

**LION BREWERY (CEYLON) PLC**  
Annual Report 2012/13



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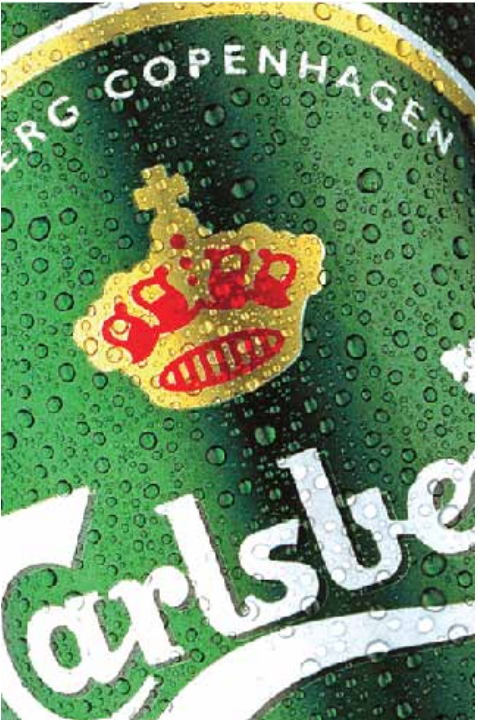
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## The year's highlights

REVENUE  
**Rs 22,192m**

2012 : Rs 17,649m

PROFIT BEFORE TAX  
**Rs 1,582m**

2012: Rs 2,109m

DIVIDEND PER SHARE  
**Rs 4.00**

2012: Rs 4.00

EARNINGS PER SHARE  
**Rs 13.07**

2012: Rs 15.25

TOTAL ASSETS  
**Rs 17,131m**

2012: Rs 10,126m

EQUITY RETURN  
**17.7%**

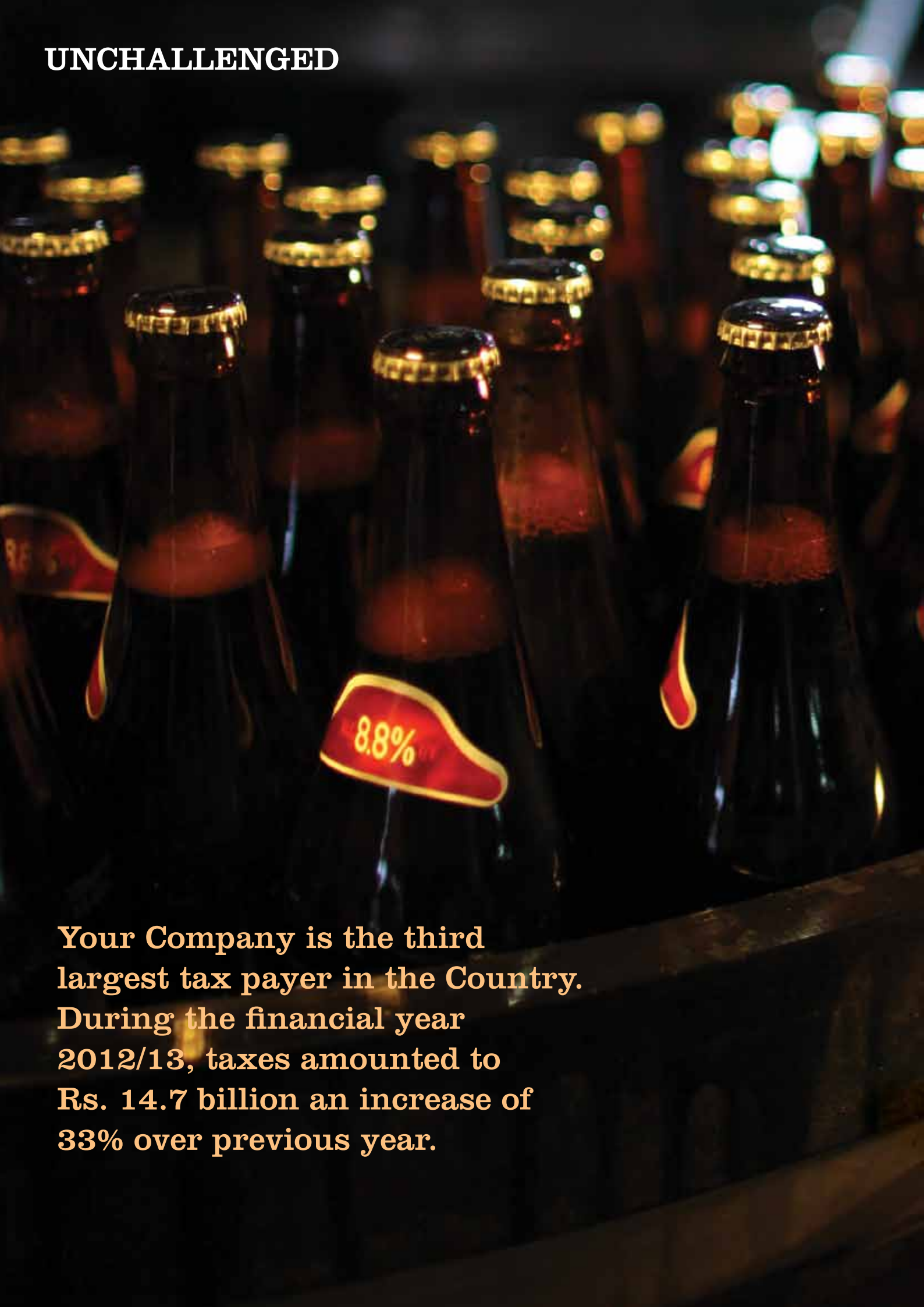
2012: 23.4%

- Rated AA- (lk) by Fitch Rating
- LION ranked 9th by Brand Finance - the global experts on brand value - the highest rank achieved by a listed FMCG company in Sri Lanka
- Lion Strong and Lion Stout won a Grand Gold at the 2012 Monde Selection Awards
- Appointed as the sole importer and distributor in Sri Lanka for the world renowned Diageo brand portfolio
- Obtained the right to import and distribute in Sri Lanka the iconic Moet Hennessey portfolio
- Commissioned a new Brew house
- Consolidated the IT infrastructure by migrating to a world class ERP
- Earned substantial savings through pro-active procurement systems and use of new technologies
- Restructured the secondary distribution system making it more efficient and cost effective





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**Your Company is the third largest tax payer in the Country. During the financial year 2012/13, taxes amounted to Rs. 14.7 billion an increase of 33% over previous year.**



# Unchallenged!

## Chairman's Statement

I am pleased to welcome the shareholders to the 17th Annual General Meeting of the Company & to present to you its Annual Report for the year ended 31st March 2013. Since the CEO's review contained in this Annual Report covers the performance of the Company in detail, I will restrict myself to a few salient points.

The country's GDP recorded a growth of 6.4% in 2012 down from 8% and 8.3% respectively in 2010 and 2011. Inflation was 7.6% though in some months it came close to double digits. Interest rates fluctuated between 14% & 16% during the year, whilst credit ceiling was in operation for most of the financial year. Effectively there were two excise duty increases during the year; one on the 31st of March 2012 – just the day before the commencement of the financial year - and the other in October 2012. As a result of both the Excise Duty increase & some growth in volume, turnover was Rs. 22.2 billion, 26% above that of the previous year. Profit after tax at Rs. 1.0 billion was however, 17% below that of last year. This year too we were compelled to import canned beer from Carlsberg's facilities in India & Vietnam to supplement a shortfall in supply due to capacity limitations in our canning line. This was at a considerable cost to the Company & contributed significantly to the reduction in profitability along with other cost increases in both manufacturing inputs & overheads. To make matters worse, the duty on imported beers increased by 100% during the year.

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## Chairman's Statement



During the year the Company completed upgrading its brewing facilities. What remains now is the upgrading of its canning & bottling facilities and supporting infrastructure. Once these are done, the Company will once again be in a position to supply demand in full via the local production. In addition to upgrading the brewing facilities, two major projects were completed during the year. Firstly, the secondary distribution system was revamped & appropriately resourced and secondly, the ERP system that was in operation since 1999 was replaced with a solution that is integrated end to end giving users timely & quality information whilst enabling efficient operations. The benefits of these two projects will be experienced in the years ahead.

Your Company is the third largest tax payer in the Country. During the financial year 2012/13, taxes amounted to Rs. 14.7 billion, an increase of 33% over previous year. The income tax rate applicable to your Company is a discriminatory 40% since other corporates - other than alcobev & tobacco businesses - are liable entities at 28%.

Based on the results achieved during the year, I am pleased to inform shareholders that a first & final dividend of Rs. 4/- per share is proposed by your Board, which will be paid consequent to receiving your approval at the AGM.

The year ahead will continue to pose challenges to our business. An increase in electricity rates have been announced, the full impact of which will be experienced during the next financial year. Uncertainty prevails with regard to exchange & interest rates both of which are two key factors impacting your Company. As the Company is in the stage of upgrading & modernizing its current facilities & infrastructure, any movement in either of these will have an impact. Costs in other areas are also likely to rise. The primary focus this year will be

on upgrading & modernizing the facilities which once complete will re-establish a solid foundation to seize future potential.

Your Board & I wish to acknowledge & appreciate all employees for their efforts in making this years' results possible under less than conducive conditions. Appreciation & gratitude is due to our valued consumers, customers, suppliers and bankers whose support is crucial to your Company. Our grateful thanks are also extended to our loyal shareholders & business partners including Carlsberg, Corona, Diageo & Moet Hennessy for their continued confidence in the Company. Finally, I wish to extend my appreciation & gratitude to the members of the Audit, Remuneration & Nomination Committees and to my colleagues on the Board for their guidance & support.

*(Sgd.)*

**L.C.R.de C. Wijetunge**  
Chairman

Colombo  
3rd May 2013



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## The Board of Directors

### Cubby Wijetunge Chairman

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

### Hari Selvanathan Director

Hari Selvanathan is Deputy Chairman of Carson Cumberbatch PLC and 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. He is also the Chairman of Express Newspapers (Ceylon) Ltd and Carsons Management Services (Private) Limited, the Groups Management Company. Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka).

Counts over 20 years experience in commodity trading in International Markets. He holds a Bachelor of Commerce Degree.

### Suresh Shah Director

Director and Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC. He is also a Director of The Sri Lanka Business Development Centre. Currently serves as the Vice Chairman of the Ceylon Chamber of Commerce and is a member of the Business Advisory Council of UNESCAP (EBAC).

He also serves on the council of The Employers Federation of Ceylon and The Mercantile Services Provident Society. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

### Roy Enzo Bagattini Director

Director of Lion Brewery (Ceylon) PLC, Senior Vice-President, Africa and Asia for Carlsberg A/S and Carlsberg Breweries A/S, based in Hong Kong. Currently part of the Executive Committee of the Carlsberg Group and also sits on the Board of several private companies within the Carlsberg Group.

Holds a Bachelor of Commerce degree from the University of South Africa and has also completed various study programs at Stanford University, USA and Oxford University, UK. Worked formerly for SABMiller where he was the

Regional Managing Director for Eastern Europe. Held several senior general management positions in South Africa and the USA as well as being the country Managing Director of SABMiller in India, China and Italy.

### Chandima Gunawardena Director

Chandima Gunawardena serves as a Non-Independent Non-Executive Director of Carson Cumberbatch PLC and in most of the Carsons Group Companies in Sri Lanka and overseas. He is also a Director of Bukit Darah PLC Since assuming Non-Executive status in the group in 2011, 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.

Chandima Gunawardena has over 4 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.

### Ranil Goonetilleke Director

He is a Fellow of the Chartered Institute of Management Accountants, UK. Consequent to his initial training at KPMG, he joined the mercantile sector and has since held various positions in the field of Finance. He counts over 25 years experience in the related field. He has undergone several study programs both nationally and internationally including INSEAD France and the Wharton University, USA.

### Chandraratne Liyanage Director

Director of Lion Brewery (Ceylon) PLC. Commenced his career as a trainee brewer with Ceylon Brewery PLC in 1979 and was promoted to Senior Brewer and subsequently to Factory Manager. In 1998 he took up the position as Factory Manager at Lion Brewery (Ceylon) PLC and was promoted to his current position as Director Supply Chain in 2004. Holds a Special Degree in Botany from the University of Peradeniya (Sri Lanka) and has attended several overseas training programs including Carlsberg Brew Masters Course, training with Allied Breweries (UK) and Carlsberg Tetley Leeds Brewery (UK) and management programs at Cranfield University, UK and National University, Singapore.

### Prasanna Amerasinghe Director

Director of Lion Brewery (Ceylon) PLC and is responsible for the marketing function of the Brewery Sector. He has over 22 years of experience in the field of marketing and has held many senior positions in this area.

### Krishna Selvanathan Director

Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC and the Investment Sector Companies of the Carsons Group. He is also a Director of Carlsberg India (Pvt) Ltd.

He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

**Susan Evans (Mrs) Director**

Director of Lion Brewery (Ceylon) 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, held an international strategic marketing position and managed a global nutritional drinks brand portfolio with a turnover of £330 million worldwide. In the past 10 years 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 with the Hemas Outreach Foundation, a national charity involved in improving the education of underprivileged children. Holds a Bachelor of Arts (Hons) from the University of Wales, UK.

**Soren Ravn Director (Appointed W.E.F 06-Apr-2012)**

Soren Ravn was appointed as the Managing Director of Carlsberg Brewery Malaysia Berhad on 1st March 2010.

Soren Ravn graduated with a Higher Diploma in Organisation and Management from Copenhagen Business School in 2001. Prior to that he graduated as a Market Economist from Aarhus Business College in 1997.

He has been with the Carlsberg Group since 1998, initially in the Carlsberg Denmark organisation and then in Carlsberg Breweries A/S in the role of Group Strategy Director. In late 2006, he moved to Hong Kong to take up the position of Vice President – Supply Chain, HR & Business Development for Carlsberg Greater China. In August 2008, he was appointed Managing Director of Carlsberg Hong Kong & Macau and held this position before being appointed as Managing Director of Carlsberg Brewery Malaysia Berhad.

He is presently the Chairman of Luen Heng F & B Sdn.Bhd. and sits on the Board of Group's private companies namely Carlsberg Singapore Pte Ltd and Carlsberg Marketing Sdn.Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad.

**Yoong Fah Lew (Appointed as Alternate Director to S. Ravn W.E.F. 06-Apr-2012)**

Yoong Fah Lew obtained his professional accounting qualification (ACCA, UK) in 1993. He holds a Masters in Business Administration from University of Malaya since 2000.

He started his career in 1990 at BDO Binder in the Auditing arm. He moved on to MBF Finance and later joined Faber Castell as an Accountant.

In 1995, he joined Philips Malaysia as a Senior Accountant and progressed through various positions and functions in Finance. In 2000, he was attached with Philips Singapore and subsequently promoted to Financial Controller in 2003. In 2006, he returned to Malaysia and joined Danone Dumex Malaysia as the Finance Director where he also served as its Director and Company Secretary with responsibilities across Malaysia, Singapore and Brunei.

Yoong Fah Lew joined the Carlsberg Group in January 2010 and is presently the Chief Financial Officer and Company Secretary of Carlsberg Brewery Malaysia Berhad ("the Company"). He is also a Director of Luen Heng F & B Sdn.Bhd and

Carlsberg Singapore Pte Ltd, being subsidiaries of the Company. Mr. Lew is also the Company Secretary for the Company's Subsidiaries, namely, Carlsberg Marketing Sdn. Bhd and Euro Distributors Sdn.Bhd.

**Soren Lauridsen (Appointed as Alternate Director to R. E. Bagattini W.E.F. 01-Feb-2013)**

Soren Lauridsen studied at the Århus Graduate School of Business Administration, Economics and modern languages and holds a Diploma in Business Economics (HA) and also studied Management at the Copenhagen Business School with focus on Marketing and Sales (Cand Merc).

Soren Lauridsen is CEO, South Asia and Managing Director of Carlsberg India and has an inspiring career span of 24 years. Mr. Lauridsen joined Carlsberg in 2005 and Carlsberg India in 2010. As a Board Member and Managing Director of Carlsberg India, Mr. Lauridsen reports quarterly to an international group of Shareholders and Board Members. Prior to his Managing Director role in India, Mr Lauridsen was heading the stronghold position in Laos Brewery (a Carlsberg joint venture) as the Deputy Managing Director revitalizing all brands: Carlsberg, Beer Lao, Lanexang & Tigerhead water and further strengthened the No.1 position.

He has been working to position the company as a quality player and a pioneer in innovation with customer focus. He has played a leading role in making Tuborg a power brand and has launched Tuborg Strong & Carlsberg Elephant as well as re-activated Carlsberg in a new bottle - catapulting the company to a solid growth track record. Under his leadership, Tuborg with the pull off cap and the recently launched new visual identity has become the fastest growing beer among young adults. With the launch of Tuborg Strong & Carlsberg Elephant, the premium and super premium segments have been created within strong beers and the brands are perceived to be amongst the most dominant players in this segment.

Prior to Carlsberg Group, Soren Lauridsen had worked with Unilever for 13 years. A strong commercial orientation and an astute marketer, he spearheaded development of brands such as Lipton Tea, Carte D'Or and Magnum ice cream. He was also actively involved in the re-launch of the entire product range of Lätta, Lipton brand as well as many other strong food brands within the Unilever portfolio.

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## The Senior Management Team

*From left to right*

**Madhushanka Ranathunge** Head of Marketing - Premium Category

**Eshantha Salgado** Head of Quality Assurance

**Nalaka Kuruwitaarachchige** Financial Controller

**Arjuna Jayasinghe** Head of Information Technology

**Hiran Edirisinghe** Head of Engineering

**Shiran Jansz** Head of Sourcing & Procurement

**Nausha Raheem** Head of Human Resources

**Prasanna Amerasinghe** Director - Marketing





*From left to right*

**Nishantha Hulangamuwa** Head of Outbound Logistics  
**Ranil Goonetilleke** Director - Finance  
**Janaka Kiridena** Head of Sales  
**Wasantha Heenatigala** Head of Marketing-Regular Category  
**Chan Liyanage** Director Supply Chain  
**Suresh Shah** Director/Chief Executive Officer  
**Janaka Bandara** Head of Production  
**Sharlene Adams** Head of Exports



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## Chief Executive's Review

### Executive Summary

It was a year of mixed results. The year started well with double digit growth but ended on a whimper with industry volumes barely keeping up to the previous year's numbers. The tough – but necessary – measures undertaken in February 2012 to reign in an overheating economy took hold & industry volume growth kept trending downwards each quarter. The Company's performance reflected this trend. This together with costs incurred in importing cans to meet market demand meant that Profit after Tax reduced 16.7% from the previous year to Rs 1.046 billion. Turnover for the year was up 25.7% on the back of two excise duty increases in April & October 2012.

The Company's share price ended the financial year at Rs 333.00, compared to Rs 199.50 at the start; an increase of 67.0%. In comparison the ASPI & S&P SL20 increased by 6.0% & 10.3% respectively, during the same period.

As at 31st March 2013, Your Company's market capitalization stood at Rs 26.640 billion.

Three major projects were carried out by the Company during the year, namely, capacity expansion, rationalizing the supply chain from Consignment Agent warehousing to retailers & migrating the IT platform to a new, world class ERP system. These will be discussed in greater detail in the latter part of this review.

### Operating Environment

After two years of 8%+, Sri Lanka recorded a GDP growth of 6.4% in 2012. The slowing down was not unexpected since the Government was compelled to introduce some tough measures in the form of a currency depreciation & a credit ceiling in the early part of 2012 to bring the country's balance of payments under control. The measures did take hold & imports declined as expected. The currency too stabilized, ending the period under review marginally ahead of its value at the start of the year. However, at times during the year, the Rupee depreciated to approx. Rs 135 to the USD thus increasing input costs significantly.

Inflation stood at 7.6% during the period although during some months it reached almost double digits. Fuel prices were revised upwards on two occasions during the year. The full force of the 80% increase in the price of furnace fuel announced in January 2012 was felt during the year. The cost increase to the Company on just this input alone was almost Rs 100 million. As a result of both global price trends & a weaker currency, the cost of malt & empty cans – the main inputs of the Company in value terms – increased by 46% & 34% respectively. In addition, excise duty on beer was increased twice during the year; the

cumulative impact amounted to 15% & 18% depending on the strength of the brew. Taxes on imported beer rose by 100% during the period. As can be seen it was a year in which prices of many input items & taxes rose very significantly.

Sri Lanka continued to attract an increasing number of tourists during the year. The Country passed a million in tourist arrivals in 2012, a significant first for the industry which recorded a 17.5% growth over the previous year. However, occupancy in Tourist Board graded hotels declined during the year signaling a preference amongst tourists for more informal lodgings & boutique style accommodations. Since tourists – especially from the western countries – tend to prefer beer to other alcoholic beverages, higher arrivals translate into greater business opportunities for companies such as yours. Yet the changing trends in accommodation have meant new challenges to which the Company has responded by sharpening its strategy in this sector.

The weather was not kind to the agriculture sector during 2012. First the Yala season was badly effected as a result of a severe drought. Subsequently, heavy rains during December flooded many paddy growing areas damaging the crop due for harvesting in the 2013 Maha season. Tea production too contracted during the year due to unusual weather whilst the fisheries sector recorded some growth. Overall, cash constraints in the hands of consumers outside the Western Province compounded the upward movements in prices of essential goods. As a result, sales volumes were negatively impacted.

### The Alcohol Industry

The policy of "mathata thitha" remained in force during the year. If the practical application of this policy intends to reduce per capita consumption of pure alcohol & prevent alcohol related harm, then your Company extends its fullest & wholehearted support to it. Indeed in a country where consumption of hard liquor – be it legal or illegal - is the norm, there is a pressing need to prevent alcohol related harm, both to the consumer & to those in his vicinity. There is sufficient evidence to suggest that soft alcohols such as beer are viable means by which alcohol consumption & related harm can be reduced in environments where hard liquor is heavily consumed. Indeed, recent trends do suggest a movement from spirits to beer and a consequent slowing down of the growth in the consumption of pure alcohol. Yet more can be done if the implementation of the "mathata thitha" policy is viewed from a practical rather than from an ideological perspective. For instance, mild beer remains 50% more expensive on a "kick per buck basis" than spirits, although in alcohol terms the latter has 7 times the former. In terms of availability, both soft & hard alcohols are treated as equal; hardly the case considering the vast disparity in their respective alcohol contents. Since affordability plays such a crucial role in a lower middle income country such as ours & since availability plays a crucial role everywhere, less expensive mild beer which is easier accessed will help reduce per capita consumption of pure alcohol in the country.

There is a perceived reduction in the consumption of illicit alcohol in the country. A lack of data means that the reduction cannot be estimated with any degree of accuracy although 'market speak' suggests that it is significant. Three factors have likely contributed, of which, increased efforts at enforcement have played the crucial role so far. Secondly, the widespread availability of very cheap legal arracks – carrying wafer thin margins when considering the excise taxes

that must be paid – helped. Thirdly, improving income levels amongst the underprivileged are the other two factors that have helped to upgrade to a safer product. Yet the risk to reward ratio in the illicit alcohol business is still so skewed towards the latter that this menace is likely to remain in the Country for some time to come. Illicit alcohol can be completely eliminated only if the associated rewards are reduced to a level that makes the activity unattractive. Thus, whilst enforcement addresses the supply of illicit alcohol, pragmatic policies are needed to counter its demand. Towards this end, legal alcohols particularly soft alcohols - bearing in mind health related issues - need to be more affordable & less difficult to access.

Overall, from a policy perspective, taxation & availability must be linked to alcohol content. This will help keep per capita consumption of pure alcohol at moderate levels whilst - together with enforcement – eliminating the supply & use of illicit liquor. Results will not be evident overnight. Yet the quicker the start, the earlier the results will be seen.

This year marks the centenary of the principal law governing the manufacture, sale & distribution of alcohol products in Sri Lanka, i.e. the Excise Ordinance of 1913. This law was enacted in an era far removed from today's business & regulatory environment & over the years there has been little or no effort to modernize it. At least now, 100 years after it was first introduced, the Excise Ordinance should be amended to make it appropriate to the modern day.

### **Operating Results & Financial Position**

On a turnover of Rs 22.19 billion, the Company returned a pre-tax profit of Rs 1.58 billion. The Company's gross margin was 22.4%, down from 28.6% during the previous year. Two factors contributed to the drop in margins. Firstly, the increases in excise duty & other input costs were not passed on in full to consumers since beer is a price sensitive product. Secondly, the Company was faced with a significant capacity constraint particularly in its canning line. This shortfall was met via imports, the landed cost of which is much higher than local production due to prohibitive customs duties. However, consumer pricing remained the same irrespective of origin of production & resulted in a significant erosion in gross margins.

The burden cast by importing, also meant that operating margins declined to 6.9% from that of the previous year. A general increase in the cost of overheads – driven by inflation & a weaker currency - also contributed towards the lowering of operating margins. Some of these overheads – for instance multiple stores locations – are not of a permanent nature & will be eliminated once the Company's infrastructure is upgraded.

The Company's balance sheet remained strong during the financial year. Its gearing remained a healthy 39.0%. The higher debt in the Company's balance sheet at the end of the financial year was a result of the investments made in capacity expansion. In the meanwhile, the Company was assigned a AA- (lk) rating by Fitch during the course of the year under review.

### **Marketing & Sales in Sri Lanka**

The "feel good" factor that drove growth across most business sectors, especially FMCG, was palpably lower than in the previous 24 months. With security concerns

no longer an issue, people were still out & about but the spend per trip appeared lower than before. With each passing quarter, patterns of consumption & associated growth trended downwards.

In the beer category, Your Company, with its enviable portfolio of brands – Lion, Carlsberg & Corona - & benchmark distribution system, continued to set the trends & the pace.

Across the portfolio Your Company's brands maintained their respective dominant market position. In terms of SKU's cans outperformed the others, a clear indication that consumers are willing to pay a realistic premium for convenience. The draught beer category also did well. Overall, the shift to one-way packaging makes your Company's operations less complex & is therefore a welcome development. All trade channels with one exception performed well in the context of a market that was under pressure. The exception was the hotel segment, where volumes were lower than in the previous year, notwithstanding the higher tourist arrivals. Clearly the informal sector & boutique properties are attracting a significant share of tourist traffic. Sales in the traditional on & off premise channels within the tourist belts were up significantly during the "season" confirming this trend. In the meanwhile, growth in modern off-trade outperformed the market by some distance. The off-take in the North remains on a higher growth path when compared to the rest of the Country. However, it is much below the growth rates achieved in the previous two years & will likely reach a level more reflective of countrywide trends in the not too distant future.

Sri Lankan beer consumers have always held Your Company's brands in high esteem. This trust, confidence & bonding have been amply confirmed by a recent study undertaken by Brand Finance, the global experts on brand value. Amongst listed Sri Lankan enterprises, Your Company's brands are placed 9th, the highest rank achieved by an FMCG. That Lion is ranked above a number of other household names notwithstanding the restrictions faced by it in terms of price, promotion & distribution is truly gratifying.

The accolades were not restricted to the brand strength of Your Company. The quality of the products that are brewed by the Company was once again recognized during the year. At the 2012 Monde Selections, Lion Stout & Lion Strong were both awarded the much coveted Grand Gold, the highest rating in this annual competition.

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## Chief Executive's Review (Contd.)

### Exports

Whilst the main focus remains on the market in Sri Lanka, Your Company continues to make gradual but steady progress overseas. During the year under review, revenue from exports reached Rs.283.8 million from which Rs.29.1 million accrued to the Company as profits after meeting all related expenditure. On average Your Company now exports approx. 22 containers per month to a wide cross-section of markets.

The Maldives continues to be the main stay of the Company's export revenue. Your Company's brands lead the market in that country, a position that was further consolidated during the year under review.

During the year under review, the Company put in place a new strategy to generate volumes from the US market. A sales person has been recruited with the intention of establishing a professional distribution network in the very competitive space that is New York. The objective is to get deep – rather than wide – distribution within a manageable geographical area; i.e. volume via regular repeat orders as against through new retailers. If the strategy works, the intention is to replicate it across more US states on a prioritized basis & also to other markets with potential such as the UK.

### The Diageo & Moet Hennessey Brands

During the year under review, Your Company was appointed Sri Lanka's sole importer & distributor of the Diageo portfolio of brands. Diageo is the world's largest premium alcohol business & is headquartered in London. Its portfolio includes such iconic brands as Johnny Walker, J&B, Talisker, Smirnoff, Tanqueray, Ciroc, Bailey's & Guinness.

The Company also obtained the rights to import & distribute the Moet Hennessey portfolio in Sri Lanka during the last quarter of the year under review. Moet Hennessey is part of the French luxury goods business, LVMH. The alcohol brands in this portfolio are as iconic as those of Diageo & include amongst others, Hennessey, Glenmorangie, Moët-Chandon & Dom Perignon.

Whilst your Company imports & distributes these brands through its established network, the marketing of the two portfolios is the responsibility of a sister company, Luxury Brands Pvt Ltd.

### Supply Chain

During the year under review, the Company commissioned a new brewhouse at its plant in Biyagama at a cost

of Rs.913 million. This was a turnkey supply of a brand new, state of the art brewhouse from the global leader in brewery equipment, Kronos AG of Germany. It incorporates the very latest in technology making your Company more productive & energy efficient than it was before.

Along with the new brewhouse, the Company added to its fermenter farm during the year. Work also commenced to expand the beer processing sections & utilities all of which will be completed during the on-going financial year.

To complement the new brewhouse & processing sections, the Company will modernize & expand its packaging lines during the on-going financial year. Once completed, your Company's plant at Biyagama will be a truly world-class facility & will probably be the most up to date brewery in South Asia.

So far the Company has utilized internally generated funds & bank borrowings to finance its program of modernizing & upgrading. Going forward, it will also consider issuing listed debentures and at the time of writing discussions are underway with relevant financial institutions. Fitch has assigned a rating of AA-(lk) to a listed debenture that the Company may issue.

Whilst plant upgrading took priority, the Company had to contend with capacity shortages during the year under review. As mentioned previously, these shortages were overcome via imports & supply to the market did not suffer. However, operating efficiencies & inventory management were compromised since priority was given to meet demand even at a higher cost.

Procurement continued to be a key focus area during the year under review. The Company now has strong, pro-active procurement systems including the use of new technologies, some of which were implemented during the year. These new technologies delivered substantial savings across a number of procurement categories. Although costs across categories have been rising, Your Company succeeded in lessening their impact as a result of the strong in-house procurement systems.

During the course of the financial year the Company restructured its secondary distribution system (i.e. from Agents to Retailers), making it more efficient & cost effective. The new system is expected to serve the Company well in the years ahead.

### Support Services

Over the years, the Company has put in place an extensive IT system that has helped it achieve operational excellence across the value chain. During the year, the Company further consolidated its IT infrastructure by migrating to the world class ERP system, SAP. The new IT environment comprehensively integrates end to end operations across the supply chain into a single transparent system. Previously, whilst many sections of the Company's operations were automated – for instance, the brewing process & the on-field sales systems – the data & information that originated from them were not integrated. This is no longer the case. This integrated system is now fully complemented by the extensive use of mobile technologies including smart phones & other types of handhelds.

### Shareholder Returns

As at 31st March 2013 Your Company's Net Assets Value per share stood at Rs. 73.88 up from Rs. 65.12 as at 1st April 2012. Thus the book value of the



Company at the financial year end stands at Rs. 5.9 billion. In the meantime, the market value of Your Company at the same date amounted to Rs.26.6 billion. As mentioned previously, the Company's share price has moved up from Rs.199.50 to Rs. 333.00 during the course of the financial year & has outperformed the market.

The Company achieved a reasonable return of 17.7% on equity & reserves for the financial year under review. However, this return was somewhat below what was achieved in the previous year as a result of the drop in profits. Earnings per share at the year end amounted to Rs.13.07 whilst the Company's price to earnings (PE) ratio at that date was 25.

Your Board has recommended a dividend of Rs. 4.00 per share to be distributed after the conclusion of the AGM if approval is received from shareholders. If approved, this dividend remains in line with the declaration of the previous year & will account for 30.5% of the Company's post tax profit. In recommending this dividend, Your Board was conscious of the significant outflows that will take place in the months ahead on account of the on-going capacity expansion.

### **Taxation**

Your Company is the third largest taxpayer in the country. During the year under review, your Company's contribution to the exchequer amounted to Rs.14.7 billion up 32.4% (Rs.11.1 billion) from the previous year.

Excise taxes & duty on imported beer amounted to Rs.11.3 billion, an increase of 45.7% from Rs.7.7 billion paid in the previous year.

Corporate taxes for the year amounted to Rs.535.9 million based on the discriminatory 40% rate applicable to the alcohol sector. Other corporates (excluding those involved in tobacco) are taxed at the much lower rate of 28%. This discriminatory rate – approx. 45% higher than the standard rate of corporate tax – takes alcohol taxation closer to shareholders than previously.

### **Community Service**

Since inception, Your Company has supported the community in the vicinity of the brewery with special emphasis on education. As in the past, schoolbooks were distributed whilst the Company's long standing IT Training program remained on-going.

During the year under review, Your Company conducted programs in Hambantota & Killinochchi to enhance the employability of youth. In all, 652 youths completed these two programs. It is pleasing to note that approx. 84 youth who underwent this program have obtained full time employment.

### **The Year Ahead**

There is no doubt that the "honeymoon" period that came with the conclusion of the separatist war 4 long years ago in 2009, has come to an end. Whilst the economy was driven by pent up demand & consumer exuberance in the immediate aftermath of the war, the Country will have to work hard if it is to achieve 8%+ growth rates in the future. It is unlikely that Sri Lanka can sustain high rates of growth unless the export sector becomes a cornerstone of the economy. The persistent fiscal deficit too needs to be addressed. However, the top most priority remains harmony amongst the diverse cultures that call Sri

Lanka home. After a near 30 year conflict ended in 2009, there was much expectation that peace & harmony will finally dawn on Sri Lanka. Whilst the violence has stopped, there yet remains a level of unease around cultural diversity. The beauty of Sri Lanka is in her diversity & this must be celebrated rather than feared.

To predict the shape of the year ahead is difficult. It could very well turn into a good one if GDP growth were to reach the forecasted 7%+. However, if the likely cost increases to come dampen consumer sentiment, it could negatively affect the FMCG sector including Your Company. At the time of writing, a substantial increase in electricity tariffs has been announced. Your Company's electricity costs are likely to increase by approx. 18% as a result. Costs in other areas too are likely to increase. In addition to input costs, two further areas of concern remain namely interest rates & the exchange rate. In which direction will these two critical factors move? It is the lack of predictability that causes the greater concern, far more in fact than the direction of the trend.

With consumer sentiment at a 4 year low, Your Company will be stretched to the maximum to grow profits & cash flows. Opportunities do remain, with the tourism sector being top of mind. Weather patterns permitting, the agriculture sector too should perform well since increased acreages are now under cultivation.

From an internal perspective, the major area of focus will be to complete the expansion & modernization program. Once completed, the Biyagama brewery will undergo a remarkable transformation & Your Company's technical capabilities will be anchored on a solid foundation. These technical capabilities will give the Company's marketing & sales team the freedom to create opportunities through innovation & other means.

### **Conclusion**

The year under review was a mixed one. The year ahead looks no different. However, Your Company's excellent portfolio of brands, benchmark distribution systems, state of the art manufacturing process and outstanding human resources are more than capable of meeting the challenges that are in store in the years ahead.

*(Sgd.)*

**S. K. Shah**  
CEO/ Director  
Colombo

3rd May 2013

# UNCHALLENGED

## Annual Report of the Board of Directors on the affairs of the Company

The Directors have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2013 of Lion Brewery (Ceylon) PLC, a public quoted company with limited liability incorporated in Sri Lanka in 1996.

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

The Annual Report was approved by the Directors on 3rd May 2013.

### PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activity of the Company is brewing and marketing of high quality beers for both local & export markets. The Company is also engaged in the import & marketing of globally renowned high quality beers & spirits brands. Whilst some imported beer brands are marketed overseas the imported spirits 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 Company.

### 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 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.

### Accounting Policies and Changes during the Year

The Company prepared its Financial Statements for all periods up to and including the year ended 31st March 2011, in accordance with Sri Lanka Accounting Standards which were in effect up to that date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing/new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS to represent Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards and Sri Lanka Accounting Standards corresponding to International Accounting Standards (IASs), respectively. Accordingly, the Company adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRSs) applicable for financial periods commencing from 1st April 2011. These Financial Statements for the year ended 31st March 2013 are the first the Company prepared in accordance with SLFRS and Sri Lanka Accounting Standard - SLFRS 1 on 'First-time Adoption of Sri Lanka Accounting Standards'. The Significant Accounting Policies adopted in the preparation of the Financial Statements of the Company are given on pages 36 to 44 of the Annual Report.

### FINANCIAL STATEMENTS

The Financial Statements which include Statement of Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2013 are set out on pages 32 to 62 of this report.

## FINANCIAL RESULTS

For the year ended 31st March <i>In Rs. '000s</i>	2013	2012
The profit available for appropriation is:		
- Current year	<b>1,045,905</b>	1,220,260
- Brought forward	<b>1,952,229</b>	1,324,550
- adjustment on Returnable containers	<b>(25,113)</b>	7,419
Utilised for redemption of preference shares	-	(280,000)
	<b>2,973,021</b>	2,272,229
From which the following appropriations have been made:		
<b>Dividends -</b>		
Ordinary Rs. 4/- per share (2012 - 4/-)	<b>320,000</b>	320,000
Leaving a balance to be carried forward of	<b>2,653,021</b>	1,952,229

## RESERVES

After the above mentioned appropriations, the total reserves of the Company stand at Rs. 3,372.43 million ( 2012 - Rs. 2,671.64 million) comprising Capital Reserves of Rs. 719.41 million ( 2012 - Rs. 719.41 million ) and Revenue Reserves of Rs. 2,653.02 million ( 2012 - Rs. 1,952.23 million). Details are shown in the Statement of Changes in Equity on page 34.

## CAPITAL EXPENDITURE ON PROPERTY, PLANT & EQUIPMENT

The total expenditure on the purchase of capital assets by the Company during the year amounted to Rs. 3,536.88 million (2012 - Rs. 1,241.56 million). The movements in capital assets during the year are set out in Notes 8 and 9 to the Financial Statements.

## MARKET VALUE OF FREEHOLD PROPERTIES

The land and buildings owned by the Company were valued in March 2011 by a qualified independent valuer. The market value arrived at was Rs. 1,635.66 million. These are further explained in Note 8 to the Financial Statements.

## OUTSTANDING LITIGATION

The outstanding litigations related to the Company are shown in Note 39.3(b) to these Financial Statements.

## RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

The need for risk management has been identified and action plans to monitor and manage these risks are incorporated into the business plans and 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 2013.

## STATUTORY PAYMENTS

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

## 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 page 31 of this Report.

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are set out in Note 1 to 7 in the notes to the Financial Statements on pages 36 to 44.

## DONATIONS

There were no donations made during the year ended 31st March 2013.(2012 - Nil)

## INTERESTS REGISTER

The Company maintains the Interests Register conforming to the provisions of the Companies Act No. 7 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 2013 is given in Note 27 to the Financial Statements, on page 52.



# UNCHALLENGED

## Annual Report of the Board of Directors on the affairs of the Company (Contd.)

### 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, and disclosed in Note 40 to these Financial Statements and have been declared at Meetings of the 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 2013	31st March 2012
Mr. L.C.R. de C. Wijetunge (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	1,579	1,579
Mr. S. K. Shah (Chief Executive Officer)	6,016	6,016
Mr. D.C.R.Gunawardena	34	34
Mr. C.P. Amerasinghe	1	1
Mr. C. T. Liyanage	2,500	2,500
Mr. D.R.P.Goonetilleke	-	-
Mr. K. Selvanathan (Director / Appointed Alternate Director to H. Selvanathan w.e.f. 20-Dec-2012)	-	-
Mr. R.E. Bagattini	-	-
Ms. S.J.F.Evans	-	-
Mr. S.Ravn (Appointed w.e.f. 06-Apr-2012)	-	-
Mr. Y.F.Lew (Appointed Alternate Director to S.Ravn w.e.f. 06-Apr-2012)	-	-
Mr. S. G. Lauridsen (Appointed Alternate Director to R. E. Bagattini w.e.f. 01-Feb-2013)	-	-

### 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.

#### Appointments of Directors

Mr. S. Ravn was appointed as a Non-Executive Director of the Company with effect from 6th April 2012.

Mr. Y.F.Lew was appointed as the Alternate Director to Mr.S.Ravn with effect from 6th April 2012.

Mr. K. Selvanathan was appointed as the Alternate Director to Mr. H. Selvanathan with effect from 20th December 2012.

Mr. S. G. Lauridsen was appointed as the Alternate Director to Mr. R. E. Bagattini with effect from 1st February 2013.

#### Directors to retire by rotation

In terms of Articles 72 and 73 of the Articles of Association of the Company, Mr. K. Selvanathan and Mr. R. E. Bagattini retires by rotation and being eligible offer themselves for re-election.

#### Appointment of Director who is over 70 years of age

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

#### AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants. A sum of Rs. 1,000,000/- was paid to them by the Company as audit fees for the year ended 31st March 2013 (2012 - Rs 850,000/-).

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

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

#### Auditors' relationship or any interest with the Company

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The details of significant events during the year are contained in the Chief Executive's Review on pages 16 to 19 of this Report.

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

The transactions carried out by the Company with its related parties during the year ended 31st March 2013 did not exceed 10% of the shareholders equity or 5% of the total assets as at 31st March 2013.

The details of the Related Party Transactions as required by Sri Lanka Accounting Standard - LKAS 24, Related Party Disclosures are given in Note 40 on page 61 to 62 of the Financial Statements.

## CORPORATE GOVERNANCE

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

## BOARD OF DIRECTORS

The following Directors held office as at the reporting date and their brief profiles are given on pages 10 to 11 of the Annual Report.

Directors	Executive/ Non-Executive/ Independent
Mr. L.C.R. de C. Wijetunge (Chairman)	Non-Executive/ Independent*
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. S. K. Shah (Chief Executive Officer)	Executive
Mr. D.C.R. Gunawardena	Non-Executive
Mr. C.P. Amerasinghe	Executive
Mr. C. T. Liyanage	Executive
Mr. D.R.P. Goonetilleke	Executive
Mr. K. Selvanathan (Director / Appointed Alternate Director to H. Selvanathan w.e.f. 20-Dec-2012)	Executive
Mr. R.E. Bagattini	Non-Executive
Ms. S.J.F. Evans	Non-Executive/ Independent
Mr. S. Ravn (Appointed w.e.f. 06-Apr-2012)	Non-Executive
Mr. Y.F. Lew (Appointed Alternate Director to S. Ravn w.e.f. 06-Apr-2012)	-
Mr. S. G. Lauridsen (Appointed Alternate Director to R. E. Bagattini w.e.f. 01-Feb-2013)	-

Each of the Non-Executive Directors of the Company has submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2.(b) of the Listing Rules of the Colombo Stock Exchange. The said declarations were tabled at a Board Meeting held on 3rd May 2013, in order to enable the Board of Directors to determine the Independence/ Non-Independence of the Non-Executive Directors.

\* The Board has determined that Mr. L. C. R. de C. Wijetunge is an Independent Non-Executive Director in spite of being on the Board for more than nine years and being a Director of Ceylon Beverage Holdings PLC, which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

## Remuneration Committee

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the ultimate Parent Company, functions as the Remuneration Committee of the Company and comprises of the following Members.

Remuneration Committee Members	Executive/Non-Executive/Independent
Mr. I. Paulraj (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. M. Moonesinghe	Non-Executive/ Independent Director of CCPLC
Mr. D.C.R. Gunawardena	Non-Executive Director of CCPLC

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 27 on page 52 of the Annual Report.

Executive Directors are not compensated for their role on the Board.

# UNCHALLENGED

## Annual Report of the Board of Directors on the affairs of the Company (Contd.)

### Audit Committee

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

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

The Audit Committee Report is given on page 26 to 27 of this Annual Report.

### DIRECTORS' MEETINGS ATTENDANCE

Five Board Meetings were convened during the financial year and the attendance of the Directors were as follows :

Directors	Meetings attended (out of 5)
Mr. L. C. R. de C. Wijetunge (Chairman)	5
Mr. H. Selvanathan (Deputy Chairman)	4
Mr. S. K. Shah (Chief Executive Officer)	5
Mr. D. C. R. Gunawardena	5
Mr. C.P. Amerasinghe	4
Mr. C. T. Liyanage	4
Mr. D. R. P. Goonetilleke	4
Mr. K. Selvanathan (Director / Appointed Alternate Director to H. Selvanathan w.e.f. 20-Dec-2012)	5
Mr. R. E. Bagattini	-
Ms. S. J. F. Evans	4
Mr. S. Ravn (Appointed w.e.f. 06-Apr-2012)	2
Mr. Y. F. Lew (Appointed Alternate Director to S. Ravn w.e.f. 06-Apr-2012)	2
Mr. S. G. Lauridsen (Appointed Alternate Director to R. E. Bagattini w.e.f. 01-Feb-2013)	1

### Nomination Committee

The Nomination Committee for the Company comprises of the following Members;

Nomination Committee Members	Executive / Non-Executive/ Independent
Mr. L.C.R. de C. Wijetunge (Chairman)	Non-Executive/ Independent Director
Ms. S. J. F. Evans	Non-Executive/ Independent Director
Mr. D.C.R. Gunawardena	Non-Executive Director

The primary objective of the Nomination Committee is to lead the process for new Board appointments.

### DIVIDEND

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommended a First and Final dividend of Rs.4/- per Ordinary share for the year ended 31st March 2013. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

The details of the dividends paid during the year are set out in Note 30 to the Financial Statements.

### SOLVENCY TEST

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

### STATED CAPITAL

The Stated Capital of the Company as at 31st March 2013 was Rs. 2,537,801,310/- consisting of 80,000,000 Ordinary shares.

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

### SHARE INFORMATION

Information relating to share trading are given on page 72 of this Report.



TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES AS AT 31ST MARCH	2013		2012	
	No. of Shares	%	No. of Shares	%
Ceylon Beverage Holdings PLC	41,798,788	52.25	41,798,788	52.25
Carlsberg Brewery Malaysia Berhad	19,680,000	24.60	19,680,000	24.60
Carson Cumberbatch PLC A/C No.2	4,107,793	5.13	4,107,793	5.13
HSBC Intl Nom Ltd-Msco-Route One Fund 1,L.P.	2,110,620	2.64	-	-
HSBC Intl Nom Ltd-Msco-Route One Offshore Master Fund LP	2,016,281	2.52	-	-
Caceis Bank Luxembourg S/A Barca Global Master Fund LP	1,473,118	1.84	-	-
Bukit Darah PLC A/C No 2	1,300,000	1.63	1,300,000	1.63
GF Capital Global Limited	1,265,199	1.58	1,265,199	1.58
Carson Cumberbatch PLC A/C No. 01	983,900	1.23	983,900	1.23
HSBC Intl Nom Ltd -SSBT -Wasatch Frontier Emerging Small Countries Fund	782,446	0.98	67,300	0.08
Deutsche Bank AG-National Equity Fund	601,825	0.75	600,000	0.75
Aardwolf Limited	351,500	0.44	351,500	0.44
Seylan Bank Limited/Priyani Dharshini Ratnagopal	300,000	0.38	307,206	0.38
Pershing LLC S/A Chambers Street Global Fund , LP	200,306	0.25	-	-
Deutsche Bank AG as Trustee for Namal Acuity Value Fund	200,000	0.25	200,000	0.25
HSBC International Nominees Ltd-Morgan Stanley and Co Intl PLC-Own A/C	200,000	0.25	-	-
HSBC Intl Nom Ltd-BP2S Singapore-BNP Paribas Bank and Trust Cayman Limited as Trustee for Harvest Funds (Cayman)-Asia Frontier Equity Fund	198,862	0.25	87,400	0.11
Portelet Limited	161,920	0.20	161,920	0.20
Tranz Dominion,L.L.C.	129,251	0.16	129,251	0.16
Deutsche Bank AG-Namal Growth Fund	100,000	0.13	100,000	0.13

## ANNUAL REPORT

The Board of Directors on 3rd May 2013, approved the Company's Financial Statements together with the reviews which forms a part of the Annual Report. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the given time frames.

## ANNUAL GENERAL MEETING

The 17th Annual General Meeting of the Company will be held on Friday, 7th June 2013 at 2.30 P.M at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium', No.50, Nawam Mawatha, Colombo 2, Sri Lanka.

The Notice of the Annual General Meeting is on page 74 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)  
**S.K.Shah**  
 Director

(Sgd.)  
**C.P.Amerasinghe**  
 Director

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

3rd May 2013

# UNCHALLENGED

## Audit Committee Report

As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of Carson Cumberbatch PLC (CCPLC)- the ultimate Parent Company is the Audit Committee of the Company.

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

- To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations, Company policies and procedures and the code of conduct.
- To ensure that the internal audit activity is well managed, so that it adds value to the organization by being objective in providing relevant assurance, contributing to the effectiveness and efficiency of governance, risk management and control processes.

The members of the Audit Committee are as follows :

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

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

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

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

The audit aspects of Lion Brewery (Ceylon) PLC are conducted within the Agenda of CCPLC-Audit Committee.

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

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

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

The Committee met the external auditors twice during the year, i.e. to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The Audit Committee also met the external auditors, Messrs. KPMG and discussed the draft Financial Report and Accounts, without the management being present.

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2012/2013, the Group Internal Audit (GIA) carried out twelve audits of processes of the Brewery Sector companies.

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

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

The interim financial statements of Lion Brewery (Ceylon) PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings.

For all periods up to and including the year ended 31st March 2012, the Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards, which were in effect up to that date. Following the convergence of the Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRSs), all existing/new Sri Lanka Accounting Standards were prefixed

as SLFRS and LKAS (referred to as “SLFRS” in these financial statements) and with effect from the financial periods beginning on or after 1st January 2012, it was mandatory for the Company to comply with the requirements of the said new / revised Sri Lanka Accounting Standards (LKAS/SLFRS). The adoption of the new/revised accounting framework required amendments to the basis of recognition, measurement and disclosure of transactions and balances in the Financial Statements of the Company, which are duly addressed in the Financial Statements for the year ended 31st March 2013. The transition and the resultant impact arising from the adoption of the new/revised accounting standards on the Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants, the Auditors, during the year end audit.

The draft Financial Statements of Lion Brewery (Ceylon) PLC for the year ended 31st March 2013 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs.KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/ CEO and Director-Finance of the Company that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company’s state of affairs as at that date and the Company’s activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2014, subject to the approval of the shareholders of Lion Brewery (Ceylon) PLC at the Annual General Meeting.

*(Sgd.)*

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

3rd May 2013



# UNCHALLENGED

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## Financial Calendar

<b>Financial year</b>	<b>31st March 2013</b>
<b>Announcement of Results</b>	
<b>1st Quarter</b>	<b>30th June 2012</b>
Issued to Colombo Stock Exchange	14th August 2012
<b>2nd Quarter</b>	<b>30th September 2012</b>
Issued to Colombo Stock Exchange	14th November 2012
<b>3rd Quarter</b>	<b>31st December 2012</b>
Issued to Colombo Stock Exchange	14th February 2013
<b>Meetings</b>	
16th Annual General Meeting	8th June 2012
17th Annual General Meeting	7th June 2013



## Independent Auditors Report



**KPMG**  
(Chartered Accountants)  
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P. O. Box 186,  
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Sri Lanka.

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Internet : www.lk.kpmg.com

### TO THE SHAREHOLDERS OF LION BREWERY (CEYLON) PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of Lion Brewery (Ceylon) PLC (the "Company"), which comprise the statement of financial position as at March 31, 2013, the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 32 to 62 of the annual report.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

#### CHARTERED ACCOUNTANTS

03rd May 2013  
Colombo

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

M.R. Mihular FCA      P.Y.S. Perera FCA      C.P. Jayatilake FCA  
T.J.S. Rajakarier FCA      W.W.J.C. Perera FCA      Ms. S. Joseph FCA  
Ms. S.M.B. Jayasekara ACA      W.K.D.C. Abeyrathne ACA      S.T.D.L. Perera FCA  
G.A.U. Karunaratne ACA      R.M.D.B. Rajapakse ACA      Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.I. Perera ACMA. LLB. Attorney-at-Law, H.S. Goonewardene ACA

# UNCHALLENGED

## Statement of Financial Position

As at 31st March In Rs. '000s	Note	2013	2012	1st April 2011
<b>ASSETS</b>				
<b>Non- Current Assets</b>				
Property, plant & equipment	8	7,991,094	4,879,912	4,075,228
Intangible assets	9	8,284	9,844	20,590
Investments	10	-	-	2,187,086
<b>Total Non-Current Assets</b>		<b>7,999,378</b>	<b>4,889,756</b>	<b>6,282,904</b>
<b>Current Assets</b>				
Inventories	11	2,406,715	1,316,880	650,001
Trade and other receivables	12	2,948,249	1,071,873	499,420
Amounts due from related companies	13	17,150	-	11,639
Investment in fixed deposits	14	1,578,014	-	-
Cash and cash equivalents	15	2,181,687	2,848,178	1,099,878
<b>Total Current Assets</b>		<b>9,131,815</b>	<b>5,236,931</b>	<b>2,260,938</b>
<b>Total Assets</b>		<b>17,131,193</b>	<b>10,126,687</b>	<b>8,543,842</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital/ Share Capital	16	2,537,801	2,537,801	2,187,801
Capital reserves	17	719,411	719,411	860,518
Retained earnings		2,653,021	1,952,229	1,324,550
<b>Total Equity</b>		<b>5,910,233</b>	<b>5,209,441</b>	<b>4,372,869</b>
<b>Non- Current Liabilities</b>				
Loans and borrowings	18.2	2,723,907	1,103,802	1,176,728
Employee benefits	19	79,315	65,890	51,402
Deferred taxation	20	789,579	575,476	408,466
<b>Total Non- Current Liabilities</b>		<b>3,592,801</b>	<b>1,745,168</b>	<b>1,636,596</b>
<b>Current Liabilities</b>				
Trade and other payables	21	786,327	597,512	248,475
Amounts due to related companies	22	51,744	15,189	19,656
Refundable deposits	23	980,333	858,664	744,253
Current taxation	24	999,976	1,214,127	996,672
Loans and borrowings	18.4	1,364,077	328,470	405,322
Bank overdrafts	15	3,445,702	158,116	119,999
<b>Total Current Liabilities</b>		<b>7,628,159</b>	<b>3,172,078</b>	<b>2,534,377</b>
<b>Total Liabilities</b>		<b>11,220,960</b>	<b>4,917,246</b>	<b>4,170,973</b>
<b>Total Equity and Liabilities</b>		<b>17,131,193</b>	<b>10,126,687</b>	<b>8,543,842</b>
<b>Net assets per ordinary share (Rs.)</b>		<b>73.88</b>	<b>65.12</b>	<b>54.66</b>

The Notes to the Financial Statements from page 36 to 62 form an integral part of these Financial Statements.

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

(Sgd.)  
**D.R.P. Goonetilleke**  
Director - Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)  
**A. Weeratunge**  
Director  
Carsons Management Services (Private) Limited  
3rd May 2013

(Sgd.)  
**S.K. Shah**  
Director

(Sgd.)  
**C.P. Amerasinghe**  
Director

## Statement of Comprehensive Income

<i>For the year ended 31st March</i>			2013	2012
<i>In Rs.'000s</i>		Note		
Revenue	25		22,191,670	17,649,146
Cost of sales			(17,213,066)	(12,596,394)
<b>Gross profit</b>			<b>4,978,604</b>	<b>5,052,752</b>
Other income	26		26,503	24,135
			<b>5,005,107</b>	<b>5,076,887</b>
Distribution expenses			(2,713,336)	(2,099,274)
Administrative expenses			(598,841)	(512,642)
Other expenses			(166,338)	(146,874)
<b>Profit from operations</b>	<b>27</b>		<b>1,526,592</b>	<b>2,318,097</b>
Finance income			534,212	210,871
Finance costs			(479,021)	(420,028)
<b>Net finance income / (costs)</b>	<b>28</b>		<b>55,191</b>	<b>(209,157)</b>
<b>Profit before taxation</b>			<b>1,581,783</b>	<b>2,108,940</b>
Income tax expenses	29		(535,878)	(888,680)
<b>Profit for the year</b>			<b>1,045,905</b>	<b>1,220,260</b>
<b>Other comprehensive income</b>			-	-
<b>Total comprehensive income for the year</b>			<b>1,045,905</b>	<b>1,220,260</b>
Dividend per share (Rs.)	30		4.00	4.00
Earnings per ordinary share (Rs.)	31		13.07	15.25

The Notes to the Financial Statements from page 36 to 62 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# UNCHALLENGED

## Statement of Changes in Equity

<i>In Rs.'000s</i>	Note	Stated Capital	Capital Redemption Reserve	Revaluation Reserve	Retained Earnings	Total Equity
<b>Balance as at 1st April 2011</b>		2,537,801	70,000	790,518	1,324,550	4,722,869
<b>Total Comprehensive income for the year</b>						
Profit for the year		-	-	-	1,220,260	1,220,260
Total other comprehensive income		-	-	-	-	-
<b>Total Comprehensive income for the year</b>		-	-	-	1,220,260	1,220,260
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>						
Adjustments on returnable containers		-	-	-	7,419	7,419
Transfer from deferred tax liability		-	-	(71,107)	-	(71,107)
Redemption of Preference shares		-	(70,000)	-	(280,000)	(350,000)
Ordinary dividends	30	-	-	-	(320,000)	(320,000)
<b>Balance as at 31st March 2012</b>		2,537,801	-	719,411	1,952,229	5,209,441
<i>In Rs.'000s</i>	Note	Stated Capital	Capital Redemption Reserve	Revaluation Reserve	Retained Earnings	Total Equity
<b>Balance as at 1st April 2012</b>		2,537,801	-	719,411	1,952,229	5,209,441
<b>Total Comprehensive income for the year</b>						
Profit for the year		-	-	-	1,045,905	1,045,905
Total other comprehensive income		-	-	-	-	-
<b>Total Comprehensive income for the year</b>		-	-	-	1,045,905	1,045,905
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>						
Adjustments on returnable containers		-	-	-	(25,113)	(25,113)
Ordinary dividends	30	-	-	-	(320,000)	(320,000)
<b>Balance as at 31st March 2013</b>		2,537,801	-	719,411	2,653,021	5,910,233

The Notes to the Financial Statements from page 36 to 62 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



## Statement of Cash Flow

For the year ended 31st March In Rs.'000s		2013	2012
	Note		
<b>Cash Flows from Operating Activities</b>			
<b>Profit before taxation</b>		<b>1,581,783</b>	<b>2,108,940</b>
Adjustments for:			
Finance expenses	28	479,021	420,028
Depreciation on property, plant & equipment	8	503,482	430,229
Adjustment on property, plant & equipment	8	-	7,419
Inventory provisions and write offs	11.1	20,925	257
Amortisation of intangible assets	9	4,608	11,777
Interest cost capitalised	8	(148,891)	-
Provision for employee benefits	19	15,272	14,984
(Profit) / Loss on disposal of property, plant & equipment	26	(3,765)	6,400
Exchange (gain) / loss on revaluation of foreign currency term loans	18.1	(5,270)	206,934
Interest income	28	(534,212)	(210,871)
<b>Operating cash flow before working capital changes</b>		<b>1,912,953</b>	<b>2,996,097</b>
Increase in inventories		(1,110,759)	(666,880)
Increase in trade and other receivables		(1,876,376)	(571,583)
(Increase) / Decrease in amounts due from related companies		(17,150)	11,639
Increase in trade and other payables		420,154	428,255
Increase / (Decrease) in amounts due to related companies		36,555	(4,467)
<b>Cash (used in)/ generated from operations</b>		<b>(634,623)</b>	<b>2,193,061</b>
Finance expenses paid	28	(479,021)	(420,028)
Employee benefits paid	19	(1,847)	(496)
Current tax paid		(769,095)	(536,070)
Economic service charge paid		(30,000)	(120,000)
<b>Net cash (used in) / generated from operating activities</b>		<b>(1,914,586)</b>	<b>1,116,467</b>
<b>Cash Flows from Investing Activities</b>			
Purchase and construction of property, plant & equipment and Intangible assets	8 & 9	(3,496,307)	(1,242,587)
Proceeds from sale of property, plant & equipment		6,139	242
Agent deposits received	23	148,776	126,560
Agent deposits refunded	23	(27,107)	(12,149)
Proceeds from disposal of long term investment	10.1	-	2,187,086
Investments in fixed deposits		(1,578,014)	-
Interest received	28	534,212	210,871
<b>Net cash (used in) / generated from investing activities</b>		<b>(4,412,301)</b>	<b>1,270,023</b>
<b>Cash Flows from Financing Activities</b>			
Term loan received	18.1	2,922,410	117,467
Term loans payment	18.1	(261,430)	(124,179)
Dividend paid		(288,170)	(319,595)
Redemption of Preference shares	18.4	-	(350,000)
<b>Net cash generated from / (used in) financing activities</b>		<b>2,372,810</b>	<b>(676,307)</b>
<b>Net (decrease) / increase in cash &amp; cash equivalents</b>		<b>(3,954,077)</b>	<b>1,710,183</b>
Cash & cash equivalents at the beginning of the year		2,690,062	979,879
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>(1,264,015)</b>	<b>2,690,062</b>
<b>Analysis of Cash &amp; cash equivalents</b>			
Cash & cash equivalents	15	2,181,687	2,848,178
Bank overdraft		(3,445,702)	(158,116)
		<b>(1,264,015)</b>	<b>2,690,062</b>

The Notes to the Financial Statements from page 36 to 62 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# UNCHALLENGED

## Notes to the Financial Statements

### 1. REPORTING ENTITY

Lion Brewery (Ceylon) PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

The parent company is Ceylon Beverage Holdings PLC and the ultimate parent company is Carson Cumberbatch PLC.

The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 1 and the principal business is situated at No 254, Colombo Road, Biyagama.

The principal activities of the Company is brewing and marketing of high quality beers for both local & export markets. The Company is also engaged in the import & marketing of globally renowned high quality beers & spirits brands. Whilst some imported beer brands are marketed overseas the imported spirits are exclusively for the local market.

There were 225 employees (2012 - 218) as at the reporting date.

### 2. BASIS OF PREPARATION

#### 2.1. Statement of compliance

The Financial Statements have been prepared in accordance with new Sri Lanka Accounting Standards (hereinafter referred to as 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.

These are the Company's first Financial Statements prepared in accordance with Sri Lanka Accounting Standards - SLFRSs and LKASs and Sri Lanka Accounting Standard - SLFRS 1 First - time adoption of Sri Lanka Accounting Standards has been complied.

An explanation on how the transition to Sri Lanka Accounting Standards - SLFRSs, has affected the previously reported financial position and the financial performance of the Company is provided in Note 33.

The Financial Statements were authorized for issue by the Board of Directors on 3rd May 2013.

#### 2.2. Basis of measurement

The Financial Statements have been prepared on historical cost basis, except as indicated below.

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

#### 2.3. Functional & presentation currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee thousands.

## **2.4. Use of estimates & judgments**

The preparation of Financial Statements in conformity with 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 recognized in the period in which the estimates are revised and any future period affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in following notes.

- Note 8 – Revaluation of land & building
- Note 12.1 – Assessment of impairment
- Note 20 – Deferred tax liabilities/ assets
- Note 19 – Employee benefits
- Note 39 – Provisions and contingencies
- Note 40 – Commitments for capital expenditure

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.1. Foreign Currency Transactions**

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

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

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

Non monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the values were determined. Foreign exchange differences arising on translation are recognized in the Statement of Comprehensive Income.

### **3.2. Property, Plant and Equipment**

#### **3.2.1 Recognition and measurement**

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

##### **a. Recognition**

Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

##### **b. Measurement**

Items of Property, Plant And Equipment are stated at cost or valuation less accumulated depreciation (See Accounting Policy 3.3.1(e)) and impairment losses.

The Company applies the revaluation model for freehold land and buildings while cost model is applied for other items classified under Property, Plant and Equipment.

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integrated to the functionality of the related equipment is capitalized as part of that equipment.

Expenditure on repairs or maintenance of Property, Plant and Equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

### c. Subsequent expenditure

Expenditure incurred to replace a component of an item of Property, Plant and Equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of Property, Plant and Equipment are recognized in Statement of Comprehensive Income as incurred.

### d. Revaluation

The freehold land and buildings of the Company have been revalued and revaluations of these assets are 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 arising there from is adjusted in the Revaluation Reserve.

### e. Depreciation

Depreciation is recognized in Statement of Comprehensive Income 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.

#### Years

Freehold Buildings	40
Plant & machinery	10 - 20
Furniture & fittings	10
Office Equipment	03 - 10
Computer Equipment	03
Computer Equipment - Software	05
Motor Vehicles	4 - 5
Laboratory Equipment	04
Retainable Containers	05

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 Company that is classified as held for sale) and the date that the asset is derecognised.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

### f. Borrowing Costs

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

### g. Returnable containers

Returnable containers are classified under Property, Plant and Equipment. All purchases of returnable containers will be recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the Company, the written down value on a first in first out (FIFO) basis will be charged to the Statement of Comprehensive Income as breakages.



### 3.2.2 Capital Work - in- Progress

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

### 3.3. Intangible Assets

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

Subsequent expenditure of an intangible asset is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure are recognized in the Statement of Comprehensive Income as incurred.

Amortization is based on the cost of an asset less its residual value and recognized in the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of the intangible assets from the date that they available for use. The estimated useful life for the current and comparative years is as follows;

Software License - 05 Years

### 3.4. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and / or cost of conversion from their existing state to saleable condition.

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:

Raw Materials and Packing Materials	- Cost of Purchase together with any incidental cost
Work-in-progress	- Raw Material cost and a proportion of manufacturing expenses.
Finished goods	- Raw Material cost and manufacturing expenses
Maintenance Stock	- At weighted average cost

Appropriate provisions will be made for the value of any stocks where there has been no movement for a period greater than 365 days.

### 3.5. Investments

Investments classified as long term are carried at cost. If there is a decline other than temporary, in the value of long term investment, the carrying amount is reduced to recognise the decline.

### 3.6. Cash and Cash Equivalents

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

## Notes to the Financial Statements (Contd.)

### 3.7. Non derivative financial assets

#### 3.7.1 Initial recognition and measurement

Financial assets are recognized when and only when the Company becomes a party to the contractual provisions of the financial instruments. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified as fair value through the Statement of Comprehensive Income, the directly attributable costs are not considered. The financial assets include cash and short term deposits, trade and other receivables.

#### 3.7.2 Subsequent measurement

The Company classifies non derivative financial assets into the following categories: financial assets at fair value through the Statement of Comprehensive Income, held to maturity financial assets, loans and receivables and available for sale financial assets and the subsequent measurement of non-derivative financial assets depends on their classification. Financial assets of the Company are limited to loans and receivables and subsequent measurement is as follows;

##### Loans and receivables

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

#### 3.7.3 Derecognition

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

#### 3.7.4 Impairment

The Company assesses at each reporting date whether there is any objective evidence that financial assets or group of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if and only if that there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably estimated.

Objective evidence that a financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

#### 3.7.5 Impairment losses on financial assets carried at amortised cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

### **3.8. Liabilities and Provisions**

#### **3.8.1. Classification**

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.

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

#### **3.8.1.1 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 a contraction in sales.

#### **3.8.2. Provisions**

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

### **3.9. Employee Benefits**

#### **a. Defined contribution plans**

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

##### **Employees' Provident Fund**

The Company and Employees' contribute 12% & 10% respectively on the salary of each employee respectively. The said provident fund is being managed by the Central Bank of Sri Lanka.

##### **Employees Trust Fund**

The company contributes 3% of the salary of each employee to the Employees' Trust Fund. Contributions to defined contribution plans are recognized as an expense in the Statement of Comprehensive Income as incurred.

#### **b. Defined benefit plans**

##### **Retiring Gratuity**

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. The Company's net obligation in respect of a defined pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

The Company applies faster recognition of actuarial gains/ losses in the Statement of Comprehensive Income. Accordingly all actuarial gains/ losses are recognised immediately in Statement of Comprehensive Income.

The liability was not externally funded.

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

### 3.10. Non derivative financial liabilities

#### 3.10.1 Initial recognition and measurement

Financial liabilities within the scope of SLFRS are recognized when and only when the Company becomes a party to the contractual provisions of the financial instrument. Financial Liabilities are recognized initially at fair value plus directly attributable transaction costs, however in the case of financial liabilities classified as fair value through profit & loss the directly attributable costs are not considered.

#### 3.10.2 Subsequent measurement

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

#### 3.10.3 Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Comprehensive Income.

### 3.11. 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 Company are disclosed in the respective notes to the Financial Statements.

### 3.12. Events Subsequent to the Reporting Period

The materiality of the Events after the Reporting Period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

## 4. Statement of Comprehensive Income

### 4.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. Following specific criteria are used for the purpose of recognition of revenue.

#### a. Interest

Interest income is recognized on an accrual basis.

#### b. Others

Other income is recognized on an accrual basis. Net 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 Statement of Comprehensive Income, after deducting from the proceeds from disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company of similar transactions which are not material, are aggregated, reported and presented on a net basis.



#### **4.2. Expenditure**

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Statement of 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 revenue in the year in which the expenditure is incurred.

#### **4.3. Finance income & Finance cost**

Finance income comprises interest income on funds invested (including available for sale financial assets), gains on the disposal of available for sale financial assets. Interest income is recognized as it accrues in the Statement of Comprehensive Income, using the effective interest method.

Finance cost comprise interest expenses on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

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

#### **4.4. Income Tax Expenses**

Income tax expenses comprises current and deferred tax. An income tax expense is recognized directly in Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

##### **a. 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.

##### **b. 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **4.5. Basic Earnings Per Share**

The Financial Statements present basic earnings per share (EPS) data for its ordinary shareholders.

The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted averaged number of ordinary shares outstanding during the period.

#### **4.6. Dividend Distribution**

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

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

### 5. Cash Flow Statement

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Cash Flows Statements has been prepared using the "indirect method".

Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

### 6. Segmental Reporting

An operating segment is a component of the Company that engages in the business activities from which it may earn revenues and incur expenses, including revenue s and expenses that relate to transactions with any of the Company's other components.

No separate reportable segment has been identified. Hence, performance of the company is reported together.

### 7. Related Party Transactions

Disclosures are made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions/policies of the other, irrespective of whether a price is being charged or not.

**8 PROPERTY, PLANT & EQUIPMENT**

<i>In Rs. '000s</i>	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Lab Equipment	Returnable Containers	Capital Work-in-Progress	31st March 2013	31st March 2012	As at 1st April 2011
<b>Cost / Valuation</b>													
<b>As at 1st April 2012 as previously reported</b>	907,865	821,971	2,918,190	19,133	17,992	85,804	69,838	31,116	1,656,992	393,399	6,922,300	4,561,176	3,369,158
Reclassification adjustments	-	-	(50)	-	-	-	-	-	(97,296)	-	(97,346)	1,137,433	900,368
<b>As at 1st April 2012</b>	907,865	821,971	2,918,140	19,133	17,992	85,804	69,838	31,116	1,559,696	393,399	6,824,954	5,698,609	4,269,526
Additions	-	-	21,029	1,213	212	19,292	863	2,190	604,691	2,887,398	3,536,888	1,241,556	905,515
Transfers (Note 8.4)	37,639	7,822	955,847	-	2,900	2,806	1,548	-	-	(1,011,126)	(2,564)	-	(8,549)
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	556,682
Disposals/ Breakages	-	-	-	-	(123)	-	(16,423)	-	(42,527)	-	(59,073)	(17,865)	(25,102)
Interest Capitalised (Note 3.3.1.f)	-	-	-	-	-	-	-	-	-	148,891	148,891	-	537
<b>As at 31st March 2013</b>	945,504	829,793	3,895,016	20,346	20,981	107,902	55,826	33,306	2,121,860	2,418,562	10,449,096	6,922,300	5,698,609
<b>Accumulated Depreciation</b>													
<b>As at 1st April 2012 as previously reported</b>	-	21,516	1,034,190	11,583	9,227	54,554	27,880	28,214	855,224	-	2,042,388	1,023,785	977,237
Reclassification adjustments	-	-	-	-	-	-	-	-	(72,184)	-	(72,184)	599,597	394,877
<b>As at 1st April 2012</b>	-	21,516	1,034,190	11,583	9,227	54,554	27,880	28,214	783,040	-	1,970,204	1,623,382	1,372,114
Charge for the year	-	20,230	153,815	1,195	1,477	19,018	12,900	1,065	293,782	-	503,482	430,229	335,050
Disposals/ Breakages	-	-	(9)	-	(123)	-	(15,079)	-	(473)	-	(15,684)	(11,223)	(18,416)
On Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	(65,367)
<b>As at 31st March 2013</b>	-	41,746	1,187,996	12,778	10,581	73,572	25,701	29,279	1,076,349	-	2,458,002	2,042,388	1,623,381
<b>Carrying Amount</b>													
<b>As at 31st March 2013</b>	945,504	788,047	2,707,020	7,568	10,400	34,330	30,125	4,027	1,045,511	2,418,562	7,991,094	-	-
As at 31st March 2012	907,865	800,455	1,884,000	7,550	8,765	31,250	41,958	2,902	801,768	393,399	-	4,879,912	-
As at 1st April 2011	907,865	727,791	1,512,819	5,471	888	25,430	26,006	1	537,836	331,121	-	-	4,075,228

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

8.1 Freehold land and buildings of the Company were revalued in the books to conform with the market values as at 31st March 2011, which were assessed on a going concern basis by Messrs. Arthur Perera A.M.I.V. (Sri Lanka), professional valuer and the resultant surplus arising therefrom was transferred to the Revaluation Reserve and included under Revaluation Reserves.

8.2 Reconciliation of the carrying amount of the revalued assets, if they were carried at cost

	Land	Buildings
<i>In Rs. '000s</i>		
Cost as at 1st April 2012	338,259	738,943
Additions during the year	37,639	7,822
Disposal during the year	-	-
Cost as at 31st March 2013	375,898	746,765
Accumulated depreciation	-	(176,287)
	<b>375,898</b>	<b>570,478</b>
<b>Appreciation due to revaluation</b>		
Revaluation amount	569,606	83,028
Accumulated depreciation on cost as at revaluation date	-	136,078
<b>Revaluation surplus</b>	<b>569,606</b>	<b>219,106</b>
Accumulated depreciation on revaluation amount	-	(1,537)
<b>Net appreciation</b>	<b>569,606</b>	<b>217,569</b>
<b>Carrying amount as at 31st March 2013</b>	<b>945,504</b>	<b>788,047</b>

8.3 Location	2012/13				2011/12			
	Extent of Lands	Cost / Revalue of Lands Rs.	Number of buildings/ Blocks	Cost/ Revalue of Buildings Rs.	Extent of Lands	Cost / Revalue of Lands Rs.	Number of buildings/ Blocks	Cost/ Revalue of Buildings Rs.
Factory & Office Premises -Biyagama	10A. 1R. 5P	490,731,925	7	765,862,482	10A. 1R. 5P	490,731,925	7	758,040,377
Yard Six Land -Biyagama	6A. 3R. 14.4P	326,824,773	4	27,817,420	6A. 3R. 14.4P	326,824,773	4	27,817,420
Yard One Land -Biyagama	1A. 0R. 0P	76,658,075	1	33,544,623	1A. 0R. 0P	76,658,075	1	33,544,623
Keerthi Mawatha Land -Biyagama	3A. 0R. 4.73P	51,289,494	1	2,568,576	2A. 1R. 36.06P	13,650,227	1	2,568,576
<b>Total</b>	<b>21A 0R 24.13P P</b>	<b>945,504,267</b>	<b>13</b>	<b>829,793,101</b>	<b>20A 2R 15.46P</b>	<b>907,865,000</b>	<b>13</b>	<b>821,970,996</b>

A : Acres R: Roods P: Perches

8.4 Software amounting to Rs. 2.56 Mn has been transferred from Capital work in progress in Property, Plant and Equipment to Intangible Assets based on its nature.



<i>As at 31st March</i> <i>In Rs. '000s</i>	2013	2012	1st April 2011
<b>9 INTANGIBLE ASSETS</b>			
<b>Cost</b>			
Opening balance	87,115	86,084	77,303
Additions during the year	484	1,031	232
Transfers from capital WIP (Note 8)	2,564	-	8,549
Closing balance	<b>90,163</b>	<b>87,115</b>	<b>86,084</b>
<b>Amortisation</b>			
Opening balance	77,271	65,494	52,855
Amortisation for the year	4,608	11,777	12,639
Closing balance	<b>81,879</b>	<b>77,271</b>	<b>65,494</b>
<b>Carrying amount</b>	<b>8,284</b>	<b>9,844</b>	<b>20,590</b>
Intangible assets consist of the software licences used by the Company.			
<b>10 INVESTMENTS</b>			
Investment in South Asian Breweries Pte Limited (Note 10.1)	-	-	2,187,086
	-	-	<b>2,187,086</b>
<b>10.1 Investment in South Asian Breweries Pte Limited</b>			
On the 18th of August 2011, the Company disposed its investment in South Asian Breweries Pte Limited, Singapore, to Carlsberg South Asia (Pte) Limited at its book value Rs.2,187,085,815/- as at that date. The carrying amount of the investment is a close approximate to fair value of the investment as at 1st April 2011.			
<b>11 INVENTORIES</b>			
Raw and packing materials	372,640	241,287	146,781
Work in progress	97,672	69,018	59,534
Finished goods	1,763,434	660,696	300,422
Maintenance spares	149,259	125,817	107,301
Others	135,526	310,953	127,111
	<b>2,518,531</b>	<b>1,407,771</b>	<b>741,149</b>
Provision for slow moving items (Note 11.1)	<b>(111,816)</b>	(90,891)	(91,148)
	<b>2,406,715</b>	<b>1,316,880</b>	<b>650,001</b>
<b>11.1 Provision for slow moving items</b>			
Balance as at beginning of the year	90,891	91,148	90,763
Provisions made during the year	71,836	37,183	9,737
Reversals during the year	<b>(50,911)</b>	(37,440)	(9,352)
Balance as at end of the year	<b>111,816</b>	<b>90,891</b>	<b>91,148</b>
<b>12 TRADE AND OTHER RECEIVABLES</b>			
Trade receivables	1,404,116	725,168	320,625
Impairment of trade receivables ( Note 12.1)	<b>(15,065)</b>	(15,065)	(13,632)
Advances, prepayments & other receivables	1,559,198	361,770	192,427
	<b>2,948,249</b>	<b>1,071,873</b>	<b>499,420</b>
<b>12.1 Impairment of trade receivables</b>			
Balance as at beginning of the year	15,065	13,632	14,538
Provisions during the year	-	1,748	595
Write-offs against provisions during the year	-	(315)	(1,501)
Balance as at end of the year	<b>15,065</b>	<b>15,065</b>	<b>13,632</b>

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

As at 31st March In Rs.'000s	2013	2012	1st April 2011
<b>13 AMOUNTS DUE FROM RELATED COMPANIES</b>			
Ceylon Beverage Holdings PLC	-	-	2,228
CBL Retailers (Pvt) Limited	-	-	9,411
Luxury Brands (Pvt) Limited	17,150	-	-
	<b>17,150</b>	-	<b>11,639</b>
<b>14 INVESTMENTS IN FIXED DEPOSITS</b>			
Fixed deposits with financial institutions	1,500,000	-	-
Interest receivable on fixed deposits	78,014	-	-
	<b>1,578,014</b>	-	-
<b>15 CASH AND CASH EQUIVALENTS</b>			
Fixed deposits	2,001,339	2,301,139	1,125
Savings accounts	1,528	6,045	-
Short term deposits	58,719	360,936	970,427
Cash at bank	118,161	178,981	127,399
Cash in hand	1,940	1,077	927
	<b>2,181,687</b>	<b>2,848,178</b>	<b>1,099,878</b>
Cash and cash equivalents includes the following for the purpose of the Statement of Cash Flows.			
<b>Cash and cash equivalents</b>			
Cash at bank balances	2,181,687	2,848,178	1,099,878
Bank overdrafts	<b>(3,445,702)</b>	(158,116)	(119,999)
	<b>(1,264,015)</b>	<b>2,690,062</b>	<b>979,879</b>
<b>16 STATED CAPITAL/ SHARE CAPITAL</b>			
Shares issued and fully paid (80,000,000 ordinary shares)	2,537,801	2,537,801	2,187,801
	<b>2,537,801</b>	<b>2,537,801</b>	<b>2,187,801</b>
<b>16.1</b> - 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.			
<b>16.2</b> - As per LKAS/SLFRS requirement, preference share capital which is redeemable as per the terms of an agreement need to be classified as borrowings even though as per terms of Companies Act No. 7 of 2007 such preference share capital would fall into the classification of Stated Capital even after its redemption in part or in full. Hence, for the purpose of these Financial Statements the Company has classified the fully redeemed preference shares under Borrowings in Note 18.4. However, the said classification will not affect the stated Capital as per Companies Act No 7 of 2007. Accordingly, the Stated Capital as per Companies Act no 7 of 2007 will be as follows;			
-80,000,000 Ordinary Shares	2,537,801	2,537,801	2,187,801
-35,000,000, 12.5% Redeemable Cumulative Preference Shares	-	-	350,000
	<b>2,537,801</b>	<b>2,537,801</b>	<b>2,537,801</b>

As at 31st March  
In Rs. '000s

	2013	2012	1st April 2011
<b>17 CAPITAL RESERVES</b>			
Balance as at beginning of the year	719,411	860,518	232,628
Revaluation surplus	-	-	622,050
Utilised for redemption of preference shares	-	(70,000)	-
Deferred tax on revaluation of property	-	(71,107)	5,840
Balance as at end of the year	719,411	719,411	860,518
<b>Represented by</b>			
Revaluation reserve (Note 15.1)	-	719,411	790,518
Capital redemption reserve	-	-	70,000
	-	719,411	860,518

17.1 The Revaluation Reserve relates to revaluation of land and buildings. It comprises of the increase in the fair value of land and buildings at the date of revaluation.

## 18 LOANS AND BORROWINGS

### 18.1. Term Loans repayable after one year

Balance as at the beginning of the year	1,432,272	1,232,050	32,951
Loans obtained during the year	2,922,410	117,467	1,244,820
Repayments during the year	(261,430)	(124,179)	(48,205)
Exchange loss on foreign currency loans	(5,270)	206,934	2,484
Balance as at the end of the year	4,087,983	1,432,272	1,232,050

### 18.2 Composition of term loans

Long term loans repayable within one year (Note 18.4)	914,077	328,470	55,322
Long term loans repayable after one year	2,723,907	1,103,802	1,176,728
Short term loans (Note 18.5)	450,000	-	-
	4,087,983	1,432,272	1,232,050

### 18.3 Details of long term borrowings

Name of the Lender	Interest Rate p.a	31st March 2013	31st March 2012	1st April 2011	Repayment Terms	Security Offered
<b>Long Term Loan Rs. 50 million</b>						
DFCC	10.50%	890	11,577	22,264	Payable in 57 equal monthly installments commencing from August 2008	Unsecured
<b>Long Term Loan USD 1.1 million</b>						
HSBC	1 month LIBOR + 3.87%	8,565	60,466	96,486	Payable in equal monthly installments USD 33,333/33 commencing from July 2010	Unsecured

# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

Name of the Lender	Interest Rate p.a	31st March 2013	31st March 2012	1st April 2011	Repayment Terms	Security Offered
<b>Long Term Loan USD 11.05 million</b>						
HSBC	3 month LIBOR + 3.17%	<b>1,156,118</b>	1,360,229	1,113,300	Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
<b>Long Term Loan Rs. 1 billion</b>						
DFCC	3 Months AWDR + 3%	<b>1,000,000</b>	-	-	Payable in 60 equal monthly installments commencing from April 2013	Unsecured
<b>Long Term Loan up to Rs. 2.2 billion</b>						
HSBC	1 month SLIBOR + 2.75 %	<b>1,472,410</b>	-	-	Payable in 42 equal monthly installments commencing from April 2013	Unsecured
		<b>3,637,983</b>	<b>1,432,272</b>	<b>1,232,050</b>		

As at 31st March  
In Rs.'000s

### 18.4 Short term loans and borrowings repayable

	2013	2012	1st April 2011
Long term loans repayable within one year	<b>914,077</b>	328,470	55,322
Short term loans (Note 18.5)	<b>450,000</b>	-	-
Redeemable cumulative preference shares (Note 16.2)	-	-	350,000
	<b>1,364,077</b>	<b>328,470</b>	<b>405,322</b>

### 18.5 Details of short term borrowings

Name of the Lender	Interest Rate p.a	31st March 2013	31st March 2012	1st April 2011	Repayment Terms	Security Offered
Standard Chartered Bank	14.25%	450,000	-	-	17 days	Unsecured
		<b>450,000</b>				

As at 31st March  
In Rs.'000s

	2013	2012	1st April 2011
<b>19 EMPLOYEE BENEFITS</b>			
The amounts recognised in the Statement of Financial Position are as follows:			
Present value of unfunded obligation	79,315	65,890	51,402
<b>Liability in the Statement of Financial Position</b>	<b>79,315</b>	<b>65,890</b>	<b>51,402</b>
<b>The movement in the defined benefit obligation over the year as follows:</b>			
As at 1st April	65,890	51,402	34,715
Interest cost	6,589	5,140	4,166
Current service cost	8,369	7,110	5,754
Actuarial loss	314	2,734	7,693
Benefits paid	(1,847)	(496)	(926)
<b>As at 31st March</b>	<b>79,315</b>	<b>65,890</b>	<b>51,402</b>
The amounts recognised in the Statement of Comprehensive Income are as follows:			
Interest cost	6,589	5,140	4,166
Current service cost	8,369	7,110	5,754
Actuarial loss	314	2,734	7,693
<b>Total included under personnel expenses</b>	<b>15,272</b>	<b>14,984</b>	<b>17,613</b>
<b>19.1</b> The liability on employee benefits as at 31st March 2013 amounting to Rs. 79,315,042/- (2012 - Rs. 65,890,162/-) is based on an Actuarial Valuation carried out by Mr. M. Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries.			
The principal assumptions made are given below:			
- Rate of discount 10% p.a.(2012- 10%)			
- Rate of pay increase 10% p.a. (2012- 10%)			
- Retirement age 55 years			
- The Company will continue in business as a going concern.			
<b>20 DEFERRED TAXATION</b>			
Deferred tax liability (Note 20.1)	789,579	575,476	408,466
Balance as at the end of the year	<b>789,579</b>	<b>575,476</b>	<b>408,466</b>
<b>20.1 Deferred tax liability</b>			
Balance as at the beginning of the year	575,476	408,466	401,564
Retrospective adjustment	-	-	(37,804)
<b>Balance as at the beginning of the year after adjustment</b>	<b>575,476</b>	<b>408,466</b>	<b>363,760</b>
Originating during the year	214,103	95,903	(8,186)
Impact on revaluation of property	-	71,107	(5,840)
Effect on tax rate change	-	-	58,732
<b>Balance as at the end of the year</b>	<b>789,579</b>	<b>575,476</b>	<b>408,466</b>
<b>20.2 Deferred tax asset</b>			
Balance as at the beginning of the year	-	-	3,089
Reversal during the year	-	-	(3,089)
<b>Balance as at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>



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## Notes to the Financial Statements (Contd.)

<i>As at 31st March</i>	2013	2012	1st April 2011
<i>In Rs.'000s</i>			
<b>21 TRADE AND OTHER PAYABLES</b>			
Trade payables	453,977	71,321	67,156
Others, including accrued expenses	331,374	525,433	180,966
Unclaimed dividends	976	758	353
	<b>786,327</b>	<b>597,512</b>	<b>248,475</b>
<b>22 AMOUNTS DUE TO RELATED COMPANIES</b>			
Carlsberg A/S	40,613	15,189	14,085
Ceylon Beverage Holdings PLC	11,131	-	-
Carsons Management Services (Pvt) Limited	-	-	5,571
	<b>51,744</b>	<b>15,189</b>	<b>19,656</b>
<b>23 REFUNDABLE DEPOSITS</b>			
Balance as at the beginning of the year	858,664	744,253	627,765
Deposits received during the year	148,776	126,560	117,557
Deposits refunded during the year	(27,107)	(12,149)	(1,069)
<b>Balance as at the end of the year</b>	<b>980,333</b>	<b>858,664</b>	<b>744,253</b>
Refundable deposits are taken from agents as security against the returnable containers held with them.			
<b>24 CURRENT TAXATION</b>			
Excise duty	896,201	641,650	580,474
Value added tax	116,337	130,072	116,089
Income tax	(45,358)	416,078	278,245
Nation building tax	32,796	26,327	21,864
	<b>999,976</b>	<b>1,214,127</b>	<b>996,672</b>
<i>For the year ended 31st March</i>		<b>2013</b>	<b>2012</b>
<i>In Rs.'000s</i>			
<b>25 REVENUE</b>			
Local revenue		21,907,873	17,421,847
Export revenue		283,797	227,299
		<b>22,191,670</b>	<b>17,649,146</b>
<b>26 OTHER INCOME</b>			
Profit/(Loss) on disposal of Property, Plant & Equipment		3,765	(6,400)
Other income		22,738	30,535
		<b>26,503</b>	<b>24,135</b>
<b>27 PROFIT FROM OPERATIONS</b>			
Operating profit is stated after charging all expenses including the following :			
Directors' fees and emoluments		49,808	40,112
Auditors' remuneration - Audit services		1,000	850
- Audit related services		650	165
- Non audit services		2,030	1,300
Audit committee fees		-	200
Depreciation on Property, Plant Equipment (Note 8)		503,482	430,229
Amortisation of Intangible Assets (Note 9)		4,608	11,777
Royalty		205,178	174,970
Management & Secretarial fees		117,860	117,462
Research & development		12,790	12,755
Personnel expenses (Note 27.1)		429,925	408,851

<i>For the year ended 31st March</i>		<b>2013</b>	<b>2012</b>
<i>In Rs.'000s</i>			
<b>27.1 Personnel expenses</b>			
Salaries, wages and other related expenses		<b>383,571</b>	367,095
Defined benefit plan costs - Employee Benefits		<b>15,272</b>	14,984
Defined contribution plan cost - EPF & ETF		<b>31,082</b>	26,772
		<b>429,925</b>	<b>408,851</b>
<b>28 NET FINANCE INCOME / (COSTS)</b>			
<b>Finance Income:</b>			
Interest income - Fixed Deposits		<b>514,837</b>	203,724
Interest income - FCBU deposits		<b>2,985</b>	78
Interest income - Other		<b>93</b>	-
Notional income on below market rate loans		<b>16,297</b>	7,069
<b>Total Finance income</b>		<b>534,212</b>	<b>210,871</b>
<b>Finance costs :</b>			
Interest expenses -term loans		<b>166,932</b>	187,624
Interest expenses -Bank overdrafts		<b>138,888</b>	-
Preference dividends		<b>-</b>	43,750
Interest expenses - others		<b>185,607</b>	-
Net foreign exchange transaction (gain) / loss		<b>(12,406)</b>	188,654
<b>Total Finance costs</b>		<b>479,021</b>	<b>420,028</b>
<b>Net Finance Income / (Cost)</b>		<b>55,191</b>	(209,157)
<b>29 INCOME TAX EXPENSES</b>			
Current tax expense (Note 29.1)		<b>321,775</b>	792,777
Deferred tax expense (Note 20.1 & Note 20.2)		<b>214,103</b>	95,903
<b>Total income tax</b>		<b>535,878</b>	<b>888,680</b>
<b>29.1 Reconciliation of the accounting profit and tax expenses</b>			
Accounting profits		<b>1,581,783</b>	2,108,940
Aggregate of disallowable expenses		<b>907,710</b>	780,657
Aggregate of allowable claims		<b>(1,211,435)</b>	(696,622)
<b>Tax adjusted profit</b>		<b>1,278,058</b>	<b>2,192,975</b>
Less : Exempt interest income		<b>(49)</b>	(78)
<b>Total Statutory Income</b>		<b>1,278,009</b>	<b>2,192,897</b>
Utilisation of tax loss		<b>-</b>	-
Royalty		<b>(205,178)</b>	(174,970)
<b>Assessable income /Taxable income</b>		<b>1,072,831</b>	<b>2,017,927</b>
Current tax (Note 29.2.1)		<b>364,272</b>	792,894
Over provision in respect of prior years		<b>(42,497)</b>	(117)
<b>Total current tax expense</b>		<b>321,775</b>	<b>792,777</b>

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## Notes to the Financial Statements (Contd.)

### 29.2 Income Tax

**29.2.1** In terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the profits & income from operating profits of local operations are liable to income tax at the rate of 40% (2012 - 40%) and profits attributable to export turnover are liable at 12% (2012 - 12%). Interest income is considered as a separate source of income and is taxed at 28%.

**29.2.2** No tax liability arises on interest earned on FCBU deposits as such is exempt from income tax.

**29.2.3** The Company is exempt from Economic Service Charge with effect from 1st April 2012. (2012 - 1%)

### 30 DIVIDENDS

For the year ended 31st March  
In Rs. '000s

	2013	2012
On ordinary shares Rs. 4 /- per share - (2012 - Rs. 4/-)	320,000	320,000
	<b>320,000</b>	<b>320,000</b>

- (a) The Board of Directors has recommended the payment of a First and Final dividend of Rs. 4/- per share for the year ended 31st March 2013 (2012 - Rs. 4/-) which is to be paid subsequent to approval of the shareholders at the Annual General Meeting. In Accordance with Sri Lanka Accounting Standards No 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31st March 2013.
- (b) 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 Section 57, prior to recommending the First and Final dividend. A statement of solvency was compiled and was duly signed by the Board of Directors.
- (c) Currently ordinary dividends declared by the Company during the year are liable for Dividend tax at 10% on gross amount declared as dividends.

### 31 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share of Rs. 13.07 (2012 - Rs. 15.25) is based on profit for the year attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding during the year .

The following reflects the income and share data used for the computation of Earnings Per Ordinary Share:

Total comprehensive income for the year	1,045,905	1,220,260
Net profit attributable to ordinary shareholders (as the Numerator)	1,045,905	1,220,260
Number of ordinary shares (as denominator)	80,000	80,000
<b>Earnings per ordinary share (Rs.)</b>	<b>13.07</b>	<b>15.25</b>

### 32 FOREIGN CURRENCY TRANSACTIONS

The principle exchange rates used for conversion of foreign currency transactions/balances are as follows:

31st March	Closing Rate		Average Rate	
	2013 Rs	2012 Rs	2013 Rs	2012 Rs
US Dollar	128.47	129.57	130.98	116.47
Euro	164.86	173.87	169.34	158.92

### 33 EXPLANATIONS OF TRANSITION FROM SLASs TO SLFRSs/LKASs

#### 33.1 First time adoption of SLFRS/LKAS

The Financial Statements for the year ended 31st March 2013 were the first Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). In conjunction with that opening statement of financial position was prepared as at 1st April 2011, being the date of transition to SLFRS/LKAS. Required adjustments have also been made for the previously reported financial periods in accordance with the respective standards. The effect of the transition from SLASs to SLFRSs/LKASs has been presented in the reconciliation statements provided in Notes 33.2 and 33.4 in the notes to these Financial Statements.

### 33.2 Reconciliation of Statement of Financial Position

<i>In Sri Lankan Rs. '000s</i>	Note	Equity as at 31st March 2012			Equity as at 01st April 2011		
		As per SLAS (Audited)	Effect of Transition	As per SLFRS/LKAS	As at 31st March 2011	Effect of Transition	As per SLFRS/LKAS
<b>ASSETS</b>							
<b>Non - Current Assets</b>							
Property, plant & equipment	8	4,879,912	-	4,879,912	4,075,228	-	4,075,228
Intangible assets	9	9,844	-	9,844	20,590	-	20,590
Investment	10	-	-	-	2,187,086	-	2,187,086
<b>Total Non-Current Assets</b>		<b>4,889,756</b>	-	<b>4,889,756</b>	<b>6,282,904</b>	-	<b>6,282,904</b>
<b>Current Assets</b>							
Inventories	11	1,316,880	-	1,316,880	650,001	-	650,001
Trade and other receivables	12	1,071,873	-	1,071,873	499,420	-	499,420
Amounts due from related companies	13	-	-	-	11,639	-	11,639
Cash and cash equivalents	15	2,848,178	-	2,848,178	1,099,878	-	1,099,878
<b>Total Current Assets</b>		<b>5,236,931</b>	-	<b>5,236,931</b>	<b>2,260,938</b>	-	<b>2,260,938</b>
<b>TOTAL ASSETS</b>		<b>10,126,687</b>	-	<b>10,126,687</b>	<b>8,543,842</b>	-	<b>8,543,842</b>
<b>EQUITY &amp; LIABILITIES</b>							
<b>Capital &amp; Reserves</b>							
Stated capital/ Share capital	16	2,537,801	-	2,537,801	2,537,801	(350,000)	2,187,801
Capital reserves	17	721,189	-	721,189	860,518	-	860,518
Retained Earnings		1,950,451	-	1,950,451	1,324,550	-	1,324,550
<b>Total Equity</b>		<b>5,209,441</b>	-	<b>5,209,441</b>	<b>4,722,869</b>	<b>(350,000)</b>	<b>4,372,869</b>
<b>Non - Current Liabilities</b>							
Loans and borrowings	18	1,103,802	-	1,103,802	1,176,728	-	1,176,728
Employee benefits	19	65,890	-	65,890	51,402	-	51,402
Refundable deposits	33.7	858,664	(858,664)	-	744,253	(744,253)	-
Deferred tax liabilities	20	575,476	-	575,476	408,466	-	408,466
<b>Total Non - Current Liabilities</b>		<b>2,603,832</b>	<b>(858,664)</b>	<b>1,745,168</b>	<b>2,380,849</b>	<b>(744,253)</b>	<b>1,636,596</b>
<b>Current liabilities</b>							
Trade and other payables	21	597,512	-	597,512	248,475	-	248,475
Amounts due to related companies	22	15,189	-	15,189	19,656	-	19,656
Refundable deposits	23/33.7	-	858,664	858,664	-	744,253	744,253
Current tax liabilities	24	1,214,127	-	1,214,127	996,672	-	996,672
Loans and borrowings	18	328,470	-	328,470	55,322	350,000	405,322
Bank overdrafts	15	158,116	-	158,116	119,999	-	119,999
<b>Total Current Liabilities</b>		<b>2,313,414</b>	<b>858,664</b>	<b>3,172,078</b>	<b>1,440,124</b>	<b>1,094,253</b>	<b>2,534,377</b>
<b>Total Liabilities</b>		<b>4,917,246</b>	-	<b>4,917,246</b>	<b>3,820,973</b>	<b>350,000</b>	<b>4,170,973</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,126,687</b>	-	<b>10,126,687</b>	<b>8,543,842</b>	-	<b>8,543,842</b>

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## Notes to the Financial Statements (Contd.)

### 33.3 Consolidation of Ran Sahal (Private) Limited

Ran Sahal (Private) Limited was incorporated with the principal activity of milling paddy. With the adoption of SLFRS, Ran Sahal (Private) Limited was identified as a special purpose vehicle (SPV). However, the financial results of Ran Sahal is not consolidated with that of the Company as the impact to the Financial Statements are immaterial.

### 33.4 Reconciliation of Statement of Comprehensive Income

<i>In Sri Lankan Rs. '000s</i>	Note	For the Y/E 31st March 2012		
		As per SLAS (Audited)	Effect of Transition	As per SLFRS/LKAS
<b>Revenue</b>	<b>25</b>	<b>17,649,146</b>	-	<b>17,649,146</b>
Cost of sales		( 12,596,394)	-	( 12,596,394)
<b>Gross Profit</b>		<b>5,052,752</b>	-	<b>5,052,752</b>
Other income	26	24,135		24,135
		<b>5,076,887</b>	-	<b>5,076,887</b>
Distribution expenses	33.5.1	( 2,092,205)	( 7,069)	( 2,099,274)
Administrative expenses		( 512,642)	-	( 512,642)
Other expenses		( 146,874)	-	( 146,874)
<b>Profit from operations</b>	<b>27</b>	<b>2,325,166</b>	<b>( 7,069)</b>	<b>2,318,097</b>
Finance income	33.5.1	203,802	7,069	210,871
Finance costs	33.6.1	( 376,278)	( 43,750)	( 420,028)
<b>Net finance costs</b>	<b>28</b>	<b>( 172,476)</b>	<b>( 36,681)</b>	<b>( 209,157)</b>
<b>Profit before taxation</b>		<b>2,152,690</b>	<b>( 43,750)</b>	<b>2,108,940</b>
Income tax expense	27	(888,680)	-	(888,680)
<b>Profit for the year</b>		<b>1,264,010</b>	<b>(43,750)</b>	<b>1,220,260</b>

### 33.5 Fair Value of Below – Market Rate Loans

The Company has provided loans to business partners at concessionary rates. In accordance with LKAS 39, these loans are fair valued at initial recognition using market rates for similar loans. The difference between the cost and the fair value of such loans are recognized in Other receivable as prepaid benefit and amortized over the loan period to profit or loss. Interest is computed based on market rates and recognized under finance income.

The remeasurement/ re-stating relating to these are as follows;

#### 33.5.1 Re-statements in the Statement of Comprehensive Income

*In Sri Lankan Rs. '000s*

Year ended 31st  
March 2012

Notional Interest income - As per IFRSs	7,069
<b>Remeasurements</b>	<b>7,069</b>
Prepaid Retailer Benefit Amortization - As per IFRSs	7,069
<b>Remeasurements</b>	<b>7,069</b>



### 33.5.2 Re-statements in the Statement of Financial Position

*In Sri Lankan Rs. '000s*

	As at 31st March 2012	As at 01st April 2011
Fair value of Below – Market rate Loans	34,900	14,768
Un amortized prepaid retailer benefit	6,215	2,456
<b>Total</b>	<b>41,115</b>	<b>17,224</b>

The total value of below market rate loans is considered as a current asset and classified under the trade and other receivables in the Statement of Financial Position.

### 33.6 Redeemable Cumulative Preference Shares

The preference shares outstanding at 1st April 2011 are redeemable at the option of the holder and entitle for a 12.5% non discretionary cumulative fixed dividend. Therefore, in accordance with LKAS 32, these preference shares are classified as other liabilities and included under current liabilities amounting to Rs. 350,000,000/-. The preference dividend paid of Rs. 43,750,000/- is recognized under finance cost.

#### 33.6.1 Re-statements in the Statement of Comprehensive Income

*In Sri Lankan Rs. '000s*

	Year ended 31st March 2012
Preference dividends recognised under finance cost	43,750
<b>Remeasurements</b>	<b>43,750</b>

#### 33.6.2 Re-statements in the Statement of Financial Position

*In Sri Lankan Rs. '000s*

	As at 01st April 2011
Preference share capital	350,000
<b>Total</b>	<b>350,000</b>

### 33.7 Reclassification of Refundable Deposits

Refundable deposits are reclassified from non current liabilities to current liabilities.

## 34 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of the financial assets and financial liabilities reasonably approximates their fair values.

## 35 FINANCIAL RISK MANAGEMENT

The Company 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
- B. Liquidity risk and
- C. Market risk

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

### Risk Management Framework

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

The Company risk management processes are established to identify and analyse the risks faced by the Company, to set appropriate risk

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## Notes to the Financial Statements (Contd.)

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 Company activities.

The Audit Committee oversees how management monitors compliance with the Company risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committees are 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.

### 35.1.1 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 Company by failing to discharge an obligation.

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

- (i) Fixed deposits
- (ii) Trade and other receivables
- (iii) Amounts due from related companies
- (iv) Cash and cash equivalents

### 35.1.2 Management of credit risk

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

Item	Procedure
Fixed deposits	Deposits are only with reputed and established commercial banks. Currently deposits are held with Peoples Bank, DFCC and NDB Bank.
Trade and other receivables	95% of the trade receivables are covered through either bank guarantees or as a discounting arrangement without recourse to the Company with a commercial bank.
Due from related companies	Monitor the balance outstandings regularly
Cash and cash equivalents	Monitor the outstandings frequently

### 35.1.3 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.

<i>As at 31st March</i> <i>(Rs.000)</i>	2013	2012	1st April 2011
Investments	-	-	2,187,086
Fixed Deposits	1,578,014	-	-
Trade and other receivables	2,948,249	1,071,873	499,420
Amounts due from related companies	17,150	-	11,639
Cash and cash equivalents	2,181,687	2,848,178	1,099,878
	<b>6,725,100</b>	<b>3,920,051</b>	<b>3,798,023</b>
The maximum exposure to credit risk at the reporting date by type of counterparty was:			
Financial institutions	3,759,701	2,848,178	1,099,878
Customers and other parties	2,948,249	1,071,873	499,420
Related parties	17,150	-	2,198,725
	<b>6,725,100</b>	<b>3,920,051</b>	<b>3,798,023</b>

### 35.1.4 Trade & Other Receivable

The Company has a very well established credit policy for both International customers and domestic customers to minimise credit risk. A separate credit team has been established to evaluate and recommend the credit worthiness of the customers. The Company takes a bank guarantee from all the agents to cover their outstandings and monitor regularly the limits and outstandings.

#### Impairment Losses

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

(Rs.000)	2013	2012	1st April 2011
<b>Age</b>			
Not past due	-	-	-
Past due 0 - 365 days	1,389,051	710,103	306,993
More than 365 days	15,065	15,065	13,632
	<b>1,404,116</b>	<b>725,168</b>	<b>320,625</b>

### 35.2 Liquidity risk

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

#### 35.2.1. Management of liquidity risk

The Company'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 the Company's reputation. The Company's approach to managing its liquidity risk is as follows:

- Regularly monitoring of the Company'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.

#### 35.2.2. The Maturity Analysis of Liabilities

As at 31st March 2013

	Carrying Value	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	3,445,702	3,445,702	-
Term loans	4,087,983	914,077	2,723,907
Trade & other payables	786,326	786,326	-
Amount payable to related parties	51,744	51,744	-
Refundable deposits	980,333	980,333	-
Tax payables	999,976	999,976	-
	<b>10,352,064</b>	<b>7,628,157</b>	<b>2,723,907</b>

### 35.3. 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) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### 35.3.1. Management of market risks

All borrowing rates are linked to either AWDR, AWPLR, SLIBOR or LIBOR. As it is spread over different benchmarks the risk is mitigated.

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

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## Notes to the Financial Statements (Contd.)

### 35.32. Currency Risk

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

### 35.33. Interest Rate Risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

The Company's short-term investments are at fixed interest rates and mature within one year.

### 35.34. Management of interest rate risk

The facility limits given by banks are reviewed annually. The interest rates are monitored on a daily basis and a regular reporting on the market rates/values, trends & movement are done throughout the day. A daily reporting is made to Management giving the outstanding balances and interest rates.

## 36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the reporting date, no circumstances have arisen which required adjustment to or disclosure in the Financial Statements except for the disclosed in Note 30 to these Financial Statements.

## 37 COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the change in accounting policies, classifications and presentations as at 31st March 2013.

## 38 SEGMENTAL ANALYSIS

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

## 39 COMMITMENTS AND CONTINGENCIES

### 39.1 Finance Commitments

Document credits effected for foreign purchases of the Company as at 31st March 2013 amounting to Rs. 1,230,812,683/- (2012 - Rs. 10,957,677/-).

### 39.2 Contracts for Capital Expenditure

As at the Reporting Date, the Company had contracts entered in to with regard to capital expenditure commitments, an amount of Rs. 1,230,812,683/- (2012 - Rs. 723,354,839/-). However the Company has incurred an amount of Rs. 2,418,564,757/- (2012 - Rs. 393,401,778/-) being payments made on Capital Work in Progress.

### 39.3 Contingencies

- (a) Contingent liabilities as at 31st March 2013 amount to Rs. 128,876,247/- (2012 - Rs. 717,204,525/-), being bank guarantees given to government bodies for operational purposes and shipping guarantees for clearing cargo pending the receipt of original documents.
- (b) Following legal matter is outstanding against the Company and no provision has been made in the Financial Statements to this regard.

The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the Company and its directors to recover Excise Duty amounting to Rs. 58,753,582.94 comprising of the disputed Excise Duty of Rs. 29,376,791.47 and its penalty of Rs. 29,376,791.47. The Company and the directors have filed an application for Writ in the Court of Appeal to quash the Certificate Excise Duty in Default issued by the DG of Customs and Excise Duty to recover the said sum and obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case. The Court of Appeal matter is currently pending.

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

#### **40 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.

##### **(A) Transactions with parent company - Ceylon Beverage Holdings PLC**

Messrs. L.C.R.de C.Wijetunge, H.Selvanathan, S.K.Shah, D.C.R.Gunawardena, Directors of the Company are also Directors of Ceylon Beverage Holdings PLC, with which the following contracts / transactions have been entered into during the year by the Company in the normal course of business.

- (a) The Company has paid Rs. 128,429,445/- (2012 - Rs.117,221,133/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (b) As at 31st March 2013 the balance payable by the Company to Ceylon Beverage Holdings PLC is Rs. 11,131,040/-. (2012 - Nil)

##### **(B) Transactions with Fellow Subsidiary - Pubs 'N Places (Private) Limited**

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Pubs 'N Places (Private) Limited, formerly known as CBL Retailers (Private) Limited, to which the Company sold beer for a total value of Rs. 166,708,404/- (2012 - Rs. 66,488,189/-) during the year.

No balance was receivable to Lion Brewery (Ceylon) PLC by Pubs 'N Places (Private) Limited as at 31st March 2013. (2012 - Nil)

##### **(C) Transactions with Fellow Subsidiary - Retail Spaces (Private) Limited**

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Retail Spaces (Private) Limited, to which the Company sold beer for a total value of Rs. 81,400,544/- (2012 - Nil) during the year.

No balance was receivable to Lion Brewery (Ceylon) PLC by Retail Spaces (Private) Limited as at 31st March 2013. (2012 - Nil)

##### **(D) Transactions with Fellow Subsidiary - Luxury Brands (Private) Limited**

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Luxury Brand (Private) Limited, from which the Company obtain management services for a management fee amounting to Rs. 13,158,565/- (2012 - Nil).

An amount of Rs. 17,149,658/- was receivable to Lion Brewery (Ceylon) PLC by Luxury Brand (Private) Limited as at 31st March 2013. (2012 - Nil)

##### **(E) Transactions with group entities**

Messrs. H. Selvanathan, S.K. Shah and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides management and secretarial services to the Company. An amount of Rs. 240,510,089/- (2012 - Rs. 204,669,027/-) was paid by the Company during the year to Carsons Management Services (Private) Limited which included management and secretaries fees of Rs. 117,860,484/- (2012 - Rs. 117,462,059/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

No balances were payable to Carsons Management Services (Private) Limited. as at 31st March 2013 (2012 - Nil).

##### **(F) Transactions with other related entities**

- (a) Messrs. R.E. Bagattini and S. Ravn, Director of the Company represent Carlsberg Brewery Malaysia Berhad. Mr. R.E. Bagattini is also an officer of Carlsberg A/S with which the following contracts / transactions have been entered into during the year by the Company in the normal course of business.
  - (i) As per the licensed brewing agreement, a sum of Rs. 76,749,028/- (2012 - Rs. 57,748,658/-) was paid as royalty during the year to Carlsberg A/S.
  - (ii) An amount of Rs. 40,613,226/- is payable to Carlsberg A/S as at 31st March 2013 (2012 - Rs. 15,189,011/-).



# UNCHALLENGED

## Notes to the Financial Statements (Contd.)

- (b) Messrs. K. Selvanathan, R. E. Bagattini and S. G. Lauridsen Directors of the Company, are also Directors of Carlsberg India Private Limited from which the Company purchased finished beer cans for Rs. 397,853,928 (2012 - Rs. 243,937,889/-) for the purpose of resale.
- (c) The Company purchases a part of its requirement of the raw material rice from Ran Sahal (Private) Limited. The entire production of Ran Sahal (Private) Limited is exclusively sold to the Company. Towards this the Company advances funds to Ran Sahal (Private) Limited from time to time against future purchases. During the year the Company purchased rice for an amount of Rs. 124,851,146/- (2012 - Rs. 105,344,983/-). As at the Reporting Date an amount of Rs. 57,719,133/- (2012 - Rs. 68,386,039/-) has been advanced to Ran Sahal (Private) Limited which remains to be settled from future purchases.
- (d) Messr D.C.R. Gunawardena, Director of the Company, is also a Director of following companies with which the Company entered into transactions.
  - (i) An amount of Rs. 41,142/- has been paid as parking fees to Equity Two PLC. (2012 - Rs. 30,285/-)
  - (ii) An amount of Rs. 194,127/- has been paid as rental to Equity One PLC. (2012 - Rs. 16,742/-)
- (e) Messrs D.C.R. Gunawardena and H. Selvanathan, Directors of the Company, are also Directors of the following companies with which the Company entered into transactions.
  - (i) The Company obtained services from Carsons Airline Services (Private) Limited for its employees' foreign visits and paid an amount of Rs. 9,274,114/- (2012 - Rs. 5,752,186/-) during the year.
  - (ii) An amount of Rs. 747,884/- (2012 - Rs. 856,758/-) has been paid to Pegasus Hotels of Ceylon PLC for the hotel services provided to the Company.

### (G) Transactions with key management personnel (KMP)

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

The compensation paid to key management personnel as short-term employment benefits is disclosed in aggregate in Note 27 to the Financial Statements. No other payments such as post-employment benefits, terminal benefits, share based payments and any non cash benefits have been paid to key management personnel during the year.

During the year the Company sold a motor vehicle to Mr. C. P. Amerasinghe for Rs. 625,000/-. When the disposal was made the carrying value of the motor vehicle was Rs. 844,632/56.

### 41 DIRECTORS RESPONSIBILITY STATEMENT

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

## Value Added Statement

<i>For the year ended 31st March</i>				
<i>In Rs.'000s</i>		2013		2012
Revenue		22,191,670		17,649,146
Value Added Tax		2,632,253		2,095,137
Other income		26,503		24,135
Finance income		534,212		210,871
		<b>25,384,638</b>		<b>19,979,289</b>
Cost of material & services bought from outside		(8,581,047)		(6,726,672)
<b>Value Added</b>		<b>16,803,591</b>		<b>13,252,610</b>
<b>Distributed as follows</b>			%	
<b>To Employees</b>				
as remuneration and other employee costs	429,925		2.56	408,851
<b>To Government</b>				
Value Added Tax	2,632,252		15.66	2,095,137
as excise duty	11,309,633		67.30	7,758,627
as income tax	321,775		1.91	792,777
as economic service charge	-		-	120,000
as Nation Building Tax	396,990		2.36	314,932
<b>To Providers of Capital</b>				
as finance expenses	479,021		2.85	420,028
<b>Retained in the Business</b>				
as depreciation/amortisation	508,090		3.02	442,006
as profit for the year	725,905		4.32	900,260
	<b>16,803,591</b>		<b>100.00</b>	<b>13,252,610</b>
				<b>100.00</b>

### Notes:

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

Value Added Tax is excluded in arriving at the above Turnover. Therefore, total tax liability/ payment made to the Government during the year include the following:

<i>For the year ended 31st March</i>	2013	2012
<i>In Rs.'000s</i>		
Value Added Tax (paid but not included under Net Revenue)	2,632,252	2,095,137
Excise Duty (included under Net Revenue)	11,309,633	7,758,627
Income Tax	364,272	792,777
Economic Service Charge	-	120,000
Nation Building Tax	396,990	314,932
<b>Total taxes paid to the Government</b>	<b>14,703,147</b>	<b>11,081,473</b>

# UNCHALLENGED

## Five Year Summary

<i>Year ended 31st March</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>In Rs.'000s</i>					
<b>Revenue</b>	<b>22,191,670</b>	17,649,146	11,250,330	7,919,292	6,094,726
Other income	<b>26,503</b>	24,135	5,205	1,018	1,092
	<b>22,218,173</b>	17,673,281	11,255,535	7,920,310	6,095,818
Total expenditure	<b>(20,691,581)</b>	(15,355,184)	(9,711,066)	(7,048,699)	(5,622,942)
<b>Profit from operating activities before net finance income/ (expenses)</b>	<b>1,526,592</b>	2,318,097	1,544,469	871,611	472,876
Net Finance income/ (expenses)	<b>55,191</b>	(209,157)	(192,938)	(282,666)	(434,738)
<b>Profit from ordinary activities before tax</b>	<b>1,581,783</b>	2,108,940	1,351,531	588,945	38,138
Income tax expense	<b>(535,878)</b>	(888,680)	(562,994)	7,808	6,924
<b>Profit for the period</b>	<b>1,045,905</b>	1,220,260	788,537	596,753	45,062
Dividends -Ordinary	<b>320,000</b>	320,000	240,000	-	-
<i>As at 31st March</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>In Rs.'000s</i>					
<b>BALANCE SHEET</b>					
Stated capital	<b>2,537,801</b>	2,537,801	2,187,801	2,187,801	987,801
Capital reserves	<b>719,411</b>	719,411	860,518	232,628	232,479
Retained profits	<b>2,653,021</b>	1,952,229	1,324,550	1,207,821	611,068
	<b>5,910,233</b>	5,209,441	4,372,869	3,628,250	1,831,348
Long term borrowings repayable after one year	<b>2,723,907</b>	1,103,802	1,176,728	372,264	382,951
<b>CAPITAL EMPLOYED</b>	<b>8,634,140</b>	6,313,243	5,549,597	4,000,514	2,214,299
<b>REPRESENTED BY</b>					
Non-current assets	<b>7,999,378</b>	4,889,756	6,282,904	3,863,784	3,527,777
Current assets	<b>9,131,815</b>	5,236,931	2,260,938	2,259,263	2,014,852
Current liabilities	<b>(7,628,159)</b>	(3,172,078)	(2,534,377)	(1,689,343)	(2,889,397)
Employee benefits	<b>(79,315)</b>	(65,890)	(51,402)	(34,715)	(28,829)
Deferred tax liabilities	<b>(789,579)</b>	(575,476)	(408,466)	(398,475)	(410,104)
	<b>8,634,140</b>	6,313,243	5,549,597	4,000,514	2,214,299
<i>Year ended 31st March</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>In Rs.'000s</i>					
<b>CASH FLOW STATISTICS</b>					
Net cash inflows from operating activities	<b>(1,914,585)</b>	1,116,467	1,759,215	738,854	7,782
Net cash inflows/(outflows) from investing activities	<b>(4,412,302)</b>	1,270,023	(1,512,191)	(437,363)	(397,756)
Net cash inflows/(outflows) from financing activities	<b>2,372,810</b>	(676,307)	912,984	1,118,658	(80,395)
Net cash movement for the year	<b>(3,954,077)</b>	1,710,183	1,160,008	1,420,149	(470,369)

	2013	2012	2011	2010	2009
<b>RATIOS &amp; STATISTICS</b>					
Return on shareholders' funds (%)	<b>17.70</b>	23.42	18.03	16.45	2.46
Assets turnover (times)	<b>1.30</b>	1.74	1.32	1.29	1.10
Equity to total assets (times)	<b>2.90</b>	1.94	1.95	1.69	3.03
Interest cover (times)	<b>4.19</b>	10.93	7.72	3.08	1.09
Gearing ratio (%)	<b>38.97</b>	-	12.10	16.46	53.30
Current ratio (times)	<b>1.20</b>	1.65	0.89	1.34	0.70
Earnings per share (Rs)	<b>13.07</b>	15.25	9.86	8.69	0.90
Price earnings ratio (times)	<b>25.47</b>	13.08	20.29	9.95	61.11
Market price per share (Rs)	<b>333.00</b>	199.50	200.00	86.50	55.00
Net assets per share (Rs)	<b>73.88</b>	65.12	54.66	45.35	36.63
Market capitalisation (Rs'000)	<b>26,640,000</b>	15,960,000	16,000,000	6,920,000	2,750,000
Dividends - Preference (%)	-	12.50	12.50	12.50	12.50
- Ordinary (Rs.)	<b>4.00</b>	4.00	3.00	-	-

Figures in brackets indicate deductions.

# UNCHALLENGED

## US\$ Financials

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# UNCHALLENGED

## Statement of Comprehensive Income

<i>For the year ended 31st March</i> <i>In USD '000s</i>	Note	2013	2012
<b>Revenue</b>	2	<b>169,428</b>	151,540
Cost of sales		<b>(131,418)</b>	(108,156)
Gross profit		<b>38,010</b>	43,384
Other income		<b>202</b>	207
		<b>38,212</b>	43,591
Distribution expenses		<b>(20,716)</b>	(18,025)
Administrative expenses		<b>(4,572)</b>	(4,402)
Other expenses		<b>(1,270)</b>	(1,261)
<b>Profit from operations</b>		<b>11,654</b>	19,903
Finance income		<b>4,079</b>	1,811
Finance costs		<b>(3,657)</b>	(3,606)
<b>Net finance income / (costs)</b>		<b>422</b>	(1,795)
		<b>12,076</b>	18,108
<b>Profit before taxation</b>		<b>12,076</b>	18,108
Income tax		<b>(4,091)</b>	(7,630)
<b>Profit for the period</b>		<b>7,985</b>	10,478

Figures in brackets indicate deductions.

## Statement of Financial Position

<i>As at 31st March</i>	2013	2012
<i>In USD '000s</i>		
<b>ASSETS</b>		
<b>Non- Current Assets</b>		
Property, plant & equipment	62,202	37,662
Intangible Assets	65	76
<b>Total Non-Current Assets</b>	<b>62,267</b>	<b>37,738</b>
<b>Current Assets</b>		
Inventories	18,734	10,163
Trade and other receivables	22,949	8,273
Amounts due from related companies	133	-
Cash and cash equivalents	16,982	21,982
<b>Total Current Assets</b>	<b>58,798</b>	<b>40,418</b>
<b>Total Assets</b>	<b>121,065</b>	<b>78,156</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	33,068	33,068
Capital reserves	5,600	5,552
Currency fluctuations	(41,651)	(30,257)
Retained profits	36,705	31,843
<b>Total Equity</b>	<b>33,722</b>	<b>40,206</b>
<b>Non- Current Liabilities</b>		
Loans and Borrowings	21,203	8,519
Employee benefits	617	509
Deferred taxation	6,146	4,441
<b>Total Non- Current Liabilities</b>	<b>27,966</b>	<b>13,469</b>
<b>Current Liabilities</b>		
Trade and other payables	6,120	4,612
Amounts due to related companies	403	117
Refundable deposits	7,631	6,627
Current taxation	7,784	9,370
Loans and Borrowings	10,618	2,535
Bank overdrafts	26,821	1,220
<b>Total Current Liabilities</b>	<b>59,377</b>	<b>24,481</b>
<b>Total Liabilities</b>	<b>87,343</b>	<b>37,950</b>
<b>Total Equity and Liabilities</b>	<b>121,065</b>	<b>78,156</b>

# UNCHALLENGED

## Notes to the Financial Statements

### 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 the Financial Statements.

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

		2013	2012
Income statement	Average rate	<b>130.98</b>	116.47
Monetary assets and liabilities	Closing rate	<b>128.47</b>	129.57
Non-current assets and liabilities	Closing rate	<b>128.47</b>	129.57
Ordinary share capital	Historical rate	<b>57.99</b>	57.99

*For the year ended 31st March  
In USD '000s*

**2013**

**2012**

### 2 REVENUE

Local revenue	<b>167,261</b>	149,588
Export revenue	<b>2,167</b>	1,952
	<b>169,428</b>	151,540

## Five Year Summary

<i>Year ended 31st March</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>In USD '000s</i>					
<b>Revenue</b>	<b>169,428</b>	151,540	99,570	68,299	54,848
Other income	<b>202</b>	207	130	23	15
	<b>169,630</b>	151,747	99,700	68,322	54,863
Total expenditure	<b>(157,976)</b>	(131,844)	(85,957)	(60,794)	(50,605)
<b>Profit from operating activities before finance expenses</b>	<b>11,654</b>	19,903	13,743	7,528	4,258
Net finance income / (cost)	<b>422</b>	(1,795)	(1,394)	(2,071)	(3,522)
<b>Profit from ordinary activities before tax</b>	<b>12,076</b>	18,108	12,349	5,457	736
Income tax expense	<b>(4,091)</b>	(7,630)	(4,983)	67	62
<b>Profit for the period</b>	<b>7,985</b>	10,478	7,366	5,524	798
Dividends - Ordinary	<b>2,443</b>	2,748	2,124	-	-
<i>As at 31st March</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>In USD '000s</i>					
<b>BALANCE SHEET</b>					
Stated capital	<b>33,068</b>	33,068	33,068	33,068	23,070
Capital reserves	<b>5,600</b>	5,552	7,729	2,026	1,999
Currency fluctuations	<b>(41,651)</b>	(30,257)	(21,891)	(19,113)	(19,825)
Retained profits	<b>36,705</b>	31,843	23,516	18,662	13,515
	<b>33,722</b>	40,206	42,422	34,642	18,759
Long term borrowings repayable after one year	<b>21,203</b>	8,519	10,570	194	285
<b>CAPITAL EMPLOYED</b>	<b>54,925</b>	48,725	52,992	34,836	19,044
REPRESENTED BY					
Non-current assets	<b>62,267</b>	37,738	56,435	33,645	30,339
Current assets	<b>58,798</b>	40,418	20,308	19,673	17,328
Current liabilities	<b>(59,377)</b>	(24,481)	(19,621)	(14,710)	(24,848)
Employee benefits	<b>(617)</b>	(509)	(462)	(302)	(248)
Deferred tax liabilities	<b>(6,146)</b>	(4,441)	(3,669)	(3,470)	(3,527)
	<b>54,925</b>	48,725	52,992	34,836	19,044

# UNCHALLENGED

## Information to Shareholders & Investors

### 1 STOCK EXCHANGE LISTING

Lion Brewery (Ceylon) PLC, is a Public Quoted Company, the issued ordinary shares of which are listed with the Colombo Stock Exchange of Sri Lanka.

### 2 SHARE VALUATION

The market price of the Company's share as at 31st March 2013 was Rs.333.00 per share ( 2012 - Rs.199.50).

### 3 ORDINARY SHAREHOLDERS

As at 31st March

**2013**                      **2012**

Number of shareholders

**1,170**                      1,378

(a) Frequency distribution of shareholdings as at 31st March 2013

Distribution of Shares	Residents			Non- Residents			Total		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1-1,000	880	197,660	0.25	12	7,101	0.01	892	204,761	0.26
1,001-10,000	196	593,413	0.74	18	64,879	0.08	214	658,292	0.82
10,001-100,000	31	765,389	0.96	14	509,749	0.64	45	1,275,138	1.59
100,001-1,000,000	4	2,085,725	2.61	7	2,024,285	2.53	11	4,110,010	5.14
Above 1,000,000	3	47,206,581	59.01	5	26,545,218	33.18	8	73,751,799	92.19
<b>Total</b>	<b>1,114</b>	<b>50,848,768</b>	<b>63.56</b>	<b>56</b>	<b>29,151,232</b>	<b>36.44</b>	<b>1,170</b>	<b>80,000,000</b>	<b>100.00</b>

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	1,066	1,265,447	1.58
Institutions	104	78,734,553	98.42
<b>Total</b>	<b>1,170</b>	<b>80,000,000</b>	<b>100.00</b>

(b) The number of shares held by non-residents as at 31st March 2013 was 29,151,232 (2012 -Rs. 23,399,849/-) which amounts to 36.44% (2012 - 29.25%).

(c) Percentage of shares held by the public as at 31st March 2013 was 15.15% (2012 - 15.15%).

### 4 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March

**2013**                      **2012**

Highest (Rs.)	<b>340.00</b>	260.00
Lowest ( Rs.)	<b>199.50</b>	175.00
Value of Shares traded (Rs Mn)	<b>1,688</b>	1,818
No. of shares traded	<b>7,304,821</b>	8,497,053

### 5 MARKET CAPITALIZATION

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. 26,640,000,000/- as at 31st March 2012 ( 2012 - Rs 15,960,000,000/-).

### 6 ORDINARY DIVIDENDS

The Board of Directors has recommended the payment of a First and Final dividend of Rs. 4/- per share for the year ended 31st March 2013 (2012 - Rs. 4/-).



## Glossary of Financial Terms

### Appropriations

Apportioning of earnings as dividends, capital and revenue reserves

### Capital reserves

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

### Cash equivalents

Liquid investments with original maturities of six months or less.

### Contingent liabilities

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

### Current ratio

Current assets divided by current liabilities.

### Debt

Total fixed interest bearing capital.

### Dividend cover (Ordinary)

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

### Dividend per ordinary share

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

### Earnings per ordinary share

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

### Equity

Ordinary share capital plus reserves.

### Events occurring after Balanced 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. Borrowings include all interest bearing long term liabilities less any cash in hand and at bank.

### 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 earning ratio - (P/E ratio)

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).

# UNCHALLENGED

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Friday the 7th day of June 2013 at 2.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium', No. 50, Nawam Mawatha, Colombo 2, Sri Lanka for the following purposes:

1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2013, together with the Report of the Independent Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. K. Selvanathan, who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
4. To re-elect Mr. R. E. Bagattini who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
5. To re-appoint Mr. L.C.R. de C. Wijetunge 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. 7 of 2007 shall not be applicable to Mr. L.C.R. de C. Wijetunge who is 74 years of age and that he be re-appointed 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. 7 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,  
3rd May 2013

### Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 P.M. on 5th June 2013.
3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4. The transfer books of the Company will remain open.
5. Security Check

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

## Form of Proxy

\* I/We.....  
of..... being \*a Shareholder/  
Shareholders of LION BREWERY (CEYLON) PLC hereby appoint .....  
..... of ..... bearing NIC No./ Passport No.....  
or failing him/her.

LIONEL CUTHBERT READ DE CABRAAL WIJETUNGE	Or failing him,
HARIHARAN SELVANATHAN	Or failing him,
SURESH KUMAR SHAH	Or failing him,
DON CHANDIMA RAJAKARUNA GUNAWARDENA	Or failing him,
DILKUSHAN RANIL PIERIS GOONETILLEKE	Or failing him,
CHANDRARATNE TALPE LIYANAGE	Or failing him,
CHITTA PRASANNA AMERASINGHE	Or failing him,
KRISHNA SELVANATHAN	Or failing him,
ROY ENZO BAGATTINI	Or failing him,
SUSAN JULIET FARRINGTON EVANS	Or failing her,
SOREN RAVN	

As \*my/our proxy to attend at the Seventeenth Annual General Meeting of the Company to be held on Friday the 7th day of June 2013 at 2.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium', No. 50, Nawam Mawatha, Colombo 2, Sri Lanka and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2013, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare Rs. 4/- per share as a First and Final dividend for the financial year ended 31st March 2013 as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. K. Selvanathan who retires by rotation in terms of Articles 72 and 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. R. E. Bagattini who retires by rotation in terms of Articles 72 and 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint Mr. L.C.R. de C. Wijetunge who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of .....Two Thousand and Thirteen.

.....  
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.

# UNCHALLENGED

## Form of Proxy (contd.)

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:  
The instrument appointing a proxy shall be in writing and:
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.  
A proxy need not be a shareholder of the Company.
4. In terms of Article 50 of the Articles of Association of the Company:  
In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 P.M., on 5th June 2013.

### *Please fill in the following details:*

Name : .....

Address : .....

Jointly with .....

Share folio No. : .....

## Corporate information

### NAME OF COMPANY

Lion Brewery (Ceylon) PLC  
(A Carson Cumberbatch Company)

### COMPANY REGISTRATION NUMBER

PQ 57

### LEGAL FORM

A Public Quoted Company with Limited Liability.  
Incorporated in Sri Lanka in 1996  
Official listing of the Colombo Stock Exchange obtained in 1997

### PARENT COMPANY

Ceylon Beverage Holdings PLC

### ULTIMATE PARENT COMPANY

Carson Cumberbatch PLC

### DIRECTORS

L. C. R. de C. Wijetunge (Chairman)  
H. Selvanathan (Deputy Chairman)  
S. K. Shah (Chief Executive Officer)  
D. C. R. Gunawardena  
C. T. Liyanage  
C.P. Amerasinghe  
D. R. P. Goonetilleke  
K. Selvanathan (Director / Appointed Alternate Director to H. Selvanathan w.e.f. 20-Dec-2012)  
R. E. Bagattini  
Ms. S. J. F. Evans  
S. Ravn (Appointed w.e.f. 06-Apr-2012)  
Y. F. Lew (Appointed Alternate Director to S. Ravn w.e.f. 06-Apr-2012)  
S. G. Lauridsen (Appointed Alternate Director to R. E. Bagattini w.e.f. 01-Feb-2013)

### BANKERS

Citibank  
Commercial Bank  
Deutsche Bank  
Hatton National Bank  
HSBC  
Nations Trust Bank  
Standard Chartered Bank  
Sampath Bank  
DFCC Bank  
NDB Bank  
Peoples Bank

### LEGAL ADVISERS

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

### AUDITORS

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

### MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha  
Colombo 01, Sri Lanka  
Tel : +94 11 2039 200  
Fax: +94 11 2039 300

### REGISTERED OFFICE

No. 61, Janadhipathi Mawatha  
Colombo 01, Sri Lanka  
Tel : +94 11 2039 200  
Fax: +94 11 2039 300

### CORPORATE OFFICE & BREWERY

254, Colombo Road, Biyagama, Sri Lanka  
Tel : +94 11 2465900 (10 Lines)  
Fax : +94 11 2465901

### GROUP WEBSITE

[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)

**LION BREWERY (CEYLON) PLC**  
[www.carsoncumberbatch.com](http://www.carsoncumberbatch.com)