



SHAPING THE FUTURE

Ceylon Beverage Holdings PLC

Annual Report 2014/15

SHAPING THE FUTURE

“The best way to predict your future is to create it.”

Ceylon Beverage Holdings – known previously as The Ceylon Brewery - is Sri Lanka's pioneer brewer and traces its heritage back to the 1850's. History suggests that the brewery was started as a cottage industry by Sir Samuel Baker, a British explorer, to cater to the British tea planters. It has nurtured its brand Lion through times of traditional brewing in the picturesque and cool climes of Nuwara Eliya, to its modern high tech state-of-the-art plant owned by its subsidiary Lion Brewery in Biyagama. Over the years the products falling under the brand Lion have won many accolades in the international beer arena whilst locally it is ranked amongst the 10 Most Valuable Brands of Sri Lanka.

In 1992, Ceylon Beverages entered into an agreement with the global brewing giant Carlsberg of Denmark to brew and market its beer under license. Carlsberg, which has been founded in 1847, is rich in tradition too and from a brewery in a hill outside Copenhagen, it has now expanded far beyond the city to become the fourth largest international brewery group in the world.

Ceylon Beverages together with Carlsberg incorporated Lion Brewery in Biyagama in 1997. Lion Brewery operates a state-of-the-art manufacturing facility at Biyagama, certainly the best in South Asia, which together with its benchmark distribution system and excellent brands have given it market leadership within Sri Lanka. Ceylon Beverages has also invested in a chain of pubs & retail outlets, which provide consumers with a pleasant ambience & environment to purchase the alcoholic beverages they desire.

Backed by over a century of experience and a strong foundation, Ceylon Beverages is well poised to create a future of value and sustainability for its stakeholders in the years ahead.



LION

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“Despite the many challenges faced, the Group returned a profit before tax of Rs. 2.4 billion compared to last years Rs. 2.1 billion.”

L.C.R. de C Wijetunge
Chairman



Shaping the future



Overview

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- 8 Financial Highlights

THE
LONG
BAR

That calls for a 

Paul Cole



MILESTONES

The origins of the Brewery in Nuwara Eliya can be traced back to mid 1860, one of the earliest industries there.



British Explorer Sir Samuel Baker, while on a hunting voyage, stumbled on a picturesque location nestled amidst steep mountains and cascading waterfalls. Realizing that this idyllic spot was perfect for a brewery,

Sir Samuel Baker set up the first brewery in the island to cater to European Tea Planters.



The Murree Brewery Company, Rawalpindi, Pakistan took over the ownership and management of the company.

The Company expanded its product portfolio, introducing Lion Ale later to be named Lion Lager, Pale Ale, Sinha Pilsner and Stout.



Coronation Ale was introduced to mark the coronation of Queen Elizabeth II as the monarch of the United Kingdom, Canada, Australia, New Zealand, Union of South Africa & Ceylon.

1860

1881

1884

1893

1910 1940

1953

1960

Commercial scale brewing was commenced in 1881 under the management of Messrs. Bremer and Pa Bavary.



The Company leased its business to the Ceylon Brewery who eventually became the proprietors of the business.

The present Company was founded by G.W.Lindsay White as the Ceylon Brewery Limited. A Limited Liability Company.



Jubilee Ale was launched to celebrate the Ceylon Brewery Limited being in operation for fifty years (1910 to 1960).

Centenary Lager was introduced to the market to mark 100 years of tea. The 'Ceylon Tea Centenary' (1867-1967).



Royal Pilsner was introduced to the market to commemorate HRH Queen Elizabeth the II's visit to Sri Lanka.

The launch of Lion Strong.



Lion Brewery was appointed as the national distributor of Corona in Sri Lanka and the Maldives.



The acquisition of the McCallum Brewery and the renowned Three Coins product range

1967

1976 1981

1992

1997

2005

2011

2012

2014

The 'Summit Ale' was brewed to celebrate the Non-Aligned Summit held in Sri Lanka.



The Lion Brewery Ceylon Limited, acquired the license to brew and distribute the premium lager Carlsberg in Sri Lanka.

Carlsberg Special Brew was launched.



The distribution of Somersby, Carlsberg's premium apple cider commenced in Sri Lanka.

FINANCIAL HIGHLIGHTS 2014/2015

Revenue Rs. 32.4 bn

2013/2014 · Rs. 25.8 bn

Profit before tax Rs.2.4 bn

2013/2014 · Rs. 2.1 bn

EPS Rs. 31.38

2013/2014 · Rs. 25.13

Dividend Rs. 8.00

2013/2014 · Rs. 7.00





Total Assets Rs.26.9 bn

2013/2014 - Rs. 24.6 Bn

Return on Equity 16.66%

2013/2014 - 15.29%



Shaping the future

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STRONG
ION

STRONG
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STRONG
ION

“The entire process from brewing to packaging has now been upgraded which means that the Group is now capable of supplying the entire country’s beer requirement from its state-of-the-art facility in Biyagama.”

CHAIRMAN'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors and myself, I am delighted to welcome the shareholders to the 104th Annual General Meeting of the Company and to present to you the Annual Report for the year ended 31st March 2015, which you would have now reviewed. As the Chief Executive Officers review covers the performance of the Company in detail, I will restrict my comments to some salient issues.

On the economic front the GDP grew by 7.4%, driven mainly by the industry sector. Whilst the services sector has contributed marginally above last year, agriculture has recorded a sharp decline. On the backdrop of this economic performance, the turnover of the Group grew to Rs.32.4 billion from last year's Rs.25.8 billion. The improvement in turnover however was largely a result of price increases necessitated by two Excise Duty revisions and adjustments made to the taxation structure applicable to Your Group

In October, the Excise Duty on beer was revised on two separate instances, the first being the customary annual upward revision ahead of the budget whilst the second, which was a sharp increase, was meant to offset VAT which was made exempt as from that date. Whilst the second increase was intended to recoup the lost revenue to Government it however resulted in an additional cost of approximately Rs.600 million per annum to the Group, as it meant that we are no longer able to recover VAT incurred on our inputs. Thus, as a result of this, during the latter 5 months of the year expenditure rose sharply affecting Group's profitability. It also resulted in a rise in our capital expenditure, as input VAT on these too could not be recovered. This was of significant importance as we were making the final payments on our expansion.

During the year we completed the acquisition of the trademarks & brands and the shareholding in its entirety of

“On the backdrop of this economic performance, the turnover of the Group grew to Rs.32.4 billion from last year's Rs.25.8 billion.”

Millers Brewery Limited. Some key brands in their portfolio are Sando Power, Irish Dark, Sando Stout, Three Coins Lager & Grand Blonde. Whilst on the whole, the transaction was carried out as planned, the cost of the investment increased from the originally envisaged value, due to the inability to recover input VAT owing to its exemption which was enforced at the time the final payment was made. This caused an additional charge of Rs.340 m into the income statements.

During the year the Group completed its expansion of the production facility. The entire process from brewing to packaging has now been upgraded which means that the Group is now capable of supplying the entire country's beer requirement from its state of the art facility in Biyagama. Indeed, we can now boast of possessing a world-class facility, probably the best in this part of the world. The support processes in purchasing, transport, finance, IT & HR too have been re-vamped to suit the potential volume of transactions whilst some work remains in the area of warehousing, which is being addressed.

Despite the many challenges faced, the Group returned a profit before tax of Rs. 2.4 billion compared to last years Rs.2.1 billion. The profit after tax however was Rs.1.3billion, a marginal increase vis-à-vis last year's Rs.1.2 billion primarily due to the substantial deferred tax adjustments necessitated due to the high capital expenditure. If not for the untiring skill and efforts of the entire staff of the group and the commitment of the management team, these results may not have been possible. I therefore take this opportunity



“Appreciation and gratitude is due to our valued consumers, customers, suppliers & bankers whose support is absolutely necessary for your Group.”

to thank every employee and the management team for their commitment & contribution towards these results.

On the backdrop of these results, I am pleased to propose a first & final dividend of Rs.8/- per share to be paid consequent to obtaining the necessary approvals at this Annual General Meeting.

Appreciation and gratitude is due to our valued consumers, customers, suppliers & bankers whose support is absolutely necessary for your Group. Our grateful thanks is also due to you - our loyal shareholders and business partners including our Agents, Carlsberg, Corona, Diageo and Moët Hennessy for their continued confidence in the Group.

Last but not least, I wish to extend my appreciation and gratitude to the members of the Audit Committee, Remuneration & Nomination Committees and to my colleagues on the Board for their valuable support and advise.

With best wishes,

(Sgd.)

L.C.R. De C. Wijetunge
Chairman

Colombo
21st May 2015

CHIEF EXECUTIVE'S REVIEW

EXECUTIVE SUMMARY

We have concluded a successful and satisfying year under what can only be described as challenging circumstances. During the year under review, we commenced using our new state of the art bottling and canning lines and completed the acquisition of Millers Brewery. Lion was ranked amongst the 10 most valuable brands in Sri Lanka. Lion Stout was placed amongst the top 20 stouts in the world by Esquire Magazine, was named as Asia's Best Stout at the World Beer Awards at which it won Gold and was awarded a Bronze at the New York International Beer Competition. Lion Lager's limited edition blue can celebrating the 2015 cricket world cup was awarded a silver at the Beverage World, Bev Star awards. Fitch Ratings re-affirmed Lion Brewery's AA- ranking during the year; only 11 more businesses are ranked higher than Lion and apart from one other, it remains the youngest organization to obtain a similar or higher ranking. In the midst of these achievements, excise duty was increased twice in October 2014 and Lion Brewery was removed from the VAT system – along with all alcohol and tobacco businesses – during the same month. Both had a significant adverse impact on the financial results of the year, with the VAT “exemption” alone costing Your Group approx. Rs 300 million in terms of an increase in operating expenditure during the period October 2014 to 31st March 2015 and Rs 340 million on account of VAT that became un-claimable on the acquisition of brands from Millers Brewery. These are explained in detail in other parts of this review.

In financial terms, on a turnover of Rs 32.4 billion, up 25% from the previous year and driven primarily by tax related changes, your Group recorded a Pre-Tax Profit of Rs 2.4 billion. These results were after recording an amount of Rs. 0.64 billion relating to unusual and non-recurring expenditure, the details of which are explained in detail elsewhere in this review. Thus from the perspective of on-going operations, your Group's Pre-Tax Profit crossed Rs 3 billion during the year under review.

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ECONOMIC ENVIRONMENT

During the year 2014 the Country's GDP recorded a growth of 7.4%, at first glance, a commendable performance, in the prevailing global economic environment. However, the growth has been driven mainly by the construction sector and conversion to household incomes has been less than expected. Indeed growth in household incomes has not kept pace with that of GDP in recent times and is reflected in a slowdown in the FMCG sector during the period 2012 to 2014. However, the FMCG sector experienced volume growth during the last quarter of 2014 and the momentum has continued into the 1st quarter of 2015 as well.

The Country experienced a severe drought during the year under review. The areas most affected were in the North Central Province. The paddy harvest during both the Yala &

CHIEF EXECUTIVE'S REVIEW (Contd.)



Maha seasons were very seriously affected compelling the government to reduce import tariffs on rice. It was not just the crop – and resultant income - that was affected; basics such as food and drinking water were scarce in many parts of the North Central Province.

The currency depreciated marginally by 2% against the US Dollar during the year under review but appreciated significantly against the Euro. Thus on Dollar denominated transactions – mainly those relating to raw material inputs – our exposures remained stable. Unfortunately much advantage could not be derived on the currency's gain against the Euro since most of the expansion related capital expenditure – mostly denominated in that currency – had been paid for previously.

Inflation continued to remain in the low single digits for most of the year under review. This was also reflected in bank

interest rates although during the latter part of the financial year rates did trend upwards somewhat. We welcome the low interest rate regime since Group's borrowings are at a historical high to support the expansion program and the acquisition of Millers Brewery.

The Tourism sector continued to perform well. Arrivals reached 1,527,153 during 2014, a growth of 20% against the previous year. This momentum has continued into the 1st quarter of 2015 as well with arrivals growing by 14% against the same period last year. Tourism contributes significantly to the sales of our brands although the volumes in the hotel channel does not reflect the growth in arrivals. This indicates that tourists are continuing to experiment with the many types of accommodation now available across the island, an insight confirmed by industry professionals. Thus in tourist areas we see a growth in volumes in the traditional retail stores during "season" times. We believe this trend will continue into the foreseeable future.

THE ALCOHOL INDUSTRY

The alcohol industry is the most tightly regulated industry in the Country. From a global perspective, few countries regulate their alcohol industry as much as Sri Lanka does. The primary legislation regulating Sri Lanka's alcohol industry dates back to 1913. Since then from time to time new regulations have been added on but reforms to update and modernize the underlying law to reflect the 21st century business environment have not been implemented. For instance, the prevalence of modern day information technology and its role as an enabler in ease of doing business is ignored under the existing regulatory mechanism.

Whilst such outdated regulations – mostly to do with production and documentation - do frustrate, the bigger issues relate to the limitations applied to distribution and marketing. Alcohol is restricted to approx. 2% of Sri Lanka's retail universe through a system of licensing whilst

“The alcohol industry is the most tightly regulated industry in the Country. From a global perspective, few countries regulate their alcohol industry as much as Sri Lanka does. The primary legislation regulating Sri Lanka’s alcohol industry dates back to 1913.”

advertising and promotion of any and all sorts is prohibited by law. In addition, annual tax increases have sent legal alcohol beyond the reach of the average consumer. These regulations are well intended as they seek to curb the consumption of alcohol whilst increasing revenue to the state. However, the mountain of evidence available suggests otherwise. The very tough regulations that straitjacket the legal alcohol industry have left gaping holes for unethical operators to exploit. Such operators come in two forms. The first, produce illicit alcohol commonly called moonshine. These are underground businesses that operate without the required manufacturing licenses. They produce beverages of questionable quality using a variety of unconventional raw materials and many are the instances where they have caused much harm to consumers including loss of life. The recent tragedy in Mumbai where over 100 people died consuming illicit alcohol clearly reinforces the dangers of its consumption and will hopefully act as a wake up call to administrators all over, including Sri Lanka. Their distribution system is also mainly underground with few links to the traditional retail network. Since they pay no taxes of any sort, their products are very affordable and thus their volumes very high – probably much higher than that of the legal industry - although better enforcement in the last few years have meant that supplies have declined somewhat. The

state earns no revenue from the sale of illicit alcohol. The second category refers to producers whose manufacturing facilities are licensed but they do not declare the full extent of their production. Thus they avoid paying a part of the taxes due to the state. Available market data suggests that the tax component avoided is greater than that paid to the state. A component of the cost thus avoided is passed down to the consumer making such products more affordable. Again available market data suggests that such products account for approx. 22% of the declared spirits produced in a year. These producers also set up a network of alcohol retailers either through acquisition or lease thus creating a seamless supply chain from manufacturing to consumer. Since both manufacturing and retailing operates as a single entity, it facilitates products passing from one to the other without the required documentation making tax avoidance that much easier. We estimate that the loss of revenue to the State on account of undeclared spirits production calculated at current excise duty rates is approx. Rs 9.5 billion.

The way forward would be a more liberal but pragmatic policy towards alcohol particularly those with a lower alcohol content such as beer and wine. So far the focus has been to prevent alcohol consumption. Sufficient evidence exists to confirm that such a goal is in the realm of the impossible in free and democratic societies. The more pragmatic – and hence more successful – approach has been to prevent harm that may arise from alcohol consumption. Greater availability at more affordable pricing will shift consumption from illicit and illegal to legal. Taxation based on alcohol content will make lower alcohol beverages more affordable and shift consumption from hard to soft liquor. Overall, a “prevent harm” policy will shift alcohol consumption from illicit and illegal to legal and from hard to soft, consumer health will improve and tax revenues will reach full potential. Continuing with the present “prevent consumption” policy will retain the current market structure; illicit and illegal will thrive, hard alcohol will remain the preferred beverage, consumer health will be compromised and tax revenues will remain well below potential.

CHIEF EXECUTIVE'S REVIEW (Contd.)

Whilst illicit and illegal producers enjoy the benefits of regulators looking the other way – either due to inducement, political pressure, lack of will or lack of skill – those who operate within the rules are increasingly burdened with both taxes and tighter regulations. The so called exemption of the alcohol industry from VAT is a case in point. At first glance the “exemption” would suggest that consumer price of alcohol is less since VAT is no longer payable on its sale. However, at the time the VAT “exemption” became operational, Excise Duties were revised upwards so that the exercise was revenue neutral to Government. Thus the real reason for this so called exemption was to be found elsewhere; the alcohol industry can no longer claim input VAT. This meant that Government revenue increased - to the extent that input VAT could no longer be claimed - as did industry expenditure on account of both operating and capital expenditure. Overnight industry costs increased by 11%. However, the impact was felt in full only by those who play within the rules. Those who don't, won't feel the impact as much and therefore get a further advantage in the market place. The impact to your Group on account of this so called VAT “exemption” will amount to Rs 600 million over the first 12 months of its implementation.

“Alcohol is restricted to approx. 2% of Sri Lanka's retail universe through a system of licensing whilst advertising and promotion of any and all sorts is prohibited by law. In addition, annual tax increases have sent legal alcohol beyond the reach of the average consumer.”

Whilst the financial impact of this VAT “exemption” is difficult to absorb, the greater challenge lies in its disruption of the supply chain from the brewery to consumer. All customers liable for VAT – supermarkets, restaurants and hotels, all of which together account for 63% of the licensed outlets in the Country can no longer claim input VAT on alcoholic beverages & hence have margin reductions to deal with. Your Group has neither the obligation nor the financial clout to prop up the lost margin of these customers and as a result we have experienced two negative outcomes. Firstly, those customers who operate within the law have had no choice but to increase prices to consumers. Secondly, those customers who take a more cavalier view towards the law, have resorted to purchasing their requirements from retailers rather than Group's Agents, thus circumventing the need for documentation, disclosure and payment of relevant taxes. This is another instance where short sighted policies have led to malpractice, provided an incentive to those who operate outside the law and compromised on Government revenue. Had industry been consulted before hand, the result would have been a more equitable solution.

The Excise Duty adjustment referred to above was a part of the budget announced in October 2014. Budget 2014 was the second time in less than 2 weeks when Excise Duties were increased; the first was on 11th October. Your Group increased prices to accommodate the initial increase in Excise Duty but did not do so in the second instance.

LION BREWERY

Sales and Marketing of Beer in Sri Lanka

Your Group's revenue reached Rs 32.4 billion during the year under review, a growth of 25% when compared to the previous period. However, most of this growth was a result of price adjustments on account of the two Excise Duty increases that took place in October 2014. The significant growth in tourism has also helped improve volumes somewhat during the year under review.

Sales and marketing activities of Your Group are tightly regulated and building brand equity under such conditions is no easy task. Thus it is gratifying to note that our brand Lion is ranked amongst the 10 most valuable in Sri Lanka.

During the year under review, Your Group introduced the new Carlsberg bottle - a truly unique and modern devise - in keeping with its global roll out. Shortly thereafter, a similar bottle was introduced to Carlsberg Special Brew as well. The two bottles are similar in design with the only difference being the colour; the Carlsberg bottle is green whilst that of Special Brew is brown. Two limited editions were also launched during the year, one of Lion Lager, the “blue can”, to coincide with the Cricket World Cup 2015 and the other, a Carlsberg Christmas & New Year variant. We also introduced a new brand, Papare, during the year under review. Papare celebrates the unique Sri Lankan street band style of music and its strong association with cricket. A Papare variant is released to the market to coincide with a cricket tour to Sri Lanka or to mark an important cricket tournament such as the World Cup. Both the liquid and labeling of the variant is meant to celebrate the cricket on offer. So far two variants have been released, one to mark the visit of the English cricket team, an English Red Ale, and the other to celebrate the Cricket World Cup of 2015, named Celebration Lager, a beer with a twist of citrus.

Within the restricted base of 2,800 licensed outlets, Your Group’s brands continue to outsell its competition. Whilst this is primarily a reflection of the quality of our brands, it is also a result of efforts put in over the years to perfect our sales and distribution operations. We consistently focus on the basics such as deliveries, brand displays, stock rotation etc in order to ensure reliability and convenience to the trade. Further, we add value to our trade partners, the best example being our assistance to upgrade their outlets.

In Sri Lanka, alcobev companies are prohibited from communicating with their end consumers. Thus all marketing activities are focused around trade partners and



are invariably based on monetary incentives. These usually revolve around ever increasing trade margins – which are passed down in many forms - and extended periods of credit. Ultimately all such incentives are margin eroding and hence, not sustainable. This form of competition benefits no one be it the industry, trade or consumer. However, with access to sound competitive practices being blocked through regulation, law abiding businesses desperate to gain profit generating volume have no choice but to take this unsustainable path in the short term. Those businesses that disregard the law however, find alternate ways of generating profit – such as non-payment of taxes – and have little use of marketing activities.

CHIEF EXECUTIVE'S REVIEW (Contd.)



Export of Beer

Your Group continues to make gradual but steady progress in overseas markets, not an easy task considering it operates in very competitive spaces full of well-established global brands. During the year under review, revenue from exports reached Rs. 369 million, a growth of 29% in comparison to the previous year. Your Group now exports the equivalent of 1 container per day to a wide cross-section of markets, which in the year under review numbered 12. Unfortunately profits suffered during the year primarily due to margin eroding competition in our main market, The Maldives, the significant investments we are making in New York City, USA and the VAT “exemption” that resulted in an immediate cost increase of 11%.

Your Group's brands lead the market in the Maldives, a position that was further consolidated during the year under review. As was predicted in last year's review, the

market in the Maldives generated much competitive heat, with one major global player opting to discount prices in order to challenge Your Group's position. Your Group met this challenge head on although it resulted in lower profits than achieved previously. Notwithstanding the price based competition, we are determined to maintain our dominant position in the Maldives and will continue to aggressively pursue expansion in that market. As was mentioned in last year's review, this could result in lower profits from exports in the short term but is a necessary step to strengthen Your Group's position in the Maldives for the future. Lion Lager, Carlsberg and Corona are the focus brands in this market for Your Group.

During the previous year, the Group continued to invest in the US market. We are placing particular emphasis on New York City where we have employed our own sales person. During the year under review, volumes grew 70% in New York underlying the success of this strategy. It is however, an extremely competitive market – probably the most competitive in the world? – and success will not come quickly or easily. Yet, if we succeed, it will provide us a stepping stone to the rest of the US. The focus at present is to drive repeat purchases within a relatively narrow outlet base rather than expand distribution, i.e. deep rather than wide distribution. We export Lion Lager, Lion Imperial (a brand of strong beer not available in Sri Lanka) and Lion Stout to the US and all three brands are well received once customers consume them. Lion Stout in particular is gradually gaining recognition as a truly world class beer and has received superb reviews including in specialty publications.

Supply Chain

During the year under review, the new bottling and canning plants were brought into operation. With plenty of capacity now in hand, we no longer operate 3 shifts in packaging. It's an amazing sight, the two lines operating together and dwarfs the facilities we had previously although they too were state of the art when first commissioned in 1998. Yet the

technology deployed with the new expansion program is in a different league.

With the commissioning of the new bottling and canning lines, the 1st phase of the major upgrade and expansion program is complete. Both the brewhouse and packaging lines are now sized to the final capacities of the expansion project that was underway. In the coming years, we will focus on gradually increasing capacities on a need basis within the processing, utilities and other support services sections until they match those of the brewhouse and packaging lines. Such capacity enhancements are relatively less capital intensive and cash outflows in the future on account of plant and machinery will reduce in comparison to the previous years.

With the new bottling and canning lines coming into full operation, the old lines were de-commissioned during the year under review. The Biyagama brewery when commissioned in 1998 was such a quantum leap for Your Group and this bottling line was so much a part of its state of the art status. The bottling and canning lines have now been sold for a combined total of Rs. 111.1 million. Whilst, the price at which these were sold were higher than the valuation received – they were valued by Alectia, a Danish beverage engineering company that specializes in brewery related work – it was below the value carried in the books of Your Group. With the global brewing industry facing a slowdown particularly in the West and with plenty of used equipment available in the market, it was felt prudent to accept the offer received – from Wallart, a dealer in second hand brewery equipment based in France – since it was above the valuation. Accordingly, the year's financial statements include a write down of Rs.274 million on account of both lines. This write down however, does not reflect a cash outflow. Incidentally, Wallart is the company that supplied Millers Brewery with much of its equipment when it expanded capacity in 2012.

Quality has remained a cornerstone of Your Group's strategy. The very significant investments we have made in state of the art manufacturing technology is aimed at providing world class quality consistently, to our consumers. Our market leading position in Sri Lanka is testimony to consumer acknowledgement of the quality of our brands. So too are the 35 international awards our brands have won over the years. Two of these awards – a Gold as Asia's Best Stout at the World Beer Awards 2014 and a Bronze at the New York International Beer Competition – both for Lion Stout, were received this year.

MILLERS BREWERY

Your Group concluded the acquisition of Millers Brewery in October 2014. The acquisition was carried out in two stages; first the brands of Millers Brewery were acquired directly into your Group and subsequently once all liabilities were settled, the company itself was purchased by our subsidiary, Pearl Springs (Pvt) Ltd. The brands were acquired for Rs 4 billion whilst the company including all tangible assets were acquired for Rs 1.15 billion.

Since completing the acquisition, two of the Millers brands – Sando Stout and Sando Power Strong – were re-introduced to the market with a minor packaging overhaul during the

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CHIEF EXECUTIVE'S REVIEW (Contd.)

year under review. Two more brands – Three Coins lager and Irish Dark – will be re-introduced shortly. The packaging of these two brands reflect the heritage of McCallum Brewery, the predecessor of Millers Brewery, whilst it was owned by its founder. One other brand will be re-introduced to the market in the months ahead making a total of 5.

It has been decided that the best synergies will be obtained by amalgamating the brewing and packaging of the Millers Brewery brands at Your Group's state of the art manufacturing facility in Biyagama. Not only will this provide manufacturing synergies, it will also help create efficiencies in primary distribution to our Agents. Further, onward distribution of the Millers brands from Agents to customers will be amalgamated with the Lion portfolio. The combined portfolio will come under the purview of our Sales and Marketing team. Thus synergies will be built across the supply chain.

It has been decided to dispose of the plant and machinery used for brewing and packaging currently available at the Millers Brewery premises at Meegoda. Accordingly, these assets are now classified as "held for sale" in the books of that company. As of now, it has been decided to retain the land – an extent of 23 acres - and buildings at Meegoda.

At the time the Millers brands were acquired Lion Brewery was liable for VAT. Accordingly it was expected that input VAT on the purchase price of these brands could be claimed. However, since the alcohol industry was "exempted" from VAT as a result of a budget proposal in October 2014, an unclaimed portion of input VAT on this transaction amounting to Rs 340 million has been provided for in the accounts of the year under review. This provision is included in the unusual and non-recurring expenditure of Rs.0.64 billion referred to in the Executive Summary above.

LUXURY BRANDS

Your Group is Sri Lanka's sole authorized importer & distributor of the Diageo & Moet Hennessey portfolio of brands.

Diageo is the world's largest premium alcohol business & is headquartered in London. Its portfolio includes such iconic brands as Johnny Walker, J&B, Smirnoff, Tanqueray, Ciroc, Bailey's & Guinness. Moet Hennessey is part of the French luxury goods business, LVMH. The alcohol brands in this portfolio are as iconic as those of Diageo & include amongst others, Hennessey, Glenmorangie, Moet-Chandon & Dom Perignon.

Whilst Lion Brewery imports & distributes these brands through its established network, the marketing of the two portfolios is the responsibility of another subsidiary, Luxury Brands Pvt Ltd.

As is the case with beer, the distribution and sale of spirits is highly regulated in Sri Lanka whilst marketing activities are completely prohibited. These regulations significantly constrain our ability to establish brand equity of a portfolio that consists of life-style oriented, image driven, high value products. In addition to regulatory restrictions, import duties charged on these products are exorbitant further limiting their growth potential. Further, these excessive duties help promote "grey" imports which available data suggests is far greater than the legal market. Such imports are much more competitively priced in the market place, in most instances

"Your Group is Sri Lanka's sole authorized importer & distributor of the Diageo & Moet Hennessey portfolio of brands."



as low as 60% of the value of legally sourced product. This too hinders growth opportunities for those businesses that keep to the rules.

Notwithstanding the challenges referred to above, a number of successes were recorded during the year. The highest ever sales since inception were achieved in December 2014. The growth in depletions of our Diageo portfolio during 4Q14 were the highest within that company's emerging markets in Asia. Closer to the end of the financial year, in March 2015, Brand Smirnoff recorded its highest ever sales since inception.

We closed the year with this segment of Your Group's business accounting for Rs. 981 million of its revenue and Rs. 67 million of its profitability.

RETAILS SPACES

Your Group operates 3 retail outlets via a subsidiary, Retail Spaces Pvt Ltd. These outlets are located in Negambo, Aluthgama & Moratuwa. The operations of these outlets are outsourced with income generation being in the form of a royalty. Since new licenses are not issued by the authorities, expansion of this retail chain depends on the acquisition of those currently in existence. However, since the number of existing licenses are limited, those that are available for sale are priced at a level that is difficult to justify on the basis of a reasonable economic return.

This company recorded a marginal loss of Rs 7 million during the year down from a profit of Rs 2 million in the previous year. The loss was a result of changes in the VAT regulations that were announced during the year.

PUBS N' PLACES

Your Group's very successful restaurant chain is owned by a subsidiary Pubs N' Places Pvt Ltd. Three restaurant brands are in operation, namely, Machang, O! & 8.8. The Machang & 8.8 franchises offer a similar experience throughout their many locations. The two O!'s on the other hand offer patrons a unique ambience & experience in each location. As in the case of the retail shops, the management of the restaurants is also outsourced.

This company recorded a loss of Rs 44 million during the year under review, down from the loss of Rs 58 million in the previous year. However, on a cash basis the loss was Rs 9 million since depreciation and amortization amounted to Rs 35 million.

SUPPORT SERVICES

Your Group's relatively small but skilled talent pool must be credited for delivering strong results under challenging conditions. A significant training budget ensures continuous

CHIEF EXECUTIVE'S REVIEW (Contd.)

development of our people with special emphasis on key positions and star performers. Senior staff are trained at the Carlsberg Leadership Building Center and other internationally recognized business and management schools. We encourage cross functional teams to seek opportunities and address challenges on an ongoing basis. Indeed, 3 permanent cross functional teams are responsible for the results of Your Group. The Strategic Leadership Team, The Operational Excellence Team and The Enterprise Optimization Team are responsible for strategy, ongoing operations and process innovation and optimization respectively.

All activities of Your Group are seamlessly integrated through state of the art information technology. As its main IT platform, Your Group uses SAP whilst other automation technologies linked to it support the production and sales functions. Your Group's mail system was migrated to the



cloud during the year under review and we will evaluate the use of similar technologies in other areas as we move forward.

OPERATING RESULTS AND FINANCIAL POSITION

On a turnover of Rs. 32.4 billion, Your Group earned a pre-tax profit of Rs. 2.4 billion. If not for the non-repetitive / non-operative items we were compelled to account for during the year under review, pre-tax profit would have crossed the Rs 3 billion mark. The Group's gross margin was 26%, up 2 basis points from 24 % during the previous year. The increase in margin is partly a result of all our beer now being produced within the brewery at Biyagama. As discussed in last year's review, in order to meet market demand, beer was imported at a cost above the selling price during the first 7 months of that financial year. That pressure on margins has been absent this year. Further, sound procurement practices have resulted in savings on some major input materials thus leading to improved margins

Notwithstanding the gains made on margins, they continue to remain under pressure from other sources. The Administration continues to increase excise duty each year. The manner in which competition takes place – described in detail in a previous chapter – has also put pressure on operating margins. Since beer is a price sensitive product cost increases were not passed on in full to consumers thus exerting further pressure. Whilst inflation remained low, we did experience a general increase in the cost of overheads. Some of these overheads – for instance multiple stores locations – are not of a permanent nature & will be eliminated once the Group's infrastructure is upgraded, most of which will happen during the on-going financial year. Similarly, the prolonged expansion program has led to some inefficiencies across the production process thus leading to higher costs.

The Group's balance sheet remains strong notwithstanding the heavy outlays on account of expansion and the

“As at the end of the financial year Your Company’s share price had moved up to Rs. 700 from Rs. 500, an increase of 40% thus outperforming the market.”

acquisition of Millers Brewery. As shareholders are aware, both these projects were partly funded through borrowing and Your Group’s debt to equity ratio has risen to 1.60 times, challenging but still healthy. However, we have succeeded in changing the composition of borrowing to accurately reflect the purposes for which funds were needed and the long term portion now amounts to 62% of the total debt.

In the meanwhile, Lion Brewery was assigned a AA- (Ik) rating by Fitch during the course of the year under review.

TAXATION

Your Group is the third largest taxpayer in the country. During the year under review, your Group’s contribution to the exchequer amounted to Rs. 19.5 billion up 20% (Rs. 3.2 billion) from the previous year. In addition, Your Group paid a further Rs. 1.5 billion as duty and associated levies on imports during the year under review.

Corporate taxes for the year amounted to Rs. 1.1 billion based on the discriminatory 40% rate applicable to Lion Brewery. Other corporates (excluding those involved in tobacco) are taxed at the much lower rate of 28%. This discriminatory rate – approx. 45% higher than the standard rate of corporate tax – takes alcohol taxation closer to shareholders than previously.

SHAREHOLDER RETURNS

As at 31st March 2015 Your Group’s Net Assets Value per share stood at Rs. 188.35 up from Rs.164.38 as at 1st April 2014. Thus the book value of the Group at the financial year end stands at Rs. 3.9 billion. In the meantime, the market value of Your Company at the same date amounted to Rs. 14.7 billion. As at the end of the financial year Your Company’s share price had moved up to Rs. 700 from Rs. 500, an increase of 40% thus outperforming the market.

The Group achieved a reasonable return of 16.7% on equity and reserves for the financial year under review. Had normal operating results prevailed – i.e. excluding the unusual and non-recurring charges – return on equity and reserves would have reached 25.2% and would have far exceeded the previous year’s 15.3%. Earnings per share at year end amounted to Rs. 31.38 whilst the Company’s price to earnings (PE) ratio at that date was 22 times.

Your Board has recommended a dividend of Rs 8 per share to be distributed after the conclusion of the AGM if approval is received from shareholders. If approved, this dividend exceeds the declaration of the previous year & will account for 81% of the Company’s post tax profit.

COMMUNITY SERVICE

Since inception, we have supported the community in the vicinity of the brewery with special emphasis on education. Each year we distribute books to school children of all ages in ever increasing numbers. This is supplemented by a scholarship scheme for those entering university. This year we expanded on our English and IT training programs for young people in the neighborhood by setting up dedicated classrooms in a recently acquired building which was thereafter re-furbished to suit the purpose.

Our Youth Employability program in Hambantota continued during the year under review. So far, 1100 youth have

CHIEF EXECUTIVE'S REVIEW (Contd.)

“Our most far reaching community service scheme is the support we extend to 3581 farmers in the North Central Province and help them increase yields and reduce input costs.”

completed this program since its inception of which 225 have found permanent employment in various fields.

Our most far reaching community service scheme is the support we extend to 3581 farmers in the North Central Province and help them increase yields and reduce input costs. On average, yields have doubled through the use of better farming techniques and the introduction of modern technologies. Expenditure has been reduced through more appropriate application of inputs, use of easily available organic material as fertilizer and the re-introduction of traditional but very effective low cost methods that have helped replace insecticides. The paddy obtained from this project is converted into rice and used by Lion Brewery as an input material. This process ensures that the project is self-funding and hence, sustainable. Whilst the quantity so used is a negligible fraction of the Country's rice production (less than 0.5%), it does help reduce its import bill. Overall, the project supports three key stakeholders; the farmers make better profits through higher yields and lower costs, Lion Brewery has a lower cost input material and the Country's import bill is reduced.

THE YEAR AHEAD

Whilst an improvement in business and consumer confidence was noted immediately after the conclusion of the Presidential Elections in January 2015, subsequent

events – particularly the harsh terms used to describe the private sector, the prevailing political uncertainty and the compromises being made in Parliament to satisfy the interests of political parties – have led to their sharp decline of late. Nonetheless, the FMCG sector has seen reasonable volume growth, a good sign, since it's a strong barometer of disposable income in the hands of consumers. No doubt the salary increase granted to the public sector coupled with the reduction in the price of food items and fuel have helped increase disposable incomes. The strong growth in tourism experienced so far is expected to continue into the rest of the year and remittances are also likely to remain robust. The recent rains have led to full reservoirs and hopefully, will in turn lead to a good harvest and incomes in the hands of farmers. However, the tea and rubber sectors are currently facing a challenging period and incomes of those in these industries will be under pressure. So too the incomes of those employed in the construction industry since there is a perceptible slowdown in the sector. Inflation which is currently low may increase somewhat as the year progresses particularly since an upward adjustment in the price of fuel and pressure on the currency seem inevitable. We are also experiencing a gradual, though as of yet slight, upward pressure on interest rates. All in all it seems a mixed bag on the economic front, some positives and some uncertainties. Most of the uncertainties arise from the current political environment. The interim government in place has a mandate limited to constitutional reform. Thus it has not moved decisively on the economic front and has mainly confined itself to short term relief measures on account of cost of living. Further, Parliamentary elections are imminent. The result is a significant drop in investment activity, a drop in the “feel good” factor and a likely slowdown in GDP growth in comparison to the previous year.

Gaining volume growth in such an environment will be a significant challenge. The regulatory restrictions placed on Your Group's marketing activities will make it even more challenging. Price increases too will be hard to come by keeping margins under pressure for a further year. Input



costs are also likely to trend upwards due to the reasons discussed above. Nevertheless, Your Group faces some key tasks in the year ahead. Primary amongst them is the integration of the Millers brands to Your Group's portfolio and into its distribution system. We also need to gain consumer traction for these brands which in the past have been sold primarily on price and monetary incentives to the trade. In terms of internal operations, focus will be on completing the necessary infrastructure within the brewery premises – for instance warehousing – and regaining efficiencies lost during the expansion program, both of which will lead to lower operating costs.

No doubt a challenging year remains ahead of us with the uncertainties in the operating environment and its likely impact on volume growth overshadowing the gains that may result from a more efficient supply chain process.

CONCLUSION

Your Group operates within the most regulated environment in the Country. Marketing activities are prohibited, distribution is restricted and taxes drive prices beyond the reach of average consumers. Much of the regulations governing the industry is archaic and impedes ease of doing business. Further, it is an industry that is subject to unpleasant surprises on a regular basis. The corporate tax rate of 40% and the VAT "exemption" are two recent examples. In the meanwhile, competition comes most often in the form of illegal & quasi-legal alternates, to which responding within a legal framework is near impossible. Within such an environment Your Group has done reasonably well. It has never compromised on the important fundamentals even during the most difficult of times. Our superb brand portfolio, benchmark distribution system, state of the art, world class manufacturing facility and talented and experienced team of professionals form a strong foundation from which the business is driven forward aggressively and with intent and focus.

The year ahead will no doubt be challenging with opportunities likely being overshadowed by pressures but Your Group and its management will face them with determination & confidence.

(Sgd.)

Suresh K. Shah

Chief Executive Officer

Colombo

21st May 2015

PROFILES OF DIRECTORS

CUBBY WIJETUNGE

Chairman of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC, Union Residencies Ltd., and Chairman Emeritus, Nestle Lanka PLC. He is also a Director of Hunter & Company PLC, Janashakthi Insurance PLC, Swiss Trading Company and Senior Vice-President of Baur Asia Ltd. He is also a Director of East India Retailing Company (Pvt) Ltd., Heath & Co. Ltd. and Lanka Canneries Ltd. He also serves as a Trustee of Joseph Fraser Hospital. In addition he is a member of the President of the Swiss Business Club of Colombo.

HARI SELVANATHAN

Hari Selvanathan is the Chairman of Bukit Darah PLC and Deputy Chairman of Goodhope Asia Holdings Ltd. He is the President Commissioner of the palm oil related companies in Indonesia. He holds Directorships in several subsidiary companies within the Carsons Group and is also a Director of Sri Krishna Corporation (Private) Limited and the Chairman of Express Newspapers (Ceylon) Ltd. He is also the Chairman of Carsons Management Services (Private) Limited and Agro Harapan Lestari (Private) Limited, the Group's Management companies. Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka).

He counts over 20 years experience in commodity trading in International Markets.

He holds a Bachelor of Commerce Degree.

MANO SELVANATHAN

Mano Selvanathan holds a Bachelors Degree in Commerce and is the Chairman of Sri Krishna Corporation (Private) Limited, Ceylon Finance & Securities (Private) Ltd. and Selinsing PLC and is a Group Director of most Companies in the Carson Cumberbatch Group in Sri Lanka, Indonesia, Malaysia, Singapore & India and is an active Member of its Executive Management Forums. He is also the Deputy Chairman of Ceybank Asset Management Limited.

He has served as the Chairman of the Ceylon Chamber of Commerce and The Indo Lanka Chamber of Commerce & Industry and also as the President of the Rotary Club of Colombo North. At present he is the Honorary Consul of the Republic of Chile in Sri Lanka.

Mano Selvanathan was conferred the highest National Honours in Sri Lanka the 'DESAMANYA' title by H.E. The President of Sri Lanka, in recognition of the services rendered to the Nation in November 2005. In January 2011 he was awarded with the prestigious 'PRAVASI BHARATIYA SAMMAN AWARD' by the President of India.

He also received the Presidential Honour of 'ORDER OF KNIGHT COMMANDER' in October 2013 awarded by the Government of Chile.

CHANDIMA GUNAWARDENA

Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC. Since assuming Non-Executive status in the Group, he serves as an advisor to the Group's Strategic Planning and Management forums in Sri Lanka and serves on Board Committees, including the Audit Committees of the Group in Sri Lanka and overseas covering all operating sectors of the Group.

Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in Corporate, Mercantile and State Institutions. He was appointed to the Carsons Group Directorate in 1990.

He has served in the Management Committee of The Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

SURESH SHAH

Mr. Suresh Shah is a Director and Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC. He is also a Director of Carson Cumberbatch PLC and Bukit Darah PLC and some other companies within the Carson Cumberbatch group.

He is the Immediate Past Chairman of the Ceylon Chamber of Commerce, is Vice Chairman of The Employers Federation of Ceylon, a Commissioner of the Securities & Exchange Commission of Sri Lanka and a Member of Council, University of Moratuwa.

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

AMAL CABRAAL

Amal Cabraal is the former Chairman and Chief Executive Officer of Unilever Sri Lanka. He has over 3 decades of business experience in general management, marketing and sales. Apart from Sri Lanka, he has served with Unilever in the United Kingdom, India and Bangladesh. He is an alumnus of INSEAD-France and holds a MBA from the University of Colombo. A Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK.

He is presently the Chairman of CIC Feeds (Private) Ltd., and serves as an independent non-executive Director of John Keells Holdings PLC, Hatton National Bank PLC, Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, S A Silva & Sons Ltd, and the Supervisory Board of Associated Motorways Ltd.

He is a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society.

HENRIK ANDERSEN

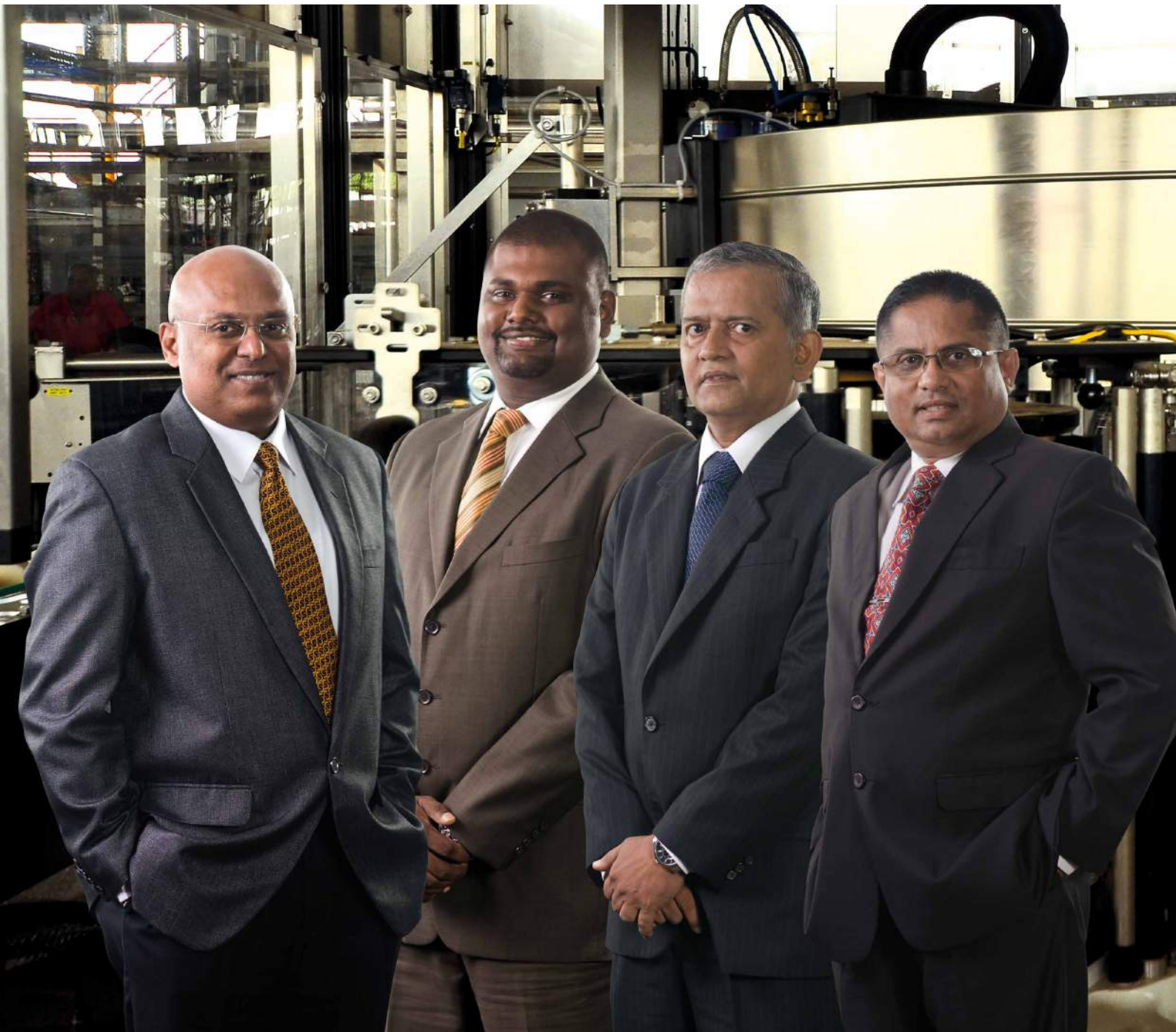
(Appointed w.e.f. 01 Apr 2014)

Mr. Henrik Juel Andersen was appointed to the Board on 1st April 2014 and as Managing Director of Carlsberg Brewery Malaysia Berhad on 1st July 2013.

Mr Andersen holds an MBA and BBA from Copenhagen Business School. He has been with the Carlsberg Group since 1993 and has held general management positions for Carlsberg in Vietnam, China and Taiwan. He was the Regional CEO of Carlsberg Indochina Ltd. (Thailand) from 2007 to July 2013, overseeing for Vietnam, Thailand, Laos, Cambodia and Myanmar. He is now responsible for the South East Asia sub-region comprising Malaysia, Singapore and Carlsberg's interests in Sri Lanka.

Mr. Andersen is the Chairman of Carlsberg Singapore Pte Ltd. He also sits on the Board of Carlsberg Marketing Sdn Bhd, a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, Luen Heng F&B Sdn Bhd, the Malaysian Danish Business Council, Maybev Pte. Ltd, and Lion Brewery (Ceylon) PLC. He is also a Trustee of the J.C. Jacobsen Foundation.

SENIOR MANAGEMENT TEAM





Left to right

Suresh Shah

Director / CEO, FCA

Madhushanka Ranatunga

*General Manager - Luxury Brands
(Private) Limited*

Chan Liyanage

*Head of Supply Chain, B.Sc (Pera)
Special*

Preethi De Silva

*General Manager Retail Spaces (Private)
Limited, MBA (Bucks-UK); CMA (Aus);
Dip in T&D*

Ranil Goonetilleke

Head of Finance, FCMA

Prasanna Amerasinghe

*Head of Marketing, Chartered Marketer
(Retired on 31/03/2015)*

Shamal Boteju

*General Manager - Pubs 'N Places (Private)
Limited, MBA (Leicester), ACMA (UK),
CPA (Aus)*

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Ceylon Beverage Holdings PLC ('the Company') has pleasure in presenting to the Shareholders their Report together with the Audited Consolidated Financial Statements of the Company and its Subsidiaries (the Group) for the financial year ended 31st March 2015.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and are guided by recommended best Accounting Practices.

The Annual Report was approved by the Board of Directors on 21st May 2015.

GENERAL

Ceylon Beverage Holdings PLC is a public limited liability Company incorporated in Sri Lanka in 1910. Ceylon Beverage Holdings PLC operates as an investment holding company.

PRINCIPAL ACTIVITY OF THE COMPANY

The Principal activity of the Group is brewing and marketing of high quality beers for both the local and export markets and the retailing of beer and alcohol products through its owned/managed wine shops and pubs. The Group is also engaged in the import and marketing of globally renowned high quality beer and spirits brands. Whilst some imported beer brands are marketed overseas, the imported spirits brands are exclusively for the local market.

CHIEF EXECUTIVE'S REVIEW AND FUTURE DEVELOPMENTS

The Chairman's Statement and the Chief Executive's Review describe in detail the performance during the year together with comments on the financial results and future developments of the Group.

CHANGES TO THE GROUP STRUCTURE

Pearl Springs (Private) Limited, a private limited liability Company was incorporated on 20th May 2014 as a fully owned

Subsidiary of Lion Brewery (Ceylon) PLC. Pearl Springs (Private) Limited acquired the 100% shareholding of Millers Brewery Limited on 30th October 2014.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Acquisition of Millers Brewery Limited

Lion Brewery (Ceylon) PLC together with Pearl Springs (Private) Limited completed the acquisition of trademarks and the entirety of shareholding of Millers Brewery Limited at a purchase consideration of Rs.5,150,000,000/- on 30th October 2014, as the sale and purchase agreement with Cargills (Ceylon) PLC and Millers Brewery Limited.

Incorporation of a Subsidiary Company

Vee Waruna (Private) Limited, a private limited liability Company was incorporated on 18th November 2014 as a fully owned subsidiary of the Company.

Issuance of Rated Unsecured Listed Redeemable Debentures

Lion Brewery (Ceylon) PLC issued 10,000,000 Listed Rated Unsecured Redeemable Debentures at the face value of Rs.100/- each aggregating to the value of Rs.1,000,000,000/- with an option of issuing up to a further 10,000,000 Debentures at the par value of Rs.100/- each aggregating to a value of Rs.1,000,000,000/-, to raise Rs.2,000,000,000/- on 28th November 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The responsibilities of the Directors in relation to the Financial Statements, are detailed in the following paragraphs, whilst the responsibilities of the Auditors are set out in the Report of the Auditors.

The Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company and of the Group at the end of the

financial year and of the financial performance for the said period in conformity with the following requirements;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka.
- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Listing Rules of the Colombo Stock Exchange

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure the said requirements. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in this regard to give proper consideration to the establishment of appropriate systems of internal control with a view to prevent, detect and rectify frauds and other irregularities.

These Financial Statements have been prepared on a Going Concern basis, since the Directors are of the view that the Company has adequate resources to continue operations for the foreseeable future from the date of signing these Financial Statements.

The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Financial Position, Profit or Loss and Other Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2015 are set out on pages 48 to 105 of this Report.

RESERVES

After the above mentioned appropriations, the total Group Reserves stand at Rs. 3,419.8Mn (2014 - Rs. 2,916.5Mn) comprising Capital Reserves of Rs. 492.3Mn (2014 - Rs. 492.3Mn) and Revenue Reserves of Rs. 2,927.4Mn (2014 - Rs. 2,424.2Mn). The movements are shown in the Statement of Changes in Equity and Notes 18 and 19 to the Financial Statements.

VALUE OF THE INVESTMENT PORTFOLIO

The Market Value/ Director's value of the Group's investment portfolio as at 31st March 2015 was Rs. 25,329.3Mn (2015 - Rs. 16,593.3Mn) as disclosed under Note 11 to the Financial Statements.

CAPITAL EXPENDITURE

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs.8,574.5 (2014 - Rs.4,624.0 Mn). The movements in capital assets during the year are set out in Notes 9 and 10 to the Financial Statements.

MARKET VALUE OF FREEHOLD PROPERTIES

Freehold properties of the Group are stated in the books at their revalued amounts. The valuation has been carried out by an independent professional valuer, as further explained in Note 9 to these Financial Statements.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory dues have been paid up to date or have been provided for in these Financial Statements except as disclosed in Note 40 to these Financial Statements.

OUTSTANDING LITIGATION

The outstanding litigations related to the Group are shown in Note 40 to these Financial Statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

The Company and the Group's activities were exposed to a variety of financial risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk and those have been disclosed in Note 37 to these Financial Statements. The need for risk management has been identified and action plans to monitor and manage risks are incorporated into the business plans and are reviewed on a continuous basis.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2015.

GOING CONCERN

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

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on page 46 to 47 of this Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 01 to 08 in the notes to the Financial Statements on pages 55 to 67.

INTERESTS REGISTER

The Company maintains an Interests Register conforming to the provisions of the Companies Act No.07 of 2007.

All Directors have made declarations as provided for in Section 192(2) of the Companies Act aforesaid. The relevant details as required by the Companies Act No. 07 of 2007 have been entered in the Interests Register during the year under review.

The Interests Register is available for inspection as required under the Companies Act.

REMUNERATION OF DIRECTORS

Directors' remuneration, for the financial year ended 31st March 2015 is given in Note 31 to the Financial Statements, on page 89.

DIRECTORS' INTEREST IN CONTRACTS AND SHARES

The Related Party Transactions of the Group as required by the Sri Lanka Accounting Standard LKAS 24 Related Party Disclosures are disclosed in Note 39 to the Financial Statements and have been declared at Meetings of the Board of Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2015	31st March 2014
Mr. L. C. R. de C. Wijetunge (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	690	690
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	690	690
Mr. S. K. Shah (Chief Executive Officer)	2,632	2,632
Mr. D. C. R. Gunawardena	15	15
Mr. D. A. Cabraal	1,500	1,500
Mr. H. J. Andersen (Appointed w.e.f. 01-Apr-2014)	-	-

DIRECTORS

The names of the Directors who served during the year are given under Corporate Information provided in the inner back cover of the Annual Report.

Appointment of Director

Mr. H. J. Andersen was appointed as a Non-Executive Director of the Company with effect from 01st April 2014.

Directors to retire by rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mr. D. C. R. Gunawardena retires by rotation and being eligible offers himself for re-election.

Appointment of Director who is over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mr. L. C. R. de C. Wijetunge who is over 70 years of age be re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No.7 of 2007 shall not be applicable to him.

AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants. A sum of Rs. 560,000/- was paid to them by the Company as audit fees for the year ended 31st March 2015 (2014 - Rs.560,000/-).

No further sums were paid to them by the Company as audit related services fees for the year ended 31st March 2015 (2014 - Rs. 50,000/-).

The retiring Auditors have expressed their willingness to continue in office. A Resolution to re-appoint them as Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the Auditors, its effectiveness and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

Auditors' relationship or any interest with the Company

The Directors are satisfied that, based on written representations made by the Independent Auditors to the Board, the Auditors did not have any interest with the Company and its subsidiaries that would impair their independence.

RELATED PARTY TRANSACTIONS EXCEEDING 10% OF THE EQUITY OR 5% OF THE TOTAL ASSETS OF THE COMPANY

The Directors declare in terms of the requirements of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its related parties during the year ended 31st March 2015, are given in Note 39 on page 101 to 104.

Related Party Transactions Review Committee

The Company is in the process of forming a "Related Party Transactions Review Committee" to comply with the Colombo Stock Exchange Listing Rules, Section 9, which would come into effect from 1st January 2016.

Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party Transactions where the aggregate value of the Non-Recurrent Related Party Transactions exceeded 10% of the Equity or 5% of the Total Assets of the company, whichever is lower, for the year ended 31st March 2015.

Recurrent Related Party Transactions

Information pertaining to Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income of the Company, as per the Audited Financial Statements are disclosed below;

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and Conditions of the Related Party Transactions
Lion Brewery (Ceylon) PLC	Subsidiary	Royalty Income	Rs. 143,138,003/-	48.75%	As per the royalty Agreement
Lion Brewery (Ceylon) PLC	Subsidiary	Dividend Income	Rs. 150,475,637/-	51.25%	Declaration of dividends

CORPORATE GOVERNANCE

The Board has ensured that the Company has complied with the Corporate Governance Rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 28 to 29 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. L. C. R. de C. Wijetunge (Chairman)	Non-Executive/ Independent *
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	Executive
Mr. S. K. Shah (Chief Executive Officer)	Executive
Mr. D. C. R. Gunawardena	Non-Executive
Mr. D. A. Cabraal	Non-Executive/ Independent **
Mr. H. J. Andersen (Appointed w.e.f. 01-April-2014)	Non-Executive

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 21st May 2015, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

on the Board for more than nine years and being a Director of Lion Brewery (Ceylon) PLC, in which a majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

* The Board has determined that Mr. L. C. R. de C. Wijetunge is an Independent/ Non-Executive Director in spite of being

** The Board has determined that Mr. D. A. Cabraal is an Independent/ Non-Executive Director in spite of being a Director of Lion Brewery (Ceylon) PLC, in which a majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

Directors' Meetings Attendance

During the period under review the Board of Directors had eight Board Meetings and the attendance of the Directors were as follows;

Directors	Meetings Attended (Out of eight)
Mr. L. C. R. de C. Wijetunge (Chairman)	8
Mr. H. Selvanathan (Deputy Chairman)	7
Mr. M. Selvanathan	8
Mr. S. K. Shah (Chief Executive Officer)	8
Mr. D. C. R. Gunawardena	5
Mr. D. A. Cabraal	7
Mr. H. J. Andersen (Appointed w.e.f. 01-April-2014)	3

Board Evaluation

As suggested in the Code of Best Practice on Corporate Governance, a 'Board Appraisal Form' was introduced for the year 2014/15 to evaluate the performance of the Board in order to ensure that the responsibilities of Directors towards the Board and the Company are met.

The 'Board Evaluation Form' comprises of the following broad themes;

- Core Board Responsibilities
- Board Meetings
- Committee Meetings (any/ all sub-committees)
- Relationship with Management
- Individual self-assessment

- Stakeholder and Shareholder communication/ relationship
- Suggestions/ comments

The Nomination Committee of the Company collates all the comments received from the Directors and reports the results and proposed actions to the Board of Directors.

Audit Committee

As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of Carson Cumberbatch PLC (CCPLC), the Parent Company, functions as the Audit Committee of the Company.

Composition

Audit Committee Members	Executive / Non-Executive/ Independent
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC

The Audit Committee Report is given on page 42 to 43 of this Annual Report.

Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Carson

Cumberbatch PLC (CCPLC), the Parent Company, functions as the Remuneration Committee of the Company.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

Composition

Remuneration Committee Members	Executive / Non-Executive/ Independent
Mr. I. Paulraj (Chairman)	Non-Executive Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. R. Theagarajah	Non-Executive/ Independent Director of CCPLC
Mr. W. M. R. S. Dias *	Non-Executive/ Independent Director of CCPLC

* Appointed with effect from 18th May 2015

Scope and Objective

The primary objective of the Remuneration Committee is to lead to establish a formal and transparent procedure for the development of a remuneration policy and the establishment of a remuneration structure.

A remuneration policy has been formulated based on market and industry factors and individual performance for all group Companies.

Functions and Proceedings

The Remuneration Committee recommends to the Board the remuneration to be paid to the Chief Executive Officer, Executive Directors and Non-Executive Directors. Based on the recommendation of the Remuneration Committee, the Board approves remuneration to the respective Directors.

The Chief Executive Officer, Director-in-charge and other members of senior management may be invited to attend meetings to discuss the performance of the Executive Directors and make proposals as necessary. Neither Executive or Non-Executive Directors are involved in Remuneration Committee meetings when determinations are made in relation to the remuneration of the respective Directors.

The Committee is authorized by the Board to seek appropriate professional advice internally and externally as and when it considers this necessary.

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two Meetings.

Remuneration Committee Members	Meetings Attended (Out of two)
Mr. I. Paulraj (Chairman)	2
Mr. D. C. R. Gunawardena	2
Mr. R. Theagarajah	1
Mr. W. M. R. S. Dias *	-

* Appointed with effect from 18th May 2015

Reporting and Responsibilities

The Committee Chairman reports to the Board on its proceedings on all matters within its duties and responsibilities. The Committee makes recommendations to the Board as deemed appropriate on any area within its limit where action or improvements are needed.

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 31 on page 89 of the Annual Report. Executive Directors are not compensated for their role on the Board.

Nomination Committee

The Nomination Committee of Carson Cumberbatch PLC (CCPLC), the Parent Company, functions as the Nomination Committee of the Company.

Composition

Nomination Committee Members	Executive / Non-Executive/ Independent
Mr. T. de Zoysa (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. R. Theagarajah	Non-Executive/ Independent Director of CCPLC

Scope and Objective

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within group companies and the nominations of members to represent the Company in group companies/ investee companies.

Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

The Nomination Committee meets at least twice a year.

During the period under review the Committee had two Meetings.

Nomination Committee Members	Meetings Attended (Out of two)
Mr. T. de Zoysa (Chairman)	2
Mr. D. C. R. Gunawardena	2
Mr. R. Theagarajah	1

During the year, the Committee recommended to the Board of Lion Brewery (Ceylon) PLC that the following persons be appointed as nominees on the board of Pearl Springs (Private) Limited, a fully owned Subsidiary of Lion Brewery (Ceylon) PLC. These recommendations were accepted by the Board;

- (i) The appointment of Messrs. D. R. P. Goonetilleke and C. T. Liyanage and Mrs. N. F. H. Raheem to the Board of Pearl Springs (Private) Limited as initial Directors with effect from the date of incorporation, 20th May 2014.

During the year, the Committee also recommended to the Board that the following persons be appointed as nominees on the board of Vee Waruna (Private) Limited, a fully owned Subsidiary of the Company. These recommendations were accepted by the Board;

- (ii) The appointment of Messrs. P. P. De Silva, S. G. Jansz, L. E. J. Salgado and W. W. M. A. J. Bandara to the Board of Vee Waruna (Private) Limited as initial Directors with effect from the date of incorporation, 18th November 2014.

DIVIDEND

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a First and Final dividend of Rs.8/- per Ordinary Share for the year ended 31st March 2015. The dividend payable has not

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd.)

been accounted for until it is approved at the forthcoming Annual General Meeting.

The details of the dividends paid during the year are set out in Note 36 to the Financial Statements.

SOLVENCY TEST

Taking into account the said distribution, the Directors are satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act No.07 of 2007 immediately after the distribution. The Company's Auditors, KPMG, Chartered Accountants have issued a Certificate of Solvency confirming same.

CORPORATE DONATIONS

SHARE INFORMATION

Information relating to share trading are given on pages 115 and 116 of this Report.

No donations were made by the Company and its subsidiaries during the year (2014 - Nil).

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2015 was Rs. 533,384,288/- consisting of 20,988,090 Ordinary shares.

There was no change in the Stated Capital of the Company during the year.

EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant events after the reporting period, except as disclosed in Note 41 of the notes to the Financial Statements.

	Name of Shareholder	31st March 2015		31st March 2014	
		No. of shares	%	No. of shares	%
1	Carson Cumberbatch PLC A/C No.2	15,726,912	74.93	15,726,912	74.93
2	Carlsberg A/S	1,676,440	7.99	1,676,440	7.99
3	GF Capital Global Limited	1,545,561	7.36	1,542,441	7.35
4	Hinl-Jpmcb-Butterfield Trust (Bermuda) Limited	800,000	3.81	800,000	3.81
5	Caceis Bank Luxembourg S/A Barca Global Master Fund LP	332,411	1.58	332,411	1.58
6	Hsbc International Nominees Ltd-Ssbt-Deustche Bank Ag Singapore A/C 01	135,000	0.64	135,000	0.64
7	Tranz Dominion,L.I.C.	74,642	0.36	74,005	0.35
8	Standard Chartered Bank Mauritius S/A Chambers Street Global Fund, LP	65,285	0.31	50,291	0.24
9	Mr. H. W. M. Woodward	40,065	0.19	40,065	0.19
10	Mrs. J.K.P. Singh	37,400	0.18	37,400	0.18
11	Carson Cumberbatch PLC A/C No. 01	26,370	0.13	26,370	0.13
12	Est of Lat M. Radhakrishnan (Deceased)	24,400	0.12	24,400	0.12
13	Guinness Morison International Limited	20,953	0.10	20,953	0.10
14	Mr. H. A. Van Starrex	16,346	0.08	200	0.00

Name of Shareholder	31st March 2015		31st March 2014	
	No. of shares	%	No. of shares	%
15 Mr. H. A. Pieris	15,000	0.07	17,500	0.08
16 Mr. N. J. Gamadia	8,786	0.04	8,786	0.04
17 Seylan Bank Limited/Priyani Dharshini Ratnagopal	8,650	0.04	8,650	0.04
18 The Ceylon Desiccated Coconut and Oil Company Pvt Ltd	8,276	0.04	8,276	0.04
19 Mrs. M. S. K. Welikala	7,856	0.04	7,856	0.04
20 Admin. of T. A. C. Abdeen (Decd)	7,725	0.04	7,725	0.04

ANNUAL REPORT

The information provided herein is in pursuance of the requirements of the Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other reports which form part of the Annual Report, on 21st May 2015. The appropriate number of copies of the Annual Report would be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

ANNUAL GENERAL MEETING

The 104th Annual General Meeting of the Company will be held on Thursday, 23rd July 2015 at 3.30 P.M at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 118 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)
M. Selvanathan
Director

(Sgd.)
S. K. Shah
Director

(Sgd.)
K. D. De Silva (Mrs)
Director
Carsons Management Services (Private) Limited
Secretaries

Colombo
21st May 2015

AUDIT COMMITTEE REPORT

The Audit Committee of Carson Cumberbatch PLC (CCPLC) - the Parent Company functions as the Audit Committee of the Company.

The Members of the Audit Committee are as follows :

Audit Committee Members	Executive / Non-Executive/ Independent
Mr.V.P. Malalasekera (Chairman)	Non-Executive, Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.F. Mohideen	Non-Executive, Independent (CCPLC)

Mr.V.P. Malalasekera is a Non-Executive, Independent Director of CCPLC and a former Director of Ceylon Tobacco Company PLC.

Mr.D.C.R. Gunawardena is a Non-Executive Director of CCPLC and in most of its Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

Mr.F. Mohideen, a Non-Executive, Independent Director of CCPLC, was the former Deputy Secretary to the Treasury and a former Director of Bank of Ceylon and Securities and Exchange Commission of Sri Lanka.

The purpose of the Audit Committee of CCPLC is as follows :

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.

To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The audit aspects of Ceylon Beverage Holdings PLC are conducted within the Agenda of CCPLC-Audit Committee.

CCPLC-Audit Committee held 05 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

Meetings attended (out of five)	
Mr.V.P. Malalasekera (Chairman)	05
Mr.D.C.R. Gunawardena	05
Mr.F. Mohideen	05

The Chief Executive Officer-Brewery Sector, Head of Finance of the Company, internal auditors and senior management staff members also attended the Audit Committee Meetings by invitation.

The Committee met the External Auditors, Messrs.KPMG twice during the year to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also discussed the draft Financial Report and Accounts, with the External Auditors, without the management being present to foster an unbiased, independent dialogue.

The Audit Committee approved the audit plan for the financial year 2014/2015 and the Group Internal Audit (GIA) carried out 10 audits of the Brewery Sector companies.

The findings and contents of the Group Internal Audit reports have been discussed with the relevant management staff and subsequently the audit reports were circulated to the Audit Committee and to the senior management.

The objectives of the GIA work was to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-à-vis objectives served and to determine the extent of adherence to the controls by staff responsible for the function and to take corrective/preventive action where necessary.

The interim financial statements of Ceylon Beverage Holdings PLC have been reviewed by the Audit Committee

Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

The draft financial statements of Ceylon Beverage Holdings PLC for the year ended 31st March 2015 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs.KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/CEO and Head of Finance of the Company that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs.KPMG, Chartered Accountants, Auditors were independent on the basis that they did not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2016, subject to the approval of the shareholders of Ceylon Beverage Holdings PLC at the Annual General Meeting.

(Sgd.)

V.P. Malalasekera

Chairman – Audit Committee

Carson Cumberbatch PLC

Colombo

21st May 2015

IT'S PAPARE TIME!



FINANCIAL CALENDAR

Financial Year 31st March 2015

Announcement of Results

1st Quarter 30th June 2014

Issued to Colombo Stock Exchange 14th August 2014

2nd Quarter 30th September 2014

Issued to Colombo Stock Exchange 14th November 2014

3rd Quarter 31st December 2014

Issued to Colombo Stock Exchange 13th February 2015

4th Quarter 31st March 2015

Issued to Colombo Stock Exchange 29th May 2015

Meetings

103rd Annual General Meeting 23rd July 2014

104th Annual General Meeting 23rd July 2015



Financial Information

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48	Statement of Financial Position
50	Statement of Profit or Loss and Other Comprehensive Income
51	Statement of Changes in Equity
53	Cash Flow Statement
55	Notes to the Financial Statements

Shaping the future

INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF CEYLON BEVERAGE HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Beverage Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 48 to 105.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those

standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

- The financial statements of the Company give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.



CHARTERED ACCOUNTANTS

Colombo
21st May 2015

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

M.R. Mithular FCA
T.J.S. Rejekarier FCA
Ms. S.M.B. Jayasekera ACA
G.A.U. Karunaratne ACA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rejapakse ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo ACA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	Note	Company		Group	
		2015	2014	2015	2014
ASSETS					
Non-Current Assets					
Property, plant & equipment	9	123,990	124,528	14,930,708	12,065,404
Intangible assets	10	-	-	4,244,962	298,534
Investments in subsidiaries	11	1,660,084	1,660,084	-	-
Total Non-Current Assets		1,784,074	1,784,612	19,175,670	12,363,938
Current Assets					
Inventories	12	-	-	2,798,064	2,695,021
Trade & other receivables	13	14,335	11,981	2,104,829	2,649,504
Amounts due from related companies	14	247,648	334,058	-	-
Assets held for sale	15	-	-	491,895	-
Cash and cash equivalents	16	1,111	1,645	2,326,082	6,873,229
Total Current Assets		263,094	347,684	7,720,870	12,217,754
Total Assets		2,047,168	2,132,296	26,896,540	24,581,692
EQUITY AND LIABILITIES					
Equity					
Stated capital	17	533,384	533,384	533,384	533,384
Capital reserves	18	126,414	126,414	492,331	492,331
Revenue reserves	19	922,710	862,904	2,927,439	2,424,191
Equity attributable to equity holders of the company		1,582,508	1,522,702	3,953,154	3,449,906
Non-Controlling interest		-	-	3,784,938	3,310,201
Total Equity		1,582,508	1,522,702	7,738,092	6,760,107
Non Current Liabilities					
Debentures	20	-	-	4,597,600	2,798,800
Loans and borrowings	21	292,500	391,700	3,167,362	2,699,390
Employee benefits	22	-	-	102,642	93,899
Deferred tax liabilities	23	-	-	2,074,378	1,203,836
Total Non- Current Liabilities		292,500	391,700	9,941,982	6,795,925

As at 31st March In Rs.'000s	Note	Company		Group	
		2015	2014	2015	2014
Current Liabilities					
Trade and other payables	24	9,588	8,987	845,661	824,714
Amounts due to related companies	25	24	-	176,403	52,872
Refundable deposits	26	-	-	885,915	1,044,123
Tax liabilities	27	18,974	14,903	1,012,846	902,554
Debentures	20	-	-	331,964	294,974
Loans and borrowings	21	101,818	118,577	4,345,732	6,980,227
Bank overdraft		41,756	75,427	1,617,945	926,196
Total Current Liabilities		172,160	217,894	9,216,466	11,025,660
Total Liabilities		464,660	609,594	19,158,448	17,821,585
Total Equity and Liabilities		2,047,168	2,132,296	26,896,540	24,581,692
Net assets per ordinary share (Rs.)		75.40	72.55	188.35	164.38

The Notes to the Financial Statements from pages 55 to 105 form an integral part of these Financial Statements.

I certify that the above Financial Statements comply with the requirements of Companies Act No.07 of 2007.

(Sgd.)

D.R.P. Goonetilleke

Head of Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

A. Weeratunge

Director

(Sgd.)

M. Selvanathan

Director

(Sgd.)

Suresh K. Shah

Director

Carsons Management Services (Private) Ltd.

Colombo

21st May 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Note	Company		Group	
		2015	2014	2015	2014
Revenue	28	293,614	282,694	32,391,476	25,846,535
Cost of sales		-	-	(24,074,821)	(19,685,529)
Gross profit		293,614	282,694	8,316,655	6,161,006
Other income	29	-	-	397,204	23,631
		293,614	282,694	8,713,859	6,184,637
Distribution expenses		-	-	(3,654,022)	(2,936,115)
Administrative expenses		(14,596)	(13,577)	(1,176,304)	(880,351)
Other expenses		-	-	(199,311)	(76,829)
Loss on disposal and impairment of property plant & equipment	30	-	-	(302,786)	-
Profit from operations before expenses relating to new investment	31	279,018	269,117	3,381,436	2,291,342
Expenses relating to new investment	32	-	-	(339,811)	-
Profit before finance cost		279,018	269,117	3,041,625	2,291,342
Finance income/(reversal)	33	-	(24,991)	222,302	632,375
Finance costs	33	(46,587)	(70,355)	(871,219)	(861,445)
Net finance costs		(46,587)	(95,346)	(648,917)	(229,070)
Profit before taxation		232,431	173,771	2,392,708	2,062,272
Income tax	34	(25,708)	(16,551)	(1,098,900)	(893,360)
Profit for the year		206,723	157,220	1,293,808	1,168,912
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Remeasurement of employee benefit obligations		-	-	(13,327)	(1,121)
Deferred tax adjustment	34	-	-	5,331	-
Total other comprehensive loss for the year		-	-	(7,996)	(1,121)
Total comprehensive income for the year		206,723	157,220	1,285,812	1,167,791
Profit attributable to					
- Equity holders of the Company		206,723	157,220	658,579	527,508
- Non-Controlling Interest		-	-	635,229	641,404
Profit available for appropriation		206,723	157,220	1,293,808	1,168,912
Earnings per ordinary share (Rs.)	35	9.85	7.49	31.38	25.13

The Notes to the Financial Statements from pages 55 to 105 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY - COMPANY

In Rs.'000s	Attributable to Equity Holders of the Parent					Total	Non-Controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	General Capital Reserve	Revenue Reserve	Retained Profits			
Balance as at 1st April 2013	533,384	120,638	5,776	184,174	668,427	1,512,399	-	1,512,399
Total comprehensive income								
Profit for the year	-	-	-	-	157,220	157,220	-	157,220
Total comprehensive income for the year	-	-	-	-	157,220	157,220	-	157,220
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Dividends	-	-	-	-	(146,917)	(146,917)	-	(146,917)
Balance as at 31st March 2014	533,384	120,638	5,776	184,174	678,730	1,522,702	-	1,522,702
Balance as at 1st April 2014	533,384	120,638	5,776	184,174	678,730	1,522,702	-	1,522,702
Total comprehensive income								
Profit for the year	-	-	-	-	206,723	206,723	-	206,723
Total comprehensive income for the year	-	-	-	-	206,723	206,723	-	206,723
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Dividends	-	-	-	-	(146,917)	(146,917)	-	(146,917)
Balance as at 31st March 2015	533,384	120,638	5,776	184,174	738,536	1,582,508	-	1,582,508

STATEMENT OF CHANGES IN EQUITY - GROUP

In Rs.'000s	Attributable to Equity Holders of the Parent					Total	Non-Controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	General Capital Reserve	Revenue Reserve	Retained Profits			
Balance as at 1st April 2013	533,384	486,555	5,776	184,174	1,860,012	3,069,901	2,822,132	5,892,033
Total comprehensive income								
Profit for the year	-	-	-	-	527,508	527,508	641,404	1,168,912
Other comprehensive income for the year	-	-	-	-	(586)	(586)	(535)	(1,121)
Total comprehensive income for the year	-	-	-	-	526,922	526,922	640,869	1,167,791
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Dividends	-	-	-	-	(146,917)	(146,917)	(152,800)	(299,717)
Balance as at 31st March 2014	533,384	486,555	5,776	184,174	2,240,017	3,449,906	3,310,201	6,760,107
Balance as at 1st April 2014	533,384	486,555	5,776	184,174	2,240,017	3,449,906	3,310,201	6,760,107
Total comprehensive income								
Profit for the year	-	-	-	-	658,579	658,579	635,229	1,293,808
Other comprehensive income for the year	-	-	-	-	(4,177)	(4,177)	(3,819)	(7,996)
Total comprehensive income for the year	-	-	-	-	654,402	654,402	631,410	1,285,812
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Share issue costs of sub subsidiary	-	-	-	-	(4,237)	(4,237)	(3,873)	(8,110)
Dividends	-	-	-	-	(146,917)	(146,917)	(152,800)	(299,717)
Balance as at 31st March 2015	533,384	486,555	5,776	184,174	2,743,265	3,953,154	3,784,938	7,738,092

CASH FLOW STATEMENT

For the year ended 31st March In Rs.'000s	Note	Company		Group	
		2015	2014	2015	2014
Cash flows from operating activities					
Profit before taxation		232,431	173,771	2,392,708	2,062,272
Adjustments for:		-	-	-	-
Finance expenses	33	46,587	70,355	871,219	861,445
Depreciation of property, plant & equipment	9	537	537	753,904	613,092
Amortisation of intangible assets	10	-	-	58,123	8,830
Net inventory provisions		-	-	24,112	(68,864)
Reclassification of property, plant & equipment	9	-	-	-	(4,700)
Provision for retirement benefit obligations	22	-	-	20,317	17,240
Impairment for fixed asset	15	-	-	117,914	-
ESC write off		-	-	2,726	-
Finance income	33	-	24,991	(222,302)	(632,375)
(Profit)/loss on disposal of property, plant & equipment		-	-	153,822	3,113
Provision for irrecoverable VAT	31	-	-	339,811	-
Unrealised exchange loss/(gain) on foreign currency term loan	21	-	-	(1,927)	31,965
Deposit liability write back	26	-	-	(253,590)	-
Operating cash flow before working capital changes		279,555	269,654	4,256,837	2,892,018
Increase in inventories	12	-	-	(127,155)	(219,441)
(Increase)/decrease in trade & other receivables		(2,354)	(395)	583,036	450,434
Decrease in amounts due from related companies	14	86,410	113,286	-	-
Increase/(decrease) in other tax payables		62	-	(37,327)	-
Increase in amounts due to related companies	25	24	-	123,531	14,039
Increase/(decrease) in trade & other payables		(596)	3,545	19,568	(300,309)
Cash generated from operations		363,101	386,090	4,818,490	2,836,741
Finance expenses paid		(47,946)	(69,840)	(849,358)	(743,386)
Tax paid		(21,700)	(15,584)	(445,189)	(292,195)
ESC paid		-	-	(956)	(639)
Retirement benefits paid	22	-	-	(24,901)	(4,156)
Net cash generated from operating activities		293,455	300,666	3,498,086	1,796,365

CASH FLOW STATEMENT (Contd.)

For the year ended 31st March In Rs.'000s	Note	Company		Group	
		2015	2014	2015	2014
Cash flows from investing activities					
Purchase and construction of property, plant & equipment	9	-	-	(4,066,056)	(4,090,408)
Borrowing cost capitalized	9	-	-	(505,697)	(532,035)
Purchase of intangible assets	10	-	-	(4,002,702)	(1,578)
Proceeds from sale of property, plant & equipment		-	-	146,930	12,121
Agent deposits received	26	-	-	98,292	63,790
Agent deposits refunded	26	-	-	(2,910)	-
Maturity of fixed deposits		-	-	-	1,578,014
Interest received	33	-	(24,991)	222,302	632,375
Equity investment in subsidiary	11	-	(238,001)	-	-
Net cash used in investing activities		-	(262,992)	(8,109,841)	(2,337,721)
Cash flows from financing activities					
Proceeds from debentures	20	-	-	2,000,000	3,000,000
Proceeds from loans & borrowings	21	-	500,000	2,000,000	13,410,738
Repayment of loans & borrowings	21	(114,600)	(38,300)	(4,149,467)	(7,923,417)
Repayment of debentures		-	-	(201,200)	-
Share issue cost		-	-	(8,110)	-
Dividends paid net of tax	36	(145,718)	(145,719)	(268,364)	(282,949)
Net cash generated from/(used in) financing activities		(260,318)	315,981	(627,141)	8,204,372
Net increase/(decrease) in cash & cash equivalents		33,137	353,655	(5,238,896)	7,663,016
Cash & cash equivalents at the beginning of the year		(73,782)	(427,437)	5,947,033	(1,715,983)
Cash & cash equivalents at the end of the year		(40,645)	(73,782)	708,137	5,947,033
Analysis of cash and cash equivalents					
Cash and cash equivalents	16	1,111	1,645	2,326,082	6,873,229
Bank overdraft	16	(41,756)	(75,427)	(1,617,945)	(926,196)
		(40,645)	(73,782)	708,137	5,947,033

The Accounting Policies and Notes from pages 55 to 105 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 Reporting Entity

Ceylon Beverage Holdings PLC (CBHPLC) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The parent company is Carson Cumberbatch PLC (CCPLC) and the ultimate parent Company is Bukit Darah PLC. The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 01 and the principal place of business is situated at No 254, Colombo Road, Biyagama.

Pearl Springs (Private) Limited (PSPL), a fully owned subsidiary of Lion Brewery (Ceylon) PLC was incorporated during the year. As explained in Note 38 to the Financial Statements, Lion Brewery (Ceylon) PLC together with its subsidiary, PSPL acquired 100% ownership of Millers Brewery Limited (MBL).

The consolidated Financial Statements for the year ended 31st March 2015 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually Group entities). The subsidiaries of the Company are set out below.

Subsidiary	Controlling interest	Note
Lion Brewery (Ceylon) PLC	52.25%	"LBCPLC"
Pubs 'N Places (Private) Limited	99.9%	
Retail Spaces (Private) Limited	100%	
Luxury Brands (Private) Limited	100%	
Vee Waruna (Private) Limited	100%	Incorporated on 18th November 2014

Pearl Springs (Private) Limited	52.25%	"PSPL", 100% Subsidiary of LBCPLC Incorporated on 20th May 2014
Millers Brewery Limited	52.25%	100% Subsidiary of PSPL

The principal activities of the Group is brewing and marketing of high quality beers for both local & export markets and retailing of beer & alcohol products through its owned/managed wine shops & pubs. The Group is also engaged in the import & marketing of globally renowned high quality beer and spirits brands.

There were no employees in the Company as at the reporting date. (2014 - Nil)

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of Ceylon Beverage Holdings PLC, and its subsidiaries (Group) comprise the Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Equity, Cash Flow together with the Notes to the Financial Statements. The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/LKAS) as laid down by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Company's Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorized for issue by the Board of Directors on 21st May 2015.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for the following;

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Land & Building	- Fair Value
Defined benefit obligation	- Actuarially valued and recognised at present value of the defined benefit obligation

2.3 Functional Currency and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees which is the Group's functional currency, unless otherwise indicated. All financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee thousand.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with LKASs/SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future period affected.

Information about critical estimates and underlying assumptions in applying Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in following notes.

Note 9	- Revaluation of Land & Building
Note 22	- Retirement benefit obligations
Note 23	- Deferred tax liabilities/assets
Note 40	- Commitments & Contingencies

2.5 Comparative Information

The presentation and classification of the Financial Statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

2.6 Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, Company assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- iii. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Accounting Policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st April 2014.

(i) SLFRS 10 - Consolidated Financial Statements

As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates other entities. SLFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The Group reassessed its control conclusions as of 1st January 2014. There are no changes in control conclusion from previous year.

(ii) SLFRS 13 - Fair Value Measurement

In accordance with the SLFRS 13, the Group has applied the new definition of fair value. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date prospectively. The change had no significant impact on the measurements of the Group's assets and liabilities, but the Group has included new disclosures in the Financial Statements, which are required under SLFRS 13.

Except for the changes specified above, the accounting policies set out below have been consistently applied to all periods presented in these Financial Statements.

3.2 Basis of Consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. Subsequent to the acquisition, the Company continues to recognise the investment in subsidiary at cost.

During the year Company has held the following subsidiaries:

Subsidiary	Controlling interest
Lion Brewery (Ceylon) PLC	52.25%
Pubs 'N Places (Private) Limited	99.9%
Retail Spaces (Private) Limited	100%
Luxury Brands (Private) Limited	100%
Vee Waruna (Private) Limited	100%
Pearl Springs (Private) Limited	52.25%
Millers Brewery Limited	52.25%

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(iii) Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in Profit or Loss. Any interest retained in the former subsidiary is measured at fair value when control is lost

(iv) Non-Controlling Interest

The non-controlling Interest is presented in the Consolidated Statement of Financial Position within equity, separated from the equity attributable to the Equity Holders to the Company. Non-Controlling Interest in the profit or loss of the Group is disclosed separately in the Statement of Profit or Loss and Other Comprehensive Income.

(v) Financial Period

The Consolidated Financial Statements are prepared to a common financial year ended 31st March. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

In the Company's Financial Statements, investments in subsidiaries are carried at cost less impairment if any.

The carrying amount of the investment at the date that such entity ceases to be a Subsidiary would be regarded at the cost of initial measurement of a financial asset.

(vi) Intra-Group Transactions

Intra-group balances, intra-group transactions and resulting unrealized profits are eliminated in full in the Financial Statements. Unrealized losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

3.3 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling as at the reporting date. Foreign exchange differences arising on the settlement or reporting of the Company's monetary items at rates different from those which were initially recorded are dealt with in the Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the reporting date are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of initial transaction.

Non-monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the values were determined. Foreign exchange differences arising on translation are recognised in the Profit or Loss.

3.4 Financial Assets and Liabilities

3.4.1 Non Derivative Financial Assets

(i) Initial Recognition and Measurement

Financial Assets are recognised when and only when the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised they are measured at fair value plus directly attributable transaction costs. However in the case of financial assets classified as fair value through Profit & Loss, the directly attributable costs are not considered. The financial assets include cash and cash equivalents, short term deposits, trade and other receivables and amounts due from related parties.

(ii) Subsequent Measurement

Financial assets can be classified into the following categories: financial assets at fair value through Profit or Loss, held to maturity financial assets, loans and receivables and available for sale financial assets and the subsequent measurement of non-derivative financial assets depends on

their classification. Financial assets of the Group are limited to loans and receivables and their subsequent measurement is as follows;

(iii) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of cash and cash equivalents, and trade and other receivables, and amounts due from related companies.

(iv) Derecognition

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

(v) Impairment

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

(vi) Impairment Losses on Financial Assets Carried at Amortized Cost

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective

interest rate. Impairment losses are recognised in the Profit or Loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

The Group considers evidence of impairment for loans and receivable on a specific asset basis. Therefore all loans and receivables are assessed individually and specific impairment provisions are made.

3.4.2 Financial Liabilities

(i) Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS are recognised when and only when the Group becomes a party to the contractual provisions of the financial instrument. Financial Liabilities are recognised initially at fair value plus directly attributable transaction costs, however in the case of financial liabilities classified as fair value through Profit & Loss the directly attributable costs are not considered. The financial liabilities include debentures, loans and borrowings, trade and other payables, amounts due to related parties and bank overdrafts.

(ii) Subsequent Measurement

The Group classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost includes debentures, trade and other payables, amounts due to related companies and bank overdrafts.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Profit or Loss.

3.4.3 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.5 Impairment of Non-Financial Assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an assets or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its 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 value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (if any) and then to reduce the carrying amounts of other assets in the CGU (group of

CGUs) on pro rata basis. For other assets, an impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Property, Plant & Equipment

Recognition & measurement

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

(i) Recognition

Property, plant & equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

(ii) Measurement

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses.

The Group applies the revaluation model for freehold land and buildings while cost model is applied for other items classified under Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integrated to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognised as an expense when incurred.

(iii) **Subsequent Expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & 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 Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in the Profit or Loss and when the expense is incurred.

(iv) **Revaluation of Land and Buildings**

The freehold land and buildings of the Company and subsidiaries have been revalued and revaluation of these assets is carried out at least once in every five years in order to ensure that the book values reflect the realizable values. Any surplus or deficit that arises is adjusted in the revaluation reserve.

(v) **Depreciation**

Depreciation is recognised in the Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the assets are as follows.

	Ceylon Beverage Holdings	Lion Brewery (Ceylon) PLC	Pubs 'N Places (Private) Limited	Retail Spaces (Private) Limited	Millers Brewery Limited
	Years	Years	Years	Years	Years
Freehold buildings	40	40	-	-	40
Plant & machinery	-	10-20	10-20	10-20	20
Furniture & fittings	-	10	5	5	5
Office equipment	4	3-10	5	5	5
Computer equipment	-	3	3	3	3
Returnable containers	-	5	-	-	-
Motor vehicles	-	4 - 5	-	-	5
Laboratory equipment	-	4	-	-	-

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the asset is derecognised. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(vi) **Revaluation of Land and Buildings**

The freehold land and buildings of the Company and subsidiaries have been revalued and revaluation of these assets is carried out at least once every five years in

order to ensure that the book values reflect the realizable values. Any surplus or deficit that arises is adjusted in the revaluation reserve.

(vii) **Subsequent Expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other expenditure is recognised in the Profit & Loss as and when the expense is incurred.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(viii) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use. Borrowing Cost include foreign exchange differences to the extent that such differences are regarded as an adjustment to interest cost as permitted by the accounting standards.

(ix) Refundable Deposits & Returnable Containers

Returnable containers are classified under Property, Plant and Equipment. All purchases of returnable containers except empty bottles meant for Exports will be recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the Group, the written down value on a first in first out (FIFO) basis will be charged to the Profit or Loss.

Empty bottles used for exports are recognised as an expense in the Profit & Loss at the time the export takes place.

Deposits are collected from the agents for the returnable containers in their possession and are classified under current liabilities. The said deposit will be refunded to the agent only upon them returning these returnable containers due to cessation of their operation or due to contraction in sales.

(x) Capital Work-in-Progress

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a workable condition of their intended use and capitalized borrowing cost. Capital Work-In-Progress is transferred to the respective asset accounts when the asset is available for use and all work connected to construction is completed.

(xi) Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the Profit or Loss unless it reverses a previous revaluation surplus for the same asset.

3.7 Intangible Assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure of an intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure is recognised in the Profit or Loss as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized based on the cost of an asset less its residual value and recognised in the profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the date that they are available for use. The estimated useful life is as follows;

	Ceylon Beverage Holdings PLC	Lion Brewery (Ceylon) PLC	Pubs 'N Places (Private) Limited	Retail Spaces (Private) Limited
	Years	Years	Years	Years
Computer equipment- software	5	5	5	5
Liquor licenses	.	.	10	10

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Accordingly the brands recorded in the Financial Statements are considered to have an infinite useful life.

3.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Accordingly, the costs of inventories are accounted as follows:

Category	Basis
Raw material	- cost of purchase together with any incidental expenses.
Work-in-progress	- raw material cost and a proportion of manufacturing expenses.
Finished goods	- raw material cost and manufacturing expenses in full.
Maintenance stock	- on a weighted average basis.

Appropriate provisions will be made for the value of any stocks which are obsolete.

3.9 Assets held for sale

(i) Recognition

Non-Current Assets are classified as held for sale when their carrying amount will be recovered principally through a sale

transaction rather than continuing use and a sale is highly probable.

(ii) Measurement

Non-Current Assets held for sale are carried at the lower of carrying amount or fair value less costs to sell. Comparatives in the Statement of Financial Position are not re-presented when a non-current asset is classified as held for sale.

(iii) Depreciation

Depreciation is not charged against property, plant and equipment classified as held for sale.

3.10 Investments

Long term investments and investments in subsidiaries of the Group are classified as Non-Current Investments, which are stated in the statement of Financial Position at cost less accumulated impairment losses, if any.

3.11 Cash & Cash Equivalents

Cash and cash equivalents are defined as cash in hand, bank demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

3.12 Liabilities and Provisions

3.12.1 Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

Non-Current Liabilities are those balances that fall due for payment after one year from the reporting date.

3.12.2 Refundable Deposits

Returnable containers issued to Agents are secured against a refundable deposit representing the cost. Refunding of

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

deposits could arise due to a discontinuance of an agency or due to contraction in sales.

3.12.3 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.13 Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which an entity pays a fixed contribution into a separate entity during the period of employment and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as an expense in the Profit or Loss in the period during which related services are rendered by employees.

Employees' Provident Fund

The Group and Employees' contribute 12% & 10% respectively on the salary of each employee respectively.

The said provident fund is being managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund. The contribution of the Employee Trust Fund is recognised as an expense in the Profit or Loss as incurred.

(ii) Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The calculation is performed annually by an qualified actuary using the projected unit credit (PUC) method. The net obligation in respect of defined pension plan is

calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continuous service. Any actuarial gains or losses arising are recognized in the Other Comprehensive Income and all expenses related to the defined benefit plans are in personnel expenses in the Profit or Loss. The liability was not externally funded.

3.14 Capital Commitments & Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.15 Events Subsequent to the Reporting Period

The materiality of the events after the reporting period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

4.1. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade

discounts and sales taxes. Following specific criteria are used for the purpose of recognition of revenue.

- Royalty

Income arising from the use of the Company's brands based on volume sold.

- Dividend

Income is recognised upon its receipt.

- Interest

Income is recognised on an accrual basis.

- Others

Other income is recognised on an accrual basis. Net gains / losses of a revenue nature arising from the disposal of Property, Plant and Equipment and other Non-Current Assets, including investments, are accounted for in the Profit or Loss, after deducting from the proceeds from disposal, the carrying amount of such assets and the related selling expenses.

4.2. Expenditure Recognition

(i) Operating Expenses

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Profit or Loss in arriving at the profit for the year. For the purpose of presentation of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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

Repairs and renewals are charged to the Profit or Loss in the year in which the expenditure is incurred.

(ii) Finance income & Finance cost

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income is recognised as it accrues in Profit or Loss, using the effective interest method.

Finance cost comprises interest expenses on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis or finance cost depending on whether foreign currency movements result in a net gain or net loss position.

(iii) Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the acquisition / construction of Property, Plant & Equipment which are capitalized as a part of the cost of the asset during the period of construction/ development.

4.3. Income Tax expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognised directly in Profit or Loss except to the extent that if it relates to items recognised directly in equity, it is recognised in equity

(i) Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred Taxation

Deferred tax is provided using the financial position liability method, providing for the tax effect of temporary differences

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

4.4. Dividend Distribution

Dividend distribution is recognised as a liability in the period in which the dividends are approved by the company's shareholders.

4.5. Earnings Per Share

The Financial Statements present basic earnings per share (EPS) data for its ordinary shareholders. The EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares in issue.

5. CASH FLOW STATEMENT

Cash and cash equivalents are defined as cash in hand, bank demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand and deposits held

for less than 3 months at banks, net of bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Cash Flow Statement has been prepared using the "Indirect Method".

Interest paid are classified as operating cash flows, interests received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of Cash Flow Statement.

6. SEGMENTAL REPORTING

An operating segment is a component of the Group's that engages in the business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. No separate reportable segment has been identified. Hence, performance of the Group is reported together.

7. RELATED PARTY TRANSACTIONS

Disclosures are made in respect of transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions / policies of the other, irrespective of whether a price is being charged or not. Related Party Transactions are disclosed in Note no 39 to the Financial Statements.

8. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies

currently adopted by the Group and may have an impact on the future Financial Statements.

8.1 Standards issued but not yet adopted which may have significant impact

Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments Classification and Measurement”

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

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 15.

8.2 Standards issued but not yet adopted which is not expected to have an impact

The following new or amended standards are not expected to have an impact of the Group’s Financial Statements.

(a) SLFRS 14 - Regulatory Deferral Accounts – effective from 01st January 2016

(b) Agriculture: Bearer Plants (Amendments to LKAS 16 and LKAS 41) – effective from 1st January 2016

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

9 PROPERTY, PLANT & EQUIPMENT

(a) Company

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings
Cost / Valuation				
As at 1st April 2014	112,464	11,342	-	-
Additions	-	-	-	-
Disposal	-	-	-	-
As at 31st March 2015	112,464	11,342	-	-
Accumulated Depreciation				
As at 1st April 2014	-	852	-	-
Charge for the year	-	284	-	-
Disposal	-	-	-	-
As at 31st March 2015	-	1,136	-	-
Net Book Value				
As at 31st March 2015	112,464	10,206	-	-
As at 31st March 2014	112,464	10,490	-	-

(b) Group

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings
Cost / Valuation				
As at 1st April 2014	1,058,627	1,225,868	4,716,637	54,289
Reclassification adjustments	-	-	-	-
Additions	-	-	7,926	158
On consolidation	312,349	466,167	396,000	8,904
Transfers	717,880	892,701	4,600,347	461
Reclassification to assets held for sale (Note 15)	-	-	(783,134)	-
Disposals/ Breakages	-	-	(254,339)	(16)
As at 31st March 2015	2,088,856	2,584,736	8,683,437	63,796
Accumulated Depreciation				
As at 1st April 2014	-	89,038	1,391,114	36,480
Charge for the year	-	49,773	266,383	7,241
Reclassification to assets held for sale (Note 15)	-	-	(242,325)	-
Disposals/ Breakages	-	-	(42,823)	(15)
As at 31st March 2015	-	138,811	1,372,349	43,706
Net Book Value				
As at 31st March 2015	2,088,856	2,445,925	7,311,088	20,090
As at 31st March 2014	1,058,627	1,136,830	3,325,523	17,809

Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in -Progress	31st March 2015	31st March 2014
2,384	-	-	-	-	-	126,190	126,190
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,384	-	-	-	-	-	126,190	126,190
811	-	-	-	-	-	1,663	1,125
253	-	-	-	-	-	537	537
1,064	-	-	-	-	-	2,200	1,662
1,320	-	-	-	-	-	123,990	
1,573	-	-	-	-	-		124,528

Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in -Progress	31st March 2015	31st March 2014
52,725	153,739	84,084	42,003	2,417,600	5,345,664	15,151,236	10,822,343
-	-	-	-	-	-	-	4,700
1,005	11,867	-	5,257	133,080	3,060,375	3,219,668	4,622,443
291	9,882	8,000	-	150,492	-	1,352,085	-
552	12,266	10,341	-	276,660	(6,513,058)	(1,850)	(255,815)
-	-	-	-	(69,000)	-	(852,134)	-
-	(1,627)	(4,317)	-	(116,333)	(40,130)	(416,762)	(42,435)
54,573	186,127	98,108	47,260	2,792,499	1,852,851	18,452,243	15,151,236
26,103	96,809	27,208	31,491	1,387,589	-	3,085,832	2,499,941
8,099	33,987	17,467	4,481	366,473	-	753,904	613,092
-	-	-	-	-	-	(242,325)	-
-	(908)	-	-	(32,130)	-	(75,876)	(27,201)
34,202	129,888	44,675	35,972	1,721,932	-	3,521,535	3,085,832
20,371	56,239	53,433	11,288	1,070,567	1,852,851	14,930,708	
26,622	56,930	56,876	10,512	1,030,011	5,345,664		12,065,404

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

- (c) Freehold properties of the Group were revalued and incorporated in the books to confirm to the market values as at 31st March 2011 which were assessed on a going concern basis by Messrs K. Arthur Perera, A.M.I.V. (Sri Lanka) a independent Valuer & Consultant, and the resultant surplus arising there from was transferred to the revaluation reserve and included under capital reserves.
- (d) Carrying value of the revalued assets of the Group as at 31st March 2015, if they were carried at cost are given below:

In Rs.'000s	Company		Group	
	Land	Buildings	Land	Buildings
Cost - As at 1st April 2014	141	4,066	376,698	1,135,564
On consolidation	-	-	312,349	466,167
Transfers during the year	-	-	717,880	892,701
Accumulated depreciation	-	(1,405)	-	(273,621)
Carrying value of assets at cost - As at 31st March 2015	141	2,661	1,406,927	2,220,811
Appreciation due to revaluation				
Revaluation amount	112,323	7,276	681,929	90,304
Accumulated depreciation on cost as at revaluation	-	452	-	136,529
Revaluation surplus	112,323	7,728	681,929	226,833
Accumulated depreciation on revaluation amount	-	(183)	-	(1,719)
Net appreciation	112,323	7,545	681,929	225,114
Carrying amount	112,464	10,206	2,088,856	2,445,925

(e) Extent, locations, valuations and number of buildings and land holdings

In Rs 000'	Location	2014/15				2013/14			
		Extent of Lands	Cost / Valuation of Lands	Number of buildings/ Blocks	Cost/ Valuation of Buildings	Extent of Lands	Cost / Valuation of Lands	Number of buildings/ Blocks	Cost/ Valuation of Buildings
Ceylon Beverage Holdings PLC									
	Land - Nuwara Eliya	3A.2R.4P	98,700	1	8,771	3A.2R.4P	98,700	1	8,771
	Land - Trincomalee	0A.1R.5P	13,764	1	2,570	0A.1R.00.5P	13,764	1	2,570
			112,464				112,464		
Lion Brewery (Ceylon) PLC									
	Factory & Office Premises	10A.1R.05P	490,732	34	986,433	10A.1R.05P	490,732	37	968,298
	New packaging Line Land	8A.3R.20.14P	326,824	5	902,384	8A.3R.20.14P	326,824	5	27,817
	Kaduwela Land	3A.0R.27P	77,318	1	33,545	3A.0R.27P	77,318	1	33,545
	Keerthi Mawatha Lands	0A.3R.05.66P	30,704	1	2,569	0A.2R.21.81P	13,650	1	2,569
	Parakum Mawatha Lands	0A.3R.04.67P	51,893	2	-	0A.2R.26.67P	37,639	-	-
	Jayanthi Mawatha Lands	7A.2R.17.29P	686,572	3	-	-	-	-	-
			1,664,043				946,163		
Millers Brewery Limited									
	Factory & Office Premises	23A.3R.35P	312,349	12	466,167	-	-	-	-
			312,349		466,167	-	-	-	-
Pubs N' Places (Private) Limited									
	No Lands	-	-	31	182,297	-	-	31	182,297
Total - Group		59A.39.26P	2,088,856		2,584,736	26A.5R.20.17P	1,058,627		1,225,868

(f) Property, Plant & Equipments includes fully depreciated assets still in use which cost/valuation is Rs. 1,025,862,292/- (2014 - Rs. 890,215,631/-)

(g) The Group has capitalised borrowing cost amounting to Rs. 505,696,889/- (2014 - Rs. 532,035,344/-)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(h) Fair Value Measurement

(i) Fair Value Hierarchy

The fair value of the buildings was determined by an external independent property valuer, having appropriate recognised professional qualifications on the category of the property being valued. The valuer provides the fair value of the property. Fair value measurements of the property has been categorised as a Level 3 fair value based on the valuation techniques used.

(ii) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Description	Effective date of valuation	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & buildings of Ceylon Beverage Holdings PLC	31.03.2011	Open market value method	(i) Cost of construction appreciation rate	Positive correlated sensitivity
			(ii) Building depreciation rate	Negative correlated sensitivity
Land & buildings of LBCPLC	31.03.2011	Open market value method	(i) Cost of construction appreciation rate	Positive correlated sensitivity
			(ii) Building depreciation rate	Negative correlated sensitivity

10 INTANGIBLE ASSETS

Group In Rs.'000s"	Brands	Computer Software	Excise Licenses	31st March 2015	31st March 2014
Cost					
Beginning of the year	-	336,526	69,554	406,080	148,687
Transfers during the year	-	-	1,850	1,850	255,816
Additions for the year	4,000,000	1,502	1,200	4,002,702	1,578
End of the year	4,000,000	338,028	72,604	4,410,632	406,081
Amortisation					
Beginning of the year	-	86,853	20,694	107,547	98,717
Amortisation for the year	-	53,454	4,669	58,123	8,830
End of the year	-	140,307	25,363	165,670	107,547
Net Book Value	4,000,000	197,721	47,241	4,244,962	298,534

Intangible assets consists of acquired brands of Millers Brewery Limited (MBL), software licences and excise licences used by the Group.

10.1 As explained in Note 38 to these Financial Statements, the LBCPLC had acquired brands amounting to Rs.4,000,000,000/- during the year. Brands are not amortized as the useful life is considered to be infinite given the nature of the asset. However the assessment of indefinite life is reviewed annually. Brands are also tested for impairment annually. The LBCPLC had assessed the possible impairment for acquired brands by forecasting the annual sales quantity and price growth and discounting such estimated cash flows by its cost of equity. Based on such computation the management had concluded that no impairment is required.

The computer software and Excise Licenses are amortized over five years and ten years respectively. The details are given in Note 3.7 of the accounting policies to these Financial Statements.

11 INVESTMENT IN SUBSIDIARIES

In Rs.'000s	No. of Shares	% holding	Cost as at 31st March 2015	Market Value/ Directors Value as at 31st March 2015	No. of Shares	% holding	Cost as at 31st March 2014	Market Value/ Directors Value as at 31st March 2014
Lion Brewery (Ceylon) PLC								
- Ordinary shares	41,798,788	52.25	1,410,084	25,079,273	41,798,788	52.25	1,410,084	16,343,326
Pubs 'N Places (Private) Limited								
- Ordinary shares	25,000	99.90	250,000	250,000	25,000	99.90	250,000	250,000
Retail Spaces (Private) Limited								
- Ordinary shares	1	100.00	0.01	0.01	1	100.00	0.01	0.01
Luxury Brands (Private) Limited								
- Ordinary shares	1	100.00	0.01	0.01	1	100.00	0.01	0.01
Vee Waruna (Private) Limited								
- Ordinary shares	1	100.00	0.01	0.01	-	-	-	-
			1,660,084	25,329,273			1,660,084	16,593,326

11.1 Ordinary shares of Pubs 'N Places (Private) Limited, Retail Spaces (Private) Limited, Luxury Brands (Private) Limited and Veewaruna (Private) Limited are unquoted, and hence valued at cost.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

11.2 Non - Controlling Interest (NCI) in Subsidiary

Company's subsidiary, Lion Brewery (Ceylon) PLC has a Non-Controlling interest of 47.75%. Following table summarises the information relating to NCI in LBCPLC Group.

In Rs.'000s	Group	
	2015	2014
NCI percentage	47.75%	47.75%
Non current assets	8,971,940	5,689,620
Current assets	3,691,982	5,801,310
Non current liabilities	(4,607,142)	(3,057,862)
Current liabilities	(4,271,842)	(5,122,867)
Net assets	3,784,938	3,310,201
Carrying amount of NCI	3,784,938	3,310,201
Revenue	32,350,375	25,804,319
Profit	1,330,320	1,343,254
Other comprehensive income	(7,996)	(1,121)
Total Comprehensive income	1,322,323	1,342,133
Profit allocated to NCI	635,229	641,404
Other comprehensive income allocated to NCI	(3,819)	(535)
Cash flow from operating activities	1,601,700	837,270
Cash flow from investing activities	(3,865,647)	(1,061,164)
Cash flow from financing activities	(254,127)	3,694,849
Net increase/ (decrease) in cash and cash equivalents	(2,518,074)	3,470,955

12 INVENTORIES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Raw and packing materials	-	-	537,129	576,712
Work in progress	-	-	155,875	145,249
Finished goods	-	-	1,904,600	1,795,380
Maintenance spares	-	-	267,524	220,632
			2,865,128	2,737,973
Impairment provision for inventory (Note 12.1)	-	-	(67,064)	(42,952)
	-	-	2,798,064	2,695,021

12.1 Provision for Inventory

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	-	-	42,952	111,816
Provisions during the year	-	-	54,732	74,719
Reversals during the year	-	-	(30,620)	(143,583)
Balance as at end of the year	-	-	67,064	42,952

13 TRADE AND OTHER RECEIVABLES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Trade receivables	-	-	1,033,837	1,065,596
Impairment provision for doubtful debts (Note 13.1)	-	-	(15,065)	(15,065)
	-	-	1,018,772	1,050,531
Advances given to business partners	-	-	220,059	374,685
Other advances	-	-	374,670	900,349
Prepayments	-	-	160,934	98,614
Other receivables	14,335	11,981	330,394	225,325
	14,335	11,981	2,104,829	2,649,504

13.1 Impairment Provision for Doubtful Debts

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	-	-	15,065	15,065
Balance as at end of the year	-	-	15,065	15,065

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

14 AMOUNTS DUE FROM RELATED COMPANIES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Lion Brewery (Ceylon) PLC		12,749	-	-
Pubs 'N Places (Private) Limited	242,473	316,164	-	-
Retail Spaces (Private) Limited	5,175	5,145	-	-
	247,648	334,058	-	-

15 ASSETS HELD FOR SALE

As at 31st March 2015, the LBCPLC has entered into a sale & purchase agreement with Wallart Sarl of France, to sell its' old bottling line. A purchase price of Euro 400,000/- has been agreed with Wallart Sarl, who has made arrangements to dismantle and take possession of the old bottling line shortly. It has been classified as an "Asset Held for Sale" under current assets. Its contracted sale value has resulted in an impairment, which has been recognised under "Loss on disposal & impairment of PPE" in the Profit or Loss.

The plant and machinery & returnable containers owned by Millers Brewery Limited has been classified as assets held for sale, as the management has no immediate plans to manufacture beer at the Millers Brewery location. Management has taken steps to dispose these assets. Accordingly these assets are classified as Assets held for Sale. Further an impairment loss has been recognised under "Loss on disposal & impairment of PPE" in the Profit or Loss.

In Rs.'000s As at 31st March	Plant & Machinery	Returnable Containers	2015	2014
Lion Brewery Ceylon PLC				
At cost	390,627	-	390,627	-
At acc. depreciation	(242,325)	-	(242,325)	-
Carrying value	148,302	-	148,302	-
Less: impairment	(89,642)	-	(89,642)	-
Fair value - LBCPLC	58,660	-	58,660	-
Millers Brewery Limited				
At cost	392,507	69,000	461,507	-
At acc. depreciation	-	-	-	-
Carrying value	392,507	69,000	461,507	-
Less: impairment	(6,807)	(21,465)	(28,272)	-
Fair value - MBL	385,700	47,535	433,235	-
	444,360	47,535	491,895	-

16 CASH AND CASH EQUIVALENTS

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Fixed deposits with financial institutions	.	.	1,716,784	6,449,485
Savings accounts	.	.	77,905	4,861
Cash at bank	1,061	1,595	529,398	416,968
Cash in hand	50	50	1,995	1,915
	1,111	1,645	2,326,082	6,873,229

Cash and cash equivalents includes the following for the purpose of Statement of Cash Flows.

Cash and cash equivalents	1,111	1,645	2,326,082	6,873,229
Bank overdrafts	(41,756)	(75,427)	(1,617,945)	(926,196)
	(40,645)	(73,782)	708,137	5,947,033

17 STATED CAPITAL

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
20,988,090 ordinary shares	533,384	533,384	533,384	533,384

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 shareholder meetings of the Company. All ordinary shares rank equally with regard to the right to the Company's residual assets, at the point of distribution.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

18 CAPITAL RESERVES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Represented by :				
Revaluation reserve (Note 18.1)	120,638	120,638	486,555	486,555
General capital reserve (Note 18.2)	5,776	5,776	5,776	5,776
	126,414	126,414	492,331	492,331

18.1 The revaluation reserve relates to revaluation of land and buildings. It comprises of the increase in the fair value of land and buildings at the date of revaluation.

18.2 General capital reserve consists of such amounts that have been transferred from time to time from retained earnings.

19 REVENUE RESERVES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Revenue Reserve				
Balance as at the beginning of the year	184,174	184,174	184,174	184,174
Balance as at the end of the year	184,174	184,174	184,174	184,174
Retained Profits				
Balance as at the end of the year	738,536	678,730	2,743,265	2,240,017
Total revenue reserves	922,710	862,904	2,927,439	2,424,191
Represented by:				
Revenue reserve	184,174	184,174	184,174	184,174
Retained profits - Company	738,536	678,730	738,536	678,730
- Subsidiaries	-	-	2,004,729	1,561,287
	922,710	862,904	2,927,439	2,424,191

20 DEBENTURES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	-	-	3,000,000	-
Debenture issued (Note 20.1)	-	-	2,000,000	3,000,000
Debenture redeemed	-	-	(201,200)	-
Balance as at the end of the year	-	-	4,798,800	3,000,000
Interest payable (Note 20.4)	-	-	130,764	93,774
Balance as at the end of the year	-	-	4,929,564	3,093,774

The Lion Brewery (Ceylon) PLC issued 3,000,000 rated unsecured redeemable debentures at the face value of Rs. 1,000/- each to raise Rs. 3,000,000,000/- on 17th June 2013. The interest is paid on 30th June, 30th September, 31st December and 31st March for a period of 5 years.

20.1 New Debenture Issue

The Lion Brewery (Ceylon) PLC further issued 20,000,000 rated unsecured redeemable debentures (Category 3 - Type I) at a face value of Rs. 100/- each to raise Rs. 2,000,000,000/- on 8th December 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

The categories of debentures and proportion of each types of debenture in each category are as follows.

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Category 01 Debentures - floating rate (Note 20.2)	-	-	804,800	1,006,000
Category 02 Debentures - fixed rate (Note 20.3)	-	-	3,994,000	1,994,000
Total	-	-	4,798,800	3,000,000

20.2 Category 01 Debentures - Floating Rate

Types in Category 01 Debentures In Rs.'000s	Proportion (From and out of the Category 01 Debentures issued)	Interest Rate (per annum) payable quarterly	Redemption From the Date of Allotment	Group	
				2015	2014
Type A	20%	AWPLR + 0.20%	12 Months (1 Year)	-	201,200
Type B	20%	AWPLR + 0.40%	24 Months (2 Years)	201,200	201,200
Type C	20%	AWPLR + 0.60%	36 Months (3 Years)	201,200	201,200
Type D	20%	AWPLR + 0.80%	48 Months (4 Years)	201,200	201,200
Type E	20%	AWPLR + 1.10%	60 Months (5 Years)	201,200	201,200
Total				804,800	1,006,000

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

20.3 Category 02 Debentures - Fixed Rate

Types in Category 02 Debentures In Rs.'000s	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum) payable quarterly	AER (per annum)	Redemption From the Date of Allotment	Group	
					2015	2014
Type F	30%	13.50%	14.20%	36 Months (3 Years)	598,200	598,200
Type G	30%	13.75%	14.48%	48 Months (4 Years)	598,200	598,200
Type H	40%	14.00%	14.75%	60 Months (5 Years)	797,600	797,600
Type I	N/A	7.85%	8.00%	60 Months (5 Years)	2,000,000	-
Total					3,994,000	1,994,000

20.4 Composition of Debentures Repayment

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Classified under Non Current Liabilities				
Debentures falling due after one year	-	-	4,597,600	2,798,800
Total	-	-	4,597,600	2,798,800
Classified under Current Liabilities				
Debentures falling due within one year (Note 20.2 /Type B)	-	-	201,200	201,200
Debenture Interest Payable	-	-	130,764	93,774
Total	-	-	331,964	294,974
Total Debentures	-	-	4,929,564	3,093,774

20.5 Interest Payments on Debentures

During the period the Group has charged Rs. 596,491,851/- (2014 - 312,001,176/-) as debenture interest on both at fixed rates and floating rates out of which Rs. 130,763,541/- (2014 - 93,773,466/-) was payable as at the reporting date.

21 LOANS AND BORROWINGS

21.1 Loans and Borrowings

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	506,700	45,000	9,652,270	4,132,984
Loan obtained during the year	-	500,000	2,000,000	13,410,738
Repayments during the year	(114,600)	(38,300)	(4,149,467)	(7,923,417)
Exchange loss/(gain) on foreign currency Term Loans Payables	-	-	(1,927)	31,965
	392,100	506,700	7,500,876	9,652,270
Interest Payable	2,218	3,577	12,218	27,347
Balance at the end of the year	394,318	510,277	7,513,094	9,679,617

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

21.2 Details of Long Term Borrowings

Name of the Lender	Loan Amount	Interest Rate p.a.	31st March 2015 Rs. '000s	31st March 2014 Rs. '000s	Repayment Terms	Security Offered
Ceylon Beverage Holdings PLC						
HNB	150 Mn	AWPLR + 1.25%	-	15,000	Payable in 24 equal monthly instalments commencing from October 2009	Unsecured
HNB	500 Mn	AWPLR + 1%	392,100	491,700	To be repaid in 59 equal Monthly Instalments of Rs. 8.3 Mn. each and a final instalment of Rs. 10.3 Mn plus interest	Unsecured
			392,100	506,700		
Lion Brewery (Ceylon) PLC						
HSBC	USD 11.051 Mn.	3 month LIBOR + 3.17%	653,083	944,168	Payable in 20 equal quarterly instalments commencing from March 2012.	Unsecured
DFCC	Rs. 1 Bn	Fixed 8% , reviewed semi annually	600,000	800,000	Payable in 60 equal monthly instalments commencing from April 2013	Unsecured
HSBC	Up to Rs. 2.2 Bn	1 month SLIBOR + 0.5 %	1,055,713	1,651,402	Payable in 42 equal monthly instalments commencing from April 2013	Unsecured
Commercial Bank	Rs. 1 Bn	Fixed 7.75%	899,980	-	Payable in 60 equal monthly instalments commencing from October 2014	Unsecured
DFCC	Rs. 1 Bn	AWPLR(4 week AVG, Revised monthly)	1,000,000	-	Payable in 60 equal monthly instalments commencing from October 2015	Unsecured
Commercial Bank	Rs. 2 Bn	6.95%	2,000,000	-	1 month · Renewable	Unsecured
Citi Bank	Rs. 250 Mn	5.80%	250,000	-	3 month · Renewable	Unsecured
HNB	Rs. 650 Mn	7.25%	650,000	-	1 week · Renewable	Unsecured
HNB	Rs. 750 Mn	7.60%	-	750,000	1 month · Renewable	Unsecured
HNB	Rs. 2,500 Mn	8.00%	-	2,500,000	1 month · Renewable	Unsecured
HNB	Rs. 750 Mn	7.85%	-	750,000	1 month · Renewable	Unsecured
HNB	Rs. 400 Mn	7.60%	-	400,000	1 month · Renewable	Unsecured

Name of the Lender	Loan Amount	Interest Rate p.a.	31st March 2015 Rs. '000s	31st March 2014 Rs. '000s	Repayment Terms	Security Offered
Commercial Bank	Rs. 850 Mn	7.75%	-	850,000	1 month - Renewable	Unsecured
SCB	Rs. 500 Mn	7.65%	-	500,000	1 month - Renewable	Unsecured
			7,108,776	9,145,570		
			7,500,876	9,652,270		

21.3 Composition of Loans and Borrowings Repayment

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Classified under non current liabilities				
Loans and borrowings falling due after one year	292,500	391,700	3,167,362	2,699,390
Classified under current liabilities				
Loans and borrowings falling due within one year	99,600	115,000	4,333,514	6,952,880
Interest payable	2,218	3,577	12,218	27,347
	101,818	118,577	4,345,732	6,980,227
Balance as at the end of the year	394,318	510,277	7,513,094	9,679,617

22 EMPLOYEE BENEFITS

The amounts recognised in the Statement of Financial Position are as follows:

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Present value of unfunded obligation	-	-	102,642	93,899
Liability in the Statement of Financial Position	-	-	102,642	93,899
The movement in the defined benefit obligation over the year is as follows:				
As at 1st April	-	-	93,899	79,694
Interest cost	-	-	9,331	7,931
Current service cost	-	-	10,986	9,309
Actuarial loss	-	-	13,327	1,121
Benefits paid	-	-	(24,901)	(4,156)
As at 31st March	-	-	102,642	93,899

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

The amounts recognised in the Profit or Loss are as follows:

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Interest cost	-	-	9,331	7,931
Current service cost	-	-	10,986	9,309
Total included under staff cost	-	-	20,317	17,240

The amount recognised in the Other Comprehensive Income is as follows:

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Actuarial loss	-	-	13,327	1,121

- 22.1** The requirement for the Company to provide for gratuity payments does not arise as it had no employees on its payroll as at the reporting date.
- 22.2** The gratuity liability of Lion Brewery (Ceylon) PLC as at 31st March 2015 amounting to Rs.101,631,356/- (2014 - Rs.93,312,807/) is based on an actuarial valuation carried out by Mr M Poopalanathan, AIA of M/s. Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries.

The principal assumptions made are given below:

- Rate of discount 10% p.a.
- Rate of pay increase 10% p.a.
- Retirement age 55 years
- The company will continue in business as a going concern.

- 22.3** The above provisions are not externally funded.

22.4 Sensitivity of Assumptions Used

Reasonable possible changes at the reporting date to one of the actuarial assumptions, holding other assumptions constant would have affected the defined benefit obligations as follows;

In Rs.'000s	Company	Group	
	Discount Rate	Discount Rate	Rate of Pay
Increase by one percentage	-	(5,852)	6,944
Decrease by one percentage	-	6,560	(6,295)

22.5 The gratuity liability of Pubs N' Places (Pvt) Limited, Retail Spaces (Pvt) Limited and Luxury Brands (Pvt) Limited as at 31st March 2015 amounting to Rs. 484,920/-, Rs. 212,025/- & Rs. 314,400/- respectively (2014 - 252,465/-, Rs. 334,025/- & Rs. Nil) has been computed by multiplying half month's salary into number of years in service which is in line with LKASs

23 DEFERRED TAXATION

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Deferred tax liability (Note 23.1)	-	-	2,074,378	1,203,836
Balance as at the end of the year	-	-	2,074,378	1,203,836

23.1 Deferred Tax Liability

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	-	-	1,203,836	789,578
On consolidation	-	-	74,467	-
Provision made/(released) during the year	-	-	796,075	414,702
Impact on revaluation of property	-	-	-	(444)
Balance as at the end of the year	-	-	2,074,378	1,203,836

23.2 Net Deferred tax liability relates to the following:

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Temporary differences from Property, Plant & Equipment	-	-	2,115,031	1,241,161
Employee benefits	-	-	(40,653)	(37,325)
	-	-	2,074,378	1,203,836

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

24 TRADE AND OTHER PAYABLES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Trade payables	-	-	386,204	532,692
Trade incentives	-	-	128,853	57,059
Accruals	7,222	6,540	118,413	69,845
Other payables	2,366	2,447	212,191	165,118
	9,588	8,987	845,661	824,714

25 AMOUNTS DUE TO RELATED COMPANIES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Lion Brewery (Ceylon) PLC	24	-	-	-
Carlsberg A/S	-	-	176,403	52,872
	24	-	176,403	52,872

26 REFUNDABLE DEPOSITS

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Balance as at the beginning of the year	-	-	1,044,123	980,333
Deposits received during the year	-	-	98,292	63,790
Deposits refunded during the year	-	-	(2,910)	-
Empty deposit write back during the year	-	-	(253,590)	-
Balance as at the end of the year	-	-	885,915	1,044,123

Refundable deposits are taken from agents as security against the returnable containers held with them.

27 CURRENT TAX LIABILITIES

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Excise duty	-	-	948,441	505,396
Value added tax	1,580	1,518	11,753	182,760
Income tax	17,375	13,366	51,484	169,211
PAYE	19	19	19	19
Nation building tax	-	-	1,149	45,168
	18,974	14,903	1,012,846	902,554

28 REVENUE

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
(A) Dividend income	150,476	150,476	-	-
Royalty income	143,138	132,218	-	-
Brewery	-	-	32,350,375	25,804,319
Retail trade	-	-	41,101	42,216
	293,614	282,694	32,391,476	25,846,535
(B) Local / Export revenue				
Local revenue	293,614	282,694	32,022,308	25,560,192
Export revenue	-	-	369,168	286,343
	293,614	282,694	32,391,476	25,846,535

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

29 OTHER INCOME

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Profit on disposal of PPE	-	-	-	359
Deposit liability write back	-	-	231,875	-
Negative goodwill (Note 38)	-	-	153,892	-
Other income	-	-	11,437	23,272
	-	-	397,204	23,631

30 LOSS ON DISPOSAL AND IMPAIRMENT OF PPE

During the year LBCPLC disposed of its canning line to Wallart Sarl of France and entered in to a sale agreement with them for the sale of the bottling line. Whilst Wallart Sarl took possession of the canning line, the bottling line yet remains in the books of LBCPLC and thus classified under assets held for sale (Note 15). Accordingly an amount of Rs.155.5 million was recorded as a loss on disposal of the canning line whilst an impairment provision for Rs.89.6 million was recognised for the bottling line. As at 31st March 2015, the LBCPLC had in its possession spare parts for the old canning & bottling lines to the value of Rs.29.3 million which has been provided for in the Statement of Profit or Loss And Other Comprehensive Income , as these items are now obsolete.

In the Assets of newly acquired Millers Brewery Ltd, an impairment provision for plant and machinery & returnable containers has been recorded for a value of Rs. 28.3 Mn. The total impact of these transactions are as below.

In Rs.'000s For the year ended 31st March	2015	2014
Lion Brewery (Ceylon) PLC		
Loss on disposal of old canning plant	155,528	-
Impairment of old bottling plant	89,641	-
Provision for spare parts - old bottling / canning plant	29,345	-
	274,514	-
Millers Brewery Ltd		
Impairment of plant,machinery & returnable containers	28,272	-
	302,786	-

31 PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following:

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Directors' fees and emoluments	1,677	1,400	62,501	38,657
Auditors' remuneration - Audit fee	560	560	2,504	2,045
- Audit related services	-	50	113	120
Depreciation on property, plant equipment (Note 9)	537	537	753,904	613,092
Amortisation of intangible assets (Note 10)	-	-	58,123	8,830
Impairment of property, plant equipment	-	-	117,914	-
Impairment for spare parts (Note 30)	-	-	29,345	-
Provision for irrecoverable VAT (Note 32)	-	-	339,811	-
Supporting service fees	443	318	254,057	130,226
Personnel expenses (Note 31.1)	-	-	501,410	416,102

31.1 Personnel Expenses

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Salaries, wages and other related expenses	-	-	435,405	380,323
Defined benefit plan costs- Gratuity	-	-	20,317	17,240
Defined contribution plan costs- EPF & ETF	-	-	45,688	18,539
	-	-	501,410	416,102

32 EXPENSES RELATING TO NEW INVESTMENTS

The LBCPLC incurred Rs. 480,000,000/- as VAT, on account of the acquisition of trademarks from Millers Brewery limited. The acquisition was made on the 21st August 2014.

The input VAT of Rs. 480,000,000/- was to have been recovered from the output VAT due on LBCPLC turnover. However, on the 24th October 2014, the Government of Sri Lanka, through its budget, exempted beer sales from VAT. As at 24th October 2014, Rs. 339,810,719/- remained outstanding on account of recoverable input VAT on the transaction pertaining to the acquisition of trademarks and brands of Millers Brewery Ltd. Since the recovery of this amount is in doubt, a provision of Rs. 339,810,719/- has been made in the accounts for the year ended 31st March 2015.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Provision for irrecoverable VAT	-	-	339,811	-
	-	-	339,811	-

33 FINANCE INCOME AND COSTS

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Finance Income:				
Interest income - fixed deposit	-	-	214,155	621,514
Interest income - FCBU deposits	-	-	-	11
Interest income - other	-	-	8,147	10,850
Reversal of notional interest income - Intercompany	-	(24,991)	-	-
Total Finance income	-	(24,991)	222,302	632,375
Interest Expenses :				
Interest expenses -term loans	38,311	12,004	179,248	352,544
Interest expenses -bank overdrafts & charges	8,276	57,976	73,298	66,153
Interest on debentures	-	-	195,732	176,598
Interest expenses -others	-	375	394,007	222,869
Total Interest Expenses (Note 33.1)	46,587	70,355	842,285	818,164
Net foreign exchange transaction loss	-	-	28,934	43,281
Total Finance Cost	46,587	70,355	871,219	861,445
Net Finance Costs	46,587	95,346	648,917	229,070

33.1 Analysis of Total Interest Expenses

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Total interest expenses incurred during the year.	46,587	70,355	1,347,982	1,350,199
Less - Capitalised during the year (Note 9.g)	-	-	(505,697)	(532,035)
Finance expenses recognised in the profit or loss	46,587	70,355	842,285	818,164

34 INCOME TAX

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Current tax (Note 34.1)	25,708	16,551	280,770	462,382
Dividend tax	-	-	16,724	16,720
Net deferred tax	-	-	801,406	414,258
	25,708	16,551	1,098,900	893,360
Deferred tax recognised in other comprehensive income	-	-	(5,331)	-
	-	-	(5,331)	-

34.1 Reconciliation of the Accounting Profit and Tax Expenses

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Profits before taxation	232,431	173,771	2,392,708	2,062,272
Consolidation adjustments	-	-	150,476	125,488
Remeasurement of employee benefit obligations (Note 22)	-	-	(13,327)	(1,121)
Profits before tax adjustments	232,431	173,771	2,529,857	2,186,639
Aggregate of disallowable expenses	12,018	36,379	2,524,184	1,104,851
Aggregate of allowable claims	(150,476)	(150,476)	(3,793,236)	(1,893,969)
Operating losses Incurred during the year	-	-	75,616	187,234
Tax adjusted profit	93,973	59,674	1,336,421	1,584,755
Less: Exempt interest income	-	-	-	(11)
Total Statutory Income	93,973	59,674	1,336,421	1,584,744
Royalty	-	-	(273,979)	(233,428)
Taxable income	93,973	59,674	1,062,442	1,351,316
Current tax	26,312	16,709	180,313	461,002
(Over) / Under provision in respect of previous years	(604)	(158)	100,457	1,380
Total current tax expense	25,708	16,551	280,770	462,382

34.2 Income Tax

Company

- (a) Income tax provision of Ceylon Beverage Holdings PLC, has been calculated on its adjusted profit at 28% (2014- 28%) in terms of Inland Revenue Act No.10 of 2006 and amendments thereto.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Subsidiaries

Lion Brewery (Ceylon) PLC (LBCPLC)

- (b) In terms of the Inland Revenue Act No. 10 of 2006, the profits & income from operating profits of local operations are liable to income tax at the rate of 40% . (2014 - 40%) and profits attributable to export turnover are liable at 12% (2014 - 12%). Income arisen on interest are considered as separate source of income and is taxed at 28%.
- (c) No tax liability arises on interest earned on FCBU deposits as such is exempt from income tax.

Pubs 'N Places (Private) Limited

- (d) In terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, Pubs 'N Places (Private) Limited is liable to income tax at the rate of 28% (2014- 28%).
- (e) Company has incurred a tax loss of Rs. 40,556,995/- for the year ended 31st March 2015 (2014 - Rs.53,191,422/).
- (f) During the year, the company paid Economic Service Charge amounting to Rs. 956,211/- (2014-Rs. 833,188/-). Payment made hereunder is available as income tax credit for the period in which the payment is made and another four years thereafter.

Retail Spaces (Private) Limited

- (g) In terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the company is liable to income tax at the rate of 28% . (2014 - 28%)

Luxury Brands (Private) Limited

- (h) In terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, company is liable to income tax at the rate of 28%. (2014 - 28%)

35 EARNINGS PER ORDINARY SHARE

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

The following reflects the income and share data used for the computation of earnings per ordinary share:

In Rs.'000s For the year ended 31st March	Company		Group	
	2015	2014	2015	2014
Amount used as the Numerator:				
Profit after taxation	206,723	157,220	1,293,808	1,168,912
Minority interest	.	.	(635,229)	(641,404)
Net profit attributable to equity holders of the company (as the numerator)	206,723	157,220	658,579	527,508
Number of ordinary shares (as denominator)	20,988	20,988	20,988	20,988
Earnings per ordinary share (Rs.)	9.85	7.49	31.38	25.13

36 DIVIDEND - ORDINARY

In Rs.'000s For the year ended 31st March	Company	
	2015	2014
First and final Rs. 7/- per share (2013 - Rs. 7/- per share)	146,917	146,917
	146,917	146,917

- 36.1** The Board of Directors has recommended the payment of a final dividend of Rs. 8/- per share for the year ended 31st March 2015 (2014 - Rs. 7/-) which is to be paid subsequent to approval of the shareholders at the Annual General Meeting. In accordance with Sri Lanka Accounting Standards No 10 - Events after the Reporting period, this proposed dividend has not been recognised as a liability as at 31st March 2015.
- 36.2** As required by Section 56 of the Companies Act No 7 of 2007, the Board of Directors of the Company is satisfied that the solvency of the Company in accordance with the Section 57, prior to recommending the final dividend. A statement of solvency was completed and was duly signed by the Directors.

37 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT

37.1 Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows. (In Rs.'000s)

- L&R : Loans and receivables
OFL : Other financial liabilities
FV : Fair value

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Category As at 31st March In Rs.'000s	Company					
	2015			2014		
	L&R	OFL	FV	L&R	OFL	FV
Financial Instrument						
Financial Assets						
Trade and other receivables	14,335	-	14,335	11,981	-	11,981
Amounts due from related companies	247,648	-	247,648	334,058	-	334,058
Cash and cash equivalent	1,111	-	1,111	1,645	-	1,645
Financial Liabilities						
Loans and borrowings	-	394,318	394,318	-	510,277	510,277
Trade and other payables	-	9,588	9,588	-	8,987	8,987
Amounts due to related companies	-	24	24	-	-	-
Bank overdraft	-	41,756	41,756	-	75,427	75,427

Category As at 31st March In Rs.'000s	Group					
	2015			2014		
	L&R	OFL	FV	L&R	OFL	FV
Financial Instrument						
Financial Assets						
Trade and other receivables	2,104,829	-	2,104,829	2,649,504	-	2,649,504
Cash and cash equivalent	2,326,082	-	2,326,082	6,873,229	-	6,873,229
Financial Liabilities						
Debentures	-	4,929,564	4,929,564	-	3,093,774	3,093,774
Loans and borrowings	-	7,513,094	7,513,094	-	9,679,617	9,679,617
Trade and other payables	-	845,661	845,661	-	824,714	824,714
Refundable deposits	-	885,915	885,915	-	1,044,123	1,044,123
Amounts due to related companies	-	176,403	176,403	-	52,872	52,872
Bank overdraft	-	1,617,945	1,617,945	-	926,196	926,196

Financial assets and liabilities with shorter maturities and with interest rates which are in line with normal market rates are considered to have a reasonable approximation to its' fair value. Accordingly the fair value hierarchy was not applicable.

37.2 Financial Risk Management

The Group is exposed to a range of financial risks through its number of financial instruments.

In particular, the key financial risk categories are:

- A. Credit risk/Counterparty risk
- B. Liquidity risk and
- C. Market risk

This note presents information about the group exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and management of capital. Further quantitative disclosures are included throughout these financial statements.

37.3 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Group risk management processes are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the group activities.

The Audit Committee oversees how management monitors compliance with the Group risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

37.4 Credit Risk/Counterparty Risk

Credit / Counterparty risk is the risk that at a future date, the other party to a financial transaction may cause a financial loss to the group by failing to discharge an obligation.

Key areas where the group is exposed to counterparty risk as a part of its operations are:

- Trade and other receivables
- Amounts due from related companies
- Cash and cash equivalents

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

37.4.1 Management of credit risk

The Group manage its credit risk with different types of instruments as follows.

Item	Procedure
Trade and other receivables	Most of trade receivables are covered through either bank guarantees or as a discounting arrangement without recourse to the company with a commercial bank.
Due from related companies	Monitor the balance outstandings regularly
Cash and cash equivalents	Monitor the balance outstandings regularly

37.4.2 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows.

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Trade and other receivables	14,335	11,981	2,104,829	2,649,504
Amounts due from related companies	247,648	334,058	-	-
Cash and cash equivalents	1,111	1,645	2,326,082	6,873,229
	263,094	347,684	4,430,911	9,522,733

The maximum exposure to credit risk at the reporting date by type of counterparty was:

In Rs.'000s As at 31st March	Company		Group	
	2015	2014	2015	2014
Financial institutions	1,111	1,645	2,326,082	6,873,229
Customers and other parties	14,335	11,981	2,104,829	2,649,504
Related parties	247,648	334,058	-	-
	263,094	347,684	4,430,911	9,522,733

37.4.3 Trade & Other Receivable

The Group has a well established credit policy for both international and domestic customers to minimise credit risk. A separate credit team has been established to evaluate and recommend the credit worthiness of the customers. The Group obtains bank guarantees from all the agents to cover part of their outstanding whilst the balance is covered through a facility from a bank. This banking facility is extended to all agents except those who are out of the scheme.

The bank guarantees and the facility from the bank cover 90% of the trade receivables.

37.4.4 Impairment Losses

The ageing of trade and other receivables at the reporting date are as follows:

Age In Rs.'000s	Company		Group	
	2015	2014	2015	2014
Past due 0 - 30 days	-	-	1,018,772	1,050,531
More than 365 days	-	-	15,065	15,065
	-	-	1,033,837	1,065,596

37.5 Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or other financial assets.

37.5.1 Management of Liquidity risk

The Group's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The group's approach to managing its liquidity risk is as follows:

- Regularly monitoring of the group's assets and liabilities in order to forecast cash flows for up to future period
- Arrange adequate facilities with banks as contingency measures.
- Daily monitoring the facility limits i.e. overdrafts with banks.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

37.5.2 The Maturity Analysis of Liabilities

As at 31st March 2015 In Rs.'000s	Company			Group		
	Carrying Value	Up to Year 1	Above year 1	Carrying Value	Up to Year 1	Above year 1
Bank overdrafts	41,756	41,756	-	1,617,945	1,617,945	-
Debentures	-	-	-	4,929,564	331,964	4,597,600
Loans and borrowings	394,318	101,818	292,500	7,513,094	4,345,732	3,167,362
Trade & other payables	9,588	9,588	-	845,661	845,661	-
Amount payable to related parties	24	24	-	176,403	176,403	-
Refundable deposits	-	-	-	885,915	-	885,915
	445,686	153,186	292,500	15,968,582	7,317,705	8,650,887

As at 31st March 2014 In Rs.'000s	Company			Group		
	Carrying Value	Up to Year 1	Above year 1	Carrying Value	Up to Year 1	Above year 1
Bank overdrafts	75,427	75,427	-	926,196	926,196	-
Debentures	-	-	-	3,093,774	294,974	2,798,800
Loans and borrowings	510,277	118,577	391,700	9,679,617	6,980,227	2,699,390
Trade & other payables	8,987	8,987	-	824,714	824,714	-
Amount payable to related parties	-	-	-	52,872	52,872	-
Refundable deposits	-	-	-	1,044,123	-	1,044,123
	594,691	202,991	391,700	15,621,296	9,078,983	6,542,313

37.6 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obliger's / issuer's credit standing) that will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

37.6.1 Management of Market Risks

All borrowing rates are linked to AWD, AWPLR, SLIBOR and LIBOR. Hence it provides a hedge against interest rate fluctuations. The repayment of the foreign currency loan is matched with the receipts from exports sales proceeds in foreign currency.

37.6.2 Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As protection against exchange rate fluctuations, the commitments are recorded in local currency. The Group does not use any derivative financial instruments to hedge the risk. The currency risk attached to financial instruments is minimal as it represents local currency.

37.6.3 Interest Rate Risk

Interest rate risk is the risk to the earnings and economic value of equity ("EVE") arising from adverse movements in interest rates. The Group's short-term investments are at fixed interest rates and mature within one year.

37.6.4 Sensitivity Analysis on Interest Rate Fluctuation

If one percentage point change in the interest rate would have the following effects:

In Rs.'000s Instrument	Rate	Company		Group	
		Increase by one percentage	Decrease by one percentage	Increase by one percentage	Decrease by one percentage
HNB - 500Mn	AWPLR + 1.25%	3,921	(3,921)	3,921	(3,921)
Debenture Type B	AWPLR + 0.40%	-	-	2,012	(2,012)
Debenture Type C	AWPLR + 0.60%	-	-	2,012	(2,012)
Debenture Type D	AWPLR + 0.80%	-	-	2,012	(2,012)
Debenture Type E	AWPLR + 1.10%	-	-	2,012	(2,012)
HSBC - Up to Rs. 2.2 Bn	1 month SLIBOR + 0.5 %	-	-	10,557	(10,557)
DFCC - Rs. 1 Bn	AWPLR (4 week AVG, Revised monthly)	-	-	10,000	(10,000)
HSBC - USD 11.05 Mn	3 month LIBOR + 3.17%	-	-	6,531	(6,531)
Potential impact		3,921	(3,921)	39,057	(39,057)

37.6.5 Management of Interest Rate Risk

The facility limits given by banks are reviewed annually or whenever required. These limits are monitored on a daily basis and a regular reporting on the market rates/values, trends & movement are done periodically to the top management. A daily reporting is made to Financial Controller giving the outstanding balances and interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

38 ACQUISITION OF MILLERS BREWERY LIMITED

On the 30th October 2014, the LBCPLC together with its subsidiary Pearl Springs (Private) Limited (PSPL) acquired the 100% shareholding of Millers Brewery Limited (MBL) and its trademarks at a total consideration of Rs. 1,150,000,000/-. Whilst Rs. 4,000,000,000/- was paid for the acquisition of trademarks, Rs. 1,150,000,000/- was paid towards the purchase of the shareholding of MBL in its entirety. Consequent to this transaction, the accounts of MBL and PSPL have been consolidated with that of the LBCPLC.

With the acquisition of the MBL trademarks, the LBCPLC now has in its portfolio, the brands of Sando Power, Irish Dark, Sando Stout, Three Coins Lager and Grand Blonde. Lion Brewery has the opportunity of taking advantage of its supply chain capabilities to brew & distribute the MBL portfolio of products to ensure that its loyal consumers continues to have access to the brands of their choice.

The purchase consideration of Rs. 1,150,000,000/- paid for the shares of MBL resulted in a negative goodwill of Rs. 153,892,000/- which has been recognised in the Profit or Loss.

The following represents the fair values of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition

In Rs.'000s	2015
Assets	
Property, plant & equipment	1,352,086
Trade and other receivables	32,497
Cash and cash equivalents	18,691
Total Assets	1,403,274
Non- Current Liabilities	
Deferred taxation	74,467
Current Liabilities	
Trade and other payables	24,915
Total Liabilities	99,382
Identifiable Net Assets Acquired	1,303,892
Less: Negative goodwill arising from acquisition	(153,892)
Total consideration for the acquisition	1,150,000
The effects of acquisition on cash flow is as follows	
Consideration settled in cash	1,150,000
Less: Cash and cash equivalents of subsidiary acquired	(18,691)
Cost of acquisition of subsidiary net of cash	1,131,309

No revenue has been recorded since the date of acquisition whilst a loss of Rs. 45,234,741/- was recorded for the period ending 31st March 2015 since the date of the acquisition.

39 RELATED PARTY DISCLOSURES

39.1 Parent and Ultimate Controlling Party

In the opinion of the Directors, Carson Cumberbatch PLC is the parent company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the ultimate parent and controlling entity of Ceylon Beverage Holdings PLC.

39.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", key management personnel are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (including executive and non executive directors) and their immediate family members have been classified as KMP of the Company.

The compensation paid to key management personnel consist of short-term employment benefits which are disclosed in aggregate in Note 31 to the Financial Statements. No other payments such as post-employment benefits, terminal benefits and share based payments have been paid to key management personnel during the period, apart from disclosed below.

Mr. C.P. Amerasinghe, Director of the LBCPLC retired with effect from 31st March 2015. Terminal benefits amounting to Rs. 21,185,000/= was paid to him on his retirement, during the year.

39.3 Other Related Party Transactions

39.3.1 Transactions with Subsidiary Companies

Messrs. L.C.R.de C. Wijetunge, H. Selvanathan, S.K. Shah, D.C.R. Gunawardena, D. A. Cabraal, H. J. Andersen Directors of the Company, are also Directors of Lion Brewery (Ceylon) PLC, with which the following contracts/ transactions have been entered into during the period by the Company in the normal course of business.

(a) Lion Brewery (Ceylon) PLC (LBCPLC)

- (i) Was charged Rs. 143,138,003/- (2014 - Rs. 132,218,641/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (ii) A dividend income of Rs. 150,475,637/- was received by the company from LBCPLC during the period. (2014 - Rs. 150,475,637/-)
- (iii) As at 31st March 2015 the balance payable to the LBCPLC is Rs. 24,400/-. (2014 Receivable - Rs. 12,749,389/-)

(b) Pubs 'N Places (Private) Limited

- (i) Mr. S.K. Shah and D.R.P. Goonetilleke Directors of the LBCPLC are also Directors of Pubs 'N Places (Private) Limited, to which the LBCPLC sold beer for a total value of Rs. 180,297,243/- during the year. (2014 - Rs. 183,630,888/-)
- (ii) As at 31st March 2015 balance receivable from Pubs 'N Places (Private) Limited to the Company was 242,472,747/-. (2014 - Rs. 316,164,127/-)

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

(c) Retail Spaces (Pvt) Limited

- (i) Messrs. S.K. Shah, C.P. Amerasinghe (Retired w.e.f. 31/03/2015) and D.R.P. Goonetilleke, Directors of the LBCPLC are also Directors of Retail Spaces (Private) Limited, to which the LBCPLC sold beer for a total value of Rs. 165,918,866/- (2014 - Rs. 211,148,300/-) during the year.
- (ii) An amount of Rs. 5,174,505/- was receivable from Retail Spaces (Private) Limited to the Company as at 31st March 2015 (2014 - Rs. 5,144,425/-)

39.3.2 Transactions with group entities

Messrs. H.Selvanathan and S.K. Shah Directors of the Company, are also Directors of Carsons Management Services (Private) Limited, which provides supporting services to the Group. An amount of Rs. 338,681,064/- (2014 - Rs. 231,750,623/-) was charged by Carsons Management Services (Private) Limited to the Group during the period which included supporting services fees of Rs. 254,056,753/- (2014 - Rs. 130,225,825/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Group.

No balance was payable to Carsons Management Services (Private) Limited as at 31st March 2015. (2014 - Nil).

39.3.3. Transactions with other related entities

- (i) Messrs. S.G.Lauridsen and H.J.Andersen, Directors of the LBCPLC represent Carlsberg Brewery Malaysia Berhad with which the following contracts / transactions have been entered into by LBCPLC during the period in the normal course of business.
 - (a) As per the licensed brewing agreement, a sum of Rs. 123,530,742/- (2014 - Rs. 101,209,154/-) was paid by LBCPLC as royalty during the period to Carlsberg A/S.
 - (b) During the period the LBCPLC purchased the part of its requirement of the raw material Aroma Hop from Carlsberg A/S amounting to Rs. 6,438,666/- (2014 - Rs. 7,392,895/-).
 - (c) An amount of Rs. 176,402,594/- is payable to Carlsberg A/S by LBCPLC as at 31st March 2015 (2014 - Rs. 52,871,852/-).
- (ii) Lion Brewery (Ceylon) PLC (LBCPLC) purchases a part of its requirement of the raw material rice from Ran Sahal (Private) Limited. The entire production of Ran Sahal (Private) Limited is exclusively sold to the LBCPLC. Towards this the LBCPLC advances funds to Ran Sahal (Private) Limited from time to time against future purchases. During the period the LBCPLC purchased rice for an amount of Rs. 316,976,685/- (2014 - Rs.131,435,540/-). As at the reporting date an amount of Rs. 100,588,460/- (2014 - Rs. 70,087,738/-) has been advanced to Ran sahal (Private) Limited which remains to be settled against future purchases.
- (iii) Messrs D.C.R. Gunawardene, Director of the LBCPLC, is also a Director of Equity Two PLC and Equity One PLC with which the LBCPLC entered into transactions.
 - (a) An amount of Rs. 41,051/- was charged as parking fees to Equity Two PLC . (2014 - Rs.29,314/-)
 - (b) An amount of Rs. 27,085/- was charged as rental to Equity One PLC. (2014- Rs. 47,699/-)
- (iv) (a) Messrs D.C.R. Gunawardene and Mr. H. Selvanathan , Directors of the LBCPLC, are also Directors of Carsons Air Line Services (Private) Limited and Pegasus Hotels of Ceylon PLC with which the group entered into transactions.
 - (i) The Group purchased air line tickets and obtained other services from Carsons Air Line Services (Private) Limited for which amount of Rs. 43,400/- (2014 - Rs. 7,319,308/-) was paid during the period.

(ii) The Group has obtained services from Pegasus Hotels of Ceylon PLC for which an amount of Rs. 46,111/- (2014 - Rs. 333,780/-) was paid during the period.

(v) Mr. D.A. Cabraal, Director of the Company is also a Director of the Hatton National Bank PLC, with which the Group transacted during the period as described below.

Category - (Rs.)	2015	2014
Term loan interest expense	38,310,410	12,003,551
Short term loan interest expense	120,957,252	176,708,465
Overdraft interest expense	86,493	29,533,849
Fixed deposit interest income	5,263,699	6,164,384
Debentures issued	468,600,000	.

Short term loans - (Rs.)	2015	2014
Opening balance	4,400,000,000	.
Short term loans obtained	2,600,000,000	8,000,000,000
Short term loans repaid	(6,350,000,000)	(3,600,000,000)
Balance as at period end	650,000,000	4,400,000,000

Term Loans - (Rs.)	2015	2014
Opening balance	506,700,000	45,000,000
Term loans obtained	.	500,000,000
Term loans repaid	(114,600,000)	(38,300,000)
Balance as at period end	392,100,000	506,700,000

Fixed Deposits - (Rs.)	2015	2014
Opening balance	252,239,578	1,339,578
Fixed deposits placed	200,900,000	250,900,000
Fixed deposits matured	(250,939,578)	.
Balance as at period end	202,200,000	252,239,578

(vi) Mr. L.C.R. de C. Wijetunge, director of the Company, is also a director of Janashakthi Insurance PLC for which the Group has paid Rs. 16,205,631/- for it's services. (2014 - 10,358,836/-).

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

39.4 Fully owned subsidiaries – Pearl Springs (Pvt) Ltd & Millers Brewery Limited

As explained in Note 38 to these financial statements, Lion Brewery (Ceylon) PLC together with its subsidiary, Pearls Springs (Pvt) Ltd had acquired Millers Brewery Limited. Management is currently evaluating the available options in order to ensure the assets in both PSPL and MBL are used to maximize the value in both entities. Accordingly as at the reporting date, no commercial operations were carried out since the date of acquisition in both entities.

40 CONTINGENT LIABILITIES AND COMMITMENTS

40.1 Contingencies

(a) Company

(i) Following legal matter is outstanding against the Company and no provision has been made in the Financial Statements to this regard.

In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Company and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs.23,062,080/43 being the amount of Excise (Special Provision) Duty (the 'duty') purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs.25,059,553/86 as its penalty. The Company and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty and obtained a Stay Order in respect of the proceedings of the Fort MC Case. A sum of Rs. 23,062,080/43 being the duty amount in dispute was paid to Sri Lanka Customs by the Company as required before submitting its appeal. Subsequently the CA Application was dismissed and the Company appealed against the Order to the Supreme Court and was granted Special Leave to Appeal by the Court. The Court also ordered the staying of all further proceedings in the MC Case until final hearing and determination of the Appeal. No provision has been made for the payment of penalty amounting to Rs.25,059,553/86, pending the Judgment from the Supreme Court in the said Leave to Appeal matter. Currently this matter is in the Arguments stage and will be heard in the Supreme Court on 25th of May 2015.

(b) The Group

(i) Contingent liabilities as at 31st March 2015 amount to Rs. 17,482,348/- (2014 -Rs. 17,076,169/-), being bank guarantees given to Government bodies for operational purposes and shipping guarantees for clearing cargo pending the receipt of original documents.

(ii) Following legal matter is outstanding against the LBCPLC and no provision has been made in the Financial Statements to this regard.

The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the company and its directors to recover Excise Duty amounting to Rs. 58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs. 29,376,791/47. The Company and the directors have filed an application for Writ in the Court of Appeal to quash the Certificate Excise Duty in Default issued by the DG of Customs and Excise Duty to recover the said sum and obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case. The Court of Appeal made an order against the Company refusing the writ of certiorari prayed for and the Company has now preferred an appeal against the said order to the Supreme Court. The matter is currently at the stage of arguments.

(iii) An assessment has been received for Rs. 74,676,206/- from the Department of Inland Revenue to Millers Brewery Limited for income tax for the financial year 2011/12. As this pertains to the period when Millers Brewery was owned by Cargills (Ceylon) PLC, a bank guarantee has been provided by the previous owner Cargills (Ceylon) PLC to absolve LBCPLC from any tax loss.

40.2 Other Matters

As per interim Budget 2015 passed by the Parliament of Sri Lanka on 7th February 2015, it was proposed that a one off 25% Super Gain Tax (SGT) is to be imposed on companies based on either profits of (a) the company or (b) at the consolidated level if in a Group, if the profit before income tax is in excess of Rs. 2,000 million as per the Audited Financial Statements in the Financial Year 2013/14. The Bill in respect of the above budget proposal was issued on 30th March 2015. The consolidated profit before tax of Carson Cumberbatch PLC (Parent of Ceylon Beverage Holdings PLC) exceeds this threshold. Accordingly, the Company, Lion Brewery (Ceylon) PLC and Retail Spaces (Pvt) Ltd will become liable for SGT based on the taxable income. However, as of the date of authorizing the Financial Statements by the Board of Directors, this bill has not been passed in the Parliament. In the event the bill is enacted as law in the future, the Group which has a taxable income for the year of assessment 2013/14 will become liable to pay SGT.

Apart from the above there were no other material contingent liabilities which would require adjustments to or disclosure in the Financial Statements.

40.3 Finance Commitments

Lion Brewery (Ceylon) PLC

Document credits effected for foreign purchases of the LBCPLC as at 31st March 2015 amounting to Rs. 285,302,010/- (2014 - Rs. 378,372,821/-).

41 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommended a first and final dividend of Rs.8/-per ordinary share for the year ended 31st March 2015. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

Apart from above, subsequent to the reporting date, no circumstances have arisen which required adjustment to or disclosure in the Financial Statements.

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to give proper presentations as at 31st March 2015.

43 SEGMENTAL ANALYSIS

The group does not distinguish its products into significant components for different geographical segments as the differentiations are insignificant.

44 DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements. Please refer the Annual Report of the Board of Directors on the affairs of the Company for the Directors' responsibilities for financial reporting.

STATEMENT OF VALUE ADDED - GROUP

In Rs.'000s For the year ended 31st March	2015	%	2014	%
VALUE ADDED				
Revenue	32,391,476		25,846,535	
Other income	397,204		23,631	
Value added tax	2,597,549		3,123,880	
	35,386,229		28,994,046	
Cost of material and services bought from outside	(12,273,473)		(9,587,198)	
	23,112,756		19,406,848	
DISTRIBUTED AS FOLLOWS:				
To Employees				
As remuneration and other employee costs	501,410	2.17	416,102	2.14
To Government				
As Excise duty & Import duty	16,273,162	70.41	12,294,313	63.35
As Value added tax	2,597,549	11.24	3,123,880	16.10
As Income tax	244,392	1.06	281,473	1.45
As Economic Service Charge	1,332	0.01	833	0.00
As Nation building tax	370,941	1.60	491,051	2.53
To Providers' of Capital				
As Dividends to shareholders	146,917	0.64	146,917	0.76
As Finance expenses	871,219	3.77	861,445	4.44
Retained in the Business				
As Depreciation/amortisation	812,027	3.51	621,922	3.20
As Non-Controlling Interest	635,229	2.75	641,404	3.31
As Profit for the year	658,579	2.85	527,508	2.72
	23,112,756	100.00	19,406,848	100.00

Notes:

- The Statement of Value Added shows the quantum of wealth generated by the activities of the Group and its applications.
- Value added tax is excluded in arriving at the above Turnover. Therefore, tax liability / payment made to the Government during the year include the following:

In Rs.'000s	2015	2014
Value added tax	2,597,549	3,123,880
Excise duty & Import duty	16,273,162	12,294,313
Income tax	244,392	281,473
Economic service charge	1,332	833
Nation building tax	370,941	491,051
Withholding tax	54,729	69,581
Total Taxes	19,542,105	16,261,131

FIVE YEAR GROUP SUMMARY

OPERATING RESULTS

Year ended 31st March In Rs.'000s	2015	2014	2013	2012	2011
Revenue	32,391,476	25,846,535	22,983,570	18,130,734	11,583,356
Other income	397,204	23,631	59,640	26,948	7,142
	32,788,680	25,870,166	23,043,210	18,157,682	11,590,498
Total expenditure	(29,104,458)	(23,578,824)	(21,439,222)	(15,763,809)	(9,979,988)
Profit from operating activities before exceptional expenses	3,684,222	2,291,342	1,603,988	2,393,873	1,610,510
Loss on disposal and impairment of PPE	(302,786)	-	-	-	-
Profit from operations before expenses relating to new investment	3,381,436	2,291,342	1,603,988	2,393,873	1,610,510
Expenses relating to new investment	(339,811)	-	-	-	-
Net finance costs	(648,917)	(229,070)	(13,954)	(218,721)	(194,709)
Profit before taxation	2,392,708	2,062,272	1,590,034	2,175,152	1,415,801
Income tax	(1,098,900)	(893,360)	(570,620)	(911,485)	(575,336)
Profit for the year	1,293,808	1,168,912	1,019,414	1,263,667	840,465
Total comprehensive loss for the year	(7,996)	(1,121)	-	-	-
Total comprehensive income for the year	1,285,812	1,167,791	1,019,414	1,263,667	840,465
Dividends - Ordinary	167,905	146,917	146,917	83,923	62,964

STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	2015	2014	2013	2012	2011
Stated capital	533,384	533,384	533,384	533,384	533,384
Capital reserve	492,331	492,331	492,331	492,331	563,905
Revenue reserve	2,927,439	2,424,191	2,044,186	1,663,071	1,178,420
	3,953,154	3,449,906	3,069,901	2,688,786	2,275,709
Non-Controlling interest	3,784,938	3,310,201	2,822,132	2,487,346	2,142,501
	7,738,092	6,760,107	5,892,033	5,176,132	4,418,210
Loans and borrowings	7,764,962	5,498,190	2,738,907	1,148,802	1,251,727
Capital Employed	15,503,054	12,258,297	8,630,940	6,324,934	5,669,937
Represented by:					
Non-current assets	19,175,670	12,363,938	8,372,372	5,168,838	6,445,374
Current assets	7,720,870	12,217,754	9,244,096	5,338,164	2,358,962
Current liabilities	(9,216,466)	(11,025,660)	(8,116,256)	(3,540,262)	(2,673,820)
Retirement benefit obligations	(102,642)	(93,899)	(79,694)	(66,331)	(51,648)
Deferred tax liabilities	(2,074,378)	(1,203,836)	(789,578)	(575,475)	(408,931)
	15,503,054	12,258,297	8,630,940	6,324,934	5,669,937

Year ended 31st March In Rs.'000s	2015	2014	2013	2012	2011
Cash Flow Statistics					
Net cash (outflows)/inflows from operating activities	3,498,086	1,796,365	(1,950,888)	1,206,127	1,683,704
Net cash (outflows)/inflows from investing activities	(8,109,841)	(2,337,721)	(4,538,383)	932,839	(1,617,970)
Net cash inflows/ (outflows)from financing activities	(627,141)	8,204,372	2,368,142	(276,528)	985,218
Net cash movement for the year	(5,238,896)	7,663,016	(4,121,129)	1,862,437	1,050,952

RATIOS & STATISTICS

Year ended 31st March In Rs.'000s	2015	2014	2013	2012	2011
Operational Ratios					
Return on shareholders' funds (%)	16.66	15.29	16.94	24.76	19.74
Assets turnover (times)	1.20	1.05	1.30	1.73	1.32
Gearing ratio (%)	60.26	50.24	42.02	-	15.24
Interest cover (times)	5.21	3.19	9.15	9.94	7.93
Current ratio (times)	0.84	1.11	1.14	1.51	0.88
Earnings per share (Rs.)	31.38	25.13	24.78	31.72	21.40
Price earnings ratio (times)	22.31	19.89	19.17	11.03	17.29
Market price per share (Rs.)	700.10	500.00	474.90	349.90	370.00
Dividends per share (Rs.)	7.00	7.00	6.00	4.00	3.00
Net assets per share (Rs.)	188.35	164.37	146.27	128.11	108.43
Market capitalisation (Rs. '000)	14,693,762	10,494,045	9,967,244	7,343,733	7,765,593

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION - US\$

As at 31st March In US\$,'000s	Company		Group	
	2015	2014	2015	2014
ASSETS				
Non-Current Assets				
Property, plant & equipment	920	942	110,819	91,287
Intangible assets	-	-	31,507	2,259
Investments in subsidiaries	12,322	12,560	-	-
Total Non-Current Assets	13,242	13,502	142,326	93,546
Current Assets				
Inventories	-	-	20,768	20,391
Trade & other receivables	106	93	15,623	20,048
Amounts due from related companies	1,838	2,527	-	-
Assets held for sale	-	-	3,651	-
Cash and cash equivalents	8	12	17,265	52,003
Total Current Assets	1,952	2,632	57,307	92,442
Total Assets	15,194	16,134	199,633	185,988
EQUITY AND LIABILITIES				
Equity				
Stated capital	9,198	9,198	9,198	9,198
Capital reserves	938	956	3,654	3,725
Currency fluctuations	(5,240)	(5,162)	(5,240)	(5,160)
Revenue reserves	6,849	6,529	21,728	18,341
Equity attributable to equity holders of the company	11,745	11,521	29,340	26,104
Non Controlling Interest	-	-	28,093	25,045
Total Equity	11,745	11,521	57,433	51,149
Non Current Liabilities				
Debentures	-	-	34,125	21,176
Loans and borrowings	2,171	2,964	23,509	20,424
Employee benefits	-	-	762	710
Deferred tax liabilities	-	-	15,397	9,108
Total Non- Current Liabilities	2,171	2,964	73,793	51,418

As at 31st March In US\$,'000s	Company		Group	
	2015	2014	2015	2014
Current Liabilities				
Trade and other payables	71	68	6,277	6,240
Amounts due to related companies	-	-	1,309	400
Refundable deposits	-	-	6,575	7,900
Tax liabilities	141	113	7,518	6,829
Debentures	-	-	2,464	2,232
Loans and borrowings	756	897	32,255	52,812
Bank overdraft	310	571	12,009	7,008
Total Current Liabilities	1,278	1,649	68,407	83,421
Total Liabilities	3,449	4,613	142,200	134,839
Total Equity and Liabilities	15,194	16,134	199,633	185,988

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - US\$

For the year ended 31st March In US\$,'000s	Company		Group	
	2015	2014	2015	2014
Revenue	2,209	2,133	243,669	194,991
Cost of sales	-	-	(181,106)	(148,511)
Gross profit	2,209	2,133	62,563	46,480
Other income	-	-	2,988	178
	2,209	2,133	65,551	46,658
Distribution expenses	-	-	(27,488)	(22,151)
Administrative expenses	(110)	(102)	(8,849)	(6,642)
Other expenses	-	-	(1,499)	(580)
Loss / impairment on disposal of PPE	-	-	(2,278)	-
Profit from operations before expenses relating to new investment	2,099	2,031	25,437	17,285
Expenses relating to new investment	-	-	(2,556)	-
Profit before finance cost	2,099	2,031	22,881	17,285
Finance income/(Reversal)	-	(189)	1,672	4,771
Finance costs	(350)	(531)	(6,554)	(6,499)
Net Finance Costs	(350)	(720)	(4,882)	(1,728)
Profit before taxation	1,749	1,311	17,999	15,558
Income tax expenses	(193)	(125)	(8,267)	(6,740)
Profit for the Year	1,556	1,186	9,732	8,818
Other comprehensive income				
Remeasurement of employee benefit obligations	-	-	(100)	(8)
Deferred tax adjustment	-	-	40	-
Total other comprehensive loss for the year	-	-	(60)	(8)
Total comprehensive income for the year	1,556	1,186	9,672	8,810
Profit attributable to				
- Equity holders of the company	1,555	1,186	4,954	3,980
- Non-Controlling interest	-	-	4,779	4,838
Profit Available for Appropriation	1,555	1,186	9,733	8,818

NOTES TO THE FINANCIAL STATEMENTS - US\$

1 BASIS OF CONVERSION

The translation of Sri Lankan Rupee amounts into US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of Financial Statements.

The translation of the Financial Statements into US Dollars were effected based on the following exchange rates:

		2015	2014
Income statement	Average rate	132.93	130.05
Monetary assets and liabilities	Closing rate	134.73	132.17
Non-current assets and liabilities	Closing rate	134.73	132.17
Ordinary share capital	Historical rate	57.99	57.99

2 REVENUE

For the year ended 31st March US\$ '000s	Company		Group	
	2015	2014	2015	2014
A) Dividend income	1,132	1,135	-	-
Royalty income	1,077	997	-	-
Brewery	-	-	243,359	194,672
Retail Trade	-	-	309	318
	2,209	2,133	243,669	194,991
B) Local / Export Revenue				
Local revenue	2,209	2,133	240,891	192,831
Export revenue	-	-	2,777	2,160
	2,209	2,133	243,669	194,991

FIVE YEAR SUMMARY - GROUP - US\$

OPERATING RESULTS

Year ended 31st March US\$ '000s	2015	2014	2013	2012	2011
Revenue	243,669	194,991	175,727	155,675	102,517
Other income	2,988	178	202	231	147
	246,657	195,169	175,929	155,906	102,664
Total expenditure	(223,776)	(177,883)	(163,683)	(135,352)	(88,337)
Profit from operating activities before finance cost	22,881	17,286	12,246	20,554	14,327
Net finance costs and income	(4,882)	(1,728)	(106)	(1,878)	(1,797)
Profit from ordinary activities before tax	17,999	15,558	12,140	18,676	12,530
Income tax	(8,267)	(6,740)	(4,357)	(7,826)	(5,092)
Profit for the year	9,732	8,818	7,783	10,850	7,438
Remeasurement of Employee benefit Obligations	(60)	(8)	-	-	-
Total Comprehensive income for the year	9,672	8,810	7,783	10,850	7,438
Dividends - Ordinary	1,108	1,108	961	721	557

STATEMENT OF FINANCIAL POSITION

As at 31st March US\$ '000s	2015	2014	2013	2012	2011
Share capital	9,198	9,198	9,198	9,198	9,198
Capital reserves	3,654	3,725	3,832	3,800	5,065
Currency fluctuations	(5,240)	(5,160)	(5,046)	(5,081)	(4,407)
Revenue reserves	21,728	18,341	15,912	12,835	10,585
	29,340	26,104	23,896	20,752	20,441
Non-Controlling interest	28,093	25,045	21,967	19,197	19,245
	57,433	51,149	45,863	39,949	39,686
Loans and borrowings	57,634	41,600	21,319	8,866	11,243
Capital Employed	115,067	92,749	67,182	48,815	50,929
Represented by:					
Non-current assets	142,326	93,546	65,168	39,891	57,894
Current assets	57,307	92,442	71,956	41,200	21,189
Current liabilities	(68,407)	(83,421)	(63,176)	(27,323)	(24,017)
Retirement benefit obligations	(762)	(710)	(620)	(512)	(464)
Deferred tax liabilities	(15,397)	(9,108)	(6,146)	(4,441)	(3,673)
	115,067	92,749	67,182	48,815	50,929

INFORMATION TO SHAREHOLDERS AND INVESTORS

1 Stock Exchange Listing

Ceylon Beverage Holdings PLC is a Public Quoted Company, the ordinary shares of which are listed on the Main Board of the Colombo Stock Exchange of Sri Lanka.

The Stock Exchange code for Ceylon Beverage Holdings PLC shares is “BREW”.

The Market Value of the Company’s share as at 31st March 2015 was Rs. 700.10 per share (31st March 2014 - Rs. 500.00)

2 Ordinary shareholders

As at 31st March	2015	2014
Number of Shareholders	964	965

3 Frequency distribution of shareholdings as at 31st March 2015

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1 - 1,000	780	126,883	0.60	61	15,435	0.07	841	142,318	0.68
1,001 - 10,000	78	232,476	1.11	30	76,511	0.36	108	308,987	1.47
10,001 - 100,000	4	82,116	0.39	5	238,345	1.14	9	320,461	1.53
100,001 - 1,000,000	-	-	-	3	1,267,411	6.04	3	1,267,411	6.04
Above 1,000,000	1	15,726,912	74.93	2	3,222,001	15.35	3	18,948,913	90.28
Grand Total	863	16,168,387	77.04	101	4,819,703	22.96	964	20,988,090	100.00

4 Categories of Shareholders

As at 31st March	No. of Shareholders	No. of Shares	%
Individual	891	541,081	2.58
Institutions	73	20,447,009	97.42
Total	964	20,988,090	100.00

5 The number of shares held by non-residents as at 31st March 2015 was 4,819,703 (2014 - 4,800,852) which amounts to 22.96% (2014 - 22.87%).

INFORMATION TO SHAREHOLDERS AND INVESTORS

6 Public Holding

The percentage of ordinary shares held by the public as at 31st March 2015 was 16.92% (2014 - 16.92%) and the number of public shareholders were 943 (2014 - 944).

7 Market Performance - Ordinary Shares

For The year ended 31st March	2015	2014
Highest (Rs.)	900.00	625.00
Lowest (Rs.)	482.00	412.00
Value of Shares Traded (Rs.'000)	36,100	57,461

8 Market Capitalisation

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share, was Rs. 14,693,761,809/- as at 31st March 2015 (31st March 2014 - Rs.10,494,045/-).

9 Dividends

A First & Final Ordinary dividend of Rs.7/- per share for the year ended 31st March 2014, which was declared at the last Annual General Meeting, was paid during the year. The Directors have recommended the payment of a First & Final dividend of Rs. 8/- per share for the year ended 31st March 2015, which will be declared at the Annual General Meeting subject to approval by shareholders. The details are shown in Note 36 to the Financial Statements

10 Number of Employees

There were no employees as at the reporting date.

GLOSSARY OF FINANCIAL TERMS

APPROPRIATIONS

Apportioning of earnings as dividends, capital and revenue reserves.

CAPITAL RESERVES

Reserves identified for specified purposes and considered not available for distribution.

CASH EQUIVALENTS

Liquid investments with original maturities of six months or less.

CONTINGENT LIABILITIES

Conditions or situations at the Balance Sheet date, the financial effects of which are to be determined by future events which may or may not occur.

CURRENT RATIO

Current assets divided by current liabilities.

DEBT

Total borrowings, less cash and cash equivalents.

DIVIDEND COVER

Post tax profit after preference dividend, divided by gross dividend. It measures the number of times dividends are covered by distributable profits.

DIVIDEND PER ORDINARY SHARE

Dividends paid and proposed, divided by the number of ordinary shares in issue which ranked for those dividends.

EARNINGS PER ORDINARY SHARE

Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

EQUITY

Ordinary share capital plus reserves.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Significant events that occur between the Balance Sheet date and the date on which financial statements are authorised for issue.

GEARING

Ratio of Borrowings to capital employed.

INTEREST COVER

Profits before tax and interest charges divided by interest charges.

MARKET CAPITALISATION

The Market value of a company at a given date obtained by multiplying the market price of a share by the number of issued ordinary shares.

NET ASSETS PER ORDINARY SHARE

Total assets less liabilities excluding preference share capital divided by the number of ordinary shares in issue. This represents the theoretical value per share if the Company is broken up.

PRICE EARNINGS RATIO - (P/ E)

Market price of a share divided by earnings per share

RELATED PARTIES

Parties who could control or significantly influence the financial and operating decisions / policies of the business.

REVENUE RESERVES

Reserves considered as being available for future distribution and appropriations.

VALUE ADDITION

The quantum of wealth generated by the activities of the Company

WORKING CAPITAL

Capital required to finance the day-to-day operations (current assets less current liabilities).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Fourth Annual General Meeting of CEYLON BEVERAGE HOLDINGS PLC will be held on Thursday, 23rd July 2015 at 3.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka for the following purposes:

1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015, together with the Report of the Independent Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. D. C. R. Gunawardena, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
4. To re-appoint Mr. L. C. R. de C. Wijetunge as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution;
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not be applicable to Mr. L. C. R. de C. Wijetunge who is 77 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd)

K. D. De Silva (Mrs)

Director

CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

Secretaries

Colombo

21st May 2015

Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 3.30 P.M. on 21st July 2015.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a Shareholder.
4. The transfer books of the Company will remain open.
5. Security Check

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

FORM OF PROXY

* I/We
of
being *a Shareholder/Shareholders of CEYLON BEVERAGE HOLDINGS PLC hereby appoint
.....
of
bearing NIC No./Passport No. or failing him/her.

LIONEL CUTHBERT READ DE CABRAAL WIJETUNGE	or failing him,
HARIHARAN SELVANATHAN	or failing him,
MANOHARAN SELVANATHAN	or failing him,
SURESH KUMAR SHAH	or failing him,
DON CHANDIMA RAJAKARUNA GUNAWARDENA	or failing him,
DAMIAN AMAL CABRAAL	or failing him,
HENRIK JUEL ANDERSEN	

as *my/our proxy to attend at the One Hundred and Fourth Annual General Meeting of the Company to be held on Thursday, 23rd July 2015 at 3.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare Rs.8/- per share as a First and Final dividend for the financial year ended 31st March 2015 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. L. C. R. de C. Wijetunge who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of Two Thousand and Fifteen.

.....
Signature/s

Notes

- * Please delete the inappropriate words.
- A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a shareholder of the Company.
A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- A shareholder is not entitled to appoint more than one proxy on the same occasion.
- Instructions are noted on the reverse hereof.

FORM OF PROXY (Contd.)

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
The instrument appointing a proxy shall be in writing and;
 - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
 - (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.
A proxy need not be a Shareholder of the Company.
4. In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 3.30 P.M., on 21st July 2015.

Please fill in the following details:

Name

Address

Jointly with

Share folio No.

CORPORATE INFORMATION

NAME OF THE COMPANY

Ceylon Beverage Holdings PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NUMBER

PQ 35

LEGAL FORM

A public Quoted Company with Limited Liability
Incorporated in Sri Lanka in 1910

SUBSIDIARY COMPANIES

Lion Brewery (Ceylon) PLC
Pubs 'N Places (Private) Limited
Retail Spaces (Private) Limited
Luxury Brands (Private) Limited
Pearl Springs (Private) Limited [Incorporated on 20th May 2014]
Millers Brewery Limited [Acquired on 30th October 2014]
Vee Waruna (Private) Limited [Incorporated on 18th November 2014]

PARENT AND CONTROLLING ENTITY

In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Beverage Holdings PLC

DIRECTORS

L. C. R. de C. Wijetunge (Chairman)
H. Selvanathan (Deputy Chairman)
M. Selvanathan (Director / Alternate Director to H. Selvanathan)
S. K. Shah (Chief Executive Officer)
D. C. R. Gunawardena
D. A. Cabraal
H. J. Andersen (Appointed w.e.f. 01-April-2014)

AUDITORS

Messrs. KPMG
Chartered Accountants
No. 32A, Sir Mohamed Macan Markar Mawatha
Colombo 3 Sri Lanka
Tel : +94 11 5426 426
Fax : +94 11 2445 872

BANKERS

Bank of Ceylon
Citibank
Commercial Bank
Deutsche Bank
DFCC Bank
Hatton National Bank
HSBC
National Development Bank
Nations Trust Bank
Peoples' Bank
Sampath Bank
Standard Chartered Bank

LEGAL ADVISERS

Messrs. F. J. & G. De Saram
216, De Saram Place
Colombo 10 Sri Lanka
Tel : +94 11 4718 200
Fax : +94 11 4718 220

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
No: 61, Janadhipathi Mawatha
Colombo 1 Sri Lanka
Tel : +94 11 2039 200
Fax : +94 11 2039 300

REGISTERED OFFICE

No: 61, Janadhipathi Mawatha
Colombo 1 Sri Lanka
Tel : +94 11 2039 200
Fax : +94 11 2039 300

CORPORATE OFFICE & BREWERY

254, Colombo Road,
Biyagama, Sri Lanka
Tel : +94 11 2465 900 (10 Lines)
Fax : +94 11 2465 901

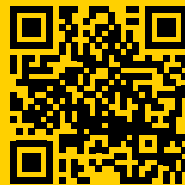
GROUP WEBSITE

www.carsoncumberbatch.com

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www.carsoncumberbatch.com

Ceylon Beverage Holdings PLC

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