability amidst extraordinary circumstances. All our business units performed well, by adapting to the ever-changing social and economic challenges with agility and confidence. I am especially proud of the progress made by our exports team in bringing in foreign currency to the economy – which is much-needed support. Accordingly, I am delighted to announce that the Board of Directors has approved an interim dividend of Rs. 55.00 per share and proposed a final dividend of Rs. 75.00 per share, subject to the approval of shareholders at the upcoming Annual General Meeting.

I take this opportunity to thank our employees, who are the heart of our business and undoubtedly our

biggest strength. Our extraordinary performance, recognition, and achievements last year, is the result of your genuine passion, endless commitment, and admirable perseverance to unlock the power of food to enhance the quality of life for everyone, today and for generations to come. I would also like to thank our stakeholders across the value chain, from farm to end-of-shelf-life, for their dedication and contribution towards sustaining our operations even amidst the toughest of challenges. We are grateful for your long-standing partnerships and look forward to strengthening them even further in the upcoming years. We also extend our heartfelt appreciation to you, our shareholders, for continuing to place your trust in us.

As we begin yet another challenging year, we are committed to doing our absolute best, not only towards sustainable business but to also continue our positive contribution towards Sri Lanka and its people through our purpose-driven initiatives. We will continue to work together with our stakeholders in our journey of doing good for families, communities, and the planet, as we have for over 115 years.



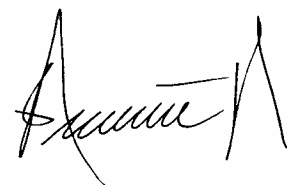
**Suresh Narayanan**  
**Chairman**

NESTLÉ LANKA PLC



# Managing Director's Review

Our priority last year, as it has always been, was to maintain our commitment to Sri Lanka by ensuring our consumers have access to quality and nutritious products, whilst also delivering on our promise of doing good for our communities and the planet.



**Joselito Avanceña**  
**Managing Director**

NESTLÉ LANKA PLC



Dear Shareholders,

2022 proved to be one of the most challenging years for Sri Lanka, with the country facing one of its worst socio-economic crises in history. Everyone, from all walks of life, was affected by the unprecedented challenges experienced in different fronts - severe fuel shortages, power outages, social unrest, and record-high inflation to name a few. Regardless, I am proud to say that we, as a team, were able to forge ahead with confidence and courage to overcome these challenges and more, concluding the year with extraordinary results. Similar to preceding years, in 2022, we took strides in our purpose of unlocking the power of food and continued our efforts of doing good for Sri Lanka - towards creating healthier families, empowered communities, and a greener planet.

Our priority last year, as it has always been, was to maintain our commitment to Sri Lanka by ensuring our consumers have access to quality and nutritious products, whilst also delivering on our promise of doing good for our communities and the planet. We are happy to say that through the collective efforts of our stakeholders across the value chain and with the constant support from authorities and other institutions, we were able to sustain our business, continuously operating our factory in Kurunegala, which allowed us to make our products available to consumers, whilst ensuring

our employees as well as the communities we work with could continue to earn a living amidst the volatilities experienced.

As a company that has stood by its stakeholders through good and trying times for over 115 years, we embarked on a series of projects to give back to communities in this hour of need. We took steps to distribute 'Nestlé Care Packages' to over 3,500 staff attached to the company's value chain partners and over 240 stakeholders in our dairy value chain to help them navigate economic challenges. We also collaborated with various organisations for wider reach and impact. Two of the most noteworthy projects are our collaborations with SOS Children's Villages Sri Lanka and Sarvodaya Shramadana Movement, contributing towards fulfilling the nutrition needs of over 600 children, and distributing food items through 25 Community Food Banks respectively. I am also proud to witness our employees volunteering their time and rallying together in solidarity, in our efforts of giving back to Sri Lanka and wish to offer my sincere gratitude for the empathy and compassion displayed.

I am proud to note that we did remarkably last year, achieving stellar results across all business units through the agile decision making of all teams. Our exports business in particular achieved a significant milestone last year, recording its highest-ever recorded

revenue of Rs. 14.3 billion, also contributing positively to the economy through the inflow of much-needed foreign currency. I take this opportunity to applaud the Nestlé Lanka family for adapting to the ever-changing circumstances and giving it their all to make a difficult year extraordinary. Their tenacity, hard work, and passion are truly inspirational.

## My Nestlé, My Sri Lanka

At Nestlé, sustainability is built into how we do business, and we bring this to life through our 'Creating Shared Value' agenda. Even amidst challenging circumstances, we continued our unwavering journey towards a sustainable and resilient Sri Lanka, by doing good for families, communities, and the planet, by leveraging our corporate platform My Nestlé, My Sri Lanka.

## Good for my family

In our efforts of doing good for individuals and families, we continued to nourish Sri Lanka by ensuring on-shelf availability of our products amidst the many business challenges faced. We continuously assessed local nutritional needs and deficiency states, seeking ways to strengthen the taste and nutritional profile of our portfolio in our efforts of delivering affordable nutrition during this difficult time. Through this, we were able to offer 833 million servings of products enriched with micronutrients deficient in the local diet. We also



# Managing Director's Review

explored opportunities to use more local, indigenous ingredients in our products, helping reduce our import dependency by 7% in 2022, which in turn reduced our foreign currency outflow.

We continued to inspire Sri Lankan families to live healthier and happier amidst challenging circumstances. One such significant initiative is our online service platform Nestlé Family Club, which reached 2.6 million consumers with free health, wellness, and fitness tips and a range of recipes with a healthy twist. Further, our Nestlé Choose Wellness Nutri-Corner provided free personalised nutritional advice from expert nutritionists, including BMI checks and health assessments to over 4,500 consumers, offering them much-needed support at a time when most neglected their health. Our purpose-driven brands, especially Nestlé Nestomalt and Nestlé Milo, also continued their collaborations with Government authorities to conduct national level sporting events, to power Sri Lankan athletes, support grassroots sports, and encourage an active lifestyle among children and youth.

## Good for my community

In our efforts of doing good for communities, we continued to work closely with local dairy and coconut farming communities, paying out Rs. 3.6 billion and Rs. 6.8 billion respectively to the local dairy and coconut industries in 2022, helping rural families sustain

their livelihoods during volatilities. We are proud to be one of the only companies who continued to purchase fresh milk from all and any farmer who approached us during the pandemic and economic volatilities, despite our requirement. We also continued to support the beneficiaries of our Nestlé Coconut Plan, which is conducted in collaboration with the Coconut Cultivation Board of Sri Lanka to help the country be self-sufficient in coconut cultivation.

Despite the many business challenges faced last year, we continued our initiatives towards nurturing the country's future generation – our youth, by conducting our Nestlé Needs YOUTH programme, helping improve employability and empowering their journey towards a successful career. Accordingly, we were able to reach over 10,800 aspiring professionals through both in-person and digital platforms. As a company that celebrates diversity and inclusion, we take great effort to ensure equal opportunities across our value chain. Towards this end, we extended paternity leave to four weeks last year to ensure that our male employees also have ample time to adapt to their new role of being a father.

## Good for my planet

Although times were tough, we made sure to also continue our efforts of doing good for the planet as we understand the importance

of stewarding resources for the future. We accelerated our journey towards net zero while striving to advance regenerative food systems at scale. Working from farm to table, we ensured that we progressed in our commitments and that our operations have a positive impact on the environment. A significant milestone in this journey was the completion of the carbon footprint verification for our upstream coconut value chain from farm to our factory, from the Sri Lanka Climate Fund. We are proud to be the first in the local industry to receive this verification for the coconut value chain, which would help us further reduce green house gas emissions in the coming years.

We also conducted several initiatives towards tackling plastic pollution, which is an imminent global issue. By 2022, 78% of our packaging by weight was designed for recycling and we progressed in strengthening collection and recycling infrastructure, working together with Government and corporate partners. We also continued our efforts to galvanise behavioural change towards caring for our planet through the Schools Waste Management Programme, conducted in collaboration with the Ministry of Education and the Central Environment Authority. We are delighted to note that we were able to donate waste management units to over 200 schools across the island, teaching over 350,000 students the importance of responsible disposal for a better future.

It was truly motivating to be recognised as a 'Force for Good' in appreciation of our efforts towards a sustainable and resilient Sri Lanka, amidst the challenges we faced last year. We took home six awards at the Best Corporate Citizen Sustainability Awards 2022, widely considered Sri Lanka's highest corporate honour, including Second Runner Up – Best Corporate Citizen Sustainability Award 2022 and Top Ten Best Corporate Citizens. It was a delight to be named Sri Lanka's Most Respected Food and Beverage Entity in 2022 as well as Sri Lanka's Most Valuable Food and Beverage Brand 2022, with three of our brands – Nestlé Nestomalt, Nestlé Milo, and Maggi – being ranked among the Most Loved Brands of the year. Nescafé was voted the People's Hot Beverage Brand of the Year and Maggi was voted the People's Snack Brand of the Year at the SLIM-KANTAR People's Awards 2022, reaffirming the love Sri Lankans have for Nestlé products. Testament to our world-class quality standards, we were recognised at the Global Performance Excellence Award 2022 as well.

Our extraordinary performance and noteworthy positive impact last year would not have been possible if not for the contribution of each of our stakeholders across the value chain. Their resilience, strength, and unwavering commitment to achieve these results is truly commendable. We are grateful for your collaboration and commitment in making Nestlé

Lanka stronger during the most challenging of times. I also extend my heartfelt appreciation to you, our shareholders, for continuing to place your trust in Nestlé and for rallying with us.

Our achievements in 2022 reflect our strength as a team and our ability to come out stronger and better even during the most difficult of times. I am confident that we will be able to weather any storm that may come our way in 2023. Let's work together for good, for our families, communities, and the planet.



**Joselito Avanceña**  
**Managing Director**

NESTLÉ LANKA PLC



# කළමනාකාර අධ්‍යක්ෂතුමාගේ සමාලෝචනය

**හිතවත් කොටස් හිමිකරුවනි,**

ශ්‍රී ලංකාවේ ඇති වූ සමාජ හා ආර්ථික අර්බුදය හේතුවෙන්, 2022 වසර මෙතෙක් අප මුහුණදුන් අභියෝගාත්මකම වසරක් විය. ධරපතල ඉන්ධන හිඟය, විදුලිය විසන්ධි කිරීම්, සමාජ ආතතිය සහ වාර්තාගත අධි උද්ධමනය වැනි අභියෝගවලට අප සියලු දෙනාටම මුහුණ දීමට සිදුවිය. ඒ නමුදු, මේ අභියෝගයන්ට සාර්ථකව මුහුණදී, විශ්වාසයෙන් සහ ධෛර්යයෙන් යුතුව මෙම වසර සුච්ඡේෂී ප්‍රතිඵල අතැතිව නිමා කිරීමට හැකිවීම පිළිබඳ මම ආඩම්බර වෙමි. 2022 වසරට අනුප්‍රාප්තික වසරවල මෙන්ම අපගේ අරමුණ වන ආහාර සතු ශක්තිය මුදාහැරීම සහ ශ්‍රී ලංකාව වෙනුවෙන් යහපතක් සිදු කිරීම සඳහා අඛණ්ඩවම කැපවිය. එමඟින් සෞඛ්‍යසම්පන්න පවුල්, සවිබලගැන්වුණු ප්‍රජාවන් සහ හරිත මිහිකතක් වෙනුවෙන් බොහෝ දේ අපි සිදු කළෙමු.

සැමදා මෙන්ම පසුගිය වසරේ අපගේ ප්‍රමුඛතාවය වූයේ ශ්‍රී ලාංකීය පාරිභෝගිකයන්ට ගුණාත්මක හා පෝෂ්‍ය ගුණයෙන් අනූන නිෂ්පාදන අඛණ්ඩවම සැපයීමත්, ප්‍රජාවන්ගේ හා මිහිකතේ යහපත වෙනුවෙන් කටයුතු කිරීමත්ය. සමාගම් අගය දාමයේ විසිරී සිටින පාර්ශ්වකරුවන්ගේ සාමූහික ප්‍රයත්නය හේතුවෙනුත්, රාජ්‍ය ආයතන හා වෙනත් ආයතනවලින් ලැබුණු අඛණ්ඩ සහයෝගයත් හේතුවෙන් අපගේ ව්‍යාපාර කටයුතු තීරසාරව පවත්වාගෙන යාමට හැකිවූ බව මම සතුටින් ප්‍රකාශ කරමි. ඒ අනුව අපගේ කුරුණෑගල පිහිටි කර්මාන්තශාලාව නොනවත්වාම පවත්වාගෙන යාමෙන් අපගේ පාරිභෝගිකයන්ට අප නිෂ්පාදනයන් අවශ්‍ය පරිදි ලබාගැනීමට හැකිවිය. ඵපමණක් නොව, අප ආයතනයේ සේවකයන්ට මෙන්ම අප හා එක්ව වැඩකරන ප්‍රජාවන්ටත් පැවති දුෂ්කර

වටපිටාව යටතේදීත් තම පීඩිකාව පවත්වාගෙන යාමට සහයෝගයක් විය.

අවුරුදු 115 කටත් අධික කාලයක් පුරා යහපත් මෙන්ම දුෂ්කර අවස්ථාවන්හිදීත් අප සමාගම අපගේ සියලු පාර්ශ්වකරුවන් සමඟ සිටි අතර, මේ දුෂ්කර හෝරාවේදී ද සමාජය වෙනුවෙන් ව්‍යාපෘති රාශියක් දියත් කරන ලදී. මේ යටතේ සමාගමේ අගයදාම සහකරුවන් හා සම්බන්ධ සේවක පවුල් 3500කට වඩා වැඩි පිරිසකටත්, අපගේ කිරි නිෂ්පාදන අගය දාමයේ පාර්ශ්වකරුවන් 240 කට වඩා වැඩි පිරිසකටත් ‘Nestlé Care Package’ බෙදාදීමට පියවර ගැණිනි. ඵලෙසම මෙම ව්‍යාපෘති තවත් පුළුල් කිරීම සඳහා විවිධ සංවිධාන සමඟ එක්ව ද කටයුතු කරන ලදී. මේ අතරින් වඩාත් සුච්ඡේෂී ව්‍යාපෘති වන්නේ ශ්‍රී ලංකාවේ SOS ළමා ගම්මානයත්, සර්වෝදය ශ්‍රමදාන ව්‍යාපාරය හා එක්ව සිදුකළ සමාජ සේවා ව්‍යාපෘතීන්ය. ඒ අනුව දරුවන් 600 කට වැඩි පිරිසකගේ පෝෂණ අවශ්‍යතාවයන් සපුරාලීමටත්, ප්‍රජා ආහාර ඛෑංකු 25 ක් හරහා වියළි ආහාර සහ Nestlé නිෂ්පාදන බෙදාහැරීමටත් කටයුතු කරන ලදී. මෙම සමාජ සුභසාධන ව්‍යාපෘති සඳහා අපගේ සේවක මණ්ඩලය තම කාලය ස්වේච්ඡාවෙන් කැප කරමින් ඉතා උද්යෝගිමත්ව දායක වීම මට ඉමහත් සතුටකි. ඵම සත්කාරය වෙනුවෙන් දායක වූ සියලු සේවක මහත්ම මහත්මීන්ට මගේ ගෞරවපූර්වක ස්තූතිය පිරිනැමීමට ද මෙය අවස්ථාවක් කරගනිමි.

තවද අප ආයතනය පසුගිය වසරේදී සියලු ව්‍යාපාරික අංශයන්ගෙන් සාර්ථක ප්‍රතිඵල අත්කරගත් අතර ඒ සඳහා අදාළ කණ්ඩායම්වල කාර්යක්ෂම තීරණ ගැනීම ඉවහල්විණි. විශේෂයෙන්ම අපගේ අපනයන අංශය පසුගිය වසරේදී කැපී පෙනෙන මං සළකුණක් සනිටුහන් කළේය. ඒ අනුව සමාගම් ඉතිහාසයේ වැඩිම අපනයන ආදායම වන

රු. බිලියන 14.3 ක ආදායමක් වාර්තා කිරීමට සමත්විය. විශේෂයෙන්ම රටට විදේශ විනිමය අත්‍යාවශ්‍යම මොනොතක මෙවන් දායකත්වයක් ලබාදීමට හැකිවීම සතුටට කරුණකි. එමෙන්ම ඉතා දුෂ්කර අවස්ථාවකදී නිරන්තරව වෙනස්වන තත්ත්වයන්ට අනුගත වෙමින් 2022 වසර සාර්ථක වසරක් බවට පත්කිරීමට නොපසුබටව කටයුතු කළ නෙස්ලේ ලංකා පවුලට මගේ අවංක ස්තූතිය පිරිනැමීමට ද මෙය අවස්ථාවක් කරගනිමි. සැබවින්ම ඔබ සියලු දෙනා විසින් පෙන්නුම් කරන ලද ධෛර්යය, කැපවීම හා ආයතනය වෙනුවෙන් වූ ලැදියාව ප්‍රශංසනීයයි.

### මගේ නෙස්ලේ, මගේ ශ්‍රී ලංකාව

නෙස්ලේ ආයතනය ව්‍යාපාර කටයුතුවලදී තීරසාරභාවය වැදගත් කොට සළකන අතර, ඒ සඳහා අගනාකම් බෙදාහැරීමේ වැඩසටහනක් ක්‍රියාත්මක කරයි. ඉතාම අභියෝගාත්මක වටපිටාවකදී වූවත් තිරසාර හා සමෘද්ධිමත් ශ්‍රී ලංකාවක් වෙනුවෙන් වූ අපගේ ප්‍රයත්නයන් නොනවත්වා ඉදිරියට ගෙන ගියේ එබැවිනි. ඒ අනුව ‘මගේ නෙස්ලේ, මගේ ශ්‍රී ලංකාව’ යන වැඩසටහන යටතේ පවුල්වලට, ප්‍රජාවන්ට සහ මිහිකත හට අපි යහපතක් සිදු කළෙමු.

### මගේ පවුලේ යහපත උදෙසා

ශ්‍රී ලාංකිකයන් සඳහා යහපතක් සැලසීමේ අපේ අරමුණ යටතේ විවිධ ව්‍යාපාර අභියෝග හමුවේ වූවත් අපගේ නිෂ්පාදන නොඅඩුව වෙළෙඳපල වෙත සැපයීමට ක්‍රියාකරනු ලැබීය. එමෙන්ම ශ්‍රී ලාංකිකයන්ගේ පෝෂණ අවශ්‍යතාවයන් හා පවතින පෝෂණ ඌණතාවයන් පිළිබඳව අඛණ්ඩ ඇගයීමක යෙදෙන අපි, නිරන්තරයෙන්ම පෝෂණයෙන් පිරි අපගේ නිෂ්පාදන පිරිනැමීමට කෙතරම් බාධා මධ්‍යයේදී වුවද යුහුසුළු වීමු. මේ අනුව ලාංකිකයන්ගේ ආහාරවේල තුළ

පැවති ක්ෂුද්‍රපෝෂ්‍ය ඌණතාවයන් අවම කිරීමට නිෂ්පාදන ඒකක මිලියන 833 ක් ලබාදීමට අප සමත්විය. එමෙන්ම අපගේ නිෂ්පාදන සඳහා දේශීය අමුද්‍රව්‍ය භාවිතය ඉහළ නංවමින් අමුද්‍රව්‍ය ආනයනය 7% කින් අඩුකිරීමට 2022 වසරේදී සමත් වූ අතර එමඟින් රටේ විදේශ විනිමය රටින් පිටතට ඇදීයාම ද අවම කරනු ලැබීය.

කෙතරම් දුෂ්කරතා පැවතියත් සෞඛ්‍යසම්පන්නව සහ සතුටින් සිටීමට ශ්‍රී ලාංකිකයන්ව නෙස්ලේ අපි දිරිගැන්වීමු. මේ සඳහා ක්‍රියාත්මක කළ එක් ව්‍යාපෘතියක් වන්නේ අන්තර්ජාල සේවාවක් වන ‘Nestlé Family Club’ වැඩසටහනයි. මෙමඟින් මිලියන 2.6 ක් පමණ වන පාරිභෝගිකයන් පිරිසකට නොමිලේ සෞඛ්‍ය හා නිරෝගීභාවය පිළිබඳවත්, ශාරීරික යෝග්‍යතාවය සම්බන්ධවත් උපදෙස් ලබාදෙන අතර සෞඛ්‍යසම්පන්න ආහාරවේල් සකස් කරගන්නා ආකාරයත් පෙන්වාදෙයි. තව ද අපගේ නෙස්ලේ ‘Nutri - Corner’ මඟින් විශේෂඥ පෝෂණවේදීන්ගෙන් නොමිලේ තමාටම ආවේණික වූ උපදෙස් ලබාගැනීමටත්, BMI පරීක්ෂණ සහ සෞඛ්‍ය පරීක්ෂණ සිදුකරගැනීමටත් අවස්ථාව උදාකරදෙනු ලැබීය. මෙම සේවාව පාරිභෝගිකයන් 4500 කට වැඩි පිරිසක් සඳහා ලබාදීමට හැකි වූ අතර මෙවන් වකවානුවක දී ඵය ඉතා වැදගත් සේවාවක් ද විය. අරමුණක් මත ක්‍රියාත්මක වන අපගේ සන්නාමයන්, විශේෂයෙන් නෙස්ලේ නෙස්ටොමෝල්ටි සහ නෙස්ලේ මයිලෝ, රජයේ ආයතන හා එක්ව අඛණ්ඩවම මෙරට ජාතික තලයේ ක්‍රීඩා උත්සව සඳහා අනුග්‍රාහකත්වය දක්වා තිබෙන අතර එමඟින් ශ්‍රී ලාංකික ක්‍රීඩකයින් බලගන්වමින්, ආධුනික ක්‍රීඩකයින් මෙන්ම යොවුන් සහ ළමා ක්‍රීඩකයින් ක්‍රියාශීලී දිවියක් සඳහා උනන්දු කිරීමට සහාය විය.

### මගේ ප්‍රජාවේ යහපත උදෙසා

ප්‍රජාවට යහපතක් සැලසීම සඳහා අපි අඛණ්ඩවම දේශීය කිරි ගොවි ප්‍රජාව සහ පොල් වගාකරුවන් සමඟ සමීපව කටයුතු කරන්නෙමු. ඒ අනුව 2022 වසරේ දී පිලිවෙලින් දේශීය කිරි ගොවි ප්‍රජාවට සහ පොල් වගාකරුවන්ට රු. බිලියන 3.6 ක සහ රු. බිලියන 6.8 ක ගෙවීම් සිදුකර ඇත. මෙමඟින් අවිනිශ්චිත ආර්ථික වටපිටාවක් යටතේ දී වූවත් ග්‍රාමීය පවුල්වල පිවන තත්ත්වය උසස් කිරීම සඳහා දායකත්වය දැක්වීමට අපට හැකිවිය. පසුගිය වසංගත හා ආර්ථික අර්බුදය පැවති කාලසීමාව තුළදී අප වෙත පැමිණි ඕහෑම හා සෑම කිරි ගොවියෙකුගෙන්ම අපගේ අවශ්‍යතාවයද නොසළකා කිරි මිලදී ගත් සමාගම් අතරින් එක් සමාගමක් වීම ඇත්තෙන්ම සතුටට කරුණකි. මීට අමතරව නෙස්ලේ පොල් සැලසුම යටතේ ශ්‍රී ලංකා පොල් සංවර්ධන මණ්ඩලය සමඟ ඒකාබද්ධව, රට පොල්වලින් ස්වයංපෝෂිත කිරීම සඳහා සහාය දැක්වීමද අප විසින් සිදු කෙරුණි.

පසුගිය වසරේ බොහෝ ව්‍යාපාරික අභියෝගයන්ට මුහුණ දුන්නත් අපේ රටේ තරුණ ප්‍රජාව වෙනුවෙන් නෙස්ලේ ඉටුකරන සමාජ මෙහෙවර විශාකාරයෙන්ම ඉෂ්ඨ කරනු ලැබීය. ඒ යටතේ ‘Nestlé Needs YOUth’ වැඩසටහන මඟින් වෘත්තීය මාර්ගෝපදේශන ලබාදීම සඳහා විශාල වැඩකොටසක් සිදු කළේය. මෙමඟින් තරුණ වෘත්තිකයින් 10,800 කට අධික පිරිසකට සහාය දැක්වීමට අපට හැකිවිය. තව ද, විවිධත්වය අගය කරන සමාගමක් ලෙස අපගේ අගය දාමය තුළ සම අවස්ථා නිර්මාණය කිරීමට අපි සැමවිටම කැපවී සිටීමු. මේ යටතේ පසුගිය වසරේදී අප සේවකයෙකු පීතෘභාවයට පත්වූ විට සති 4ක නිවාඩු කාලයක් ලබාදීමට පියවර ගැණුනි. එමඟින් පිරිමි සේවකයින්ට ද පියෙකු ලෙස තම නව වගකීමට හුරුවීම සඳහා ප්‍රමාණවත් කාලයක් හිමිවෙයි.

### මගේ මිහිකතේ යහපත උදෙසා

2022 වසර අභියෝගාත්මක වූවත් මිහිකත වෙනුවෙන් වූ අපේ යුතුකම් ඉටුකිරීමට ද නෙස්ලේ අපි කැපවුනෙමු. විශේෂයෙන්ම මිහිකතේ සම්පත් අයිතිය අනාගත පරපුරටත් තිරසාර කිරීම අත්‍යවශ්‍ය කටයුත්තකි. ඒ අනුව පසුගිය වසරේ දී ද අපගේ වායු විමෝචනය ශුන්‍ය කිරීම සඳහා වන ගමන තවත් වේගවත් කළ අතර පුනර්ජනනීය ආහාර පද්ධති මහා පරිමාණයෙන් දියත් කිරීම සඳහා වූ වැඩපිළිවෙලක ද නිරත විය. ගොවිපළේ සිට කෑම මේසය දක්වා වූ අගය දාමය තුළ අපගේ කටයුතු පරිසරයට යහපත් බලපෑමක් ඇතිවන ලෙස සිදුකිරීම අපගේ අභිප්‍රායයි. මේ යටතේ අප ලබාගත් සුච්ඡේෂී ජයග්‍රහණයක් වූයේ අපගේ පොල් ආශ්‍රිත අගය දාමයේ කාබන් පියසටහන, ශ්‍රී ලංකා දේශගුණික අරමුදල විසින් තහවුරු කිරීමයි. පොල් අගය දාමයක් සඳහා මෙවන් සහතිකයක් දිනාගත් මෙරට ප්‍රථම සමාගම බවට පත්වීමට අපට හැකිවිය. මෙම විශ්ලේෂණයත් සමඟ ඉදිරි වසරවල දී හරිතාගාර වායු විමෝචනය තවත් අඩු කිරීමට හැකිවනු නොඅනුමානයි.

ගෝලීය පාරිසරික ගැටළුවක් වන ජ්ලාස්ටික් සම්බන්ධයෙන්ද අප විසින් ව්‍යාපෘති කිපයක් දියත් කරනු ලැබීය. 2022 වන විට අපගේ සියළුම දවටනයන්ගේ බර අනුව 78% ක් ප්‍රතිචක්‍රීයකරණය කළ හැකි ලෙසින් සකස් කිරීමට පියවර ගැණිනි. මීට අමතරව රාජ්‍ය හා වෙනත් පෞද්ගලික අංශයේ ආයතන හා එක්ව ජ්ලාස්ටික් එකතුකිරීමේ හා ප්‍රතිචක්‍රීයකරණය කිරීමේ යටිතල පහසුකම් සංවර්ධනය කිරීමට ද දායකත්වය සපයනු ලැබීය. තවද, අප මිහිකත කෙරෙහි වඩාත් ළබැදි ප්‍රජාවක් බිහිකරගැනීම සඳහා වර්යාත්මක වෙනස්කම් සිදුකිරීම වෙනුවෙන් ද අප ආයතනය පෙරමුණ ගත්තේය. මේ යටතේ පාසැල් තුළ කසළ කළමනාකරණය පිළිබඳව ව්‍යාපෘතියක් ක්‍රියාත්මක කරනු







# முகாமைத்துவப் பணிப்பாளரின் மீளாய்வு

சமூகங்கள் மற்றும் பூமிக்கு நன்மை செய்வதன் ஊடாக நிலையான மற்றும் விரிதிறன் மிக்க இலங்கையை நோக்கி எமது ஈடிணையற்ற பயணத்தை தொடர்ந்தோம்.

### எனது குடும்பத்திற்குச் சிறந்தது

தனிநபர்களுக்கும் குடும்பங்களுக்கும் நல்லது செய்ய வேண்டும் என்ற முயற்சியில், நாம் எதிர்கொள்ளும் பல்வேறு வியாபார சவால்களுக்கு மத்தியில் எமது உற்பத்திகள் கடைகளில் இருப்பதை உறுதி செய்வதோடு இலங்கை போஷாக்கால் நிறைந்திருக்க வேண்டும் என்பதிலும் நாம் உறுதியாக இருக்கிறோம். இந்த இக்கட்டான காலகட்டத்தில் செளகரிய விலையில் போஷாக்கினை வழங்கும் எமது முயற்சிகளில் சுவை மற்றும் போஷாக்கு குறைபாடுகள் தொடர்பாக நாம் தொடர்ச்சியாக மதிப்பீடுகளை செய்தோம். இதன் மூலம், உள்நாட்டு உணவில் குறைபாடாக விளங்கிய நுண்ணூட்டச்சத்துகளால் வலுவூட்டப்பட்ட 833 மில்லியன் உற்பத்தி பரிமாறல்களை வழங்க எம்மால் முடிந்தது. எமது தயாரிப்புகளுக்கு உள்நாட்டு மூலப்பொருட்களை பயன்படுத்தியதன் ஊடாக 2022 ஆம் ஆண்டில் இறக்குமதி செலவை 7% குறைக்க முடிந்தது. நாட்டிலிருந்து அந்நியச் செலாவணி வெளியில் செல்வதை எம்மால் தடுக்க முடிந்தது.

சவாலான சூழ்நிலைகளுக்கு மத்தியிலும் ஆரோக்கியமாகவும் மகிழ்ச்சியாகவும் வாழ்வதற்கு இலங்கை குடும்பங்களை நாம் தொடர்ந்து ஊக்குவித்தோம். அவற்றில் மிக முக்கியமான முன்முயற்சியாக எமது நிகழ்நிலை தளமான 'Nestlé Family Club' அமைந்தது. இலவச சுகாதார, ஆரோக்கிய மற்றும் உடற்திறன் குறிப்புகள், ஆரோக்கியமான சமையல் குறிப்பு வகைகள் ஊடாக 2.6

மில்லியன் நுகர்வோர் பயனடைந்தனர். அத்துடன் எமது 'Nestlé Choose Wellness Nutri-Corner' ஊடாக 4,500 இற்கும் மேற்பட்ட நுகர்வோருக்கு BMI சோதனைகள் மற்றும் உடல்நல மதிப்பீடுகள் உட்பட ஊட்டச்சத்து நிபுணர்களிடமிருந்து தனிப்பயனாக்கப்பட்ட ஊட்டச்சத்து ஆலோசனைகள் வழங்கப்பட்டன. எமது நோக்கத்தை முன்னெடுத்துச் செல்லும் வர்த்தக நாமங்களான, நெஸ்லே நெஸ்ட்மோல்ட் மற்றும் நெஸ்லே மைலோ ஆகியன தேசிய அளவிலான விளையாட்டு நிகழ்வுகளை நடத்துவதற்கும், இலங்கை விளையாட்டு வீரர்களை வலுவூட்டுவதற்கும், அடிமட்டத்திலுள்ள விளையாட்டுகளுக்கு ஆதரவளிப்பதற்கும், பிள்ளைகள் மற்றும் இளைஞர்களிடையே சுறுசுறுப்பான வாழ்க்கை முறையை ஊக்குவிப்பதற்கும் அரசாங்க அதிகாரிகளுடன் இணைந்து ஒத்துழைப்பை தொடர்ச்சியாக வழங்கி வருகின்றமையும் குறிப்பிடத்தக்கது.

### எனது சமூகத்திற்கு சிறந்தது

எமது மற்றுமொரு முயற்சியாக சமூகத்திற்கு நன்மை செய்வதை குறிப்பிடலாம். உள்நாட்டு பால் பண்ணையாளர்கள் மற்றும் தென்னை செய்கையாளர்களுடன் நெருக்கமாக பணியாற்றி, 2022 ஆம் ஆண்டு முறையயே அவர்களுக்கு ரூ. 3.6 பில்லியன் மற்றும் ரூ. 6.8 பில்லியன் செலுத்தி கிராமப்புற குடும்பங்களின் நெருக்கடிகளை தவிர்த்து வாழ்வாதாரத்தை மேம்படுத்த உதவினோம். தொற்றுநோய் காலகட்டம் மற்றும் பொருளாதார நெருக்கடி நிலையின்போது எம்மை அணுகிய அனைத்து பால் பண்ணையாளர்களிடமிருந்தும் பாலினை கொள்வனவு செய்த ஒரே நிறுவனம் என்பதில் நாம் பெருமைப்படுகிறோம். தென்னைப் பயிர்ச்செய்கையில் நாடு தன்னிறைவு அடைய உதவும் வகையில்

இலங்கையின் தென்னைப் பயிர்ச்செய்கை சபையுடன் இணைந்து நடத்தப்படும் எமது நெஸ்லே தெங்குத் திட்டத்தினூடாக பயனாளிகளுக்கு நாம் தொடர்ந்து ஆதரவளித்து வருகிறோம்.

கடந்த ஆண்டு பல்வேறு வியாபார சவால்களை நாம் எதிர்கொண்டபோதிலும், எமது நாட்டின் எதிர்கால சந்ததியினரை - எமது இளைஞர்களை மேம்படுத்தும் எமது முயற்சிகளை நாம் தொடர்ந்தும் முன்னெடுத்தோம். எமது 'Nestlé Needs YOUth' திட்டத்தை முன்னெடுத்து, இளைஞர்களது வேலைவாய்ப்புகளை மேம்படுத்தி வெற்றிகரமான வாழ்க்கையை நோக்கிய பயணத்திற்கு உதவுகின்றோம். அதன்படி, 10,800 இற்கும் மேற்பட்ட ஆர்வமுள்ள நிபுணர்களை நேரிலும் எமது னுபைவையட தளங்கள் ஊடாகவும் அடைந்தோம். பன்முகத்தன்மையைக் மதிக்கும் ஒரு நிறுவனமாக, எமது மதிப்புச் சங்கிலி முழுவதும் சம வாய்ப்புகளை உறுதிப்படுத்த நாம் கடும் பிரயத்தனம் எடுக்கின்றோம். இந்த நோக்கத்திற்காக, நாம் கடந்த ஆண்டு எமது ஆண் ஊழியர்களும் தங்கள் தந்தை என்ற புதிய பாத்திரத்திற்கு ஏற்ப போதுமான நேரத்தை மனைவி, பிள்ளையுடன் செலவிட மகப்பேறு விடுப்பை 4 வாரங்களுக்கு நீடித்தோம்.

### எனது பூமிக்கு சிறந்தது

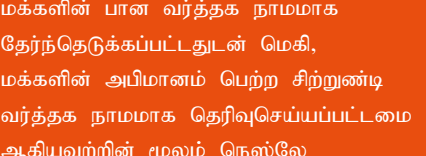
நெருக்கடி நிறைந்த காலகட்டத்திலும், எதிர்கால உலகிற்காக வளங்களை பராமரிப்பதன் முக்கியத்துவத்தை நாம் புரிந்துகொண்டுள்ளதால், உலகிற்கு நன்மை செய்வதற்கான எமது முயற்சியை தொடர்வதை உறுதி செய்தோம். மீளூருவாக்கம் செய்யும் உணவு முறைகளின் அளவினை முன்னேற்ற முயற்சிக்கும் அதேவேளை நிகர பூஜ்ஜியத்தை நோக்கிய எமது பயணத்தை துரிதப்படுத்தினோம். பண்ணையிலிருந்து மேசைக்கு வரும் வரையிலான எமது பணிகளில் நாம்

முன்னேற்றத்தை எட்டுவதையும், எமது செயற்பாடுகள் சுற்றுச்சூழலில் சாதகமான தாக்கத்தை ஏற்படுத்துவதையும் உறுதி செய்தோம். எமது இப்பயணத்தின் குறிப்பிடத்தக்கதொரு மைல்கல் எதுவெனின், பண்ணையிலிருந்து தொழிற்சாலை வரையிலான தேங்காய் மதிப்புச் சங்கிலிக்கான கார்பன் தடம் சரிபார்ப்பை இலங்கை காலநிலை நிதியத்தின் ஊடாக நிறைவு செய்தமையாகும். எதிர்வரும் ஆண்டுகளில் பசுமை இல்ல வாயு வெளியேற்றத்தை மேலும் குறைக்க உதவும் தென்னை மதிப்புச் சங்கிலிக்கான இந்த சரிபார்ப்பைப் பெறும் உள்நாட்டு தொழில்துறையில் நாம் முதன்மையாக இருப்பதையிட்டு பெருமிதம் கொள்கிறோம்.

உலகளாவிய ரீதியில் பாரிய பிரச்சினையாக நிலவுகின்ற பிளாஸ்டிக் மாகபாட்டைக் கையாண்டு கட்டுப்படுத்துவதற்கு நாம் பல்வேறு முயற்சிகளை மேற்கொண்டோம். 2022 ஆம் ஆண்டளவில், எமது பொதியிடலில் 78% எடை மீள்கழற்சிக்காக வடிவமைக்கப்பட்டுள்ளது. அத்துடன் அரசாங்கம் மற்றும் கூட்டுறவு நிறுவனங்களுடன் இணைந்து செயற்படுத்தப்படும் சேகரிப்பு மற்றும் மீள்கழற்சி உட்கட்டமைப்பு வசதிகளை வலுப்படுத்துவதில் நாம் முன்னேறியுள்ளோம். கல்வி அமைச்சு மற்றும் மத்திய சுற்றாடல் அதிகார சபையுடன் இணைந்து நடத்தப்பட்ட பாடசாலைகளுக்கான கழிவு முகாமைத்துவத் திட்டத்தின் ஊடாக, பூமியை பராமரிக்கும் நடத்தையில் மாற்றத்தை ஏற்படுத்த எம்மாலான முயற்சிகளை நாம் முன்னெடுத்தோம். 350,000 இற்கும் மேற்பட்ட மாணவர்களுக்கு எதிர்கால உலகை சிறப்பாக முன்னெடுப்பதற்கான கழிவகற்றலின் முக்கியத்துவத்தை கற்பித்ததன் ஊடாக நாடுமுழுவதுமுள்ள 200 இற்கும் மேற்பட்ட பாடசாலைககளுக்கு கழிவு முகாமைத்துவ அலகுகளை நன்கொடையாக வழங்க

முடிந்ததையிட்டும் நாம் பெருமிதம் கொள்கிறோம்.

கடந்த ஆண்டு நாம் எதிர்கொண்ட பாரிய சவால்களுக்கு மத்தியிலும் நிலையான மற்றும் விரிதிறன் கொண்ட இலங்கையை எய்த எடுத்த முயற்சியை பாராட்டும் வகையில், ‘நன்மைக்கான சக்தியாக’ அங்கீகரிக்கப்பட்டமை எமக்கு உந்துதலாக அமைந்தது. ‘Best Corporate Citizen Sustainability Awards 2022’ இல் ஆறு விருதுகளை நாம் வென்றெடுத்தோம். இது இலங்கையில் மிகவும் உயர்ந்த பெருநிறுவன கௌரவமாக கருதப்படுகிறது. சிறந்த நிறுவன நிலைபேற்றியல் விருதுகள் 2022 இற்கான மூன்றாவது இடம், மிகச் சிறந்த 10 நிறுவனங்களில் ஒன்று என்னும் விருது உட்பட 2022 ஆம் ஆண்டில் இலங்கையின் மிகவும் மதிப்பிற்குரிய உணவு மற்றும் பான நிறுவனமாகவும், 2022 ஆம் ஆண்டில் இலங்கையின் மிகவும் மதிப்புமிக்க உணவு மற்றும் பான வர்த்தக நாமமாகவும் பெயரிடப்பட்டமை எமக்கு மகிழ்ச்சியான விடயமாகும். எமது முன்னு வர்த்தக நாமங்களான நெஸ்லே நெஸ்டோமால்ட், நெஸ்லே மைலோ மற்றும் மெகி ஆகியன சிறந்த தரவரிசையில் உள்ளன. ‘SLIM-KANTAR People's Awards 2022’ இல் நெஸ்க்.‘பே இந்த ஆண்டின் சிறந்த, மக்களின் பான வர்த்தக நாமமாக தேர்ந்தெடுக்கப்பட்டதுடன் மெகி, மக்களின் அபிமானம் பெற்ற சிற்றுண்டி வர்த்தக நாமமாக தெரிவுசெய்யப்பட்டமை ஆகியவற்றின் மூலம் நெஸ்லே தயாரிப்புகள் மீது இலங்கையர்கள் வெளிப்படுத்திய அன்பு மீளவும் உறுதியானது. எமது உலகத்தரம் வாய்ந்த தர நிர்ணயங்களுக்குச் சான்றாக, ‘Global Performance Excellence Awards 2022’ இலும் நாம் அங்கீகரிக்கப்பட்டு கௌரவிக்கப்பட்டோம்.



நாம் கடந்த ஆண்டு எட்டிய பிரமிக்கதக்க செயல்திறன் மற்றும் குறிப்பிடத்தக்க நேர்மறையான தாக்கமானது மதிப்புச் சங்கிலியிலுள்ள எமது ஒவ்வொரு

பங்காளர்களது பங்களிப்பு இல்லாவிடின் சாத்தியமாகி இருக்காது. நாம் இந்த பெறுபேறுகளை அடைவதற்கு அவர்கள் வெளிப்படுத்திய நெகிழ்ச்சிப் போக்கு, வலிமை மற்றும் நிகரற்ற அர்ப்பணிப்பு ஆகியன உண்மையிலேயே பாராட்டப்பட வேண்டியவையாகும். மிகவும் சவாலான காலக்கட்டத்தில் நெஸ்லே லங்காவை பலப்படுத்துவதில் நீங்கள் வழங்கிய ஒத்துழைப்புக்கும் உங்கள் அர்ப்பணிப்புக்கும் நாம் நன்றியுள்ளவர்களாக இருக்கிறோம். நெஸ்லே மீது தொடர்ந்து நம்பிக்கை வைப்பதற்கும், எம்முடன் கைகோர்த்து இணைந்து செயற்படுவதற்கும் எம்மோடு இணைந்துள்ள உங்கள் அனைவருக்கும் எனது மனமார்ந்த பாராட்டுகளைத் தெரிவித்துக் கொள்கிறேன்.

2022 ஆம் ஆண்டின் எமது சாதனைகள் ஒரே குழுவாக நம் பலத்தையும், தீரமான சூழ்நிலைகளிலும் வலுவுடன் சிறப்பாக வெளிவரக்கூடிய எமது திறனையும் பிரதிபலிக்கிறது. 2023 ஆம் ஆண்டில் வரக்கூடிய எத்தகைய பாரிய சவாலையும் எம்மால் எதிர்கொள்ள முடியும் என்று நான் உறுதியாக நம்புகிறேன். எமது குடும்பங்கள், சமூகங்கள் மற்றும் பூமியின் நன்மைக்காக ஒன்றிணைந்து ஒன்றாக செயற்படுவோம்.



**ஹோசல்ட்டோ அவன்சென்யா**  
முகாமைத்துவப் பணிப்பாளர்



நெஸ்லே லங்கா PLC



# Board of Directors

*Our long-term value creation model is based on the balanced pursuit of resource-efficient top-line and bottom-line growth, and improved capital efficiency.*



## Suresh Narayanan

is the Head of Nestlé in South Asia, which includes India, Sri Lanka, Bangladesh, Nepal, Bhutan, and Maldives. He was appointed as a Non-Executive Director and Chairman to the Board of Nestlé Lanka PLC on 16 October 2015. Suresh joined Nestlé in 1999 as Executive Vice President – Sales in India. He moved to Nestlé Indochina (which included Thailand, Cambodia, Myanmar, Laos, and Vietnam) in 2003 as Executive Director for Sales, Marketing and Foodservices 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 (Northeast Africa Region) for Nestlé.

His last post before moving to his current role in the South Asian Region was Chairman and CEO of Nestlé Philippines. He holds a Master's Degree in Economics from the Delhi School of Economics and a Diploma from the IMD Executive Development programme in Switzerland. He has also participated in Nestlé's Leadership Programme at the London Business School. Suresh has over 30 years of experience in the FMCG industry. In addition to Nestlé, his vast career includes a number of senior management positions in Unilever and Colgate Palmolive.



## Joselito (Jason) Avanceña

is the Managing Director of Nestlé Lanka PLC, effective 01 October 2021. He is responsible for the management of Nestlé's operations both in Sri Lanka and the Maldives. He was appointed as Market Head of Nestlé Pakistan and Afghanistan effective 01 March 2023. Subsequent to this appointment, Jason has tendered his resignation as Managing Director with effect from 28 February 2023.

Jason has been appointed as Market Head of Since joining Nestlé Philippines in 1995, Jason has over 25 years' experience with Nestlé in the Philippines, Indonesia, Switzerland, and Pakistan, with a strong background in Dairy and Nutrition. Prior to taking over the reins at Nestlé Lanka, Jason's most recent positions were as Business Executive Officer (BEO) for the Nutrition and Dairy businesses in Nestlé Pakistan and Afghanistan, where he steered significant business acceleration via portfolio management, innovation, digital excellence, and strong team development. He holds a Master's Degree in Business Administration from Fordham University Graduate School of Business, New York, USA, and a Bachelor of Science degree in Applied Economics from De La Salle University, Philippines.



## Bernhard Stefan

is appointed as the Managing Director of Nestlé Lanka PLC with effect from 01 March 2023 and will be succeeding Jason assuming responsibilities of the management of Nestlé's operations both in Sri Lanka and the Maldives.

Bernhard Stefan who is currently Zone Deputy Greater China began his career with Nestlé Waters in France twenty-two years ago working in M&A. He took on various roles with increasing responsibility in the Waters business in the UK, Germany, and Switzerland, eventually becoming Country Business Manager, Nestlé Waters Direct in Germany in 2007.

A year later he moved to Australia to become Head of Route Sales and Operations for Nestlé Peters Ice Cream, a role he held for more than four years before moving to the Greater China Region in 2012 to lead Strategy and Business Development from 2012. In 2017 he returned to Switzerland as a Regional Manager for Zone AOA, supporting Greater China, South Asia Region and Nestlé Pakistan, and leading Marketing, Sales and eCommerce for the Zone and Ice Cream.

When Zone Greater China was created a year ago Bernhard joined the team as Zone Deputy. Bernhard's breadth of experience and his extensive knowledge of the SAR region, its challenges and opportunities, will no doubt help him to navigate successfully in his new role.



## Kumudu Dias

was appointed as the Director – Finance & Control of Nestlé Lanka PLC, effective 01 November 2021.

Kumudu is an Associate Member of CIMA (ACMA, CGMA), a passed finalist of CIM and holds a MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. Her career at Nestlé spans over 23 years. She joined Nestlé in 1999 as an Accountant and subsequently took on more responsibilities within the Management Accounting Department, to become the Head of Management Accounting in 2004. In 2013, she completed a mission assignment in Nestlé South Korea, during which her diligence contributed to the successful creation of a Joint Venture between Nestlé and Lotte.

Prior to her appointment as Director Finance & Control in Nestlé Lanka, she moved to Nestlé Philippines in 2018 as the Head of Internal Control Competence Center (ICCC) Asia Oceania, where she delivered tangible results in end-to-end process control and internal control improvements whilst creating positive engagement with diverse stakeholders. At Nestlé Lanka, Kumudu provides overall leadership to the Finance & Control, and the Information Services and Information Technology functions, supporting cross-functional teams to deliver business results for the Company.



# Board of Directors



## David Steven McDaniel

is the Director – Finance & Control and Chief Financial Officer of Nestlé India Limited. He was appointed as a Non-Executive Director of Nestlé Lanka PLC effective 01 March 2020. He was appointed as Head of Finance & Control for Nestlé Japan effective 01 March 2023. Subsequently he tendered his resignation from the Board of Directors of Nestlé Lanka PLC with effect from 28 February 2023.

David is a Chartered Management Accountant. He has over 25 years of rich experience in the Finance & Control division and has held senior management positions in various countries during his career with the Nestlé Group.

Prior to taking his stint in Nestlé India and Sri Lanka, David was the Chief Financial Officer of Nestlé UK & Ireland for four years. He has held a number of roles in Asia, including Division Director – Finance & Control for Nestlé Korea, Head of Finance & Control in Nestlé Indochina, and a number of other positions in Nestlé China. David was also Head of Financial Services for the Nestlé Global Business Services Organization at the company's global headquarters in Switzerland.



## Svetlana (Sveta) Boldina

is the Director – Finance & Control and Chief Financial Officer of Nestlé India Limited. She was appointed as a Non-Executive Director of Nestlé Lanka PLC effective 01 March 2023, succeeding David.

Sveta joined Nestlé Russia in 1998, where she subsequently took on roles with increasing responsibilities in accounting and reporting, tax planning and optimization. She also served as Chief Accountant in the initial years of her career. Sveta has also taken on various roles including Corporate Controller for Business Controlling & Planning, Country Controller for Nestlé Bulgaria and Head of Finance & Control for Nestlé Czech & Slovak. Prior to taking on her current position Sveta was the Head of Finance & Control for Nestlé Indonesia, where she has contributed significantly towards effective business decisions, as well as developing and shaping up a professional finance and ISIT teams. Sveta has displayed strong functional capabilities, combined with leadership and drive to achieve business outcomes, active stakeholder management and in ensuring robust co-piloting.



## Ranjan Seevaratnam (Late)

was an Independent Non-Executive Director since 2007, and the Chairman of the Audit Committee and Related Party Transactions Review Committee until 09 June 2022.

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



## Mahen Dayananda

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

An expert on economic issues, Mahen is a former Chairman of the Sri Lanka Business Development Centre, Ceylon Chamber of Commerce, Monetary Policy Consultative Committee of the Central Bank of Sri Lanka, and Colombo Tea Traders' Association. He also chairs several organisations such as Total Tea Concepts (Pvt) Ltd. and Indo Asia Teas (Pvt) Ltd. Mahen is currently a Non-Executive Director of Pegasus Hotels of Ceylon PLC and Bukit Darah PLC, and was the Resident Representative in Sri Lanka of Gover Horowitz & Blunt Ltd (UK). He was also the Honorary Consul for the Republic of Benin in Sri Lanka, and the immediate Past President of the Sri Lanka - Japan Business Council.



# Board of Directors



## Dian Gomes

is an Independent Non-Executive Director with effect from 17 March 2017. He commenced his career at KPMG in 1977 and was the General Manager of the May Corporation (USA) in Sri Lanka before embarking on his over 25-year career in the apparel industry.

Dian is a Fellow Member of the Chartered Institute of Management Accountants (UK), the Association of Chartered Certified Accountants (UK) and Certified Practising Accountants (Australia). He received his Executive Education at Wharton, Ashbridge and Harvard Business Schools and was the President of the Chartered Institute of Management Accountants (UK), Sri Lanka Division, in 2001/2002. He is also the Honorary Consul of Georgia in Sri Lanka. He is the former Chairman of Hela Clothing (Pvt) Ltd. and former Managing Director of MAS Intimates (Pvt) Ltd, and a Group Director of MAS Holdings (Pvt) Ltd.

His versatile interests saw him take over as President of the Boxing Association of Sri Lanka from 2004-2009 and from 2017 to date. He is also a Board Director of both the International Boxing Association (IBA) and the Asian Boxing Confederation (ASBC). Dian served as a Commission Member of the Public Services Commission of Sri Lanka from 2020-2022. He was conferred the national title of “Sri Lanka Sikhamani” by the Government of Sri Lanka in 2019.



## Reyaz Mihular

was appointed as Independent Non-Executive Director with effect from 16 March 2022. Subsequent to the retirement of Mr. R Seevarathnam with effect from 09 June 2022 he was appointed Chairman of Audit Committee, Related Party Transactions Review Committee and Member of the Remuneration Committee.

Reyaz is a Past President and Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) – UK. He also served as the Chairman of the CIMA Sri Lanka Division during the year 2013. Reyaz has completed International Executive Education programmes at INSEAD, France, Harvard Business School and the London Business School, UK.

He was the Managing Partner of KPMG Sri Lanka & Maldives and was the Chairman of KPMG’s Middle East & South Asia (MESA) Regional Cluster during the period 01 October 2018 to 30 September 2021. Reyaz previously served a term as the Chief Operating Officer of the MESA regional office. He previously served on KPMG’s Europe Middle East & Africa (EMA) Board and on the Global Council of KPMG International.

Reyaz served as a Board Member of the International Accounting Standards Committee (IASC) for a 5-year term from July 1995 to December 2000. Subsequently he served on the IASC’s Standing Interpretations Committee for a year and as a Member of the IFRS Advisory Council of the International Accounting Standards Board for a 5-year period. He also served as a member of the International Ethics Standards Board for Accountants (IESBA) for a six-year term from January 2013-December 2018. He is the Chairman of Bairaha Farms PLC and Reyaz is currently a Non-Executive Director of Agility Innovation (Pvt) Ltd.



## Keerthi Pathiraja

Company Secretary

is an Attorney-at-Law, admitted to the Bar in 2004. He holds a Masters Degree in International Business Law and a Masters Degree in Business Administration. He was appointed the Company Secretary to Nestlé Lanka with effect from 01 January 2016, prior to which he was the Head of Legal and Board Secretary at Laugfs Group of Companies. He also functions as the Secretary to the Audit Committee, Remuneration Committee, Related Party Transactions Committee and Assistant Director – Legal.



# Management Team

We come together as a diverse team to challenge the status quo and foster new ideas that push boundaries. We aim to continuously improve, taking on commitments to ensure we enhance quality of life of every Sri Lankan we touch.



## Front row (from left to right)

- 01. Bandula Egodage – Vice President – Corporate & Regulatory Affairs
- 02. Enoca Sirimanne – Director – Human Resources
- 03. Tharinda Jayasundera – Director – Nutrition
- 04. Kumudu Dias – Director – Finance & Control
- 05. Jason Avanceña – Managing Director (Resigned w.e.f. 28.02.2023)

## Back row (from left to right)

- 11. Aksharee Goyal – Category Marketing Head – Foods
- 12. Pierre-Emmanuel Morin – Director – Technical
- 13. Maduranga Perera – Country Business Manager – Nestlé Professional
- 14. Keerthi Pathiraja – Assistant Director – Legal/Company Secretary
- 15. Dishan Wijayawardena – Head of Exports

## Front row (from left to right)

- 06. Bernhard Stefan – Managing Director (Appointed w.e.f. 01.03.2023)
- 07. Ruwan Welikala – Director – Dairy
- 08. Radhini de Costa – Assistant Director – Communications
- 09. Panchadcharam Sathiyenthra – Director – Supply Chain
- 10. Jagath Wedage – Director – Sales

## Back row (from left to right)

- 16. Lakshika Weeramundage – Senior Brand Manager – Cereal Partners Worldwide
- 17. Vivek Upadhyaya – Assistant Director – Consumer & Customer Insights
- 18. Madhu Siriwardana – Head of Healthcare Nutrition
- 19. Anchana Ramalingam – Senior Brand Manager – Coffee



# Good For My Family

Manufacturing over 90% of our products sold in Sri Lanka at our factory in Kurunegala, we strive to offer tastier and healthier products which address local nutritional needs from early childhood to old age.



**833 Million**

servings of enriched products



Include more **grains, spices, vegetables, and fruits**



Seek ways to **reduce salt, sugar, and fat**







# Good For My Family

Nutrition, education, and physical activity are key to ensuring healthier and happier families. Towards this end, we conduct initiatives together with our purpose-driven brands and Government authorities, to offer free advice on health and wellness and create national platforms for Sri Lankan athletes.



**~2.6 Million**  
reached via Nestlé Family Club



**~4,500**  
reached via Nestlé Choose  
Wellness Nutri-Corners



**~24,000**  
reached via sporting events  
conducted by Nestlé  
Nestomalt & Nestlé Milo



# Corporate Governance

*Nestlé Lanka complies with the highest standards of best practices of corporate governance. The Board has adopted the Nestlé Corporate Business Principles, which guide the conduct of Nestlé employees in their dealings with customers, suppliers, and others, ensuring high standards of integrity in its business.*

## Members of the Board

The Board of Directors of Nestlé Lanka PLC comprised seven Directors of whom two were Executive Directors, three were Independent Non-Executive Directors and two were Non-Executive Directors, including the Chairman of the Board as at 31 December 2022 as shown on pages 30-35. 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 acts 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 53 to 55 and the Corporate Governance Compliance Table is shown on pages 44 to 45.

## Board Independence

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

## Company Secretary

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

also functions as the Legal Advisor to the Company.

## Management Team

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

## Compliance Committee

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

## The main objectives of the Compliance Committee are as follows;

- » To sustain a 'compliance' culture that enables good business decisions.
- » To ensure that the Company is compliant with local legislation, Nestlé Corporate Business Principles, Nestlé Code of Business Conduct, Nestlé Insider Trading Policy, and other policies as issued by the Nestlé Group from time to time.
- » To ensure independence of processes in addressing any compliance related matter
- » To devise a proper system to ensure compliance with the provisions of all applicable laws and internal controls and that such systems are operating effectively.
- » To perform any other duties as directed by the Board, Audit Committee, or Management Committee.

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

## Auditors

At the 41st Annual General Meeting of Nestlé Lanka PLC, held on 9th June 2022, the shareholders re-appointed Ernst & Young 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 2022 in order to form an opinion on the Financial Statements. Their report on the Financial Statements is given on pages 65 to 69.

## Audit, Remuneration and Related Party Transactions Review Committee

The Audit Committee Report on pages 46 and 47, the Remuneration Committee Report on page 48 and Related Party Transactions Review Committee Report on pages 49 and 50 to detail the functions and responsibilities of the respective Board Sub-Committees.

## Internal Controls

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

Regional Auditors from time to time, as deemed appropriate. Internal audits are carried out regularly by the Company's Internal Auditors, who report directly to the Director – Finance & Control whilst also being accountable to the Managing Director and the Audit Committee of the Company.

## Risk Management

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

- » Strict compliance with local laws.
- » Clear accountability and active management leadership.
- » Behavioural-based safety management.
- » Credible market and site safety organisation.
- » Appropriate, systematic hazard assessments.
- » Technical standards for design, construction, operation and maintenance.

- » Emergency and contingency planning to minimise the impact of incidents.
- » Security management to protect products and assets.

## Employee Relations

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

## Shareholders

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



# Corporate Governance Reporting

| Disclosure Regarding the Board of Directors Under the Listing Rules Issued by the Colombo Stock Exchange |                                                                                       |                                                                                                                                   |                   |                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Section                                                                                                  | Subject                                                                               | Applicable Rule                                                                                                                   | Compliance Status | Details                                                                                                                                           |
| 7.10.1 (a)                                                                                               | Non-Executive Directors                                                               | Two or at least one-third of the total number of Directors should be Non-Executive Directors                                      | Compliant         | Five out of seven Directors are Non-Executive Directors                                                                                           |
| 7.10.2 (a)                                                                                               | Independent Directors                                                                 | Two or one-third of the Non-Executive Directors (whichever is higher) should be independent                                       | Compliant         | Three of five Non-Executive Directors are independent                                                                                             |
| 7.10.2 (b)                                                                                               | Independent Directors                                                                 | Each Non-Executive Director should submit a declaration of independence/ non-Independence in the prescribed format                | Compliant         | The three Non-Executive Independent Directors, and two Non-Executive Directors have submitted to the Company 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 42 of the Annual Report                                                                                                         |
| 7.10.3 (b)                                                                                               | Directors do not qualify as independent but are specified by the Board as independent | The qualification not met under Rule 7.10.4 of the CSE Listing Rules and the basis for determining the Director to be independent | Compliant         | Please refer page 42 of the Annual Report                                                                                                         |
| 7.10.3 (c)                                                                                               | Brief resume of each Director in the Annual Report                                    | A brief resume of each Director should be included in the Annual Report, including the areas of expertise                         | Compliant         | Please refer pages 30 to 34 of the Annual Report                                                                                                  |

| Disclosure Regarding the Remuneration Committee Under the Listing Rules Issued by the Colombo Stock Exchange |                                                           |                                                                                                                |                   |                                                                                                          |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------|
| Section                                                                                                      | Subject                                                   | Applicable Rule                                                                                                | Compliance Status | Details                                                                                                  |
| 7.10.5 (a)                                                                                                   | Composition of the Remuneration Committee                 | Shall comprise Non-Executive Directors, a majority of whom shall be independent                                | Compliant         | Please refer page 48 of the Annual Report                                                                |
|                                                                                                              |                                                           | The Chairman of the Committee shall be a Non-Executive Director                                                | Complaint         |                                                                                                          |
| 7.10.5 (a)                                                                                                   | Remuneration Committee                                    | A listed company may be permitted to have the same Remuneration Committee if the parent company is also listed | Not Applicable    | The parent company is not listed in Sri Lanka. As such a separate Remuneration Committee has been formed |
| 7.10.5 (b)                                                                                                   | Disclosure of the Functions of the Remuneration Committee | The Remuneration Committee shall recommend the remuneration payable to the Board and Executive Officers        | Compliant         | Please refer page 48 of the Annual Report                                                                |

| Disclosure Regarding the Remuneration Committee Under the Listing Rules Issued by the Colombo Stock Exchange |                                 |                                                                          |                   |                                            |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------------------------------------|-------------------|--------------------------------------------|
| Section                                                                                                      | Subject                         | Applicable Rule                                                          | Compliance Status | Details                                    |
| 7.10.5 (c)                                                                                                   | Disclosure in the Annual Report | Names of the Directors in the Remuneration Committee                     | Compliant         | Please refer page 48 of the Annual Report  |
|                                                                                                              |                                 | A Statement of the Remuneration Policy                                   |                   |                                            |
|                                                                                                              |                                 | The aggregate remuneration paid to Executive and Non-Executive Directors | Compliant         | Please refer page 104 of the Annual Report |

| Disclosure Regarding the Audit Committee Under the Listing Rules Issued by Colombo Stock Exchange |                                    |                                                                                                         |                   |                                                                                                    |
|---------------------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------|
| Section                                                                                           | Subject                            | Applicable Rule                                                                                         | Compliance Status | Details                                                                                            |
| 7.10.6 (a)                                                                                        | Composition of the Audit Committee | Shall comprise Non-Executive Directors, a majority of whom shall be independent                         | Compliant         | Please refer page 46 of the Annual Report                                                          |
|                                                                                                   |                                    | The Chairman of the Committee shall be a Non-Executive Director                                         | Compliant         |                                                                                                    |
|                                                                                                   |                                    | The Chairman or a member should be a member of a professional accounting body                           | Compliant         |                                                                                                    |
| 7.10.6 (a) and 7.10.6 (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 7.10.6 (b) of the Listing Rules                                               | Compliant         | Please refer page 46 of the Annual Report                                                          |
| 7.10.6 (c)                                                                                        | Disclosure in the Annual Report    | Names of the Directors in the Audit Committee                                                           | Compliant         | Please refer pages 46 to 47 of the Annual Report                                                   |
|                                                                                                   |                                    | The basis of determination of the Auditor's independence                                                | Compliant         |                                                                                                    |
|                                                                                                   |                                    | A report of the Audit Committee as per section 7.10.6 (c) of the Listing Rules                          | Compliant         |                                                                                                    |



# Report of the Audit Committee

The Committee, appointed by the Board of Directors, comprised the following members as at 31 December 2022. Ranjan Seevaratnam (retired with effect from 09 June 2022), Reyaz Mihular (appointed with effect from 16 March 2022), Mahen Dayananda and Dian Gomes who are Non-Executive Independent Directors, and David Steven McDaniel who is a Non-Executive Director, are the members of the Audit Committee. The Committee was chaired by Ranjan Seevaratnam until 09 June 2022, 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, until his resignation. Post retirement of Mr. Ranjan Seevaratnam, Mr. Reyaz Mihular who is a past President and fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants (CIMA) – UK and Managing Partner of KPMG Sri Lanka & Maldives took over as Chairman of the Committee. Dian Gomes and David Steven McDaniel are also qualified Chartered

Management Accountants. 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 Ernst & Young (External Auditors), Nestlé Lanka Internal Auditors and the Nestlé Group Auditors. The Nestlé Group Auditors are a world-class audit department. They provide value-added assistance to top management in Nestlé’s international headquarters and across the markets.

The Company’s Internal Audit team regularly updates the Committee on the progress of internal audits carried out during the relevant period. The Audit Committee’s main duties include the following:

- » Assisting the Board of Directors in reviewing the financial statements, to ensure that the financial reporting process is in compliance with the required standards.

- » Reporting to the Board on the quality and acceptability of accounting policies and practices.
- » Reviewing the Company’s internal controls, risk management process, and process for monitoring compliance with laws and regulations.
- » Assessing the independence and performance of the Company’s external Auditors.
- » Making recommendations to the Board pertaining to the appointment, reappointment and removal of external Auditors.
- » Approving the remuneration and terms of engagement of the external Auditors.

Pages 32 to 34 of this Annual Report displays the profiles of the members of the Audit Committee. The members of the Audit Committee have the requisite financial knowledge and business acumen to carry out their roles effectively and discuss matters that come within their purview independently and professionally.

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

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

The External Auditors’ Letter of Engagement, including the scope of the audit, was reviewed, and discussed by the Committee with the External Auditors and management prior to the commencement of the audit. The External Auditors kept the Committee advised on an on-going basis regarding matters of significance that were pending resolution. The Committee is satisfied that the independence of the External Auditors has not been impaired

by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Company. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Audit Committee has assessed, evaluated, and reviewed the effectiveness of the independent performance of the external Auditors Ernst & Young.



**Reyaz Mihular**  
**Chairman, Audit Committee**

NESTLÉ LANKA PLC

20 February 2023

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

| Date       | Attendance<br>Yes ✓ /No ✕                                           |                                                               |                    |               |                             | Attendance by<br>invitation<br>Yes ✓ /No ✕ |                                    |
|------------|---------------------------------------------------------------------|---------------------------------------------------------------|--------------------|---------------|-----------------------------|--------------------------------------------|------------------------------------|
|            | Ranjan<br>Seevaratnam<br>(Retired with effect<br>from 09 June 2022) | Reyaz Mihular<br>(Appointed with effect<br>from 09 June 2022) | Mahen<br>Dayananda | Dian<br>Gomes | David<br>Steven<br>McDaniel | Managing<br>Director                       | Director -<br>Finance &<br>Control |
| 18.02.2022 | ✓                                                                   | ✕                                                             | ✓                  | ✓             | ✓                           | ✓                                          | ✓                                  |
| 11.05.2022 | ✓                                                                   | ✓                                                             | ✓                  | ✕             | ✓                           | ✓                                          | ✓                                  |
| 29.07.2022 | ✕                                                                   | ✓                                                             | ✓                  | ✓             | ✓                           | ✓                                          | ✓                                  |
| 31.10.2022 | ✕                                                                   | ✓                                                             | ✓                  | ✓             | ✓                           | ✓                                          | ✓                                  |



# Report of the Remuneration Committee

The Remuneration Committee was appointed by the Board of Directors with the aim of recommending the remuneration payable to the Executive Directors and Chief Executive Officer of the Company. The Committee comprises three Non-Executive Directors; namely Mahen Dayananda, Ranjan Seevaratnam (Retired with effect from 09 June 2022), Reyaz Mihular (appointed with effect from 16 March 2022) all of whom are Independent Non-Executive Directors, and Suresh Narayanan, who is a Non-Executive Director. Mahen Dayananda is the Chairman of the Committee.

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

The Committee is assisted by the Director – Finance & Control and Director – Human Resources in

providing relevant information. The remuneration packages are linked to individual performances and are aligned with the Company’s remuneration policy. The Committee makes every attempt to maintain the policy whilst attracting and retaining talent.

The members of the Committee met as and when necessary. During the year under review, the Committee met on 11 May 2022 and 31 October 2022 with all members being present. The Managing Director of the Company, together with the Director – Finance & Control, and Director – Human Resources, attended the said meetings by invitation. The Company Secretary attended these meetings in the capacity of Secretary to the Committee.



**Mahen Dayananda**  
*Chairman,*  
*Remuneration Committee*

NESTLÉ LANKA PLC  
20 February 2023

# Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors, comprised the following members; namely Ranjan Seevaratnam (retired with effect from 09 June 2022), Reyaz Mihular (appointed with effect from 16 March 2022), Mahen Dayananda (all of whom are Non-Executive Independent Directors) and Kumudu Dias, Director – Finance & Control of the Company. The Committee was chaired by Ranjan Seevaratnam until his retirement on 09 June 2022, who was 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. Post retirement of Mr. Ranjan Seevaratnam, Mr. Reyaz Mihular who is a past President and fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management

Accountants (CIMA) – UK and managing partner of KPMG Sri Lanka & Maldives, took over as Chairman of the Committee. In addition, the Managing Director and the Head of Financial Accounting & Reporting attend meetings by invitation and the Company Secretary serves as the Secretary to the Committee.

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

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

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

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

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

| Date       | Attendance<br>Yes ✓ /No ✕                                     |                                                             |                 |             | Attendance by invitation<br>Yes ✓ /No ✕ |                                          |
|------------|---------------------------------------------------------------|-------------------------------------------------------------|-----------------|-------------|-----------------------------------------|------------------------------------------|
|            | Ranjan Seevaratnam<br>(Retired with effect from 09 June 2022) | Reyaz Mihular<br>(Appointed with effect from 16 March 2022) | Mahen Dayananda | Kumudu Dias | Managing Director                       | Head of Financial Accounting & Reporting |
| 12.01.2022 | ✓                                                             | ✕                                                           | ✓               | ✓           | ✓                                       | ✕                                        |
| 18.02.2022 | ✓                                                             | ✕                                                           | ✓               | ✓           | ✓                                       | ✓                                        |
| 11.05.2022 | ✓                                                             | ✓                                                           | ✓               | ✓           | ✓                                       | ✓                                        |
| 29.07.2022 | ✕                                                             | ✓                                                           | ✓               | ✓           | ✓                                       | ✓                                        |
| 31.10.2022 | ✕                                                             | ✓                                                           | ✓               | ✓           | ✓                                       | ✓                                        |



# Report of the Related Party Transactions Review Committee

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

In every Committee meeting, the Management presented the summary of Related Party Transactions incurred during the period under review, along with the basis of their pricing together with material changes in pricing if any.

The Committee confirmed that all the Recurrent and Non-Recurrent Related Party Transactions, incurred during the year ended 31 December 2022 and estimated transactions for the year 2023, were at arm's length and in compliance with the Listing Rules. The Committee further confirmed that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2022 and estimated transactions for the year 2023 were of a revenue or trading nature, which were necessary for day-to-day operations of the Company, where terms were not favourable to respective related parties. Accordingly, the Committee recommended to the Board to resolve at the meeting held on 20 February 2023, that all the Recurrent Related

Party Transactions incurred during the year ended 31 December 2022 and estimated transactions for the year 2023, shall not fall within the ambit of Related Party Transactions Rules as per provisions of Section 9.5(a) of the listing rules, and the Board approved the same at their meeting held on 20 February 2023.

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

Details of Related Party Transactions are disclosed in the Annual Report of the Board of Directors, under Note 25 of the financial statements in accordance with the provision of Rule 9.3.2 of the listing rules.



**Reyaz Mihular**  
*Chairman,  
Related Party Transactions  
Review Committee*

NESTLÉ LANKA PLC  
20 February 2023

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

The Directors of Nestlé Lanka PLC take pleasure in presenting to the shareholders the Annual Report together with the audited Financial Statements for the year ended 31 December 2022 and the Auditors' Report thereon.

**Board of Directors**

Suresh Narayanan, Jason Avanceña (resignation with effect from 28.02.2023), Bernhard Stefan (appointed with effect from 01.03.2023), Kumudu Dias, David Steven McDaniel (resignation with effect from 28.02.2023), Svetlana (Sveta) Boldina (appointment with effect from 01.03.2023), Mahen Dayananda, Ranjan Seevaratnam (retired with effect from 09.06.2022), Dian Gomes, and Mohamed Reyaz Mihular (appointed with effect from 16.03.2022) are the Directors of the Company.

Jason Avanceña, Managing Director has tendered his resignation from the Board with effect from 28 February 2023 and Bernhard Stefan was appointed as Managing Director to the Board with effect from 01 March 2023, and shall offer himself for re-election by the shareholders in terms of Article 64 of the Articles of Association of the Company at the preceding Annual General Meeting.

Svetlana (Sveta) Boldina appointed with effect 01 March 2023 shall offer herself for re-election by the shareholders in terms of Article 64 of the Articles of Association of the Company at the preceding Annual General Meeting.

In terms of Article 56, 57 and 58 of the Articles of Association of the Company, Dian Gomes will retire by rotation and being eligible, offer himself for re-election.

Mahen Dayananda will retire pursuant to Section 210 of the Companies Act No. 7 of 2007, as he attained the age of 76 years on 19 June 2022. 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 Mahen Dayananda for re-election, will be proposed at the forthcoming Annual General Meeting, in order to re-elect Mahen Dayananda.

**Review for the Year**

The Chairman's Message and Managing Director's Review on pages 18 and 20 highlight the Company's affairs and the performance of the period under review.

**Results and Dividends**

The profit achieved by the Company on a Revenue of Rs. 73.7 Bn, after provisioning for all known liabilities and depreciation on Property, Plant and Equipment, but before taxation, amounts to Rs. 7.9 Bn. After deducting a sum of Rs. 1.8 Bn as income tax, the net profit was Rs. 6.1 Bn.

The Statement of Profit or Loss and Other Comprehensive Income for the year is given on page 70.

The Directors of Nestlé Lanka PLC declared an interim dividend of Rs. 55.00 per share which will be paid

to the Shareholders of the Company on 09 March 2023 via bank transfers and on 22 March 2023 via cheques. The Directors also were pleased to recommend a final dividend of Rs. 75.00 per share, payable on 13 June 2023 via bank transfer and 26 June 2023 via cheques, subject to the approval of the shareholders at the upcoming Annual General Meeting scheduled to be held on 05 June 2023.

**Stated Capital**

The stated capital of the Company as at 31 December 2022 amounts to Rs. 537,254,630.

**Activity**

Having started its operations in 1984, today, Nestlé Lanka's state-of-the-art factory in Kurunegala manufactures over 90% of Nestlé products sold in Sri Lanka, employing strict quality controls. Its portfolio comprises some of the country's most loved brands, from global icons like MILO and MAGGI to local favourites like NESTOMALT, all which benefit from Nestlé's R&D network, global expertise in nutrition, and stringent quality control procedures.

To help address the deficiencies of certain nutrients in the local diet, Nestlé delivered 833 million servings of micronutrient enriched food and beverages in 2022. Nestlé's service platform Nestlé Family Club continued to support and inspire approximately 2.6 million consumers to lead a healthy and an active life by offering free health, wellness and fitness tips and a range of recipes



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

with a healthy twist. During 2022 over 4,500 people were given free health checks and nutritional counselling through its offline and online Choose Wellness, Choose Nestlé programmes. Nestlé's purpose-driven brands, especially NESTOMALT and MILO, supported multiple sporting events over the last year, providing a platform for Sri Lanka's youth and school children to showcase and develop their skills whilst encouraging physical activity.

The Company continued to support local communities in 2022 by paying out Rs. 3.6 Bn to approximately 12,000 local dairy farmers for the purchase of fresh milk and Rs. 6.8 Bn to approximately 8,000 local coconut farmers for the purchase of fresh coconuts. In addition, the Nestlé Coconut Plan, conducted in partnership with the Coconut Cultivation Board of Sri Lanka, continued to benefit 4,000 rural home-growers with technical assistance for coconut cultivation. Nestlé also continued to help young people learn the skills they need to be successful in the workplace through its Nestlé Needs YOUth programme, reaching over 10,800 young people during 2022. In its efforts of fostering diversity and inclusion, the company also increased its maternity and paternity leave to 6 months and 4 weeks respectively, supporting employees transition into parenthood better.

In 2022, Nestlé accelerated its efforts towards net zero by actioning several initiatives together with its stakeholders across the value chain from farm to fork, progressing towards its 2050 ambition. Further, following the switch to paper straws in 2021, last year, the Company took measures to further strengthen the collection and recycling infrastructure for aseptic beverage cartons together with select public and private institutions. The Schools Waste Management Programme, conducted in collaboration with the Ministry of Education and Central Environment Authority, was also expanded in 2022 to reach approximately 350,000 students in over 200 schools across the country, creating awareness on responsible disposal.

Last but not least, it continued to be recognised as a force for good with a number of awards and recognitions, mentioned on pages 14-17.

## Directors' Interest

### a) In Contracts

Details of Directors' interest in contracts of the Company as at 31 December 2022 are disclosed below. The Directors do not have direct or indirect interest on current or proposed contracts other than those disclosed hereunder. The Directors have disclosed all material interests in contracts (if any) involving the Company and have refrained from participating when decisions were taken.

### Suresh Narayanan

- » Transactions with affiliates or related parties. Disclosed in Notes 17, 24 and 25 to the financial statements.

### Jason Avanceña

- » (Resigned w.e.f. 28.02.2023) Transactions with affiliates or related parties. Disclosed in Notes 17, 24 and 25 to the Financial Statements.

### Bernhard Stefan

- » (Appointed w.e.f. 01.03.2023) No Transaction with Affiliates for the period under review.

### Kumudu Dias

- » Transactions with affiliates or related parties. Disclosed in Notes 17, 24 and 25 to the Financial Statements.

### David Steven McDaniel

- » (Resigned w.e.f. 28.02.2023) Transactions with affiliates or related parties Disclosed in Notes 17, 24 and 25 to the Financial Statements.

### Svetlana Boldina

- » (Appointed w.e.f. 01.03.2023) No Transaction with Affiliates for the period under review.

### Mahen Dayananda – No transaction with affiliates

Directorships and dealings with other Companies

| Company                           | Position | Transactions (Procurement) during the year 2022 (Rs.'000s) | Balance (due to)/ from as at 31.12.2022 (Rs.'000s) |
|-----------------------------------|----------|------------------------------------------------------------|----------------------------------------------------|
| Total Tea Concepts (Private) Ltd. | Chairman | No                                                         | Nil                                                |
| Indo Asia Teas (Pvt) Ltd.         | Chairman | No                                                         | Nil                                                |
| Pegasus Hotels of Ceylon PLC      | Director | No                                                         | Nil                                                |
| Bukit Darah PLC                   | Director | No                                                         | Nil                                                |

### Ranjan Seevaratnam (Retired with effect from 09 June 2022) – No transaction with affiliates

Directorships and dealings with other companies

| Company                                  | Position               | Transaction (procurement) During the year 2022 (Rs.'000s) | Balance (due to)/ from as at 31.12.2022 (Rs.'000s) |
|------------------------------------------|------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Acme Printing & Packaging PLC            | Non-Executive Director | No                                                        | Nil                                                |
| Lanka Aluminium Industries PLC           | Non-Executive Director | No                                                        | Nil                                                |
| Tokyo Cement Lanka PLC                   | Non-Executive Director | No                                                        | Nil                                                |
| The Colombo Fort Land & Investments PLC  | Non-Executive Director | No                                                        | Nil                                                |
| The Colombo Fort Land & Building Co. PLC | Non-Executive Director | No                                                        | Nil                                                |
| Metecno Lanka (Pvt) Ltd.                 | Non-Executive Director | No                                                        | Nil                                                |
| Distilleries Company of Sri Lanka PLC    | Non-Executive Director | No                                                        | Nil                                                |
| Lankem Ceylon PLC                        | Non-Executive Director | No                                                        | Nil                                                |
| EB Creasy & Company PLC                  | Non-Executive Director | No                                                        | Nil                                                |
| Melstacorp PLC                           | Non-Executive Director | No                                                        | Nil                                                |
| Omega Line (Pvt) Ltd.                    | Non-Executive Director | No                                                        | Nil                                                |
| Benji Ltd.                               | Non-Executive Director | No                                                        | Nil                                                |
| Sirio Ltd.                               | Non-Executive Director | No                                                        | Nil                                                |
| Alpha Apparels LTD                       | Non-Executive Director | No                                                        | Nil                                                |



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

## Dian Gomes – No transaction with affiliates

Directorships and dealings with other companies

| Company                                           | Position          | Transaction (procurement) During the year 2022 (Rs.'000s) | Balance (due to)/ from as at 31.12.2022 (Rs.'000s) |
|---------------------------------------------------|-------------------|-----------------------------------------------------------|----------------------------------------------------|
| Urban Built (Pvt) Ltd.                            | Director/Chairman | No                                                        | Nil                                                |
| Gandhara Crafts & Artifacts (Pvt) Ltd.            | Director/Chairman | No                                                        | Nil                                                |
| Villa Republic (Pvt) Ltd.                         | Director/Chairman | No                                                        | Nil                                                |
| Westgate International (Pvt) Ltd.                 | Director/Chairman | No                                                        | Nil                                                |
| Gandhara Investments (Pvt) Ltd. (appointed w.e.f) | Director/Chairman | No                                                        | Nil                                                |

## Reyaz Mihular (Appointed w.e.f. 16.03.2022) – No transaction with affiliates

Directorships and dealings with other companies

| Company                       | Position                           | Transaction (procurement) During the year 2022 (Rs.'000s) | Balance (due to)/ from as at 31.12.2022 (Rs.'000s) |
|-------------------------------|------------------------------------|-----------------------------------------------------------|----------------------------------------------------|
| Bairaha Farms PLC             | Chairman                           | No                                                        | Nil                                                |
| Agility Innovation (Pvt) Ltd. | Independent Non-Executive Director | No                                                        | Nil                                                |

## b) In Shares of the Company

|                           | Director                                            | Shareholding |            |
|---------------------------|-----------------------------------------------------|--------------|------------|
|                           |                                                     | 01.01.2022   | 31.12.2022 |
| Executive                 | Jason Avanceña<br>(Resignation w.e.f. 28.02.2023)   | Nil          | Nil        |
|                           | Bernhard Stefan<br>(Appointment w.e.f. 01.03.2023)  | Nii          | Nil        |
|                           | Kumudu Dias                                         | Nil          | Nil        |
| Non-Executive             | Suresh Narayanan                                    | Nil          | Nil        |
|                           | David McDaniel<br>(Resignation w.e.f. 28.02.2023)   | Nil          | Nil        |
|                           | Svetlana Boldina<br>(Appointment w.e.f. 01.03.2023) | Nil          | Nil        |
| Independent Non-Executive | Mahen Dayananda                                     | 1,000        | 1,000      |
|                           | Ranjan Seevaratnam<br>(Retired w.e.f. 09.06.2022)   | Nil          | Nil        |
|                           | Dian Gomes                                          | Nil          | Nil        |
|                           | Reyaz Mihular<br>(Appointed w.e.f. 16.03.2022)      | Nil          | Nil        |

## Board Meeting Attendance

|                                                   | 12.01.2022 | 18.02.2022 | 16.03.2022 | 11.05.2022 | 29.07.2022 | 31.10.2022 |
|---------------------------------------------------|------------|------------|------------|------------|------------|------------|
| Suresh Narayan – Chairman                         | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| Jason Avanceña – Managing Director                | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| Kumudu Dias                                       | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| David Steven McDaniel                             | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| Mahen Dayananda                                   | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| Ranjan Seevaratnam<br>(Retired w.e.f. 09.06.2022) | ✓          | ✓          | ✓          | ✓          | ✗          | ✗          |
| Dian Gomez                                        | ✓          | ✓          | ✓          | ✗          | ✓          | ✓          |
| Reyaz Mihular<br>(Appointed w.e.f. 16.03.2022)    | ✗          | ✗          | ✗          | ✓          | ✓          | ✓          |

## Corporate Governance

The corporate governance practices of the Company are set out in detail on pages from 42 to 43.

## 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 pages 87 to 90.

## Auditors

Ernst & Young, Chartered Accountants, have been the Company's Auditors and being eligible, offer themselves for re-appointment for the next year at the forthcoming Annual General Meeting. The Auditor's fees are disclosed in Note 7 to the Financial Statements on page 83.

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 83.

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 (SLFRSs/LKASs). All relevant applicable standards have been followed in presenting the Financial Statements for the financial year ended 31 December 2022

## Disclosures on Related Party Transactions (Non-Recurrent)

There were Non-Recurrent Related Party Transactions for which aggregate value exceeded 10% of the equity or 5% of the total assets (whichever is lower) of the Company as per the audited financial statements for the year ended 31

December 2022, which requires additional disclosures in the Annual Report under Colombo Stock Exchange listing Rule 9.3.2.

Non-recurrent Related Party Transactions are shown in note 25.1.2 to the Financial Statements on page 104.

## Disclosures on Related Party Transactions (Recurrent Related Party Transactions)

Recurrent Related Party Transactions are shown in note 25.1.1 to the Financial Statements on pages 102 and 103.

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



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

Based on the recommendations of the RPTRC, the Board of Directors confirmed at their meetings held on 20 February 2023 that all the Recurrent and Non-Recurrent Related Party Transactions incurred during the year ended 31 December 2022 and estimated transactions for the year 2023 were at arm's length and in compliance with the rules and regulations.

Based on the recommendation of the RPTRC, the Board resolved at the meeting held on 20 February 2023 that all the Recurrent Related Party Transactions incurred during the year, ended 31 December 2022 and estimated transactions for the year 2023, were of a revenue or trading nature and were necessary for day-to-day operations of the Company, and terms were not favourable to the respective related parties. Accordingly, the Board had resolved at the same meeting held on 20 February 2023 that all the Recurrent Related Party Transactions incurred during the year ended 31 December 2022, and estimated transactions for the year 2023 shall not fall within the ambit of Related Party Transactions Rules (Section 9 of the Listing Rules) as per provisions of Section 9.5(a) of the Listing Rules.

### Material Issues

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

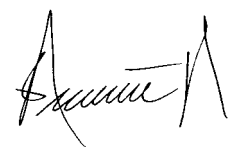
### Risk Factors

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

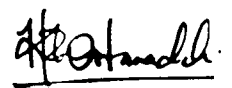
### Conclusion

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

NESTLÉ LANKA PLC



**Joselito Avanceña**  
*Managing Director*



**Kumudu Dias**  
*Director – Finance & Control*



**Keerthi Pathiraja**  
*Company Secretary*

20 February 2023

# Directors' Responsibility for Financial Reporting

The Company's Financial Statements, presented in this report for the financial year ended 31 December 2022, 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 Ernst & Young, 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 Ernst & Young are the Auditors appointed by the shareholders. They have audited the Financial Statements submitted by the Board of Directors and have expressed their opinion which is published under the Independent Auditor's Report.

By Order of the Board



**Keerthi Pathiraja**  
*Company Secretary*

NESTLÉ LANKA PLC  
20 February 2023





# Good For My Community

As a company which has stood by Sri Lankans through good and trying times for over 115 years, last year, we embarked on a journey of giving back to stakeholders across and beyond our value chain, to help navigate economic volatilities. In this journey, we even collaborated with organisations for wider reach and impact.



Donations worth  
**Rs. 73.6 Million**



Nestlé Care Packages to  
**over 3,500 staff**

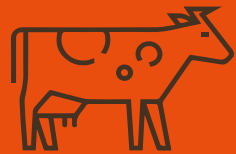


Collaborations with **SOS Children's Villages** and **Sarvodaya Shramadana Movement**



# Good For My Community

Being one of the largest private sector collectors of fresh milk and the largest exporter of coconut milk powder in Sri Lanka, we procure ingredients from the local dairy and coconut industries every day, even during challenging times, to ensure sustainable livelihoods for local farmers.



**Rs. 3.6 Billion** contributed to the local dairy industry supporting **over 12,000** farmers



**Rs. 6.8 Billion** contributed to the local coconut industry supporting **over 8,000** commercial farmers



Benefitting **over 4,000 home-growers** through the Nestlé Coconut Plan







# Good For My Community

Regardless of 2022 being a challenging year, we continued our efforts towards empowering youth and making them more employable through our flagship programme Nestlé Needs YOUth. We also take great care to foster diversity and inclusion across and beyond our value chain, to offer equal opportunities for all.



**~10,800**

youth reached via  
Nestlé Needs YOUth initiatives



Extension of parental leave to  
**6 months** and **4 weeks**  
for the primary and secondary  
caregivers respectively



**19%** of the managerial  
staff are women



# Company Highlights

|                              | 2022<br>Rs. Mn | 2021<br>Rs. Mn |
|------------------------------|----------------|----------------|
| Revenue                      | 73,707         | 45,420         |
| Profit Before Taxation (PBT) | 7,870          | 6,147          |
| Profit After Taxation (PAT)  | 6,076          | 5,329          |
| Net Operating Cashflows      | 8,402          | 4,782          |
| Capital Expenditure          | 2,294          | 600            |
| Shareholders Funds           | 10,743         | 8,435          |

| Key Ratios                   | 2022     | 2021     |
|------------------------------|----------|----------|
| PBT as a % of Revenue        | 10.7%    | 13.5%    |
| PAT as a % of Revenue        | 8.2%     | 11.7%    |
| Effective Tax Rate           | 22.8%    | 13.3%    |
| Earnings Per Share (Rs.)     | 113.09   | 99.19    |
| Dividend Per Share (Rs.)     | 130.00   | 55.00    |
| Dividend Payout Ratio        | 115.0%   | 55.4%    |
| Net Assets Per Share (Rs.)   | 199.95   | 157.00   |
| Return on Capital Employed   | 47.1%    | 39.7%    |
| Current Ratio                | 1.73     | 1.74     |
| Market Value Per Share (Rs.) |          |          |
| - Highest                    | 1,240.00 | 1,650.00 |
| - Lowest                     | 870.00   | 950.00   |
| - Average                    | 974.79   | 1,206.65 |
| - Last Traded                | 905.00   | 1,215.50 |
| Number of Personnel          | 822      | 812      |

# Independent Auditor’s Report to the shareholders of Nestlé Lanka PLC



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10, Sri Lanka

Tel: +94 11 246 3500  
Fax (Gen): +94 11 269 7369  
Fax (Tax): +94 11 557 8180  
Email: eysl@lk.ey.com  
ey.com

## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of Nestle Lanka PLC (“the Company”), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled

our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: H M A Jayasinghe FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, W R H De Silva FCA ACMA, Ms. Y A De Silva FCA, Ms. K R M Fernando FCA ACMA, N Y R L Fernando ACA, W K B S P Fernando FCA FCMA, Ms. L K H L Fonseka FCA, D N Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Herath FCA FCMA, D K Hulangamuwa FCA FCMA LLB (London), Ms. G G S Manatunga FCA, A A J R Perera ACA ACMA, Ms. P V K N Sajeevani FCA, N M Sulaiman ACA ACMA, B E Wijesuriya FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons)-MIS MSc-IT, G B Goudian ACMA, D L B Karunathilaka ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited



# Independent Auditor's Report



| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Revenue</b></p> <p>As described in Notes 3.11 and 5 of the financial statements, revenue from the sale of goods is recognized when control of the goods has transferred to the customer and is measured net of discounts, incentives, allowances and promotional rebates (collectively 'Trade Allowances').</p> <p>We determined Revenue to be a key audit matter due to the following;</p> <ul style="list-style-type: none"> <li>» Materiality of the account balance coupled with an increase of revenue of 62% when compared with the last financial year.</li> <li>» Complexity in estimating the amount of Trade Allowances. Trade Allowances are estimated by Management using judgments based on historical experience and/or the specific terms of the agreements/arrangements with respective customers and includes some estimates subject to uncertainty related to future outcomes.</li> <li>» Consideration of Revenue as a key financial performance measure linked to achievement of performance targets and management incentive schemes.</li> </ul> | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>» We assessed the appropriateness of the Company's revenue accounting policy, including the recognition and measurement of Trade Allowances;</li> <li>» We gained an understanding of the types of revenue arrangements, processes, and internal controls related to Revenue and tested key controls;</li> <li>» Due to the high reliance on information technology in revenue, we tested the general IT control environment relating to the most significant IT systems relevant to revenue. We also tested relevant IT application controls;</li> <li>» Performed inquiries of management and appropriate analytical procedures over revenue transactions throughout the financial year to understand and assess the reasonableness of the reported revenues;</li> <li>» We assessed whether judgements, estimates and assumptions used in relation to Trade Allowances by the Management were reasonable by cross checking supporting evidence.</li> <li>» We performed test of details on revenue transactions throughout the financial year and evaluated the appropriateness of recognised revenue and its timing; and</li> <li>» We also assessed the adequacy of the disclosures provided in Notes 3.11 and 5 of the financial statements.</li> </ul> |



| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Existence and Carrying Value of Inventory</b></p> <p>As disclosed in Note 15 to the financial statements, as at 31 December 2022, the carrying value of inventory amounted to Rs. 12.7 Bn.</p> <p>We determined Existence and Valuation of Inventory to be a key audit matter due to the following;</p> <ul style="list-style-type: none"> <li>» Materiality of the reported balance, which represents 25% of the Company's total assets and an increase in balance of over 100% when compared with the last financial year.</li> <li>» Considering the current economic conditions which includes significant inflationary pressures, the valuation of inventory at lower of cost and net realizable value (NRV).</li> </ul> | <p>Our audit procedures included the following key procedures:</p> <ul style="list-style-type: none"> <li>» Performed procedures to understand the design of controls related to inventories and tested key controls;</li> <li>» Observed physical inventory counts and reconciled the count results to the inventory reports that support the reported balance as at the reporting date;</li> <li>» Test checked and ensured that the valuation of inventory at cost is as per the Company's accounting policy;</li> <li>» Tested whether inventories were stated at the lower of cost and net realizable value, by comparing subsequent sales; and</li> <li>» Assessed the adequacy of the disclosures provided in Notes 3.7 and 15 of the financial statements.</li> </ul> |

## Other information included in the Company's 2022 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



# Independent Auditor's Report



## Auditor's responsibilities for the audit of the financial statements

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

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

- » Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- » Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

## Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

20 February 2023

Colombo



# Statement of Profit or Loss and Other Comprehensive Income

| For the Year Ended 31 December                                               | Note | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|------------------------------------------------------------------------------|------|------------------|------------------|
| Revenue                                                                      | 5    | 73,707,077       | 45,420,119       |
| Cost of Sales                                                                |      | (47,991,175)     | (30,751,323)     |
| Gross Profit                                                                 |      | 25,715,902       | 14,668,796       |
| Other Operating Expenses                                                     | 6    | (831,237)        | (35,777)         |
| Marketing, Selling and Distribution Expenses                                 |      | (8,066,605)      | (5,815,722)      |
| Administrative Expenses                                                      |      | (4,631,239)      | (2,554,050)      |
| Profit from Operating Activities                                             | 7    | 12,186,821       | 6,263,247        |
| Finance Income                                                               |      | 726,011          | 72,747           |
| Finance Expense                                                              |      | (5,043,282)      | (189,347)        |
| Net Finance Expense                                                          | 8    | (4,317,271)      | (116,600)        |
| Profit Before Taxation                                                       |      | 7,869,550        | 6,146,647        |
| Income Tax Expense                                                           | 9    | (1,793,773)      | (817,497)        |
| Profit for the Year                                                          |      | 6,075,777        | 5,329,150        |
| Other Comprehensive Income - Net of Tax                                      |      |                  |                  |
| Items that will not be reclassified to Profit or Loss                        |      |                  |                  |
| Actuarial Gain/(Loss) on Retirement Benefit Obligations                      | 20.5 | 160,804          | 108,513          |
| Items that may be subsequently Reclassified to Profit or Loss                |      |                  |                  |
| Gain/(Loss) on Cash Flow Hedges                                              |      | -                | 1,054            |
|                                                                              |      | 160,804          | 109,567          |
| Total Comprehensive Income - Net of Tax                                      |      | 6,236,581        | 5,438,717        |
| Earnings Per Share (Rs.)                                                     |      |                  |                  |
| Basic and Diluted, Profit for the year attributable to Ordinary Shareholders | 10   | 113.09           | 99.19            |

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

# Statement of Financial Position

| As at 31 December                   | Note | 2022<br>Rs.'000s  | 2021<br>Rs.'000s  |
|-------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                       |      |                   |                   |
| <b>Non-Current Assets</b>           |      |                   |                   |
| Property, Plant and Equipment       | 12   | 7,755,061         | 7,850,323         |
| Capital Work-In-Progress            | 13   | 2,243,392         | 716,060           |
| Other Non-Current Assets            | 16.2 | 276,015           | 321,761           |
| Deferred Tax Assets                 | 14   | 269,392           | -                 |
|                                     |      | 10,543,860        | 8,888,144         |
| <b>Current Assets</b>               |      |                   |                   |
| Inventories                         | 15   | 12,711,455        | 6,154,678         |
| Trade and Other Receivables         | 16   | 4,806,806         | 2,187,972         |
| Amounts due from Related Parties    | 17   | 1,034,828         | 873,080           |
| Cash and Cash Equivalents           | 18   | 17,797,568        | 7,011,873         |
|                                     |      | 36,350,657        | 16,227,603        |
| <b>Total Assets</b>                 |      | <b>46,894,517</b> | <b>25,115,747</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |                   |                   |
| <b>Equity</b>                       |      |                   |                   |
| Stated Capital                      | 19   | 537,255           | 537,255           |
| Retained Earnings and Reserves      |      | 10,205,280        | 7,897,398         |
|                                     |      | 10,742,535        | 8,434,653         |
| <b>Non-Current Liabilities</b>      |      |                   |                   |
| Retirement Benefit Obligations      | 20   | 17,160            | 194,530           |
| Deferred Tax Liabilities            | 14   | -                 | 724,596           |
| Non-Current Provisions              | 21   | 895,750           | 1,023,596         |
| Non-Current Financial Liabilities   | 22.1 | 14,192,312        | 5,417,887         |
|                                     |      | 15,105,222        | 7,360,609         |
| <b>Current Liabilities</b>          |      |                   |                   |
| Trade and Other Payables            | 23   | 9,379,848         | 6,417,646         |
| Amounts due to Related Parties      | 24   | 6,177,210         | 1,988,465         |
| Current Tax Payable                 |      | 2,633,326         | 728,365           |
| Dividend Payable                    |      | 2,799,537         | 84,753            |
| Current Financial Liabilities       | 22.2 | 56,839            | 101,256           |
|                                     |      | 21,046,760        | 9,320,485         |
| <b>Total Liabilities</b>            |      | <b>36,151,982</b> | <b>16,681,094</b> |
| <b>Total Equity and Liabilities</b> |      | <b>46,894,517</b> | <b>25,115,747</b> |

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

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



**Charyani Jayasekara**  
**Head of Financial Accounting & Reporting**

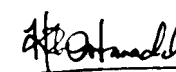
The Board of Directors is responsible for these Financial Statements.  
Signed for and on behalf of the Board.

NESTLÉ LANKA PLC  
Colombo



**Joselito Avanceña**  
**Managing Director**

20 February 2023



**Kumudu Dias**  
**Director - Finance & Control**



## Statement of Changes in Equity

| For the Year Ended 31 December                                                 | Note | Stated Capital<br>Rs.'000s | Retained Earnings<br>Rs.'000s | Other Equity Reserves*<br>Rs.'000s | Total<br>Rs.'000s |
|--------------------------------------------------------------------------------|------|----------------------------|-------------------------------|------------------------------------|-------------------|
| Balance as at 1 January 2021                                                   |      | 537,255                    | 5,434,999                     | (38,471)                           | 5,933,783         |
| Total Comprehensive Income for the year                                        |      |                            |                               |                                    |                   |
| Profit for the year                                                            |      | -                          | 5,329,150                     | -                                  | 5,329,150         |
| Other Comprehensive Income                                                     |      | -                          | -                             | 109,567                            | 109,567           |
| Transactions with owners of the Company recognised directly in Equity          |      |                            |                               |                                    |                   |
| Unclaimed Dividend written back                                                |      | -                          | 17,053                        | -                                  | 17,053            |
| Interim Dividend                                                               | 11   | -                          | (1,880,391)                   | -                                  | (1,880,391)       |
| Final Dividend                                                                 | 11   | -                          | (1,074,509)                   | -                                  | (1,074,509)       |
| Balance as at 31 December 2021                                                 |      | 537,255                    | 7,826,302                     | 71,096                             | 8,434,653         |
| Balance as at 1 January 2022                                                   |      | 537,255                    | 7,826,302                     | 71,096                             | 8,434,653         |
| Adjustment for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 | 9.3  | -                          | (988,694)                     | -                                  | (988,694)         |
| Balance as at 1 January 2022 after Surcharge Tax                               |      | 537,255                    | 6,837,608                     | 71,096                             | 7,445,959         |
| Total Comprehensive Income for the year                                        |      |                            |                               |                                    |                   |
| Profit for the year                                                            |      | -                          | 6,075,777                     | -                                  | 6,075,777         |
| Other Comprehensive Income                                                     |      | -                          | -                             | 160,804                            | 160,804           |
| Transactions with owners of the Company recognised directly in Equity          |      |                            |                               |                                    |                   |
| Unclaimed Dividend written back                                                |      | -                          | 14,895                        | -                                  | 14,895            |
| Interim Dividend                                                               | 11   | -                          | (1,074,509)                   | -                                  | (1,074,509)       |
| Final Dividend                                                                 | 11   | -                          | (1,880,391)                   | -                                  | (1,880,391)       |
| Balance as at 31 December 2022                                                 |      | 537,255                    | 9,973,380                     | 231,900                            | 10,742,535        |

\* Includes Actuarial Gain/(Loss) and results of Cash Flow Hedges.

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

## Statement of Cash Flows

| For the Year Ended 31 December                                                                   | Note   | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------------------------------------------------------|--------|------------------|------------------|
| Cash Flows from Operating Activities                                                             |        |                  |                  |
| Profit Before Taxation                                                                           |        | 7,869,550        | 6,146,647        |
| Adjustments for:                                                                                 |        |                  |                  |
| Depreciation of Property, Plant and Equipment                                                    | 12     | 895,727          | 973,386          |
| Impairment of Property, Plant and Equipment                                                      | 12     | 4,582            | -                |
| Loss/(Gain) on Sale of Property, Plant and Equipment                                             | 6      | (768)            | (47,597)         |
| Impairment Loss on Trade Receivables                                                             | 16.1.1 | (4,382)          | (19,952)         |
| Provision for/(reversal of) Inventories                                                          | 15     | 27,894           | 53,260           |
| Imputed Interest Cost of Staff Loan                                                              |        | 25,134           | 27,864           |
| Unrealised Loss/(Gain) on Foreign Exchange                                                       |        | 4,357,060        | 10,924           |
| Interest Expense                                                                                 | 8      | 564,282          | 176,047          |
| Interest Income                                                                                  | 8      | (575,669)        | (53,365)         |
| Movement of Retirement Benefit Obligation (excluding Actuarial Gain/Loss)                        | 20.3   | 77,210           | 31,370           |
| Operating Profit before Working Capital changes                                                  |        | 13,240,620       | 7,298,584        |
| Working Capital Changes                                                                          |        |                  |                  |
| (Increase)/Decrease in Inventories                                                               | 15     | (6,584,671)      | (1,260,143)      |
| (Increase)/Decrease in Trade and Other Receivables                                               |        | (2,609,670)      | (131,020)        |
| (Increase)/Decrease in Amount due from Related Parties                                           |        | (162,430)        | (434,123)        |
| Increase/(Decrease) in Trade and Other Payables                                                  |        | 2,731,916        | 103,943          |
| Increase/(Decrease) in Amount due to Related Parties                                             |        | 4,000,780        | 87,631           |
| Cash Generated from Operations                                                                   |        | 10,616,545       | 5,664,872        |
| Income Tax paid                                                                                  |        | (1,087,722)      | (866,912)        |
| Surcharge Tax paid                                                                               |        | (988,694)        | -                |
| Retirement Benefit Obligations paid                                                              |        | (137,820)        | (16,170)         |
| Net Cash Flows generated from Operating Activities                                               |        | 8,402,309        | 4,781,790        |
| Cash Flows from Investing Activities                                                             |        |                  |                  |
| Investment in Property, Plant and Equipment                                                      |        | (2,008,293)      | (599,245)        |
| Proceeds from sale of Property, Plant and Equipment                                              |        | 768              | 26,858           |
| Movement of Other Non-Current Financial Assets                                                   | 16.2   | 45,746           | 27,266           |
| Net Cash Flows used in Investing Activities                                                      |        | (1,961,779)      | (545,121)        |
| Cash Flows from Financing Activities                                                             |        |                  |                  |
| Loans obtained from Related Parties                                                              | 25.1.2 | 4,320,000        | 5,373,200        |
| Repayment of Loans obtained from Related Parties                                                 | 25.1.2 | -                | (1,893,000)      |
| Payment of Lease Liabilities                                                                     | 22.3.2 | (92,689)         | (80,660)         |
| Dividend paid                                                                                    |        | (225,221)        | (2,939,866)      |
| Interest paid                                                                                    |        | (392,312)        | (174,656)        |
| Interest received                                                                                |        | 550,535          | 25,501           |
| Net Cash Flows generated from Financing Activities                                               |        | 4,160,313        | 310,519          |
| Net Increase in Cash and Cash Equivalents                                                        |        | 10,600,843       | 4,547,188        |
| Effect of Exchange Rate changes on Cash and Cash Equivalents                                     |        | 198,620          | 10,282           |
| Cash and Cash Equivalents at the beginning of the year                                           |        | 6,975,584        | 2,418,114        |
| Cash and Cash Equivalents at the end of the year                                                 | 18     | 17,775,047       | 6,975,584        |
| Analysis of Cash and Cash Equivalents at the end of the year                                     |        |                  |                  |
| Cash and Cash Equivalents in the Statement of Financial Position                                 |        | 17,797,568       | 7,011,873        |
| Current Financial Liabilities (excluding Short Term Lease Liabilities & Loan from Related Party) |        | (22,521)         | (36,289)         |
| Cash and Cash Equivalents in the Statement of Cash Flows                                         | 18     | 17,775,047       | 6,975,584        |

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



# Notes to the Financial Statements

## 1 Reporting Entity

Nestlé Lanka PLC is a Company incorporated and domiciled in Sri Lanka and listed on 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 parent and holding Company is Nestlé S.A.

### 1.1 Principal Activities and Nature of Operations

Principal activities of the Company include manufacturing, marketing, selling and distribution of food and beverage products including export of locally manufactured products and re-export of such products.

## 2 Basis of Preparation

### 2.1 Statement of Compliance

Nestlé Lanka PLC has prepared the financial statements in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007 and provides appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE). These financial statements, except for information on cash flows, are prepared following the accrual basis of accounting.

The financial statements were authorised for issue by the Board of Directors at the meeting held on 20 February 2023.

### 2.2 Basis of Measurement

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

- » Liability for the defined benefit obligation, recognised at the present value of the defined benefit obligation, net of plan assets,
- » Liabilities for the cash-settled share-based payment arrangements, measured at fair value,
- » Derivative financial instruments, measured at fair value and

### Surcharge Tax

The tax liability arose from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 9.3 on Income Taxes.

### 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 thousands, except when otherwise indicated.

### 2.4 Going Concern

In preparing these financial statements, based on the available information the management has assessed the existing and anticipated effects of rupee depreciation coupled with currency shortages, inflation, economic and political instability on the Company and the appropriateness of the use of the going concern basis.

The management has evaluated the resilience of its business considering a wide range of factors such as current and expected profitability, the impact on cash flows, foreign currency liquidity, the ability to defer non-essential capital expenditure and the ability to continue providing goods and services. The directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

### 2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with the Sri Lanka Accounting Standards, requires Management to make judgements, estimates and assumptions that affect income and expenses, reported amounts of assets and liabilities in the application of policies. The estimates, judgements and associated assumptions are based on current knowledge, historical experience and various other factors that are held to be reasonable under the circumstances. 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.

Significant judgements, estimates and assumptions made by management in preparing these financial statements are explained further in relevant notes including useful lives of Property, Plant and Equipment, Impairment of Financial and Non-Financial Assets, Employee Benefits, Revenue, Provisions and Contingent Liabilities.

## 3 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 to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction.

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

Foreign currency denominated non-monetary assets and liabilities are measured in terms of historical cost which is translated using the exchange rate at the date of the transaction.

### 3.2 Financial Instruments

#### a) Financial Assets

Financial assets are initially recognised at fair value plus directly attributable transaction costs. However, when a financial asset measured at fair value through Profit or Loss is recognised, the transaction costs are expensed immediately. Subsequent remeasurement of financial assets is determined by their categorisation, which is revisited at each reporting date. The settlement date is used for both initial recognition and subsequent derecognition of financial assets,

as these transactions are generally under contracts whose terms require delivery of the assets within the time frame established by regulation or convention in the marketplace (regular-way purchase or sale).

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

- » at amortised cost;
- » at Fair Value through Other Comprehensive Income (FVOCI); or
- » at Fair Value through Profit or Loss (FVTPL)

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

#### b) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash and bank balances and money market 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 and short-term borrowings of less than three months maturity.

#### c) Financial Liabilities at Amortised Cost

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

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

Financial liabilities at amortised cost are further classified as current and non-current depending on



# Notes to the Financial Statements

whether these will fall due within 12 months after the reporting date or beyond.

Financial liabilities are derecognised (in full or partly) when the obligation specified in the contract is either discharged, canceled, expired, or replaced by a new liability with substantially modified terms.

The Company’s financial liabilities include Current Liabilities and Non-Current Financial Liabilities.

**d) Derivative Financial Instruments and Hedge Accounting**

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

**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 are 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 the working condition for their intended use, the costs of dismantling and removing the items, and restoring the site on which they are located.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

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

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

**b) 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 repairs and maintenance of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

**c) 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 residual values are 30% on head office buildings and nil for all other asset types. The estimated useful lives for the current and comparative periods are as follows:

|                                            |               |
|--------------------------------------------|---------------|
| » Buildings on Freehold/Leasehold Lands    | 25 - 35 years |
| » Plant and Machinery                      | 10 - 25 years |
| » Tools, Furniture and Office Equipment    | 4 - 12 years  |
| » Motor Vehicles                           | 5 years       |
| » Information Systems/Technology Equipment | 3 - 8 years   |

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

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

**d) Derecognition**

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from use. Gains or losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal (net of any directly attributable expenses) with the carrying amount of property, plant and equipment, and are recognised on net basis within “Other Operating Income/

(Expense)” in the Statement of Profit or Loss and Other Comprehensive Income.

**e) Capital Work-In-Progress**

Capital expenses incurred 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 are transferred to property, plant and equipment. Capital work-in-progress is stated at cost, net of accumulated impairment if any.

**3.4 Leases (Right-of-Use Assets)**

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

The Company recognises Right of Use (ROU) assets and the amount of lease liabilities at the commencement of the lease. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset and are subject to testing for impairment if there is any indicator.

Lease payments may include fixed payments and variable payments that depend on the lease agreements. When the lease contains an extension or a purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in the heading Property, Plant and Equipment, and the lease liabilities are included in the headings Current and Non-Current Financial Liabilities.

The Company has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for low value leases. The lease payments for such leases

are recognised in the Statement of Profit or Loss and Other Comprehensive Income over the lease term.

**3.5 Intangible Assets**

The Company recognises intangible assets, 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.

**a) Recognition and Measurement**

Intangible assets that are acquired by the Company, which have finite useful lives are recognised and carried at cost less accumulated amortisation and 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) Derecognition**

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

**3.6 Impairment & Derecognition**

**a) Financial Assets**

**Impairment**

At each reporting date, the Company assesses whether its financial assets are impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income where there



# Notes to the Financial Statements

is objective evidence of an impairment, such as where the issuer is in bankruptcy, default, or other significant financial difficulties. This analysis requires the identification of the credit risk associated with the counterparties and, considering that the majority of Company's financial assets are trade receivables, integrates statistical data reflecting the past experience of losses incurred due to default.

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs and recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision methodology that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

### Write-offs

A financial asset is considered as default when the Company has no reasonable expectations of recovering the financial asset. Such recognition generally triggers when internal or external information indicates that the counter party is unable to settle the outstanding contractual amounts in full before considering any credit enhancements held by the Company. A financial asset is written off when

there is no reasonable expectation of recovering the contractual cash flows.

### b) Non-Financial asset

#### Impairment

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

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

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

#### i. Calculation of Recoverable Amount

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

#### ii. Reversal of Impairment

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

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

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

### Derecognition

Non-financial assets are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is recognised in Profit or Loss in the year the asset is derecognised.

### 3.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Raw and packaging materials are valued at purchase cost on a First- In-First-Out (FIFO) basis. Purchased energy and technical materials are valued at moving average cost for the period. Work-in-progress and finished goods are valued at weighted average cost including 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 to make the sale.

Provisions are made where necessary for obsolete, slow-moving and defective stocks.

### 3.8 Stated Capital

Ordinary shares of the Company are classified as equity.

### 3.9 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 using yields of treasury bonds issued by Government of Sri Lanka (T- bonds) to determine its present value. The fair value of plan asset is deducted to arrive at net defined benefit obligation. The Company determines the net interest income/ (expense) on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/asset taking into account any change

in the net defined benefit liability during the period as a result of contributions and benefit payments.

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

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

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

#### b) Defined Contribution Plans

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 plans are recognised as an employee benefit expense in the Statement of Profit or Loss and Other Comprehensive Income when they are due.

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

In addition to the statutory contributions mentioned above, the Company commenced contributions of 2% (for employees over 5 years) and 5% (for



# Notes to the Financial Statements

employees over 10 years) to the MSPS under a new defined contribution scheme offered to employees joining after 1 January 2006 from July 2014 onwards.

## c) Share-based Payments

The Company participates in the Nestlé Performance/ Restricted Stock Unit plan of Nestlé S.A, the parent Company, where selected employees are granted rights to obtain the stock units of Nestlé S.A. This represents a cash settled share-based payment 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 remeasured at each reporting date and at the settlement date, and the difference, if any from the previously reported is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

## 3.10 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate, that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an Interest Expense.

## Dividend

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

## 3.11 Revenue

### Revenue from Contracts with Customers

Revenue represents amounts received and receivable for goods supplied to the customers. Revenue from the sales of goods is recognised in the Statement of Profit or Loss and Other Comprehensive Income at the time when control of the goods is transferred to the customer, generally on delivery of the goods.

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

They are estimated using judgments based on historical experience and the specific terms of the agreements with the customers.

## 3.12 Other Operating Income/(Expenses)

### 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/(Expenses)

Other income/(expense) is recognised on an accrual basis.

## 3.13 Expenses

### 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 Company 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.

## 3.14 Net Finance Expense

Net finance expenses comprise of interest expense on financial liabilities, interest income from funds invested/deposited and foreign exchange gains and losses relating to foreign currency denominated liquid assets and financial liabilities that are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

## 3.15 Income Tax Expense

Income tax expense for the year comprises of 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 income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax computation is based on the provisions of the Inland Revenue Act No. 24 of 2017, which is the principal enactment as amended by the Inland Revenue (Amendment) Act No. 45 of 2022 and any subsequent amendments thereto enacted (or substantively enacted) as at the end of the reporting period.

### b) Deferred Tax

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

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

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

## 3.16 Statement of Cash Flows

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

## 3.17 Related Party Transactions

Disclosures are 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.

## 3.18 Earnings Per Share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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



# Notes to the Financial Statements

## 3.19 Operating Segments

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

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

## 3.20 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.

## 3.21 Commitments and Contingencies

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

## 3.22 Events Occurring After the Reporting Period

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

## 4 Changes to Accounting Standards, that may affect the Company after 31 December 2022

Following amendments to existing Sri Lanka Accounting Standards issued not yet effective as at the reporting date, have not been applied when preparing the Financial Statements. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

- » Amendments to LKAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- » Amendments to LKAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- » Amendments to LKAS 08; Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- » Amendments to LKAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

## 5. Revenue

| For the Year Ended 31 December | 2022<br>Rs.'000s  | 2021<br>Rs.'000s  |
|--------------------------------|-------------------|-------------------|
| Domestic                       | 62,335,933        | 39,482,216        |
| Export                         | 14,483,336        | 8,203,117         |
| <b>Total Revenue</b>           | <b>76,819,269</b> | <b>47,685,333</b> |
| Less : Trade Allowances        | (3,112,192)       | (2,265,214)       |
|                                | <b>73,707,077</b> | <b>45,420,119</b> |

## 6. Other Operating Expenses

| For the Year Ended 31 December                               | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------------------|------------------|------------------|
| Net Foreign Exchange Loss                                    | (957,755)        | (137,963)        |
| Net Gain/(Loss) on sale of Property, Plant and Equipment     | 768              | 47,597           |
| Impairment Loss of Property, Plant and Equipment (Note 12.1) | (4,582)          | -                |
| Sundry Income                                                | 130,332          | 54,589           |
|                                                              | <b>(831,237)</b> | <b>(35,777)</b>  |

## 7. Profit from Operating Activities

Profit from operating activities are stated after charging/(crediting) all expenses including the following:

| For the Year Ended 31 December                      | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------|------------------|------------------|
| Employee Benefit Expenses (Note 7.1)                | 3,704,143        | 3,049,785        |
| General Licence Fee                                 | 3,521,795        | 2,148,492        |
| Penalty and Demurrage                               | 1,312,915        | -                |
| Depreciation of Property, Plant and Equipment       | 895,726          | 973,386          |
| Provision for Inventories and Inventory Written Off | 208,695          | 264,975          |
| Net Impairment of Trade Receivables (Note 16.1.1)   | (4,382)          | (19,952)         |
| Legal Fees                                          | 23,398           | 12,736           |
| Auditors Remuneration - Audit                       | 3,866            | 3,600            |
| - Non-Audit                                         | 403              | 375              |

### 7.1. Employee Benefit Expenses

| For the Year Ended 31 December                           | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------------------|------------------|------------------|
| Salaries and Wages                                       | 2,651,816        | 2,209,208        |
| Contributions to Defined Contribution Plans              | 204,800          | 205,559          |
| Provision for Retirement Benefit Obligations (Note 20.3) | 77,210           | 31,370           |
| Other Benefits                                           | 770,317          | 603,648          |
|                                                          | <b>3,704,143</b> | <b>3,049,785</b> |



# Notes to the Financial Statements

## 8. Net Finance Expense

| For the Year Ended 31 December                  | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------|------------------|------------------|
| <b>Finance Income</b>                           |                  |                  |
| Interest on Bank and Other Deposits             | 550,535          | 25,501           |
| Net Foreign Exchange Gain on Liquid Assets      | 150,342          | 19,382           |
| Imputed Interest on Staff Loans                 | 25,134           | 27,864           |
|                                                 | 726,011          | 72,747           |
| <b>Finance Expense</b>                          |                  |                  |
| Interest on Financial Liabilities               | (564,282)        | (176,047)        |
| Net Foreign Exchange Loss on Related Party Loan | (4,479,000)      | (13,300)         |
|                                                 | (5,043,282)      | (189,347)        |
|                                                 | (4,317,271)      | (116,600)        |

## 9. Income Tax Expense

| For the Year Ended 31 December                              | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------------------|------------------|------------------|
| <b>Current Tax Expense</b>                                  |                  |                  |
| Tax on current year profits                                 | 2,993,894        | 1,044,006        |
| Net provision/(reversal) in respect of previous years       | (129,056)        | 115,581          |
|                                                             | 2,864,838        | 1,159,587        |
| <b>Deferred Tax Expense</b>                                 |                  |                  |
| Origination/(reversal) of temporary differences (Note 14.1) | (1,071,064)      | (342,090)        |
|                                                             | 1,793,774        | 817,497          |

The Company has used the new tax rate introduced in the Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, (with retrospective effect from 01 October 2022) for income and deferred taxation.

Accordingly, income tax rates of, 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income have been used for the first six months and a standard rate of 30% has been used for profits of all segments for the second six months. The Rate of 30% has been used for Deferred Tax. The resultant impact has been recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Impact of income tax rate change to the income tax expense is Rs. 675 Mn (Current Tax Charge : Rs. 785 Mn and Deferred Tax Reversal : Rs. 110 Mn).

Income tax rates used in 2021 were 18% for manufacturing business profits, 14% for export profits and 24% for trading and other income.

## 9.1. Reconciliation Between Accounting Profit and Taxable Profit

| For the Year Ended 31 December       | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------|------------------|------------------|
| Accounting Profit Before Tax         | 7,869,550        | 6,146,647        |
| Net Disallowances/(Allowances)       | 4,961,605        | (319,585)        |
| Accounting Depreciation & Impairment | 900,308          | 973,386          |
| Capital Allowances                   | (1,135,662)      | (1,068,953)      |
| Taxable Profit                       | 12,595,801       | 5,731,495        |
| Tax on Current Year Profit           | 2,993,894        | 1,044,006        |

## 9.2. Reconciliation of the Accounting Profit to Income Tax Expense

| For the Year Ended 31 December                                                    | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------------------------------------|------------------|------------------|
| Accounting Profit Before Tax                                                      | 7,869,550        | 6,146,647        |
| Tax at Applicable Tax Rates (Note 9.2.1)                                          | 2,049,284        | 1,119,919        |
| Adjustment on account of prior year due to reduction in Tax Rate                  | -                | (413,015)        |
| Opening balance adjustment of Deferred Tax due to increase/ reduction in Tax Rate | 483,064          | (370,043)        |
| Adjustments in respect of previous years                                          | (129,056)        | 522,107          |
| Tax Effect of Net Permanent Differences                                           | (609,519)        | (41,471)         |
| <b>Income Tax Expense at Effective Tax Rate of 22.8% (2021 : 13.3%)</b>           | <b>1,793,773</b> | <b>817,497</b>   |

### 9.2.1. Applicable Tax Rates

Taxable profit of the first six months was taxed at 18% for Manufacturing Business Profits, 14% for Export Profits and 24% for Trading and Other Income and the second six months was taxed at 30% standard rate for all segments.

|                                                 | 2022<br>Rs.'000s |
|-------------------------------------------------|------------------|
| Tax at Applicable Tax Rates - First Six Months  | 365,769          |
| Tax at Applicable Tax Rates - Second Six Months | 1,683,515        |
|                                                 | 2,049,284        |

Taxable profit of 2021 was taxed at 18% for Manufacturing Business Profits, 14% for Export Profits and 24% for Trading and Other Income.



# Notes to the Financial Statements

## 9.3. Surcharge Tax

As per the Surcharge Tax Act No. 14 of 2022 which was certified on 8 April 2022, the Company was liable to pay a surcharge tax of Rs. 989 Mn out of the taxable income of Rs. 3,955 Mn pertaining to the year of assessment 2020/21. According to the said Act, the surcharge tax should be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2020.

Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense was accounted as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax levied under the Surcharge Tax Act No. 14 of 2022 issued by the Institute of Chartered Accountants of Sri Lanka in April 2022, and Addendum issued in August 2022. Accordingly, the impact of the surcharge tax under the Surcharge Tax Act was recognised through the Statement of Changes in Equity as an equity adjustment on the first day of the first reporting period ending after enactment of the said Act.

## 10. Basic and Diluted Earnings Per Share (EPS)

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

|                                              | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------|------------------|------------------|
| Profit attributable to Ordinary Shareholders | 6,075,777        | 5,329,150        |
| Weighted average number of shares            | 53,725,463       | 53,725,463       |
| Basic and Diluted Earnings Per Share (Rs.)   | 113.09           | 99.19            |

## 11. Dividend

| For the Year Ended 31 December | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------|------------------|------------------|
| Interim Dividend               | 1,074,509        | 1,880,391        |
| Final Dividend                 | 1,880,391        | 1,074,509        |
|                                | 2,954,900        | 2,954,900        |
| Dividend per Share (Rs.)       | 55.00            | 55.00            |

An interim dividend of Rs.20.00 and a final dividend of Rs. 35.00 per share was declared by the Board of Directors on 18th February 2022 for the financial year 2021 and was recognised in the financial statements of 2022. (Declared dividend in 2021 for the financial year 2020 : Interim dividend of Rs.35.00 and final dividend of Rs.20.00 per share)

The Board of Directors has declared an interim dividend of Rs. 55.00 per share on 20 February 2023 and have also proposed a final dividend of Rs. 75.00 per share for the year ended 31 December 2022, to be approved by the shareholders at the upcoming Annual General Meeting of the Company.

In accordance with Sri Lanka Accounting Standard, Events After the Reporting Period (LKAS 10), the interim and final dividend for the year ended 2022 have not been recognised as a liability as at 31 December 2022.

As per the Sec. 84 (1A) of Inland Revenue (Amendment) Act No. 45 of 2022 certified on 19 December 2022, dividend payment to residents and non-residents will be liable for a Withholding Tax of 15%. Dividend payment to non-residents can vary by the tax rate specified by the Double Tax Avoidance Agreement (DTAA) between Sri Lanka and the other Country. Dividend for Parent Company will be liable for a WHT of 10%, subjected to the DTAA between Sri Lanka and Switzerland.

## 12. Property, Plant, and Equipment

| As at 31 December                               | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------|------------------|------------------|
| Property, Plant and Equipment Owned (Note 12.1) | 7,725,602        | 7,772,401        |
| Right-of-Use Assets (Note 12.2)                 | 29,459           | 77,922           |
|                                                 | 7,755,061        | 7,850,323        |



Notes to the Financial Statements

12.1. Property, Plant and Equipment Owned

|                                           | Freehold Land | Buildings on Freehold Land | Buildings on Leasehold Land | Plant and Machinery | Tools, Furniture and Office Equipment | Motor Vehicles | Information System Equipment | Total      |
|-------------------------------------------|---------------|----------------------------|-----------------------------|---------------------|---------------------------------------|----------------|------------------------------|------------|
|                                           | Rs.'000s      | Rs.'000s                   | Rs.'000s                    | Rs.'000s            | Rs.'000s                              | Rs.'000s       | Rs.'000s                     | Rs.'000s   |
| Cost                                      |               |                            |                             |                     |                                       |                |                              |            |
| Balance as at 1 January 2021              | 17,925        | 157,630                    | 3,627,281                   | 9,252,602           | 1,949,272                             | 117,778        | 501,054                      | 15,623,542 |
| Additions                                 | -             | 2,042                      | 5,493                       | 17,556              | 46,028                                | -              | 47,505                       | 118,624    |
| Transferred from Capital Work-in-Progress | -             | 7,380                      | 80,586                      | 157,075             | 32,809                                | -              | 11,144                       | 288,994    |
| Disposals                                 | -             | -                          | -                           | (42,013)            | (55,955)                              | (20,529)       | (28,250)                     | (146,747)  |
| Balance as at 31 December 2021            | 17,925        | 167,052                    | 3,713,360                   | 9,385,220           | 1,972,154                             | 97,249         | 531,453                      | 15,884,413 |
| Depreciation and Impairment               |               |                            |                             |                     |                                       |                |                              |            |
| Balance as at 1 January 2021              | -             | 56,458                     | 738,923                     | 4,507,453           | 1,573,284                             | 107,977        | 373,460                      | 7,357,555  |
| Depreciation                              | -             | 5,539                      | 116,127                     | 566,568             | 137,511                               | 6,596          | 65,929                       | 898,270    |
| On Disposals                              | -             | -                          | -                           | (39,180)            | (55,854)                              | (20,529)       | (28,250)                     | (143,813)  |
| Balance as at 31 December 2021            | -             | 61,997                     | 855,050                     | 5,034,841           | 1,654,941                             | 94,044         | 411,139                      | 8,112,012  |
| Cost                                      |               |                            |                             |                     |                                       |                |                              |            |
| Balance as at 1 January 2022              | 17,925        | 167,052                    | 3,713,360                   | 9,385,220           | 1,972,154                             | 97,249         | 531,453                      | 15,884,413 |
| Additions                                 | -             | 5,305                      | 19,933                      | 76,539              | 144,748                               | -              | 50,166                       | 296,691    |
| Transferred from Capital Work-in-Progress | -             | 18,554                     | 68,267                      | 180,117             | 155,255                               | -              | 48,154                       | 470,347    |
| Disposals                                 | -             | -                          | -                           | -                   | (829)                                 | (6,561)        | (8,367)                      | (15,757)   |
| Balance as at 31 December 2022            | 17,925        | 190,911                    | 3,801,560                   | 9,641,876           | 2,271,328                             | 90,688         | 621,406                      | 16,635,694 |
| Depreciation and Impairment               |               |                            |                             |                     |                                       |                |                              |            |
| Balance as at 1 January 2022              | -             | 61,997                     | 855,050                     | 5,034,841           | 1,654,941                             | 94,044         | 411,139                      | 8,112,012  |
| Depreciation                              | -             | 5,755                      | 113,916                     | 484,980             | 133,242                               | 2,778          | 68,584                       | 809,255    |
| Impairment                                | -             | -                          | -                           | 4,582               | -                                     | -              | -                            | 4,582      |
| On Disposals                              | -             | -                          | -                           | -                   | (829)                                 | (6,561)        | (8,367)                      | (15,757)   |
| Balance as at 31 December 2022            | -             | 67,752                     | 968,966                     | 5,524,403           | 1,787,354                             | 90,261         | 471,356                      | 8,910,092  |
| Written Down Value                        |               |                            |                             |                     |                                       |                |                              |            |
| As at 31 December 2021                    | 17,925        | 105,055                    | 2,858,310                   | 4,350,379           | 317,213                               | 3,205          | 120,314                      | 7,772,401  |
| As at 31 December 2022                    | 17,925        | 123,159                    | 2,832,594                   | 4,117,473           | 483,974                               | 427            | 150,050                      | 7,725,602  |

- 12.1.1.** The cost of fully depreciated Property, Plant and Equipment which are still in use as at 31 December 2022 is amounting to Rs. 4,494 Mn (2021 - Rs. 3,456 Mn).
- 12.1.2.** The fair valuation of freehold land & building situated at No.440, T.B. Jayah Mawatha, Colombo 10 was determined based on a valuation performed on 05 October 2020 by Messer. KPMG Deal Advisory (Pvt) Ltd., (Certified by Mr. B. J. B. Kariyawasam, Independent Chartered Valuer). Market values and other details are given in the following table;

| Property                       | Valuation Techniques | Extent         | Rs. Mn | Significant Unobservable Inputs (Level III) |
|--------------------------------|----------------------|----------------|--------|---------------------------------------------|
| Freehold Land                  | Market Approach      | 239 P          | 3,107  | Price per perch Rs. 13 Mn                   |
| Freehold Building (1 Building) | Cost Approach        | 50,038 sq. ft. | 210    | Price per sq. ft. Rs. 6,000                 |

Description of Valuation Techniques

| Market Approach                                                                                                                                                                                                                                                                                                                                    | Cost Approach                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, size, location or condition of the specific property. | The market value of a property is estimated as a function of the current cost to purchase or replace the property. Adjustments to new replacement cost are made to account for depreciation, to determine the market value of the property. |

The market values have not been considered in the financial statements, in line with the Company's accounting policy; the said property is carried at cost.

There were no restrictions that existed on the title to the property, plant and equipment of the Company as at the reporting date.

# Notes to the Financial Statements

## 12.2. Right-of-Use Assets

|                                | Land | Buildings | Motor Vehicles | Total<br>Rs.'000s |
|--------------------------------|------|-----------|----------------|-------------------|
| <b>Cost</b>                    |      |           |                |                   |
| Balance as at 1 January 2021   | 769  | 41,505    | 184,827        | 227,101           |
| Additions                      | -    | -         | 24,756         | 24,756            |
| Disposals                      | -    | -         | (19,280)       | (19,280)          |
| Balance as at 31 December 2021 | 769  | 41,505    | 190,303        | 232,577           |
| <b>Depreciation</b>            |      |           |                |                   |
| Balance as at 1 January 2021   | 612  | 2,306     | 93,231         | 96,149            |
| Charge for the year            | 15   | 13,835    | 61,266         | 75,116            |
| On Disposals                   | -    | -         | (16,610)       | (16,610)          |
| Balance as at 31 December 2021 | 627  | 16,141    | 137,887        | 154,655           |
| <b>Cost</b>                    |      |           |                |                   |
| Balance as at 1 January 2022   | 769  | 41,505    | 190,303        | 232,577           |
| Additions                      | -    | -         | 38,009         | 38,009            |
| Disposals                      | -    | -         | (24,756)       | (24,756)          |
| Balance as at 31 December 2022 | 769  | 41,505    | 203,556        | 245,830           |
| <b>Depreciation</b>            |      |           |                |                   |
| Balance as at 1 January 2022   | 627  | 16,141    | 137,887        | 154,655           |
| Charge for the year            | 15   | 13,835    | 72,622         | 86,472            |
| On Disposals                   | -    | -         | (24,756)       | (24,756)          |
| Balance as at 31 December 2022 | 642  | 29,976    | 185,753        | 216,371           |
| <b>Written Down Value</b>      |      |           |                |                   |
| As at 31 December 2021         | 142  | 25,364    | 52,416         | 77,922            |
| As at 31 December 2022         | 127  | 11,529    | 17,803         | 29,459            |

The leasehold land is for factory premises with a duration of fifty years.

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

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

## 13. Capital Work-In-Progress

|                             | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------|------------------|------------------|
| Balance as at 1 January     | 716,060          | 523,837          |
| Additions during the year   | 1,997,679        | 481,217          |
| Capitalised during the year | (470,347)        | (288,994)        |
| Balance as at 31 December   | 2,243,392        | 716,060          |

## 14. Net Deferred Tax Assets/Liabilities

|                                                 | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------|------------------|------------------|
| Balance as at 1 January                         | (724,596)        | (1,036,119)      |
| Reversal/(charge) for the year                  | 1,482,764        | (52,914)         |
| Reversal/(charge) due to income tax rate change | (488,776)        | 364,437          |
| Balance as at 31 December                       | 269,392          | (724,596)        |

### 14.1. Deferred Taxes - Origination/(Reversal) of Temporary Differences

| For the Year Ended 31 December                                                   | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------------------------------------------|------------------|------------------|
| Recognised in Statement of Profit or Loss due to during the year transactions    | 1,554,128        | (27,953)         |
| Recognised in Statement of Profit or Loss due to (increase)/decrease in Tax Rate | (483,064)        | 370,043          |
| Recognised in Other Comprehensive Income during the year transactions            | (71,364)         | (24,961)         |
| Recognised in Other Comprehensive Income due to (increase)/decrease in Tax Rate  | (5,712)          | (5,606)          |
|                                                                                  | 993,988          | 311,523          |

Deferred taxes of the Company is computed at the rate of 30% (2021 - 18%).

### 14.2. Types of Temporary Differences and the related Tax Effect

| As at 31 December                   | 2022                                |                        | 2021                                |                        |
|-------------------------------------|-------------------------------------|------------------------|-------------------------------------|------------------------|
|                                     | Temporary<br>Difference<br>Rs.'000s | Tax Effect<br>Rs.'000s | Temporary<br>Difference<br>Rs.'000s | Tax Effect<br>Rs.'000s |
| Property, Plant and Equipment       | (5,275,003)                         | (1,582,500)            | (4,953,630)                         | (891,653)              |
| Retirement Benefit Obligations      | (138,393)                           | (41,518)               | 89,637                              | 16,135                 |
| Other Employee Benefits             | 630,171                             | 189,051                | 523,460                             | 94,223                 |
| Net Unrealised Exchange Losses      | 4,378,948                           | 1,313,684              | 15,387                              | 2,770                  |
| Inventories, Receivables and Others | 1,302,249                           | 390,675                | 299,610                             | 53,929                 |
|                                     | 897,972                             | 269,392                | (4,025,536)                         | (724,596)              |



# Notes to the Financial Statements

## 15. Inventories

| As at 31 December                | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------|------------------|------------------|
| Raw and Packaging Materials      | 5,335,158        | 1,918,120        |
| Finished Goods                   | 3,348,027        | 2,360,714        |
| Energy and Technical Materials   | 676,752          | 462,055          |
| Work-In-Progress                 | 535,010          | 182,847          |
| Goods-In-Transit                 | 2,972,413        | 1,358,953        |
|                                  | 12,867,360       | 6,282,689        |
| Less: Provisions for Inventories | (155,905)        | (128,011)        |
|                                  | 12,711,455       | 6,154,678        |

During 2022, a reversal of Rs. 28.3 Mn (2021, a cost of Rs. 21.8 Mn) was recognised under cost of sales for inventories as a reduction in provision for the difference between net realisable value and the carrying value.

## 16. Trade and Other Receivables

| As at 31 December                       | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------|------------------|------------------|
| Trade Receivables (Note 16.1)           | 3,192,112        | 1,881,834        |
| Other Receivables - Current (Note 16.2) | 1,614,694        | 306,138          |
|                                         | 4,806,806        | 2,187,972        |

### 16.1. Trade Receivables

| As at 31 December                                   | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------|------------------|------------------|
| Trade Receivables                                   | 3,291,109        | 1,985,213        |
| Less: Impairment of Trade Receivables (Note 16.1.1) | (98,997)         | (103,379)        |
|                                                     | 3,192,112        | 1,881,834        |

#### 16.1.1. Impairment of Trade Receivables

|                                    | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|------------------------------------|------------------|------------------|
| Balance as at 1 January            | 103,379          | 126,531          |
| Net charge/(reversal) for the year | (4,382)          | (19,952)         |
| Write-off during the year          | -                | (3,200)          |
| Balance as at 31 December          | 98,997           | 103,379          |

## 16.2. Other Receivables

| As at 31 December                | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------|------------------|------------------|
| Loans to Employees (Note 16.2.1) | 325,092          | 369,401          |
| Advances and Prepayments         | 1,295,238        | 171,737          |
| Others                           | 270,379          | 86,761           |
|                                  | 1,890,709        | 627,899          |
| Current                          | 1,614,694        | 306,138          |
| Non-Current                      | 276,015          | 321,761          |
|                                  | 1,890,709        | 627,899          |

### 16.2.1. Loans to Employees

|                           | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------|------------------|------------------|
| Balance as at 1 January   | 369,401          | 394,277          |
| Granted during the year   | 99,174           | 108,682          |
| Repaid during the year    | (143,483)        | (133,558)        |
| Balance as at 31 December | 325,092          | 369,401          |

All employee loans are disbursed as per the Company policies.

## 17. Amounts due from Related Parties

| As at 31 December                         | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------|------------------|------------------|
| Nestlé Business Services AOA, Inc.        | -                | 132              |
| Nestlé India Ltd.                         | 408,026          | 240,828          |
| Nestlé Manufacturing (Malaysia) Sdn. Bhd. | -                | 10,005           |
| Nestlé R&D Center (Pte) Ltd.              | 254              | 446              |
| Nestlé Japan Ltd.                         | 1,005            | -                |
| Nestlé Zimbabwe (Private) Limited         | 123              | -                |
| Nestlé Operational Services               | 4,678            | -                |
| Nestlé Middle East FZE                    | 1,065            | -                |
| Nestlé Enterprises S.A.                   | 588,139          | 475,232          |
| Nestlé USA, Inc.                          | 15,875           | 995              |
| Société des Produits Nestlé S.A.          | -                | 3,019            |
| Nestrad S.A.                              | 15,663           | 142,423          |
|                                           | 1,034,828        | 873,080          |

# Notes to the Financial Statements

## 18. Cash and Cash Equivalents

| As at 31 December                                                                                                                      | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Balances with banks                                                                                                                    | 6,585,754        | 4,519,780        |
| Short Term Deposits                                                                                                                    | 9,014,452        | 2,492,093        |
| Cash margin on import commitments                                                                                                      | 2,197,362        | -                |
| Cash and Cash Equivalents in the Statement of Financial Position                                                                       | 17,797,568       | 7,011,873        |
| Bank Overdrafts and Other Current Financial Liabilities [excluding Short Term Lease Liabilities & Loan from Related Party] (Note 22.2) | (22,521)         | (36,289)         |
| Cash and Cash Equivalents in the Statement of Cash Flows                                                                               | 17,775,047       | 6,975,584        |

As per May 2022 Import Export Controller's operating instructions, a 100% cash margin is held in the bank account for goods imported under the term Documents against Acceptance at the time of endorsing the performance invoice.

The Company has no restrictions on cash and cash equivalents from being exchanged or used to settle a liability for at least twelve months after the reporting period except for Cash margin on import commitments Rs. 2.2 Bn.

## 19. Stated Capital

| As at 31 December                     | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------------------|------------------|------------------|
| Ordinary Shares issued and fully-paid |                  |                  |
| 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 shareholders' meetings of the Company.

## 20. Retirement Benefit Obligations

| As at 31 December                                                  | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------------------------|------------------|------------------|
| Present value of Defined Benefit Obligations                       |                  |                  |
| Pension Plan                                                       | 453,320          | 525,520          |
| Gratuity Plan                                                      | 480,610          | 552,510          |
| Total present value of the Defined Benefit Obligations (Note 20.1) | 933,930          | 1,078,030        |
| Total fair value of Plan Assets (Note 20.2)                        | (916,770)        | (883,500)        |
| Present value of Net Retirement Benefit Obligations                | 17,160           | 194,530          |

Employees who joined prior to 2006 and who hold a minimum 10 years of service, are entitled to a lump sum pension upon retirement. In addition, there are 19 (2021 - 21) retired employees who are drawing a monthly pension under the old pension plan, which was discontinued in 2014.

The liability of Retirement Benefit Obligation under the Payment of Gratuity Act No. 12 of 1983, is a defined benefit plan covering all permanent employees of the Company.

The gratuity plan and pension plan is partially funded by a policy obtained from AIA Insurance Lanka Ltd. The contributions to the fund by the Company are based on expected future claims from the fund and actuarial valuations carried out by AIA Insurance Lanka Ltd. The Company expects to pay Rs. 70 Mn as contributions to its plan assets for the period ended 31 December 2023. Employees are not required to contribute to this fund.

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

### 20.1. Movement in the Present Value of the Defined Benefit Obligations

|                                                 | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------|------------------|------------------|
| Balance as at 1 January                         | 1,078,030        | 1,210,930        |
| Current Service Cost                            | 63,060           | 70,840           |
| Past Service Credit                             | -                | (69,600)         |
| Interest Cost                                   | 115,700          | 93,690           |
| Benefits paid to the employees                  | (67,360)         | (103,860)        |
| Remeasurements                                  |                  |                  |
| Actuarial Loss/(Gain) - Financial Assumptions   | (238,950)        | (171,970)        |
| Actuarial Loss/(Gain) - Experience Adjustments  | (30,860)         | 21,040           |
| Actuarial Loss/(Gain) - Demographic Assumptions | 14,310           | 26,960           |
| Balance as at 31 December                       | 933,930          | 1,078,030        |

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

Pension Plan - 7 years (2021 : 7 years)

Gratuity Plan - 9 years (2021 : 13 years)

### 20.2. Movement in the Fair Value of Plan Assets

|                                                           | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------------|------------------|------------------|
| Balance as at 1 January                                   | 883,500          | 771,810          |
| Contributions by employer                                 | -                | 121,120          |
| Benefits reimbursed by the Plan                           | (50,660)         | (87,690)         |
| Interest Income                                           | 101,550          | 63,560           |
| Return on Plan Assets greater/(lesser) than discount rate | (17,620)         | 14,700           |
| Balance as at 31 December                                 | 916,770          | 883,500          |



# Notes to the Financial Statements

## 20.3. The Expense Recognised in Statement of Profit or Loss

| For the Year Ended 31 December             | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------|------------------|------------------|
| Current Service Cost                       | 63,060           | 70,840           |
| Past Service Credit                        | -                | (69,600)         |
| Net Interest on Defined Benefit Obligation | 14,150           | 30,130           |
|                                            | 77,210           | 31,370           |

In 2021, the retirement benefit plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021. The resulting change in the present value of the defined benefit obligation was recognised in the Statement of Profit or Loss as a past service credit of Rs. 69.6 Mn in 2021.

## 20.4. Expected Benefit Payments to Employees

The expected benefit payment for the year ending;

|                          | Pension<br>Rs.'000s | Gratuity<br>Rs.'000s | Total<br>Rs.'000s |
|--------------------------|---------------------|----------------------|-------------------|
| 31 December 2023         | 40,870              | 42,600               | 83,470            |
| 31 December 2024         | 58,430              | 57,820               | 116,250           |
| 31 December 2025         | 111,210             | 106,860              | 218,070           |
| 31 December 2026         | 116,700             | 96,330               | 213,030           |
| 31 December 2027         | 61,610              | 73,670               | 135,280           |
| 31 December 2028 to 2032 | 438,270             | 738,590              | 1,176,860         |

## 20.5. The Income/(Expense) Recognised in Other Comprehensive Income, in relation to Retirement Benefit Obligation

| For the Year Ended 31 December               | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------|------------------|------------------|
| Actuarial Gain/(Loss)                        | 237,880          | 138,670          |
| Deferred Tax impact on Actuarial Gain/(Loss) | (77,076)         | (30,157)         |
| Actuarial Gain/(Loss) - net of Tax           | 160,804          | 108,513          |

## 20.6. Actuarial Assumptions

Principal actuarial assumptions as at the reporting date:

|                             | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------|------------------|------------------|
| (1) Rate of Discount        | 18.0%            | 11.0%            |
| (2) Future Salary Increase  |                  |                  |
| First 5 years               | 12.0% to 18.0%   | 9.0% to 12.0%    |
| Beyond 5 years              | 12.0%            | 9.0%             |
| (3) Future Pension Increase | 10% to 12%       | 7.0%             |

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

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

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, performance, promotions, grades and other relevant factors such as demand and supply in the employment market.

As defined benefit obligations are relatively long-term in nature, the actuarial assumptions take into account the requirements of the LKAS 19 coupled with a long-term view of the underlying variables/trends, wherever required.

The Company uses market yields (at the end of the reporting period) on treasury bonds issued by the Government of Sri Lanka (T-bonds) to determine the discount rate, as disclosed in its accounting policy (refer Note 3.9). However, due to the economic conditions prevailing in the country as at the period end, the exceptionally high T-bond market yields would not be a reasonable reflection of the time value of money. Therefore, period end T-bond market yields have been adjusted for the credit risk spread to derive the rate used to discount the defined benefit obligation.

Such adjustment has been made based on the method set out in illustration 1 of the *Frequently Asked Questions (FAQs) on Use of Discount Rate under the uncertain economic conditions* issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). Credit risk spread has been calculated based on Sovereign Default and Recovery Rates published by Moody's. Adjusted discount rates have been calculated for tenors available, and estimated using the yield curve for any remaining maturities and corresponds with the remaining average working life of the employees of the Company.

### 20.6.1. 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.

|                         | 2022               |                    | 2021               |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | + 0.5%<br>Rs.'000s | - 0.5%<br>Rs.'000s | + 0.5%<br>Rs.'000s | - 0.5%<br>Rs.'000s |
| Rate of Discount        | (23,800)           | 24,940             | (40,810)           | 43,440             |
| Future Salary Increase  | 24,870             | (23,910)           | 43,250             | (38,480)           |
| Future Pension Increase | 3,490              | (3,310)            | 5,070              | (4,810)            |

|                 | 2022                               |                                      | 2021                               |                                      |
|-----------------|------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
|                 | Scaled up<br>by 1 year<br>Rs.'000s | Scaled down<br>by 1 year<br>Rs.'000s | Scaled up<br>by 1 year<br>Rs.'000s | Scaled down<br>by 1 year<br>Rs.'000s |
| Mortality Rates | (4,090)                            | 4,100                                | (5,950)                            | 5,970                                |

# Notes to the Financial Statements

## 20.7. The Composition of Insurance Plan Asset

|                                                                               | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------------------------------------|------------------|------------------|
| Reporting entity's own Financial Instruments                                  | Nil              | Nil              |
| Property occupied by, or other assets used by, the reporting entity           | Nil              | Nil              |
| <b>The Investment Portfolio of AIA Insurance Lanka Ltd. as at 31 December</b> | <b>2022</b>      | <b>2021</b>      |
| Government Securities                                                         | 71.3%            | 71.3%            |
| Corporate Debt                                                                | 28.0%            | 27.5%            |
| Policyholder Loans                                                            | 0.7%             | 1.1%             |
| Equity                                                                        | 0.0%             | 0.1%             |
|                                                                               | 100.0%           | 100.0%           |

## 21. Non-Current Provisions

|                           | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------|------------------|------------------|
| Balance as at 1 January   | 1,023,596        | 524,089          |
| Provisions/(reversals)    | (90,596)         | 522,107          |
| Utilisation/(settlement)  | (37,250)         | (22,600)         |
| Balance as at 31 December | 895,750          | 1,023,596        |

Non-Current Provisions represent best estimates of the management made mainly for probable claims arising out of tax assessments which were issued against the Company for which appeals have been lodged against the tax authorities. The probability and the timing of the outflows with regard to these matters depend on the ultimate settlement/conclusion with the relevant authorities.

## 22. Financial Liabilities

### 22.1. Non-Current Financial Liabilities

| As at 31 December                         | Interest Rate       | Maturity  | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------|---------------------|-----------|------------------|------------------|
| Loans from Related Parties (Note 22.1.1)  | 3 Month SOFR+2.76%* | Oct-24    | 9,775,500        | 5,386,500        |
|                                           | 3 Month SOFR+3.21%  | Jul-25    | 2,940,000        | -                |
|                                           | 3 Month SOFR+3.21%  | Aug-25    | 1,470,000        | -                |
| Non-Current Lease Liabilities (Note 22.3) | 9.0% - 23.8%        | 2023-2031 | 6,812            | 31,387           |
|                                           |                     |           | 14,192,312       | 5,417,887        |

\* In 2021, the interest rate applicable on realated party loan was 3 Month LIBOR+2.50%.

SOFR- Secured Overnight Financing Rate

LIBOR- London Interbank Offered Rate

**22.1.1.** The Company has obtained continuing USD denominated loans from Nestlé Treasury Center - Middle East and Africa Ltd. in 2022 amounting to Rs. 4,320 Mn; USD 12.0 Mn (Rs. 4,410 Mn as at 31 December 2022), in order to fund operational foreign currency requirements (First Intra Group Loan was obtained in 2021 amounting to Rs. 5,373.2 Mn; USD 26.6 Mn (Rs. 5,386.5 Mn as at 31 December 2021). The interest rate was priced on an arm's length basis and approved by the Related Party Transactions Review Committee. The Board of Directors of Nestlé Lanka PLC granted their approval for this transaction at the Board Meeting held on 15 February 2022.

The loan is subjected to foreign currency exposure/fluctuations and is for a duration of three years.

### 22.2. Current Financial Liabilities

| As at 31 December                            | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|----------------------------------------------|------------------|------------------|
| Bank Overdrafts                              | -                | 481              |
| Distributor Finance with Recourse to Company | 22,521           | 35,808           |
| Current Lease Liabilities (Note 22.3)        | 34,318           | 64,967           |
|                                              | 56,839           | 101,256          |

### 22.3. Lease Liabilities

| As at 31 December                                                         | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------------------------------------------------------|------------------|------------------|
| <b>Maturity Analysis - Contractual undiscounted amounts</b>               |                  |                  |
| Not later than one year                                                   | 37,051           | 69,520           |
| Later than one year and not later than five years                         | 8,498            | 30,386           |
| Later than five years                                                     | 5,235            | 7,284            |
|                                                                           | 50,784           | 107,190          |
| <b>Discounted amounts included in the Statement of Financial Position</b> |                  |                  |
| Current (Note 22.2)                                                       | 34,318           | 64,967           |
| Non-Current (Note 22.1)                                                   | 6,812            | 31,387           |
|                                                                           | 41,130           | 96,354           |

### 22.3.1. Amounts Recognised in Statement of Profit or Loss

| For the Year Ended 31 December                                                                   | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| Interest on Lease Liabilities                                                                    | 8,048            | 11,395           |
| Depreciation on Lease Assets                                                                     | 86,472           | 75,116           |
| Expenses relating to Short - Term Leases                                                         | -                | 1,934            |
| Expenses relating to Leases of Low Value Assets, excluding Short-Term Leases of Low Value Assets | 10,810           | 7,874            |
|                                                                                                  | 105,330          | 96,319           |



# Notes to the Financial Statements

## 22.3.2. Amounts Recognised in Statement of Cash Flows

| For the Year Ended 31 December           | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|------------------------------------------|------------------|------------------|
| Total Cash Outflow for Lease Liabilities | 92,689           | 80,660           |

## 23. Trade and Other Payables

| As at 31 December                                 | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------------------------------|------------------|------------------|
| Trade Payables                                    | 5,189,217        | 4,165,835        |
| Customers' Credit Balances and Trade Accruals     | 932,010          | 726,021          |
| Penalty and Demurrage                             | 734,866          | -                |
| Employee Related Payables                         | 708,138          | 612,649          |
| Supplier Payables relating to Capital Expenditure | 635,250          | 349,173          |
| Other Tax Payable                                 | 451,592          | 104,772          |
| Derivatives - Forward Exchange Contract           | 2,313            | 4                |
| Others                                            | 726,463          | 459,192          |
|                                                   | 9,379,848        | 6,417,646        |

### 23.1. Value Added Tax (VAT)

VAT is calculated in accordance with Value Added Tax Act No.14 of 2002 and subsequent amendment thereto, including Value Added Tax (Amendment) Act No.44 of 2022.

Accordingly, the VAT rate has been increased to 12% from 8% w.e.f. 01 June 2022 and to 15% w.e.f. 01 September 2022.

### 23.2. Social Security Contribution Levy (SSCL)

As per the Social Security Contribution Levy imposed w.e.f. 01 October 2022, by Social Security Contribution Levy Act No. 25 of 2022 certified on 20 September 2022, the Company incurred a levy of Rs. 335 Mn for the year ended 31 December 2022 (SSCL payable as at 31 December 2022 : Rs. 98 Mn).

## 24. Amounts due to Related Parties

| As at 31 December                                   | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------|------------------|------------------|
| Nestlé Australia Ltd.                               | 40,793           | 20,560           |
| Nestlé Bangladesh Ltd.                              | 1,301            | -                |
| Nestlé Business Services AOA Inc.                   | 680              | -                |
| Nestlé France S.A.S.                                | -                | 827              |
| Nestlé India Ltd.                                   | 37,029           | 34,336           |
| Nestlé Nederland B.V.                               | 116              | 309              |
| Nestlé Operational Services Worldwide S.A.          | 15,857           | -                |
| Nestlé Manufacturing (Mal.) Sdn Bhd                 | 4,775            | -                |
| Nestlé Philippines, Inc.                            | 437              | 322              |
| Nestlé Cote D'Ivoire                                | -                | 503              |
| Nestlé Regional Service Centre (Malaysia) Sdn. Bhd. | 784              | -                |
| Nestlé R&D Center (Singapore)                       | 1,984            | -                |
| Nestlé Singapore (Pte) Ltd.                         | -                | 310              |
| Nestlé Suisse S.A.                                  | 2,506            | 481              |
| Nestlé Treasury Centre - Middle East & Africa LTD.  | 198,137          | 25,622           |
| Nestlé USA Inc.                                     | 203              | 71               |
| Nestlé Waters Marketing & Distribution S.A.S        | 17,260           | 5,134            |
| Nestlé Waters Management & Technology S.A.S         | 1,659            | -                |
| Nestlé S.A.                                         | 637,942          | 72,323           |
| Nestlé Enterprises S.A.                             | 2,856,112        | 1,664,469        |
| Société des Produits Nestlé S.A.                    | 2,359,635        | 163,198          |
|                                                     | 6,177,210        | 1,988,465        |

# Notes to the Financial Statements

## 25. Related Party Disclosure

### 25.1. Transactions with Related Companies

#### 25.1.1. Recurrent Related Party Transactions

| Name of the Company                                    | Relationship | Nature of Transaction          | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------------|--------------|--------------------------------|------------------|------------------|
| Nestlé Australia Ltd.                                  | Affiliate    | Services Received              | (474,486)        | (299,719)        |
| Nestlé Bangladesh Ltd.                                 | Affiliate    | Recoveries/<br>(Reimbursement) | (1,294)          | -                |
| Nestlé Brazil Ltda                                     | Affiliate    | Services Received              | -                | (52)             |
| Nestlé Business Service AOA Inc.                       | Affiliate    | Services Received              | (2,052)          | (334)            |
| Nestlé Enterprises S.A.                                | Affiliate    | Exports                        | 5,554,707        | 1,473,675        |
|                                                        |              | Imports                        | (10,083,660)     | (5,034,502)      |
|                                                        |              | Services Rendered              | 34,096           | -                |
| Nestlé France S.A.S.                                   | Affiliate    | Services Received              | (9,240)          | (12,928)         |
|                                                        |              | Exports                        | 2,748,071        | 1,018,135        |
|                                                        |              | Imports                        | (50,164)         | (33,399)         |
| Nestlé India Ltd.                                      | Affiliate    | Services Received              | (384,617)        | (255,423)        |
|                                                        |              | Recoveries/<br>(Reimbursement) | 16,776           | 8,080            |
|                                                        |              | Recoveries/<br>(Reimbursement) | 753              | -                |
| Nestlé Jamaica Limited                                 | Affiliate    | Recoveries/<br>(Reimbursement) | 999              | -                |
| Nestlé Japan Limited                                   | Affiliate    | Imports/Re-Export              | (6,091)          | -                |
| Nestlé Manufacturing (Malaysia)<br>Sdn. Bhd.           | Affiliate    | Services Received              | (4,425)          | (5,790)          |
|                                                        |              | Recoveries/<br>(Reimbursement) | (3,600)          | 7,538            |
|                                                        |              | Recoveries/<br>(Reimbursement) | (2,447)          | 54               |
| Nestlé Middle East FZE                                 | Affiliate    | Recoveries/<br>(Reimbursement) | (115)            | -                |
| Nestlé Operational Services<br>Worldwide S.A.          | Affiliate    | Reimbursement                  | -                | (309)            |
|                                                        |              | Services Received              | (58,032)         | (19,174)         |
|                                                        |              | Recoveries                     | 19,085           | 13,475           |
| Nestlé Pakistan Ltd.                                   | Affiliate    | Recoveries/<br>(Reimbursement) | -                | (5,592)          |
| Nestlé Philippines, Inc.                               | Affiliate    | Recoveries/<br>(Reimbursement) | 7,384            | (2,540)          |
|                                                        |              | Services Received              | (21,670)         | (11,124)         |
|                                                        |              | Recoveries/<br>(Reimbursement) | 1,436            | -                |
| Nestlé Regional Service Centre<br>(Malaysia) Sdn. Bhd. | Affiliate    | Reimbursement                  | (786)            | -                |
| Nestlé S.A.                                            | Parent       | Dividend*                      | (2,717,013)      | (2,683,656)      |
|                                                        |              | PSUP & RSUP*                   | (122,479)        | (70,691)         |

| Name of the Company                                 | Relationship | Nature of Transaction          | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-----------------------------------------------------|--------------|--------------------------------|------------------|------------------|
| Nestlé Singapore (Pte) Limited                      | Affiliate    | Reimbursement                  | -                | (310)            |
| Nestlé South Africa                                 | Affiliate    | Recoveries                     | 1,164            | -                |
| Nestlé Suisse S.A.                                  | Affiliate    | Imports                        | -                | (478)            |
|                                                     |              | Reimbursement                  | (517)            | (152)            |
| Nestlé (Thai) Limited                               | Affiliate    | Recoveries/<br>(Reimbursement) | 2,483            | 7,029            |
| Nestlé Treasury Centre-Middle<br>East & Africa Ltd. | Affiliate    | Loan Interest                  | (365,096)        | (94,131)         |
| Nestlé UK Limited                                   | Affiliate    | Imports                        | (8,373)          | -                |
| Nestlé USA, Inc.                                    | Affiliate    | Services Received              | (8,234)          | (2,401)          |
|                                                     |              | Recoveries                     | 31,643           | 4,166            |
| Nestlé Waters Management                            | Affiliate    | Services Received              | (7,750)          | (1,067)          |
| Nestlé Waters Marketing &<br>Distribution S.A.S.    | Affiliate    | Imports/Re-Export              | (20,431)         | (13,332)         |
|                                                     |              | Exports                        | 60,515           | 1,981,142        |
|                                                     |              | Imports                        | (95,267)         | (1,391,837)      |
| Nestrad S.A.                                        | Affiliate    | Recoveries                     | 15,798           | 19,280           |
|                                                     |              | Services Rendered              | 25,004           | 33,961           |
|                                                     |              | Services Received              | (655,841)        | (315,285)        |
| Nestlé Zimbabwe                                     | Affiliate    | Recoveries                     | 121              | -                |
| Société des Produits Nestlé S.A.                    | Affiliate    | General Licence Fee            | (3,167,754)      | (1,933,643)      |
|                                                     |              | Recoveries                     | 1,298            | 1,341            |
|                                                     |              | Reimbursement                  | (18,856)         | -                |

\* Exempted related party transactions as per section 9.5 (b) and (c) of listing rules.

Aggregated value of the recurrent related party transactions (excluding exempted related party transactions) as a percentage of gross revenue is 31.9% (2021- 32.9%).

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



# Notes to the Financial Statements

## 25.1.2. Non-Recurrent Related Party Transactions

| Name of the Company                              | Relationship | Nature of Transaction | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|--------------------------------------------------|--------------|-----------------------|------------------|------------------|
| Nestlé Treasury Centre Middle East & Africa Ltd. | Affiliate    | Loan Receipt          | 4,320,000        | 5,373,200        |
|                                                  |              | Loan Settlement       | -                | (1,893,000)      |
| Nestrade S.A.                                    | Affiliate    | Capital Expenditure   | (869,334)        | -                |
| Nestlé Cote D'Ivoire                             | Affiliate    | Capital Expenditure   | -                | (503)            |

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

## 25.2. Transactions with Key Management Personnel

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

| For the Year Ended 31 December  | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------------|------------------|------------------|
| Executive Directors' Emoluments |                  |                  |
| Short-Term Employee Benefits    | 207,724          | 159,325          |
| Share Based Payments*           | 90,512           | 53,725           |
|                                 | 298,236          | 213,050          |
| Non-Executive Director's Fees   | 2,000            | 1,800            |
|                                 | 300,236          | 214,850          |

There were no transactions with the close family members of key management personnel during the year.

\* Share based payment related to executive directors are recorded on accrual basis.

## 25.3. Share-Based Payments (SBP)

The Company participates in the Nestlé Performance/Restricted Stock Unit (PSU/RSU) plan of Nestlé S.A. whereby selected employees are granted non-tradable stock units with the right to obtain Nestlé S.A. shares or cash equivalents. Performance/Restricted stock units that are granted to employees are vested 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, are to be transferred to employees. The Company has to pay Nestlé S.A. an amount equivalent to the value of Nestlé S.A. shares on the date of vesting, delivered to the employee. Accruals are made based on estimates, including the Nestlé S.A. share price, and the period end exchange rate over the vesting period of three years.

| For the Year Ended 31 December                          | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|---------------------------------------------------------|------------------|------------------|
| Number of shares granted during the year                | 1,463            | 3,006            |
| Fair value of shares granted during the year            | 63,643           | 85,606           |
| Total expense recognised in Statement of Profit or Loss | 122,479          | 70,691           |
| Carrying amount as at the reporting date                | 141,816          | 124,336          |

There are no related party transactions other than those disclosed in Notes 17, 22, 24 and 25.

## 26. Financial Risk Management

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

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

### (a) Credit Risk -

Credit risk arises when the counterparty may fail to perform its obligation. The risk in this regard arises from trade and other receivables, which are subject to credit limits and control and approval procedures to minimise the extent of the Company's financial exposure. Bank guarantees are obtained where possible to minimise the risk further.

The Company limits its exposure to credit risk by investing only with counterparties that have an existing business relationship at a global level with Nestlé Group.

The carrying amount of financial assets excluding short term investments with banks represents the maximum credit exposure, which at the reporting date is as;

| As at 31 December                                                 | 2022<br>Rs.'000s | 2021<br>Rs.'000s |
|-------------------------------------------------------------------|------------------|------------------|
| Trade Receivables                                                 | 3,192,112        | 1,881,834        |
| Loans to Employees                                                | 325,092          | 369,401          |
| Amount due from Related Parties                                   | 1,034,828        | 873,080          |
| Other Non-Trade Receivables                                       | 270,379          | 86,761           |
|                                                                   | 4,822,411        | 3,211,076        |
| The Ageing of Trade Receivables as at the reporting date were as: |                  |                  |
| Not past due                                                      | 3,017,516        | 1,757,182        |
| Past due 1 - 30 Days                                              | 151,073          | 160,685          |
| Past due 31 - 60 Days                                             | 54,280           | 1,636            |
| Past due 61 - 90 Days                                             | 13,069           | 2,683            |
| Past due 91 - 120 Days                                            | 4,180            | 6,909            |
| Past due more than 120 Days                                       | 50,991           | 56,118           |
| Impairment of Trade Receivables                                   | (98,997)         | (103,379)        |
|                                                                   | 3,192,112        | 1,881,834        |

### (b) Liquidity risk -

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

# Notes to the Financial Statements

The Contractual Maturities of Financial Liabilities are as follows;

| For the Year Ended 31 December                                    | 2022               |               |             | 2021               |               |             |
|-------------------------------------------------------------------|--------------------|---------------|-------------|--------------------|---------------|-------------|
|                                                                   | Less than 6 Months | 6 - 12 Months | 1 - 5 Years | Less than 6 Months | 6 - 12 Months | 1 - 5 Years |
|                                                                   | Rs.'000s           | Rs.'000s      | Rs.'000s    | Rs.'000s           | Rs.'000s      | Rs.'000s    |
| Trade and Other Payables*                                         | 8,990,173          | -             | -           | 6,283,902          | -             | -           |
| Amounts due to Related Parties                                    | 6,177,210          | -             | -           | 1,988,465          | -             | -           |
| Loan from Related Party                                           | -                  | -             | 14,185,500  | -                  | -             | 5,386,500   |
| Other Current Financial Liabilities (Excluding Lease Liabilities) | 22,521             | -             | -           | 36,770             | -             | -           |
|                                                                   | 15,189,905         | -             | 14,185,500  | 8,309,137          | -             | 5,386,500   |

\*Excluding Statutory Liabilities, which are payable as per due dates.

## (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. During 2022, the Company was exposed to significant rupee depreciation coupled with currency shortages, changes in import regulations, high inflation and interest rates coupled with economic and political instability. The Company has taken necessary steps such as driving exports, effective utilisation of foreign currency, optimisation of value chain and product portfolio, to overcome related operational and financial risks.

The Company is exposed to currency risk on sales, purchases and loans that are denominated in foreign currencies, primarily the US Dollar (USD), Singapore Dollar (SGD), Australian Dollar (AUD), Euro (EUR) and Swiss Franc (CHF). The exposures are managed within a prudent and systematic hedging policy in accordance with the Company policy and prevailing banking regulations.

The Company manages the interest rate risk to minimise the adverse effects of fluctuations by closely monitoring the interest rates and negotiating favourable rates on borrowings/investments.

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

## Exposure to Currency Risk

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

|                        | Rs.'000s     |           |          |          |          |
|------------------------|--------------|-----------|----------|----------|----------|
|                        | USD          | EUR       | SGD      | AUD      | CHF      |
| As at 31 December 2022 |              |           |          |          |          |
| Receivables            | 1,734,293    | 15,663    | -        | -        | -        |
| Payables*              | (16,026,155) | (250,894) | (28,133) | (42,866) | (35,647) |
| Net Financial Position | (14,291,863) | (235,231) | (28,133) | (42,866) | (35,647) |
| As at 31 December 2021 |              |           |          |          |          |
| Receivables            | 1,229,710    | -         | -        | -        | -        |
| Payables               | (7,404,121)  | (222)     | 871      | (20,560) | (20,860) |
| Net Financial Position | (6,174,411)  | (222)     | 871      | (20,560) | (20,860) |

\* Payables of Rs. 16 Bn includes the USD denominated foreign currency loans received from Nestlé Treasury Centre Middle East & Africa Ltd., amounting to Rs. 14.2 Bn (USD 38.6 Mn).

The following significant exchange rates are applied:

| As at | 31-Dec-22 | 31-Dec-21 |
|-------|-----------|-----------|
| USD   | 367.50    | 202.50    |
| EUR   | 391.50    | 228.95    |
| SGD   | 273.72    | 149.97    |
| AUD   | 249.37    | 147.02    |
| CHF   | 397.47    | 221.42    |

## Sensitivity Analysis

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

|                   | 31-Dec-22                             |                                   | 31-Dec-21                             |                                   |
|-------------------|---------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|
|                   | Strengthening profit or loss Rs.'000s | Weakening profit or loss Rs.'000s | Strengthening profit or loss Rs.'000s | Weakening profit or loss Rs.'000s |
| USD (1% movement) | (142,919)                             | 142,919                           | (61,744)                              | 61,744                            |
| EUR (1% movement) | (2,352)                               | 2,352                             | (2)                                   | 2                                 |
| SGD (1% movement) | (281)                                 | 281                               | 9                                     | (9)                               |
| AUD (1% movement) | (429)                                 | 429                               | (206)                                 | 206                               |
| CHF (1% movement) | (356)                                 | 356                               | (209)                                 | 209                               |

## Exposure to Interest Rate Risk

The Company gets exposed to interest rate risk on the loans it obtained from Nestlé Treasury Centre Middle East & Africa Ltd., amounting to Rs. 14.2 Bn (USD 38.6 Mn), which are based on SOFR. (2021 was based on LIBOR) (Refer Note 22.1 Non-Current Financial Liabilities).

## Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the above loans. With all the other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings as follows:

|                             | 31-Dec-22           |                     | 31-Dec-21           |                     |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
|                             | Increasing Rs.'000s | Decreasing Rs.'000s | Increasing Rs.'000s | Decreasing Rs.'000s |
| Interest Rate (1% movement) | (105,721)           | 105,721             | (9,562)             | 9,562               |

## Capital Risk Management

The Company's capital management is driven by the impact on shareholders of the level of total capital employed. It is the Company's policy to maintain a sound capital base to support the continued development of its business.

The Board of Directors seeks to maintain a prudent balance between the components of the Company's capital and monitors the capital structure and the net financial liabilities, in line with changes in global and local economic and market conditions.

The gearing ratio (Financial Liabilities/(Financial Liabilities + Equity)) of the Company is 57% as at 31 December 2022 (2021 : 40%).



# Notes to the Financial Statements

## 27 Derivative Assets and Liabilities and Hedge Accounting

### Derivative Financial Instruments

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

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

### Hedge Accounting

The Company designates and documents the use of certain derivatives as hedging instruments against changes in fair values of recognised assets and liabilities (fair value hedges) and highly probable forecasted transactions (cash flow hedges). The effectiveness of such hedges is assessed at inception and verified at least on a quarterly basis to ensure that an economic relationship exists between the hedged item and the hedging instrument.

### Fair Value Hedges

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

### Cash Flow Hedges

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

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

### Derivatives by Hedged Risks

| As at 31 December     | 31-Dec-22                       |                   |                        | 31-Dec-21                       |                   |                        |
|-----------------------|---------------------------------|-------------------|------------------------|---------------------------------|-------------------|------------------------|
|                       | Contractual or Notional Amounts | Fair Value Assets | Fair Value Liabilities | Contractual or Notional Amounts | Fair Value Assets | Fair Value Liabilities |
|                       | Rs.'000s                        | Rs.'000s          | Rs.'000s               | Rs.'000s                        | Rs.'000s          | Rs.'000s               |
| Cash Flow Hedges      |                                 |                   |                        |                                 |                   |                        |
| Foreign Currency Risk | 2,449                           | -                 | 4                      | 1,592,937                       | 14,536            | 11,674                 |

## 28 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 : Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Inputs that are not based on observable market data (unobservable inputs).

All Company derivative assets and liabilities are categorised as level 2 in the fair value hierarchy (2021 - level 2).

### Cash and Cash Equivalents

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

### Trade and Other Receivables and Amounts due from Related Parties

Trade and Other Receivables and Amount due from Related Parties 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 and Amounts due to Related Parties

Trade and Other Payables and Amounts due to Related Parties 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.

### Loan from Related Party

USD denominated loan from the Related Party which is expected to be settled in three years is measured at amortised cost and revalued at the exchange rate as at the reporting date. Therefore the carrying amount approximates the fair value as at the reporting date.

### Accounting Classifications and Fair Values

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

| As at 31 December                      | Fair Value - Hedging Instruments |                  |
|----------------------------------------|----------------------------------|------------------|
|                                        | 2022<br>Rs.'000s                 | 2021<br>Rs.'000s |
| Financial Liabilities                  |                                  |                  |
| Derivative - Forward Exchange Contract | 2,313                            | 4                |
|                                        | 2,313                            | 4                |

## 29 Commitments

Capital Commitments - The capital commitment for the year 2022, which has been approved and contracted for, is Rs. 748 Mn (2021 - Rs. 732 Mn).

## 30 Contingent Liabilities

There are no material contingent liabilities as at 31 December 2022. (There were no material contingent liabilities as at 31 December 2021).

## 31 Events Occurring After the Reporting Date

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

- An interim dividend of Rs. 55.00 per share amounting to Rs. 2,954,900,465.00 was approved on 20 February 2023 by the Board of Directors and will be paid on 09 March 2023 for shareholders via bank transfers and on 22 March 2023 via cheques.
- The Board of Directors has proposed a final dividend of Rs. 75.00 per share amounting to Rs. 4,029,409,725.00 for the year ended 31 December 2022, subject to the approval by the Shareholders at the upcoming Annual General Meeting of the Company.

Except for above, there are no material events occurring after the reporting date that require a disclosure or an adjustment to the Financial Statements.

## 32 Comparative Information

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

# Good For My Planet

On our ambitious journey towards achieving net zero by 2050, we work closely with our stakeholders from farm to end-of-shelf-life to ensure that our operations have a positive impact on the environment – even as our business continues to grow.



**Regenerative**  
agricultural practices



**Energy-efficient**  
logistics



**Greener**  
manufacturing practices



Galvanising  
**behavioural**  
change







# Good For My Planet

We are accelerating our actions towards tackling plastic pollution and are committed to making a significant difference. Our vision is that none of our packaging, including plastics, ends up in landfill or as litter, including in oceans, lakes, or rivers. We are working hard to deliver on this commitment and helping to achieve a waste-free future.



**78%** of our packaging is designed for recycling



Pioneering a **circular economy** for aseptic beverage cartons



Helped set up Sri Lanka's **first recycling facility** for aseptic beverage cartons



# Good For My Planet

Our Schools Waste Management Programme aims to lay a strong foundation to encourage behavioural change in school children – the future generation of Sri Lanka. Conducted in collaboration with the Central Environmental Authority (CEA), the Ministry of Education, and local Municipal Councils, the programme creates awareness on responsible disposal and encourages students to act as environmental ambassadors.



**Over 200** schools across  
the island reaching more than  
**350,000 children**





Ten Year Summary

|                                          | 2022         | 2021        | 2020         | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        |
|------------------------------------------|--------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                          | Rs.'000s     | Rs.'000s    | Rs.'000s     | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    |
| <b>Statement of Comprehensive Income</b> |              |             |              |             |             |             |             |             |             |             |
| Revenue                                  | 73,707,077   | 45,420,119  | 37,866,215   | 36,355,084  | 37,336,943  | 37,601,472  | 36,461,695  | 34,702,511  | 32,902,885  | 30,913,413  |
| Profit from Operating Activities         | 12,186,821   | 6,263,247   | 4,496,906    | 4,088,871   | 5,147,381   | 4,887,982   | 5,722,715   | 5,417,773   | 4,759,093   | 4,135,318   |
| Profit Before Tax                        | 7,869,550    | 6,146,647   | 4,263,921    | 3,769,894   | 4,941,457   | 4,734,672   | 5,712,078   | 5,425,507   | 4,765,797   | 4,083,211   |
| Taxation                                 | (1,793,773)  | (817,497)   | (1,317,038)  | (1,203,911) | (1,455,656) | (1,098,831) | (1,313,316) | (1,301,183) | (978,904)   | (766,466)   |
| Profit After Tax                         | 6,075,777    | 5,329,150   | 2,946,883    | 2,565,983   | 3,485,801   | 3,635,841   | 4,398,762   | 4,124,324   | 3,786,893   | 3,316,745   |
| Retained profits Brought Forward         | 4,871,402    | 2,480,099   | 2,373,649    | 2,359,625   | 1,573,486   | 623,919     | 523,195     | 502,528     | 395,829     | 302,612     |
| Surcharge Tax                            | (988,694)    | -           | -            | -           | -           | -           | -           | -           | -           | -           |
| Super Gain Tax                           | -            | -           | -            | -           | -           | -           | -           | (638,365)   | -           | -           |
| Impact of Changes in Accounting Policies | -            | -           | -            | -           | (13,388)    | -           | -           | -           | -           | -           |
| Unclaimed Dividend Written Back          | 14,895       | 17,053      | 114,467      | -           | -           | -           | -           | -           | -           | -           |
| Profit available for Distribution        | 9,973,380    | 7,826,302   | 5,434,999    | 4,925,608   | 5,045,899   | 4,259,760   | 4,921,957   | 3,988,487   | 4,182,722   | 3,619,357   |
| Interim Dividend*                        | 2,954,900    | (1,074,509) | (1,880,391)  | (1,611,764) | (1,343,137) | (1,343,137) | (2,149,019) | (1,853,528) | (2,175,881) | (1,719,215) |
| Final Dividend*                          | 4,029,410    | (1,880,391) | (1,074,509)  | (940,195)   | (1,343,137) | (1,343,137) | (2,149,019) | (1,611,764) | (1,504,313) | (1,504,313) |
| Net Retained Profits                     | 9,973,380    | 4,871,402   | 2,480,099    | 2,373,649   | 2,359,625   | 1,573,486   | 623,919     | 523,195     | 502,528     | 395,829     |
| *Dividend includes proposed dividend     |              |             |              |             |             |             |             |             |             |             |
|                                          |              |             |              |             |             |             |             |             |             |             |
|                                          | 2022         | 2021        | 2020         | 2019        | 2018        | 2017        | 2016        | 2015        | 2014        | 2013        |
|                                          | Rs.'000s     | Rs.'000s    | Rs.'000s     | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    | Rs.'000s    |
| <b>Statement of Financial Position</b>   |              |             |              |             |             |             |             |             |             |             |
| Stated Capital                           | 537,255      | 537,255     | 537,255      | 537,255     | 537,255     | 537,255     | 537,255     | 537,255     | 537,255     | 537,255     |
| Retained Earnings and Reserves           | 10,205,280   | 7,897,398   | 5,396,528    | 4,972,354   | 5,097,901   | 4,263,780   | 4,931,931   | 3,984,381   | 3,550,673   | 3,678,403   |
| Non-Current Liabilities                  | 15,105,222   | 7,360,609   | 2,083,788    | 3,771,842   | 3,688,838   | 1,495,708   | 1,302,144   | 1,221,692   | 1,155,712   | 929,020     |
|                                          | 25,847,757   | 15,795,262  | 8,017,571    | 9,281,451   | 9,323,994   | 6,296,743   | 6,771,330   | 5,743,328   | 5,243,640   | 5,144,678   |
| <b>Represented by:</b>                   |              |             |              |             |             |             |             |             |             |             |
| Non-Current Assets                       | 10,543,860   | 8,888,144   | 9,269,803    | 9,755,655   | 10,237,243  | 8,170,221   | 6,409,376   | 5,621,039   | 5,414,937   | 4,810,141   |
| Net-Current Assets:                      |              |             |              |             |             |             |             |             |             |             |
| Current Assets                           | 36,350,657   | 16,227,603  | 9,941,876    | 7,114,904   | 7,421,563   | 7,406,314   | 6,985,874   | 6,501,008   | 5,394,992   | 5,719,972   |
| Less: Current Liabilities                | (21,046,760) | (9,320,485) | (11,194,108) | (7,589,108) | (8,334,812) | (9,279,792) | (6,623,920) | (6,378,719) | (5,566,289) | (5,385,435) |
|                                          | 15,303,897   | 6,907,118   | (1,252,232)  | (474,204)   | (913,249)   | (1,873,478) | 361,954     | 122,289     | (171,297)   | 334,537     |
|                                          | 25,847,757   | 15,795,262  | 8,017,571    | 9,281,451   | 9,323,994   | 6,296,743   | 6,771,330   | 5,743,328   | 5,243,640   | 5,144,678   |
| <b>Key Indicators :</b>                  |              |             |              |             |             |             |             |             |             |             |
| Average Market Price per Share (Rs)      | 974.79       | 1,206.65    | 1,046.61     | 1,464.32    | 1,726.03    | 1,913.32    | 2,144.11    | 2,149.77    | 2,061.74    | 1,978.75    |
| Earnings per Share (Rs)                  | 113.09       | 99.19       | 54.85        | 47.76       | 64.88       | 67.67       | 81.87       | 76.77       | 70.49       | 61.74       |
| Dividend per Share (Rs.)                 | 130.00       | 55.00       | 55.00        | 47.50       | 50.00       | 50.00       | 80.00       | 64.50       | 68.50       | 60.00       |
| Dividend paid/proposed (Rs. 000s)        | 6,984,310    | 2,954,900   | 2,954,900    | 2,551,959   | 2,686,273   | 2,686,273   | 4,298,037   | 3,465,292   | 3,680,194   | 3,223,528   |

Share Information

Analysis of Shareholders according to the number of shares held as at 31 December.

| Number of Shares held     | 2022 Resident           |                  |      | 2021 Resident           |                  |      |
|---------------------------|-------------------------|------------------|------|-------------------------|------------------|------|
|                           | Number of Share holders | Number of Shares | %    | Number of Share holders | Number of Shares | %    |
| 1 - 1000 Shares           | 5,528                   | 714,233          | 1.33 | 5,397                   | 710,305          | 1.32 |
| 1001 - 10,000 Shares      | 397                     | 1,040,190        | 1.94 | 385                     | 1,001,760        | 1.87 |
| 10,001 - 100,000 Shares   | 38                      | 1,122,106        | 2.10 | 40                      | 1,036,677        | 1.93 |
| 100,001 - 1000,000 Shares | 1                       | 264,404          | 0.49 | 2                       | 414,282          | 0.77 |
| Over 1,000,000 Shares     | -                       | -                | -    | -                       | -                | -    |
|                           | 5,964                   | 3,140,933        | 5.86 | 5,824                   | 3,163,024        | 5.89 |

| Number of Shares held     | 2022 Non-Resident       |                  |       | 2021 Non-Resident       |                  |       |
|---------------------------|-------------------------|------------------|-------|-------------------------|------------------|-------|
|                           | Number of Share holders | Number of Shares | %     | Number of Share holders | Number of Shares | %     |
| 1 - 1000 Shares           | 55                      | 13,089           | 0.02  | 54                      | 13,539           | 0.03  |
| 1001 - 10,000 Shares      | 22                      | 103,236          | 0.19  | 22                      | 103,236          | 0.19  |
| 10,001 - 100,000 Shares   | 10                      | 426,574          | 0.79  | 7                       | 269,966          | 0.50  |
| 100,001 - 1000,000 Shares | 4                       | 641,397          | 1.19  | 5                       | 775,464          | 1.44  |
| Over 1,000,000 Shares     | 1                       | 49,400,234       | 91.95 | 1                       | 49,400,234       | 91.95 |
|                           | 92                      | 50,584,530       | 94.14 | 89                      | 50,562,439       | 94.11 |

| Number of Shares held     | 2022 Total              |                  |        | 2021 Total              |                  |        |
|---------------------------|-------------------------|------------------|--------|-------------------------|------------------|--------|
|                           | Number of Share holders | Number of Shares | %      | Number of Share holders | Number of Shares | %      |
| 1 - 1000 Shares           | 5,583                   | 727,322          | 1.35   | 5,451                   | 723,844          | 1.35   |
| 1001 - 10,000 Shares      | 419                     | 1,143,426        | 2.13   | 407                     | 1,104,996        | 2.06   |
| 10,001 - 100,000 Shares   | 48                      | 1,548,680        | 2.89   | 47                      | 1,306,643        | 2.43   |
| 100,001 - 1000,000 Shares | 5                       | 905,801          | 1.68   | 7                       | 1,189,746        | 2.21   |
| Over 1,000,000 Shares     | 1                       | 49,400,234       | 91.95  | 1                       | 49,400,234       | 91.95  |
|                           | 6,056                   | 53,725,463       | 100.00 | 5,913                   | 53,725,463       | 100.00 |

| Categories of shareholders | 2022 Total              |                  | 2021 Total              |                  |
|----------------------------|-------------------------|------------------|-------------------------|------------------|
|                            | Number of Share holders | Number of Shares | Number of Share holders | Number of Shares |
| Individual                 | 5,868                   | 2,394,353        | 5,714                   | 2,361,600        |
| Institutional              | 188                     | 51,331,110       | 199                     | 51,363,863       |
|                            | 6,056                   | 53,725,463       | 5,913                   | 53,725,463       |

# Share Information

| Market Price per Share                                   | 2022        |          | 2021    |          |
|----------------------------------------------------------|-------------|----------|---------|----------|
| Highest                                                  | 24 January  | 1,240.00 | 29 June | 1,650.00 |
| Lowest                                                   | 14 December | 870.00   | 4 May   | 950.00   |
| 31 December                                              |             | 905.00   |         | 1,215.50 |
| Public Holding as at 31 December                         |             | 8.05%    |         | 8.05%    |
| Number of Shareholders represented by the Public Holding |             | 6,054.00 |         | 5,911.00 |

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

Float Adjusted Market Capitalisation as at 31 December 2022 : Rs. 3,914,034 (Rs'000). As the float adjusted market capitalization is over Rs. 1 Bn, Nestlé Lanka PLC complies under option 1 of Rule 7.14.1 (b) of Listing Rules.

| No. | Name                                                                                             | 2022       | %     | 2021       | %     |
|-----|--------------------------------------------------------------------------------------------------|------------|-------|------------|-------|
| 1   | Nestlé S.A.                                                                                      | 49,400,234 | 91.95 | 49,400,234 | 91.95 |
| 2   | Sri Lanka Insurance Corporation Ltd - Life Fund                                                  | 264,404    | 0.49  | 264,404    | 0.49  |
| 3   | Miss. N. Harnam Neesha Joint Mrs. J.K.P. Singh Jasbinderjit Kaur Piara                           | 201,000    | 0.37  | 200,000    | 0.37  |
| 4   | Deutsche Bank AG Singapore A/C 2<br>(DCS CLT Acc For Deutsche Bank AG Singapore - PWM WM Client) | 154,297    | 0.29  | 154,297    | 0.29  |
| 5   | SSBT-AI Mehwar Commercial Investments L.L.C.                                                     | 144,758    | 0.27  | 144,758    | 0.27  |
| 6   | RBC Investor Services Bank - Coeli Sicav I-Frontier Markets Fund                                 | 141,342    | 0.26  | 141,342    | 0.26  |
| 7   | Employee's Provident Fund                                                                        | 100,000    | 0.19  | 100,000    | 0.19  |
| 8   | Fairfirst Insurance Limited - Technical Reserve                                                  | 100,000    | 0.19  | 50,000     | 0.09  |
| 9   | CITI Bank Newyork S/A NORGES Bank Account 2                                                      | 94,690     | 0.18  | -          | -     |
| 10  | Ceylon Investment PLC A/C 2                                                                      | 85,000     | 0.16  | 85,000     | 0.16  |
| 11  | Mrs. J.K.P. Singh Jasbinderjit Kaur Piara                                                        | 77,803     | 0.14  | 74,661     | 0.14  |
| 12  | BNYM RE-GHI Holdings Maruitius                                                                   | 75,000     | 0.14  | 75,000     | 0.14  |
| 13  | EMFI Capital Limited                                                                             | 70,996     | 0.13  | -          | -     |
| 14  | Ceylon Guardian Investment Trust PLC A/C 2                                                       | 60,400     | 0.11  | 60,400     | 0.11  |
| 15  | Mr. H.M. Udeshi Harin Moraji                                                                     | 60,000     | 0.11  | 60,000     | 0.11  |
| 16  | Colombo Investment Trust Plc                                                                     | 50,904     | 0.09  | 50,904     | 0.09  |
| 17  | Mr. M.M. Udeshi Morarji Meghji Joint Mrs. A.A. Merchant Asha Ajay                                | 45,000     | 0.08  | 45,000     | 0.08  |
| 18  | Mr. A.K.L. Hirdaramani Anil Kumar Lalchand                                                       | 42,500     | 0.08  | 42,500     | 0.08  |
| 19  | SSBT-Frank Russel Trust Company Comingled Benefit Funds Trust GNA-6QH3                           | 37,878     | 0.07  | 61,980     | 0.12  |
| 20  | Miss. M.P. Radhakrishnan Meenambigai Priyadarshini                                               | 36,667     | 0.07  | 36,667     | 0.07  |

# Corporate Information

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name of Company</b>                   | Nestlé Lanka PLC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Registered Office and Head Office</b> | 440, T. B. Jayah Mawatha, Colombo 10, Sri Lanka<br>Tel : (+94 11) 2 696 304, 2 697 821, 2 699 991<br>Fax : (+94 11) 2 699 437<br>E-mail : info.srilanka@lk.nestle.com<br>Website : www.nestle.lk                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Legal Form</b>                        | A public quoted Company with limited liability, incorporated in Sri Lanka on 29 January 1981 and listed on Colombo Stock Exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Company Registration Number</b>       | PQ20                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Company Secretary</b>                 | Keerthi Pathiraja                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Nestlé Lanka PLC Certifications</b>   | FSSC 22000 version 5.1. (Food Safety System Certification)<br>ISO 9001:2015 (Quality Management System)<br>ISO 14001:2015 (Environmental Management Systems)<br>ISO 45001:2018 (Occupational Health and Safety Management System)<br>SLS Certification for Nestomalt Malted Food, Ceregrow and Cerelac Cereal Based Foods for infants and young children, Milkmaid Sweetened Condensed Milk, Nespray Nutri-Up and Nescafé Ice Coffee Flavoured Milks, Maggi Coconut Milk Powder and our entire Maggi noodle range.<br>SLSI Certification for Covid-19 Safety Management System<br>Halal Certification, Kosher Certification, Organic Certification, GMP Certification |
| <b>Registrars</b>                        | SSP Corporate Services (Pvt) Ltd<br>101, Inner Flower Road, Colombo 3, Sri Lanka<br>Tel : 011 2 573 894, 2 576 871                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Legal Advisors</b>                    | Keerthi Pathiraja, Attorney-at-Law<br>D.L & F. De Saram, Attorneys-at-Law<br>Nithya Partners, Attorneys-at-Law                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Auditors</b>                          | Ernst & Young (Chartered Accountants)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Bankers</b>                           | Citibank, N.A<br>Commercial Bank<br>Deutsche Bank<br>Hatton National Bank<br>The Hong Kong and Shanghai Banking Corporation Limited<br>Standard Chartered Bank                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Financial Year</b>                    | 01 January to 31 December                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |



Notice is hereby given that the forty-second (42nd) Annual General Meeting of Nestlé Lanka PLC will be held virtually on Monday June 05, 2023, at 10.00am via audio visual means for the following purposes:

- By Order of the Board.  
NESTLÉ LANKA PLC.

**Keerthi Pathiraja**  
***Company Secretary***

20 February 2023

# Notice of Meeting

Note

- 1. The Forty second (42nd) Annual General Meeting (AGM) of Nestlé Lanka PLC will be a virtual meeting, held by participants joining in person or by proxy through audio or audio visual means only in the manner specified below:
- 2. The AGM is to be held in line with the guidelines given by the Colombo Stock Exchange and as per applicable laws.
- 3. The Board of Directors, the Company Secretary, and the Auditors will be attending from the Head Office of Nestlé Lanka PLC, No. 440, T. B. Jayah Mawatha, Colombo 10, at 10.00 a.m. on Monday 05 June 2023 or via audio or audio visual means.
- 4. (a) The Board will make necessary arrangements for shareholders who wish to participate at the AGM via an online meeting platform, by ensuring that login information will be forwarded to them prior to the date of the AGM in the form of an audio/video link. To facilitate this process, they are required to send their email addresses by completing the Attendance Form on page 124 via email to keerthi.pathiraja@lk.nestle.com, or by post to Company Secretary Nestlé Lanka PLC, No. 440, T. B. Jayah Mawatha, Colombo 10, not less than seven (07) days prior to the date of the meeting so that the meeting login information could be forwarded to the email address furnished.  
Alternatively, shareholders may also log onto the Company website <https://www.nestle.lk/investors/key-facts-and-figures> and register themselves to join the Virtual AGM.
- (b) To facilitate the appointment of proxies, the Form of Proxy is attached with the Notice of Meeting and the duly filled Forms of Proxy are required to be forwarded to the Company Secretary via e-mail to keerthi.pathiraja@lk.nestle.com, or by post addressed to the Company Secretary, Nestlé Lanka PLC, 440, T. B. Jayah Mawatha, Colombo 10, not less than forty eight (48) hours before the time fixed for the meeting.
- (c) Shareholders will be required to use internet with adequate speed to avoid any disturbance during the meeting.
- 5. If the shareholders wish to raise any queries/questions during the meeting, they are advised to forward the same via e-mail to keerthi.pathiraja@lk.nestle.com, or by post addressed to the Company Secretary, Nestlé Lanka PLC, 440, T. B. Jayah Mawatha, Colombo 10, not less than seven (7) days prior to the date of the meeting, so that the Company Secretary will be able to compile the queries and forward same for the attention of the Board of Directors to be discussed at the meeting.
- 6. The shareholders who wish to speak or raise verbal questions at the meeting will be able to join the meeting through audio or audio and visual means, and to facilitate this process, they are required to send their email addresses via email to keerthi.pathiraja@lk.nestle.com, or by post addressed to the Company Secretary, Nestlé Lanka PLC, 440, T. B. Jayah Mawatha, Colombo 10, not less than seven (07) days prior to the date of the meeting so that the meeting login information could be forwarded to the email address furnished.
- 7. Shareholders are requested to appoint an Independent Non-Executive Director or any other Director of the Company of their choice as their proxy to represent them and vote on behalf of shareholders at the meeting.
- 8. The Annual Report of the Company for the year ended 31 December 2022 will be available for perusal on the Company website <https://www.nestle.lk/investors/key-facts-and-figures>, and the Colombo Stock Exchange website on [www.cse.lk](http://www.cse.lk).

# Form of Proxy

Nestlé Lanka PLC

I /We of .....  
.....  
being a member /members of the above named Company, hereby appoint Mr. Suresh Narayanan (whom failing), Mr. Bernhard Stefan (whom failing), Mrs. Kumudu Dias (whom failing), Ms. Svetlana Boldina (whom failing), Mr. Mahen Dayananda (whom failing), Mr. Dian Gomes (whom failing), Mr. Mohamed Reyaz Mihular or .....  
..... as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Forty-second (42nd) Annual General Meeting of Nestlé Lanka PLC, to be held on Monday, 5 June 2023, at 10.00 a.m. or at any adjournment thereof

| Agenda /Resolution |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | For                      | Against                  |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1.                 | To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, Independent Auditors’ Report and the financial statements for the year ended 31 December 2022.                                                                                                                                                                                                                                                                                                                                                                                                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.                 | To approve a Final Dividend for the year ended 31 December 2022 as recommended by the Directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.                 | To re-elect as Managing Director Mr. Bernhard Stefan, in terms of Article 64 of the Articles of Association                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.                 | To re-elect as Director Ms. Svetlana Boldina, in terms of Article 64 of the Articles of Association.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.                 | To re-elect as Director Mr. Dian Gomes, in terms of Article 56, 57 and 58 of the Articles of Association                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <input type="checkbox"/> | <input type="checkbox"/> |
| 6.                 | To re-elect as Director Mr. Mahen Dayananda, who is over the age of 70 years, and retires at the forthcoming Annual General Meeting in terms of Section 210 of the Companies Act No. 07 of 2007, by passing the following ordinary resolution in terms of Section 211 of the Companies Act No. 07 of 2007.<br><br>“Resolved that Mr. Mahen Dayananda, who is 76 years of age, be and is hereby re-elected as a Director of the Company. It is hereby resolved and declared that the age limit of 70 years, referred to in Section 210 of the Companies Act No. 7 of 2007, shall not apply to the said Director.” | <input type="checkbox"/> | <input type="checkbox"/> |
| 7                  | To reappoint the Auditors M/s. Ernst & Young and to authorize the Directors to determine their remuneration                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> |

Signed ..... on this ..... day of 2023



# Form of Proxy

**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. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
- 5. The completed form of proxy should be sent via e-mail to [keerthi.pathiraja@lk.nestle.com](mailto:keerthi.pathiraja@lk.nestle.com), or by post to the registered address of the Company at No. 440, T. B. Jayah Mawatha, Colombo 10, not less than 48 hours before the time appointed for holding of the Annual General Meeting.

NESTLÉ LANKA PLC

42nd Annual General Meeting 2023

Registration of Shareholders Details for Virtual AGM

Please provide the following details (mandatory)

Full name of Shareholder

:

Folio/NIC/PP/Company Registration No.

:

Contact No.

:

E-mail address of the Shareholder/(s)

:



[www.nestle.lk](http://www.nestle.lk)



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Nestlé Lanka PLC

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