CEYLON BEVERAGE HOLDINGS PLC

Annual Report 2017/18

CONTENTS

FINANCIAL HIGHLIGHTS

In Rs.'000	2018	2017	Change %
Revenue	32,363,184	23,083,883	40.2
Profit/ (loss) before finance cost	4,383,490	(573,912)	(863.8)
Profit/ (loss) before taxation	2,891,635	(1,977,888)	(246.2)
Profit/ (loss) after taxation	1,640,367	(1,560,172)	(205.1)
Shareholders' funds	9,084,743	8,275,275	9.8
Total assets	34,218,065	33,078,584	3.4
Earnings/(loss) per ordinary share (Rs.)	36.34	(41.41)	(187.8)
Net assets per ordinary share (Rs.)	218.75	205.14	6.6
Market capitalisation	13,228,793	12,592,854	5.0

CHAIRMAN'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors, I welcome you with great pleasure to the 107th Annual General Meeting of the Company and present herewith the Annual Report for the year ended 31st March 2018, which has been in your hands for the stipulated period. The Chief Executive Officer's review in this report covers the operating environment and the performance of the Group in detail and therefore my statement will be confined to an overview.

The profit recorded from normal operations this financial year is Rs.934. 0 million. In addition to this, the final settlement of Rs.2.0 billion was received from insurance on the claims made for the damages & losses caused by the flood of May 2016. The total advances received last year on insurance was Rs. 2.0 billion. As such, we have now received the full amount of Rs.4.0 billion due on the insurance claim. With these aforementioned insurance receipts, the profit before tax recorded for this financial year is Rs. 2.9 billion compared to the loss of Rs. 2.0 billion recorded in the previous year. It should be noted that this years' results are not comparable to that of the previous year since the Group was affected by floods for six months of the last financial year.

As made aware previously, in November 2015, excise duty on beer was increased by 70% whilst for spirits, it was raised by a much lower 25%. This move pushed up the price of beer beyond its economic value for consumers and as a result, beer volumes declined substantially whilst spirits volumes grew significantly. The effects of this were three fold; the Government lost tax revenue from beer, consumers were encouraged to switch to stronger spirits or to chemically made 'toddy' or to illicit alternatives due to their economic benefits, whilst the Group and the beer industry lost substantial volumes and thus, earnings.

However, in November 2017 the Government corrected this lop sided and unfair excise duty policy, by introducing a pragmatic basis of levying duties for alcohol, based on strength. The Group passed down the full extent of this correction through price adjustments. This resulted in consumers switching from stronger alcohol drinks and harmful illicit liquor to beer, containing lower alcohol. Consequently, Government tax revenue from beer increased significantly and the Group too returned to profitability. The Government must be commended for introducing a rational alcohol policy, which will hopefully be sustained.

The Group has taken several measures to prevent flood related damage. A Dutch firm of experts in flood prevention was also consulted in implementing these flood control measures. The steps taken include the strengthening of the perimeter walls, setting up the necessary infrastructure to install flood gates around the production areas at short notice and repositioning critical controls and machinery at higher elevations. With flood prevention measures in place and a pragmatic excise duty policy in operation, the Group's attention will be focused on the delivery of strong results in the forthcoming years.

During the year your Group paid Rs.24.0 billion as excise & other taxes. This is despite the beer industry performing below its potential up to November 2017. The new Income Tax Act, introduced with effect from April 2018, continues to apply the Corporate Tax rate for alcohol products at 40%, as was previously. However, the rate applicable for exports of beer which was previously 12% is now 40%. Exports are a key driver of economic growth. Higher tax rates dampen the motivation & encouragement needed for companies to vigorously search for export opportunities.

With regards to exports, your Group's products are marketed in 19 countries, with Maldives, UK & USA being the foremost. Exports are also made to many other countries such as Australia, Canada, Italy and Croatia, to name a few.

2017 was a landmark year in which the association of your Group with Carlsberg reached its 25th year. Back in 1992, your Company (then known as Ceylon Brewery Limited) formed a Licensed Brewing Agreement with Carlsberg A/S to brew their brands at the brewery in Nuwara Eliya. To celebrate this momentous occasion, we were pleased to have with us in Sri Lanka the Carlsberg Global President & CEO Mr. Cees 'T Hart. He was accompanied by the former Chairman Carlsberg Brewery Malaysia Berhad Dato Lim Say Chong, its current Chairman Datuk William Toh, and Directors Mr. Hoy Ping and Mr. Graham Fewkes who also the Executive Vice President of Carlsberg Global, overlooking Asia. I thank them all for honouring us with their presence and joining in the commemorations of the silver jubilee anniversary.

Mr. R H Meewakkala was appointed as an independent non-executive Director during the year. Mr. Meewakkala counts many years of experience in marketing at a senior level in the commercial sector. Whilst welcoming him to the Board I look forward to his valuable contribution towards the affairs of the Group.

I take this opportunity to thank our partners Carlsberg, our bankers, insurance companies, loss adjusters, consignment agents, suppliers, customers and loyal consumers for supporting our business and for their continued faith and trust in us.

A note of appreciation is due to all our employees for their unstinted commitment, diligence and loyalty. Your Group is in good hands and I am positive we can expect steady progress and results in the years to come.

My gratitude is also due to the Audit Committee, Remuneration Committee, Related Party Committee and the Nominations Committee and to my colleagues on the Board for providing me advice and guidance to steer the Group.

(Sgd.)

D. A. Cabraal
Chairman

Colombo
18th June 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

EXECUTIVE SUMMARY

It was a year of three parts. The first, from April to July 2017, was one of turbulence. Spirits based hard alcohols dominated the sector, borrowings weighed us down & operating losses stacked up. The second, from July to October 2017 saw a turnaround. The smart, hard work put in by our dedicated senior team started to pay off, some degree of lost volume was clawed back and losses turned to profits, albeit much smaller than those prior to November 2015. The third was from November 2017 to March 2018. A courageous & pragmatic Finance Minister reversed the dubious 2015 excise tax increase on beer, the alcohol industry returned to its pre-November 2015 status, consumption shifted to less harmful brands & we were once again making reasonable returns on our assets.

In the midst of these ups & downs, we finalised our insurance claims. I am pleased to report that the insurers met our claim in full. As can be imagined, we underwent intense scrutiny from the loss adjusters. However, the transparency, completeness and professionalism of the team responsible for the claim from our end ensured receipt up to the full value of the policy. It must be said that the loss adjusters and insurance companies were professional in their approach as well.

In 2017, we celebrated Brand Carlsberg's 25th anniversary Sri Lanka. Cees T'Hart, Global President & CEO, Carlsberg Brewery, Graham Fewkes, Executive Vice President, Carlsberg Brewery, Dato Lim Say Chong, Chairman, Carlsberg Malaysia & Datuk William Toh, & Hoy Ping, Directors of Carlsberg Malaysia joined local dignitaries, members of the Board & Senior Management to celebrate the anniversary in November 2017. Carlsberg was the 1st & to date remains the only, global brand to be brewed & marketed under license in Sri Lanka. Over the years we have enjoyed a wonderful partnership with Carlsberg. The hallmarks of this partnership have been professionalism, trust & respect for each other. We've been privileged to work with Carlsberg in Sri Lanka & look forward to an enduring partnership for many years to come.

During the year under review, on a turnover of Rs. 32.3 billion we earned a pre-tax profit of Rs.2.9 billion. These profits included insurance receipts amounting to Rs.2.0 billion. Since the operating environment of the previous year was vastly different from the year under review – partly due to the floods of 2016 & partly due to the improbable excise tax regime that was in place then – the results of the two periods are not comparable.

BUSINESS & ECONOMIC ENVIRONMENT

The Country's economic momentum in 2017 was far below potential. The agriculture sector was the biggest drag on the economy & contracted by 0.8%. It was impacted by a severe drought in the northern & eastern parts of the Country whilst in the south there were floods. Since close to 30% of our population is dependent on agriculture, a severe impact on the sector has economy wide ramifications. When earnings across such a large community are adversely affected, sales volumes of FMCG businesses are bound to suffer. We were no exception. However, in the 4th quarter of the financial year, the agriculture sector grew by 7.1%. In the meanwhile, the services & industrial sectors grew by 3.2% & 3.9% respectively, very modest in comparison to what it should be & indeed, subdued even in comparison to the previous year. A slowdown in these sectors does not help volume development in categories such as ours.

Inflation (NCPI Index) averaged 6.7% during the year. However, during the initial half of the financial year, inflation was somewhat higher and peaked at 8.8% in October 2017. This was primarily a result of supply side shocks arising from the severe drought. During this initial half, inflation put pressure on consumer purchasing power thereby impacting the FMCG category including beer. Nevertheless, inflation eased considerably during the latter half and by the close of the financial year in March, had come down to just 2.8%.

These levels should have helped bring interest rates below double digits during the latter part of the year. However, this was not the case and the AWPLR remained above 11% throughout. Since we carried a significant debt burden during the year, the high interest rates meant a charge of approx. Rs 1.5 billion against our bottom line. In the meanwhile, the currency remained relatively stable and depreciated by just over 2% over the 12 months under review.

The FMCG sector came under pressure during the financial year. It is estimated that the sector contracted by 1.3% during the financial year. In volume terms, the category declined by 6.3%. What's cause for concern is that the volume decline within the category accelerated during the year from - 2.5% in the first quarter of the financial year to -12% by the fourth. This is certainly not a good sign and it conveys a negative sentiment on the part of consumers.

On a positive note, tourism continued to be a stand out sector in the economy. Earnings from this sector grew by 11.6% in 2017. This was notwithstanding some disruption to the sector as a result of the repairs to the runway at the BIA during the early part of the year. Tourists contribute much to volume development in the beer industry. During "season" time, we experience significant volume growth from the popular tourist destinations. Yet, increasingly this volume is moving from the hotel sector to the wine shops, pubs & restaurants located in & around the tourist areas.

Exports grew by 10.2% to reach an all-time high of USD 11.3 billion in 2017. This was after two years of negative growth. A strong export sector is crucial to Sri Lanka's economic prosperity & it is heartening to note the Government making a serious attempt to stimulate this sector, an example being the re-instatement of the GSP+ facility from the EU. Similarly, the focus on Free Trade Agreements will also help the private sector gain access to new markets & boost exports further. However, a recent amendment to the income tax code – which takes away the concessionary income tax rate on export profits if revenue from exports is less than 80% of a company's turnover - will not help transform Sri Lanka into a nation of exporters. Being a small country, all our businesses must be encouraged to find overseas markets for their products & services. However, when the concessionary tax rate is taken away from first time – or "young" exporters – because they have a higher exposure to the domestic market, that also takes away the incentive to export. The Government would do well to re-instate the concessionary tax rate to all export profits.

FDI into the Country grew significantly in 2017 & reached USD 1.9 billion for the year, an all-time high. Notwithstanding the records, FDI must at least double in the short term to create the type of jobs that young Sri Lankans aspire to. Unfortunately, a number of factors such as political uncertainty, a lack of appropriate skills, issues around ease of doing business & nuisance taxes are keeping investors – both local & foreign – away. However, here again, the proposed FTA's & CEPA with India will help attract investors seeking market access to our partner countries.

THE ALCOHOL INDUSTRY

In November 2017, the Finance Minister announced what is to date, the most pragmatic policy on alcohol taxation. Based on this policy, beer and wine – both soft alcohols – are now taxed at a lower rate than spirits. Further, within each category, the level of taxation will depend on the alcohol content in the liquid. Finally, alcohol taxation in Sri Lanka is compatible with global norms. This is a very significant reform & will shift consumption from hard to soft alcohol. It will also encourage manufacturers to reduce the level of alcohol in their respective beverages to take advantage of lower taxes. Importantly, these reforms will also help to shift consumption from illicit to legal alcohol.

CHIEF EXECUTIVE OFFICER'S REVIEW

The excise tax policy now in place effectively reversed the dubious beer tax increase of 2015. As shareholders are aware, in November 2015, excise duties on beer were increased by as much as 70%. Concurrently, taxes on local spirits were also increased but by a much lower 25%. There was no rationale for discriminating against the beer industry in this manner other than to give spirits manufacturers a distinct competitive advantage. Consumption shifted immediately from beer to spirits i.e. from mild to hard alcohol. Within months, spirits accounted for over 65% of the Country's legal alcohol consumption. With illicit liquor factored in, hard alcohol accounted for an astonishing 85% of total consumption. This was probably a world record. It was the under privileged consumer that paid the price; since hard alcohols – both legal & illegal - were more affordable, they consumed more of it. Indeed no one benefited. Government revenues from the beer industry dropped dramatically & industry players lost money. During the period November 2015 to October 2017, the Group suffered an earnings loss of Rs 7.6 billion on account of the lop-sided excise tax policy (these figures exclude the losses that arose as a result of the floods & the resultant shut down during the period May to December 2016). With all stakeholders poorer as a result, this was a rich example of poor policy.

However, since November 2017, it's been a complete turnaround. Within the legal sector, soft alcohols now account for 63% of consumption. This puts to rest a common misconception; that hard alcohols are the "poor" man's drink. Indeed, prior to November 2015, soft alcohols accounted for 65% of total legal consumption. This is a clear indication that the "poor" man is more than happy to consume soft alcohol if policy makers allow it to be reasonably priced. The evidence is undeniable; it is taxes and the resulting price that drive the "poor" man to spirits. It was also a commonly held belief that consumers of illicit liquor are unlikely to switch to soft alcohol. Available evidence suggests the contrary; in the 5 months since the alcohol tax reforms, considerable in-roads have been made against illicit liquor consumption. We estimate that 35% of the volume increase in the beer category since November 2017 has come from previous consumers of illicit alcohol. We expect this shift to accelerate when economic conditions & consumer spending power improves in the coming months. Clearly, reasonably priced soft alcohol is an effective weapon against illicit alcohol & government should leverage it aggressively.

Illicit alcohol has been a curse on our society for many decades. This product is harmful to those who consume it, it hurts Government revenue & is a threat to legal industry. It is estimated that Sri Lankans consume 203 million litres of illicit alcohol a year. This is 56% of the total alcohol consumption of 2017. Clearly, moonshine is the largest contributor to alcohol related harm in the Country. Those genuinely seeking to prevent the harmful consumption of alcohol must address illicit alcohol first. It does not help when – without giving due consideration to the differences in the respective environments - efforts are made to copy paste to Sri Lanka the theories of alcohol pricing & distribution that are used in the West to fight the harmful use of alcohol. Consider the context in the West. Firstly, in the use of price, they have been mindful to keep soft alcohols such as beer and wine within the ambit of affordability. Second, soft alcohols are widely available. Third, there is a strong institutional framework ensuring law enforcement. Of these, the first two discourage the consumption of hard alcohol whilst all three together keep illicit alcohol at bay. The circumstances in Sri Lanka are very different. Notwithstanding the recent excise tax reforms, legal alcohol remains beyond the affordability threshold. Availability of all types of alcohol is highly restricted. Law enforcement agencies need to be appropriately resourced to successfully fight crime. These combine to provide the illicit alcohol industry a lucrative playground. Since circumstances differ so widely, implementing the policies of the West will not help us prevent the harmful consumption of alcohol. Instead, we will aggravate conditions & past experiences have shown this to be the case.

We must take into account our ground realities & seek out solutions that fit them. A holistic approach encompassing amongst others, law enforcement, pragmatic alcohol policy & education are essential to address the harmful consumption of alcohol. Ignore this reality & alcohol related harm will continue in Sri Lanka.

The toddy that is now available in the market is another beverage that has potential to harm those that consume it. Today's toddy is more an artificial chemical concoction and is rarely from either the coconut or kithul tree. There is much evidence to suggest that synthetic urea, which also has its application in fertilizer is widely used in the preparation of this toddy. Synthetic urea is manufactured with anhydrous ammonia & is used by toddy manufacturers as a nitrogen source to help multiply the yeast used to convert fermentable sugars to alcohol. It is said that a substance known as "Ceylon Paste" is also used in the production of toddy. With the coconut crop gradually declining, some manufacturers are apparently using this artificial toddy as a raw material to produce arrack. The health authorities would do well to investigate the veracity of these reports.

The concerns around illicit alcohol & toddy are not limited to the harm it causes. It represents a large pool of revenue the Government forgoes each year. Since Government must widen the tax net to enhance it's revenues – rather than burden the honest taxpayer more – shifting consumers from illicit to legitimate alcohol would be a very welcome & productive initiative. In terms of spreading the tax net, Government must also focus on another segment of the alcohol industry; those with manufacturing licenses who under disclose production to avoid paying due taxes. We believe that Government can tap into a sizable revenue pool from this segment.

Revenue to Government from the beer industry has seen a sharp improvement since November 2017. Excise duty collections from Lion Brewery alone have increased by Rs 833 million a month. A further increase of Rs 231 million per month has been derived from VAT. Thus, from just us, the monthly revenue gain to Government amounts to Rs. 1.063 billion. The total revenue gain from the beer industry is even greater.

The excise tax reforms of November 2017 have produced many winners. Consumers, since they are no longer pushed by policy makers to drink hard alcohol, Government, since its revenues have increased & industry, since it performance has improved. Indeed, its winners all around & in stark contrast to November 2015, November 2017 saw policy making at its best.

Much credit is due to the Government & the Minister of Finance for implementing reforms pertaining to excise taxes. We hope they now take the next step of modernizing the prevailing Excise Ordinance. This legislation was introduced in 1913 and is no longer conducive to facilitating & regulating modern businesses. In the 105 years since then, a number of rules & regulations have also been introduced. Since these rules & regulations are outside the Ordinance, there is much confusion & leaves space for inconsistent interpretation & in some circumstances, rent seeking. Further, many of these rules & regulations – like the Ordinance - are no longer relevant. A new Ordinance incorporating all relevant rules & regulations into a single piece of legislation is important & we hope that Government moves quickly in this direction.

SALES AND MARKETING OF BEER IN SRI LANKA

It was a busy year in sales & marketing. During the first half of the year, volumes had to be rebuilt under the most difficult of circumstances. Our brands were overpriced by a wide margin due to the excise tax that prevailed. Inflation during this half of the year meant that disposable incomes in the hands of consumers were at a premium. Consumer confidence was also low. Yet, we worked diligently during this period to consolidate our position the best we could. Post November, the challenges were different though equally daunting. Here we had to seamlessly upgrade our distribution system to cater to higher demand and we had to do this virtually overnight.

During the year we undertook two significant projects. Revamping the imagery around the Lion brand was the more important of the two. The task was not easy. On the one hand, we sought to bring the three Lion variants, the lager, the stout & the strong, under a single umbrella brand. We felt it important to position the three as being of one family. On the other hand, it was important to give space to the three variants to express themselves & present their unique characteristics to their respective consumers. I believe we succeeded in this endeavor. Lion now has the look & feel of a brand in tune with the modern world & relevant to the contemporary consumer. The three variants are certainly of one family yet unique in their own way.

Lion was ranked 7th in Interbrand's inaugural list of Best Sri Lankan brands. It was the highest ranked FMCG brand in this list. Further, Lion was once more on the Brand Finance list of Most Valuable brands in Sri Lanka. In this list, the brand was ranked 9th overall, 3 places below the previous year. The drop in ranking is a reflection of the floods impacting the revenues generated by the brand. In the FMCG category, Lion was ranked 2nd with a multinational brand taking the top spot. Brand Lion is legally barred from communicating with its consumers & its price is determined by taxes rather than market dynamics. It also faced the most challenging circumstances during the 24 months ending October 2017, being crippled by high taxes & floods. That such a brand could still make the Country's top 10 is testament to its underlying strengths.

The other major initiative during the year was the launch of the Ryder's brand. The first offering under this brand is a beer-based cider equivalent. The quality of the brand was confirmed with a Gold award at the 2018 Monde Selection. With Ryder's, we brought two exciting innovations to the Sri Lankan beverage category, the pull-off cap & the pressure sensitive label (PSL). This brand has performed beyond expectations & made a significant contribution to both revenue & profits in its launch year. In the meanwhile, brand Carlsberg celebrated the Christmas season with a limited edition.

EXPORTS

During the year under review, we exported 513 containers of beer from Sri Lanka. In the Maldives, we continue to remain market leader. We expanded our draught beer sales in this market by 23% during the year, reflecting the strong growth in tourism in that country. We also experienced significant volume growth in our exports to Africa. In the US, we faced some challenges; a repercussion for curtailing supplies during the time of the floods in 2016. However, in New York we secured marginal growth over the previous year. Lion Stout continues to gain traction in New York & in some top end bars & restaurants, remains the only Asian beer to get a listing.

During the year, we entered the Middle East markets, specifically Abu Dhabi & Qatar. In both markets we cater to the expat community. Croatia, South Korea & Hong Kong are the other markets that we gained entry into during this year. Together with these markets we now have a presence in 19 countries around the world.

Our export portfolio was expanded during the year with the addition of the Ryder's brand & a coffee variant of Lion Stout. As much as we seek new markets for our existing portfolio, we will also add new brands, variants & styles to our export basket. Both initiatives will help to drive sustainable volumes for us in what are very competitive markets beyond our shores.

Exports are a buffer against inconsistent & unfair policies at home. Thus, exports is of strategic importance to the Group. This means that sooner rather than later we will need to start investing significant resources to build & sustain markets overseas. Much of this investment will be focused on brand building & on sales & distribution infrastructure. Strategic returns will outweigh economic returns in the short & medium term. However, this is of crucial importance for us in the long term as it is the most effective tool to mitigate against regulatory changes in Sri Lanka.

Unfortunately, profits from our exports will no longer attract the concessionary income tax rate of 14%. Instead, export earnings will now be taxed at 40%, the rate applicable to profits from Sri Lanka. This is because our exports generate less than 80% of our total revenue. The new policy will help only those who are focused mainly on the export sector. However, is this where Sri Lanka's strategic interests lie? Or does the Country's strategic interests lie in transforming Sri Lanka into a nation of exporters? If it is the former, the taxation policy now in place will suffice. If it's the latter, the present policy is wholly inadequate. We believe that the Country must follow the latter direction & urge the Government to restore the concessionary rate of income tax on all export profits.

SUPPLY CHAIN

During the first half of the year, we focused on improving operating efficiencies & reducing costs in the supply chain system. Waste minimisation was prioritised. At the same time, we worked on new product development initiatives of which two – Ryder's & Coffee Stout – were commercialised. However, post November 2017, focus shifted to ramping up the supply chain to meet increased demand. The entire supply chain from our warehouse to the trade underwent reconstruction. In November 2015 in response to the excise duty increase and resulting drop in volume, we had to layoff a number of people and delivery trucks within the supply chain. In November 2017 we had to fill these slots again. It was no easy task to ensure efficient distribution whilst a challenging resource shortage was being addressed. However, we did succeed in the main although some gaps were seen for a week or two. Further, the use of temporary infrastructure such as trucks on short-term rentals to ramp up distribution meant significant additional costs during this period.

Much work was done to safeguard the brewery from floods. Our boundary walls – which act as dykes – have been raised & strengthened, additional pumps & floodgates to buildings have been installed and generators and some critical equipment have been raised above the flood level. We now have three lines of defence and the plant has remained safe & dry during the floods of 2017 & 2018. A few less important projects on account of flood defences are still outstanding and once concluded, we would have taken all possible precautions.

We remain certified for ISO 22000, ISO 14001 & ISO 18001. These cover quality, environment & health & safety respectively.

SUPPORT SERVICES

For most of the year, the Finance department was preoccupied with managing our cash flow. With revenues & profits under pressure & a heavy debt on our balance sheet, this was no easy task. The operating environment was not conducive for a fresh cash infusion. Stringent working capital management & reducing operating expenditure was the only viable option. These initiatives helped us tide over the difficult period we experienced between November 2015 & October 2017.

In terms of HR, our focus during the year was threefold; performance management, talent management & employee engagement. As part of this process we strove to find a better balance between strategic, team & individual performance parameters. A mentoring program was implemented to develop our high – potential managers. We also put in place an extensive 9-month program to develop & up skill middle managers & high potential Assistant Managers.

The IT team focused its efforts on supporting our cost & efficiency enhancing efforts. Operations are being migrated into a paperless environment to the extent possible. 3 applications were completed during the year under review with more to follow in the future. In addition, we continued to optimise utilisation of the SAP system by bringing in more processes into its domain. An outsourced model to manage IT infrastructure services was implemented during the year. This will allow us to focus our IT resources exclusively on business imperatives, both strategic & operational. It will also help reduce IT related costs whilst enhancing service delivery. In the meanwhile, with the exception of two, all other IT applications are now hosted on the cloud. This means that our investments on IT applications will now increasingly move to an opex rather than a capex model. In order to ensure the integrity of data & information, our IT operations & data centre continue to be ISO 27001:2013 certified.

OPERATING RESULTS & FINANCIAL POSITION

On a turnover of Rs.32.3 billion we earned a pre-tax profit of Rs.2.9 billion. Of this profit, Rs.2.0 billion relates to insurance payments received on account of the floods. As mentioned previously, we have now received in full, the insurance payments due. As shareholders are aware from previous reports, our flood policy – which includes both loss of assets & business interruption - covers us to a maximum value of Rs 4 billion per year. The limitation in the policy is imposed on us by the insurers due to the flood risk in the area. Whilst we have now received the full value of the policy, the losses on account of assets & business interruption exceeded Rs.5.0 billion.

Net finance costs for the year amounted to Rs 1.5 billion, an all-time high, due to the highly leveraged balance sheet we worked with during the year under review. The debt arose due two reasons; firstly, we had to fund operations during a period of low volume, the result of high taxes post November 2015 & secondly, to finance flood related capex replacements pending receipts on account of insurance. However, thanks to insurance receipts, better operating conditions post November 2017 & sound cash flow management, net borrowings reduced by Rs 3.4 billion to Rs 8.4 billion as at the end of the financial year. Thus, gearing at the end of the year stood at 48.2%, a significant improvement over the 58.9% at its commencement. Nevertheless, we need to further bring down our gearing considering the inconsistent policy environment in the Country & this is a priority for us in the coming year.

Net assets per share at the end of the financial year stood at Rs 218.75. In comparison, at the beginning of the financial year, net assets per share amounted to Rs 205.14. In the meanwhile, market value per share rose to Rs.630.30 from Rs.600.00 during the same period. As at the end of the financial year, market value stood at Rs.13.2 billion whilst the balance sheet reflected a net assets value of Rs.9.1 billion.

TAXATION

During the year under review our liability to all taxes amounted to Rs. 24.0 billion. 55% of these taxes arose after the excise tax reforms of November 2017. The corporate tax rate applicable to the alcohol industry continues to remain at 40%, much above the 28% paid by the rest of the private sector. There is no justification for applying a discriminatory rate on an industry that is already burdened by a heavy excise duty and we urge the Government to reconsider this policy.

With the new Inland Revenue Act coming into force, we are compelled to account for a deferred tax liability that would arise if we were to dispose of the land & buildings housing the brewery. The deferred tax liability was calculated on the difference in value between the most recent valuation and the cost of acquisition. As mandated by Accounting Standards, the relevant provision amounting to Rs 351 million is reflected in the Statement of Other Comprehensive Income.

RETURNS TO SHAREHOLDERS

In the final month of the financial year, your Board declared an interim dividend of Rs 7 per share. This amounted to Rs 147 million or 83.6% of distributable profit. Since we were just emerging from the darkest period of our history, it was not easy on our cash flow. However, since shareholders received a small dividend last year, your Board deemed it appropriate to make this distribution & to make it at the earliest possible opportunity.

Considering the heavy debt burden on our balance sheet & the need to bring it down to an optimum level as quickly as we could considering the inconsistent policy framework in the Country, your Board does not recommend a further distribution of dividends for the financial year under review.

Ceylon's share price closed the financial year at Rs.630.30, an increase of 5% in comparison to 12 months previously. Thus, our market value stood at Rs. 13.2 billion as at 31st March 2018.

LUXURY BRANDS (PVT) LTD

This fully owned subsidiary deals with a range of premium, imported alcobevs including all types of spirits, beers & wines. Amongst the world class brands in our extensive portfolio are Johnnie Walker scotch whiskey, Singleton & Talisker single malts, Ciroc vodka, Ron Zacapa rum, Jagermeister, Molinari Sambuca, Corona & Tsingtao beer and Gossips/Indaba & Long Country wines.

During the year under review, we moved aggressively into the wine sector & carved out a significant share within the category. We have so far focused on good quality, new world wines aimed primarily at the off-premise channel. Our range of wines comes from South Africa, Chile & Australia. It is a portfolio we will expand in the future as we strive for a market leadership position in this sector.

We faced a very challenging year primarily as a result of some locally manufactured imported brands entering the market. In the face of such competition we are at a great disadvantage since imported spirits attract a plethora of prohibitive taxes on landing in the Country. These taxes are so prohibitive that they actively encourage a very large gray market. We estimate that smuggled spirits take a much larger share of the market than those imported legitimately. Indeed, at times gray market imports find their way into elite functions. These gray market imports not only discourage legitimate businesses but they also result in significant revenue losses to Government. There are a number of enforcement strategies that can be used to curtail gray market operations, some of which we have discussed with the authorities. Strict enforcement coupled with a realistic tax regime will help eliminate an illegal business and contribute to a significant increase in Government revenue.

As the financial year reached its end, the Moet Hennessy portfolio shifted out to that company's regional distributor who has set up office in Sri Lanka. As such we currently lack cognac, champagne & sparkling wine in our portfolio. However, we are confident that we will soon secure similar brands to once again complete our portfolio.

Our results during the year reflected these challenges & on a turnover of Rs 1.605 billion, we returned a loss of Rs 167 mn. However, within the legitimate sector, we retained our market leadership position within the imported spirits & beer category. In wines, we achieved a very satisfactory market position although we were a very late entrant to the category.

CHIEF EXECUTIVE OFFICER'S REVIEW

PUBS N' PLACES (PRIVATE) LTD

This fully owned subsidiary operates a range of restaurants under the brand names O!, Machang, HQ, Chillax & 8.8. In all, we have 39 restaurants, the largest such chain in the Country. Each brand aims to deliver a quality, value for money experience to consumers in their respective segments. All outlets are operated on a franchised model. Our income is derived from a royalty charged on the revenue of each location.

The Machang brand is gaining increasing traction amongst consumers. As a result, prospective operators are now willing to invest in full the funds required to open new locations. 2 such locations were opened during the year under review. In all, 9 outlets have been funded entirely by the operators. More are planned for the future.

Expanding this business is a challenge since the authorities do not issue new licenses. A further challenge we face comes from many on-premise establishments that operate outside the tax net. As a result they offer food & beverages at more competitive pricing. Despite these challenges, we increased revenue during the year to Rs 329 million from Rs 293 million in the previous year. On the back of higher revenues & improved cost management, losses declined to Rs 59 mn from the previous years' Rs 70 million.

RETAIL SPACES (PRIVATE) LTD.

This fully owned subsidiary operates 4 retail outlets that deal with the full range of alcobevs available in Sri Lanka. Since the authorities do not issue new retail licenses, expanding this business is a challenge. Further, acquiring retail licenses from the secondary market is expensive and cannot be justified on the basis of economic returns, if operations are carried out legitimately. Since we operate very much within the law, acquiring retail licenses from the secondary market is no longer an option.

This business generated a pre-tax profit of Rs 4.6 million during the year, marginally down from the previous periods Rs 5 million.

THE YEAR AHEAD

The FMCG category, including the food & beverage sector, is likely to remain under pressure during the ongoing financial year. Consumer sentiment at present is not conducive to drive consumption of non-essentials. The fuel price adjustment & the currency depreciation will limit purchasing power. If electricity tariffs are also revised this year, there will be further pressure on consumers. On the positive side, the agriculture sector saw recovery in the 1st quarter of 2018. Since the recent weather has also been conducive, it is likely that this sector will do well in the current year. However spare cash from this sector is unlikely to filter into consumption in the short term. Farmers will need to first settle liabilities that are likely to have arisen due to the prolonged drought over the past 24 months. Tourism & exports are other sectors that are expected to do well. Considering these circumstances, we are inclined to believe that beer volumes will be subdued during this financial year.

Our primary focus during the ongoing year is to reduce our debt. The policy environment in the Country is too inconsistent to do otherwise. Indeed, we have been bitten twice before, once in 1998 & the other in 2015 and both times it was just after we had made sizable investments. In addition, we will continue to work on cost reduction initiatives & enhancing efficiencies in the supply chain system.

CONCLUSION

We now have a rational excise tax policy in place. It is a policy that is helping consumers to drink better whilst contributing more to Government coffers. We can't think of a better outcome. Once positive consumer sentiment returns, we are confident that

Government revenue will improve even further. A fair & rational excise tax policy will also ensure satisfactory returns to shareholders.

We went through two incredibly tough years since November 2015. Thanks to a very committed team, led by a set of talented & loyal senior managers, we overcame those two challenging years. Our Consignment Agents also stood with us during this difficult period, as did the trade whilst consumers remained loyal throughout. Similarly, our banking partners too extended their fullest corporation to us. On behalf of the shareholders & the Board, I wish to thank all of them for their unstinted support during the most difficult of times.

My thanks also to our partner Carlsberg, our parent company Carson Cumberbatch & your Board for the confidence & trust placed in management during this period. Their commitment to the long term & what is right for the business helped us engineer a turnaround even before the excise tax reforms were introduced.

Finally, my thanks to our shareholders whose continued trust during a most difficult time was always a source of much encouragement.

(Sgd.)
S. K. Shah
Chief Executive Officer

Colombo
18th June 2018

PROFILES OF DIRECTORS

AMAL CABRAAL

Mr. Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC and CIC Feeds Group of Companies. He is a former Chairman and Chief Executive Officer of Unilever Sri Lanka and has over 3 decades of business experience in general management, marketing and sales in Sri Lanka, the United Kingdom, India and Bangladesh. Amal Cabraal is an Independent Non-Executive Director of John Keels Holdings PLC, Hatton National Bank PLC, Sunshine Holdings PLC and Silvermill Investment Holdings (Pvt) Ltd., and a member of the Supervisory Board of Associated Motorways (Private) Ltd. He is also a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and a Committee Member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society. A Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK, he holds a MBA from the University of Colombo and is an executive education alumnus of INSEAD-France.

HARI SELVANATHAN

Mr. Hari Selvanathan is the Chairman of Bukit Darah PLC and Deputy Chairman of Carson Cumberbatch PLC. He is the Deputy Chairman of Goodhope Asia Holdings Ltd and was appointed as Group Chief Executive Officer of Goodhope Asia Holdings Ltd w.e.f 1st November 2017. 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

Mr. 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 and is an active Member of its Executive Management Forums.

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.

Mr. 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.

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 Bukit Darah PLC and some other companies within the Carson Cumberbatch group.

He is a Past Chairman of the Ceylon Chamber of Commerce, Chairman of the Employers Federation of Ceylon, a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and a member of the National Salaries & Cadre Commission. Previously, he has served as a Commissioner of the Securities and Exchange Commission of Sri Lanka and as a Member of Council, University of Moratuwa.

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

CHANDIMA GUNAWARDENA

Mr. Chandima Gunawardena serves as a Non-Independent, Non-Executive Director of 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.

LARS LEHMANN

Mr. Lars Lehmann, age 51 years, a Dane, was appointed to the Board and as Managing Director of Carlsberg Brewery Malaysia Berhad on 1 July 2016. He is responsible for the South East Asia sub-region comprising Malaysia and Singapore and oversees Carlsberg's investment in Sri Lanka.

Mr. Lehmann holds a MBA and BA from Copenhagen Business School.

He has been with the Carlsberg Group since 2003 and has undertaken various senior positions in the area of sales, marketing and general management for Western and Eastern Europe markets as well as Export businesses. Prior to the appointment, Lehmann was the Regional CEO, Western Europe Challenger Markets from October 2012 overseeing 11 European markets like Germany, Italy, Greece, Bulgaria, Serbia, Croatia, Portugal, Estonia, Latvia, Lithuania and Carlsberg ExLiD (Export, License and Duty Free). Before joining Carlsberg Group, he was with Unilever Denmark for eight years in sales and marketing.

Mr. Lehmann 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, the Malaysian Danish Business Council and Maybev Pte. Ltd., a 50% owned subsidiary by Carlsberg Singapore Pte. Ltd. He is also a member of the Governing Council of the Confederation of Malaysian Brewers Berhad.

PROFILES OF DIRECTORS

RAJIV MEEWAKKALA

(Appointed w.e.f. 01/09/2017)

Mr. Rajiv Herath Meewakkala is a marketing professional with over 25 years' experience, and his marketing career spans the breadth of the different marketing disciplines both domestically and internationally. He was the former Marketing Director of Ceylon Tobacco Company, and was also part of the South Asia Marketing Leadership team of British American Tobacco. He has also contributed his expertise to the public sector, and is a Non-executive Director of the Housing Development Finance Corporation PLC, was the CEO of Lanka Sathosa and is currently the Chairman of State Development & Construction Corporation under the Ministry of Housing & Construction. He is a consultant of Interbrand, the largest global brand consultancy.

Mr. Rajiv Meewakkala holds a Phd from the University of Honalulu, and a MSc in International Marketing from the University of Stratchclyde UK.

CUBBY WIJETUNGE

(stepped down from the Board/as Chairman at the conclusion of the AGM on 20/07/2017)

Mr. Cubby Wijetunge was the Chairman of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC until he stepped down from the Board at the conclusion of the AGM held on 20/07/2017. He is the Chairman of 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.

SENIOR MANAGEMENT TEAM

SURESH SHAH
Director/CEO

RANIL GOONETILLEKE
Head of Finance

STEFAN ATTON
Head of Marketing

NIROSH DE SILVA
Head of Supply Chain

SENIOR MANAGEMENT TEAM

SHAMAL BOTEJU
General Manager - Pubs ‘N Places (Pvt) Ltd & Retail Spaces (Pvt) Ltd

MADHUSHANKA RANATUNGA
General Manager - Luxury Brands (Pvt) Ltd

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

The Board of Directors of Ceylon Beverage Holdings PLC ('the Company') have 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 2018.

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 18th June 2018.

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

CHIEF EXECUTIVES' 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Disposal of Subsidiary, Vee Waruna (Private) Limited

Vee Waruna (Private) Limited which was a 100% owned subsidiary of the Company was sold on 11th August 2017.

Further details of significant events during the year are contained in the Chief Executive's Review on pages 4 to 13 of this Report.

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.

According to the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, 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 the Group as at the end of the financial year and of the results for the said period.

In preparing these Financial Statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently, while material departures, if any, have been disclosed and explained,
- all applicable Accounting Standards have been complied with, and,
- reasonable and prudent judgments and estimates have been made.

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

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 that its Financial Statements meet with the requirements of the Companies Act, No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995. 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.

The Directors confirm that to the best of their knowledge,

- all taxes, duties and levies payable to the statutory bodies,
- all other known statutory dues as were due and payable, by the Company as at the reporting date have been paid, or where relevant provided for in these Financial Statements.

Accounting Policies and Changes during the Year

There were no major changes made to the accounting policies other than those disclosed under Notes 1 to 8 to the Financial Statements for the financial year ended 31st March 2018.

FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Financial Position, Statement of 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 2018 are set out on pages 40 to 96 of this Report.

RESERVES

After the above mentioned appropriations, the total Group Reserves stand at Rs. 4,057.70Mn (2017 - Rs. 3,772.06Mn) comprising Capital Reserves of Rs. 708.96Mn (Rs. 1,005.36Mn) and Revenue Reserves of Rs. 3,348.74Mn (2017 - Rs. 2,766.70Mn). The movements are shown in the Statement of Changes in Equity and Notes 19 and 20 to the Financial Statements.

VALUE OF THE INVESTMENT PORTFOLIO

The Market Value/ Director's value of the Company's investment portfolio as at 31st March 2018 was Rs. 22,522.96Mn (2017 - Rs. 19,789.32Mn) 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. 1,389.36Mn (2017 - Rs. 3,433.72Mn). 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 Notes 9(c) 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 Company are shown in Note 40 to these Financial Statements.

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 38 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 2018.

GOING CONCERN

The Board of Directors is satisfied that the Company 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 pages 37 to 39 of this Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Notes 1 to 8 in the notes to the Financial Statements on pages 48 to 61.

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 2018 is given in Note 32 to the Financial Statements, on page 83.

DIRECTORS' INTEREST IN CONTRACTS AND SHARES

The Related Party Transactions of the Company 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 2018	No. of shares as at 31st March 2017
Mr. D. A. Cabraal (Chairman w.e.f. 21/07/2017)	1,500	1,500
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. L. Lehmann	-	-
Mr. R. H. Meewakkala (appointed w.e.f. 01/09/2017)	-	-
Mr. L. C. R. de C. Wijetunge (stepped down from the Board/as Chairman at the conclusion of the AGM on 20/07/2017)	-	-

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.

Changes in the Directorate

Mr. L. C. R. de C. Wijetunge, Non-Executive Independent Director stepped down from the Board as Chairman at the conclusion of the Annual General Meeting held on 20th July 2017, in terms of Article 71(e) of the Articles of Association of the Company.

Mr. D. A. Cabraal, Non-Executive Independent Director was appointed as Chairman of the Board with effect from 21st July 2017.

Mr. R. H. Meewakkala was appointed as a Non-Executive Independent Director of the Company with effect from 01st September 2017.

Retirement at the first Annual General Meeting following the appointment as a Director

In terms of Article 68 of the Articles of Association of the Company, Mr. R. H. Meewakkala retires from the Board and being eligible offers himself for re-election.

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. M. Selvanathan 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.07 of 2007 shall not be applicable to him.

AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants.

Details of Audit fee are set out in Note 32 to the Financial Statements.

The retiring Auditors have expressed their willingness to continue in office. A Resolution to re-appoint them as Auditors of the Company and authorising 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 Company, 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 that would impair their independence.

Related Party Transactions Review Committee

The Parent Company of the Company is Carson Cumberbatch PLC (CCPLC). As per the Rule 9.2.3 of the Listing Rules of the Colombo Stock Exchange, the Related Party Transactions Review Committee of CCPLC functions as the Related Party Transactions Review Committee of the Company.

Composition

Related Party Transactions Review 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
Mr. H. Selvanathan	Executive Director of CCPLC
Mr. M. Selvanathan	Executive Director of CCPLC
Mr. S. K. Shah	Executive Director of CCPLC

The Related Party Transactions Review Committee Report is given on pages 34 to 35 of this Annual Report.

Declaration

The Directors have made self-declarations for the purpose of identifying parties related to them. The said declarations were noted at Related Party Transactions Review Committee Meetings.

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

The Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

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 2018, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2018.

The details of the Related Party Transactions are given in Note 39 on page 94 to 95 of the Financial Statements.

1. Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions where the aggregate value of the non-recurrent related party transactions exceed 10% of the equity or 5% of the total Asset whichever is lower of the Company for the year ended 31st March 2018.

2. 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;

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year Rs.	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	93,985,710/-	36.8%	As per the royalty agreement
Lion Brewery (Ceylon) PLC	Subsidiary	Dividend Income	150,475,635/-	58.9%	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 14 to 16 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. D. A. Cabraal (Chairman w.e.f. 21/07/2017)	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. L. Lehmann	Non-Executive
Mr. R. H. Meewakkala (appointed w.e.f. 01/09/2017)	Non-Executive/ Independent **
Mr. L. C. R. de C. Wijetunge (stepped down from the Board/ as Chairman at the conclusion of the AGM on 20/07/2017)	Non-Executive/ Independent

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 18th June 2018, 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.

* 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.

** The Board has determined that Mr. R. H. Meewakkala 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 four Board Meetings and the attendance of the Directors were as follows;

Directors	Meetings Attended (Out of four)
Mr. D. A. Cabraal (Chairman w.e.f. 21/07/2017)	4/4
Mr. H. Selvanathan (Deputy Chairman)	3/4
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	4/4
Mr. S. K. Shah (Chief Executive Officer)	4/4
Mr. D. C. R. Gunawardena	4/4
Mr. L. Lehmann	3/4
Mr. R. H. Meewakkala (appointed w.e.f. 01/09/2017)	2/2
Mr. L. C. R. de C. Wijetunge (stepped down from the Board/as Chairman at the conclusion of the AGM on 20/07/2017)	1/1

Board Evaluation

The 'Board Evaluation Form' of the Company focusses on the following areas;

- 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 comments made by the Directors in the Board Evaluation Form are collated by the Nomination Committee of the Company and the results and proposed actions are reported to the Board of Directors. The suggestions and recommendations made by the Directors are being reviewed and implemented by the Company.

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 32 and 33 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.

Composition

Remuneration Committee Members	Executive / Non-Executive/ Independent
Mr. T. de Zoysa (Chairman) (Appointed as Chairman w.e.f. 01/11/2017)	Non-Executive/ Independent Director of CCPLC
Mr. I. Paulraj (Resigned from the CCPLC Board and Remuneration Committee w.e.f. 01/11/2017)	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

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 authorised 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. T. de Zoysa (Chairman) (Appointed as Chairman w.e.f. 01/11/2017)	2/2
Mr. I. Paulraj (Resigned from the CCPLC Board and Remuneration Committee w.e.f. 01/11/2017)	-
Mr. D. C. R. Gunawardena	2/2
Mr. R. Theagarajah	1/2
Mr. W. M. R. S. Dias	1/2

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 32 on page 83 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. R. Theagarajah	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. W. M. R. S. Dias (appointed w.e.f. 08/05/2018)	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)	2/2
Mr. R. Theagarajah	1/2
Mr. D. C. R. Gunawardena	2/2
Mr. W. M. R. S. Dias (appointed w.e.f. 08/05/2018)	-

DIVIDEND

1. The Company paid a First & Final Dividend of Rs.1/- per ordinary share for the year ended 31st March 2017 totalling Rs. 20,988,090/- on 31st July 2017.

2. The Company also paid a First Interim Dividend of Rs.7/- per ordinary share for the year ended 31st March 2018 totalling Rs. 146,916,630/- on 22nd March 2018.

The details of the dividends paid during the year are set out in Note 37 to the Financial Statements.

SOLVENCY TEST

Taking into account the said distributions, the Directors were 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 distributions.

The Company's Auditors, KPMG, Chartered Accountants have issued Certificates of Solvency for the Dividends mentioned above, confirming same.

CORPORATE DONATIONS

No donations were made by the Company and its Subsidiaries during the year (2017 - Nil).

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2018 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, as disclosed in Note 41 of the notes to the Financial Statements.

SHARE INFORMATION

Information relating to share trading are given on pages 109 and 110 of this Report.

TWENTY MAJOR SHAREHOLDERS

	Name of Shareholders	31-Mar-2018 No. of shares	31-Mar-2018 %	31-Mar-2017 No. of shares	31-Mar-2017 %
1	CARSON CUMBERBATCH PLC A/C NO. 02	15,726,912	74.93	15,726,912	74.93
2	GF CAPITAL GLOBAL LIMITED	1,908,523	9.09	1,561,175	7.44
3	CARLSBERG A/S	1,676,440	7.99	1,676,440	7.99
4	BNYMSANV RE-BUTTERFIELD TRUST (BERMUDA) LIMITED	800,000	3.81	800,000	3.81
5	HSBC INTERNATIONAL NOMINEES LTD-SSBT-DEUSTCHE BANK AG SINGAPORE A/C 01	135,000	0.64	135,000	0.64
6	CARSON CUMBERBATCH PLC A/C NO. 01	91,655	0.44	91,655	0.44
7	TRANZ DOMINION,L.L.C.	74,916	0.36	74,894	0.36
8	MRS. C.A.D.S. WOODWARD	40,065	0.19	-	-
9	MRS. J.K.P. SINGH	31,485	0.15	37,400	0.18
10	GUINNESS MORISON INTERNATIONAL LIMITED	20,953	0.10	20,953	0.10
11	SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	13,650	0.07	13,650	0.07
12	MR. H.A. PIERIS	10,000	0.05	-	-
13	MISS A. RADHAKRISHNAN	9,633	0.05	8,133	0.04
14	MISS M.P. RADHAKRISHNAN	9,633	0.05	8,133	0.04
15	MR. N.J. GAMADIA	8,786	0.04	8,786	0.04
16	MR. C.N. RAJAHMONEY	8,579	0.04	2,191	0.01
17	MR. R. MAHESWARAN	8,134	0.04	8,134	0.04
18	MRS. M.S.K. WELIKALA	7,856	0.04	7,856	0.04
19	ADMIN.OF T A.C. ABDEEN (DECD)	7,725	0.04	7,725	0.04
20	MRS. M.C. ABEYSEKERA	7,622	0.04	7,622	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 18th June 2018. 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 107th Annual General Meeting of the Company will be held on Friday, 20th July 2018 at 4.00 p.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka (Ground Floor), 30A, Malalasekara Mawatha, Colombo 07, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 114 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
18th June 2018

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 a 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 organisation 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 nine (09) Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee were as follows :

Meetings attended (out of nine)	
Mr.V.P. Malalasekera (Chairman)	9/9
Mr.D.C.R. Gunawardena	9/9
Mr.F. Mohideen	9/9

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

The Audit Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope, including Key Audit Matters and to deliberate the draft Financial Report and Accounts at the completion stage of the audit. 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 2017/2018 and the Group Internal Audit (GIA) carried out 06 audits of the Beverage 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.

With the introduction of the new audit report this year, the Audit Committee has introduced a process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report, at the audit planning and completion stages.

The draft financial statements of Ceylon Beverage Holdings PLC for the year ended 31st March 2018 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, Head of Finance of the Company and Director, Carsons Management Services (Private) Limited-Managers 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 2019, 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
18th June 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Parent Company of Ceylon Beverage Holdings PLC is Carson Cumberbatch PLC (CCPLC). As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of CCPLC-the Parent Company functions as the RPTRC of the Company.

COMPOSITION OF THE COMMITTEE

The Members of the RPTRC are as follows:

1. Mr.V. P. Malalasekera (Chairman) - Non-Executive/Independent Director of CCPLC
2. Mr. F. Mohideen - Non-Executive/Independent Director of CCPLC
3. Mr. D. C. R. Gunawardena - Non-Executive Director of CCPLC
4. Mr. H. Selvanathan - Executive Director of CCPLC
5. Mr. M. Selvanathan - Executive Director of CCPLC
6. Mr. S. K. Shah - Executive Director of CCPLC

MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held Four (04) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

The attendance of the Members of the Committee were as follows:

Meetings attended (out of Four)	
Mr.V.P. Malalasekera	4/4
Mr.F. Mohideen	3/4
Mr.D.C.R. Gunawardena	4/4
Mr.H. Selvanathan	2/4
Mr.M. Selvanathan	4/4
Mr.S.K. Shah	3/4

PURPOSE OF THE COMMITTEE

The objective of the RPTRC is to review all Related Party Transactions (RPTs) of the Listed Companies of the Carsons Group, other than those exempted by the ‘Related Party Transactions Compliance Code’ (RPT Code), prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

POLICIES AND PROCEDURES

- The RPTRC reviews the relevant Related Party Transactions of the Listed Companies of the Carsons Group and where the Committee decides that the approval of the Board of Directors of the respective Companies are necessary to approve a Related Party Transaction, such Board approval is obtained prior to entering into the relevant Related Party Transaction.
- When reviewing a transaction, the RPTRC would decide whether the proposed transaction is carried out on an arm’s length basis irrespective of whether it is recurrent or non-recurrent in nature.
- Reviewing and approval would be either by meeting of members (subject to quorum being present) or by circulation.
- In determining whether to obtain the approval of the Board of Directors for a Related Party Transaction, the RPTRC will take into account, among other factors it deems appropriate, whether the proposed RPTs pose a conflict of interest to the Directors.

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable, have been documented even in the case of once approved recurrent transactions which are of operational nature, which as per the RPT Code need not be repeatedly approved if within the broad thresholds.

The RPTRC in discharging its function endeavours to ensure that :

- there is compliance with the Code;
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee has a criteria for designating Carsons Group Key Management Personnel (KMP) and quarterly disclosures are made by KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2017 to 31st March 2018 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)
V. P. Malalasekera
Chairman – Related Party Transactions Review Committee
Carson Cumberbatch PLC

Colombo
18th June 2018

FINANCIAL CALENDAR

Financial Year	31st March 2018
Announcement of Results	
1st Quarter	30th June 2017
Issued to Colombo Stock Exchange	14th August 2017
2nd Quarter	30th September 2017
Issued to Colombo Stock Exchange	14th November 2017
3rd Quarter	31st December 2017
Issued to Colombo Stock Exchange	14th February 2018
4th Quarter	31st March 2018
Issued to Colombo Stock Exchange	17th May 2018
Meetings	
106th Annual General Meeting	20th July 2017
107th Annual General Meeting	20th July 2018

INDEPENDENT AUDITOR'S REPORT

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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Internet : www.kpmg.com/lk

To The Shareholders of Ceylon Beverage Holdings PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Ceylon Beverage Holdings PLC and its subsidiaries (the Group), which comprise the statement of financial position as at 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 40 to 96.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Brands acquired

Nature and area of focus	Our response
Group has recognised intangible asset relating to Brands acquired with a carrying value of Rs. 2.33 Billion as at the reporting date. The annual impairment testing relating to brand which is an intangible asset is considered to be a key audit matter due to the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amounts has been derived from discounted forecasted cash flow model. This model uses several key assumptions, including estimates of future sales volume growth rate, contribution growth rate, marketing expense per dozen and discount rate. See note 2.5 for Use of Judgments and Estimates, note 3.8 for accounting policy and note 10 for information	Our audit procedures among others included: • Evaluating the appropriateness and consistency of underline assumptions in determining forecasted cash flows, which includes future sales volume growth rate, contribution growth rate, marketing expense per dozen and discount rate. • Comparing the data used in the forecasted cash flow model with information maintained by management. • Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

Impairment assessment of investment in and receivable from Pubs 'N Places (Pvt) Ltd.

Nature and area of focus	Our response
The Company has invested Rs. 512 Million in Pubs 'N Places (Pvt) Ltd, a subsidiary. Company has tested for impairment relating to its investment in Pubs 'N Places (Pvt) Limited and the related receivables, using the Adjusted Net Asset Value method. Estimating the Adjusted Net Asset Value is a complex process which involves a significant degree of judgment and estimates in assigning values to its asset base such as the licenses owned by Pubs 'N Places (Pvt) Limited. We identified assessing the impairment relating to Pubs'N Places (Pvt) Limited as a key audit matter because of the complexity of the estimation involved. See note 2.5 for Use of Judgments and Estimates, note 3.11 for accounting policy and note 11 for information	Our audit procedures included: • Examining the indications of possible impairment of investments in subsidiary. • Testing the completeness and accuracy of key inputs in to computations. Further we assessed the reasonability of the model methodology and key assumptions. • Assessing the appropriateness of the assumptions used based on our knowledge and information of the client and the industry. • Assessing the adequacy of the financial statement disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3272.

KPMG
Colombo, Sri Lanka
18th June 2018

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31st March		2018	2017	2018	2017
In Rs.'000s	Notes				
ASSETS					
Non-Current Assets					
Property, plant & equipment	9	331,190	331,766	18,476,588	18,267,017
Intangible assets	10	-	-	2,447,946	2,469,013
Investments in subsidiaries	11	1,971,964	1,971,964	-	-
Loan to operators	12	-	-	53,422	54,138
Total Non-Current Assets		2,303,154	2,303,730	20,977,956	20,790,168
Current Assets					
Inventories	13	-	-	1,910,141	2,534,278
Trade & other receivables	14	10,141	18,377	3,128,030	2,073,358
Amounts due from related companies	15	107,818	39,909	5,535	33,076
Current taxation	16	-	-	16,232	2,477
Cash and cash equivalents	17	36,045	70	8,180,171	7,645,227
Total Current Assets		154,004	58,356	13,240,109	12,288,416
Total Assets		2,457,158	2,362,086	34,218,065	33,078,584
EQUITY AND LIABILITIES					
Equity					
Stated capital	18	533,384	533,384	533,384	533,384
Capital reserves	19	245,352	334,690	708,955	1,005,356
Revenue reserves	20	965,727	957,897	3,348,742	2,766,700
Equity Attributable To Equity Holders of the Company		1,744,463	1,825,971	4,591,081	4,305,440
Non-controlling interest		-	-	4,493,662	3,969,835
Total Equity		1,744,463	1,825,971	9,084,743	8,275,275

As at 31st March In Rs.'000s	Notes	Company 2018	Company 2017	Group 2018	Group 2017
Non-Current Liabilities					
Debentures	21	-	-	2,000,000	2,998,800
Loans and borrowings	22	85,000	208,300	4,899,620	5,193,065
Employee benefits	23	-	-	190,953	78,440
Net deferred tax liabilities	24	89,935	597	3,691,521	2,373,520
Total Non-Current Liabilities		174,935	208,897	10,782,094	10,643,825
Current Liabilities					
Trade and other payables	25	15,047	12,497	1,391,694	753,760
Amounts due to related companies	26	394,170	-	105,559	144,628
Refundable deposits	27	-	-	1,164,261	1,009,357
Tax liabilities	28	3,977	6,653	1,967,401	919,951
Debentures	21	-	-	1,110,582	937,932
Loans and borrowings	22	124,566	129,600	6,991,619	7,846,468
Bank overdraft	17	-	178,468	1,620,112	2,547,388
Total Current Liabilities		537,760	327,218	14,351,228	14,159,484
Total Liabilities		712,695	536,115	25,133,322	24,803,309
Total Equity and Liabilities		2,457,158	2,362,086	34,218,065	33,078,584
Net assets per ordinary share (Rs.)		83.12	87.00	218.75	205.14

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

(Sgd.)
A. Weeratunge
Director

Approved and signed on behalf of the Board

(Sgd.)
M. Selvanathan
Director

(Sgd.)
S. K. Shah
Director

Carsons Management Services (Private) Limited
Colombo
18th June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Company		Group	
For the year ended 31st March		2018	2017	2018	2017
In Rs.'000s	Notes				
Revenue	29	255,261	169,971	32,363,184	23,083,883
Cost of sales		-	-	(24,987,277)	(19,089,442)
Gross Profit		255,261	169,971	7,375,907	3,994,441
Progressive insurance receipts on business interruption	30	-	-	1,205,359	1,000,000
Other income	31	-	-	56,515	29,721
		255,261	169,971	8,637,781	5,024,162
Distribution expenses		-	-	(3,396,498)	(2,735,230)
Administrative expenses		(20,055)	(15,268)	(1,260,692)	(1,334,140)
Other expenses		-	-	(349,364)	(212,457)
Impairment of intangible assets	10	-	-	-	(1,673,065)
Profit/(Loss) from Operations		235,206	154,703	3,631,227	(930,730)
Stocks and PPE quantified and written-off to date due to flood related damages	30	-	-	-	(1,349,287)
Progressive insurance receipts on property damage	30	-	-	752,263	1,366,294
Reversal of unabsorbed VAT provision	33	-	-	-	339,811
Profit/(Loss) Before Finance Cost		235,206	154,703	4,383,490	(573,912)
Finance income	34	-	-	819,652	427,493
Finance costs	34	(37,904)	(42,922)	(2,311,507)	(1,831,469)
Net Finance Costs		(37,904)	(42,922)	(1,491,855)	(1,403,976)
Profit/(Loss) Before Taxation		197,302	111,781	2,891,635	(1,977,888)
Income tax reversal /(expenses)	35	(21,567)	(29,618)	(1,251,268)	417,716
Profit/(Loss) After Taxation		175,735	82,163	1,640,367	(1,560,172)

For the year ended 31st March In Rs.'000s	Notes	Company 2018	 2017	Group 2018	 2017
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Remeasurement of employee benefit obligation	23	-	-	(40,938)	25,976
Deferred tax adjustment on employee benefit	35	-	-	16,375	(10,390)
Deferred tax adjustment on land revaluation	35	(89,338)	-	(485,631)	-
Total Other Comprehensive Income/ (Loss) for the year net of tax		(89,338)	-	(510,194)	15,586
Total Comprehensive Income/(Loss) for the year		86,397	82,163	1,130,173	(1,544,586)
Profit Attributable to					
- Equity holders of the company		175,735	82,163	762,781	(869,075)
- Minority shareholders		-	-	877,586	(691,097)
Profit/(Loss) Available for Appropriation		175,735	82,163	1,640,367	(1,560,172)
Total Comprehensive Income Attributable to					
- Equity holders of the company		86,397	82,163	453,546	(860,932)
- Minority shareholders		-	-	676,627	(683,654)
Profit/(Loss) Available for Appropriation		86,397	82,163	1,130,173	(1,544,586)
Earnings/(Loss) per Ordinary Share (Rs.)	36	8.37	3.91	36.34	(41.41)

The Notes to the Financial Statements from Pages 48 to 96 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

In Rs.'000s	Attributable to Equity Holders of the Parent					Non-Controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	General Capital Reserve	Retained Profits	Total		
COMPANY							
Balance as at 1st April 2016	533,384	328,914	5,776	938,698	1,806,772	-	1,806,772
Total Comprehensive Income							
Profit for the year	-	-	-	82,163	82,163	-	82,163
Total comprehensive income for the year	-	-	-	82,163	82,163	-	82,163
Transactions with owners, recorded directly in equity							
Contribution by and distribution to owners							
Dividends	-	-	-	(62,964)	(62,964)	-	(62,964)
Balance as at 31st March 2017	533,384	328,914	5,776	957,897	1,825,971	-	1,825,971
Balance as at 1st April 2017	533,384	328,914	5,776	957,897	1,825,971	-	1,825,971
Total Comprehensive Income							
Profit for the year	-	-	-	175,735	175,735	-	175,735
Other comprehensive loss for the year	-	(89,338)	-	-	(89,338)		(89,338)
Total comprehensive income for the year	-	(89,338)	-	175,735	86,397	-	86,397
Transactions with owners, recorded directly in equity							
Contribution by and distribution to owners							
Dividends	-	-	-	(167,905)	(167,905)	-	(167,905)
Balance as at 31st March 2018	533,384	239,576	5,776	965,727	1,744,463	-	1,744,463

In Rs.'000s	Attributable to Equity Holders of the Parent					Non-Controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	General Capital Reserve	Retained Profits	Total		
GROUP							
Balance as at 1st April 2016	533,384	999,580	5,776	3,690,596	5,229,336	4,768,089	9,997,425
Total Comprehensive Income							
Loss for the year	-	-	-	(869,075)	(869,075)	(691,097)	(1,560,172)
Other comprehensive income for the year	-	-	-	8,143	8,143	7,443	15,586
Total comprehensive loss for the year	-	-	-	(860,932)	(860,932)	(683,654)	(1,544,586)
Transactions with owners, recorded directly in equity							
Contribution by and distribution to owners							
Dividends	-	-	-	(62,964)	(62,964)	(114,600)	(177,564)
Balance as at 31st March 2017	533,384	999,580	5,776	2,766,700	4,305,440	3,969,835	8,275,275
Balance as at 1st April 2017	533,384	999,580	5,776	2,766,700	4,305,440	3,969,835	8,275,275
Total Comprehensive Income							
Profit for the year	-	-	-	762,781	762,781	877,586	1,640,367
Other comprehensive loss for the year	-	(296,401)	-	(12,834)	(309,235)	(200,959)	(510,194)
Total comprehensive Income for the year	-	(296,401)	-	749,947	453,546	676,627	1,130,173
Transactions with owners, recorded directly in equity							
Contribution by and distribution to owners							
Dividends	-	-	-	(167,905)	(167,905)	(152,800)	(320,705)
Balance as at 31st March 2018	533,384	703,179	5,776	3,348,742	4,591,081	4,493,662	9,084,743

CASH FLOW STATEMENT

		Company		Group	
For the year ended 31st March		2018	2017	2018	2017
In Rs.'000s	Notes				
Cash Flows from Operating Activities					
Profit/(Loss) before taxation		197,302	111,781	2,891,635	(1,977,888)
Adjustments for:					
Finance expenses	34	37,904	42,922	2,316,863	1,838,477
Depreciation on property, plant & equipment	9	577	577	1,131,509	1,096,268
Amortisation of intangible assets	10	-	-	24,018	59,122
Net Inventory provisions	13.1	-	-	(26,549)	43,059
Provision for retirement benefit obligations	23	-	-	87,819	22,047
Impairment of property plant & equipment	9	-	-	7,394	11,736
Impairment of intangible assets		-	-	-	1,673,065
Progressive insurance receipts on property damage	30	-	-	(752,263)	(1,366,294)
Finance income		-	-	(819,652)	(427,493)
Profit on disposal of property, plant & equipment		-	-	(12,212)	(896)
Loss on PPE written-off	30	-	-	-	525,850
Reversal of unabsorbed VAT provision	33	-	-	-	(339,811)
ESC Write Off		-	-	127	2,666
Unrealised exchange loss on foreign currency term loan	22.1	-	-	-	6,305
Operating cash flow before working capital changes		235,783	155,280	4,848,689	1,166,213
Decrease in inventories	13	-	-	650,686	98,809
(Increase)/decrease in trade & other receivables		8,235	(4,721)	(765,901)	337,962
(Increase)/decrease in amounts due from related companies	15	(67,909)	212,048	27,541	(33,076)
Increase/(decrease) in amounts due to related companies	26	394,170	-	(39,069)	(49,663)
Increase in tax payables		1,250	29	798,240	149,226
Increase/(decrease) in trade & other payables		2,550	1,137	637,934	(119,231)
Cash generated from operations		574,079	363,773	6,158,120	1,550,240
Finance expenses paid		(36,638)	(44,787)	(2,213,329)	(1,779,096)
Tax paid		(25,493)	(36,674)	(455,249)	(122,427)
Economic service charge paid		-	-	-	(2,907)
Retirement benefits paid	23	-	-	(16,244)	(27,442)
Net cash generated/ (used in) from operating activities		511,948	282,312	3,473,298	(381,632)

For the year ended 31st March In Rs.'000s	Notes	Company 2018	Company 2017	Group 2018	Group 2017
Cash Flows from Investing Activities					
Purchase and construction of property, plant & equipment		-	-	(1,364,544)	(3,306,634)
Borrowing cost capitalised	34.1	-	-	(21,864)	(119,225)
Purchase of intangible assets	10	-	-	(2,951)	(7,864)
Proceeds from sale of property, plant & equipment		-	-	50,146	23,731
Proceeds from sale of assets held for sale		-	-	-	5,200
Agent deposits received	27	-	-	209,362	22,189
Agent deposits refunded	27	-	-	(54,458)	-
Interest received		-	-	819,652	376,585
Investment in subsidiaries		-	(311,880)	-	-
Net cash used in investing activities		-	(311,880)	(364,657)	(3,006,018)
Cash Flows from Financing Activities					
Proceeds from loans & borrowings	22.1	-	150,000	1,500,000	8,100,000
Repayment of loans & borrowings	22.1	(129,600)	(104,600)	(2,778,579)	(1,614,935)
Repayment of debentures	21	-	-	(799,400)	(799,400)
Progressive insurance receipts on property damage		-	-	752,263	1,366,294
Dividends paid net of tax		(167,905)	(62,977)	(320,705)	(165,964)
Net cash generated from/(used in) financing activities		(297,505)	(17,577)	(1,646,421)	6,885,995
Net increase/(decrease) in cash & cash equivalents		214,443	(47,145)	1,462,220	3,498,345
Cash & cash equivalents at the beginning of the year		(178,398)	(131,253)	5,097,839	1,599,494
Cash & cash equivalents at the end of the year		36,045	(178,398)	6,560,059	5,097,839
Analysis of Cash and Cash Equivalents					
Cash and cash equivalents		36,045	70	8,180,171	7,645,227
Bank overdraft		-	(178,468)	(1,620,112)	(2,547,388)
		36,045	(178,398)	6,560,059	5,097,839

The Notes to the Financial Statements from Pages 48 to 96 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 of Ceylon Beverage Holdings PLC 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.

The consolidated Financial Statements for the year ended 31st March 2018 comprises 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%	Disposed on 11/08/2017
Pearl Springs (Private) Limited	52.25%	Wholly owned Subsidiary of LBCPLC
Millers Brewery Limited	52.25%	Wholly owned 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.

The Group had 236 (2017- 246) Employees as at the reporting date. The Company had no employees (2017- 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 authorised for issue by the Board of Directors on 18 June 2018.

2.2 Basis of Measurement

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

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 Going Concern

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The Company had positive net asset, working capital and cash flow positions as at the reporting date. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.5 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 10 – Impairment test on Intangible Assets
Note 23 – Retirement benefit obligations
Note 24 – Deferred tax liabilities/assets
Note 40 – Contingent Liabilities and Commitments

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 categorised 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

The Accounting Policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company and the Group unless otherwise indicated.

3.1 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.

The Group applies the control model as per SLFRS 10 to determine 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 for the current year and there are no changes in control conclusions from previous year.

(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 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.

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%

Subsidiary	Controlling interest
Vee Waruna (Private) Limited	100% (Disposed on 11/08/2017)
Pearl Springs (Private) Limited	52.25%
Millers Brewery Limited	52.25%

(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.

(vi) Intra-Group Transactions

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

3.2 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.

3.3 Financial Assets and Liabilities

3.3.1 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. 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;

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 amortised 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.

(iii) 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.

(iv) 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.

(v) Impairment Losses on Financial Assets Carried at Amortised Cost

Impairment losses on assets carried at amortised 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.

3.3.2 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 amortised cost using the effective interest method. Such financial liabilities measured at amortised 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 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.

3.3.3 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under SLASs, or for gains and losses arising from a group of similar transactions.

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 capitalised 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 capitalised. 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 realisable values. Any surplus or deficit that arises is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve except to the extent that it reserves a revaluation decrease of the same asset previously recognised in Profit or Loss in which case the increase is recognised in the Profit or Loss.

A revaluation deficit is recognised in the income statement except to the extent that it offsets an existing surplus on the same asset recognising the asset 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.

	No of Years
Freehold buildings	9-50
Plant & machinery	10-20
Furniture & fittings	5-10
Office equipment	3-10
Computer equipment	3
Returnable containers	5
Motor vehicles	4-5
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) 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.

(vii) Refundable Deposits & Returnable Containers

Returnable containers are classified under Property, Plant and Equipment. All purchases of returnable containers except empty bottles meant for Exports & some specific brands 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 & some specific brands 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.

(viii) 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 capitalised 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.

(viii) Impairment of Property Plant & 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.

(ix) De - recognition

An item of Property, Plant and Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Profit or Loss in the year the asset is de - recognised.

When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is de - recognised. Major inspection costs are capitalised. At each such capitalisation the remaining carrying amount of the previous cost of inspections is derecognised.

3.7 Leases

Finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property, plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate interest on the remaining balance of the liability.

Operating Leases

Operating leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

3.8 Intangible Assets

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

Subsequent expenditure of an intangible asset is capitalised 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 amortised 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;

	No of Years
Computer equipment- software	5

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 & excise licenses recorded in the Financial Statements are considered to have an infinite useful life.

An Intangible Asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the derecognition of such Intangible Assets is included in the Profit or Loss when the item is derecognised.

3.9 Inventories

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

3.10 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.

3.11 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.

3.12 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.

3.13 Liabilities and Provisions

3.13.1 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.

3.13.2 Refundable Deposits

Returnable containers issued to Agents are secured against a refundable deposit representing the cost. Refunding of deposits could arise due to a discontinuance of an agency or due to contraction in sales.

3.13.3 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.

3.14 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 companies of 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 companies of the Group contribute 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 recognised 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.

3.15 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.

3.16 Events Subsequent to the Reporting Date

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 capitalised 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 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 realisation 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 utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 weighted average number of ordinary shares in issue.

5. CASH FLOW STATEMENT

For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand and deposits held for less than 6 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 the respective notes 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.

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.

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 1st January 2018.

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

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual Reporting periods beginning on or after 01 January 2019.

The Group is assessing the potential impact on its consolidated Annual Statements resulting from the application of SLFRS 16.

9 PROPERTY, PLANT & EQUIPMENT

(a) Company

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work- in -Progress	31st March 2018	31st March 2017
Cost / Valuation												
As at 1st April 2017	319,205	12,056	-	-	2,384	-	-	-	-	-	333,645	333,645
As at 31st March 2018	319,205	12,056	-	-	2,384	-	-	-	-	-	333,645	333,645
Accumulated Depreciation										-		
As at 1st April 2017	-	344	-	-	1,534	-	-	-	-	-	1,879	1,302
Charge for the year	-	344	-	-	233	-	-	-	-	-	577	577
As at 31st March 2018	-	688	-	-	1,767	-	-	-	-	-	2,455	1,879
Net Book Value												
As at 31st March 2018	319,205	11,368	-	-	617	-	-	-	-	-	331,190	-
As at 31st March 2017	319,205	11,712	-	-	850	-	-	-	-	-	-	331,766

(b) Group

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work- in -Progress	31st March 2018	31st March 2017
Cost / Valuation												
As at 1st April 2017	2,894,866	2,783,185	12,004,770	51,435	51,443	200,424	94,075	65,768	3,191,608	1,889,019	**23,226,593**	20,629,832
Additions	-	37,761	39,978	188	1,635	4,161	-	908	594,250	708,441	**1,387,322**	3,431,348
Transfers	-	66,773	769,820	5,200	-	46,082	-	-	-	(888,789)	**(914)**	(5,489)
Flood related write-off	-	-	-	-	-	-	-	-	-	-	**-**	(805,397)
Disposals/ Breakages	-	-	(10,778)	-	-	-	(11,396)	-	(689,941)	-	**(712,115)**	(23,701)
As at 31st March 2018	2,894,866	2,887,719	12,803,790	56,823	53,078	250,667	82,679	66,676	3,095,917	1,708,671	**23,900,886**	23,226,593
Accumulated Depreciation/Impairment												
As at 1st April 2017	-	96,865	2,133,306	38,518	29,694	184,776	62,980	51,334	2,350,367	11,736	**4,959,576**	4,131,982
Charge for the year	-	77,917	656,898	2,458	4,141	12,911	11,096	7,776	358,314	-	**1,131,509**	1,096,268
Impairment	-	-	-	-	-	-	-	-	-	7,394	**7,394**	11,736
Flood related write-off	-	-	-	-	-	-	-	-	-	-	-	(279,547)
Disposals/ Breakages	-	-	-	-	-	-	(7,597)	-	(666,584)	-	**(674,181)**	(863)
As at 31st March 2018	-	174,782	2,790,204	40,976	33,835	197,687	66,479	59,110	2,042,097	19,130	**5,424,298**	4,959,576
Net Book Value												
As at 31st March 2018	2,894,866	2,712,937	10,013,586	15,847	19,243	52,980	16,200	7,566	1,053,820	1,689,541	**18,476,588**	
As at 31st March 2017	2,894,866	2,686,320	9,871,464	12,917	21,749	15,648	31,095	14,434	841,241	1,877,283		18,267,017

9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

(c) Freehold land and buildings of the Group were revalued in the books to confirm with the market values as at 31st March 2016, which were assessed on a going concern basis by Messrs. Arthur Perera A.M.I.V. (Sri Lanka), independent professional valuer & Consultant at a value of Rs. 5,571 Mn and the resultant surplus arising there from was transferred to the Revaluation Reserves.

(d) As explained in Note 30 to these Financial Statements damage caused to PPE due to floods were estimated and written-off during the year 2016/17. The net book value of the assets written-off was estimated at Rs. 526 Mn

(e) Carrying value of the revalued assets of the Group as at 31st March 2018, if they were carried at cost are given below:

	Company		Group	
In Rs.'000s	**Land**	**Buildings**	**Land**	**Buildings**
Cost - As at 1st April 2017	141	4,066	1,541,133	2,370,893
Additions/ Transfers during the year	-	-	-	104,534
Cost as at 31st March 2018	141	4,066	1,541,133	2,475,427
Accumulated depreciation	-	(1,952)	-	(399,769)
Carrying value of assets at cost - As at 31st March 2018	141	2,114	1,541,133	2,075,658

(f) Extents, locations, valuations and number of buildings and land holdings

		2018				2017			
Company	Location	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
			Rs.'000s		Rs.'000s		Rs.'000s		Rs.'000s
Ceylon Beverage	Land - Nuwara Eliya	3A.2R.4P	302,000	1	9,486	3A.2R.4P	302,000	1	9,486
Holdings PLC	Land - Trincomalee	0A.1R.00.5P	17,205	1	2,570	0A.1R.00.5P	17,205	1	2,570
			319,205		12,056		319,205		12,056
Lion Brewery (Ceylon)	Land - Biyagama	27A.3R.2.24P	1,896,497	45	2,357,679	27A.0R.21.28P	1,896,497	45	2,253,274
PLC	Land - Kaduwela	3A.0R.27P	190,125		-	3A.0R.27P	190,125	-	-
	Land - Tangalle	3A.2R.0P	21,200		-	3A.2R.0P	21,200	-	-
			2,107,822		2,357,679		2,107,822		2,253,274
Millers Brewery Limited	Land - Meegoda	23A 3R 35P	467,839	12	466,585	23A 3R 35P	467,839	12	466,585
			467,839		466,585		467,839		466,585
Pubs N' places (Private) Limited	No Lands		-	31	51,399		-	31	51,270
Total - Group		62A 0R 28.74P	2,894,866		2,887,719	58A.0R.7.78P.	2,894,866		2,783,185

A : Acres **R**: Roods **P** : Perches

(g) Property, Plant & Equipment includes fully depreciated assets still in use which cost/valuation is Rs. 2,317,242,844/- (2017 - 1,820,951,503/-)

(h) The Group has capitalised the borrowing cost amounting to Rs. 21,864,584/- (2017- Rs. 119,225,372/-) incurred during the year for the construction of project-based assets. The average capitalisation rate used for the year was 14.73%. (2017 -9.1.%).

(i) Fair Value measurement

(i) Fair Value Hierarchy

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

9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

(ii) Valuation techniques and significant unobservable inputs

The following table show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used. Lion Brewery (Ceylon) PLC - (LBCPLC), Millers Brewery Ltd - (MBL) Ceylon Beverage Holdings PLC - (CBHPLC)

Description	Effective date of valuation	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Lands of LBCPLC, MBL and CBHPLC	31.03.2016	Land and Building method	(i) Per perch value	Positive correlated sensitivity
Buildings of LBCPLC, MBL and CBHPLC	31.03.2016	Land and Building method	(i) Estimated construction cost per square feet. (ii) Percentage of depreciation	Positive correlated sensitivity Negative correlated sensitivity

10 INTANGIBLE ASSETS - GROUP

In Rs.'000s	Brands	Computer Software	Excise Licenses	31st March 2018	31st March 2017
Cost					
Beginning of the year	4,000,000	355,130	62,663	**4,417,793**	4,409,988
Transfers during the year	-	913	-	**913**	5,224
Additions for the year	-	2,038	-	**2,038**	2,640
Disposals during the year	-	-	-	**-**	(59)
End of the year	4,000,000	358,081	62,663	**4,420,744**	4,417,793
Amortisation					
Beginning of the year	1,673,065	246,030	29,686	**1,948,780**	216,652
Amortisation for the year	-	53,364	-	**53,364**	59,122
Reversal of amortisation	-	-	(29,346)	**(29,346)**	-
Disposals during the year	-	-	-	**-**	(59)
Impairment	-	-	-	**-**	1,673,065
End of the year	1,673,065	299,394	340	**1,972,798**	1,948,780
Net Book Value	2,326,935	58,687	62,323	**2,447,946**	2,469,013

10.1 Intangible assets consist of the acquired brands of Millers Brewery Ltd, software licenses and Excise licences used by the Group.

LBCPLC - Brands of Millers Brewery Ltd

Lion Brewery (Ceylon) PLC acquired brands amounting to Rs. 4 Bn during the financial year 2014/15. The said acquisition consisted of five brands namely, Sando Power, Sando Stout, Three Coins, Grand Blonde and Irish Dark. The brands are not amortised as the useful life is considered to be infinite given the nature of the assets. However, the assessment of indefinite life is reviewed annually and brands are tested for impairment annually.

10.2 Impairment Assessment of Brands

As per LKAS 36 – Impairment of assets, an annual impairment test was carried out as at 31st March 2018 for the brands described above.

Management has estimated the recoverable value of the brands by forecasting future cash flows and discounting these cash flows with its cost of equity after adjusting with a risk premium. Management had estimated factors such as future volume, contribution growth and marketing expenses per dozen in forecasting the future cash flows. Based on the assessment management concluded that no further impairment is required for the carrying value of Rs. 2.3bn of the brands acquired by the company.

11 INVESTMENT IN SUBSIDIARIES

	No. of Shares	% holding	Cost as at 31st March 2018 Rs.'000s	Market Value/ Directors Value as at 31st March 2018 Rs.'000s	No. of Shares	% holding	Cost as at 31st March 2017 Rs.'000s	Market Value/ Directors Value as at 31st March 2017 Rs.'000s
Lion Brewery (Ceylon) PLC								
- Ordinary shares	41,798,788	52.25	1,410,084	21,961,083	41,798,788	52.25	1,410,084	19,227,442
Pubs 'N Places (Private) Limited								
- Ordinary shares	51,188,102	99.90	511,880	511,880	51,188,102	99.90	511,880	511,880
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	5,000,001	100.00	50,000	50,000	5,000,001	100.00	50,000	50,000
Veewaruna (Private) Limited								
- Ordinary shares	-	-	-	-	1	100.00	0.01	0.01
			1,971,964	22,522,963			1,971,964	19,789,323

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.

11.2 Company disposed its share in fully owned subsidiary Vee Waruna (Private) Limited for Rs.10/- on 11/08/2017. The company had no commercial operations.

11.3 Assessment of Impairment for Pubs 'N Places (Pvt) Limited

Considering the serious loss of capital and continuous losses over the years of Pubs 'N Places (Pvt) Limited (PNPL) the Company had tested the investment in PNPL for possible impairment, based on the guidelines provided by LKAS 36 – Impairment of Assets.

The Adjusted Net Asset Value method was used in computing the recoverable value of the investment in subsidiary, by assigning values to its assets. Significant value was assigned to the excise licenses owned by the subsidiary. Each excise license was valued based on revenue multiples assigned between a range considering the locations of the licenses. Based on the assessment, management concluded that no impairment is required for the Company's investment in its subsidiary and the related receivable as its recoverable amount exceeded the carrying values.

11.4 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.

	Group	
As at 31st March **In Rs.'000s**	2018	2017
NCI - percentage	47.75%	47.75%
Non - Current Assets	9,792,350	9,710,016
Current Assets	6,157,451	5,269,066
Non - Current Liabilities	(5,065,383)	(4,983,970)
Current Liabilities	(6,390,756)	(6,025,277)
Net Assets	4,493,662	3,969,835
Carrying amount of NCI	4,493,662	3,969,835
Revenue	30,511,415	21,210,977
Profit	1,837,876	(1,447,327)
Other comprehensive income	(420,856)	15,586
Total Comprehensive Income	1,417,020	(1,431,741)
Profit Allocated to NCI	877,586	(691,097)
Other comprehensive income allocated to NCI	(200,959)	7,443
Cash flow from operating activities	1,304,468	90,877
Cash flow used in investing activities	(173,524)	(1,410,981)
Cash flow used in financing activities	(708,665)	3,099,468
Net increase equivalents in cash and cash	422,279	1,779,364

12. LOAN TO OPERATORS

	Group	
As at 31st March **In Rs.'000s**	2018	2017
Loan to operators - (Pubs 'N Places (Private) Ltd)	53,422	54,138
	53,422	54,138

12. LOAN TO OPERATORS (CONTD.)

Pubs N' Places (Private) Limited had transferred its fixed assets located in the outlets to the operators. The consideration for the same is settled by the operators based on a loan agreement entered by each operator with Pubs N' Places (Pvt) Limited. These loans are interest free and are recovered through the royalty income over a period. As per LKAS 39 - Financial Instruments; Recognition and Measurement, these loans are initially measured at its fair value and resulting prepaid cost is recorded under other receivables.

	Group	
As at 31st March	**2018**	**2017**
In Rs.'000s		
Loan granted (book written down value of the assets transferred)	155,785	161,384
Loan recovery during the year	(6,670)	(5,599)
Pre-paid cost recorded under other assets	(95,693)	(101,647)
Carrying Value of the loan as at the reporting date	53,422	54,138

13 INVENTORIES

	Company		Group	
As at 31st March	**2018**	**2017**	**2018**	**2017**
In Rs.'000s				
Raw and Packing materials	-	-	293,661	345,559
Work in progress	-	-	173,165	158,992
Finished goods	-	-	1,228,116	1,897,849
Maintenance spares & others	-	-	270,436	213,664
			1,965,378	2,616,064
Impairment provision for inventory (Note 13.1)	-	-	(55,237)	(81,786)
	-	-	1,910,141	2,534,278

13.1 Provision for inventory

Balance as at the beginning of the year	-	-	81,786	38,727
Provisions during the year	-	-	79,093	83,344
Reversals during the year	-	-	(105,642)	(40,285)
Balance as at end of the year	-	-	55,237	81,786

13.2 Flood loss related to inventory

As more fully described in note 30 to these financial statements, during the year ended 31st March 2017 inventories amounting to Rs. 372,371,176/- and Rs. 307,929,008/- of Lion Brewery (Ceylon) PLC and Luxury Brands (Pvt) Ltd respectively, were written off/provided for due to the loss caused by floods.

14 TRADE AND OTHER RECEIVABLES

	Company		Group	
As at 31st March In Rs.'000s	2018	2017	2018	2017
Trade receivables	-	-	1,118,183	1,255,347
Impairment provision for doubtful debts (Note 14.1)	-	-	(41,270)	(35,608)
	-	-	1,076,913	1,219,739
Advances given to business partners	-	-	8,292	9,070
Other advances	-	-	326,143	192,176
Prepayments	-	-	144,434	150,608
Insurance receivables	-	-	1,137,378	-
Other receivables	10,141	18,377	434,870	501,765
	10,141	18,377	3,128,030	2,073,358

14.1 Impairment provision for Doubtful Debts

Balance at the beginning of the year	-	-	35,608	15,065
Provision during the year	-	-	5,662	20,543
Balance at the end of the year	-	-	41,270	35,608

15 AMOUNTS DUE FROM RELATED COMPANIES

	Company		Group	
As at 31st March In Rs.'000s	2018	2017	2018	2017
Pubs 'N Places (Private) Limited	107,818	39,909	-	-
Carlsberg Myanmar Co. Ltd	-	-	5,535	33,076
Balance as at end of the year	107,818	39,909	5,535	33,076

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
16 CURRENT TAXATION				
Income tax recoverable	-	-	5,653	2,477
VAT recoverable	-	-	10,579	-
	-	-	16,232	2,477

17 CASH AND CASH EQUIVALENTS

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Fixed deposits with financial institutions	-	-	7,643,289	6,829,145
Savings accounts	-	-	26,421	92,241
Cash at bank	35,995	20	507,730	721,041
Cash in hand	50	50	2,731	2,800
	36,045	70	8,180,171	7,645,227
Cash and cash equivalents includes the following for the purpose of Statement of Cash Flows.				
Cash and cash equivalents	36,045	70	8,180,171	7,645,227
Bank overdrafts	-	(178,468)	(1,620,112)	(2,547,388)
	36,045	(178,398)	6,560,059	5,097,839

18 STATED CAPITAL

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
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.

19 CAPITAL RESERVES

	Company		Group	
As at 31st March In Rs.'000s	2018	2017	2018	2017
Balance as at beginning of the year	334,690	334,690	1,005,356	1,005,356
Deferred tax on revaluation of property	(89,338)	-	(296,401)	-
Balance as at end of the year	245,352	334,690	708,955	1,005,356
Represented by:				
Revaluation reserve (Note 19.1)	239,576	328,914	703,179	999,580
General capital reserve (Note 19.2)	5,776	5,776	5,776	5,776
	245,352	334,690	708,955	1,005,356

19.1 The revaluation reserve relates to revaluation of land and buildings.

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

20 REVENUE RESERVES

	Company		Group	
As at 31st March In Rs.'000s	2018	2017	2018	2017
Retained Earnings	965,727	957,897	3,348,742	2,766,700
Represented by:				
Retained profits - Company	965,727	957,897	965,727	957,897
- Subsidiaries	-	-	2,383,015	1,808,803
	965,727	957,897	3,348,742	2,766,700

21 DEBENTURES

As at 31st March In Rs.'000s	Group 2018	2017
Balance as at the beginning of the year	3,798,200	4,597,600
Debenture redeemed	(799,400)	(799,400)
Balance as at the end of the year	2,998,800	3,798,200
Interest payable (Note 21.4)	111,782	138,532
Balance as at the end of the year	3,110,582	3,936,732

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.

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 11th 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.

As at 31st March In Rs.'000s	Group 2018	2017
Category 01 Debentures - Floating Rate (Note 21.1)	201,200	402,400
Category 02 & 03 Debentures - Fixed Rate (Note 21.2)	2,797,600	3,395,800
Total	2,998,800	3,798,200

21.1 Category 01 Debentures - Floating Rate

Debentures Category	In Rs.'000s	Proportion (From and out of the Category 01 Debentures issued)	Interest Rate (per annum)	Redemption From the Date of Allotment
Category 01 - Type E	201,200	20%	AWPLR + 1.10%	60 Months (5 Years)
Total	201,200			

Category 01 -Type D debentures amounting to Rs. 201,200,000/- were redeemed on June 16, 2017.

21.2 Category 02 & 03 Debentures - Fixed Rate

Debentures Category	In Rs.'000s	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum) payable quarterly/semi annually	AER (per annum)	Redemption From the Date of Allotment
Category 02 - Type H	797,600	40%	14.00%	14.75%	60 Months (5 Years)
Category 03 - Type I	2,000,000	N/A	7.85%	8.00%	60 Months (5 Years)
Total	2,797,600				

Category 02 -Type G debentures amounting to Rs. 598,200,000/- were redeemed on June 16, 2017.

21.3 Composition of Debentures

	Group	
As at 31st March In Rs.'000s	2018	2017
Classified under Non-Current Liabilities		
Debentures falling due after one year	2,000,000	2,998,800
Total	2,000,000	2,998,800
Classified under Current Liabilities		
Debentures falling due within one year (Type E & H)	998,800	799,400
Debenture Interest Payable (Note 21.4)	111,782	138,532
	1,110,582	937,932
Total Debentures	3,110,582	3,936,732

21.4 Interest Payments on Debentures

During the year, the Group has charged Rs. 316,163,815/- (2017- Rs. 420,021,969/-) as debenture interest on both at fixed rates and floating rates and out of which Rs. 111,781,758 /- (2017 -Rs. 138,532,465 /-) was payable as at the reporting date.

21.5 No security has been pledged against the debentures.

22 LOANS AND BORROWINGS

22.1 Loans and borrowings

	Company		Group	
As at 31st March In Rs.'000s	2018	2017	2018	2017
Balance as at the beginning of the year	337,900	292,500	12,947,939	6,456,569
Loan obtained during the year	-	150,000	1,500,000	8,100,000
Repayments during the year	(129,600)	(104,600)	(2,778,579)	(1,614,935)
Exchange gain on foreign currency term loans payables	-	-	-	6,305
	208,300	337,900	11,669,360	12,947,939
Interest Payable	1,266	-	221,879	91,594
Balance at the end of the year	209,566	337,900	11,891,239	13,039,533

22.2 Details of Borrowings

Name of the Lender Rs. '000s	Repayment Terms	Security Offered	31st March 2018	31st March 2017	
Ceylon Beverage Holdings PLC					
HNB	To be repaid in 59 equal Monthly Instalments of Rs. 8.3 Mn. each and a final instalment of Rs. 10.3 Mn	Unsecured	93,300	192,900	Floating
HNB	Payable in 60 equal monthly instalments commencing from February 2017	Unsecured	115,000	145,000	Floating
			208,300	337,900	
Lion Brewery (Ceylon) PLC					
Commercial Bank - Rs. 1 Bn	Payable in 60 equal monthly instalments commencing from October 2014.	Unsecured	299,860	499,900	Fixed
DFCC - Rs. 1 Bn	Payable in 60 equal monthly instalments commencing from October 2015.	Unsecured	500,000	700,000	Floating
DFCC - Rs. 1 Bn	Payable in 60 equal monthly instalments commencing from April 2016.	Unsecured	600,000	800,000	Floating
HNB - Rs. 1 Bn	35 equal monthly instalments of Rs 27.8Mn and with a final instalment of Rs 27 Mn commencing from March 2017.	Unsecured	638,600	972,200	Floating
Commercial Bank - Rs. 1 Bn	7th to the 12th Month - Rs. 10Mn per month (Rs.60 Mn) and the balance thereof for Rs.940 Mn to be settled in 53 equal monthly instalments of Rs.17.40 Mn and a final instalment of Rs.17.80 Mn. commencing from October 2017.	Unsecured	922,600	1,000,000	Floating
HNB-2BN	Payable in 4 years commencing from April 2018	Unsecured	2,000,000	2,000,000	Floating
NDBIB - Rs. 1.5 Bn	Payable in 8 years commencing from July 2019	Unsecured	1,500,000	-	Floating
Commercial Bank	1 month - Renewable.	Unsecured	3,600,000	2,000,000	Floating
SCB	1 month - Renewable.	Unsecured	1,400,000	1,500,000	Fixed
HSBC - USD 11.05 Mn	Payable in 20 equal quarterly instalments commencing from March 2012.	Unsecured	-	194,189	Floating
DFCC - Rs. 1 Bn	Payable in 60 equal monthly instalments commencing from April 2013.	Unsecured	-	200,000	Floating
HSBC - Up to Rs. 2.2 Bn	Payable in 42 equal monthly instalments commencing from April 2013.	Unsecured	-	43,750	Floating
Citi Bank	3 months - Renewable.	Unsecured	-	1,450,000	Fixed
HNB	1 week - Renewable.	Unsecured	-	1,250,000	Floating
			11,461,060	12,610,039	
			11,669,360	12,947,939	

22.3 Composition of loans and borrowings repayment

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Classified under non-current liabilities				
Loans and borrowings falling due after one year	85,000	208,300	4,899,620	5,193,065
Classified under current liabilities				
Loans and borrowings falling due within one year	123,300	129,600	6,769,740	7,754,874
Interest payable	1,266	-	221,879	91,594
Total Loans and borrowings falling due within one year	124,566	129,600	6,991,619	7,846,468
Balance as at the end of the year	209,566	337,900	11,891,239	13,039,533

23 EMPLOYEE BENEFITS

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

	2018	2017
Present value of unfunded obligation	190,953	78,440
Liability in the Statement of Financial Position	190,953	78,440
The movement in the defined benefit obligation over the year is as follows:		
At 1 April	78,440	109,811
Interest cost	9,279	11,944
Current service cost	18,881	10,103
Actuarial loss	40,938	(25,976)
Past service cost	59,659	-
Benefits paid	(16,244)	(27,442)
As at 31st March	190,953	78,440
The amounts recognised in the Profit or Loss as follows:		
Interest cost	9,279	11,944
Past service cost	59,659	-
Current service cost	18,881	10,103
Total included under staff cost	87,819	22,047
The amount recognised in the Other Comprehensive Income is as follows:		
Actuarial (Gain)/ Loss	40,938	(25,976)
	40,938	(25,976)

23.1 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.

23.2 The gratuity liability of Lion Brewery (Ceylon) PLC as at 31st March 2018 amounting to Rs. 184,876,982/- (2017- Rs. 74,229,679/-) is based on an Actuarial Valuation carried out by Mr M Poopalanathan, AIA of M/s. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

The principal assumptions made are given below:

- Rate of discount 10.5% p.a. (2017 - 12.5% p.a)
- Rate of pay increase 12.5% p.a. (2017-5% p.a)
- Retirement age 55 years
- The company will continue in business as a going concern.

23.3 The above provisions are not externally funded.

23.4 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;

	Group	
In Rs.'000s	**Discount Rate**	**Rate of pay**
Increase by one percentage	(8,094)	9,382
Decrease by one percentage	8,860	(8,727)

23.5 The Gratuity Liability of Pubs N' Places (Pvt) Limited, Retail Spaces (Pvt) Limited and Luxury Brands (Pvt) Limited as at 31st March 2018 amounting to Rs. 1,431,354/-, Rs. 585,555/- & Rs. 4,059,328/- respectively (2017 - Rs. 560,737/-, Rs. 531,545/- & Rs. 3,117,474/-) has been computed by multiplying half month's salary into number of years in service which is in line with LKASs.

24 NET DEFERRED TAX LIABILITIES

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Deferred tax asset (Note 24.1)	-	-	1,100,361	1,437,838
Deferred tax liability (Note 24.2)	89,935	597	4,791,882	3,811,358
Balance as at the end of the year	89,935	597	3,691,521	2,373,520

24.1 Movement of Deferred tax asset

	Company 2018	Company 2017	Group 2018	Group 2017
Balance as at the beginning of the year	-	-	1,437,838	235,626
Originated/ (Reversal) during the year	-	-	(337,477)	1,202,212
Balance as at the end of the year	-	-	1,100,361	1,437,838

24.2 Movement of Deferred tax liability

	Company 2018	Company 2017	Group 2018	Group 2017
Balance as at the beginning of the year	597	597	3,811,358	3,121,162
Originated during the year	89,338	-	980,524	690,196
Balance as at the end of the year	89,935	597	4,791,882	3,811,358

24.3 Deferred tax assets relate to the following

	Company 2018	Company 2017	Group 2018	Group 2017
Deferred tax on employee benefits	-	-	75,198	30,939
Deferred tax on brought forward tax losses	-	-	1,025,163	1,406,899
	-	-	1,100,361	1,437,838

24.4 Deferred tax liability relates to the following

	Company 2018	Company 2017	Group 2018	Group 2017
Temporary differences from property, plant & equipment	-	-	4,166,487	3,675,538
Deferred tax on revaluation of buildings	597	597	139,765	135,820
Deferred tax on revaluation of land	89,338	-	485,630	-
	89,935	597	4,791,882	3,811,358

	Company		Group	
As at 31st March	2018	2017	2018	2017
In Rs.'000s				

25 TRADE AND OTHER PAYABLES

Trade payables	-	-	545,500	371,166
Trade discounts	-	-	121,416	33,930
Accruals	-	-	530,250	155,526
Other payables	15,047	12,497	194,528	193,138
	15,047	12,497	1,391,694	753,760

26 AMOUNTS DUE TO RELATED COMPANIES

Lion Brewery (Ceylon) PLC	394,170	-	-	-
Carlsberg A/S	-	-	105,559	97,740
Lao Brewery Company Limited	-	-	-	46,888
	394,170	-	105,559	144,628

27 REFUNDABLE DEPOSITS

Balance as at the beginning of the year	-	-	1,009,357	987,168
Deposits received during the year	-	-	209,362	22,189
Deposits refunded during the year	-	-	(54,458)	-
Balance as at the end of the year	-	-	1,164,261	1,009,357

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

28 CURRENT TAX LIABILITIES

Excise duty	-	-	902,047	496,994
Value added tax	2,211	998	707,196	314,239
Income tax	1,709	5,636	324,947	107,737
Dividend tax	-	-	32,000	-
PAYE	57	19	130	43
Nation building tax	-	-	1,081	938
	3,977	6,653	1,967,401	919,951

29 REVENUE

	Company		Group	
For the year ended 31st March	2018	2017	2018	2017
In Rs.'000s				
Dividend income	161,275	114,037	-	-
Royalty income	93,986	55,934	-	-
Brewery	-	-	30,215,622	20,972,149
Retail Trade	-	-	2,147,562	2,111,734
	255,261	169,971	32,363,184	23,083,883
Local revenue	255,261	169,971	31,872,983	22,812,470
Export revenue	-	-	490,201	271,413
	255,261	169,971	32,363,184	23,083,883

30 FLOOD RELATED LOSSES

Lion Brewery (Ceylon) PLC

Financial year 2016/17

The company has estimated and written off its Property Plant & Inventory amounting to Rs. 525,850,338/- and Rs. 372,371,176/- respectively. The other operational costs related to flood recovery amounted to Rs. 143,136,076/-. Accordingly, a total loss of Rs. 1,041,357,590/- was recorded in the financial year ended 31st March 2017. Interim claims on insurance was submitted for the damages caused to the company's Property Plant and Equipment, inventory and for Business Interruption. Against these interim claims, an amount of Rs. 2,066,448,095/- was received as on account payments during 2016/17 Whilst Rs. 1,000,000,000/- of this was received against Business Interruption the balance amount of Rs. 1,066,448,095/- was recorded against Property Plant & equipment and Inventory as at 31st March 2017 in line with the insurance policies.

Financial year 2017/18

During the year ended 31st March 2018, the company has further, received confirmation for an amount of Rs.1,205,359,067/- against Business Interruption and Rs.752,263,093/- against the damages caused to the company's Property Plant and Equipment and inventory. As at the date of approving these accounts an amount of Rs.1,957,622,160/- due on the insurance claim has been received in full. Accordingly, the company has now received the full amount of Rs.4,024,070,225/- against the insurance policies of the company.

Luxury Brands (Pvt) Ltd

Financial year 2016/17

The company's inventory were damaged due to flooding and a claim was submitted for the damaged value. As of 31st March 2017, the claim amounting to Rs. 299,846,287/- has been fully settled.

An amount of Rs. 307 Million had been recognised for the carrying value of damaged inventory including other operational expenses incurred for the flood recovery process in the last year.

31 OTHER INCOME

	Company		Group	
For the year ended 31st March In Rs.'000s	**2018**	**2017**	**2018**	**2017**
Deposit liability write back	-	-	2,061	3,207
Profit on disposal of property, plant & equipment	-	-	12,212	896
Other income	-	-	42,242	25,618
	-	-	56,515	29,721

32 PROFIT FROM OPERATIONS

	Company		Group	
	2018	2017	2018	2017
Profit from operations is stated after charging all expenses including the following;				
Directors' fees and emoluments	1,920	2,082	25,478	45,420
Auditor's remuneration - Audit Fee & related expenses	721	600	3,260	3,110
- Audit related services	70	60	140	120
- Non-audit services	-	-	2,311	3,351
Depreciation on property, plant equipment (Note 9)	577	577	1,131,509	1,096,268
Amortisation of intangible assets (Note 10)	-	-	24,018	59,122
Impairment of property, plant equipment	-	-	7,394	11,736
Impairment of intangible assets (Note 10)	-	-	-	1,673,065
Supporting service fees	1,062	754	386,774	338,729
Personnel expenses (Note 32.1)	-	-	793,542	631,900

32.1 Personnel expenses

	Company		Group	
	2018	2017	2018	2017
Salaries, wages and other related expenses	-	-	654,661	556,217
Defined benefit plan costs - Gratuity	-	-	87,819	22,047
Defined contribution plan costs - EPF & ETF	-	-	51,062	53,636
	-	-	793,542	631,900

33 UNABSORBED VALUE ADDED TAX (VAT) PROVISION

VAT was reintroduced to the Alcohol industry at 15% with effect from 1st November 2016. Accordingly, the LBCPLC has made a reversal of the provision for unabsorbed VAT amounting to Rs. 339 Million which was made in 2014/15.

	Group	
For the year ended 31st March In Rs.'000s	2018	2017
Reversal of unabsorbed VAT provision	-	339,811
	-	339,811

34 NET FINANCE COSTS

	Company		Group	
For the year ended 31st March In Rs.'000s	2018	2017	2018	2017
Finance Income:				
Interest income - fixed deposit	-	-	817,584	426,812
Interest income - other	-	-	2,068	681
Total Finance income	-	-	819,652	427,493
Interest Expenses:				
Interest expenses - term loans	37,276	31,116	902,985	488,124
Interest expenses - bank overdrafts	628	11,806	164,168	230,927
Interest on debentures	-	-	311,682	383,326
Interest expenses - others	-	-	938,028	736,101
Total Interest Expenses (Note 34.1)	37,904	42,922	2,316,863	1,838,477
Net foreign exchange transaction gain	-	-	(5,356)	(7,008)
Total Finance Cost	37,904	42,922	2,311,507	1,831,469
Net Finance Costs	37,904	42,922	1,491,855	1,403,976

34.1 Analysis of Total Interest Expenses

Total interest expenses incurred during the year	37,904	42,922	2,338,727	1,957,702
Less - Capitalised during the period (Note 9.(h))	-	-	(21,864)	(119,225)
Finance expenses recognised in the profit or loss	37,904	42,922	2,316,863	1,838,477

35 INCOME TAX

For the year ended 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Current tax (Note 35.1)	21,567	29,618	384,512	92,013
Dividend tax	-	-	17,920	12,676
Net deferred tax	-	-	848,836	(522,405)
	21,567	29,618	1,251,268	(417,716)
Deferred tax recognised in other comprehensive income				
Remeasurement of employee benefit obligation	-	-	(16,375)	10,390
Revaluation gain on land & buildings (35.4)	89,338	-	485,631	-
	89,338	-	469,256	10,390

35.1 Reconciliation of the Accounting Profit and Tax Expenses

For the year ended 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Profits before taxation	197,302	111,781	2,891,635	(1,977,888)
Consolidation adjustments	-	-	161,276	-
Remeasurement of employee benefit obligations (Note 23)	-	-	(40,938)	25,976
Profits before tax adjustments	197,302	111,781	3,011,973	(1,951,912)
Aggregate of disallowable expenses	41,000	25,238	1,463,550	2,640,619
Aggregate of allowable claims	(161,276)	(114,037)	(3,638,493)	(4,355,572)
Operating losses Incurred during the Year	-	-	199,374	-
Tax adjusted profit	77,026	22,982	1,036,404	(3,666,865)
Interest Income	-	-	819,652	427,493
Total Statutory Income	77,026	22,982	1,856,056	(3,239,372)
Utilisation of tax loss	-	-	(623,394)	149,622
Taxable income	77,026	22,982	1,232,662	(3,089,750)
Current tax	21,567	6,027	384,512	89,052
Under provision in respect of previous years	-	23,591	-	2,961
Total current tax expense	21,567	29,618	384,512	92,013

35.2 Analysis of Tax Losses

For the year ended 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
Tax losses brought forward	-	-	4,782,511	1,603,949
Adjustment on losses B/F	-	-	-	(8,337)
Tax losses incurred during the Year	-	-	208,633	3,336,521
Utilisation of tax losses during the Year	-	-	(623,394)	(149,622)
Tax losses carried forward	-	-	4,367,750	4,782,511

Group - Deferred tax assets have not been recognised for unused tax losses of Rs.1,776,533,592/- due to the uncertainty of sufficient taxable earnings of relevant entities.

35.3 Income Tax

Company

(a) Income tax provision of Ceylon Beverage Holdings PLC, has been calculated on its adjusted profit at 28% (2017- 28%) in terms of Inland Revenue Act No.10 of 2006 and amendments thereto.

Subsidiaries

Lion Brewery (Ceylon) PLC (LBCPLC)

(b) In terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the profits & income from operating profits of local operations are liable to income tax at the rate of 40% (2017 - 40%) and profits attributable to export turnover are liable at 12% (2017 - 12%). Income arising on interest income were considered as separate source of income which 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% (2017- 28%).

(e) Company has incurred a tax loss of Rs. 44,723,746/- for the year ended 31st March 2018 (2017 - Rs. 49,573,359/-).

(f) During the year, Company paid Economic Service Charge amounting to Rs. 1,525,418/- (2017 - Rs. 1,510,821/-). 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, Company is liable to income tax at the rate of 28%. (2017 - 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 40%. (2017 - 40%)

(i) Company has incurred a tax loss of Rs. 154,425,079/- for the year ended 31st March 2018 (2017 - Nil/-).

35.4 Deferred Tax on Land Revaluation

As per the Inland Revenue Act No 24 of 2017, applicable from 1st April 2018, any gains on realisation from disposal of lands used in the business are liable for taxation under the business income of the entity. Accordingly, the realisation gains shall be the amount by which the sum of the consideration received on the asset that exceeds the acquiring cost and any accumulated allowable costs incurred on improvement thereon at the time of the realisation.

The Company and the Group had recognised a revaluation reserve on freehold land amounting to Rs. 319 Mn and Rs. 1,357 Mn respectively as at 31st March 2018, which considered as the potential gain liable for taxation as at the Balance Sheet date on future realisation. Accordingly, the Company and the group have recognised a deferred tax liability of Rs. 89 Mn and Rs. 486 Mn pertaining to revaluation reserve on freehold lands.

36 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:

	Company		Group	
For the year ended 31st March In Rs.'000s	2018	2017	2018	2017
Amount used as the Numerator:				
Profit/(loss) after taxation	175,735	82,163	1,640,367	(1,560,172)
Minority interest	-	-	(877,586)	691,097
Net profit/(loss) Attributable to equity holders of the company (as the Numerator)	175,735	82,163	762,781	(869,075)
Number of ordinary shares (as denominator-'000s)	20,988	20,988	20,988	20,988
Earnings/(loss) per ordinary share (Rs.)	8.37	3.91	36.34	(41.41)

37 DIVIDEND - ORDINARY

	Company	
For the year ended 31st March In Rs.'000s	2018	2017
Final dividend (previous year final dividend paid in current year)	20,988	62,964
Interim dividend	146,917	-
Total Dividend	167,905	62,964

37.1 With effect from 1st April 2018, payment of dividends will be liable for dividend tax at the rate of 14%.

38 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT

38.1 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

Category	Company					
As at 31st March	2018			2017		
Financial Instrument	L&R	OFL	FV	L&R	OFL	FV
Financial assets						
Trade and other receivables	10,141	-	10,141	18,377	-	18,377
Amounts due from related companies	107,818	-	107,818	39,909	-	39,909
Cash and cash equivalent	36,045	-	36,045	70	-	70
Financial liabilities						
Loans and borrowings	-	209,566	209,566	-	337,900	337,900
Trade and other payables	-	15,047	15,047	-	12,497	12,497
Amounts due to related companies	-	394,170	394,170	-	105,559	105,559
Bank Overdraft	-	-	-	-	178,468	178,468

Category	Group					
As at 31st March	2018			2017		
Financial Instrument	L&R	OFL	FV	L&R	OFL	FV
Financial assets						
Loans to operators	53,422	-	53,422	54,138	-	54,138
Trade and other receivables	3,128,030	-	3,128,030	2,073,358	-	2,073,358
Amounts due from related companies	5,535	-	5,535	33,076	-	33,076
Cash and cash equivalent	8,180,171	-	8,180,171	7,645,227	-	7,645,227
Financial liabilities						
Debentures	-	3,110,582	3,110,582	-	3,936,732	3,936,732
Loans and borrowings	-	11,891,239	11,891,239	-	13,039,533	13,039,533
Trade and other payables	-	1,391,694	1,391,694	-	753,760	753,760
Refundable deposits	-	1,164,261	1,164,261	-	1,009,357	1,009,357
Amounts due to related companies	-	105,559	105,559	-	144,628	144,628
Bank Overdraft	-	1,620,112	1,620,112	-	2,547,388	2,547,388

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.

38.2 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.

38.3 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 ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

38.4 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 & Cash equivalents including fixed deposits

Group funds are placed only with Licensed Commercial & Specialised banks under Fixed and short-term deposits.

38.4.1 Management of credit risk

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

Item	Procedure
Fixed deposits	Deposits are only with reputed and established commercial banks with a rating of "A" or above.
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 outstanding regularly
Cash & Cash equivalents	Monitor the balance outstanding regularly and balances are with reputed and established banks with a rating of "A" or above

38.4.2 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.

	Company		Group	
As at 31st March	**2018**	**2017**	**2018**	**2017**
In Rs.'000s				
Loan to Operators	-	-	53,422	54,138
Trade and other receivables	10,141	18,377	3,128,030	2,073,358
Amounts due from related companies	107,818	39,909	5,535	33,076
Cash and cash equivalents	36,045	70	8,180,171	7,645,227
	154,004	58,356	11,367,158	9,805,799

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

	Company		Group	
As at 31st March	**2018**	**2017**	**2018**	**2017**
In Rs.'000s				
Financial institutions	36,045	70	8,180,171	7,645,227
Customers and other parties	10,141	18,377	3,159,789	2,127,496
Related parties	107,818	39,909	5,535	33,076
	154,004	58,356	11,367,158	9,805,799

38.4.3 Trade & Other Receivable

The Group has a well-established credit policy for both international and domestic customers to minimise credit risk. A credit evaluation team comprising of personnel from Finance, Sales & Operations evaluate and recommend the credit worthiness of the customer. The Group obtains bank guarantee 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 85% (2017 - 90%) of the trade receivables.

38.4.4 Impairment Losses

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

As at 31st March	Company		Group	
In Rs.'000s	2018	2017	2018	2017
Age				
Past due 0 - 365 days	-	-	1,045,250	1,219,739
More than 365 days	-	-	72,933	35,608
	-	-	1,118,183	1,255,347

38.5 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.

38.5.1 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:

a) Regularly monitoring of the group's assets and liabilities in order to forecast cash flows for up to future period

b) Arrange adequate facilities with banks as contingency measures.

c) Daily monitoring the facility limits i.e. overdrafts with banks.

38.5.2 The Maturity Analysis of Liabilities

	Company			Group		
As at 31st March 2018 In Rs.'000s	Carrying Value	Up to Year 1	Above year 1	Carrying Value	Up to Year 1	Above year 1
Bank Overdrafts	-	-	-	1,620,112	1,620,112	-
Debentures	-	-	-	3,110,582	1,110,582	2,000,000
Loans and borrowings	209,566	124,566	85,000	11,891,239	6,991,619	4,899,620
Trade & other payables	15,047	15,047	-	1,391,694	1,391,694	-
Amount payable to related parties	394,170	394,170	-	105,559	105,559	-
Refundable Deposits	-	-	-	1,164,261	1,164,261	-
	618,783	533,783	85,000	19,283,447	12,383,827	6,899,620

38.5.2 Financial Instrument Fair Value and Risk Management (Contd.)

	Company			Group		
As at 31st March 2017 In Rs.'000s	Carrying Value	Up to Year 1	Above year 1	Carrying Value	Up to Year 1	Above year 1
Bank Overdrafts	178,468	178,468	-	2,547,388	2,547,388	-
Debentures	-	-	-	3,936,732	937,932	2,998,800
Loans and borrowings	337,900	129,600	208,300	13,039,533	7,846,468	5,193,065
Trade & other payables	12,497	12,497	-	753,760	753,760	-
Amount payable to related parties	-	-	-	144,628	144,628	-
Refundable Deposits	-	-	-	1,009,357	1,009,357	-
	528,865	320,565	208,300	21,431,398	13,239,533	8,191,865

38.6 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 obligor'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 optimising the return on risk.

38.6.1 Management of Market Risks

Most borrowings are linked to borrowing rates at AWDR, AWPLR, SLIBOR and LIBOR.

The repayment of the foreign currency loan is matched with the receipts from exports sales proceeds in foreign currency.

38.6.2 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.

38.6.3 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.

As at 31st March In Rs.'000s	Company 2018	Company 2017	Group 2018	Group 2017
38.6.4 Exposure to interest Rate Risk				
Fixed rate instruments				
- Financial Assets	-	-	7,643,289	6,829,145
- Financial Liabilities	-	-	4,497,460	6,845,700
Variable rate instruments				
- Financial Assets	-	-	26,421	92,241
- Financial Liabilities	208,300	516,368	11,790,812	12,447,827

38.6.5 Sensitivity analysis on interest rate fluctuation

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

Instrument In Rs.'000s	Increase by one percentage	Decrease by one percentage	Increase by one percentage	Decrease by one percentage
HNB - 500Mn	933	(933)	933	(933)
HNB - 150 Mn	1,150	(1,150)	1,150	(1,150)
Debenture Type E	-	-	2,012	(2,012)
DFCC - Rs. 1 Bn	-	-	5,000	(5,000)
DFCC - Rs. 1 Bn	-	-	6,000	(6,000)
HNB - Rs. 1 Bn	-	-	6,386	(6,386)
Commercial Bank-Rs. 1 Bn	-	-	9,226	(9,226)
HNB-Rs. 2 Bn	-	-	20,000	(20,000)
NDBIB Loans- Rs.1.5 Bn	-	-	15,000	(15,000)
Potential impact	2,083	(2,083)	65,707	(65,707)

38.6.6 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 throughout the day to the top management. A daily reporting is made on the outstanding balances and interest rates.

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) have been classified as KMP of the Company.

Compensation paid to the key management personnel of the Company comprise as follows;

	Company		Group	
For the year ended In Rs.’000s	2018	2017	2018	2017
Short term employee benefits	1,920	2,082	25,478	45,420
Post-employment benefits	-	-	-	17,575
	1,920	2,082	25,478	62,995

39.3 Other Related Party Transactions

The Company carried out transaction in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 -Related party Disclosures, the details of which are Reported below.

39.3.1 Transactions with subsidiary companies

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

Messrs. L. C. R. de C Wijetunge (stepped down from the Board on 20/07/2017), H.Selvanathan, S.K.Shah, D.C.R.Gunawardena, D.A. Cabraal, Mr. L. Lehmann, Mr. R. H. Meewakkala 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.

(i) Was charged Rs. 93,985,710/- (2017 - Rs. 55,933,618/-) as royalty in accordance with the licensed brewing agreement with the Company.

(ii) A dividend of Rs. 150,475,635/- was paid by LBCPLC to the Company during the year. (2017 - Rs. 112,856,728/-)

(iii) A balance of Rs. 394,170,643/-remains payable to LBCPLC as at 31st March 2018. (2017 - Nil)

(b) Pubs ‘N Places (Private) Limited

Mr. S.K. Shah Director of the Company is also a Director of Pubs ‘N Places (Private) Limited with which the following transactions have been made during the period by the Company.

(i) As at 31st March 2018 balance receivable from Pubs 'N Places (Private) Limited to the Company was Rs. 107,817,481/-. (2017 - Rs. 39,908,710/-).

(c) Retail Spaces (Pvt) Limited

(i) A dividend of Rs. 10,800,000/- was paid by Retail Spaces (Pvt) Limited to the Company during the year. (2017 - Rs. 1,180,558/-)

39.3.2 Transactions with group entities

Messrs. H.Selvanathan, S.K.Shah and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides supporting services to the Company. An amount of Rs. 1,062,470/- (2017 -Rs. 754,280/-) was charged by Carsons Management Services (Private) Limited to the Company and Group Rs. 435,447,597/- (2017- Rs. 405,326,142/-) during the period, which included supporting services fees of Rs. 386,774,479/- (2017 - Rs. 338,729,044/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Group.

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 an 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.

(b) The Group

(i) Contingent liabilities as at 31st March 2018 amount to Rs. 72,312,314/- (2017- Rs. 37,492,951/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

40 CONTINGENT LIABILITIES AND COMMITMENTS (CONTD.)

(ii) Following legal matter is outstanding against the Lion Brewery (Ceylon) PLC. 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 LBCPLC 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 court has ordered the Company to formally show cause and accordingly this case is scheduled to called on the 9th of July 2018.

In the meanwhile, the Company and the directors 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 preferred an appeal against the said order to the Supreme Court. The matter was Argued on the 9th of May 2018 and judgment is reserved and will be notified in due course.

40.2 Finance Commitments

Document credits established for foreign purchases of the Group as at 31st March 2018 amounts to Rs. 43,795,228/- (2017 - Rs. 89,839,385/-)

41 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no circumstances have arisen which required adjustment to or disclosure in the Financial Statements subsequent to the reporting date.

42 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to give proper presentations as at 31st March 2018.

43 SEGMENTAL ANALYSIS

The Group does not distinguish its products into significant components for different Geographical / Business segments as the differentiations are insignificant.

However the group did not possess such reportable segments as at the reporting date.

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.

VALUE ADDED STATEMENT

For the year ended 31st March In Rs.'000s	2018	2017
VALUE ADDED		
Revenue	32,363,184	23,083,883
Other income	56,515	29,721
Finance income	819,652	427,493
Value added tax	5,201,561	1,818,327
	38,440,912	25,359,424
Cost of material and services bought from outside	(8,347,372)	(7,329,084)
	30,093,540	18,030,340

For the year ended 31st March In Rs.'000s	2018	%	2017	%
DISTRIBUTED AS FOLLOWS:				
To Employees				
As remuneration and other employee costs	793,542	2.64	631,900	3.50
To Government				
As Excise duty & import duty	18,551,986	61.65	13,873,695	76.95
As Value added tax	5,201,561	17.28	1,818,327	10.08
As Income tax	7,541	0.03	36,633	0.20
As Economic service charge	166,176	0.55	126,901	0.70
As Nation building tax	12,254	0.04	10,238	0.06
As Withholding tax	85,175	0.28	42,996	0.24
To Providers' of Capital				
As Dividends to shareholders	167,905	0.56	62,964	0.35
As Finance expenses	2,311,507	7.68	1,831,469	10.16
Retained in the Business				
As Depreciation/amortisation	1,155,527	3.84	1,155,390	6.41
As non-controlling interest	877,586	2.92	(691,097)	(3.83)
As Profit for the year	762,781	2.53	(869,075)	(4.82)
	30,093,540	100.00	18,030,340	100.00

VALUE ADDED STATEMENT

Notes:

1 The Statement of Value Added shows the quantum of wealth generated by the activities of the Group and its applications.

2 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	2018	2017
Value added tax	5,201,561	1,818,327
Excise duty & import duty	18,551,986	13,873,695
Income tax	7,541	36,633
Economic service charge	166,176	126,901
Nation building tax	12,254	10,238
Withholding tax	85,175	42,996
Total taxes	24,024,693	15,908,790

FIVE YEAR SUMMARY

Year ended 31st March In Rs.'000s	2018	2017	2016	2015	2014
OPERATING RESULTS					
Revenue	32,363,184	23,083,883	36,690,489	32,391,476	25,846,535
Other income	56,515	29,721	21,432	397,204	23,631
Progressive insurance receipts on business interruption	1,205,359	1,000,000	-	-	-
	33,625,058	24,113,604	36,711,921	32,788,680	25,870,166
Total expenditure	(29,993,831)	(23,371,269)	(32,704,957)	(29,104,458)	(23,578,824)
Impairment of intangible assets	-	(1,673,065)			
Profit/(loss) from operating activities before exceptional expenses	3,631,227	(930,730)	4,006,964	3,684,222	2,291,342
Loss on disposal and impairment of PPE			-	(302,786)	-
Profit/(loss) from operations before expenses relating to new investment	3,631,227	(930,730)	4,006,964	3,381,436	2,291,342
Progressive insurance receipts on property damage	752,263	1,366,294	-	-	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	(1,349,287)	-	-	-
Reversal of unabsorbed VAT provision	-	339,811	-	-	-
Expenses relating to new investment	-	-	-	(339,811)	-
Net finance costs	(1,491,855)	(1,403,976)	(996,198)	(648,917)	(229,070)
Profit/(loss) before taxation	2,891,635	(1,977,888)	3,010,766	2,392,708	2,062,272
Income tax reversal/(expense)	(1,251,268)	417,716	(928,205)	(1,098,900)	(893,360)
Profit/(loss) for the year	1,640,367	(1,560,172)	2,082,561	1,293,808	1,168,912
	-	-	-		
Total other comprehensive income/(loss) for the year	(510,194)	15,586	795,476	(7,996)	(1,121)
Total comprehensive income/(loss) for the year	1,130,173	(1,544,586)	2,878,037	1,285,812	1,167,791
Dividends - Ordinary	167,905	62,964	167,905	167,905	146,917

FIVE YEAR SUMMARY

As at 31st March In Rs.'000s	2018	2017	2016	2015	2014
STATEMENT OF FINANCIAL POSITION					
Stated capital	533,384	533,384	533,384	533,384	533,384
Capital reserve	708,955	1,005,356	1,005,356	492,331	492,331
Revenue reserve	3,348,742	2,766,700	3,690,596	2,927,439	2,424,191
	4,591,081	4,305,440	5,229,336	3,953,154	3,449,906
Minority interest	4,493,662	3,969,835	4,768,089	3,784,938	3,310,201
	9,084,743	8,275,275	9,997,425	7,738,092	6,760,107
Loans and borrowings	15,001,821	16,976,265	11,224,911	12,340,840	12,773,391
Less - net cash	(6,560,059)	(5,097,839)	(1,599,494)	(708,137)	(5,947,033)
Capital Employed	17,526,505	20,153,701	19,622,842	19,370,795	13,586,465
Represented by:					
Non-current assets	20,977,956	20,790,168	20,745,003	19,175,670	12,363,938
Current assets excluding Cash and cash equivalents	5,059,938	4,643,189	5,044,326	5,394,788	5,344,525
Current liabilities excluding borrowings & OD	(4,628,915)	(2,827,696)	(3,171,140)	(3,022,643)	(2,824,263)
Retirement benefit obligations	(190,953)	(78,440)	(109,811)	(102,642)	(93,899)
Deferred tax liabilities	(3,691,521)	(2,373,520)	(2,885,536)	(2,074,378)	(1,203,836)
	17,526,505	20,153,701	19,622,842	19,370,795	13,586,465

Year ended 31st March In Rs.'000s	2018	2017	2016	2015	2014
Cash Flow Statistics					
Net cash (outflows)/inflows from operating activities	3,473,298	(381,632)	4,007,103	3,498,086	1,796,365
Net cash (outflows)/inflows from investing activities	(364,657)	(3,006,018)	(1,104,872)	(8,109,841)	(2,337,721)
Net cash inflows/ (outflows) from financing activities	(1,646,421)	6,885,995	5,398,108	(627,141)	8,204,372
Net cash movement for the year	1,462,220	3,498,345	8,300,339	(5,238,896)	7,663,016

As at 31st March In Rs.'000s	2018	2017	2016	2015	2014
RATIOS & STATISTICS					
Operational Ratios					
Return on shareholders' funds (%)	16.61	(20.19)	20.83	16.66	15.29
Return on Capital Employed (ROCE) (times)	25.01	(2.85)	20.42	15.70	16.86
Equity to total assets (times)	3.77	4.00	2.96	3.48	3.64
Assets turnover (times)	0.95	0.70	1.24	1.20	1.05
Gearing ratio (%)	48.17	58.94	49.05	60.26	50.24
Interest cover (times)	2.94	(0.41)	4.02	4.69	10.00
Current ratio (times)	0.92	0.87	0.94	0.84	1.11
Quick asset ratio (times)	0.79	0.69	0.65	0.53	0.86
Earnings/(Loss) per share (Rs.)	36.34	(41.41)	51.89	31.38	25.13
Price earnings ratio (times)	17.34	(14.49)	11.18	22.31	19.89
Market price per share (Rs.)	630.30	600.00	580.00	700.10	500.00
Dividends per share (Rs.)	8.00	3.00	8.00	7.00	7.00
Dividend payout ratio (%) (Company)	95.54	76.63	87.19	71.07	93.46
Net assets per share (Rs.)	218.75	205.14	249.16	188.35	164.37
Market capitalisation (Rs. '000)	13,228,793	12,592,854	12,173,092	14,693,762	10,494,045

STATEMENT OF COMPREHENSIVE INCOME - US$

	Company		Group	
For the year ended 31st March	2018	2017	2018	2017
In USD '000s				
Revenue	1,640	1,129	207,873	153,292
Cost of sales	-	-	(160,496)	(126,766)
Gross profit	1,640	1,129	47,377	26,526
Progressive insurance receipts on business interruption	-	-	7,742	6,641
Other Income	-	-	363	197
	1,640	1,129	55,482	33,364
Distribution expenses	-	-	(21,816)	(18,164)
Administrative expenses	(129)	(101)	(8,098)	(8,860)
Other expenses	-	-	(2,244)	(1,411)
Impairment of intangible assets	-	-	-	(11,110)
Profit/(Loss) from Operations	1,511	1,028	23,324	(6,181)
Reversal of unabsorbed VAT provision	-	-	-	2,257
Stocks and PPE quantified and written-off to date due to flood related damages	-	-	-	(8,960)
Progressive insurance receipts on property damage	-	-	4,832	9,073
Profit/(Loss) Before Finance Cost	1,511	1,028	28,156	(3,811)
Finance income	-	-	5,265	2,839
Finance costs	(243)	(285)	(14,847)	(12,162)
Net Finance Costs	(243)	(285)	(9,582)	(9,323)
Profit/(Loss) Before Taxation	1,268	743	18,574	(13,134)
Income tax reversal /(expenses)	(139)	(197)	(8,037)	2,774
Profit/(Loss) After Taxation	1,129	546	10,537	(10,360)
Other Comprehensive Income				
Items that will never be reclassified to profit or loss				
Remeasurement of employee benefit obligation	-	-	(263)	172
Deferred tax adjustment	-	-	105	(69)
Deferred tax adjustment	(574)	-	(3,119)	-
Total Other Comprehensive Income for the year	(574)	-	(3,277)	103
Total Comprehensive Income/(Expenses)	555	546	7,260	(10,257)

For the year ended 31st March In USD '000s	Company 2018	 2017	Group 2018	 2017
Profit Attributable to				
- Equity Holders of the Company	1,129	546	4,899	(5,771)
- Minority Shareholders	-	-	5,638	(4,589)
Profit/(Loss) Available for Appropriation	1,129	546	10,537	(10,360)
Total Comprehensive Income Attributable to				
- Equity Holders of the Company	555	546	2,914	(5,717)
- Minority Shareholders	-	-	4,346	(4,540)
Profit/(Loss) Available for Appropriation	555	546	7,260	(10,257)

STATEMENT OF FINANCIAL POSITION - US$

	Company		Group	
As at 31st March	**2018**	**2017**	**2018**	**2017**
In USD '000s				
ASSETS				
Non-Current Assets				
Property, plant & equipment	2,103	2,156	117,319	118,686
Intangible assets	-	-	15,544	16,042
Investments in subsidiaries	12,521	12,812	-	-
Loan to operators	-	-	339	352
Total Non-Current Assets	14,624	14,968	133,202	135,080
Current Assets				
Inventories	-	-	12,129	16,466
Trade & other receivables	64	120	19,862	13,471
Amounts due from related companies	685	259	35	215
Current Taxation	-	-	103	16
Cash and cash equivalents	229	-	51,941	49,673
Total Current Assets	978	379	84,070	79,841
Total Assets	15,602	15,347	217,272	214,921
EQUITY AND LIABILITIES				
Equity				
Stated capital	9,198	9,198	9,198	9,198
Capital reserves	1,558	2,175	4,502	6,532
Revenue reserves	320	492	15,452	12,245
Equity Attributable To Equity Holders of the Company	11,076	11,865	29,152	27,975
Non - controlling interest	-	-	28,533	25,793
Total Equity	11,076	11,865	57,685	53,768

	Company		Group	
As at 31st March	2018	2017	2018	2017
In USD '000s				
Non - Current Liabilities				
Debentures	-	-	12,699	19,484
Loans and borrowings	540	1,353	31,111	33,741
Employee benefits	-	-	1,212	510
Deferred tax liabilities	571	4	23,440	15,421
Total Non- Current Liabilities	1,111	1,357	68,462	69,156
Current Liabilities				
Trade and other payables	96	80	8,837	4,896
Amounts due to related companies	2,503	-	670	940
Refundable deposits	-	-	7,393	6,558
Tax liabilities	25	43	12,492	5,977
Debentures	-	-	7,052	6,094
Loans and borrowings	791	842	44,394	50,981
Bank overdraft	-	1,160	10,287	16,551
Total Current Liabilities	3,415	2,125	91,125	91,997
Total Liabilities	4,526	3,482	159,587	161,153
Total Equity and Liabilities	15,602	15,347	217,272	214,921

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 affected based on the following exchange rates:

As at 31st March In USD '000s		2018	2017
Income statement	Average rate	155.69	150.59
Monetary assets and liabilities	Closing rate	157.49	153.91
Non-current assets and liabilities	Closing rate	157.49	153.91
Ordinary share capital	Historical rate	57.99	57.99

2 REVENUE

	Company		Group	
For the year ended 31st March In USD '000s	2018	2017	2018	2017
Dividend income	1,036	758	-	-
Royalty income	604	371	-	-
Brewery	-	-	194,079	139,269
Retail Trade	-	-	13,794	14,023
	1,640	1,129	207,873	153,292
Local revenue	1,640	1,129	204,724	151,490
Export revenue	-	-	3,149	1,802
	1,640	1,129	207,873	153,292

FIVE YEAR SUMMARY - US$

Year ended 31st March In US$ '000s	2018	2017	2016	2015	2014
Revenue	207,873	153,292	256,720	243,673	194,991
Other income	363	197	150	2,988	178
Progressive insurance receipts on business interruption	7,742	6,641	-	-	-
	215,978	160,130	256,870	246,661	195,169
Total expenditure	(192,654)	(155,201)	(228,834)	(218,946)	(177,883)
Impairment of intangible assets	-	(11,110)	-	-	-
Profit/(loss) from operating activities before exceptional expenses	23,324	(6,181)	28,036	27,715	17,286
Loss on disposal and impairment of PPE	-	-	-	(2,278)	-
Profit/(loss) From Operations Before Expenses Relating to New Investment	23,324	(6,181)	28,036	25,437	17,286
Progressive insurance receipts on property damage	4,832	9,073	-	-	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	(8,960)	-	-	-
Reversal of unabsorbed VAT provision	-	2,257	-	-	-
Expenses relating to new investment	-	-	-	(2,556)	-
Net finance costs	(9,582)	(9,324)	(6,970)	(4,882)	(1,728)
Profit/(loss) Before Taxation	18,574	(13,134)	21,066	17,999	15,558
Income tax reversal/(expense)	(8,037)	2,774	(6,495)	(8,267)	(6,740)
Profit/(loss) for the year	10,537	(10,360)	14,571	9,732	8,818
Total other comprehensive Income/(loss) for the year	(3,277)	103	5,565	(60)	(8)
Total comprehensive Income/(loss) for the year	7,260	(10,257)	20,136	9,672	8,810
Dividends - Ordinary	1,078	418	1,175	1,108	1,108

FIVE YEAR SUMMARY - US$

As at 31st March In US$ '000s	2018	2017	2016	2015	2014
STATEMENT OF FINANCIAL POSITION					
Share capitals	9,198	9,198	9,198	9,198	9,198
Capital reserves	4,502	6,532	6,849	3,654	3,725
Revenue reserves	15,452	12,245	19,580	16,488	13,181
	29,152	27,975	35,627	29,340	26,104
Minority interest	28,533	25,793	32,485	28,093	25,045
	57,685	53,768	68,112	57,433	51,149
Loans and borrowings	95,256	110,299	76,474	91,597	96,644
Less - Cash	(41,654)	(33,122)	(10,897)	(5,256)	(44,995)
Capital Employed	111,287	130,945	133,689	143,774	102,798
Represented by:					
Non-current assets	133,202	135,080	141,334	142,327	93,547
Current assets excluding Cash and cash equivalents	32,129	30,168	34,367	40,041	40,437
Current liabilities excluding borrowings & OD	(29,392)	(18,372)	(21,605)	(22,435)	(21,368)
Retirement benefit obligations	(1,212)	(510)	(748)	(762)	(710)
Deferred tax liabilities	(23,440)	(15,421)	(19,659)	(15,397)	(9,108)
	111,287	130,945	133,689	143,774	102,798

INFORMATION TO SHAREHOLDERS & INVESTORS

1 STOCK EXCHANGE LISTING

Ceylon Beverage Holdings PLC is a Public Quoted Company, the issued ordinary shares of which are listed on the Diri Savi 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 2018 was Rs. 630.30 per share (31st March 2017 - Rs.600/-)

2 ORDINARY SHAREHOLDERS

As at 31st March	2018	2017
Number of shareholders	975	964

3 FREQUENCY DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2018

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	792	119,088	0.57	60	15,028	0.07	852	134,116	0.64
1001 - 10,000	80	251,135	1.20	32	83,240	0.40	112	334,375	1.59
10,001 - 100,000	2	105,305	0.50	4	167,419	0.80	6	272,724	1.30
100,001 - 1,000,000	-	-	-	2	935,000	4.45	2	935,000	4.46
Above 1,000,000	1	15,726,912	74.93	2	3,584,963	17.08	3	19,311,875	92.01
Grand Total	875	16,202,440	77.20	100	4,785,650	22.80	975	20,988,090	100.00

4 CATEGORIES OF SHAREHOLDERS

As at 31st March 2018	No. of Shareholders	No. of Shares	%
Individual	898	507,118	2.42
Institutions	77	20,480,972	97.58
Total	975	20,988,090	100.00

5 The number of shares held by non-residents as at 31st March 2018 was 4,785,650 (2017 - 4,769,877) which amounts to 22.80% (2017 - 22.73%) of the total number of shares in issue.

6 Public Holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 1, i.e. Float-Adjusted Market Capitalisation of Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 7.5%.

The Company's Public Holding as at 31st March 2018

Market Capitalisation of the Public Holding	Rs. 3.25 Billion
Percentage of ordinary shares held by the public	24.60%
Number of Public Shareholders	956

7 MARKET PERFORMANCE - ORDINARY SHARES

For The year ended 31st March	2018	2017
Highest (Rs.)	810.00	799.90
Lowest (Rs.)	487.00	562.00
Value of Shares Traded (Rs.'000)	269,939	10,711

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. 13,228,793,127/- as at 31st March 2018 (31st March 2017 - Rs.12,592,854,000/-).

9 DIVIDENDS

9.1 A First & Final Dividend of Rs.1/- per ordinary share for the year ended 31st March 2017 was paid to the Shareholders on 31st July 2017.

9.2 A First Interim Dividend of Rs.7/- per ordinary share for the year ended 31st March 2018 was paid to the Shareholders on 22nd March 2018.

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.

DIVIDEND PAYOUT RATIO

The percentage of earnings paid to shareholders in 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).

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the One Hundred and Seventh Annual General Meeting of CEYLON BEVERAGE HOLDINGS PLC will be held on Friday, 20th July 2018 at 4.00 p.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka (Ground Floor), 30A, Malalasekara Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2018 together with the Report of the Auditors thereon.

2. To re-elect Mr. R. H. Meewakkala as a Director in terms of Article 68 of the Articles of Association of the Company.

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. M. Selvanathan 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. M. Selvanathan who is 71 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
18th June 2018

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 4.45 p.m. on 18th July 2018.

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.

DAMIAN AMAL CABRAAL	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,
LARS LEHMANN	Or failing him,
RAJIV HERATH MEEWAKKALA	

as *my/our proxy to attend at the One Hundred and Seventh Annual General Meeting of the Company to be held on Friday, 20th July 2018 at 4.00 p.m. at the Auditorium of The Institute of Chartered Accountants of Sri Lanka (Ground Floor), 30A, Malalasekara Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To re-elect Mr. R. H. Meewakkala as a Director in terms of Article 68 of the Articles of Association of the Company.		
2.	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.		
3.	To re-appoint Mr. M. Selvanathan who is over seventy years of age as a Director of the Company.		
4.	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.		

Signed this ………… day of ………………………………Two Thousand and Eighteen.

……………………………
Signature/s

Notes

1. * Please delete the inappropriate words.
2. 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.
3. A shareholder is not entitled to appoint more than one proxy on the same occasion.
4. Instructions are noted on the reverse hereof.

FORM OF PROXY

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 4.45 p.m., on 18th July 2018.

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
Official listing of the Colombo Stock Exchange was obtained in April 1991

SUBSIDIARY COMPANIES
Lion Brewery (Ceylon) PLC
Pubs ‘N Places (Private) Limited
Retail Spaces (Private) Limited
Luxury Brands (Private) Limited
Pearl Springs (Private) Limited
Millers Brewery Limited
Vee Waruna (Private) Limited (disposed on 11/08/2017)

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
Mr. D. A. Cabraal (Chairman w.e.f. 21/07/2017)
Mr. H. Selvanathan (Deputy Chairman)
Mr. M. Selvanathan (Director / Alternate Director to H. Selvanathan)
Mr. S. K. Shah (Chief Executive Officer)
Mr. D. C. R. Gunawardena
Mr. L. Lehmann
Mr. R. H. Meewakkala (appointed w.e.f. 01/09/2017)
Mr. L. C. R. de C. Wijetunge (stepped down from the Board/as Chairman at the conclusion of the AGM on 20/07/2017)

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

LEGAL ADVISERS
Messrs. F.J .& G. De Saram
216, De Saram Place
Colombo 10
Sri Lanka
Tel: + 94 11 4718200
Fax: + 94 11 4718220

AUDITORS
Messrs. KPMG
Chartered Accountants
No. 32A, Sir Mohamed Macan Markar Mawatha
Colombo 3
Sri Lanka
Tel: + 94 11 5426426
Fax:+94 11 2445872

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 2465900 (10 Lines)
Fax:+94 11 2465901

GROUP WEBSITE
www.carsoncumberbatch.com

Designed & produced by
emagewise
Printed by Printage (Pvt) Ltd.