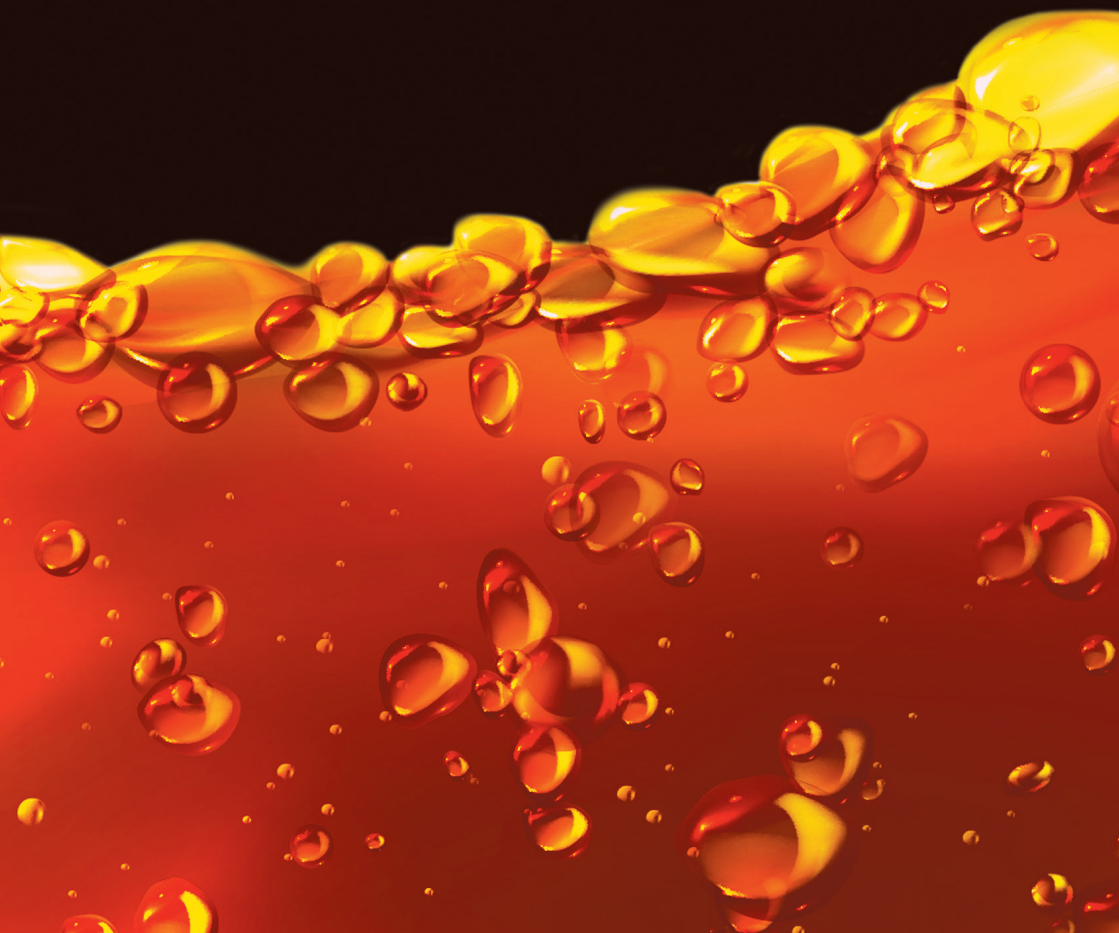


ANNUAL REPORT
2021/22

CEYLON BEVERAGE HOLDINGS PLC



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The report can be accessed online at
<http://www.carsoncumberbatch.com>

FINANCIAL HIGHLIGHTS

| In Rs.'000s | 2022 | 2021 | Change % |
|-------------------------------------|------------|------------|----------|
| Revenue | 60,211,220 | 51,172,154 | 17.7% |
| Profit from operation | 5,712,300 | 4,872,718 | 17.2% |
| Profit before taxation | 5,885,176 | 4,284,507 | 37.4% |
| Profit after taxation | 3,821,798 | 2,434,497 | 57.0% |
| Dividends per share (Rs.) | 31.23 | 13.70 | 128.0% |
| Shareholders' funds | 19,872,621 | 16,664,230 | 19.3% |
| Total assets | 42,307,487 | 36,130,753 | 17.1% |
| Earnings per ordinary share (Rs.) | 98.64 | 59.77 | 65.0% |
| Net assets per ordinary share (Rs.) | 493.49 | 407.82 | 21.0% |
| Market capitalisation | 14,833,333 | 16,365,463 | (9.4%) |

CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to present the Annual Report for the year ended 31st March 2022. The Chief Executive's review presents a detailed analysis of your Group's operations, and therefore my statement is confined to an overview.

During the first half of the year under review, sales were disrupted due to the 3rd wave of the Covid pandemic. In order to curb its spread, a 52 day island wide lockdown was enforced over two separate periods. Whilst some retail shops were open during this lock down period, outlets licensed to sell beer were closed, resulting in the loss of sales and cash collections. However, in the second half of the year, with increasing vaccinations and the pandemic coming under control, the Group's operations returned to normal levels.

The rapid diminution of the country's foreign currency reserves due to a multitude of factors and the dwindling in-flow of dollars created an acute scarcity of foreign currency. This led to severe operational challenges affecting every aspect of business. Whilst its intensity was less severe in the first half of the year, its impact reached extreme proportions in the second half. Banks were compelled to prioritise the allocation of its limited foreign exchange to meet urgent and essential imports such as fuel, gas and medicines. We are extremely grateful to our suppliers for the unstinted support extended to the Group during this challenging period and in turn our commitments to them have been met in a timely manner.



The forthcoming year will be one of even greater challenges. As the country gears itself to overcome the economic, political and social crisis, consumers and businesses will have to brace themselves to steer through a period of severe turbulence.



The free float of the LKR in mid-March 2022 resulted in the sharp devaluation of the Rupee, with the US\$ appreciating to Rs. 370/- by April 2022. This steep depreciation combined with other economic factors has led to very high head line and core inflation, resulting in significant price increases across all inputs. In parallel, various geopolitical events have led to a considerable rise in global commodity prices. Aluminum which is a key ingredient in the manufacture of cans is one such commodity that experienced a steep rise in prices. The surge in global freight rates too caused the cost of imported inputs to increase significantly. In spite of increases in the price of the Group's product range to counter rising costs, gross margins suffered.

In this challenging and demanding backdrop the Group delivered a profit before tax of Rs. 5.9 billion compared to Rs. 4.3 billion last year, on a turnover of Rs. 60.2 billion versus Rs. 51.2 billion in the previous year. It must be noted that the sharp appreciation of the US\$ in March 2022 resulted in a substantial exchange gain; without this benefit, the profit before tax for the year would be Rs. 5.3 billion. For the financial year 2021/22, the Group paid Rs. 48 billion as Government taxes compared to Rs. 38 billion last year.

Exports performed well recording a growth of 45% over the previous year despite the many operational challenges. The income received from exports greatly helped overcome the foreign exchange challenges faced during the year. If not for the numerous impediments, growth in exports would have been much higher. The lack of ships calling at the port of Colombo compounded by the scarcity of containers, hampered shipments and significantly increased freight costs. Export profitability was also challenged by rising costs of raw materials. The international business arm of the Group now exporting to around 26 countries, offers further promise and potential for growth in the years to come and will receive due focus.

The forthcoming year will be one of even greater challenges. As the country gears itself to overcome the economic, political and social crisis, consumers and businesses will have to brace themselves to steer through a period of severe turbulence. The significant changes in monetary policy already in motion will lead to significantly higher interest costs and liquidity issues, while increasing inflation will lead to higher prices that will impact demand. It is expected that the ongoing shortage in foreign exchange, the scarcity of fuel, interruptions to power supply, disruptions to global supply chains hampering supplies and rising commodity prices will continue to impede business in the forthcoming year. In addition, the expected revisions to fiscal policies will result in the increase of VAT and other taxes, adding to the challenges. Nevertheless, as proven in the past, guided by the Board, your Group's capable Management assisted by the diligent team of employees is committed towards overcoming the challenges to ensure business success.

Despite having to face numerous personal hardships and a multitude of business challenges, our dedicated team of employees across all levels has ensured that the Group's operations continued uninterrupted. The Group is deeply appreciative of the commitment and contribution of every employee and extends its grateful thanks to all team members.

A special thank you and a note of appreciation to our partners Carlsberg, our bankers, consignment agents and suppliers for the unstinted help and assistance provided. Also, a big thank-you to all our loyal consumers for the continued trust and confidence placed in the Group's brands.

In conclusion, I wish to express my appreciation and thanks to the Audit Committee, Remuneration Committee, Related Party Committee and Nominations Committee and to my colleagues on the Board for their invaluable advice and guidance provided to steer the Group. As always, I look forward to working closely with all in taking the Group further and forward.

(Sgd.)

D. A. Cabraal
Chairman

Colombo
08th July 2022

CHIEF EXECUTIVE'S REVIEW

INDUSTRY & POLICY

The financial year saw the continued impact of the Covid pandemic which started easing towards the last two quarters bringing about a hope of economic revival. The expectation was short lived as the dollar crisis precipitated by the poor inflows started impacting the whole country and the operations of the Group. Therefore, a year which was expected to be a period of turnaround nosedived into a political and social crisis, leading to the economy going into a tailspin.

Within the context of a deteriorating economic environment Government and regulators must pursue a balanced and sensible approach to the industry as ad hoc policies will impact government revenue streams and create a thriving illicit sector. For the 2021/22 year, 60% of the price of beer is composed of excise tax, compared to world norms of between 20%-30%, which indicates that the pricing for beer is at a high level thereby compromising the value for money equation versus illicit products. In fact, WHO estimates 37% of the alcoholic beverages consumed in the country is duty-not-paid which is significantly higher than the global average. The estimated excise taxes for 2022 from the duty paid alcohol is Rs.180 billion (spirits + beer) which implies an estimated Rs.80+ billion rupees per annum of tax evasion. This situation is driven by the legal alcoholic beverage price threshold (both spirits and beer) creeping up versus illicit products which gives impetus for consumers to move to the illicit sector which is evidenced by WHO statistics indicating a 300% growth in the latter. Therefore, using excise as a short-term revenue generation tool will have disastrous consequences for the Government.



There was a renewed focus on strengthening our brand portfolio with the introduction of Guinness to premiumise the stout segment whilst the re-launch of Carlsberg with the International Premium Pilsner brought about renewed energy amongst consumers.



It must be put on record the successful initiative by the Ministry of Finance and the Excise Department of Sri Lanka in introducing tax stamps to alcoholic beverages to curtail illicit products. We fully support the initiative. There is more the Government can do to strengthen the security features to protect against counterfeiting. Currently, the suite of security features is not fully enabled thereby making it easier to counterfeit. We request the Government to enhance and enforce the security features. Government should consider exempting exports from this initiative as it is an added cost to the product which impacts competitiveness in international markets.

Another factor driving growth in the illicit category is restricted access. Sri Lanka has only 1,130 licensed retail liquor stores which, on average, implies an outlet serves an area greater than 57 sq KM. To put it into context, consumer goods companies sell in excess of 100,000 outlets.

Retail liquor stores are not evenly placed across the country leading to very limited access to legal alcoholic beverages, especially in rural areas. In several parts of the country, one retail liquor store serves an area greater than 100sq KM. Some districts such as Kilinochchi district have no licensed stores. This creates the incentive for illicit alcohol growth as legal products are simply not available. The Government has proposed giving licenses for tourist board approved establishments for low alcoholic beverages i.e beer & wine. This is a step forward in the right direction of curtailing the illicit sector, increasing the tax net for government and creating business opportunities for SMEs in the hospitality business when tourism commences.

A balanced and practical approach is the only way forward. We urge Government not to take a short-term, ad hoc approach to the industry which would be counterproductive as it will compromise one of its key revenue streams and pave the way for the tax evading sector to thrive.

By addressing the key gaps highlighted above, Government will create a win-win outcome which increases tax revenue and provides consumers with regulated and better products.

TAXATION

Following the end of the financial year, VAT was increased from 8% to 12%. It must be pointed out that the alcoholic beverage industry did not benefit from the VAT reductions in 2019. The 2019 VAT reduction was simultaneously offset by an equivalent excise tax increase. As such, the recent 2022 VAT increase is entirely an incremental tax increase on the industry, not a claw back of a past tax reduction. The VAT increase is equivalent to a 7% increase in excise taxes. Note, this is in addition to the excise tax increase in November 2021.

A Social Security Levy will also come into effect in August. This tax will be levied on turnover at the rate of 2.5%. It will also be levied on the excise tax component of our turnover as well as several inputs, thereby providing a further boost to Government taxes.

OPERATING ENVIRONMENT

Three consecutive years of turmoil began to take its toll in an accelerated manner. The steep depreciation of the Sri Lankan Rupee, the shortage of US Dollars, rising energy prices, shortages of gas and fuel, lower crop outputs threatening food security brought about a high interest, high inflationary environment where disposable incomes came under severe pressure. This situation created political turmoil and social unrest impacting tourism a major earner of forex and creating a vicious cycle.

Input costs on our key materials, cans and malt escalated rapidly with rising global commodity prices, example according to World Bank data, the average aluminum price grew from USD 2004 per ton in January 2021 to over USD 3500 following the outbreak of the Ukraine hostilities. Compounding this was the increase in global freight rates which rose from an average of US\$ 4827 in March 2021 to US\$ 8152, within a short span of a year. All the above factors linking together brought about an exponential increase in the cost base putting considerable pressure on our profit margins.

MANAGING THE DOMESTIC BUSINESS

There was a renewed focus on strengthening our brand portfolio with the introduction of Guinness to premiumise the stout segment whilst the re-launch of Carlsberg with the International Premium Pilsner brought about renewed energy amongst consumers which is in line with the overall business strategy of creating a wider premium segment in Sri Lanka by offering choice

CHIEF EXECUTIVE'S REVIEW

and range to consumers. This approach will also be duly followed in other segments within the market. With closures and fuel shortages cutting across the year the logistics and trade teams did a remarkable job supplying the market continuously and ensuring availability. The uncertainties in the external environment provided a rationale for the Group to operate with increased inventory levels. This compromised the best practices in inventory management but ensured security of supply.

The Group took a proactive approach in managing the high inflationary environment impact on our employees by increasing the salary levels of the lower levels of the organisation complemented by an ex-gratia one-off payment to all staff.

This was extremely essential and created a positive momentum within the organisation with motivation levels high in a difficult environment. On the people strategy, steps were also taken to align & engage employees to organisational aspirations.

In a context of operating challenges, the administrative divisions play a key role in ensuring the security of the premises and facilitating the movement of staff to & from their homes to the Brewery. It was an incredible team effort which led to ensuring that operations continued uninterrupted.

MANAGING THE EXPORT BUSINESS

It was yet again a successful year for exports with a 45% volume growth recorded against last year and this business accounts for little over 10% of our volume. The Group exports to over 26 countries. Lion beer remains a leader in the Maldives market with its availability in over 160 premium resorts & yachts. The export function is being transformed with added resources and management focus as it becomes a key growth pillar of the business. Annual execution plans are now aligned to the defined strategic purpose.

FINANCIAL PERFORMANCE

On a turnover of Rs. 60.2 billion a profit after tax of Rs. 3.8 billion was earned for the financial year 21/22. The sharp appreciation of the USD consequent to the free float of the LKR in the latter part of March earned a non-recurring unrealised exchange gain of Rs. 630 million. As explained above the operational costs of the Group rose significantly due to extraneous factors both in the local & global operating environment.

These increases were partly offset by price increases, to the extent possible, but the pace at which cost escalations occurred was greater than what the consumer could bare. As such, our operating margins declined in the year.

At every quarter end an assessment is carried out to ascertain the carrying value of the Millers Brewery Limited ("MBL") brands acquired in 2015. With the current economic downturn, the demand for MBL products were weak and had to be pushed with lower priced options.

The future potential of these brands in this economic environment offers less promise than other brands in our portfolio. Hence, giving due consideration to this, the carrying value of the brands were assessed which resulted in an impairment of Rs. 464 million in the financial year 21/22.

Due to the uncertainties in the operating environment the subsidiary Pubs N' Places (Private) Limited ("PUBs"), performed below expectations. A strategy reshape is being done for the PUBs business for it to operate profitably whilst meeting the Group's strategic intent. In the meanwhile, a fair value assessment was done on the Company's investment in PUBs in its present operating form which resulted in an impairment adjustment of Rs. 84 million in the Financial Statements of the Company.

The Group's investment in the spirits business through its subsidiary Luxury Brands (Private) Limited, returned modest profits during the financial year, considered satisfactory given the challenges in its operating environment. Business of retailing imported spirits remains challenging due to the US Dollar scarcity coupled with its subsequent free floating and the regulatory restrictions brought time and again.

Two interim dividends were paid amounting to Rs. 31.23 per share in August 2021 and December 2021 from the profits earned during the financial year 21/22. Additionally, an interim dividend amounting to Rs. 29.75 per share was paid in June 2022 from the profits earned during the financial year 22/23.

FUTURE OUTLOOK

We envisage that this current context will continue for at least another 12 months and then progressing to slow recovery.

In this period, we will continue to invest in our brands and strengthen the brand portfolio. Building a strong innovation pipeline will feature as a critical workstream to support both international and domestic markets. Building our markets internationally will have a disproportionate focus in line with our strategic ambition.

Operational excellence and smart cost management will feature prominently in the business agenda. People development and capacity building within the organisation will continue aggressively and the organisation will invest in this area.

Finally, my appreciation is due to the consumers, customers, suppliers, bankers, business partners, Carlsberg, Diageo and Auditors for their continued faith in the Group, its products & processes. Special mention also has to be made about the Audit Committee, Remuneration Committee, Board of Directors and management & employees at all levels for advice, guidance and commitment in the affairs of the Group in this very difficult year.

(Sgd.)

Rajiv Meewakkala

Chief Executive Officer

Colombo

08th July 2022

PROFILE OF DIRECTORS

AMAL CABRAAL

(Chairman)

Mr. Amal Cabraal, the Chairman of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC is also the Chairman of Sunshine Holdings PLC, Silvermill Investment Holdings and CIC Feeds Group of Companies. He is a former Chairman and Chief Executive Officer of Unilever Sri Lanka and has over 4 decades of wide ranging local and international business experience.

Mr. Amal Cabraal is also a Non-Executive Director of John Keells Holdings PLC and Hatton National Bank PLC and serves as a business advisor to a number of companies. He is a member of the Board of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society.

A 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

(Deputy Chairman)

Hari Selvanathan is the Chairman of Bukit Darah PLC and Deputy Chairman of Carson Cumberbatch PLC. He is the Deputy Chairman/Group Chief Executive Officer of Goodhope Asia Holdings Ltd. He is the President Commissioner of the palm oil related companies in Indonesia.

He holds directorships in several subsidiary companies within the Carsons Group and is also a Director of Sri Krishna Corporation (Private) Limited and the Chairman of Express Newspapers (Ceylon) Ltd. He is also the Chairman of Carsons

Management Services (Private) Limited and Agro Harapan Lestari (Private) Limited, the Group's Management companies.

He was the Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka).

He holds a Bachelor's Degree in Commerce.

MANO SELVANATHAN

Mano Selvanathan is the Chairman of Sri Krishna Corporation (Private) Limited and Selinsing PLC. He is a Director of most of the 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.

Mano Selvanathan was conferred the 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. He holds a Bachelor's Degree in Commerce.

RAJIV MEEWAKKALA

(Appointed Chief Executive Officer/Executive Director w.e.f. 01/07/2021)

Rajiv's management experience spans across both private and public sector organisations, and his core expertise are in marketing and general management. His career commenced in the private sector, working for a multinational group for 19 years, post which, he lead three large state sector businesses in retail, construction and banking.

In the private sector, Rajiv was the Marketing Director of Ceylon Tobacco Company (fully owned subsidiary of British American Tobacco - BAT) where he managed a diverse brand portfolio. His responsibilities included building both global and local brands by strengthening brand values through targeted communication, innovation in product and packaging whilst being responsible for the trade marketing and sales function. He was a member of the South Asia Marketing Leadership team of BAT, and was also Head of Brand Marketing for BAT Cambodia & Laos.

Post BAT, Rajiv worked as a Brand Consultant with Interbrand, a global brand consultancy group. He also had a short work tenure in the Public Sector.

Rajiv holds a PHD (Management) from the University of Honalulu, MSc in International Marketing from the University of Strathclyde (Glasgow) and a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing (UK).

CHANDIMA GUNAWARDENA

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.

STEFANO CLINI

Mr. Clini is the Managing Director of Carlsberg Brewery Malaysia Berhad. He is a Director on the Board of Carlsberg Marketing Sdn. Bhd. and Carlsberg Singapore Pte. Ltd., both are wholly owned subsidiaries of Carlsberg Brewery Malaysia Berhad. Mr Clini also serves on the Board of Maybev Pte. Ltd. (a 51% owned subsidiary of Carlsberg Singapore Pte. Ltd.), Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC.

He is also a member of the Governing Council of the Confederation of Malaysian Brewers Berhad.

PROFILE OF DIRECTORS

MRS. SUSAN EVANS

Director of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC. Counts over 30 years' experience in strategy and marketing, largely with multi-national consumer product companies, Gillette, GlaxoSmithKline and Whirlpool. Whilst based in the UK, she held an international strategic marketing position and managed a global nutritional drinks brand portfolio with a turnover of £330 million worldwide.

For the past 20 years she has been working as a Senior Consultant in India and Sri Lanka on a wide variety of assignments covering industries as diverse as soft drinks, retail, passenger cars and industrial export products. Currently works with STING Consultants, the leading strategic marketing and brand consultancy in Sri Lanka. Also serves as a Trustee on Ayati Trust Sri Lanka and Hemas Outreach Foundation, both national charities involved in improving the potential of disabled and underprivileged children.

Holds a Bachelor of Arts (Hons) degree from the University of Wales, UK.

SURESH SHAH

(Retired as Chief Executive Officer/Director w.e.f. 30/06/2021)

Mr. Suresh Shah is Chairman of Ceylon Tobacco Company PLC and the start up online grocery and household products marketplace, Providore and a Director of Carson Cumberbatch PLC, Bukit Darah PLC and Hemas Manufacturing (Pvt) Ltd. Previously, he was Director & CEO of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC, a position he held for 30 years.

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

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

SENIOR MANAGEMENT TEAM

1. Niranjan Perera

Head of Human Resources

2. Sampath Perumbuli

Chief Information Officer

3. Stefan Atton

Head of International Business

4. Ranil Goonetilleke

Head of Finance

5. Sashreeka Chandra Mohotti

Head of Pub 'N Places (Private) Limited

6. Rajiv Meewakkala

Director / Chief Executive Officer

7. Madhushanka Ranatunga

Head of Marketing

8. Steve Wijeyaratna

Head of Operations – Luxury Brands (Private) Limited

9. Nirosch De Silva

Head of Supply Chain



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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 2022.

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 08th July 2022.

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 EXECUTIVE'S REVIEW AND FUTURE DEVELOPMENTS

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Further details of significant events during the year are contained in the Chief Executive's Review on pages 04 to 07 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.

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 in the Notes to the Financial Statements for the financial year ended 31st March 2022.

FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2022 are set out on pages 36 to 102 of this Report.

RESERVES

After the above mentioned appropriations, the total Group Reserves stand at Rs. 9,824.07Mn (2021 - Rs. 8,025.85Mn) comprising Capital Reserves of Rs. 1,103.36Mn (2021 - Rs. 735.71Mn) and Revenue Reserves of Rs. 8,720.71Mn (2021 - Rs. 7,290.14Mn). The movements are shown in the Statement of Changes in Equity and Notes 20 and 21 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 2022 was Rs. 22,369.36Mn (2021 - Rs. 24,292.50Mn) as disclosed under Note 13 to the Financial Statements.

CAPITAL EXPENDITURE

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs. 2,100.34Mn (2021 - Rs. 1,188.40Mn). The movements in capital assets during the year are set out in Notes 9 and 11 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) and 10.3 to these Financial Statements.

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

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 38 to these Financial Statements.

OUTSTANDING LITIGATION

The outstanding litigations related to the Company are shown in Note 38 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 36 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 2022.

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 30 to 35 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 44 to 62.

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 2022 is given in Note 37 to the Financial Statements, on page 98.

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 37 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 2022 | 31st March 2021 |
| Mr. D. A. Cabraal (Chairman) | 1,500 | 1,500 |
| Mr. H. Selvanathan (Deputy Chairman) | 690 | 690 |
| Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan) | 690 | 690 |
| Mr. D. C. R. Gunawardena | 15 | 15 |
| Mr. R. H. Meewakkala (Appointed Chief Executive Officer w.e.f. 01/07/2021) | - | - |
| Mr. S. Clini | - | - |
| Mrs. S. J. F. Evans | - | - |
| Mr. S. K. Shah (Retired as Chief Executive Officer/Director w.e.f. 30/06/2021) | 2,632 | 2,632 |

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. S. K. Shah retired as the Chief Executive Officer/Director of the Company w.e.f. 30th June 2021.

Mr. R. H. Meewakkala was appointed as the Chief Executive Officer of the Company w.e.f. 01st July 2021 and continues to function in the capacity of an Executive Director of the Company.

Directors to retire by rotation

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mrs. S. J. F. Evans retires by rotation and being eligible offers herself for re-election.

Appointment of Directors who are over 70 years of age

Messrs. H. Selvanathan, M. Selvanathan - Executive Directors and D. C. R. Gunawardena - Non-Executive Director who were over 70 years of age were appointed as Directors of the Company in terms of Section 210 of the Companies Act, No.07 of 2007 at the AGM held on 13th August 2021 for a period of one year commencing from the conclusion of the said AGM, i.e. till 12th August 2022.

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Messrs. H. Selvanathan, M. Selvanathan and D. C. R. Gunawardena who are over 70 years of age be re-appointed as Directors 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 them.

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

AUDITORS

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

Details of Audit fee are set out in Note 31 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.

| Related Party Transactions Review Committee Members | Executive / Non-Executive / Independent |
|--|--|
| Mr. W. M. R. S. Dias | 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. H. Selvanathan | Executive Director of CCPLC |
| Mr. M. Selvanathan | Executive Director of CCPLC |
| Mr. S. K. Shah | Executive Director of CCPLC until 30/06/2021 & Non-Executive Director of CCPLC w.e.f. 01/07/2021 |

The Related Party Transactions Review Committee Report is given on pages 27 to 28 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.

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

In terms of the requirements of the Listing Rules of the Colombo Stock Exchange, the transactions carried out by the Company with its Related Parties during the year ended 31st March 2022, that exceed 10% of Equity or 5% of the Total Assets of the Company are listed below.

The details of the Related Party Transactions are given in Note 37 on page 98 to 100 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 as per the latest audited financial statement.

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 | 180,139,761/- | 19% | As per the royalty agreement |
| Lion Brewery (Ceylon) PLC | Subsidiary | Dividend Income | 755,722,087/- | 81% | Declaration of dividends |

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

Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 08 to 10 of the Annual Report.

| Directors | Executive/ Non-Executive / Independent |
|---|--|
| Mr. D. A. Cabraal (Chairman) | Non-Executive/ Independent * |
| Mr. H. Selvanathan (Deputy Chairman) | Executive |
| Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan) | Executive |
| Mr. D. C. R. Gunawardena | Non-Executive |
| Mr. R. H. Meewakkala (Appointed Chief Executive Officer w.e.f. 01/07/2021) | Executive |
| Mr. S. Clini | Non-Executive |
| Mrs. S. J. F. Evans | Non-Executive/Independent ** |
| Mr. S. K. Shah (Retired as Chief Executive Officer/Director w.e.f. 30/06/2021) | Executive |

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 21st June 2022, 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 Mrs. S. J. F. Evans 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 she is not directly involved in the management of the Company.

Directors' Meetings Attendance

As permitted by Article 83 (1)(b) of the Articles of Association of the Company, during the period under review, the Board of Directors had five (05) virtual Board Meetings through Microsoft Teams and the attendance of the Directors were as follows;

| Directors | Meetings Attended |
|---|-------------------|
| Mr. D. A. Cabraal (Chairman) | 5/5 |
| Mr. H. Selvanathan (Deputy Chairman) | 5/5 |
| Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan) | 5/5 |
| Mr. D. C. R. Gunawardena | 5/5 |
| Mr. R. H. Meewakkala (Appointed Chief Executive Officer w.e.f. 01/07/2021) | 5/5 |
| Mr. S. Clini | 3/5 |
| Mrs. S. J. F. Evans | 5/5 |
| Mr. S. K. Shah (Retired as Chief Executive Officer/Director w.e.f. 30/06/2021) | 1/1 |

Board Evaluation

Each Director individually appraises the Board's performance to ensure discharging its responsibilities satisfactorily. This process takes in to account and evaluates all aspects in relation to Board responsibilities.

Independent observations made by the Directors are collated and addressed by the Nomination Committee of the Company and recommended as relevant, to the Board of Directors for consideration.

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.

| Audit Committee Members | Executive / Non-Executive/ Independent |
|--------------------------|---|
| Mr. A. S. Amaratunga | Non-Executive/Independent Director of CCPLC |
| Mr. D. C. R. Gunawardena | Non-Executive Director of CCPLC |
| Mr. Y. H. Ong | Non-Executive/Independent Director of CCPLC |

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

Mr. R. H. Meewakkala ceased to be the Observer representing the Beverage Sector at the Carson Cumberbatch PLC Audit Committee Meetings following his appointment as Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC w.e.f. 01st July 2021.

The Audit Committee Report is given on page 25 to 26 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.

| Remuneration Committee Members | Executive / Non-Executive/ Independent |
|--------------------------------|--|
| Mr. T. de Zoysa (Chairman) | Non-Executive/ Independent Director of CCPLC |
| Mr. D. C. R. Gunawardena | Non-Executive Director of CCPLC |
| Mr. R. Theagarajah | Non-Executive/ Independent Director of CCPLC |
| Mr. W. M. R. S. Dias | Non-Executive/ Independent Director of CCPLC |

Scope and Objective

The Remuneration Committee has established a formal and transparent procedure for the development of a remuneration policy, which will be reviewed by the Committee when deemed necessary.

The remuneration policy has been formulated based on market and industry factors with appropriate incentives to encourage enhanced performance and also in a fair and responsible manner 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 Charter requires the Committee to meet at least twice a year. As allowed by the Remuneration Committee Charter, the Committee held two (02) virtual meetings during the period under review.

| Remuneration Committee Members | Meetings Attended |
|--------------------------------|-------------------|
| Mr. T. de Zoysa (Chairman) | 1/2 |
| Mr. D. C. R. Gunawardena | 2/2 |
| Mr. R. Theagarajah | 2/2 |
| Mr. W. M. R. S. Dias | 2/2 |

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 31 on page 86 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.

| Nomination Committee Members | Executive / Non-Executive/ Independent |
|-------------------------------------|---|
| Mr. T. de Zoysa (Chairman) | Non-Executive/ Independent Director of CCPLC |
| Mr. D. C. R. Gunawardena | Non-Executive Director of CCPLC |
| Mr. R. Theagarajah | Non-Executive/ Independent Director of CCPLC |
| Mr. W. M. R. S. Dias | 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 Charter requires the Committee to meet at least twice a year. As allowed by the Nomination Committee Charter, the Committee held two (02) virtual meetings during the period under review.

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

| Nomination Committee Members | Meetings Attended |
|-------------------------------------|--------------------------|
| Mr. T. de Zoysa (Chairman) | 1/2 |
| Mr. D. C. R. Gunawardena | 2/2 |
| Mr. R. Theagarajah | 2/2 |
| Mr. W. M. R. S. Dias | 2/2 |

DIVIDENDS

A First Interim Dividend of Rs. 24.92 per ordinary share for the financial year ended 31st March 2022 was paid on 05th August 2021 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 23rd August 2021.

Second Interim Dividend of Rs. 6.31 per ordinary share for the financial year ended 31st March 2022 was paid on 14th December 2021 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 28th December 2021.

First Interim Dividend of Rs. 29.75 per ordinary share for the financial year ending 31st March 2023 was paid on 24th June 2022 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 07th July 2022.

SOLVENCY TEST

At the time of approving the above 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 said 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 (2021 - Nil).

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2022 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, other than those disclosed in Note 39 of the Notes to the Financial Statements.

SHARE INFORMATION

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

| Name of Shareholders | 31 March 2022 | | 31 March 2021 | |
|--|---------------|-------|---------------|-------|
| | No. of shares | % | No. of shares | % |
| 1 CARSON CUMBERBATCH PLC A/C NO. 02 | 15,726,912 | 74.93 | 15,726,912 | 74.93 |
| CARSON CUMBERBATCH PLC A/C NO. 01 | 144,423 | 0.69 | 91,655 | 0.44 |
| 2 GF CAPITAL GLOBAL LIMITED | 2,096,858 | 9.99 | 2,096,858 | 9.99 |
| 3 CARLSBERG A/S | 1,676,440 | 7.99 | 1,676,440 | 7.99 |
| 4 SERENDIP INVESTMENTS LIMITED | 644,000 | 3.07 | 649,000 | 3.09 |
| 5 DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE - PMMWM CLIENT) | 130,000 | 0.62 | 130,000 | 0.62 |
| 6 TRANZ DOMINION,L.L.C. | 75,748 | 0.36 | 75,500 | 0.36 |
| 7 MRS. J.K.P. SINGH | 31,485 | 0.15 | 31,485 | 0.15 |
| 8 GUINNESS MORISON INTERNATIONAL LIMITED | 20,953 | 0.10 | 20,953 | 0.10 |
| 9 SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL | 13,650 | 0.07 | 13,650 | 0.07 |
| 10 MISS A. RADHAKRISHNAN | 12,239 | 0.06 | 12,239 | 0.06 |
| 11 MISS M.P. RADHAKRISHNAN | 10,257 | 0.05 | 10,257 | 0.05 |
| 12 MR. N.J. GAMADIA | 8,786 | 0.04 | 8,786 | 0.04 |
| 13 MR. R. MAHESWARAN | 8,134 | 0.04 | 8,134 | 0.04 |
| 14 ADMIN OF A.C. ABDEEN (DECD) | 7,725 | 0.04 | 7,725 | 0.04 |
| 15 MRS. M.C. ABEYSEKERA | 7,622 | 0.04 | 7,622 | 0.04 |
| 16 MISS. C.S. THENABADU | 7,370 | 0.04 | 7,370 | 0.04 |
| 17 MRS. M.L. PAIVA | 6,006 | 0.03 | 6,006 | 0.03 |
| 18 MR. N.J.H.M. COORAY | 6,000 | 0.03 | 6,000 | 0.03 |
| 19 MRS. S. MAHADEVA | 5,660 | 0.03 | 5,660 | 0.03 |
| 20 MR. M.W. DE SILVA | 5,000 | 0.02 | 5,000 | 0.02 |

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

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 08th July 2022. 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 111th Annual General Meeting of the Company will be held on Wednesday, 03rd August 2022 at 10.30 a.m. at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting, setting out the business, which will be transacted thereat is on page 121 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

M. Selvanathan
Director

(Sgd.)

R. H. Meewakkala
CEO/Director

(Sgd.)

K. D. De Silva (Mrs)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
08th July 2022

AUDIT COMMITTEE REPORT

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

The Audit Committee consists of the following Members:

| Audit Committee Members | Executive / Non-Executive/ Independent |
|--------------------------------|---|
| Mr.A.S. Amaratunga (Chairman) | Non-Executive, Independent (CCPLC) |
| Mr.D.C.R. Gunawardena | Non-Executive (CCPLC) |
| Mr.Y.H. Ong | Non-Executive, Independent (CCPLC) |

Mr.A.S. Amaratunga, a Non-Executive, Independent Director of CCPLC, is also a Non-Executive, Independent Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC-Audit Committee, Member of MAS Holdings-Audit Committee and a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of CCPLC.

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.Y.H. Ong is a Non-Executive, Independent Director of CCPLC. He is an Independent Non-Executive Director, Chairman of the Audit Committee and Member of the Nominating Committee of Singapore Power Ltd. and Capitaland Group Pte Ltd. He has served as an Independent Director of United Overseas Bank Ltd., Singapore. Mr.Ong had also served at Ernst & Young, Singapore for 30 years and was involved in audit and financial advisory work.

MEETINGS OF THE AUDIT COMMITTEE

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

As allowed by the CCPLC-Audit Committee Charter, CCPLC-Audit Committee held Eleven (11) virtual Meetings during the financial year to discuss matters relating to the Company.

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

| Audit Committee Members | Meetings (virtual) attended (out of 11) |
|--------------------------------|--|
| Mr.A.S. Amaratunga (Chairman) | 11/11 |
| Mr.D.C.R. Gunawardena | 11/11 |
| Mr.Y.H. Ong | 11/11 |

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. Committee also provides the opportunity to the External Auditors to provide matters of importance via a private audience.

Following the Audit Committee Meetings, the Chairman-Audit Committee issues a written update for circulation to the Board, as relevant, indicating the important matters discussed and decisions taken in respect of the Company. In addition, Minutes/extracts of the Minutes of Audit Committee Meetings are circulated to the Board of Directors.

PURPOSE OF THE AUDIT COMMITTEE

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.

AUDIT COMMITTEE REPORT

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. Also, to select the Company's External Auditors and implement a direct reporting relationship with them and ensuring their independence.

FINANCIAL STATEMENTS

The interim financial statements of Ceylon Beverage Holdings PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to approval by the Board of Directors and release of same to the Regulatory Authorities and to the shareholders.

Based on the audit reporting requirements, the Audit Committee discussed Audit Matters tabled by Messrs. KPMG for inclusion in the audit report.

The financial statements of Ceylon Beverage Holdings PLC for the year ended 31st March 2022 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 Director/CEO, Head of Finance of the Company and Director-Finance, Carsons Management Services (Private) Limited 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.

INTERNAL AUDIT

The objectives of the Group Internal Audit work is to have an independent review of the system of internal controls as established by the management, its adequacy and integrity vis-a-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 Audit Committee approved the audit plan for the financial year 2021/2022 and the Group Internal Audit carried out audits on the Beverage Sector companies based on the plan. 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.

EXTERNAL AUDIT

The External Auditors' Letter of Engagement, was reviewed and discussed by the Committee with them and management prior to the commencement of the audit, and the Committee followed up on the issues raised by the External Auditors.

The Members of the Audit Committee have determined that the independence of Messrs. KPMG, Chartered Accountants has not been impaired by any event or service that gives rise to a conflict of interest. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The Members of the Audit Committee have 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 2023, subject to the approval of the shareholders of Ceylon Beverage Holdings PLC at the Annual General Meeting.

(Sgd.)

A.S. Amaratunga
Chairman – Audit Committee
Carson Cumberbatch PLC

08th July 2022

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:

| RPTRC Members | Executive/ Non-Executive/ Independent |
|--------------------------------|---|
| Mr.W.M.R.S. Dias (Chairman) | Non-Executive, Independent (CCPLC) |
| Mr.D.C.R. Gunawardena | Non-Executive (CCPLC) |
| Mr.H. Selvanathan | Executive (CCPLC) |
| Mr.M. Selvanathan | Executive (CCPLC) |
| Mr.S.K. Shah* | Non-Executive (CCPLC) |
| Mr.R. Theagarajah | Non-Executive, Independent (CCPLC) |

*Executive Director of CCPLC upto 30th June 2021 & Non-Executive Director of CCPLC w.e.f. 1st July 2021

MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held One (01) virtual Meeting in each calendar quarter and a total of Four (04) RPTRC Meetings were held during the financial year. In addition, the approval of the RPTRC Members were sought via 10 Circular Resolutions, as well as 12 Circular Letters were circulated for their information during the financial year.

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

| RPTRC Members | Meetings (virtual) attended (out of 04) |
|-----------------------------|--|
| Mr.W.M.R.S. Dias (Chairman) | 4/4 |
| Mr.D.C.R. Gunawardena | 4/4 |
| Mr.H. Selvanathan | 3/4 |
| Mr.M. Selvanathan | 4/4 |
| Mr.S.K. Shah | 4/4 |
| Mr.R. Theagarajah | 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 Carsons Group 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.

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

- ▶▶ 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 Carsons Group 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 Carsons Group RPT 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 the KMPs so designated, as relevant.

The Related Party Transactions of the Company for the period 1st April 2021 to 31st March 2022 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.)

W.M.R.S. Dias

Chairman

Related Party Transactions Review Committee

Carson Cumberbatch PLC

Colombo

08th July 2022

FINANCIAL CALENDAR

| | |
|----------------------------------|----------------------------|
| Financial Year | 31st March 2022 |
| Announcement of Results | |
| 1st Quarter | 30th June 2021 |
| Issued to Colombo Stock Exchange | 13th August 2021 |
| 2nd Quarter | 30th September 2021 |
| Issued to Colombo Stock Exchange | 09th November 2021 |
| 3rd Quarter | 31st December 2021 |
| Issued to Colombo Stock Exchange | 14th February 2022 |
| 4th Quarter | 31st March 2022 |
| Issued to Colombo Stock Exchange | 13th May 2022 |
| Meetings | |
| 110th Annual General Meeting | 13th August 2021 |
| 111th Annual General Meeting | 03th August 2022 |

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
+94 - 11 244 6058
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 financial statements of Ceylon Beverage Holdings PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 36 to 102 of the Annual Report.

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 2022, 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.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

| | | |
|-----------------------------|----------------------------|---------------------------|
| P. Y. S. Perera FCA | C. P. Jayatilake FCA | T. J. S. Rajakerier FCA |
| W. J. C. Perera FCA | Ms. S. Joseph FCA | Ms. S.M.B. Jayasekera FCA |
| W. K. D. C. Abeyathne FCA | S. T. D. L. Perera FCA | G. A. U. Karunaratne FCA |
| R.M.D.B. Rajapakse FCA | Ms. B.K.D.T.N. Rodrigo FCA | R. H. Rajan FCA |
| M.N.M. Shameel FCA | Ms. C.T.K.N. Perera ACA | A.M.R.P. Alahakoon ACA |
| Ms. P.M.K. Sumanasekara FCA | | |

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W. A. A. Weerasekara CFA, ACMA, MRICS



| Revenue Recognition | |
|---|--|
| Refer Note 4.1 for accounting policy and Note 29 for information. | |
| Risk Description | Our response |
| <p>The Company recorded revenue of Rs. 935Mn for year ended 31 March 2022 and the Group recorded revenue of Rs. 60.2Bn for the year ended 31 March 2022.</p> <p>Whilst revenue recognition and measurement is not complex for the Company, the subsidiary Lion Brewery (Ceylon) PLC operates in a market which is affected by different customer behaviour and the various discounts in regard to revenue recognition introduce an inherent risk to the revenue recognition process and respective accounting treatment. This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶▶ Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management’s key internal controls in relation to revenue recognition from sales transactions. ▶▶ Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment with the assistance of IT specialists. ▶▶ Obtaining an understanding and testing design, implementation and operating effectiveness of controls over journal entries and post-closing adjustments on a sample basis. ▶▶ Comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts, underlying goods delivery and acceptance notes, where appropriate, to assess whether the related revenue was recognised in accordance with the Group’s revenue recognition accounting policies. ▶▶ Agreeing the monthly sales system reports to the general ledger to ensure that the revenue is accounted accurately and completely in the general ledger. ▶▶ On a sample basis, testing that sales have been recognised in the correct accounting period and evaluating whether there are any significant product returns after the year end. |

INDEPENDENT AUDITOR'S REPORT



| Impairment assessment of investments in subsidiaries | |
|---|--|
| Refer Note 2.5 for Use of Estimates and Judgments, Note 3.10 for accounting policy and Note 13 for information. | |
| Risk Description | Our response |
| <p>The carrying value of the Company's investment amounted to Rs. 175Mn in Pubs 'N Places (Pvt) Ltd and Rs. 250Mn in Luxury Brands (Pvt) Ltd as at the reporting date.</p> <p>We identified the impairment assessment of investments in subsidiaries as a key audit matter due to the subjectivity in the assessment of the recoverable amounts which requires estimation and the use of assumptions.</p> <p>Further the assessment involves consideration of future events which are inherently uncertain prevailing uncertain and volatile macro-economic environment, and effect of those differences may significantly impact the resulting accounting estimates.</p> <p>Due to impairment conditions identified, the Company tested its investment in Pubs 'N Places (Pvt) Limited, Luxury Brands (Pvt) Limited using a discounted forecast cash flow model and the related receivables for impairment.</p> <p>This model uses several key assumptions, including estimates of future sales, future expenses, terminal value and the cost of equity (discount rate).</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶▶ Examining the indications of possible impairment of investments in subsidiary. ▶▶ Evaluating the appropriateness and consistency of underlying assumptions in determining forecasted cash flows, which includes future sales, expenses volume growth rates, terminal growth rates and the cost of equity (discount rate). ▶▶ On a sample basis, testing the accuracy and relevance of the input data to supporting evidence such as approved budgets and considering the reasonableness of these budgets to historical results and subsequent period actuals. ▶▶ Performing sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in these key assumptions. ▶▶ Assessing the reasonability of the model and key assumptions, in light of future macroeconomic expectations in the markets including latest economic conditions pursuant to the Covid-19 outbreak and the ongoing economic crisis within the country. ▶▶ Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments. |



Carrying value of Brands acquired

Refer Note 2.5 for Use of Estimates and Judgments, Note 3.8 for accounting policy and Note 11 for information.

| Risk Description | Our response |
|---|--|
| <p>The subsidiary, Lion Brewery (Ceylon) PLC has recognised intangible assets relating to Brands acquired with a carrying value of Rs. 0.67 Bn as at the reporting date.</p> <p>The annual impairment testing relating to the brand which is an indefinite life 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.</p> <p>The recoverable amount of the CGU, which is based on the higher of the value in use or fair value less costs of disposal, has been derived from a discounted forecast cash flow model. This model uses several key assumptions, including estimates of future sales volumes, contribution growth rate, terminal value growth rates and the cost of equity (discount rate).</p> <p>Note 39.4 in the Financial Statements describes the implications of the ongoing economic crisis to the current year financial statements and the possible effects of the future implications of current uncertain macro-economic environment on the Company's future prospects, performance and cash flows. Management has considered the uncertainties from these events and circumstances is prevailing when finalising these financial statements.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> ▶▶ Evaluating the appropriateness of the impairment testing methodology and consistency of underlying assumptions via corroborating estimates of future cash flows and discussing whether they are reasonable and supported by the most recent approved management budgets, including expected future performance of the CGUs, and discussing whether these are appropriate in light of future macroeconomic expectations in the markets including the latest economic conditions pursuant to the Covid-19 outbreak and prevailing uncertain and volatile macro-economic environment within the country including our own assessment based on the knowledge of the Company and the industry. ▶▶ Recomputing and comparing the data used in the forecasted cash flow model with information maintained by management and historical trends. ▶▶ Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments. |

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.

INDEPENDENT AUDITOR'S REPORT



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

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

In preparing the financial statements, management is responsible for assessing the 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 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 1798.

Chartered Accountants

Colombo, Sri Lanka
08 July 2022

STATEMENT OF FINANCIAL POSITION

| As at 31st March | Notes | Company | | Group | |
|--|-------|------------------|------------------|-------------------|-------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | | |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 9 | - | - | 20,574,458 | 18,869,754 |
| Investment properties | 10 | 647,100 | 486,870 | 647,100 | 486,870 |
| Intangible assets | 11 | - | - | 819,545 | 1,289,652 |
| Right of use assets | 12 | - | - | 207,281 | 239,149 |
| Investments in subsidiaries | 13 | 1,835,083 | 1,919,073 | - | - |
| Deferred tax assets | 24 | - | - | 1,548 | 23,860 |
| Total non-current assets | | 2,482,183 | 2,405,943 | 22,249,932 | 20,909,285 |
| Current assets | | | | | |
| Inventories | 14 | - | - | 4,537,111 | 3,721,062 |
| Trade and other receivables | 15 | 571 | 621 | 2,406,133 | 1,796,923 |
| Amounts due from related companies | 16 | 134,091 | 119,875 | - | - |
| Current taxation | 17 | - | - | - | 2,477 |
| Cash and cash equivalents | 18 | 28,375 | 8,858 | 13,114,311 | 9,701,006 |
| Total current assets | | 163,037 | 129,354 | 20,057,555 | 15,221,468 |
| Total assets | | 2,645,220 | 2,535,297 | 42,307,487 | 36,130,753 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated capital | 19 | 533,384 | 533,384 | 533,384 | 533,384 |
| Capital reserves | 20 | 19,924 | 19,924 | 1,103,358 | 735,712 |
| Revenue reserves | 21 | 1,492,565 | 1,349,237 | 8,720,708 | 7,290,140 |
| Equity attributable to equity holders of the company | | 2,045,873 | 1,902,545 | 10,357,450 | 8,559,236 |
| Non controlling interest | 13.4 | - | - | 9,515,171 | 8,104,994 |
| Total equity | | 2,045,873 | 1,902,545 | 19,872,621 | 16,664,230 |

| As at 31st March | Notes | Company | | Group | |
|--|-------|------------------|------------------|-------------------|-------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | | |
| Non-current liabilities | | | | | |
| Loans and borrowings | 22 | - | - | 2,300,311 | 3,497,060 |
| Lease liabilities | 12 | - | - | 196,109 | 218,088 |
| Employee benefits | 23 | - | - | 182,996 | 243,171 |
| Deferred tax liabilities | 24 | 31,584 | 15,561 | 5,260,140 | 5,106,713 |
| Total non-current liabilities | | 31,584 | 15,561 | 7,939,556 | 9,065,032 |
| Current liabilities | | | | | |
| Trade and other payables | 25 | 20,524 | 13,046 | 3,492,710 | 1,998,429 |
| Amounts due to related companies | 26 | 337,741 | 378,151 | 155,757 | 122,828 |
| Refundable deposits | 27 | - | - | 2,301,181 | 1,900,393 |
| Current tax liabilities | 28 | 37,891 | 28,084 | 3,163,706 | 2,414,089 |
| Loans and borrowings | 22 | - | 25,063 | 3,347,696 | 1,893,727 |
| Lease liabilities | 12 | - | - | 57,499 | 57,233 |
| Bank overdraft | 18 | 171,607 | 172,847 | 1,976,761 | 2,014,792 |
| Total current liabilities | | 567,763 | 617,191 | 14,495,310 | 10,401,491 |
| Total liabilities | | 599,347 | 632,752 | 22,434,866 | 19,466,523 |
| Total equity and liabilities | | 2,645,220 | 2,535,297 | 42,307,487 | 36,130,753 |
| Net assets per ordinary share (Rs.) | | 97.48 | 90.65 | 493.49 | 407.82 |

The notes to the Financial Statements from pages 44 to 102 form an integral part of these Financial Statements.

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

(Sgd.)

D.R.P. Goonetilleke

Head of Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

V.R. Wijesinghe

Director

(Sgd.)

M. Selvanathan

Director

(Sgd.)

R.H. Meewakkala

Director

Carsons Management Services (Private) Ltd.

8th July 2022

Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the year ended 31st March | Notes | Company | | Group | |
|---|-------|------------------|-----------------|-------------------|-------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | | |
| Revenue | 29 | 935,862 | 494,525 | 60,211,220 | 51,172,154 |
| Cost of sales | | - | - | (47,833,437) | (40,665,744) |
| Gross profit | | 935,862 | 494,525 | 12,377,783 | 10,506,410 |
| Other income | 30 | - | - | 193,922 | 343,869 |
| Net gains arising from changes in fair value of investment properties | 10 | 160,230 | - | 160,230 | - |
| | | 1,096,092 | 494,525 | 12,731,935 | 10,850,279 |
| Distribution expenses | | - | - | (3,513,337) | (2,907,551) |
| Administrative expenses | | (27,561) | (21,944) | (2,366,434) | (1,898,861) |
| Other expenses | | - | - | (676,286) | (722,065) |
| Impairment of investments in subsidiaries | 13 | (83,989) | (45,199) | - | - |
| Impairment of intangible assets | 11 | - | - | (463,578) | (449,084) |
| Profit from operations | | 984,542 | 427,382 | 5,712,300 | 4,872,718 |
| Profit before finance cost | | 984,542 | 427,382 | 5,712,300 | 4,872,718 |
| Finance income | 32 | 8,220 | 7,020 | 627,596 | 664,193 |
| Finance costs | 32 | (34,554) | (39,100) | (454,720) | (1,252,404) |
| Net finance income/(costs) | | (26,334) | (32,080) | 172,876 | (588,211) |
| Profit before taxation | | 958,208 | 395,302 | 5,885,176 | 4,284,507 |
| Income tax expenses | 33 | (144,561) | (77,750) | (2,375,031) | (1,893,757) |
| Deferred taxation | 33 | (16,023) | - | 311,653 | 43,747 |
| Profit after taxation | | 797,624 | 317,552 | 3,821,798 | 2,434,497 |

| For the year ended 31st March In Rs.'000s | Notes | Company | | Group | |
|---|-------|----------------|----------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Other comprehensive income | | | | | |
| Items that will never be reclassified to profit or loss | | | | | |
| Re-measurement of employee benefit obligation | 23 | - | - | 45,763 | 1,119 |
| Deferred tax adjustment on employee benefit | 33 | - | - | (18,305) | (447) |
| Change in revaluation of property plant and equipment | 9 | - | - | 1,172,713 | - |
| Deferred tax adjustment on land and buildings | 33 | - | - | (469,085) | - |
| Total other comprehensive income for the year net of tax | | - | - | 731,086 | 672 |
| Total comprehensive income for the year | | 797,624 | 317,552 | 4,552,884 | 2,435,169 |
| Profit attributable to | | | | | |
| - Equity holders of the company | | 797,624 | 317,552 | 2,070,278 | 1,254,549 |
| - Non controlling interest | | - | - | 1,751,520 | 1,179,948 |
| Profit available for appropriation | | 797,624 | 317,552 | 3,821,798 | 2,434,497 |
| Total comprehensive income attributable to | | | | | |
| - Equity holders of the company | | 797,624 | 317,552 | 2,452,270 | 1,254,900 |
| - Non controlling interest | | - | - | 2,100,614 | 1,180,269 |
| Profit available for appropriation | | 797,624 | 317,552 | 4,552,884 | 2,435,169 |
| Earnings per Ordinary Share (Rs.) | 34 | 38.00 | 15.13 | 98.64 | 59.77 |

The notes to the Financial Statements from pages 44 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

| | Attributable to equity holders of the parent | | | | | Non-controlling interest | Total equity |
|--|--|---------------------|-------------------------|-----------------------------|------------------------------------|--------------------------|--------------|
| | Stated capital | Revaluation reserve | General capital reserve | Revenue reserves fair value | Revenue reserves retained earnings | | |
| In Rs.'000s | | | | | | | |
| COMPANY | | | | | | | |
| Balance as at 1st April 2020 | 533,384 | 14,148 | 5,776 | 457,020 | 861,215 | 1,871,543 | - 1,871,543 |
| Total comprehensive income for the year | - | - | - | - | 317,552 | 317,552 | - 317,552 |
| Profit for the year | - | - | - | - | 317,552 | 317,552 | - 317,552 |
| Total comprehensive income for the year | - | - | - | - | 317,552 | 317,552 | - 317,552 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Forfeiture of unclaimed dividends | - | - | - | - | 987 | 987 | - 987 |
| Dividends | - | - | - | - | (287,537) | (287,537) | - (287,537) |
| Balance as at 31st March 2021 | 533,384 | 14,148 | 5,776 | 457,020 | 892,217 | 1,902,545 | - 1,902,545 |
| Balance as at 1st April 2021 | 533,384 | 14,148 | 5,776 | 457,020 | 892,217 | 1,902,545 | - 1,902,545 |
| Transfers | - | (14,148) | 14,148 | - | - | - | - - |
| Total comprehensive income for the year | - | - | - | - | - | - | - - |
| Profit for the year | - | - | - | 144,207 | 653,417 | 797,624 | - 797,624 |
| Total comprehensive income for the year | - | - | - | 144,207 | 653,417 | 797,624 | - 797,624 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Forfeiture of unclaimed dividends | - | - | - | - | 1,162 | 1,162 | - 1,162 |
| Dividends | - | - | - | - | (655,458) | (655,458) | - (655,458) |
| Balance as at 31st March 2022 | 533,384 | - | 19,924 | 601,227 | 891,338 | 2,045,873 | - 2,045,873 |

The notes to the Financial Statements from pages 44 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

| | Attributable to equity holders of the parent | | | | | | Non-controlling interest | Total equity |
|---|--|---------------------|-------------------------|-----------------------------|------------------------------------|-------------------|--------------------------|-------------------|
| | Stated capital | Revaluation reserve | General capital reserve | Revenue reserves fair value | Revenue reserves retained earnings | Total | | |
| In Rs. '000s | | | | | | | | |
| GROUP | | | | | | | | |
| Balance as at 1st April 2020 | 533,384 | 729,936 | 5,776 | 457,020 | 5,864,770 | 7,590,886 | 7,230,325 | 14,821,211 |
| Total comprehensive income for the year | - | - | - | - | 1,254,549 | 1,254,549 | 1,179,948 | 2,434,497 |
| Profit for the year | - | - | - | - | 351 | 351 | 321 | 672 |
| Other comprehensive income for the year | - | - | - | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | 1,254,900 | 1,254,900 | 1,180,269 | 2,435,169 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | | |
| Forfeiture of unclaimed dividends | - | - | - | - | 987 | 987 | - | 987 |
| Dividends | - | - | - | - | (287,537) | (287,537) | (305,600) | (593,137) |
| Balance as at 31st March 2021 | 533,384 | 729,936 | 5,776 | 457,020 | 6,833,120 | 8,559,236 | 8,104,994 | 16,664,230 |
| Balance as at 1st April 2021 | 533,384 | 729,936 | 5,776 | 457,020 | 6,833,120 | 8,559,236 | 8,104,994 | 16,664,230 |
| Transfers | - | (14,148) | 14,148 | - | - | - | - | - |
| Total comprehensive income for the year | - | - | - | 144,207 | 1,926,007 | 2,070,278 | 1,751,520 | 3,821,798 |
| Profit for the year | - | - | - | - | 14,346 | 381,992 | 349,094 | 731,086 |
| Other comprehensive income for the year | - | 367,646 | - | - | - | - | - | - |
| Total comprehensive income for the year | - | 367,646 | - | 144,207 | 1,924,394 | 2,452,270 | 2,100,614 | 4,552,884 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | | |
| Forfeiture of unclaimed dividends | - | - | - | - | 1,402 | 1,402 | 219 | 1,621 |
| Dividends | - | - | - | - | (655,458) | (655,458) | (690,656) | (1,346,114) |
| Balance as at 31st March 2022 | 533,384 | 1,083,434 | 19,924 | 601,227 | 8,119,481 | 10,357,450 | 9,515,171 | 19,872,621 |

The notes to the Financial Statements from pages 44 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

| For the year ended 31st March In Rs.'000s | Notes | Company | | Group | |
|--|-------|----------------|----------------|------------------|------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Cash flows from operating activities | | | | | |
| Profit before taxation | | 958,208 | 395,302 | 5,885,176 | 4,284,507 |
| Adjustments for: | | | | | |
| Finance costs | 32 | 34,554 | 39,100 | 1,062,092 | 1,298,247 |
| Depreciation on right of use assets | 12.1 | - | - | 70,156 | 77,793 |
| Gain on de-recognition of right of use assets | | - | - | (714) | (7,106) |
| Depreciation on property, plant and equipment | 9 | - | 155 | 1,532,988 | 1,319,131 |
| Amortisation of intangible assets | 11 | - | - | 12,360 | 7,437 |
| Net inventory provisions/(reversal) | 14.1 | - | - | (10,317) | 1,096 |
| Provision for retirement benefit obligations | 23 | - | - | 14,847 | 43,030 |
| Impairment of property plant and equipment | 9 | - | - | - | 160,258 |
| Impairment of intangible assets | 11 | - | - | 463,578 | 449,084 |
| Provision/(reversal) for impairment of doubtful debtors | 15.1 | - | - | (162) | 2,082 |
| Impairment of investments | 13 | 83,989 | 45,199 | - | - |
| Finance income | 32 | (8,220) | (7,020) | (627,596) | (664,193) |
| Net gain arising from changes in fair value of investment properties | 10 | (160,230) | - | (160,230) | - |
| Loss on disposal of property, plant and equipment | | - | - | 13,896 | 21,011 |
| Loss on disposal of intangible asset | | - | - | 1,626 | - |
| ESC write off | | - | - | 5,804 | 30,670 |
| Deposit written back | 30 | - | - | - | (168,072) |
| Lease interest expense | 12.1 | - | - | 36,773 | 48,298 |
| Unrealised foreign exchange gain | | - | - | (630,047) | (42,012) |
| Operating cash flow before working capital changes | | 908,301 | 472,736 | 7,670,230 | 6,861,261 |
| Increase in inventories | 14 | - | - | (805,732) | (678,466) |
| (Increase)/decrease in trade and other receivables | | 54 | 17,640 | (629,294) | 51,632 |
| (Increase)/decrease in amounts due from related companies | 16 | (5,996) | (13,946) | - | 6,500 |
| Increase/(decrease) in amounts due to related companies | 26 | (59,852) | (149,043) | 32,929 | 15,080 |
| Increase/(decrease) tax payables | 28 | - | - | 525,126 | 1,770,600 |
| Increase/(decrease) in trade and other payables | 25 | 293 | (1,588) | 1,379,096 | 221,714 |
| Cash generated from operations | | 842,800 | 325,799 | 8,172,355 | 8,248,321 |
| Finance expenses paid | | (15,112) | (13,366) | (1,004,672) | (1,223,962) |
| Tax paid | | (134,754) | (65,253) | (2,148,065) | (1,368,102) |
| Retirement benefits paid | 23 | - | - | (29,259) | (6,073) |
| Net cash generated from operating activities | | 692,934 | 247,180 | 4,990,359 | 5,650,184 |

| For the year ended 31st March In Rs.'000s | Notes | Company | | Group | |
|---|-------|------------------|------------------|--------------------|--------------------|
| | | 2022 | 2021 | 2022 | 2021 |
| Cash Flows from Investing Activities | | | | | |
| Purchase and construction of property, plant and equipment | 9 | - | - | (2,092,880) | (1,161,207) |
| Purchase of intangible assets | 11 | - | - | (7,457) | (27,196) |
| Proceeds from disposal of property, plant and equipment | | - | - | 14,005 | - |
| Agent deposits received | 27 | - | - | 400,788 | 366,291 |
| Interest received | | - | - | 627,596 | 664,193 |
| Net cash used in investing activities | | - | - | (1,057,948) | (157,919) |
| Cash Flows from Financing Activities | | | | | |
| Loans and borrowings obtained | 22.1 | - | - | 2,000,000 | 3,000,000 |
| Repayment of loans and borrowings | 22.1 | (25,000) | (30,000) | (1,784,300) | (10,330,300) |
| Repayment lease rentals | 12.1 | - | - | (96,060) | (103,523) |
| Forfeiture of unclaimed dividends | | 1,162 | 987 | 1,621 | 987 |
| Dividends paid net of tax | | (648,339) | (288,524) | (1,337,740) | (593,147) |
| Net cash used in financing activities | | (672,177) | (317,537) | (1,216,479) | (8,025,983) |
| Net increase/(decrease) in cash and cash equivalents | | 20,757 | (70,357) | 2,715,932 | (2,533,718) |
| Cash and cash equivalents at the beginning of the year | | (163,989) | (93,632) | 7,686,214 | 10,181,555 |
| Effect of exchange rate changes on cash and cash equivalents | | - | - | 735,404 | 38,377 |
| Cash and cash equivalents at the end of the year | 18 | (143,232) | (163,989) | 11,137,550 | 7,686,214 |
| Analysis of Cash and Cash Equivalents | | | | | |
| Cash and cash equivalents | 18 | 28,375 | 8,858 | 13,114,311 | 9,701,006 |
| Bank overdraft | 18 | (171,607) | (172,847) | (1,976,761) | (2,014,792) |
| | | (143,232) | (163,989) | 11,137,550 | 7,686,214 |

The notes to the Financial Statements from pages 44 to 102 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 2022 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% | |
| Pearl Springs (Private) Limited (PSPL) | 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 and export markets and retailing of beer and alcohol products through its owned/managed wine shops and pubs. The Group is also engaged in the import and marketing of globally renowned high quality beer and spirits brands.

The Group had 285 (2021 – 261) employees at the end of the financial year. The Company had no employees as at the reporting date (2021 – 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, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows 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 LKAS/ SLFRS) 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 8th July 2022.

2.2 Basis of Measurement

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

- ▶ Land and Building - Fair Value
- ▶ Investment Properties - Fair Value
- ▶ Employee defined benefit - Actuarially valued and obligation recognised at present value of the defined benefit obligation.

2.3 Going Concern

In preparing the financial statements for the year ended 31 March 2022, the management has assessed the possible effects of COVID-19 and the prevailing macroeconomic conditions, on the businesses of the Company and its subsidiaries, to determine their ability to continue as a going concern.

Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company and its subsidiaries would continue as a going concern. Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Company & its subsidiaries have adequate resources to continue as a going concern for the foreseeable future.

The Company had positive net assets, 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.

2.4 Functional Currency and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand rupees.

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 09 – Revaluation of land & building
- ▶▶ Note 11 – Impairment test on Intangible Assets
- ▶▶ Note 15 – Provision for impairment of debtors
- ▶▶ Note 23 – Employee benefit obligations
- ▶▶ Note 24 – Net deferred tax liabilities
- ▶▶ Note 38 – Commitments and contingencies

2.6 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.

2.7 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. The Group regularly reviews significant unobservable inputs and valuation adjustments.

If third party information is used to measure fair values, the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

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:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements

3.2 Basis of Consolidation

(I) Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities

and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 measures goodwill at the acquisition date as:

- ▶▶ the fair value of the consideration transferred; plus
- ▶▶ the recognised amount of any non-controlling interests in the acquiree; plus
- ▶▶ if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- ▶▶ the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

(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 Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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 the Company has held the following subsidiaries:

| Subsidiary | Controlling interest | Principal activities |
|----------------------------------|----------------------|----------------------|
| Lion Brewery (Ceylon) PLC | 52.25% | Beverage |
| Pubs 'N Places (Private) Limited | 99.9% | Beverage |
| Retail Spaces (Private) Limited | 100% | Beverage |
| Luxury Brands (Private) Limited | 100% | Beverage |
| Pearl Springs (Private) Limited | 52.25% | Investment holding |
| Millers Brewery Limited | 52.25% | Beverage |

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.

(III) Loss of Control

When the Group loses control over a subsidiary, it de-recognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the 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 Group. Non-controlling Interest in the Profit or Loss of the Group is disclosed separately in the Consolidated Statement of Profit or Loss and other Comprehensive Income.

(V) Financial Period

The Group 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.

3.3 Foreign Currency Transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate ruling as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

Foreign exchange differences arising on the settlement or reporting of the Group'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 Lanka Rupees at the foreign exchange rate ruling at the date of initial transaction.

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

3.4 Financial instruments Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.1 Financial Assets

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt

investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified and measured at amortised cost are limited to its trade debtors, related party receivables, short term investments and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

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

The Group does not have any financial assets classified and measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- ▶▶ the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- ▶▶ how the performance of the portfolio is evaluated and reported to the Group's management;
- ▶▶ the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- ▶▶ how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- ▶▶ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets - Subsequent measurement and gains and losses

| | |
|------------------------------------|---|
| Financial assets at amortised cost | <p>These assets are subsequently measured at amortised cost using the effective interest method.</p> <p>The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.</p> |
|------------------------------------|---|

3.4.2 Financial liabilities Classification, subsequent measurement and gain and losses

Financial liabilities were classified as measured at amortised cost or FVTPL. A financial liability was classified as FVTPL if it was classified as held – for – trading, it was a derivative or it was designated as such on initial recognition. Financial liabilities at FVTPL were measured at fair value and gains and losses, including any interest expense, were recognised in profit or loss. Other financial liabilities were subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses were recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

3.4.3 De-recognition

Financial assets

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset were transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transferred assets recognised in its statement of financial position, but retained either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets were not de-recognised.

Financial liabilities

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also de-recognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.4.5 Impairment

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- ▶ debt securities that are determined to have low credit risk at the reporting date; and

- ▶ other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

The Group uses simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- ▶ significant financial difficulty of the borrower;
- ▶ a breach of contract such as a default;
- ▶ it is probable that the debtor will enter bankruptcy or other financial reorganisation

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI the loss allowance is charged to the profit or loss.

3.4.6 Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is irrevocable based on historical experience of recoveries of similar assets. For Agents, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due. Further, write off requires the approval of Board of Directors.

3.4.7 Impairment of Non-Financial Assets

The carrying amounts 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 asset 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

NOTES TO THE FINANCIAL STATEMENTS

assets in the CGU (group of CGUs) on pro rata basis. An impairment loss in respect of goodwill is not reversed. 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.

3.5 Property, plant and equipment

Recognition and Measurement

Property, plant and 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 and 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

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost.

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.

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

(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 and Equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The cost of the day to-day servicing of property, plant and equipment are recognised in the Profit or Loss as and when the expense is incurred.

(IV) Revaluation of Land and Buildings

The freehold land and buildings of the Group 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 reverses 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 recognised in 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.

| | Ceylon Beverage Holdings Years | Lion Brewery (Ceylon) PLC Years | Pubs 'N Places (Private) Limited Years | Luxury Brands (Private) Limited Years | Retail Spaces (Private) Limited Years | Millers Brewery Limited Years |
|------------------------|---|--|---|--|--|--|
| Freehold buildings | - | 2-50 | 9-50 | - | - | 40 |
| Plant and machinery | - | 3-22 | - | - | - | 20 |
| Furniture and fittings | - | 5-10 | 5 | - | 5 | 5 |
| Office equipment | 5-10 | 3-10 | 5 | - | 5 | 5 |
| Computer equipment | - | 2-5 | 3 | 3 | 3 | 3 |
| Returnable containers | - | 5 | - | - | - | - |
| Motor vehicles | - | 4-5 | - | - | - | 5 |
| Laboratory equipment | - | 4-5 | - | - | - | - |

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 de-recognised. 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 Costs 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 and Returnable Containers

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

Empty bottles used for exports are recognised as an expense in the Profit or 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 Non - 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.

NOTES TO THE FINANCIAL STATEMENTS

(VIII) *Capital Work-in-Progress*

The cost of self-constructed assets includes the cost of materials, direct labour, and direct overheads including any other costs directly attributable to bring 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.

(IX) *Impairment of Property, Plant and Equipment*

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

(x) *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 de-recognised.

3.6 **Investment Properties**

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day- today servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in Profit or Loss.

Investment properties are de-recognised when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in Profit or Loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by commencement/ end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner

occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in Profit or Loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Profit or Loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

The contract involves the use of an identified asset—this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;

The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

The Group has the right to direct the use of the asset. The Group has the right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for leases of land and buildings in which it is a lease, the Group has elected not to separate non lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- ▶▶ fixed payments, including in-substance fixed payments;
- ▶▶ the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in assessment of whether the Group will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'Right of Use Asset' and lease liabilities in 'Lease Liability' in the statement of financial position.

3.8 Intangible Assets

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. The useful lives of intangible assets are assessed as either finite or indefinite.

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, is recognised in the Profit or Loss as incurred.

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. Amortisation methods useful lives and residual values are reviewed at each financial year.

The estimated useful life is as follows;

| | Ceylon Beverage Holdings Years | Lion Brewery (Ceylon) PLC Years | Luxury Brands (Private) Limited Years | Pubs 'N Places (Private) Limited Years | Retail Spaces (Private) Limited Years |
|-------------------|---|--|--|---|--|
| Computer software | 5 | 5 | 5 | 5 | 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 and 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 de-recognition of such Intangible Assets is included in the Profit or Loss when the item is de-recognised.

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 and packing materials | Cost of purchase together with any incidental expenses. The cost of the inventories is based on the weighted average principle. |
| 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 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 of the Company at cost less accumulated impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

3.11 Cash and Cash Equivalents

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

3.12 Liabilities and Provisions

3.12.1 Liabilities

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

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

3.12.2 Refundable Deposits

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

3.12.3 Provisions

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

3.13 Employee Benefits

(i) Defined Contribution Plans

A defined contribution plan is a post-employment plan under which an entity pays a fixed contribution into a separate entity during the period of employment and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are

recognised as an expense in the Profit or Loss in the period during which related services are rendered by employees.

Employees' Provident Fund

The 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.

The contribution of the Employee Provident Fund is recognised as an expense in the Profit or Loss as incurred.

Employees' Trust Fund

The companies of the Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

The contribution of the Employee Trust Fund is recognised as an expense in the Profit or Loss as incurred.

(ii) Defined Benefit Plans

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

The calculation is performed annually by a qualified actuary using the Projected Unit Credit method (PUC). The net obligation in respect of defined benefit 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, 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gain or losses on the settlement of a defined plan when the settlement occurs

3.14 Capital Commitments & Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.15 Events Subsequent to the Reporting Period

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

4 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

4.1 Revenue Recognition

Revenue principally comprises sales of Beer to external customers. Revenue recognised at the point in time when the control of goods and products is transferred customer with a right of return within a specified period, the Group considers the timing of recognition. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Amounts disclosed as revenue net of discounts and sales taxes.

» Royalty

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

» Dividend

Dividend income is recognised in statement of income on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

» Interest

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 Expenditure

All expenditure incurred in running of the business and in maintaining the Property, Plant and 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.

NOTES TO THE FINANCIAL STATEMENTS

(ii) Finance Income & Finance Cost

Finance income comprises interest income on funds invested. 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 in finance cost.

(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 and Equipment which are capitalised as a part of the cost of the asset during the period of construction/development.

4.3 Income Tax

Income tax comprises of current and deferred tax. Income tax is recognised directly in the Profit or Loss except to the extent that if it relates to items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent Liabilities and Contingent Assets.

(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. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and subsequent amendments and notices as explained under Note 33.

(ii) Deferred Taxation

Deferred tax is provided using the balance sheet 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to

recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. 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 STATEMENT OF CASH FLOWS

5.1 Cash and 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.

For the purpose of statement of cash flow, cash and cash equivalents comprise of cash in hand, cash in bank 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 statement of cash flows 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 statement of cash flows.

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 NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1 April 2022. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Group's Financial Statements,

- ▶▶ Annual Improvements to SLFRS Standards 2018–2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.
- ▶▶ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 1 January 2022
- ▶▶ Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting period beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS

- ▶▶ Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).
The amendment applies to annual reporting periods beginning on or after 1 January 2023
- ▶▶ Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37).
The amendments are effective for annual reporting periods beginning on or after 1 January 2022.
- ▶▶ Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1 January 2023.
- ▶▶ Definition of Accounting Estimates (Amendments to LKAS 8). The amendment applies to annual reporting periods beginning on or after 1 January 2023.
- ▶▶ Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12). The amendment applies to annual reporting periods beginning on or after 1 January 2023.

8 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.

9 PROPERTY, PLANT & EQUIPMENT

(a) Company

| In Rs.000s | Freehold land | Freehold buildings | Plant and machinery | Furniture and fittings | Office equipment | Computer equipment | Motor vehicles | Laboratory equipment | Returnable containers | Capital work-in-progress | 31st March 2022 | 31st March 2021 |
|---------------------------------|---------------|--------------------|---------------------|------------------------|------------------|--------------------|----------------|----------------------|-----------------------|--------------------------|-----------------|-----------------|
| Cost / Valuation | | | | | | | | | | | | |
| As at 1st April 2021 | - | - | - | - | 2,384 | - | - | - | - | - | 2,384 | 2,384 |
| As at 31st March 2022 | - | - | - | - | 2,384 | - | - | - | - | - | 2,384 | 2,384 |
| Accumulated depreciation | | | | | | | | | | | | |
| As at 1st April 2021 | - | - | - | - | 2,384 | - | - | - | - | - | 2,384 | 2,229 |
| Charge for the year | - | - | - | - | - | - | - | - | - | - | - | 155 |
| As at 31st March 2022 | - | - | - | - | 2,384 | - | - | - | - | - | 2,384 | 2,384 |
| Net Book Value | | | | | | | | | | | | |
| As at 31st March 2022 | - | - | - | - | - | - | - | - | - | - | - | - |
| As at 31st March 2021 | - | - | - | - | - | - | - | - | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

| In Rs. '000s | (b) Group | Freehold land | Freehold buildings | Plant and machinery | Furniture and fittings | Office and equipment | Computer equipment | Motor vehicles | Laboratory equipment | Returnable containers | Capital work-in-progress | 31st | 31st |
|--|-----------|------------------|--------------------|---------------------|------------------------|----------------------|--------------------|----------------|----------------------|-----------------------|--------------------------|-------------------|-------------------|
| | | | | | | | | | | | | March 2022 | March 2021 |
| Cost/Valuation | | | | | | | | | | | | | |
| As at 1st April 2021 | | 3,715,562 | 3,669,379 | 14,806,642 | 72,885 | 71,768 | 290,884 | 135,101 | 70,618 | 3,664,904 | 325,159 | 26,822,902 | 26,118,526 |
| Additions | | 13,527 | 31,612 | 320,989 | 6,341 | 12,403 | 33,596 | 33,700 | 15,030 | 987,109 | 638,573 | 2,092,880 | 1,161,207 |
| Transfers PPE/Intangible assets | | 81,041 | 15,212 | 109,008 | 294 | 2,072 | 3,529 | - | - | 10 | (211,166) | - | (12,104) |
| Revaluation gain/(loss) | | 913,923 | 258,790 | - | - | - | - | - | - | - | - | 1,172,713 | - |
| Depreciation adjustment on revaluation | | - | (199,828) | - | - | - | - | - | - | - | - | (199,828) | - |
| Disposals/breakages | | - | (7,927) | (13,673) | (37) | (477) | (136) | (74,463) | - | (202,918) | - | (299,631) | (444,727) |
| As at 31st March 2022 | | 4,724,053 | 3,767,238 | 15,222,966 | 79,483 | 85,766 | 327,873 | 94,338 | 85,648 | 4,449,105 | 752,566 | 29,589,036 | 26,822,902 |
| Accumulated depreciation | | | | | | | | | | | | | |
| As at 1st April 2021 | | - | 203,231 | 5,030,069 | 54,271 | 56,321 | 274,857 | 79,214 | 68,386 | 2,164,817 | 21,984 | 7,953,148 | 6,897,477 |
| Charge for the year | | - | 122,474 | 779,832 | 4,062 | 6,623 | 14,822 | 19,564 | 2,930 | 582,681 | - | 1,532,988 | 1,319,131 |
| Impairment | | - | - | - | - | - | - | - | - | - | - | - | 160,258 |
| Depreciation adjustment on revaluation | | - | (199,828) | - | - | - | - | - | - | - | - | (199,828) | - |
| Disposals/breakages | | - | (6,037) | (13,542) | (37) | (477) | (136) | (48,563) | - | (202,918) | - | (271,730) | (423,718) |
| As at 31st March 2022 | | - | 119,840 | 5,796,359 | 58,296 | 62,467 | 288,543 | 50,195 | 71,316 | 2,544,580 | 21,984 | 9,014,578 | 7,953,148 |
| Net book value | | | | | | | | | | | | | |
| As at 31st March 2022 | | 4,724,053 | 3,647,398 | 9,426,607 | 21,187 | 23,299 | 38,330 | 44,143 | 14,332 | 1,904,525 | 730,582 | 20,574,458 | |
| As at 31st March 2021 | | 3,715,562 | 3,466,148 | 9,776,573 | 18,615 | 15,447 | 16,027 | 55,887 | 2,232 | 1,500,085 | 303,175 | | 18,869,754 |

- (c) Except for the land at Nuwara Eliya (cost : Rs. 82Mn) all other freehold land and buildings of Lion Brewery (Ceylon) PLC and Millers Brewery Ltd were revalued in the books to confirm with the market values as at 31st March 2022, which were assessed on market basis by Arthur Perera & Co. independent professional valuer at a value of Rs. 8,257 Mn and the resultant surplus transferred to the Revaluation Reserves.
- (d) Carrying value of the revalued assets of the Group as at 31st March 2022, if they were carried at cost are given below:

| In Rs.'000s | Group | |
|---|------------------|------------------|
| | Land | Buildings |
| Cost - As at 1st April 2021 | 1,891,611 | 2,988,270 |
| Additions/Transfers during the year | 94,568 | 46,823 |
| Disposal during the year | - | (7,927) |
| Cost as at 31st March 2022 | 1,986,179 | 3,027,166 |
| Accumulated depreciation | - | (736,656) |
| Carrying value of assets at cost - As at 31st March 2022 | 1,986,179 | 2,290,510 |
| Carrying value of assets at cost - As at 31st March 2021 | 1,891,611 | 2,345,544 |

- (e) Group property plant and equipment's has not been pledged as security against the borrowings during the period (2021 – Nil). Borrowing cost has not been capitalised during the financial year (2021 – Nil).
- (f) Group property, plant and equipment with a cost / valuation of Rs. 2,823 Mn (2021- Rs. 2,907 Mn) have been fully depreciated and continue to be in use by the Group. The cost / valuation of fully depreciated assets of the Company amounts to Rs. 2.4Mn. (2021-Rs. 2.4 Mn)

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

9 PROPERTY, PLANT AND EQUIPMENT

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

| Company | Location | 2022 | | | | | | 2021 | | | | | |
|----------------------------------|--------------------|-----------------|----------|-------------------------|-----------------------------|-----------------------------|------------------|-----------------|----------|-------------------------|-----------------------------|-----------------------------|------------------|
| | | Extent of Lands | | Cost/Valuation of lands | Number of buildings/ blocks | Cost/valuation of Buildings | Rs. '000s | Extent of lands | | Cost/valuation of lands | Number of buildings/ blocks | Cost/valuation of buildings | Rs. '000s |
| | | A | P | Rs. '000s | | Rs. '000s | | A | P | Rs. '000s | | Rs. '000s | |
| Lion Brewery (Ceylon) PLC | Lands at Biyagama | 28 | 3 | 19,20 | 3,032,000 | 49 | 2,994,801 | 28 | 2 | 4,46 | 2,445,380 | 49 | 3,022,101 |
| | Land - Kaduweela | 3 | - | 27 | 304,200 | 1 | 12,930 | 3 | - | 27 | 253,500 | 1 | 10,000 |
| | Land - Tangalle | 3 | 2 | - | 28,000 | - | - | 3 | 2 | 0 | 22,400 | - | - |
| | Land - Kurunegala | 3 | - | 34,25 | 192,844 | - | - | 3 | - | 35 | 70,550 | - | - |
| | Nuwara Eliya | - | 3 | 36,67 | 82,813 | - | - | - | - | - | - | - | - |
| | | | | | 3,639,857 | - | 3,007,731 | | | | 2,791,830 | - | 3,032,101 |
| Millers Brewery Limited | Factory and Office | | | | | | | | | | | | |
| | Premises | 22 | 3 | 15,73 | 1,084,196 | 12 | 608,606 | 22 | 2 | 37,43 | 923,732 | 12 | 478,451 |
| | | | | | 1,084,196 | | 608,606 | | | | 923,732 | | 478,451 |
| Pubs N' places (Private) Limited | No Lands | - | - | - | - | 32 | 150,901 | - | - | - | 923,732 | 32 | 158,827 |
| Total - Group | | 62 | 2 | 12,85 | 4,724,053 | 94 | 3,767,238 | 61 | 0 | 23,89 | 3,715,562 | 94 | 3,669,379 |

A: Acres R: Roods P: Perches

(h) Fair Value measurement

(i) Fair Value Hierarchy

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

(ii) Valuation techniques and significant unobservable inputs

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

| Property | Method of valuation | Estimated price per perch | Estimated price per square foot | Effective date of valuation | Correlation to fair value |
|---------------------------------------|---------------------|--------------------------------|---------------------------------|-----------------------------|---------------------------|
| Lion Brewery (Ceylon) PLC, Biyagama | OMV | LKR 600,000/- LKR 800,000/- | LKR 2,000/- LKR 13,500/- | 31.03.2022 | Positive |
| Lion Brewery (Ceylon) PLC, Kaduwela | OMV | LKR 600,000/- | LKR 3,500/- LKR 4,750/- | 31.03.2022 | Positive |
| Lion Brewery (Ceylon) PLC, Tangalle | OMV | LKR 50,000/- | - | 31.03.2022 | Positive |
| Lion Brewery (Ceylon) PLC, Kurunegala | OMV | LKR 375,000/- | - | 31.03.2022 | Positive |
| Millers Brewery Limited, Meegoda | OMV | LKR 3,750/- LKR 350,000/- | LKR 2,250/- LKR 6,250/- | 31.03.2022 | Positive |

Open market value (OMV) method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

The land at Nuwara Eliya (Lion Brewery (Ceylon) PLC) was purchased in the financial year 2021/22 and this property was not revalued as at 31st March 2022 since the directors are of the view that there is no material value difference against the market value at the time of valuation.

10 INVESTMENT PROPERTIES

10.1 Details of investment properties - Company

| | Freehold land | Freehold buildings | 2022 | 2021 |
|---|----------------|--------------------|----------------|----------------|
| Balance as at the beginning of the year | 468,900 | 17,970 | 486,870 | 486,870 |
| Change in fair value of investment properties | 152,630 | 7,600 | 160,230 | - |
| Balance as at the end of the year | 621,530 | 25,570 | 647,100 | 486,870 |

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT PROPERTIES (CONTD.)

10.2 Valuation of investment properties - Company

| Property | Method of valuation | Extent land | Extent building | Estimated price per perch | Estimated price per square foot | Effective date of valuation | Correlation to fair value |
|--|---------------------|-------------|-----------------|---------------------------|---------------------------------|-----------------------------|---------------------------|
| Ceylon Beverage Holdings PLC, Nuwara Eliya | OMV | 3A, 2R, 35P | 6,720 sq. ft | LKR 1,000,000/- | LKR 6,750/- LKR 10,000/- | 31.03.2022 | Positive |
| Ceylon Beverage Holdings PLC, Trincomalee | OMV | 36P | 2,428 sq. ft | LKR 700,000/- | LKR 5,500/- | 31.03.2022 | Positive |

The property at Nuwara Eliya is valued at Rs.616Mn whilst the property at Trincomalee is valued at Rs. 31Mn. Changes in fair value adjustments on investment properties (gain/loss), which are unrealised, are recognised in the statement of profit or loss. Accordingly, the total net gain on changes in fair value, net of related deferred tax, is recorded in the fair value adjustment reserve as at the reporting date.

No rental income was generated during the period (2021 – Nil) and direct operating expenses of Rs. 17.1Mn (2021 – Rs. 5.2Mn) was incurred during the period in relation to the above investment properties.

10.3 Fair value hierarchy

The fair value of the investment property was determined by external, independent property valuer, Arthur Perera & Co. having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Fair values were determined having regard to recent market transactions for similar properties in the same location as the Company's investment properties.

The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

| Description | Location | Valuation technique | Significant unobservable Inputs | Interrelationship between Key unobservable Inputs and fair value measurements |
|-------------------|-----------------------------|---------------------|--|---|
| Land and Building | Nuwara Eliya Trincomalee | OMV | Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations. | Market value per perch was higher/ (lower) |

Open market value (OMV) method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

10.4 Restrictions on title and investment properties pledged as security for liabilities.

There were no restrictions on titles of the investment properties as at the reporting date (2021 - Nil).

No items of the investment properties were pledged as security for liabilities as at the reporting date (2021 - Nil).

10.5 Capitalisation of borrowing costs into investment properties

No borrowing cost capitalised for the year ended 31st March 2022 (2021 - Nil).

10.6 Contractual obligations to construct and develop investment properties

There were no contractual obligations entered to construct and develop investment properties as at the reporting date (2021 - Nil).

11 INTANGIBLE ASSETS - GROUP

| | Brands | Computer software | Excise licenses | 31st March 2022 | 31st March 2021 |
|--------------------------------|------------------|-------------------|-----------------|------------------|------------------|
| In Rs.'000s | | | | | |
| Cost | | | | | |
| Beginning of the year | 4,000,000 | 414,927 | 103,363 | 4,518,290 | 4,478,990 |
| Additions for the year | - | 922 | 6,535 | 7,457 | 27,196 |
| Transfers from capital WIP | - | - | - | - | 12,104 |
| Disposals during the year | - | - | (1,626) | (1,626) | - |
| End of the year | 4,000,000 | 415,849 | 108,272 | 4,524,121 | 4,518,290 |
| Amortisation/impairment | | | | | |
| Beginning of the year | 2,862,464 | 365,552 | 622 | 3,228,638 | 2,772,117 |
| Amortisation for the year | - | 12,360 | - | 12,360 | 7,437 |
| Impairment during the year | 463,578 | - | - | 463,578 | 449,084 |
| End of the year | 3,326,042 | 377,912 | 622 | 3,704,576 | 3,228,638 |
| Net book value | 673,958 | 37,937 | 107,650 | 819,545 | 1,289,652 |

NOTES TO THE FINANCIAL STATEMENTS

11 INTANGIBLE ASSETS - GROUP (CONTD.)

11.1 Brands - Lion Brewery (Ceylon) PLC

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.

Impairment assumptions of Brands - Lion Brewery (Ceylon) PLC

An impairment test was carried out for the brands acquired from Millers Brewery Ltd as at 31st March 2022 as per the accounting standard LKAS 36. The Company computed its recoverable amount of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity adjusted with a risk premium. Cost of equity was determined based on the risk free rate of a 10 year treasury bond at 15.24% for the relevant cash flows, whereas the equity risk premium added was based on non-observable inputs as estimated for a valuation of the business in a previous period. Therefore, the difference in the discount rate compared with previous financial year is the change in the risk free rate due to market changes. The contribution growth was determined based on the historical records (rate not disclosed due to commercial sensitivity) along with a zero volume growth rate. Accordingly, the carrying value of the said brands as at 31st March stands at Rs. 673,958,842/- resulting an impairment of Rs. 463,577,639/- which has been charged to the income statement.

11.2 Computer Software

Computer software represent the costs incurred for the Group Enterprise Resource Planning ("ERP") systems, its related licenses and other software application that are used to generate financial and management information. Software with a finite life is amortised over the period of expected economic benefit.

11.3 Excise Licenses

Excise licenses contains liquor licenses held by the Group. Licenses 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. The licenses are tested for impairment annually

Impairment assumptions of Excise licenses - Pubs 'N Places (Private) Limited

The Company assessed the fair value of liquor licenses based on fair value less costs to sell method. As a result, market observable data was scrutinised but not available. Hence, the Company assessed fair value less costs to sell based on the asset's revenue generation capability. The value in use was estimated with a consistent revenue growth, cost estimates and by assuming a discount factor of 19.51%. Accordingly, no impairment was required during the year.

12 RIGHT OF USE ASSETS

| As at 31st March | Company | | Group | |
|--------------------------------------|----------|----------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Balance as at 1st April | - | - | 239,149 | 304,355 |
| Additions during the period | | | 40,857 | 49,787 |
| De-recognition of assets | - | - | (2,569) | (49,995) |
| Depreciation charge for the period | - | - | (70,156) | (77,793) |
| Depreciation on de-recognised assets | - | - | - | 12,795 |
| Balance as at 31st March | - | - | 207,281 | 239,149 |

12.1 Lease Liability

| As at 31st March | Company | | Group | |
|-----------------------------------|----------|----------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Balance as at 1st April | - | - | 275,321 | 325,064 |
| Leases obtained | - | - | 40,857 | 49,787 |
| Interest expenses for the period | - | - | 36,773 | 48,298 |
| De-recognition of lease liability | - | - | (3,283) | (44,305) |
| Lease rentals paid | - | - | (96,060) | (103,523) |
| Balance as at 31st March | - | - | 253,608 | 275,321 |

NOTES TO THE FINANCIAL STATEMENTS

12 RIGHT OF USE ASSETS (CONTD.)

Analysis of lease liabilities by period of re-payment

| As at 31st March 2022 | Company | | | Group | | |
|-----------------------|----------------|----------|---------------------------------|----------------|-----------|---------------------------------|
| | Contractual CF | Interest | Present value of lease payments | Contractual CF | Interest | Present value of lease payments |
| In Rs.'000s | | | | | | |
| Current | - | - | - | 88,843 | (31,344) | 57,499 |
| Non current | - | - | - | 275,300 | (79,191) | 196,109 |
| | - | - | - | 364,143 | (110,535) | 253,608 |

Analysis of lease liabilities by period of re-payment

| As at 31st March 2021 | Company | | | Group | | |
|-----------------------|----------------|----------|---------------------------------|----------------|-----------|---------------------------------|
| | Contractual CF | Interest | Present value of lease payments | Contractual CF | Interest | Present value of lease payments |
| In Rs.'000s | | | | | | |
| Current | - | - | - | 92,827 | (35,594) | 57,233 |
| Non current | - | - | - | 314,008 | (95,920) | 218,088 |
| | - | - | - | 406,835 | (131,514) | 275,321 |

Following are the amounts recognised in the statement of profit or loss.

| As at 31st March | Company | | Group | |
|---|---------|------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Depreciation of right of use assets | - | - | 70,156 | 77,793 |
| Interest expenses on lease liability | - | - | 36,773 | 48,298 |
| Total amount recognised in profit or loss | - | - | 106,929 | 126,091 |

There were no expenses relating to short term leases and leases of low value assets during the financial year (2021-Null).

13 INVESTMENT IN SUBSIDIARIES

| | No. of Shares | % holding | Cost as at 31st March 2022 Rs.'000s | Market Value/ Directors Value as at 31st March 2022 Rs.'000s | No. of Shares | % holding | Cost as at 31st March 2021 Rs.'000s | Market Value/ Directors Value as at 31st March 2021 Rs.'000s |
|---|---------------|-----------|--|---|---------------|-----------|--|---|
| Lion Brewery (Ceylon) PLC | | | | | | | | |
| - Ordinary shares | 41,798,788 | 52.25 | 1,410,084 | 21,944,364 | 41,798,788 | 52.25 | 1,410,084 | 23,783,510 |
| Pubs 'N Places (Private) Limited | | | | | | | | |
| - Ordinary shares | 51,188,102 | 99.90 | 511,880 | 175,000 | 51,188,102 | 99.90 | 511,880 | 258,989 |
| - Impairment Provision | - | - | (336,880) | - | - | - | (252,891) | - |
| | | | 175,000 | 175,000 | | | 258,989 | 258,989 |
| 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 | 25,000,001 | 100.00 | 250,000 | 250,000 | 25,000,001 | 100.00 | 250,000 | 250,000 |
| | | | 1,835,083 | 22,369,363 | | | 1,919,073 | 24,292,500 |

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

13.2 The recoverable amount of investment in Pubs 'N Places (Private) Limited was estimated based on the present value of the future cash flows which is expected to be derived from the investment for a period of 5 years (value in use). The value in use was estimated by assuming a discount factor of 19.51%. In doing so, the recoverable value to Ceylon Beverage Holdings PLC of its investment in Pubs 'N Places (Private) Limited, was ascertained to be Rs.175,000,000/-, necessitating an adjustment for impairment of Rs.83,989,276/- during the year.

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES (CONTD.)

13.3 The recoverable amount of investment in Luxury Brands (Private) Limited was estimated based on the present value of the future cash flows which is expected to be derived from the investment for a period of 5 years (value in use). The value in use was estimated by assuming a discount factor of 19.51% and a 5% turnover growth rate. In doing so, the recoverable value to Ceylon Beverage Holdings PLC of its investment in Luxury Brands (Private) Limited was estimated to be higher than its carrying amount (i.e., Rs. 250,000,000/-). Hence, it was concluded that no impairment was required during the year.

13.4 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.

| As at 31st March In Rs.'000s | Group | |
|---|------------------|--------------------|
| | 2022 | 2021 |
| NCI - percentage | 47.75% | 47.75% |
| Non - current assets | 10,239,794 | 9,649,852 |
| Current assets | 9,369,641 | 7,135,975 |
| Non - current liabilities | (3,753,527) | (4,290,548) |
| Current liabilities | (6,340,737) | (4,390,285) |
| Net assets | 9,515,171 | 8,104,994 |
| Carrying amount of NCI | 9,515,171 | 8,104,994 |
| Revenue | 58,570,885 | 49,849,287 |
| Profit | 3,668,105 | 2,471,096 |
| Other comprehensive income | 731,086 | 672 |
| Total comprehensive income | 4,399,191 | 2,471,768 |
| Profit Allocated to NCI | 1,751,520 | 1,179,948 |
| Other comprehensive income allocated to NCI | 349,094 | 321 |
| Cash flow from operating activities | 2,300,607 | 2,647,686 |
| Cash flow used in investing activities | (491,765) | (59,996) |
| Cash flow used in financing activities | (596,773) | (3,813,058) |
| Net increase/(decrease) equivalents in cash and cash | 1,212,069 | (1,225,368) |

14 INVENTORIES

| As at 31st March | Company | | Group | |
|--|---------|------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Raw and packing materials | - | - | 1,139,770 | 617,215 |
| Work in progress | - | - | 376,444 | 265,128 |
| Finished goods | - | - | 2,499,861 | 2,363,004 |
| Maintenance spares and others | - | - | 585,081 | 550,077 |
| | | | 4,601,156 | 3,795,424 |
| Impairment provision for inventory (Note 14.1) | - | - | (64,045) | (74,362) |
| | - | - | 4,537,111 | 3,721,062 |

14.1 Impairment provision for inventory

| | | | | |
|---|---|---|----------|----------|
| Balance as at the beginning of the year | - | - | 74,362 | 73,266 |
| Provisions during the year | - | - | 40,538 | 50,341 |
| Reversals / write off during the year | - | - | (50,855) | (49,245) |
| Balance as at end of the year | - | - | 64,045 | 74,362 |

15 TRADE AND OTHER RECEIVABLES

| As at 31st March | Company | | Group | |
|---|---------|------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Trade receivables | - | - | 685,881 | 595,144 |
| Impairment provision for doubtful debts (Note 15.1) | - | - | (57,374) | (57,536) |
| | | | 628,507 | 537,608 |
| Advances given to business partners | - | - | 228,839 | 228,863 |
| Other advances | - | - | 1,060,275 | 611,140 |
| Prepayments | - | - | 422,603 | 364,945 |
| Other receivables | 571 | 621 | 65,909 | 54,367 |
| | 571 | 621 | 2,406,133 | 1,796,923 |

NOTES TO THE FINANCIAL STATEMENTS

| As at 31st March | Company | | Group | |
|------------------|---------|------|-------|------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |

15.1 Impairment provision for doubtful debts

| | | | | |
|--------------------------------------|---|---|--------|--------|
| Balance at the beginning of the year | - | - | 57,536 | 55,454 |
| Provision/(reversal) during the year | - | - | (162) | 2,082 |
| Balance at the end of the year | - | - | 57,374 | 57,536 |

16 AMOUNTS DUE FROM RELATED COMPANIES

| As at 31st March | Company | | Group | |
|----------------------------------|---------|---------|-------|------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Pubs 'N Places (Private) Limited | 134,091 | 119,875 | - | - |
| Balance as at end of the year | 134,091 | 119,875 | - | - |

17 CURRENT TAXATION

| As at 31st March | Company | | Group | |
|--------------------------|---------|------|-------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Income tax (recoverable) | - | - | - | 2,477 |
| | - | - | - | 2,477 |

18 CASH AND CASH EQUIVALENTS

| As at 31st March | Company | | Group | |
|--|---------|-------|------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Fixed deposits with financial institutions | - | - | 9,134,538 | 8,199,646 |
| Savings accounts | - | - | 869,721 | 203,997 |
| Cash at bank | 28,305 | 8,808 | 3,106,202 | 1,292,503 |
| Cash in hand | 70 | 50 | 3,850 | 4,860 |
| | 28,375 | 8,858 | 13,114,311 | 9,701,006 |

| As at 31st March | Company | | Group | |
|--|-----------|-----------|-------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Cash and cash equivalents includes the following for the purpose of statement of cash flows. | | | | |
| Cash and cash equivalents | 28,375 | 8,858 | 13,114,311 | 9,701,006 |
| Bank overdrafts | (171,607) | (172,847) | (1,976,761) | (2,014,792) |
| | (143,232) | (163,989) | 11,137,550 | 7,686,214 |

19 STATED CAPITAL

| As at 31st March | Company | | Group | |
|----------------------------|---------|---------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| 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.

20 CAPITAL RESERVES

The capital reserve relates to revaluation of land and buildings. It comprises of the increase in the fair value of land and buildings at the date of revaluation, net of deferred tax.

| As at 31st March | Company | | Group | |
|--|---------|--------|-----------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Balance as at beginning of the year | 19,924 | 19,924 | 735,712 | 735,712 |
| Deferred tax charge on land and building revaluation | - | - | (245,097) | - |
| Revaluation of land and building | - | - | 612,743 | - |
| Balance as at end of the year | 19,924 | 19,924 | 1,103,358 | 735,712 |
| Represented by : | | | | |
| Revaluation reserve | - | 14,148 | 1,083,434 | 729,936 |
| General capital reserve (Note 20.1) | 19,924 | 5,776 | 19,924 | 5,776 |
| | 19,924 | 19,924 | 1,103,358 | 735,712 |

NOTES TO THE FINANCIAL STATEMENTS

20.1 General capital reserve consists of such amounts that have been transferred from time to time from retained earnings and other reserves.

21 REVENUE RESERVES

| As at 31st March | Company | | Group | |
|---|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Retained earnings | 1,492,565 | 1,349,237 | 8,720,708 | 7,290,140 |
| Represented by: | | | | |
| Retained profits | 891,338 | 892,217 | 8,119,481 | 6,833,120 |
| Fair value adjustment reserve (Note 21.1) | 601,227 | 457,020 | 601,227 | 457,020 |
| | 1,492,565 | 1,349,237 | 8,720,708 | 7,290,140 |

The movement of the above reserves are given in the Statement of Changes in Equity.

21.1 Fair value adjustment reserve

Gains arising, net of related deferred taxes, from fair value adjustment of investment properties will be transferred from retained earnings to fair value adjustment reserve and any losses arising, net of related deferred taxes, will be transferred to fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve as at 31st March 2022.

22 LOANS AND BORROWINGS

22.1 Loans and borrowings

| As at 31st March | Group | | | |
|---|----------|----------|-------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Balance as at the beginning of the year | 25,000 | 55,000 | 4,646,700 | 11,977,000 |
| Loan obtained during the year | - | - | 2,000,000 | 3,000,000 |
| Repayments during the year | (25,000) | (30,000) | (1,784,300) | (10,330,300) |
| | - | 25,000 | 4,862,400 | 4,646,700 |
| Interest payable | - | 63 | 785,607 | 744,087 |
| Balance at the end of the year | - | 25,063 | 5,648,007 | 5,390,787 |

22 LOANS AND BORROWINGS (CONTD.)

22.2 Details of Borrowings

| Name of the Lender | Repayment terms | Security offered | 31st March 2022 | 31st March 2021 | Type of interest |
|-------------------------------------|---|------------------|------------------|------------------|------------------|
| Rs. '000s | | | | | |
| Ceylon Beverage Holdings PLC | | | | | |
| HNB | Payable in 60 equal monthly instalments commencing from February 2017 | Unsecured | - | 25,000 | Floating |
| | | | - | 25,000 | |
| Lion Brewery (Ceylon) PLC | | | | | |
| 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 63 equal monthly instalments of Rs.17.40 Mn and a final instalment of Rs.17.80 Mn. Commencing from October 2017. | Unsecured | 87,400 | 296,200 | Floating |
| Commercial Bank - Rs. 1.5 Bn | Payable in 12 equal quarterly instalments commencing from December 2020 | Unsecured | 750,000 | 1,250,000 | Fixed |
| Commercial Bank - Rs. 1.5 Bn | Payable in 16 equal quarterly instalments commencing from December 2020 | Unsecured | 937,500 | 1,312,500 | Fixed |
| HNB-2BN | Payable in 4 years, commencing from April 2018 | Unsecured | - | 488,000 | Floating |
| NDBIB - Rs. 1.5Bn | Payable in 8 years, commencing from July 2019 | Unsecured | 1,087,500 | 1,275,000 | Floating |
| Commercial Bank | 1 month - Renewable | Unsecured | 1,000,000 | - | Fixed |
| Citi Bank | 1 month - Renewable | Unsecured | 1,000,000 | - | Fixed |
| | | | 4,862,400 | 4,621,700 | |
| Total | | | 4,862,400 | 4,646,700 | |

NOTES TO THE FINANCIAL STATEMENTS

23 EMPLOYEE BENEFITS (CONTD.)

22.3 Composition of loans and borrowings repayment

| As at 31st March In Rs.'000s | Company | | Group | |
|--|---------|--------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Classified under non current liabilities | | | | |
| Loans and borrowings falling due after one year | - | - | 1,675,000 | 2,862,400 |
| Interest payable | - | - | 625,311 | 634,660 |
| | - | - | 2,300,311 | 3,497,060 |
| Classified under current liabilities | | | | |
| Loans and borrowings falling due within one year | - | 25,000 | 3,187,400 | 1,784,299 |
| Interest payable | - | 63 | 160,296 | 109,428 |
| Total loans and borrowings falling due within one year | - | 25,063 | 3,347,696 | 1,893,727 |
| Balance as at the end of the year | - | 25,063 | 5,648,007 | 5,390,787 |

23 EMPLOYEE BENEFITS

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

| | | | | |
|---|---|---|---------|---------|
| Present value of unfunded obligation | - | - | 182,996 | 243,171 |
| Liability in the Statement of Financial Position | - | - | 182,996 | 243,171 |

The movement in the defined benefit obligation over the year is as follows:

| | | | | |
|-------------------------|---|---|----------|---------|
| At 1st April | - | - | 243,171 | 207,333 |
| Interest cost | - | - | 18,013 | 19,875 |
| Current service cost | - | - | 14,403 | 23,155 |
| Actuarial loss | - | - | (45,763) | (1,119) |
| Past service cost | - | - | (17,569) | - |
| Benefits paid | - | - | (29,259) | (6,073) |
| As at 31st March | | | 182,996 | 243,171 |

The amounts recognised in the Profit or Loss as follows:

| | | | | |
|--|---|---|----------|--------|
| Interest cost | - | - | 18,013 | 19,875 |
| Past service cost | - | - | (17,569) | - |
| Current service cost | | | 14,403 | 23,155 |
| Total included under staff cost | - | - | 14,847 | 43,030 |

The amount recognised in the other comprehensive income is as follows:

| | | | | |
|----------------|--|--|----------|---------|
| Actuarial gain | | | (45,763) | (1,119) |
| | | | (45,763) | (1,119) |

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 2022 was Rs. 173,703,876/- (2021 - Rs. 233,933,197/-) valued under the Projected Unit Credit (PUC) method by Mr. M. Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The gratuity liabilities of Pubs N' Places (Pvt) Limited, Luxury Brands (Pvt) Limited and Retail Spaces (Pvt) Limited as at 31st March 2022 amounting to Rs. 4,610,265/- (2021 - Rs. 4,386,772/-), Rs. 3,491,416/- (2021 - Rs. 3,804,721/-) and Rs. 1,191,117/- (2021 - Rs. 1,045,756/-), respectively has been computed based on formula method by multiplying half month's salary into number of years in service, which is in line with LKAS 19.

The principal assumptions made are given below:

- Rate of discount 15% p.a. (2021 - 7.7% p.a)
- Rate of pay increase 10% p.a. (2021-6% p.a)
- Weighted average duration (years) of defined benefit obligation 6.41 (2021 - 9.28).
- Retirement age 60 years (2021 - 55 years)
- The company will continue in business as a going concern.

23.3 Under the Minimum Retirement Age of Workers Act No 28 of 2021, retirement benefit plan of the Group was amended due to the increase in retirement age.

23.4 The above provisions are not externally funded.

23.5 Sensitivity of assumptions used

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

| In Rs.'000s | Group | |
|----------------------------|---------------|------------------|
| | Discount rate | Salary increment |
| Increase by one percentage | (7,331) | 8,937 |
| Decrease by one percentage | 7,993 | (8,303) |

NOTES TO THE FINANCIAL STATEMENTS

24 NET DEFERRED TAX LIABILITIES

| As at 31st March | Company | | Group | |
|--|---------------|---------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Deferred tax asset | - | - | (1,548) | (23,860) |
| Deferred tax liability | 31,584 | 15,561 | 5,260,140 | 5,106,713 |
| Balance as at the end of the year | 31,584 | 15,561 | 5,258,592 | 5,082,853 |

Movement in deferred tax balances - Company

| As at 31st March | Balance as at 1st April 2021 | Recognised in profit or loss | Recognised in OCI | Balance as at 31st March 2022 |
|----------------------------|------------------------------|------------------------------|-------------------|-------------------------------|
| In Rs.'000s | | | | |
| Deferred tax liability | | | | |
| Investment property | 15,561 | 16,023 | - | 31,584 |
| Net tax liabilities | 15,561 | 16,023 | - | 31,584 |

Movement in deferred tax balances - Group

| As at 31st March | Balance as at 1st April 2021 | Recognised in profit or loss | Recognised in OCI | Balance as at 31st March 2022 |
|-------------------------------|------------------------------|------------------------------|-------------------|-------------------------------|
| In Rs.'000s | | | | |
| Deferred tax liability | | | | |
| Property plant and equipments | 5,066,324 | (327,728) | 469,085 | 5,207,681 |
| Investment property | 15,561 | 16,023 | - | 31,584 |
| Intangible assets | 160,621 | (19,221) | - | 141,400 |
| Right of use assets | 67,240 | (4,536) | - | 62,704 |
| Deferred tax assets | | | | |
| Employee benefit | (95,346) | 5,877 | 18,305 | (71,164) |
| Lease liabilities | (75,933) | (545) | - | (76,478) |
| Inventory provision | (38,192) | 1,057 | - | (37,135) |
| Brought forward tax losses | (17,422) | 17,422 | - | - |
| Net tax liabilities | 5,082,853 | (311,651) | 487,390 | 5,258,592 |

Movement in deferred tax balances - Company

| As at 31st March | Balance as at 1st April 2020 | Recognised in profit or loss | Recognised in OCI | Balance as at 31st March 2021 |
|-------------------------------|------------------------------|------------------------------|-------------------|-------------------------------|
| In Rs.'000s | | | | |
| Deferred tax liability | | | | |
| Investment property | 15,561 | - | - | 15,561 |
| Net tax liabilities | 15,561 | - | - | 15,561 |

Movement in deferred tax balances - Group

| As at 31st March | Balance as at 1st April 2020 | Recognised in Profit or Loss | Recognised in OCI | Balance as at 31st March 2021 |
|--------------------------------|------------------------------|------------------------------|-------------------|-------------------------------|
| In Rs.'000s | | | | |
| Deferred tax liability | | | | |
| Property plant and equipment's | 5,243,006 | (176,682) | - | 5,066,324 |
| Investment property | 15,561 | - | - | 15,561 |
| Intangible assets | 28,046 | 132,575 | - | 160,621 |
| Right of use assets | - | 67,240 | - | 67,240 |
| Deferred tax assets | | | | |
| Employee benefit | (92,325) | (3,468) | 447 | (95,346) |
| Lease liabilities | (32,922) | (43,011) | - | (75,933) |
| Inventory provision | (32,929) | (5,263) | - | (38,192) |
| Brought forward tax losses | (2,284) | (15,138) | - | (17,422) |
| Net tax liabilities | 5,126,153 | (43,747) | 447 | 5,082,853 |

As at 31st March 2022, the subsidiaries, namely Millers Brewery Limited and Pubs 'N Places (Private) Limited have not recognised deferred tax assets amounting to Rs.645 Mn on brought forward tax losses of Rs.1,684 Mn, since the utilisation against future taxable profits is not certain.

NOTES TO THE FINANCIAL STATEMENTS

| As at 31st March | Company | | Group | |
|---|---------|---------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| 25 TRADE AND OTHER PAYABLES | | | | |
| Trade payables | - | - | 2,420,851 | 1,151,540 |
| Trade discounts | - | - | 180,555 | 140,934 |
| Accruals | - | - | 396,779 | 361,070 |
| Other payables | 20,524 | 13,046 | 494,525 | 344,885 |
| | 20,524 | 13,046 | 3,492,710 | 1,998,429 |
| 26 AMOUNTS DUE TO RELATED COMPANIES | | | | |
| Lion Brewery (Ceylon) PLC | 337,741 | 378,151 | - | - |
| Carlsberg A/S | - | - | 155,757 | 122,828 |
| | 337,741 | 378,151 | 155,757 | 122,828 |
| 27 REFUNDABLE DEPOSITS | | | | |
| Balance as at the beginning of the year | - | - | 1,900,393 | 1,715,620 |
| Deposits received during the year | - | - | 400,788 | 366,291 |
| Empty deposit write back during the year | - | - | - | (181,518) |
| Balance as at the end of the year | - | - | 2,301,181 | 1,900,393 |
| Refundable deposits are taken from agents as security against the returnable containers held with them. | | | | |
| 28 CURRENT TAX LIABILITIES | | | | |
| Excise duty payable | - | - | 1,764,515 | 1,370,885 |
| Value added tax | - | - | 500,166 | 368,569 |
| Income tax | 37,891 | 28,084 | 899,025 | 674,534 |
| APIT tax payable | - | - | - | 31 |
| Stamp duty | - | - | - | 15 |
| EPF/ETF payable | - | - | - | 55 |
| | 37,891 | 28,084 | 3,163,706 | 2,414,089 |

29 REVENUE

| For the year ended 31st March In Rs.'000s | Company | | Group | |
|--|---------|---------|------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| 29.1 Revenue streams | | | | |
| Dividend income | 755,722 | 334,390 | - | - |
| Royalty income | 180,140 | 160,135 | - | - |
| Brewery income | - | - | 58,110,811 | 49,410,688 |
| Retail trade income | - | - | 2,100,409 | 1,761,466 |
| | 935,862 | 494,525 | 60,211,220 | 51,172,154 |
| 29.2 Geographic revenue | | | | |
| Local revenue | 935,862 | 494,525 | 58,074,985 | 49,856,557 |
| Export revenue | - | - | 2,136,235 | 1,315,597 |
| | 935,862 | 494,525 | 60,211,220 | 51,172,154 |

30 OTHER INCOME

| For the year ended 31st March In Rs.'000s | Company | | Group | |
|--|---------|------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit on disposal of property, plant and equipment and right of use assets | - | - | 7,674 | 2,912 |
| Deposit liability write back | - | - | - | 168,072 |
| Other income | - | - | 186,248 | 172,885 |
| | - | - | 193,922 | 343,869 |

NOTES TO THE FINANCIAL STATEMENTS

31 PROFIT FROM OPERATIONS

| For the year ended 31st March | Company | | Group | |
|---|---------|--------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Profit from operations is stated after charging all expenses including the following; | | | | |
| Directors' fees and emoluments (Note 37.2) | 2,112 | 1,591 | 39,747 | 36,783 |
| Auditors' remuneration | | | | |
| - Audit fee and related expenses | 770 | 700 | 4,377 | 3,960 |
| - Audit related services | 310 | 155 | 465 | 230 |
| - Non audit services | - | - | 730 | 1,170 |
| Depreciation on property, plant and equipment (Note 9) | - | 155 | 1,532,988 | 1,319,131 |
| Depreciation on right of use assets (Note 12.1) | - | - | 70,156 | 77,793 |
| Amortisation of intangible assets (Note 11) | - | - | 12,360 | 7,437 |
| Impairment of property, plant and equipment (Note 9) | - | - | - | 160,258 |
| Royalty | - | - | 123,557 | 142,793 |
| Impairment of intangible assets (Note 11) | - | - | 463,578 | 449,084 |
| Impairment of subsidiary (Note 13) | 83,989 | 45,199 | - | - |
| Provision/(reversal) of Impairment for doubtful debts (Note 15.1) | - | - | (162) | 2,082 |
| Supporting service fees | 962 | 1,132 | 823,647 | 488,630 |
| Personnel expenses (Note 31.1) | - | - | 1,175,175 | 1,037,660 |
| 31.1 Personnel expenses | | | | |
| Salaries, wages and other related expenses | - | - | 1,088,410 | 931,424 |
| Defined benefit plan costs-gratuity (Note 23) | - | - | 14,847 | 43,030 |
| Defined contribution plan costs - EPF and ETF | - | - | 71,918 | 63,206 |
| | - | - | 1,175,175 | 1,037,660 |

32 NET FINANCE COSTS

| For the year ended 31st March In Rs.'000s | Company | | Group | |
|--|---------------|---------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Finance income: | | | | |
| Interest income - fixed deposit | - | - | 481,015 | 574,301 |
| Interest income - intercompany loans | 8,220 | 7,020 | - | - |
| Interest income - savings and call deposit | - | - | 146,581 | 89,892 |
| Total finance income | 8,220 | 7,020 | 627,596 | 664,193 |
| Finance cost : | | | | |
| Interest expenses - term loans | 754 | 3,557 | 349,344 | 406,422 |
| Interest expenses - bank overdrafts | 14,358 | 9,810 | 86,256 | 108,206 |
| Interest on lease | - | - | 36,773 | 48,298 |
| Interest expenses - intercompany loans | 19,442 | 25,733 | - | - |
| Interest expenses - others | - | - | 589,719 | 735,321 |
| Finance cost | 34,554 | 39,100 | 1,062,092 | 1,298,247 |
| Net foreign exchange gain | - | - | (607,372) | (45,843) |
| Total finance cost (net of exchange gain) | 34,554 | 39,100 | 454,720 | 1,252,404 |
| Net finance (income)/costs | 26,334 | 32,080 | (172,876) | 588,211 |

NOTES TO THE FINANCIAL STATEMENTS

33 INCOME TAX / DEFERRED TAX

| For the year ended 31st March | Company | | Group | |
|--|---------|--------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Current tax (Note 33.1) | 144,561 | 77,750 | 2,375,031 | 1,893,747 |
| Dividend tax | - | - | - | 10 |
| Deferred tax charge/(reversal) | 16,023 | - | (311,653) | (43,747) |
| | 160,584 | 77,750 | 2,063,378 | 1,850,010 |
| Deferred tax recognised in other comprehensive income | | | | |
| Re-measurement of employee benefit obligation | - | - | 18,305 | 447 |
| Revaluation gain on land and buildings | - | - | 469,085 | - |
| | - | - | 487,390 | 447 |

33.1 Reconciliation of the accounting profit and tax expenses

| For the year ended 31st March | Company | | Group | |
|---|----------------|----------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Profits before taxation | 958,208 | 395,302 | 5,885,176 | 4,284,507 |
| Consolidation adjustments | - | - | 671,749 | 289,188 |
| Remeasurement of employee benefit obligations (Note 23) | - | - | 45,763 | 1,119 |
| Profits before tax adjustments | 958,208 | 395,302 | 6,602,688 | 4,574,814 |
| Aggregate of disallowable expenses | 105,703 | 51,301 | 2,319,340 | 2,370,251 |
| Aggregate of allowable claims | (168,450) | (7,020) | (2,671,855) | (2,251,060) |
| Operating losses incurred during the year | - | - | 39,313 | 28,963 |
| Tax adjusted profit | 895,461 | 439,583 | 6,289,486 | 4,722,968 |
| Investment income - interest | 8,220 | 7,020 | 622,637 | 695,306 |
| Total statutory Income | 903,681 | 446,603 | 6,912,123 | 5,418,274 |
| Utilisation of tax loss | - | - | (64,390) | (84,225) |
| Assesable/taxable income | 903,681 | 446,603 | 6,847,733 | 5,334,049 |
| Current tax on local operations (Note 33.3) | 143,216 | 75,769 | 2,199,765 | 1,711,513 |
| Current tax on export profits (Note 33.3) | - | - | 26,467 | 15,138 |
| Current tax on interest income (Note 33.3) | 1,973 | 1,685 | 149,433 | 166,873 |
| Under/(over) provision in respect of prior year | (628) | 296 | (634) | 223 |
| Total current tax expense | 144,561 | 77,750 | 2,375,031 | 1,893,747 |

Reconciliation of the effective tax rate

The following table provides a reconciliation of the group weighted average statutory corporate income tax rate to the effective tax rate of the group on profit before taxation.

| For the year ended 31st March | Company | | Group | |
|-------------------------------|---------|---------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Profit before taxation | 958,208 | 395,302 | 5,885,176 | 4,284,507 |
| Tax charge on profit | 160,584 | 77,750 | 2,063,378 | 1,850,010 |
| Effective tax rate | 16.8% | 19.7% | 35.1% | 43.2% |

| For the year ended 31st March | Company | | | | Group | | | |
|---|--------------|----------------|--------------|---------------|--------------|------------------|--------------|------------------|
| | % | 2022 | % | 2021 | % | 2022 | % | 2021 |
| In Rs.'000s | | | | | | | | |
| Profit before taxation | | 958,208 | | 395,302 | | 5,885,176 | | 4,284,507 |
| Tax calculated | 24.0% | 229,970 | 24.0% | 94,872 | 40.0% | 2,354,070 | 40.0% | 1,713,803 |
| The effect of tax | | | | | | | | |
| Aggregate of disallowable expenses | 2.6% | 25,369 | 3.1% | 12,312 | 15.8% | 927,736 | 22.1% | 948,100 |
| Aggregate of allowable claims | -4.2% | (40,428) | -0.4% | (1,685) | -18.2% | (1,068,742) | -21.0% | (900,424) |
| Operating losses incurred during the year | 0.0% | - | 0.0% | - | 0.3% | 15,725 | 0.3% | 11,585 |
| Rate differential & over/under provision LY | -7.3% | (70,350) | -7.0% | (27,750) | 2.9% | 171,997 | 3.6% | 154,373 |
| Divided tax | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | 10 |
| Tax loss utilised | 0.0% | - | 0.0% | - | -0.4% | (25,756) | -0.8% | (33,690) |
| Deferred tax charge | 1.7% | 16,023 | 0.0% | - | -5.3% | (311,653) | -1.0% | (43,747) |
| Tax charge | 16.8% | 160,584 | 19.7% | 77,750 | 35.1% | 2,063,378 | 43.2% | 1,850,010 |

NOTES TO THE FINANCIAL STATEMENTS

33 INCOME TAX / DEFFERED TAX (CONTD.)

33.2 Analysis of Tax Losses

| For the year ended 31st March | Company | | Group | |
|---|---------|------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Tax losses brought forward | - | - | 1,709,107 | 1,807,872 |
| Under/(over) adjustment on losses brought forward | - | - | (105) | (43,503) |
| Tax losses incurred during the year | - | - | 39,313 | 28,963 |
| Utilisation of tax losses during the year | - | - | (64,390) | (84,225) |
| Tax losses carried forward | - | - | 1,683,925 | 1,709,107 |

33.3 Income Tax

Company

- (a) In terms of the provisions of the Inland Revenue Act, No 24 of 2017 and amendments thereto, the Company is liable to taxation at 24% (2021 - 24%).
- (b) As per the First Schedule of the Inland Revenue Act No 24 of 2017 and amendments thereto, Dividend income received by the Company is liable to income tax at 14%.

Group

- (a) Group tax expenses is based on the taxable profit of individual companies within the Group. At present, the tax laws of Sri Lanka do not provide for Group taxation.
- (b) In terms of the provisions of the Inland Revenue Act, No. 24 of 2017 and amendments thereto, Companies within the Group except Lion Brewery (Ceylon) PLC and Millers Brewery Limited are liable to taxation at a tax rate of 24% (2021 - 24%).
- (c) In terms of provisions of the Inland Revenue Act No. 24 of 2017 and amendments there to, Lion Brewery (Ceylon) PLC and Millers Brewery Limited are liable to income tax at 40% (2021-40%) and profits attributable to export is taxable at 14% (2021-14%).
- (d) In terms of provisions of the Inland Revenue Act No. 24 of 2017 and amendments there to, income arising on interest income is considered as a separate source of income and is taxed at 24% (2021 - 24%). As per the subsection (iii) of Section (i) of the Third Schedule of the Act, interest income accruing or derived by the Group from foreign currency accounts are exempt from tax effective from 1st January 2021.
- (e) As per section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto, any unclaimed tax losses brought forward or losses incurred during the year could be carried forward for further 6 years subject to maximum of 6 years based on the year in which such losses were incurred. Such losses can be set off against the profits without any limitation subject to source of income as provided in the Act.

34 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. There were no potentially dilutive ordinary shares outstanding at any time during the year /previous year, therefore, diluted earnings per share is same as basic earnings per share.

| For the year ended 31st March | Company | | Group | |
|---|---------|---------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Net profit attributable to equity holders of the company (as the numerator) | 797,624 | 317,552 | 2,070,278 | 1,254,549 |
| Number of ordinary shares (as denominator-'000s) | 20,988 | 20,988 | 20,988 | 20,988 |
| Earnings per ordinary share basic and diluted (Rs.) | 38.00 | 15.13 | 98.64 | 59.77 |

35 DIVIDENDS

| For the year ended 31st March | Company | |
|--|----------------|----------------|
| | 2022 | 2021 |
| In Rs.'000s | | |
| On ordinary shares Rs.31.23 per share - (2021 - Rs. 13.70) | 655,458 | 287,537 |
| Total dividend | 655,458 | 287,537 |

35.1 As required by Section 56 of the Companies Act No 7 of 2007, the Board of Directors were satisfied that the solvency of the Company is in accordance with the Section 57, prior to approving the interim dividends. A statement of solvency was compiled and was duly signed by the Board of Directors.

35.2 The Board of Directors have approved a first interim dividend of Rs. 29.75 per share for the year ended 31st March 2023 on 06th June 2022. In Accordance with Sri Lanka Accounting Standards LKAS 10 Events after the reporting period, this dividend has not been recognised as a liability in the Financial Statements as at 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT

36.1 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.000) SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss).

| As at 31st March | Company | | | | | |
|--|-------------------|-------|-------|-------------------|-------|-------|
| | 2022 | | | 2021 | | |
| Financial Instrument Category In Rs.'000s | Amortised cost | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI |
| Financial assets | | | | | | |
| Trade and other receivables | 571 | - | - | 621 | - | - |
| Amounts due from related companies | 134,091 | - | - | 119,875 | - | - |
| Cash and cash equivalents | 28,375 | - | - | 8,858 | - | - |
| Financial liabilities | | | | | | |
| Loans and borrowings | - | - | - | 25,063 | - | - |
| Trade and other payables | 20,524 | - | - | 13,046 | - | - |
| Amounts due to related companies | 337,741 | - | - | 378,151 | - | - |
| Bank overdraft | 171,607 | - | - | 172,847 | - | - |

| As at 31st March | Group | | | | | |
|--|----------------|-------|-------|-------------------|-------|-------|
| | 2022 | | | 2021 | | |
| Financial Instrument Category In Rs.'000s | Amortised cost | FVTPL | FVOCI | Amortised cost | FVTPL | FVOCI |
| Financial assets | | | | | | |
| Trade and other receivables | 694,416 | - | - | 591,975 | - | - |
| Amounts due from related companies | - | - | - | - | - | - |
| Cash and cash equivalent | 13,114,311 | - | - | 9,701,006 | - | - |
| Financial liabilities | | | | | | |
| Loans and borrowings | 5,648,007 | - | - | 5,390,787 | - | - |
| Trade and other payables | 3,492,710 | - | - | 1,998,429 | - | - |
| Amounts due to related companies | 155,757 | - | - | 122,828 | - | - |
| Lease liabilities | 253,608 | - | - | 275,321 | - | - |
| Bank overdraft | 1,976,761 | - | - | 2,014,792 | - | - |

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.

36.2 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
- 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.

36.3 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.

36.4 Credit risk/counterparty risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT (CONTD.)

36.4.1 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 |
| Amounts due from related companies | Monitor the balance outstanding regularly |
| Cash and cash equivalents | Monitor the balance outstanding regularly and balances are with reputed and established banks with a rating of "BBB+" or above |

36.4.2 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,

| As at 31st March In Rs.'000s | Company | | Group | |
|------------------------------------|----------------|----------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Trade and other receivables | 571 | 621 | 694,416 | 591,975 |
| Amounts due from related companies | 134,091 | 119,875 | - | - |
| Cash and cash equivalents | 28,305 | 8,808 | 13,110,461 | 9,696,146 |
| | 162,967 | 129,304 | 13,804,877 | 10,288,121 |

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

| As at 31st March In Rs.'000s | Company | | Group | |
|---------------------------------|----------------|----------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Financial institutions | 28,305 | 8,808 | 13,110,461 | 9,696,146 |
| Customers and other parties | 571 | 621 | 694,416 | 591,975 |
| Related parties | 134,091 | 119,875 | - | - |
| | 162,967 | 129,304 | 13,804,877 | 10,288,121 |

36.4.3 Trade and 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 and 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 96% (2021 - 92%) of the trade receivables.

36.4.4 Impairment losses

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

| As at 31st March | Company | | Group | |
|-----------------------|---------|------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Age | | | | |
| Past due 0 - 365 days | - | - | 628,507 | 537,609 |
| More than 365 days | - | - | 57,374 | 57,535 |
| | - | - | 685,881 | 595,144 |

36.5 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

36.5.1 Management of liquidity risk

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

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

36.5.2 The maturity analysis of liabilities

The tables below summarises the maturity profile of financial liabilities on contractual undiscounted (principal plus interest) payments

| As at 31st March 2022 | Company | | | Group | | |
|-----------------------------------|---------|----------------------|--------------------------|------------|----------------------|--------------------------|
| | Total | Current Up to Year 1 | Non-Current Above year 1 | Total | Current Up to Year 1 | Non-Current Above year 1 |
| In Rs.'000s | | | | | | |
| Bank overdrafts | 171,607 | 171,607 | - | 1,976,761 | 1,976,761 | - |
| Loans and borrowings | - | - | - | 5,648,007 | 3,347,696 | 2,300,311 |
| Trade and other payables | 20,524 | 20,524 | - | 3,492,710 | 3,492,710 | - |
| Amount payable to related parties | 337,741 | 337,741 | - | 155,757 | 155,757 | - |
| Lease liabilities | - | - | - | 364,143 | 88,843 | 275,300 |
| | 529,872 | 529,872 | - | 11,637,378 | 9,061,767 | 2,575,611 |

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT (CONTD.)

| As at 31st March 2021 | Company | | | Group | | |
|-----------------------------------|----------------|------------------------------|--------------------------------------|------------------|------------------------------|--------------------------------------|
| | Total | Current (up to year 1) | Non- current (above year 1) | Total | Current (up to year 1) | Non- Current (above year 1) |
| In Rs.'000s | | | | | | |
| Bank overdrafts | 172,847 | 172,847 | - | 2,014,792 | 2,014,792 | - |
| Loans and borrowings | 25,063 | 25,063 | - | 5,390,787 | 1,893,727 | 3,497,060 |
| Trade and other payables | 13,046 | 13,046 | - | 1,998,429 | 1,998,429 | - |
| Amount payable to related parties | 378,151 | 378,151 | - | 122,828 | 122,828 | - |
| Lease liabilities | - | - | - | 406,835 | 92,827 | 314,008 |
| | 589,107 | 589,107 | - | 9,933,671 | 6,122,603 | 3,811,068 |

36.6 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.

36.6.1 Management of market risks

Borrowing rates of most borrowings are linked to AWPLR. Hence, any movement will be in line with the market and have a corresponding impact.

36.6.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar (USD), Euro (EUR) and the Great Britain Pound (GBP). As protection against exchange rate fluctuations, the Group backs its commitments in local currency. The Group does not use any derivative financial instruments to hedge the risk.

The following significant exchange rates were applied during the year:

| | Closing exchange rates | | Average exchange rates | |
|---------------------------|------------------------|--------|------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs. | | | | |
| US Dollar (USD) | 299.00 | 202.04 | 205.22 | 188.39 |
| Great Britain Pound (GBP) | 394.57 | 278.24 | 280.20 | 246.47 |
| Euro (EUR) | 334.56 | 237.40 | 238.26 | 219.87 |

The Group considered a further 5% strengthening or weakening of the functional currency against non-functional currencies as a reasonably possible change. The impact is calculated with reference to the financial assets or liabilities held as at the year end. A 5% increase or decrease of functional currency against non-functional currencies would result in Rs. 89Mn impact on pre-tax profit

36.6.3 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 three months from the date of the deposit.

36.6.4 Fixed and variable rated instruments

| As at 31st March | Company | | Group | |
|----------------------------------|---------|---------|-----------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Fixed rate instruments | | | | |
| - Financial assets | - | - | 9,134,538 | 8,199,646 |
| - Financial liabilities | - | - | 3,941,108 | 2,837,821 |
| Variable rate instruments | | | | |
| - Financial assets | - | - | 869,721 | 203,997 |
| - Financial liabilities | 171,607 | 197,847 | 3,151,661 | 4,098,992 |

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT (CONTD.)

36.6.5 Sensitivity analysis on interest rate fluctuation

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

| Instrument | Company | | Group | |
|--------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Increase by one percentage | Decrease by one percentage | Increase by one percentage | Decrease by one percentage |
| In Rs.'000s | | | | |
| Commercial Bank-Rs. 1 Bn | - | - | 874 | (874) |
| NDBIB Loans- Rs.1.5 Bn | - | - | 10,875 | (10,875) |
| Potential impact | - | - | 11,749 | (11,749) |

36.6.6 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 and movement are done throughout the day to the top management. A daily reporting is made on the outstanding balances and interest rates.

37 RELATED PARTY DISCLOSURES

37.1 Parent and ultimate controlling party

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.

37.2 Transactions with key management personnel (KMP)

- (i) 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.
- (ii) Compensation paid to the Key Management Personnel of the Company comprise as follows;

| For the year ended/as at 31st March | Company | | Group | |
|-------------------------------------|---------|-------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| In Rs.'000s | | | | |
| Short term employee benefits | 2,112 | 1,591 | 39,747 | 36,783 |
| | 2,112 | 1,591 | 39,747 | 36,783 |

As at 31st March 2022 an amount of Rs. 28,525,146/- (2021 - Rs. 29,840,596/-) is payable towards gratuity of Key Management Personnel whilst a Group maintained vehicle is provided for both official and private use.

37.2 Other related party transactions

The Company carried out transactions 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.

Transactions with related parties are carried out on an arm's length basis. Outstanding balances as at year end are unsecured, interest free (except for Lion Brewery (Ceylon) PLC and Pubs 'N Places (Private) Limited) and all related-party dues are on demand and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31st March 2022 and the Group has not recorded any impairment for receivables relating to amount owed by Group entities.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31st March 2021 audited financial statements, which required additional disclosures in the 2021/22 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

Recurrent related party transactions

All the recurrent related party transactions which in aggregate value exceeded 10% of the revenue of the Company as per 31st March 2021 audited Financial Statements are disclosed under page 17 in the directors report, as required by Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act”

37.2.1 Transactions with subsidiary companies

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

Messrs. D.A.Cabraal, H Selvanathan, S.K.Shah (retired as Chief Executive Officer & Executive Director w.e.f. 30/06/2021), D.C.R. Gunawardena, R.H. Meewakkala appointed Chief Executive Officer w.e.f. 01/07/2021, continues to be an executive director on the Board [CEO/Executive Director], S. Clini and Mrs. S. J. F. Evans Directors of the company are also Directors of Ceylon Beverage Holdings PLC with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

- (i) LBCPLC was charged Rs. 180,139,761/- (2021 -Rs. 160,134,729/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (ii) A dividend of Rs. 755,722,087/- was paid by LBCPLC to the Company during the period (2021 - Rs. 334,390,304/-).
- (iii) Rs. 337,740,750/- balance payable to LBCPLC as at 31st March 2022. (2021 - 378,150,804/-).
- (iv) As per the loan agreement with LBCPLC, the Company was charged Rs. 19,441,611/- (2021 - 25,733,505) at a rate of AWPLR+1% as loan interest during the period.

NOTES TO THE FINANCIAL STATEMENTS

37 RELATED PARTY DISCLOSURES (CONTD.)

(b) Pubs 'N Places (Private) Limited

Messrs. S.K.Shah (resigned w.e.f. 30/06/2021) and R.H. Meewakkala Directors of the Company are also Directors of the Pubs 'N Places (Private) Limited with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

- (i) As at 31st March 2022 balance receivable from Pubs 'N Places (Private) Limited to the Company was Rs. 134,091,398/-. (2021 - Rs. 119,874,623/-).
- (ii) An interest amount of Rs. 8,220,453/- (2021 - 7,019,886) was charged from Pubs 'N Places (Private) Limited for the outstanding receivable balance during the period at a rate of AWPLR+1%.

37.2.2 Transactions with group entities

(a) Carsons Management Services (Private) Ltd.

Messrs. H.Selvanathan, S.K.Shah (resigned w.e.f. 30/06/2021) and M.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. 961,302/- (2021 - Rs. 1,132,122/-) was charged by Carsons Management Services (Private) Limited to the Company and Rs.1,089,197,893/- (2021 - Rs. 655,236,629/-) was charged to the Group during the period. This included supporting services fees of Rs. 823,646,900/- (2021 - Rs. 488,630,983/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Group.

(b) SKC Management Services Ltd.

A sum of Rs. 900,000/- was incurred as reimbursement of casual wages for the period. (2021 - Rs.795,300/-)

38 CONTINGENT LIABILITIES AND COMMITMENTS

38.1 Contingencies

(a) Company

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

In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Company and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs.23,062,080/43 being the amount of Excise (Special Provision) Duty (the 'duty') purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs.25,059,553/86 as its penalty. The Company and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty and obtained a Stay Order in respect of the proceedings of the Fort MC Case. A sum of Rs. 23,062,080/43 being the duty amount in dispute was paid to Sri Lanka Customs by the Company as required before submitting its appeal. Subsequently the CA Application was dismissed and the Company appealed against the Order to the Supreme Court and was granted Special Leave to Appeal by the Court. The Court also ordered the staying of all further proceedings in the MC Case until final hearing and determination of the Appeal. No provision has been made for the payment of penalty amounting to Rs.25,059,553/86, pending the Judgment from the Supreme Court in the said Leave to Appeal matter. This matter came up for Argument before the Supreme Court on 12th July 2021. Arguments were concluded after a full day and matter is reserved for Judgment.

- (ii) Contingent liabilities as at 31st March 2022 amounts to Rs. 1,141Mn (2021- Rs. 200Mn), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

38.2 Finance Commitments

Document credits established for foreign purchases of the Group as at 31st March 2022 amounts to Rs. 2,703Mn (2021 - Rs. 2,360Mn).

38.3 Capital Commitments

Capital expenditure committed by the Group for which a provision has not been made in the Financial Statements amounts to Rs. 893Mn at 31st March 2022 (2021 - Rs. 89Mn).

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD

39.1 Surcharge Tax

According to the Surcharge Tax Act No. 14 of 2022 which was certified on 8th April 2022, the Group is liable for Surcharge Tax of Rs. 1,231 Mn out of the taxable income of Rs. 5,227 Mn for year of assessment 2020/21. Therefore, the Surcharge Tax shall be deemed to be an expense in the financial statements for the year ended 31st March 2021. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the Surcharge Tax expense is accounted as recommended by the Statement of Alternative Treatment on accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka, in April 2022.

The Group's impact of the Surcharge Tax on the comparative year is as follows,

| In Rs.000's | |
|---|------------------|
| Profit after tax for the year ended 31st March 2021 | 2,434,497 |
| Surcharge Tax levied under Surcharge Tax Act | (1,230,756) |
| Comparable profit for the year ended 31st March 2022 | 1,203,741 |

39.2 Value Added Tax

In accordance with the Gazette No 2282/26 enacted on 31st May 2022, Value Added Tax ("VAT") charged based on the Value Added Tax Act No 14 of 2002 as amended by Act No 6 of 2005, has been increased from 8% to 12% effective from 1st June 2022.

39.3 Interim Dividend

The Board of Directors have approved a first interim dividend of Rs. 29.75 per share for the year ended 31st March 2023 on 06th June 2022. In Accordance with Sri Lanka Accounting Standards LKAS 10 Events after the reporting period, this dividend has not been recognised as a liability in the Financial Statements as at 31st March 2022.

NOTES TO THE FINANCIAL STATEMENTS

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD (CONTD.)

39.4 Operating environment

The free floating of the USD caused a sharp depreciation of the LKR resulting in steep increases in the prices of raw materials & other inputs including freight costs applicable to both direct & indirect imports. Due to the short supply of USD in the formal banking channels, the Letters of Credit for direct imports are established consequent to careful financial planning, giving consideration to their due settlement dates & the ability to settle the suppliers on time. The Group has supporting export revenue in USD to supplement to the extent possible, the foreign currency requirement for direct imports. The inventory levels are also appropriately managed to minimise the impact of any eventualities. Due to various operational challenges, the associated costs have risen which remains to be addressed on a clean sheet basis. As the transport is carried out by outsourced parties, it is managed to the best of their abilities.

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

40 COMPARATIVE FIGURES

Certain comparative figures where relevant have been reclassified to give proper presentations as at 31st March 2022.

41 SEGMENTAL ANALYSIS

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

42 DIRECTOR'S 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 | 2022 | 2021 |
|---|--------------|--------------|
| In Rs.'000s | | |
| VALUE ADDED | | |
| Revenue | 60,211,220 | 51,172,154 |
| Other income | 193,922 | 343,869 |
| Finance income | 627,596 | 664,193 |
| Value added tax | 4,867,959 | 4,176,398 |
| | 65,900,697 | 56,356,614 |
| Cost of material and services bought from outside | (10,184,791) | (11,820,928) |
| | 55,715,906 | 44,535,686 |

| For the year ended 31st March | 2022 | % | 2021 | % |
|--|------------|--------|------------|--------|
| In Rs.'000s | | | | |
| DISTRIBUTED AS FOLLOWS: | | | | |
| To Employees | | | | |
| As remuneration and other employee costs | 1,175,174 | 2.11 | 1,037,660 | 2.33 |
| To Government | | | | |
| As excise duty | 39,049,818 | 70.09 | 30,739,354 | 69.02 |
| As excise levies | 278,780 | 0.50 | 112,539 | 0.25 |
| As import duty | 1,561,563 | 2.80 | 1,213,484 | 2.72 |
| As value added tax | 4,867,959 | 8.74 | 4,176,398 | 9.38 |
| As income tax | 2,235,131 | 4.01 | 1,877,453 | 4.22 |
| To Providers' of Capital | | | | |
| As dividends to shareholders | 655,458 | 1.18 | 287,537 | 0.65 |
| As finance expenses | 454,720 | 0.82 | 1,252,404 | 2.81 |
| Retained in the Business | | | | |
| As depreciation/amortisation | 1,615,505 | 2.90 | 1,404,361 | 3.15 |
| As minority interest | 1,751,520 | 3.14 | 1,179,948 | 2.65 |
| As profit for the year | 2,070,278 | 3.72 | 1,254,549 | 2.82 |
| | 55,715,906 | 100.00 | 44,535,686 | 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:

| | 2022 | 2021 |
|--|-------------------|-------------------|
| In Rs.'000s | | |
| Value added tax | 4,867,959 | 4,176,398 |
| Excise duty | 39,049,818 | 30,739,354 |
| Excise levies | 278,780 | 112,539 |
| Import duty | 1,561,563 | 1,213,484 |
| Income tax | 2,235,131 | 1,877,453 |
| Total tax liabilities/payments made to the Government | 47,993,251 | 38,119,228 |

FIVE YEAR SUMMARY

| Year ended 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------------|------------------|------------------|------------------|------------------|
| In Rs.'000s | | | | | |
| OPERATING RESULTS | | | | | |
| Revenue | 60,211,220 | 51,172,154 | 49,215,361 | 44,216,827 | 31,456,943 |
| Other income | 193,922 | 343,869 | 153,337 | 138,025 | 56,515 |
| Net gains arising from changes in fair value of investment properties | 160,230 | - | 155,609 | - | - |
| Progressive insurance receipts on business interruption | - | - | - | - | 1,205,359 |
| | 60,565,372 | 51,516,023 | 49,524,307 | 44,354,852 | 32,718,817 |
| Total expenditure | (54,389,494) | (46,194,221) | (43,550,492) | (38,054,387) | (29,087,246) |
| Impairment of intangible assets | (463,578) | (449,084) | (740,315) | - | - |
| Profit from operations | 5,712,300 | 4,872,718 | 5,233,500 | 6,300,465 | 3,631,571 |
| Progressive insurance receipts on property damage | - | - | - | - | 752,263 |
| Profit before finance cost | 5,712,300 | 4,872,718 | 5,233,500 | 6,300,465 | 4,383,834 |
| Net finance income/(costs) | 172,876 | (588,211) | (739,260) | (1,084,592) | (1,491,855) |
| Profit before taxation | 5,885,176 | 4,284,507 | 4,494,240 | 5,215,873 | 2,891,979 |
| Income tax expense | (2,063,378) | (1,850,010) | (1,677,977) | (2,150,610) | (1,251,268) |
| Profit for the year | 3,821,798 | 2,434,497 | 2,816,263 | 3,065,263 | 1,640,711 |
| Total other comprehensive income/ (cost) for the year | 731,086 | 672 | 288,632 | 208,466 | (510,194) |
| Total comprehensive income for the year | 4,552,884 | 2,435,169 | 3,104,895 | 3,273,729 | 1,130,517 |
| Dividends - Ordinary | 655,456 | 287,537 | 209,881 | 146,917 | 167,905 |
| Excise duty | 39,049,818 | 30,739,354 | 29,233,357 | 24,140,705 | 18,551,986 |

FIVE YEAR SUMMARY

| As at 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| In Rs.'000s | | | | | |
| STATEMENT OF FINANCIAL POSITION | | | | | |
| Stated capital | 533,384 | 533,384 | 533,384 | 533,384 | 533,384 |
| Capital reserve | 1,103,358 | 735,712 | 735,712 | 588,521 | 483,527 |
| Revenue reserve | 8,720,708 | 7,290,140 | 6,321,790 | 5,049,101 | 3,664,796 |
| | 10,357,450 | 8,559,236 | 7,590,886 | 6,171,006 | 4,681,707 |
| Minority interest | 9,515,171 | 8,104,994 | 7,230,325 | 5,978,375 | 4,493,662 |
| | 19,872,621 | 16,664,230 | 14,821,211 | 12,149,381 | 9,175,369 |
| Loans, borrowings and leases | 5,648,007 | 5,390,787 | 12,646,497 | 11,757,640 | 15,001,821 |
| Less - net cash | (11,137,550) | (7,686,214) | (10,181,555) | (8,668,761) | (6,560,059) |
| Capital employed | 14,383,078 | 14,368,803 | 17,286,153 | 15,238,260 | 17,617,131 |

Represented by:

| | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| Non-current assets | 22,249,932 | 20,909,285 | 21,727,839 | 20,950,490 | 20,984,929 |
| Current assets excluding cash and cash equivalents | 6,943,244 | 5,520,462 | 4,933,671 | 4,864,352 | 5,059,938 |
| Current liabilities excluding borrowings and OD | (9,170,853) | (6,492,972) | (3,758,648) | (5,369,858) | (4,628,915) |
| Lease liabilities | (196,109) | (218,088) | (274,532) | - | - |
| Retirement benefit obligations | (182,996) | (243,171) | (207,333) | (204,058) | (190,953) |
| Deferred tax liabilities | (5,260,140) | (5,106,713) | (5,134,844) | (5,002,666) | (3,607,868) |
| | 14,383,078 | 14,368,803 | 17,286,153 | 15,238,260 | 17,617,131 |

| Year ended 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------------|--------------------|------------------|------------------|------------------|
| In Rs.'000s | | | | | |
| Cash Flow Statistics | | | | | |
| Net cash (outflows)/inflows from operating activities | 4,990,359 | 5,650,184 | 1,964,068 | 5,640,305 | 3,473,298 |
| Net cash (outflows)/inflows from investing activities | (1,057,948) | (157,919) | (647,748) | 233,327 | (364,657) |
| Net cash inflows/(outflows) from financing activities | (1,216,479) | (8,025,983) | 196,474 | (3,764,929) | (1,646,421) |
| Net cash movement for the year | 2,715,932 | (2,533,718) | 1,512,794 | 2,108,702 | 1,462,220 |

| As at 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|-------------|-------------|-------------|-------------|
| RATIOS AND STATISTICS | | | | | |
| Return on shareholders' funds (%) | 19.99 | 14.66 | 19.41 | 24.75 | 16.29 |
| Return on capital employed (ROCE) (times) | 39.72 | 33.91 | 30.28 | 41.35 | 25.01 |
| Equity to total assets (times) | 2.13 | 2.17 | 2.70 | 2.99 | 3.73 |
| Assets turnover (times) | 1.42 | 1.42 | 1.23 | 1.22 | 0.92 |
| Gearing ratio (%) | - | - | 14.26 | 20.27 | 48.17 |
| Interest cover (times) | - | 8.28 | 7.08 | 5.81 | 2.94 |
| Current ratio (times) | 1.38 | 1.46 | 1.08 | 0.98 | 0.92 |
| Quick asset ratio (times) | 1.07 | 1.11 | 0.90 | 0.82 | 0.79 |
| Price earnings ratio (times) | 7.90 | 13.04 | 11.40 | 11.34 | 17.34 |
| Dividends per share (Rs.) | 31.23 | 13.70 | 10.00 | 7.00 | 8.00 |
| Dividend payout ratio (%) (company) | 36.05 | 90.55 | 53.64 | - | 95.54 |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - USD

| For the year ended 31st March | Company | | Group | |
|---|--------------|--------------|---------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| In USD '000s | | | | |
| Revenue | 4,560 | 2,625 | 293,398 | 271,635 |
| Cost of sales | - | - | (233,084) | (215,864) |
| Gross profit | 4,560 | 2,625 | 60,314 | 55,771 |
| Other income | - | - | 945 | 1,825 |
| Net gains arising from changes in fair value of investment properties | 781 | - | 781 | - |
| | 5,341 | 2,625 | 62,040 | 57,596 |
| Distribution expenses | - | - | (17,120) | (15,434) |
| Administrative expenses | (134) | (116) | (11,531) | (10,080) |
| Other expenses | - | - | (3,295) | (3,833) |
| Impairment of intangible assets | - | - | (2,259) | (2,384) |
| Impairment of investments in subsidiaries | (409) | (240) | - | - |
| Profit from operations | 4,798 | 2,269 | 27,835 | 25,865 |
| Profit before finance cost | 4,798 | 2,269 | 27,835 | 25,865 |
| Finance income | 40 | 37 | 3,058 | 3,526 |
| Finance costs | (168) | (208) | (2,216) | (6,648) |
| Net finance costs | (128) | (171) | 842 | (3,122) |
| Profit before taxation | 4,670 | 2,098 | 28,677 | 22,743 |
| Income tax expenses | (783) | (412) | (10,054) | (9,820) |
| Profit after taxation | 3,887 | 1,686 | 18,623 | 12,923 |
| Other comprehensive income | | | | |
| Items that will never be reclassified to profit or loss | | | | |
| Remeasurement of employee benefit obligation | - | - | 223 | 6 |
| Deferred tax adjustment | - | - | (89) | (2) |
| Change in revaluation of property plant and equipment | - | - | 5,714 | - |
| Deferred tax adjustment | - | - | (2,286) | - |
| Total other comprehensive income for the year | - | - | 3,562 | 4 |
| Total comprehensive income | 3,887 | 1,686 | 22,185 | 12,927 |

| For the year ended 31st March In USD '000s | Company | | Group | |
|---|--------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Profit attributable to | | | | |
| - Equity holders of the company | 3,887 | 1,686 | 10,088 | 6,659 |
| - Minority shareholders | - | - | 8,535 | 6,263 |
| Profit available for appropriation | 3,887 | 1,686 | 18,623 | 12,923 |
| Total comprehensive income attributable to | | | | |
| - Equity holders of the company | 3,887 | 1,686 | 11,949 | 6,661 |
| - Minority shareholders | - | - | 10,236 | 6,265 |
| Profit available for appropriation | 3,887 | 1,686 | 22,185 | 12,927 |

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION - USD

| As at 31st March | Company | | Group | |
|---|--------------|---------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| In USD '000s | | | | |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | - | - | 68,811 | 93,396 |
| Investment properties | 2,164 | 2,410 | 2,164 | 2,410 |
| Right of use assets | - | - | 693 | 1,184 |
| Intangible assets | - | - | 2,741 | 6,383 |
| Deferred tax assets | - | - | 5 | 118 |
| Investments in subsidiaries | 6,137 | 9,498 | - | - |
| Total non-current assets | 8,301 | 11,908 | 74,414 | 103,491 |
| Current assets | | | | |
| Inventories | - | - | 15,174 | 18,417 |
| Trade and other receivables | 2 | 3 | 8,047 | 8,894 |
| Amounts due from related companies | 448 | 593 | - | - |
| Current taxation | - | - | - | 12 |
| Cash and cash equivalents | 95 | 44 | 43,861 | 48,015 |
| Total current assets | 545 | 640 | 67,082 | 75,338 |
| Total assets | 8,846 | 12,548 | 141,496 | 178,829 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Stated capital | 9,198 | 9,198 | 9,198 | 9,198 |
| Capital reserves | 67 | 99 | 3,690 | 3,641 |
| Revenue reserves | (2,425) | 118 | 21,754 | 29,524 |
| Equity attributable to equity holders of the company | 6,840 | 9,415 | 34,642 | 42,363 |
| Non - controlling interest | - | - | 31,823 | 40,116 |
| Total equity | 6,840 | 9,415 | 66,465 | 82,479 |

| As at 31st March | Company | | Group | |
|---------------------------------------|--------------|---------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| In USD '000s | | | | |
| Non - current liabilities | | | | |
| Debentures | - | - | - | - |
| Loans and borrowings | - | - | 7,693 | 17,309 |
| Lease liabilities | - | - | 656 | 1,079 |
| Employee benefits | - | - | 612 | 1,204 |
| Deferred tax liabilities | 106 | 77 | 17,592 | 25,276 |
| Total non- current liabilities | 106 | 77 | 26,553 | 44,868 |
| Current liabilities | | | | |
| Trade and other payables | 69 | 65 | 11,681 | 9,891 |
| Amounts due to related companies | 1,130 | 1,872 | 521 | 608 |
| Refundable deposits | - | - | 7,696 | 9,406 |
| Current tax liabilities | 127 | 139 | 10,581 | 11,949 |
| Loans and borrowings | - | 124 | 11,196 | 9,373 |
| Lease liabilities | - | - | 192 | 283 |
| Bank overdraft | 574 | 856 | 6,611 | 9,972 |
| Total current liabilities | 1,900 | 3,056 | 48,478 | 51,482 |
| Total liabilities | 2,006 | 3,133 | 75,031 | 96,350 |
| Total equity and liabilities | 8,846 | 12,548 | 141,496 | 178,829 |

NOTES TO THE FINANCIAL STATEMENTS - USD

1 BASIS OF CONVERSION

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

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

| As at 31st March | | 2022 | 2021 |
|------------------------------------|-----------------|--------|--------|
| In Rs. | | | |
| Income statement | Average rate | 205.22 | 188.39 |
| Monetary assets and liabilities | Closing rate | 299.00 | 202.04 |
| Non-current assets and liabilities | Closing rate | 299.00 | 202.04 |
| Ordinary share capital | Historical rate | 57.99 | 57.99 |

2 REVENUE

| For the year ended 31st March | Company | | Group | |
|-------------------------------|---------|-------|---------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| In USD '000s | | | | |
| (A) Revenue streams | | | | |
| Dividend income | 3,682 | 1,775 | - | - |
| Royalty income | 878 | 850 | - | - |
| Brewery income | - | - | 283,163 | 262,285 |
| Retail trade income | - | - | 10,235 | 9,350 |
| | 4,560 | 2,625 | 293,398 | 271,635 |
| (B) Geographic revenue | | | | |
| Local revenue | 4,560 | 2,625 | 282,989 | 264,651 |
| Export revenue | - | - | 10,409 | 6,984 |
| | 4,560 | 2,625 | 293,398 | 271,635 |

FIVE YEAR SUMMARY - USD

| Year ended 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| In USD '000s | | | | | |
| Revenue | 293,398 | 271,635 | 274,222 | 262,068 | 202,049 |
| Other income | 945 | 1,825 | 854 | 818 | 363 |
| Net gains arising from changes in fair value of investment properties | 781 | - | 867 | - | - |
| Progressive insurance receipts on business interruption | - | - | - | - | 7,742 |
| | 295,124 | 273,460 | 275,943 | 262,886 | 210,154 |
| Total expenditure | (265,030) | (245,211) | (242,658) | (225,544) | (186,828) |
| Impairment of intangible assets | (2,259) | (2,384) | (4,125) | - | - |
| Profit from operations | 27,835 | 25,865 | 29,160 | 37,342 | 23,326 |
| Progressive insurance receipts on property damage | - | - | - | - | 4,832 |
| Profit before finance cost | 27,835 | 25,865 | 29,160 | 37,342 | 28,158 |
| Net finance costs | 842 | (3,122) | (4,119) | (6,428) | (9,582) |
| Profit before taxation | 28,677 | 22,743 | 25,041 | 30,914 | 18,576 |
| Income tax expense | (10,054) | (9,821) | (9,349) | (12,746) | (8,037) |
| Profit for the year | 18,623 | 12,922 | 15,692 | 18,168 | 10,539 |
| Total other comprehensive Income/(loss) for the year | 3,562 | 4 | 1,608 | 1,235 | (3,277) |
| Total comprehensive Income for the year | 22,185 | 12,926 | 17,300 | 19,403 | 7,260 |
| Dividends - ordinary | 680 | 766 | 804 | 848 | 1,078 |
| Excise duty | 190,283 | 163,169 | 162,887 | 143,081 | 119,160 |

FIVE YEAR SUMMARY - USD

| As at 31st March | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|----------------|
| In USD '000s | | | | | |
| STATEMENT OF FINANCIAL POSITION | | | | | |
| Share capital | 9,198 | 9,198 | 9,198 | 9,198 | 9,198 |
| Capital reserves | 3,690 | 3,641 | 3,823 | 3,306 | 4,502 |
| Revenue reserves | 21,754 | 29,524 | 26,423 | 22,163 | 15,452 |
| | 34,642 | 42,363 | 39,444 | 34,667 | 29,152 |
| Minority interest | 31,823 | 40,116 | 37,569 | 33,584 | 28,533 |
| | 66,465 | 82,479 | 77,013 | 68,251 | 57,685 |
| Loans, borrowings and leases | 18,890 | 26,682 | 65,712 | 66,050 | 95,256 |
| Less - Cash | (37,249) | (38,042) | (52,904) | (48,698) | (41,654) |
| Capital employed | 48,106 | 71,119 | 89,821 | 85,603 | 111,287 |
| Represented by: | | | | | |
| Non-current assets | 74,414 | 103,491 | 112,899 | 117,693 | 133,242 |
| Current assets excluding cash and cash equivalents | 23,224 | 27,324 | 25,636 | 27,326 | 32,129 |
| Current liabilities excluding borrowings and OD | (30,672) | (32,137) | (19,530) | (30,166) | (29,392) |
| Lease liabilities | (656) | (1,079) | (1,426) | - | - |
| Retirement benefit obligations | (612) | (1,204) | (1,077) | (1,146) | (1,212) |
| Deferred tax liabilities | (17,592) | (25,276) | (26,681) | (28,104) | (23,480) |
| | 48,106 | 71,119 | 89,821 | 85,603 | 111,287 |

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 2022 was Rs. 706.75 per share (31st March 2021 - Rs.779.75)

2 ORDINARY SHAREHOLDERS

| As at 31st March | 2022 | 2021 |
|------------------------|------|------|
| Number of Shareholders | 991 | 965 |

3 FREQUENCY DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2022

| Distribution of Shares | Residents | | | Non-Residents | | | Total | | |
|------------------------|---------------------|---------------|-------|---------------------|---------------|-------|---------------------|---------------|--------|
| | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % | No. of Shareholders | No. of Shares | % |
| 1-1,000 | 814 | 109,473 | 0.52 | 59 | 14,609 | 0.07 | 873 | 124,082 | 0.60 |
| 1001-10,000 | 75 | 198,673 | 0.95 | 31 | 82,370 | 0.39 | 106 | 281,043 | 1.34 |
| 10,001-100,000 | 3 | 36,146 | 0.17 | 3 | 128,186 | 0.61 | 6 | 164,332 | 0.78 |
| 100,001-1,000,000 | 1 | 144,423 | 0.69 | 2 | 774,000 | 3.69 | 3 | 918,423 | 4.37 |
| Above 1,000,000 | 1 | 15,726,912 | 74.93 | 2 | 3,773,298 | 17.98 | 3 | 19,500,210 | 92.91 |
| Grand Total | 894 | 16,215,627 | 77.26 | 97 | 4,772,463 | 22.74 | 991 | 20,988,090 | 100.00 |

4 CATEGORIES OF SHAREHOLDERS

| As at 31st March 2022 | No. of Shareholders | No. of Shares | % |
|-----------------------|---------------------|-------------------|---------------|
| Individual | 918 | 427,607 | 2.04 |
| Institutions | 73 | 20,560,483 | 97.96 |
| Total | 991 | 20,988,090 | 100.00 |

5 The number of shares held by non-residents as at 31st March 2022 was 4,772,463 (2021 - 4,817,600) which amounts to 22.74% (2021 - 22.95%) of the total number of shares in issue.

INFORMATION TO SHAREHOLDERS & INVESTORS

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 7.14.1 (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 2022

| | |
|--|-----------------|
| Market Capitalisation of the Public Holding | Rs.3.61 Billion |
| Percentage of ordinary shares held by the public | 24.36% |
| Number of Public Shareholders | 973 |

7 MARKET PERFORMANCE - ORDINARY SHARES

| For The year ended 31st March | 2022 | 2021 |
|---------------------------------|---------|---------|
| Highest (Rs.) | 894.50 | 784.00 |
| Lowest (Rs.) | 660.00 | 701.00 |
| Value of shares traded (Rs. Mn) | 89.51 | 137.92 |
| No. of shares trades | 120,543 | 181,947 |

8 MARKET CAPITALISATION

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share, was Rs. 14,833,333/- as at 31st March 2022 (2021 - Rs. 16,365,463,178/-).

9 DIVIDENDS

- 9.1** A First Interim Dividend of Rs. 24.92 per ordinary share for the financial year ended 31st March 2022 was paid on 05th August 2021 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 23rd August 2021.
- 9.2** Second Interim Dividend of Rs. 6.31 per ordinary share for the financial year ended 31st March 2022 was paid on 14th December 2021 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 28th December 2021.
- 9.3** First Interim Dividend of Rs. 29.75 per ordinary share for the financial year ending 31st March 2023 was paid on 24th June 2022 to the Shareholders of the Company who had provided accurate bank account details and to the Shareholders who had not provided accurate bank account details or had not provided any bank account details the dividends was paid on 07th July 2022.

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 twelve 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 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 Company.

REVENUE RESERVES

Reserves considered as being available for future distribution and appropriations.

VALUE ADDITION

The quantum of wealth generated by the activities of the Company.

WORKING CAPITAL

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

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 111th Annual General Meeting of **CEYLON BEVERAGE HOLDINGS PLC** will be held on **Wednesday, 03th August 2022 at 10.30 a.m.** at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology 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 2022 together with the Report of the Auditors thereon.
2. To re-elect Mrs. S. J. F. Evans 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 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 75 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.”

4. To re-appoint Mr. H. 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. H. Selvanathan who is 73 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 Mr. D. C. R. Gunawardena 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. D. C. R. Gunawardena 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.”

6. 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

08th July 2022

NOTICE OF MEETING

Notes:

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 03rd August 2022**', which is enclosed with the Annual Report.
2. The Annual Report 2021/22 and the Notice convening the Annual General Meeting (AGM), together with the Procedure to be followed at the AGM will be posted to the Shareholders, provided that the postal department is in operation at the time of posting the said documents. In the event postal operations are curtailed at the time of posting, the Notice convening the AGM will be published in one issue of a daily newspaper/e-newspaper in Sinhala, English and Tamil languages.
3. The documents will also be made available on the Colombo Stock Exchange website www.cse.lk and on the Group's website www.carsoncumberbatch.com and you may access same directly through the URL link http://www.carsoncumberbatch.com/investor_information/annual_reports_2021_2022/ceylon-beverage-holdings-annual-report-2021-22.pdf
4. As permitted by Article 43(b) of the Articles of Association of the Company, the Board of Directors decided on 08th July 2022 to convene the AGM of the Company through an "audio-visual" technology in view of protecting public health and safety.
5. Shareholders who wish to participate at the AGM through the online platform are kindly requested to complete and forward the "**Registration Form (Annexure 1)**" as morefully explained in the said "**Procedure to be followed at the Annual General Meeting of the Company scheduled for 03rd August 2022**" enclosed with the Annual Report.
6. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
7. The completed **Form of Proxy and Registration Form (Annexure 1)**, as relevant, must be submitted to the Company **not later than 4.45 p.m. on 01st August 2022**,
 - via email to CBHAGM2022@carcumb.com, or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
8. A person representing a Corporation is required to submit a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
9. The transfer books of the Company will remain open.

FORM OF PROXY

* I/We.....
of.....
being *a Shareholder/Shareholders of **CEYLON BEVERAGE HOLDINGS PLC**
hereby appointof
.....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, |
| DON CHANDIMA RAJAKARUNA GUNAWARDENA | Or failing him, |
| RAJIV HERATH MEEWAKKALA | Or failing him, |
| STEFANO CLINI | Or failing him, |
| SUSAN JULIET FARRINGTON EVANS (MRS.) | |

as *my/our proxy to attend at the 111th Annual General Meeting of the Company to be held on **Wednesday, 03rd August 2022 at 10.30 a.m.** at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology and at any adjournment thereof and at every poll which may be taken in consequence thereof.

| | | For | Against |
|----|---|--------------------------|--------------------------|
| 1. | To re-elect Mrs. S. J. F. Evans who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | To re-appoint Mr. M. Selvanathan who is over seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | To re-appoint Mr. H. Selvanathan who is over seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | To re-appoint Mr. D. C. R. Gunawardena who is over seventy years of age as a Director of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorise the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this day ofTwo Thousand and Twenty Two.

.....
Signature/s

Notes

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

FORM OF PROXY

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 together with the **Registration Form (Annexure 1)** should be submitted to the Company **not later than 4.45 p.m. on 01st August 2022**,
 - via email to **CBHAGM2022@carcumb.com**, or
 - via WhatsApp or Viber to mobile no. +94 764 765 463 or +94 712 791 246, or
 - by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 01st August 2022, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 03rd August 2022**', attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same together with the **Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details: (include here)

Name & contact no. of Shareholder :

CDS Account No. / Folio No. :

Name & contact no. of Proxyholder :

NIC No. of the Proxyholder :

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

PARENT AND CONTROLLING ENTITY

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)
Mr. H. Selvanathan (Deputy Chairman)
Mr. M. Selvanathan (Director / Alternate Director to H. Selvanathan)
Mr. D. C. R. Gunawardena
Mr. R. H. Meewakkala (Appointed Chief Executive Officer w.e.f. 01/07/2021)
Mr. S. Clini
Mrs. S. J. F. Evans
Mr. S. K. Shah (Retired as Chief Executive Officer/ Director w.e.f. 30/06/2021)

BANKERS

Citibank
Commercial Bank
Deutsche Bank
Hatton National Bank
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 4718 200
Fax : + 94 11 4718 220

AUDITORS

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

MANAGERS & SECRETARIES

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

REGISTERED OFFICE

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

CORPORATE OFFICE & BREWERY

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

GROUP WEBSITE

www.carsoncumberbatch.com

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Ceylon Beverage Holdings PLC

P.O. Box 24, No. 61, Janadhipathi Mawatha,
Colombo 01, Sri Lanka.

Tel : +94 11 2039 200 Fax: +94 11 2039 300