Powered by Passion

Lion Brewery (Ceylon) PLC
Annual Report 2013/14

Contents

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At the heart of our
operation is a single trait
that drives us; passion.

Brought together from a number of disciplines and backgrounds we are driven by our passion to deliver outstanding consumer experiences that will stand testimony to our team spirit, our love of what we do and our proud Sri Lankan identity.

**At Lion Brewery
we are enriched by our legacy,
powered by passion.**

Lion Brewery


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Financial Highlights

Rs. 25,804Mn
Revenue
(2013 - Rs. 22,192Mn)

Rs. 2,201Mn
Profit before tax
(2013 - Rs. 1,582Mn)

Rs 16.79

Earnings per share

(2013 - Rs. 13.07)

Rs 4.00

Dividend per share

(2013 - Rs. 4.00)

Rs. 24,067Mn

Total Assets

(2013 - Rs. 17,090Mn)

19%

Return on Equity

(2013 - 18%)

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This year your Company paid Rs. 16.1 billion to the Government coffers up from Rs. 14.7 billion last year. Lion Brewery yet remains the third largest taxpayer in the country. The income tax rate applicable to your Company is 40% whilst other corporates in the non- spirits and tobacco businesses are taxed at 28%.

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This year too your Company's products won accolades at the prestigious Monde Selection of awards for the year 2014. Lion Lager was awarded with a Gold whilst Lion Stout and Strong both won Grand Gold.

I am pleased to welcome the shareholders to the 18th Annual General Meeting of the Company and to present to you the Annual Report for the year ended 31st March 2014. I will restrict my comments to some salient issues as the CEO's review contained in this report covers the performance of the Company in detail.

The GDP grew by 7.3% in 2013. Whilst all sectors of the economy contributed to this growth a slightly higher proportion was delivered by the services sector. The GDP growth, however, failed to drive positive consumer sentiment, which resulted in marginal volume growth for the beer industry. Indeed, this trend was observed in the demand for most FMCG products sold in the country, indicating that consumers were careful in their spending. Beer being a non-essential, in the daily lives of the consumer, is the first to be dropped from the shopping list when there is less money available for discretionary spending. Nevertheless, the net revenue of the Company grew by 16% to Rs.25.8 billion largely due to a price increase that was necessitated in response to an upward revision in excise duty during the year. The excise duty on the mild category was increased to Rs. 110/- from Rs.100/- per litre whilst on the stronger beers, it was raised to Rs.130/- per litre from Rs.116/-.

This year your Company paid Rs. 16.1 billion to the Government coffers up from Rs. 14.7 billion last year. Lion Brewery yet remains the third largest tax payer in the Country second only to the spirits and tobacco businesses. The income tax rate applicable to your Company is 40%, whilst other corporates in the non- spirits and tobacco businesses are taxed at 28%.

The impact on Excise Duty was a major contributor to the increase in cost of sales. However, the full extent of this cost increase was mitigated as from the middle of last year, we stopped importing finished beer, as the capacity of the existing canning plant was increased, consequent to certain modifications that were done. As a result the entire demand was supplied from the local production facility. Imported finished beer attracts a higher excise duty than when produced locally and hence this initiative to modify the existing canning line was very welcome. In addition to this, the various cost restructuring efforts done in the past also helped keep to expenditure under control.

Your Company will very shortly complete its modernisation and upgrading of its production facility. During the year, upgrading of the brewing and processing areas including filtration and fermenting were completed. What remains is the installation of the canning and bottling lines, which once completed, will bring in the efficiencies expected of a world class, technologically advanced, state of the art brewery – perhaps the best in this part of the world. The consumers can rest assured in our continued ability to provide a world-class beverage.

This year too, your Company's products won accolades at the prestigious Monde Selection of awards for the year 2014. Lion Lager was awarded with a Gold whilst Lion Stout and Strong both won Grand Gold. Indeed I am proud to note that Lion Stout has now won this accolade for four consecutive years whilst the total tally of the medals won by all our products to date is 33.

The Company returned a net profit before tax of Rs.2.2 billion up from Rs.1.6 billion last year, an increase of 39%, whilst the net profit after tax rose from Rs.1.0 billion in the previous year to Rs.1.3 billion this year, an improvement of 28%. I take this opportunity to thank the management team and all the employees of the Company for their untiring efforts to deliver these results despite the tough challenges the industry had to face in carrying out its business functions. I remain confident of their ability to meet the challenges ahead. It is important that they seize all opportunities for growth, whilst building strong foundations for the future.

On the backdrop of these results, I am pleased to inform the shareholders that a first and final dividend of Rs.4/- per share is proposed by your Board, which will be paid consequent to obtaining the necessary approvals at the Annual General Meeting.

Chairman's Statement

At the time of writing this statement, your Company and its wholly owned subsidiary Pearl Springs (Private) Limited entered in to a Sale and Purchase Agreement with Cargills (Ceylon) PLC and its subsidiary Millers Brewery Limited to purchase the shareholding including trademarks of Millers Brewery Limited for Rs.5.15 billion subject to the completion of the necessary due diligence studies. This acquisition will provide the consumer with a wider choice of products offered by your Company whilst, giving rise to potential enhancements in volume and profitability.

Messrs. R.E. Bagattini, S. Ravn, S.G. Lauridsen resigned from the Board to take appointments elsewhere. Whilst thanking them for their valuable contributions to the functioning of the Board I wish them all the success in their future endeavours.

During the year, Messrs. H.J. Andersen, D.A. Cabraal and Y.F. Lew were appointed to the Board of the Company, These gentlemen possess a wide repertoire of experience in their related fields and whilst warmly welcoming them I look forward to their valuable insights to forge the Company in to the future.

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

I wish to extend my appreciation and gratitude to the members of the Audit Committee, Remuneration and Nomination Committees and to my colleagues on the Board for their support and advise.

(Sgd.)
L.C.R. de C. Wijetunge
Chairman

Colombo
20th June 2014

Chief Executive

Revenue during the year grew by 16% primarily as a result of an increase in Excise Duty in August 2013. On a turnover of Rs 25.8 billion, the Company returned a pre-tax profit of Rs 2.2 billion. Due to a higher incidence of tax, the Profit after Tax was Rs. 1.3 billion.

’s Review

The alcohol industry continues to remain the most tightly regulated legal activity in the Country. The regulations governing the industry were crafted over a 100 years ago and thus remain far removed from the operating environment of the 21st century.

EXECUTIVE SUMMARY

On the whole, it was a difficult year. The beer industry – along with most other FMCG businesses – experienced either flat or marginal growth. In this low growth environment, competition from within the industry was both intense and margin draining. A segment of the spirits industry that appeared to market products at margins less than wafer thin also impacted beer industry volumes. Under these difficult circumstances, Your Company returned satisfactory results during the year under review.

Revenue during the year grew by 16% primarily as a result of an increase in Excise Duty in August 2013. Operating Profit increased 53% to Rs 2.35 bn. However since the net financing income of Rs 38.90 mn earned in the previous financial year turned to a net cost of Rs 152.20 mn during the year under review, Profit before Tax increased by 39% to Rs. 2.20 bn. Due to higher incidence of tax, the increase in Profit after Tax was lower at 28%, i.e. Rs. 1.34 bn.

OPERATING ENVIRONMENT

The Country's GDP recorded an impressive growth of 7.3% during 2013 beating the expectations of many independent analysts. However, conversion of the increase in GDP to household incomes seemed lower than in the past as evidenced by a lack of growth in the FMCG sector. The low level of growth in the beer industry can also be attributed to constraints in disposable income in the hands of consumers.

The Rupee remained largely stable against the USD during the year under review. However, it did depreciate against the Euro and the Sterling of which the former is a currency in which Your Company does much of its capital asset acquisitions.

Inflation decelerated during the year under review and as at the end of the financial year stood at 5.7%. This has allowed interest rates – particularly on short term borrowings – to reduce to upper-mid single digits. Rates on long term borrowings however remain in double digits although they too have seen a significant reduction from the previous year. The lower interest rates will help Your Company since its expansion has been funded primarily out of borrowings.

Tourism continued to grow rapidly with arrivals increasing by 27% to 1,275,000 in 2013. The momentum has continued in the first quarter of 2014 with arrivals increasing by 25%. Unlike in the past, tourists are not confining themselves to the formal hotel sector. They are seeking alternate accommodation options from high end villas to less expensive rooms in the informal sector. These trends are clearly reflected in the sales of Your Company's brands through the retail and on-premise trade in tourist pockets. Volumes through these channels pick up sharply during the tourist "season". The high margins maintained by the star classed hotels has also meant that those tourist who stay in such establishments prefer to obtain beer from retailers in the vicinity. Overall, tourism contributed significantly to Your Company's sales performance.

Agriculture was affected during the year due to drought conditions particularly in the North Central Province. It is estimated that crop losses – particularly paddy – amounted to as much as 20% and this had an impact on disposable incomes in communities dependent on agriculture.

THE ALCOHOL INDUSTRY

The alcohol industry continues to remain the most tightly regulated legal activity in the Country. The majority of its revenues are paid as taxes, it is not permitted to communicate with its customers and the availability of its products are limited to approx. 2% of the country's retail universe. Further, the regulations governing the industry were crafted over a 100 years ago and thus remain far removed from the operating environment of the 21st century.

With levels of taxation so high and availability so low, it is no surprise that Sri Lanka's alcohol industry was until recently split into two, legal and illicit products. The very tools used to curb consumption of alcohol – price and availability – have been leveraged by illicit producers to gain the larger part of the combined market. Since they pay no taxes, illicitly produced alcohol is far cheaper than those produced by licensed manufacturers. Similarly, since illicit producers ignore the laws relating to distribution and sale of alcohol, the availability of their products is far wider than those of legal manufacturers.

Chief Executive's Review

Thus to consumers, illicit alcohol is an attractive proposition being both cheaper and more easily available. This is particularly true in the non-urban setting where disposable incomes are lower and where availability of licensed liquor shops are few and far between. The only thing that stands between the consumer and the illicit manufacturer is law enforcement. It is no secret that law enforcement has been ineffective against illicit alcohol. This is not surprising since illicit manufacturers have tremendous incentive in the form of profits to seek out counter strategies to law enforcement. However, there seems to be an improvement in law enforcement over the past few years. Whilst it is near impossible to accurately assess the trends in an illegal industry, the perception on the ground is that availability of illicit alcohol and the demand for it has somewhat reduced. Improving income levels amongst the underprivileged may also have helped them upgrade to safer products. Yet, illicit alcohol still remains a very significant menace. Both supply of and demand for the product must be addressed if illicit alcohol is to be reduced to insignificant levels. The supply side can be dealt with through enforcement. However, demand must be addressed through pragmatic – rather than emotive – policies that provide the consumer with a relatively safe product at a viable price and within reasonable reach.

Sri Lankan alcohol policies make good press but have produced poor results. There is no need to re-invent the proverbial wheel. Alcohol has been around for 5,000 years or more and is a product successfully dealt with across many countries worldwide. Globally, a broad three tier classification – beer, wine and spirits – with their respective alcohol contents – low, moderate and high – has led to alcohol policies that have resulted in safe consumption. Simply put, the products with the lowest level of alcohol are both the most affordable and available. Move up the alcohol scale and both price and reach become less attractive. The outcome, safer consumption and greater tax collections by the state.

Of late, a third dimension has emerged from within the alcohol industry. A number of relative newcomers to the legal spirits industry have launched brands at margins which are wafer thin or less. Once excise duties and retail margins are paid on their products, the balance available to meet costs of raw materials, labour, transportation, energy and overheads is remarkably little. Although not immediately apparent, it would appear that these quasi legal products have captured a significant component of the market from amongst the licensed manufacturers. Indeed during the first 4 months of 2014, whilst the overall spirit industry has remained flat, the so called smaller players have recorded a cumulative volume growth 61%.

Within the beer industry, competition has been intense, primarily because growth within the sector has been at a 5 year low. With new volumes hard to come by and consumer communication tools unavailable due to regulation, the 3 industry players have focused on taking share from each other. Competition has centered on being the most attractive supplier to the middle man, the retailer. Since the retail universe is so tightly restricted – again by law – the flexibility of the brewer has been compromised. These factors working in tandem have resulted in brewer's margins and profit pools eroding leaving the industry vulnerable. Further, this type of competition does not benefit the end consumer. In fact, in the longer term it could even be detrimental to consumer interest. Under these conditions industry consolidation is inevitable.

The recently announced agreement reached between Your Company and the Cargills Group on account of Miller Brewery is an outcome of the industry environment described above. A section below discusses the proposed acquisition in greater detail.

The previous year marked the centenary of the principal law governing the manufacture, sale and 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 and regulatory environment and over the years there has been little or no effort to modernise it. At least now, more than a 100 years after it was first introduced, the Excise Ordinance should be amended to make it appropriate to the modern day.

ACQUISITION OF MILLER BREWERY

The origins of Miller Brewery can be traced back to the early 1960's when it first started operations as McCallum Brewery. In 2011, the assets and trademarks of McCallums were acquired by the Cargills Group and was formed into Miller Brewery Ltd. Amongst this Company's trademarks are the well-known brands Three Coins,

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Sando and Sando Power. Of these the Three Coins and Sando brands were part of the McCallum portfolio whilst Sando Power was launched post the acquisition by the Cargills Group.

If the transaction is completed as contemplated, a number of the Miller Trademarks will be consolidated into Your Company's portfolio of brands. The Miller trademarks will be acquired by Your Company whilst its shares will be purchased by Pearl Springs (Private) Ltd, a fully owned subsidiary formed especially for this purpose.

The consideration payable on the transaction amounts to Rs. 5.15 bn. The proposed acquisition will mean a wider portfolio for Your Company enabling it to better cater to broader consumer segments. Further the proposed acquisition is expected to lead to synergies across the supply chain. It should also result in less margin eroding competition at the trade level. Thus Your Company's volumes and performance is expected to improve as a result of this acquisition.

OPERATING RESULTS AND FINANCIAL POSITION

On a turnover of Rs 25.80 billion, the Company returned a pre-tax profit of Rs 2.20 billion. With volume growth been marginal, the increase in revenue was driven by Excise Duty led price revisions. The Company's gross margin was 23.2%, up 80 basis points from 22.4% during the previous year. The slight increase in margin is due entirely to the stoppage of imported canned beer in October 2013. As shareholders are aware, Your Company was compelled to import canned beer in order to supplement installed capacity at the brewery. Whilst done to meet market demand, each can imported was sold below cost. With all supplies now being produced at Your Company's brewery, margins have improved albeit very marginally.

Yet margins remain under pressure from other sources. Excise duties are increased each year. The costs of other inputs too – both imported and local - trended upwards. Since beer is a price sensitive product, cost increases were not passed on in full to consumers thus exerting pressure on margins.

The manner in which competition takes place – described in detail in a previous chapter – has also put pressure on operating margins as did a general increase in the cost of overheads. Some of these overheads – for instance multiple stores locations – are not of a permanent nature and will be eliminated once the Company's infrastructure is upgraded.

The Company's balance sheet remained strong during the financial year. Its gearing ratio remained a healthy 47%. 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. The proposed acquisition of Miller Brewery will stretch Your Company's balance sheet to some extent. However, the composition of borrowing is expected to change in the months ahead with the long term portion increasing to 75% of the total from the current 40%. This will accurately reflect the purpose for which funds are utilised, i.e. to acquire long term assets.

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

MARKETING AND SALES IN SRI LANKA

As shareholders are aware, Your Company is heavily restricted in terms of what it can do in marketing its brands. Growing volumes is a tough challenge under such circumstances particularly in an FMCG business. In an environment where organic growth is also not forthcoming, the challenges faced are even greater. Nevertheless under such daunting circumstances Your Company's brands continue to be held in high esteem. For the second year running, Lion was amongst the top 10 brands in the Country placed at number 9. A multinational was the only other FMCG business to be placed above Lion in the top 10.

The foundation of a strong brand is its quality. The quality of Your Company's brands have received wide recognition in the past not just in Sri Lanka but also overseas. The year under review was no exception. Lion Lager, won Gold at the Monde Selections held in Brussels in April 2014 whilst Lion Stout and Lion Strong won the Grande Gold at the same competition. The Grande Gold is awarded in recognition of a brand winning Gold over three consecutive years. With this year's medals Your Company's tally of international awards has now reached 33.

During the year under review, brand Lion Lager moved away from the industry standard "Vichy" bottle to one that is unique. A foil replaced the earlier neck label reflecting the premium qualities of the brand. The new presentation communicates the brand's dynamic position in a modern and attractive manner whilst being true to its brewing heritage of quality and consistency. The brand has done well since its launch in January 2014.

Lion Stout and Carlsberg Special Brew also performed well during the year under review. However, the performance of Carlsberg Green Label and Lion Strong were below expectations with the latter reflecting the limited disposable income available in the hands of the consumer.

Cans continue to gain share from the bottle as a system of packaging. Overall, this is a positive trend for the industry since it eliminates the need for complex and costly reverse logistics. It is also an indication that consumers will pay a reasonable premium for convenience even when markets are depressed.

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. 286 million from which Rs. 26 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 which in the year under review numbered 14.

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. Moving ahead however, the market in the Maldives is expected to get more competitive with some major players opting to discount prices in order to challenge Your Company's position. Your Company is determined to meet this challenge head on if necessary. This could result in lower profits from exports in the short term although in the longer term it will strengthen Your Company's position in the Maldives.

During the previous year, the Company put in place a new strategy to generate volumes from the US market. A sales person was recruited with the intention of establishing a professional distribution network in the very competitive space that is New York. The objective was to get deep – rather than wide – distribution within a manageable geographical area; i.e. volume via regular repeat orders as against through new retailers. It is pleasing to note that this strategy is yielding results; during the year under review sales in New York grew by over 280% and brand Lion Stout is gradually being established as a premium import in that market.

Chief Executive's Review

THE DIAGEO AND MOËT HENNESSY BRANDS

Your Company is Sri Lanka's sole importer and distributor of the Diageo and Moët Hennessy portfolio of brands.

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

Whilst your Company imports and distributes these brands through its established network, the marketing of the two portfolios is the responsibility of a sister company, Luxury Brands (Private) Limited.

In the first full year of operations, the spirits portfolio did well, contributing to both the revenue and profits of Your Company. Integrating a much wider portfolio of brands of a different product category to Your Company's existing distribution system was a challenge. In the imported whiskey, congnac, vodka and champagne categories, the brands marketed by Your Company are clear market leaders. However, as of now, competitors have the edge in the rum category, a challenge that needs to be addressed together with our principals.

SUPPLY CHAIN

Your Company's expansion programme is now nearing completion. A new state of the art brewhouse was completed during the previous financial year. Together with the older brewhouse – which is still in excellent operating condition – Your Company's brewing capacity has now more than doubled. Capacity increases in the processing areas are also mostly completed. New fermenter tanks, refrigeration plant, filter, centrifuge, air compressor and heavy fuel boiler were all commissioned during the year under review. The installation of the new state of the art packaging lines - both bottling and canning – are currently underway. These lines will be commissioned shortly. With these additions Your Company is geared to meet the full demand for beer in the country. This expansion programme was funded entirely out of internally generated funds and borrowings with no burden on the shareholders.

As shareholders are aware capacity constraints in the existing canning line meant that Your Company was forced to import canned beer to meet market demand. The cost of the imported cans was far in excess of local production and as a result both margins and profits suffered. However, during the year under review, Your Company implemented a short term solution to overcome the capacity constraints and imports ceased from October 2013. The result has been stronger margins and profits during the latter half of the financial year under review.

HUMAN RESOURCES

Your Company has a relatively small but skilled talent pool. Whilst the usual modern HR practices are prevalent within the Company, special emphasis is placed on training and development. Key staff are trained at the Carlsberg Leadership Building Center and also internationally recognised management schools. Schemes are also in place to recognise and reward innovation and continuous improvement. During the year under review, a dedicated innovation centre was set up and it will focus on three key areas, product, process and technology.

SUPPORT SERVICES

Over the years, the Company has put in place an extensive IT system that has helped it achieve competitive advantage and operational excellence across the value chain. Your Company migrated to the world class ERP system, SAP at the very latter stages of the previous year. 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 and the on-field sales systems – the data and 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 and other types of handhelds.

SHAREHOLDER RETURNS

As at 31st March 2014 Your Company's Net Assets Value per share stood at Rs. 86.65 up from Rs.73.88 as at 1st April 2013. Thus the book value of the Company at the financial year end stands at Rs. 6.9 billion. In the meantime, the market value of Your Company at the same date amounted to Rs. 31.3 billion. As at the end of the financial year, Your Company's share price had moved up to Rs. 391/- from Rs. 333/-, an increase of 17% thus outperforming the market.

The Company achieved a reasonable return of 19% on equity and reserves for the financial year under review an increase from the 18% achieved previously. Earnings per share at the year end amounted to Rs. 16.79 whilst the Company's price to earnings (PE) ratio at that date was 23.

Your Board has recommended a dividend of Rs. 4/- 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 and will account for 24% 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 programme and proposed acquisition of Miller Brewery.

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. 15 billion up 28% from the previous year. In addition, Your Company paid a further Rs. 1 billion as customs duty on beer imports during the year under review.

Corporate taxes for the year amounted to Rs. 858 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. 43% higher than the standard rate of corporate tax – takes alcohol taxation closer to shareholders than previously.

COMMUNITY SERVICE

Since its 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 longstanding IT training programme and scholarship scheme remained on-going.

During the year under review, Your Company conducted programmes in Hambantota to enhance the employability of youth. In all, 985 youths completed this program. It is pleasing

Chief Executive's Review

to note that 148 youth who underwent this programme have obtained full time employment.

THE YEAR AHEAD

The year ahead could go either way, good or not so good. Many are the indicators that point to a good year. The trends in the fiscal deficit and inflation are positive indicating low and stable interest rates. The same is true with the trend in the balance of payments. Exports, remittances and receipts from tourism are all up whilst imports are down. Thus the currency should be stable in the year ahead. The prevailing rains in some parts of the country will help fill those reservoirs important for generation of electricity. Thus cost of electricity should remain stable. Tourism is also expected to continue its rapid growth. Arrivals in the first half of the year give every hope that the annual target of 1.5 million will be achieved. These factors will contribute positively to the performance of Your Company in the year ahead.

Yet concerns remain principal amongst them is the lower level of real growth in domestic consumption. A recently published newspaper article claims that the real growth of 3.2% in domestic consumption recorded in 2013 is the lowest since 2001. It would also appear that conversion of GDP growth into household income has been less in the recent past than it has been previously. This may explain the lower growth in domestic consumption. If this trend in domestic consumption were to continue, it is very likely that industry volumes - and those of Your Company – would come under pressure. The agriculture sector is also expected to underperform in 2014 specially in terms of the Yala paddy cultivation. This too would pose a challenge in the year ahead. The significant premium being charged by banks on long term borrowings – close to 50% over short term rates – suggests that financial markets question the sustainability of a low inflation regime. If lending rates were to start trending upwards it will impact the profitability of Your Company.

Reflecting the difficult operating environment that is likely to prevail at least in the first half of the on-going financial year, beer industry volumes over its first two months have remained flat.

From an internal perspective, Your Company will emerge stronger at the conclusion of the ongoing financial year. The expansion programme would have concluded. A few gaps in the distribution network would have been closed. The IT platform would have been consolidated. The proposed acquisition of Miller Brewery will have materialised.

All in all it will be a busy and challenging year for Your Company.

CONCLUSION

In an industry that remains the most regulated in the Country and in an environment where competition is most often from both illegal and quasi-legal alternates, Your Company has done reasonably well. Your Company moves forward with a strong brand portfolio, a benchmark distribution network, a state of the art, world class manufacturing facility and talented and experienced team of professionals. Whilst the year ahead will most likely be one of challenges rather than opportunities, Your Company is geared to face them with fortitude and confidence.

(Sgd.)
Suresh K. Shah
CEO/Director

Colombo
20th June 2014


LION

Board of direct

CUBBY WIJETUNGE

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

HARI SELVANATHAN

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

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

He holds a Bachelor of Commerce Degree.

SURESH SHAH

Suresh Shah is a Director and Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC. He is also a Director of Carson Cumberbatch PLC and the Sri Lanka Business Development Centre.

He is the current Chairman of the Ceylon Chamber of Commerce and also serves on the council of The Employers Federation of Ceylon.

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

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CHANDIMA GUNAWARDENA

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

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

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

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

PRASANNA AMERASINGHE

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.

CHANDRARATNE LIYANAGE

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 Head of Technical 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) & Carlsberg Tetley Leeds Brewery (UK) and management programmes at Cranfield University, UK and National University, Singapore.

RANIL GOONETILLEKE

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 programmes both nationally & internationally including INSEAD France and the Wharton University, USA.

KRISHNA SELVANATHAN

Krishna Selvanathan is a 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.

Board of Directors

SUSAN EVANS (MRS)

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) degree from the University of Wales, UK.

ROY BAGATTINI

(Resigned w.e.f. 7th June 2013)

Mr Bagattini previously worked for SAB Miller where he was the Regional Managing Director for Eastern Europe.

Prior to that, he has held senior general management positions in South Africa and the USA as well as being the country Managing Director of SAB Miller in India, China and Italy. Mr Bagattini has a Bachelor of Commerce degree from the University of South Africa and has also completed various business studies at Stanford University USA and Oxford in the UK.

Mr Bagattini joined the Carlsberg Group in July 2009 and was the Senior Vice-President, Asia for Carlsberg A/S and Carlsberg Breweries A/S serving the Carlsberg Asia region, based in Hong Kong. He was part of the Executive Committee of the Carlsberg Group and also sits on the Board of several companies within the Carlsberg Group. Mr. Roy Enzo Bagattini resigned from the Carlsberg Group and had since 07 June 2013 ceased to be a Director of Lion Brewery (Ceylon) PLC.

SOREN RAVN

(Resigned w.e.f. 10th June 2013)

Soren Ravn was the Managing Director of Carlsberg Brewery Malaysia Berhad from March 2010 till June 2013.

Soren Ravn graduated with a Higher Diploma in Organisation & 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 in March 2010. He moved to Hong Kong in June 2013 to take on the position of Regional CEO - Development Markets (Hong Kong - Taiwan - China M&A - Myanmar - Africa/Malawi).

SOREN LAURIDSEN

(Ceased to be Alternate Director to Roy Bagattini w.e.f. 7th June 2013, Appointed as a Director w.e.f. 10th June 2013 and Resigned w.e.f. 20th February 2014)

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 (CandMerc).

Soren Lauridsen is Regional CEO, South Asia fully responsible for the Markets of India, Nepal, Thailand, Cambodia and Laos. He also functions as Chairman for Laos Brewery, Carlsberg India and Gorkha Brewery in Nepal as well as being a Board member in Carlsberg Myanmar. He has an inspiring career span of 24 years. Mr. Lauridsen joined Carlsberg Poland in 2005, Lao Brewery in 2007 and Carlsberg India in 2010. 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 revitalising all brands: Carlsberg, Beer Lao, Lanexang & Tigerhead water and further strengthened the No.1 position. Mr. Lauridsen reports to the SVP of the Asia Region and is based in the Regional Office in Bangkok

He has been working to position the Company as a quality player and a pioneer in innovation with consumer and 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 in all markets. 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 in India. 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 and Orkla Foods for 3 years. A strong commercial orientation and an astute marketeer, he spearheaded development of brands such as Lipton Tea, Carte D'Or and a key developer of 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.

HENRIK ANDERSEN

(Appointed w.e.f. 10th June 2013)

Mr. Henrik Juel Andersen was appointed to the Board on 10th June 2013 and as Managing Director of Carlsberg Brewery Malaysia Berhad on 1 July 2013.

Mr Andersen holds an MBA and BBA from Copenhagen Business School. He has been with the Carlsberg Group since 1993 and has held general management positions for Carlsberg in Vietnam, China and Taiwan. He was the Regional CEO of Carlsberg Indochina Ltd.(Thailand) from 2007 to July 2013, overseeing for Vietnam, Thailand, Laos, Cambodia and Myanmar. He is now responsible for the South East Asia sub-region comprising Malaysia, Singapore and Carlsberg's interests in Sri Lanka. Mr Andersen is the Chairman of the Group's private companies namely Carlsberg Singapore Pte. Ltd. ("CSPL") and Luen Heng F & B Sdn. Bhd. He also sits on the Board of Carlsberg Marketing Sdn. Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, Malaysian Danish Business Council, Lion Brewery (Ceylon) PLC and Maybev Pte Ltd, a subsidiary of CSPL.

AMAL CABRAAL

(Appointed w.e.f. 01st November 2013)

Amal Cabraal is the former Chairman and Chief Executive Officer of Unilever Sri Lanka. He has over 3 decades of business experience in general management, marketing and sales and apart from Sri Lanka, he has served with Unilever in the United Kingdom, India and Bangladesh. He is an alumnus of INSEAD-France and holds a MBA from the University of Colombo. A Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing – UK. He serves on the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and is a member of the Management Committee of the Mercantile Services Provident Society. He is an external independent Director of John Keells Holdings PLC, HNB Bank PLC, Ceylon Beverage Holdings PLC and also serves on the Supervisory Board of Associated Motorways Ltd.

YOONG FAH LEW

(Ceased to be Alternate Director to Soren Ravn w.e.f. 10th June 2013, Appointed as Alternate Director to Soren Lauridsen w.e.f. 10th June 2013 and Ceased w.e.f. 20th February 2014. Appointed as a Director w.e.f. 27th February 2014)

Yoong Fah Lew obtained his professional accounting qualification (ACCA UK) in 1993. He holds a Masters in Business Administration from the 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 had further expanded his role into corporate affairs in 2012 as the Director of Corporate Affairs of Carlsberg Malaysia.

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.


KRONES
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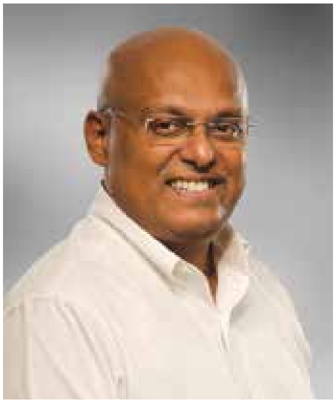
Management Team



SURESH SHAH
CEO /Director

PRASANNA AMERASINGHE
Director - Marketing

CHAN LIYANAGE
Director-Supply Chain

RANIL GOONETILLEKE
Director - Finance

STEFAN ATTON
General Manager-Marketing

NAUSHA RAHEEM
Head of Human Resources

JANAKA BANDARA
Manager - Production

NISHANTHA HULANGAMUWA
Head of Outbound Supply Chain

SHIRAN JANSZ
Head of Sourcing & Procurement

SHARLENE ADAMS
Head of Exports

MADHUSHANKA RANATUNGA
Marketing Manager - Premium Category

ESHANTHA SALGADO
Manager-Quality Assurance

Management Team

CHANDANA RUPASINGHE
Manager - Packaging

CHAMINDA RAJAPAKSHE
Head of Sales

HIRAN EDIRISINGHE
Chief Engineer

DAHAM GUNASENA
Financial Controller

KEERTHI KANAHERAARACHCHI
Head of Administration

PRASHANTHAN PATHMANATHAN
Finance Manager-Marketng

SHIYAN JAYAWEERA
Marketing Manager - Regular Category

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

The Board of Directors of Lion Brewery (Ceylon) PLC (the Company) has pleasure in presenting to the Shareholders their report together with the Audited Financial Statements for the financial year ended 31st March 2014.

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

The Annual Report was approved by the Board of Directors on 20th June 2014.

GENERAL

Lion Brewery (Ceylon) PLC is a public limited liability Company incorporated in Sri Lanka in 1996.

PRINCIPAL ACTIVITY 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.

REVIEW OF OPERATIONS 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Issuance of Rated Unsecured Listed Redeemable Debentures

The Company issued 3,000,000 Rated Unsecured Redeemable Debentures at a face value of Rs.1,000/- each to raise Rs.3,000,000,000/- on 17th June 2013. The interest is paid on 30th June, 30th September, 31st December and 31st March for a period of 5 years.

Change in Article 59 of the Articles of Association

An Extraordinary General Meeting was convened by the Company on 1st November 2013 in order to amend Article 59 of the Articles of Association of the Company to increase the maximum number of members on the Board from eleven (11) to twelve (12). The Shareholders approved the amendment to Article 59.

Further details of significant events during the year are contained in the Chief Executive's Review on pages 14 to 24 of this Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

According to the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company 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

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

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 Accounting Policies have been applied by the Company consistent with the previous years Accounting Policies except in the areas as described in order to be compliant with SLFRS/ LKAS.

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 2014 are set out on pages 56 to 97 of this report.

FINANCIAL RESULTS

For the year ended 31st March	2014	2013
In Rs.'000s		
The profit available for appropriation is:		
- Brought forward Profit	2,653,021	1,952,229
- Profit for the year	1,343,254	1,045,905
- Total other comprehensive loss for the year	(1,121)	-
- Adjustments on returnable containers	-	(25,113)
	3,995,154	2,973,021
From which the following appropriations have been made:		
Dividends		
Ordinary - Rs. 4/- per share (2013 - 4/-)	(320,000)	(320,000)
Leaving a balance to be carried forward	3,675,154	2,653,021

RESERVES

After the above mentioned appropriations, the total reserves of the Company stand at Rs. 4,394 Mn (2013 - Rs.3,372 Mn) comprising Capital Reserves of Rs. 719 Mn (2013 - Rs. 719 Mn) and Revenue Reserves of Rs. 3,675 Mn (2013 - Rs. 2,653 Mn). Details are shown in the Statement of Changes in Equity on page 59.

CAPITAL EXPENDITURE ON PROPERTY, PLANT & EQUIPMENT

The total expenditure on the purchase of capital assets by the Company during the year amounted to Rs.4,502 Mn (2013 - Rs.3,645 Mn). 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 Mn. These are further explained in Note 8 to the Financial Statements.

OUTSTANDING LITIGATION

The outstanding litigations related to the Company are shown in Note 36 to these Financial Statements.

RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

The Company's activities were exposed to a variety of financial risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk and those have been disclosed in Note 32 to these Financial Statements. The need for risk management has been identified and action plans to monitor and manage risks are incorporated into the business plans and are reviewed on a continuous basis.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2014.

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 55 of this Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 1 to 7 in the notes to the Financial Statements on pages 62 to 71.

DONATIONS

There were no donations made during the year ended 31st March 2014. (2013 - Nil)

INTERESTS REGISTER

Directors' Interests

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

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

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

REMUNERATION OF DIRECTORS

Directors' remuneration, for the financial year ended 31st March 2014 is given in Note 27 to the Financial Statements, on page 84.

DIRECTORS' INTEREST IN CONTRACTS AND SHARES

The Related Party Transactions of the Company as required by the Sri Lanka Accounting Standard LKAS 24 Related Party Disclosures are disclosed in Note 37 to these Financial Statements and have been declared at Meetings of the Board of Directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the Ordinary Shares of the Company as shown in the table below.

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

Directors	No. of Shares as at	
	31st March 2014	31st March 2013
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 / Alternate Director to Mr. H. Selvanathan)	-	-
Mrs. S. J. F. Evans	-	-
Mr. R. E. Bagattini (Resigned w.e.f. 7th June 2013)	-	-
Mr. S. Ravn (Resigned w.e.f. 10th June 2013)	-	-
Mr. Y. F. Lew (Ceased to be Alternate Director to Mr. S. Ravn w.e.f. 10th June 2013)	-	-
Mr. S. G. Lauridsen (Ceased to be Alternate Director to Mr. R. E. Bagattini w.e.f. 7th June 2013)	-	-
Mr. H. J. Andersen (Appointed w.e.f. 10th June 2013)	-	-
Mr. D. A. Cabraal (Appointed w.e.f. 1st November 2013)	-	-
Mr. S. G. Lauridsen (Appointed w.e.f. 10th June 2013 / Resigned w.e.f. 20th February 2014)	-	-
Mr. Y. F. Lew (Appointed Alternate Director to Mr. S. G. Lauridsen w.e.f. 10th June 2013/ Ceased to be Alternate Director w.e.f 20th February 2014)	-	-
Mr. Y. F. Lew (Appointed w.e.f. 27th February 2014)	-	-

DIRECTORS

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

APPOINTMENTS AND RESIGNATIONS OF DIRECTORS

Mr. R. E. Bagattini resigned from the Board as a Non-Executive Director with effect from 7th June 2013

Mr. S. G. Lauridsen ceased to be an Alternate Director to Mr. R. E. Bagattini with effect from 7th June 2013.

Mr. S. Ravn resigned from the Board as a Non-Executive Director with effect from 10th June 2013.

Mr. Y. F. Lew ceased to be an Alternate Director to Mr. S. Ravn with effect from 10th June 2013.

Mr. S. G. Lauridsen was appointed as a Non-Executive Director of the Company with effect from 10th June 2013 and resigned with effect from 20th February 2014.

Mr. Y. F. Lew was appointed as an Alternate Director to Mr. S. G. Lauridsen with effect from 10th June 2013 and ceased to be an Alternate Director with effect from 20th February 2014.

Mr. H. J. Andersen was appointed as a Non-Executive Director of the Company with effect from 10th June 2013.

Mr. D. A. Cabraal was appointed as a Non-Executive/ Independent Director of the Company with effect from 1st November 2013.

Mr. Y. F. Lew was appointed as a Non-Executive Director of the Company with effect from 27th February 2014.

Directors to retire by rotation

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

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

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

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

In terms of Articles 68 of the Articles of Association of the Company, Mr. D. A. Cabraal retires from the Board and being eligible offers himself for re-election.

In terms of Articles 68 of the Articles of Association of the Company, Mr. Y. F. Lew retires from the Board and being eligible offers himself for re-election.

Appointment of Director who is over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Mr. L. C. R. de C. Wijetunge who is over 70 years of age be re-appointed as a Director of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not be applicable.

AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants. A sum of Rs. 1,100,000/- was paid to them by the Company as audit fees for the year ended 31st March 2014. (2013 - Rs 1,000,000/-)

Further, a sum of Rs. 70,000/- was paid to them by the Company as audit related services fees for the year ended 31st March 2014 (2013 - Rs. 650,000/-).

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

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

Auditors' relationship or any interest with the Company

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

RELATED PARTY TRANSACTIONS 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 2014 did not exceed 10% of the shareholders equity or 5% of the total assets as at 31st March 2014.

The details of the related party transactions as required by Sri Lanka Accounting Standard - LKAS 24, Related Party Disclosures are given in Note 37 in 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).

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

BOARD OF DIRECTORS

The following Directors held office as at the Reporting date and their brief profiles are given on pages 26 to 29 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. L. C. R. de C. Wijetunge (Chairman)	Non-Executive/ Independent *
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. 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 / Alternate Director to Mr. H. Selvanathan)	Executive
Mrs. S. J. F. Evans	Non-Executive/ Independent
Mr. R. E. Bagattini (Resigned w.e.f. 7th June 2013)	Non-Executive
Mr. S. Ravn (Resigned w.e.f. 10th June 2013)	Non-Executive
Mr. Y. F. Lew (Ceased to be Alternate Director to Mr. S. Ravn w.e.f. 10th June 2013)	-
Mr. S. G. Lauridsen (Ceased to be Alternate Director to Mr. R. E. Bagattini w.e.f. 7th June 2013)	-
Mr. H. J. Andersen (Appointed w.e.f. 10th June 2013)	Non-Executive
Mr. D. A. Cabraal (Appointed w.e.f. 1st November 2013)	Non-Executive/ Independent **
Mr. S. G. Lauridsen (Appointed w.e.f. 10th June 2013 / Resigned w.e.f. 20th February 2014)	Non-Executive
Mr. Y. F. Lew (Appointed Alternate Director to Mr. S. G. Lauridsen w.e.f. 10th June 2013/ Ceased to be Alternate Director w.e.f 20th February 2014)	Non-Executive
Mr. Y. F. Lew (Appointed w.e.f. 27th February 2014)	Non-Executive

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non-Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting of the Board of Directors of the Company held on 20th June 2014, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

* The Board has determined that Mr. 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.

** The Board has determined that Mr. D. A. Cabraal is an Independent/ Non-Executive Director in spite of 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.

DIRECTORS' MEETINGS ATTENDANCE

During the financial year the Board of Directors had six Board Meetings and the attendance of the Directors were as follows;

Board Meetings	03-May-13	29-Jul-13	27-Nov-13	27-Nov-13	17-Feb-14	07-Mar-14	Meetings Attended
Non-Executive/ Independent Directors							
Mr. L. C. R. de C. Wijetunge (Chairman)	✓	✓	✓	✓	✓	✓	6/6
Mrs. S. J. F. Evans	✓	✓	✓	✓	✓	✓	6/6
Mr. D. A. Cabraal (Appointed w.e.f. 1st November 2013)	X	X	✓	✓	✓	✓	4/6
Non-Executive Directors							
Mr. D. C. R. Gunawardena	✓	✓	✓	✓	✓	✓	6/6
Mr. R. E. Bagattini (Resigned w.e.f. 7th June 2013)	X						0/6
Mr. S. G. Lauridsen (Ceased to be Alternate Director to Mr. R. E. Bagattini w.e.f. 7th June 2013)	X						0/6
Mr. S. Ravn (Resigned w.e.f. 10th June 2013)	X						0/6
Mr. S. G. Lauridsen (Appointed w.e.f. 10th June 2013 / Resigned w.e.f. 20th February 2014)		X	X	X	X		0/6
Mr. H. J. Andersen (Appointed w.e.f. 10th June 2013)		X	✓	✓	✓	X	3/6
Mr. Y. F. Lew (Ceased to be Alternate Director to Mr. S. Ravn w.e.f. 10th June 2013)	X						0/6
Mr. Y. F. Lew (Appointed Alternate Director to Mr. S. G. Lauridsen w.e.f. 10th June 2013/ Ceased to be Alternate Director w.e.f 20th February 2014)		✓	X	X	✓		2/6
Mr. Y. F. Lew (Appointed w.e.f. 27th February 2014)						✓	1/6
Executive Directors							
Mr. H. Selvanathan (Deputy Chairman)	✓	✓	✓	✓	✓	X	5/6
Mr. S. K. Shah (Chief Executive Officer)	✓	✓	✓	✓	✓	✓	6/6
Mr. K. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan)	✓	✓	✓	✓	✓	✓	6/6
Mr. C. P. Amerasinghe	✓	✓	✓		✓	✓	5/6
Mr. C.T. Liyanage	✓	✓	✓		✓	✓	5/6
Mr. D. R. P. Goonetilleke	✓	✓	✓		✓	✓	5/6

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

Audit Committee

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

Composition

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

The Audit Committee Report is given on page 50 to 51 of this Annual Report.

Remuneration Committee

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

Composition

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
Mr. R. Theagarajah**	Non-Executive/ Independent Director of CCPLC

* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed with effect from 1st April 2014

Scope and Objective

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

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

Functions and Proceedings

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

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

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

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two Meetings.

Remuneration Committee	04-Dec-13	10-Mar-14	Attended/ Eligible to Attend
Mr. I. Paulraj (Chairman)	✓	✓	2/2
Mr. M. Moonesinghe*	X	X	0/2
Mr. D.C.R. Gunawardena	✓	✓	2/2
Mr. R. Theagarajah**	-	-	-

* Resigned from the CCPLC Board with effect from 31st March 2014 and accordingly from the Remuneration Committee with effect from 31st March 2014

** Appointed with effect from 1st April 2014

Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 27 on page 84 of the Annual Report. Executive Directors are not compensated for their role on the Board.

Nomination Committee

Composition

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

Scope and Objective

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

Functions and Proceedings

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

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties. The Committee is authorised by the Board to seek appropriate professional advice internally and externally as and when considered necessary.

During the period under review the Committee had one Meeting.

Nomination Committee	27-Nov-13	Attended/ Eligible to Attend
Mr. L.C.R. de C. Wijetunge (Chairman)	✓	1/1
Ms. S. J. F. Evans	✓	1/1
Mr. D.C.R. Gunawardena	✓	1/1

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

During the year, the Committee recommended to the Board the following appointments. These recommendations were accepted by the Board;

i. The appointment of Mr. H. J. Andersen to the Board as a Non-Executive Director with effect from 10th June 2013.

ii. The appointment of Mr. S. G. Lauridsen to the Board as a Non-Executive Director with effect from 10th June 2013.

iii. The appointment of Mr. Y. F. Lew as an Alternate Director to Mr. S. G. Lauridsen to the Board with effect from 10th June 2013.

iv. The appointment of Mr. D. A. Cabraal to the Board as a Non-Executive/ Independent Director with effect from 1st November 2013.

v. The appointment of Mr. Y. F. Lew to the Board as a Non-Executive Director with effect from 27th February 2014.

DIVIDEND

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a First and Final dividend of Rs. 4/- per Ordinary Share for the year ended 31st March 2014. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

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 2014 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.

EVENTS OCCURRING AFTER THE REPORTING DATE

Incorporation of a Subsidiary Company

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

Acquisition of Millers Brewery Limited

The Company together with its newly formed subsidiary Pearl Springs (Private) Limited has entered in to a Sale & Purchase Agreement with Cargills (Ceylon) PLC & Millers Brewery Limited, a subsidiary of Cargills (Ceylon) PLC to purchase the shareholding including the trademarks of Millers Brewery Limited at a consideration of Rs.5,150,000,000/- subject to due diligence & settlement of all its liabilities.

Apart from the above events subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

SHARE INFORMATION

Information relating to share trading are given on pages 106 and 107 of this Report.

	Twenty Major Shareholders as at 31st March	2014		2013	
		No. of shares	%	No. of shares	%
1	Ceylon Beverage Holdings PLC	41,798,788	52.25	41,798,788	52.25
2	Carlsberg Brewery Malaysia Berhad	19,680,000	24.60	19,680,000	24.60
3	Carson Cumberbatch PLC A/C No.2	4,107,793	5.13	4,107,793	5.13
4	Hsbc Intl Nom Ltd -Ssbt -Wasatch Frontier Emerging Small Countries Fund	2,256,243	2.82	782,446	0.98
5	Hsbc Intl Nom Ltd-Msco-Route One Fund 1,L.P.	2,110,620	2.64	2,110,620	2.64
6	Hsbc Intl Nom Ltd-Msco-Route One Offshore Master Fund L.P.	2,016,281	2.52	2,016,281	2.52
7	Caceis Bank Luxembourg S/A Barca Global Master Fund L.P.	1,473,118	1.84	1,473,118	1.84
8	Bukit Darah PLC A/C No 2	1,300,000	1.63	1,300,000	1.63
9	Gf Capital Global Limited	1,265,199	1.58	1,265,199	1.58
10	Carson Cumberbatch PLC A/C No. 01	1,101,071	1.38	983,900	1.23
11	Hsbc Intl Nom Ltd-Bp2s Singapore-Bnp Paribas Bank And Trust Cayman Limited As Trustee For Harvest Funds (Cayman) - Asia Frontier Equity Fund	336,282	0.42	198,862	0.25
12	Seylan Bank Limited/Priyani Dharshini Ratnagopal	300,000	0.38	300,000	0.38
13	Hsbc International Nominees Ltd-Morgan Stanley And Co Intl PLC-Own A/C	200,000	0.25	200,000	0.25
14	Mellon Bank N.a.-Commonwealth Pen Pub School	166,193	0.21	12,135	0.02
15	Portelet Limited	161,920	0.20	161,920	0.20
16	Tranz Dominion,L.L.C.	129,251	0.16	129,251	0.16
17	Newgreens Limited	83,200	0.10	83,200	0.10
18	HSBC Intl Nom Ltd-Msco-Route One Fund Ii ,L.P.	77,644	0.10	77,644	0.10
19	Union Assurance Plc/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Tracker Fund)	71,887	0.09	-	-
20	Mr. S.N. Samarakkody	54,000	0.07	54,000	0.07

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

ANNUAL REPORT

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

The Board of Directors has approved the Audited Financial Statements of the Company together with the reviews and other reports which form part of the Annual Report on 20th June 2014. The appropriate number of copies of the Annual Report have been submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

ANNUAL GENERAL MEETING

The 18th Annual General Meeting of the Company will be held on Wednesday, 23rd July 2014 at 2.30 P.M. at the Hilton Colombo, ‘Grand Ballroom’, 2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 109 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)
S. K. Shah
CEO/Director

(Sgd.)
C. T. Liyanage
Director

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

Colombo
20th June 2014

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 Members of the Audit Committee are as follows :

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

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

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

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

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

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

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

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

CCPLC-Audit Committee held 08 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 eight)	
Mr.V.P. Malalasekera (Chairman)	08
Mr.D.C.R. Gunawardena	07
Mr.F. Mohideen	08

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 Messrs. KPMG 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 and discussed the draft Financial Report and Accounts, without the management being present.

The Audit Committee approved the audit plan for the financial year 2013/2014 and the Group Internal Audit (GIA) carried out 10 detailed 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 objective 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.

The draft financial statements of Lion Brewery (Ceylon) PLC for the year ended 31st March 2014 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 2015, 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

Colombo
20th June 2014

Flavour of excellence

Financial Calendar

Financial Year	**31st March 2014**
Announcement of Results	
1st Quarter	30th June 2013
Issued to Colombo Stock Exchange	14th August 2013
2nd Quarter	30th September 2013
Issued to Colombo Stock Exchange	14th November 2013
3rd Quarter	31st December 2013
Issued to Colombo Stock Exchange	13th February 2014
4th Quarter	31st March 2014
Issued to Colombo Stock Exchange	30th May 2014
Meetings	
17th Annual General Meeting	7th June 2013
18th Annual General Meeting	23rd July 2014

Independent Auditors' Report

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

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
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, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information set out on pages 56 to 97 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, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014 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.

KPMG

CHARTERED ACCOUNTANTS

June 20th, 2014
Colombo, Sri Lanka

Statement of Financial Position

As at 31st March In Rs.'000s	Note	2014	2013
ASSETS			
Non- Current Assets			
Property, plant & equipment	8	11,658,310	7,991,094
Intangible assets	9	257,133	8,284
Total Non-Current Assets		11,915,443	7,999,378
Current Assets			
Inventories	10	2,695,021	2,406,715
Trade and other receivables	11	2,384,727	2,855,469
Amounts due from related companies	12	214,071	17,150
Investment in fixed deposits	13	-	1,578,014
Cash and cash equivalents	14	6,857,302	2,232,783
Total Current Assets		12,151,121	9,090,131
Total Assets		24,066,564	17,089,509
EQUITY AND LIABILITIES			
Equity			
Stated capital	15	2,537,801	2,537,801
Capital reserves	16	719,411	719,411
Retained earnings		3,675,154	2,653,021
Total Equity		6,932,366	5,910,233
Non- Current Liabilities			
Debentures	17	2,798,800	-
Loans and borrowings	18	2,307,690	2,723,906
Employee benefits	19	93,313	79,315
Deferred tax liabilities	20	1,204,097	789,579
Total Non- Current Liabilities		6,403,900	3,592,800

As at 31st March In Rs.'000s	Note	2014	2013
Current Liabilities			
Trade and other payables	21	774,473	786,327
Amounts due to related companies	22	67,401	51,744
Refundable deposits	23	1,044,123	980,333
Current tax liabilities	24	886,473	958,293
Debentures	17	294,974	-
Loans and borrowings	18	6,861,650	1,364,077
Bank overdrafts	14	801,204	3,445,702
Total Current Liabilities		10,730,298	7,586,476
Total Liabilities		17,134,198	11,179,276
Total Equity and Liabilities		24,066,564	17,089,509
Net assets per ordinary share (Rs.)		86.65	73.88

The Notes to the Financial Statements from page 62 to 97 form an integral part of these Financial Statements.
I certify that the above Financial Statements comply with the requirements of Companies Act No.07 of 2007.

(Sgd.)
D.R.P. Goonetilleke
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

(Sgd.)
S. K. Shah
Director

(Sgd.)
C. T. Liyanage
Director

Carsons Management Services (Private) Limited
Colombo
20th June 2014

Statement of Comprehensive Income

For the year ended 31st March In Rs.'000s	Note	2014	2013
Revenue	25	25,804,319	22,191,670
Cost of sales		(19,817,748)	(17,213,066)
Gross profit		5,986,571	4,978,604
Other income	26	15,433	26,503
		6,002,004	5,005,107
Distribution expenses		(2,948,066)	(2,697,039)
Administrative expenses		(624,112)	(598,841)
Other expenses		(76,829)	(166,338)
Profit from operations	27	2,352,997	1,542,889
Finance income	28	632,375	517,915
Finance costs	28	(784,578)	(479,021)
Net finance (costs)/income		(152,203)	38,894
Profit before taxation		2,200,794	1,581,783
Income tax	29	(857,540)	(535,878)
Profit for the year		1,343,254	1,045,905
Other comprehensive income			
Remeasurement of employee benefit obligations	19	(1,121)	-
Total other comprehensive loss for the year		(1,121)	-
Total comprehensive income for the year		1,342,133	1,045,905
Dividend per share (Rs.)	30	4.00	4.00
Earnings per ordinary share (Rs.)	31	16.79	13.07

The Notes to the Financial Statements from page 62 to 97 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

In Rs.'000s	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2012		2,537,801	719,411	1,952,229	5,209,441
Total comprehensive income for the year					
Profit for the year		-	-	1,045,905	1,045,905
Total other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	1,045,905	1,045,905
Transactions recorded directly in equity contribution and distributions made to owners					
Adjustments to returnable containers		-	-	(25,113)	(25,113)
Ordinary dividends	30	-	-	(320,000)	(320,000)
Balance as at 31st March 2013		2,537,801	719,411	2,653,021	5,910,233
Balance as at 1st April 2013		2,537,801	719,411	2,653,021	5,910,233
Total comprehensive income for the year					
Profit for the year		-	-	1,343,254	1,343,254
Total other comprehensive loss		-	-	(1,121)	(1,121)
Total comprehensive income for the year		-	-	1,342,133	1,342,133
Distributions made to owners					
Ordinary dividends	30	-	-	(320,000)	(320,000)
Balance as at 31st March 2014		2,537,801	719,411	3,675,154	6,932,366

The Notes to the Financial Statements from page 62 to 97 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	Note	2014	2013
Cash Flows from Operating Activities			
Profit before taxation		2,200,794	1,581,783
Adjustments for:			
Finance costs	28	784,578	479,021
Depreciation on property, plant & equipment	8	581,191	503,482
Net Inventory provision (reversal)/made	10	(68,864)	20,925
Amortization of intangible assets	9	3,328	4,608
Reclassification of returnable containers	8	(4,700)	-
Provision for retirement benefit obligation	19	17,033	15,272
Loss /(profit) on disposal of property, plant & equipment		626	(3,765)
Exchange loss/ (gain) on revaluation of foreign currency term loans	18	31,965	(5,270)
Interest income	28	(632,375)	(517,915)
Operating cash flow before working capital changes		2,913,576	2,078,141
Increase in inventories	10	(219,442)	(1,110,759)
Decrease /(increase) in trade and other receivables	11	470,742	(1,825,280)
Increase in amounts due from related companies	12	(196,921)	(17,150)
(Decrease)/(increase) in tax payables		(273,103)	188,646
(Decrease)/increase in trade and other payables		(12,151)	231,557
Increase in amounts due to related companies	22	15,657	36,555
Cash generated from/ (used in) operations		2,698,358	(418,290)
Finance expenses paid		(667,034)	(479,021)
Retirement benefits paid	19	(4,156)	(1,847)
Taxes paid		(273,722)	(799,095)
Net cash generated from/ (used in) operating activities		1,753,446	(1,698,253)
Cash Flows from Investing Activities			
Purchase and construction of property , plant & equipment	8	(4,500,156)	(3,644,714)
Purchase of intangible assets	9	(1,429)	(484)
Proceeds from sale of property, plant & equipment		5,074	6,089
Agent deposits received	23	63,790	148,776
Agent deposits refunded	23	-	(27,107)
Maturity of /(investment in) fixed deposits	13	1,578,014	(1,578,014)
Interest received	28	632,375	517,915
Net cash used in investing activities		(2,222,332)	(4,577,539)

For the year ended 31st March In Rs.'000s	Note	2014	2013
Cash Flows from Financing Activities			
Loans and borrowings received	18	12,910,739	2,922,410
Proceeds from debentures	17	3,000,000	-
Repayments of loans and borrowing	18	(7,885,117)	(261,429)
Dividend paid net of tax		(287,719)	(288,170)
Net cash generated from financing activities		7,737,903	2,372,811
Net increase /(decrease) in cash & cash equivalents		7,269,017	(3,902,981)
Cash & cash equivalents at the beginning of the year		(1,212,919)	2,690,062
Cash & cash equivalents at the end of the year		6,056,098	(1,212,919)
Analysis of Cash & Cash Equivalents			
Cash & cash equivalents		6,857,302	2,232,783
Bank overdraft		(801,204)	(3,445,702)
		6,056,098	(1,212,919)

The Notes to the Financial Statements from page 62 to 97 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1 CORPORATE INFORMATION

1. 1 Reporting Entity

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 228 employees (2013 - 225) as at the reporting date.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Company comprise the Statements of Financial Position, Comprehensive Income, Changes in Equity and Cash Flows together with the notes to the Financial Statements.

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as LKAS/SLFRS) as laid down by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Company's Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorized for issue by the Board of Directors on 20th June 2014.

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 LKAS/SLFRS 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 20 – Deferred tax liabilities

Note 19 – Employee benefits

Note 36 – Commitments and contingencies

2.5 Comparative Information

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements of the Company unless otherwise indicated.

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 Financial Assets and Liabilities

3.2.1 Financial Assets

a. 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 profit & loss, the directly attributable costs are not considered. The financial assets include cash and short term deposits, trade and other receivables.

b. Subsequent measurement

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

c. 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.

d. Derecognition

The Company derecognizes 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.

e. 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 group 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 reliably estimated.

Objective evidence that a financial asset is 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.

f. 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 profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Statement of Comprehensive Income.

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

3.2.2 Financial Liabilities

a. 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.

b. Subsequent measurement

The Company classifies non derivative financial liabilities into the following category. 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.

c. Derecognition

A financial liability is derecognized 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.

3.2.3 Amortised cost measurement

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

3.2.4 Determination of Fair value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the company measures the fair value of an instrument using quoted prices in an active market for that instrument. If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. To make disclosures required by Sri Lanka Accounting Standards, the company should classify fair value measurements using a fair value hierarchy which is categorized in to following levels.

Fair value measurement hierarchy

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

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

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

However as carrying values of financial assets and liabilities approximated its fair values as at the reporting date, the fair value hierarchy does not apply for the company.

3.3 Property, Plant and Equipment

3.3.1 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 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.

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 derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in the 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 the 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.

Category	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
Returnable 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 group that is classified as held for sale) and the date the asset is derecognized.

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 except empty bottles meant for exports are 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.

Empty bottles used for exports are recognised as an expense in the Statement of Comprehensive Income at the time the export takes place.

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

h. Capital Work - in- Progress

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

i. 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, including expenditure is 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 are available for use. The estimated useful life for the current and comparative years is as follows;

Category	Years
Software License	05

3.4 Inventories

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

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Category	Basis
Raw 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 which are obsolete.

3.5 Liabilities and Provisions

3.5.1 Liabilities

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

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

3.5.2 Refundable Deposits

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

3.5.3 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.

3.6 Employee Benefits

a. Defined contribution plans

A defined contribution plan is a post employment plan under which an entity pays a fixed contribution into a separate entity during the period of employment and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as an 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. The contribution of the Employee Trust Fund is 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 qualified actuary using the projected unit credit method. The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value.

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

Any actuarial gains or losses arising are recognized immediately in the Other Comprehensive Income and all expenses related to defined benefit plans in personnel expenses in the Statement of Comprehensive Income.

The liability was not externally funded.

3.7 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.

3.8 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 group 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 the 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 recognised as an expense in the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income using the effective interest rate method.

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

4.4 Income Tax Expenses

An income tax expense comprises current and deferred tax. An income tax expense is recognized directly in the Statement of Comprehensive Income except to the extent that if 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 tax

Deferred tax is provided using the 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 Earnings Per Share

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

The EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by number of ordinary shares in issue.

4.6 Dividend Distribution

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

5 CASH FLOW STATEMENT

5.1 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.

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 Flow Statement 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 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 NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014.

Accordingly, these Standards have not been applied in preparing these Financial Statements.

Sri Lanka Accounting Standard - SLFRS 13 - "Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS will become effective from 1 January 2014.

This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

The Company has started the process of evaluating the potential effect of this. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required; the adoption of IFRS 13 will require the Company to provide additional disclosures. Given the nature of the Company's operations, this standard is not expected to have a significant impact on the Company's financial statements

Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments"

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

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of this Standard has been deferred.

8 PROPERTY, PLANT & EQUIPMENT

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings
Cost / Valuation				
As at 1st April 2013 as previously reported	945,504	829,793	3,895,016	20,346
Reclassification	-	-	-	-
As at 1st April 2013	945,504	829,793	3,895,016	20,346
Additions	659	-	348	565
Transfers (Note 8.4)	-	202,436	819,169	10
Disposals/ breakages	-	-	-	(30)
As at 31st March 2014	946,163	1,032,229	4,714,533	20,891
Accumulated Depreciation				
As at 1st April 2013 as previously reported	-	41,746	1,187,996	12,778
Reclassification	-	-	-	-
As at 1st April 2013	-	41,746	1,187,996	12,778
Charge for the year	-	20,558	202,249	1,096
Disposals/ breakages	-	-	-	(30)
As at 31st March 2014	-	62,304	1,390,245	13,844
Net Book Value				
As at 31st March 2014	946,163	969,925	3,324,288	7,047
As at 31st March 2013	945,504	788,047	2,707,020	7,568

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), independent professional valuer and the resultant surplus arising therefrom was transferred to the revaluation reserve and included under revaluation reserves.

Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work- in -Progress	31st March 2014	31st March 2013
20,981	107,902	55,826	33,306	2,121,859	2,418,562	10,449,095	6,922,300
-	-	-	-	4,700	-	4,700	(97,346)
20,981	107,902	55,826	33,306	2,126,559	2,418,562	10,453,795	6,824,954
74	3,121	8,200	-	242,888	4,244,301	4,500,156	3,644,714
2,068	38,247	34,192	8,697	59,763	(1,415,330)	(250,748)	(2,564)
-	(412)	(14,134)	-	(11,610)	-	(26,186)	(18,008)
23,123	148,858	84,084	42,003	2,417,600	5,247,533	14,677,017	10,449,096
10,581	73,572	25,701	29,279	1,076,349	-	2,458,002	2,042,388
-	-	-	-	-	-	-	(72,184)
10,581	73,572	25,701	29,279	1,076,349	-	2,458,002	1,970,204
1,600	20,471	10,780	2,212	322,225	-	581,191	503,482
-	(198)	(9,273)	-	(10,985)	-	(20,486)	(15,684)
12,181	93,845	27,208	31,491	1,387,589	-	3,018,707	2,458,002
10,942	55,013	56,876	10,512	1,030,011	5,247,533	11,658,310	
10,400	34,330	30,125	4,027	1,045,511	2,418,562	-	7,991,094

8 PROPERTY, PLANT & EQUIPMENT CONTD.

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

In Rs.'000s	Land	Buildings
Cost as at 1st April 2013	375,898	746,765
Additions during the year	659	202,436
Cost as at 31st March 2014	376,557	949,201
Accumulated depreciation	-	(191,367)
	376,557	757,834
Appreciation due to revaluation		
Revaluation amount	569,606	83,028
Accumulated depreciation on cost as at revaluation	-	136,078
Revaluation surplus	569,606	219,106
Accumulated depreciation on revaluation amount	-	(7,015)
Net appreciation	569,606	212,091
Carrying amount as at 31st March 2014	946,163	969,925

8.3 Extents, locations, valuations and number of buildings and land holdings.

	2013/14				2012/13			
Location	Extent of Lands	Cost / Revalue of Lands In Rs.'000s	Number of buildings/ Blocks	Cost/ Revalue of Buildings In Rs.'000s	Extent of Lands	Cost / Revalue of Lands In Rs.'000s	Number of buildings/ Blocks	Cost/ Revalue of Buildings In Rs.'000s
Factory & Office Premises	10A.1R.05P	490,732	34	968,298	10A.1R.05P	490,732	34	765,862
New packaging Line Land	8A. 3R.20.14P	326,825	5	27,817	6A.3R.14.40P	326,825	4	27,817
Kaduwela Land	3A.0R.27P	77,318	1	33,545	3A.0R.27P	76,658	1	33,545
Keerthi Mawatha Lands	0A.2R.21.81P	13,650	1	2,569	0A.0R.44P	13,650	1	2,569
Parakum Mawatha Lands	0A.2R.26.67P	37,639	-	-	0A.2R.8.67P	37,639	-	-
Total	23A.2R.15.67P	946,163	41	1,032,229	21A.0R.14.12P	945,504	39	829,793

A : Acres R : Roods P : Perches

8.4 Cost of purchased, customized/developed software amounting to Rs. 250,748,970/- has been transferred from Capital work in progress in Property, Plant and Equipment to Intangible Assets based on its nature.(2013- Rs. 2,564,322/-)

8.5 The Company has capitalised the borrowing cost amounting to Rs. 532,035,344/- (2013- Rs. 148,891,000/-)

8.6 Property, Plant and Equipment includes fully depreciated assets still in use which cost/valuation is Rs. 807,008,372/- (2013 - Rs. 584,076,995/-)

As at 31st March In Rs.'000s	2014	2013

9 INTANGIBLE ASSETS

	2014	2013
Cost		
Opening balance	90,163	87,115
Additions during the year	1,429	484
Transfers from capital WIP (Note 8.4)	250,748	2,564
Closing balance	342,340	90,163
Amortisation		
Opening balance	81,879	77,271
Amortisation for the year	3,328	4,608
Closing balance	85,207	81,879
Net Book Value	257,133	8,284

Intangible assets consist of the software licenses used by the Company.

As at 31st March In Rs.'000s	2014	2013
10 INVENTORIES		
Raw and packing materials	576,712	372,640
Work in progress	145,249	97,672
Finished goods	1,795,380	1,763,434
Maintenance spares & others	220,632	284,785
	2,737,973	2,518,531
Provision for inventory (Note 10.1)	(42,952)	(111,816)
	2,695,021	2,406,715
10.1 Provision for inventory		
Balance as at beginning of the year	111,816	90,891
Provisions made during the year	74,719	71,836
Reversals during the year	(143,583)	(50,911)
Balance as at end of the year	42,952	111,816
11 TRADE AND OTHER RECEIVABLES		
Trade receivables	1,065,596	1,404,116
Provision for doubtful debts (Note 11.1)	(15,065)	(15,065)
	1,050,531	1,389,051
Advances given to business partners	286,432	144,764
Other advances	823,379	985,616
Prepayments	75,966	100,199
Other receivables	148,419	235,839
	2,384,727	2,855,469
11.1 Provision for doubtful debts		
Balance as at beginning of the year	15,065	15,065
Provisions / write-offs during the year	-	-
Balance as at end of the year	15,065	15,065
12 AMOUNTS DUE FROM RELATED COMPANIES		
Luxury Brands (Private) Limited	214,071	17,150

As at 31st March In Rs.'000s	2014	2013

13 INVESTMENTS IN LONG TERM FIXED DEPOSITS

Fixed deposits with financial institutions	-	1,500,000
Interest receivable on fixed deposits	-	78,014
	-	1,578,014

14 CASH AND CASH EQUIVALENTS

Fixed deposits with financial institutions	6,449,484	2,052,435
Savings accounts	4,861	1,528
Short term deposits	-	58,719
Cash at bank	401,092	118,161
Cash in hand	1,865	1,940
	6,857,302	2,232,783

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

CASH AND CASH EQUIVALENTS

Cash at bank	6,857,302	2,232,783
Bank overdrafts	(801,204)	(3,445,702)
	6,056,098	(1,212,919)

15 STATED CAPITAL

Shares issued and fully paid (80,000,000 ordinary shares)	2,537,801	2,537,801

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.

As at 31st March In Rs.'000s	2014	2013

16 CAPITAL RESERVES

The Capital Reserve relates to revaluation of land and buildings. It comprises of the increase in the fair value of land and buildings at the date of revaluation. (Note 8.1)

Revaluation reserve	719,411	719,411

As at 31st March In Rs.'000s	2014	2013
17 DEBENTURES		
Balance as at the beginning of the year	-	-
Issued (Note 17.1)	3,000,000	-
Interest payable (Note 17.5)	93,774	-
Balance as at the end of the year	3,093,774	-

17.1 New Debenture issue

The Company issued 3,000,000 Rated Unsecured Redeemable Debentures at the face value of Rs. 1,000/- each to raise Rs. 3,000,000,000/- on 17th June 2013. The interest is paid on 30th June, 30th September, 31st December and 31st March for a period of 5 years.

The categories of Debentures and Proportion of each types of debenture in each category are as follows.

	2014	2013
Category 01 Debentures - Floating Rate (Note 17.2)	1,006,000	-
Category 02 Debentures - Fixed Rate (Note 17.3)	1,994,000	-
Total	3,000,000	-

17.2 Category 01 Debentures - Floating Rate

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

17.3 Category 02 Debentures - Fixed Rate

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

17.4 Composition of Debentures and interest payable

Classified under non current liabilities		
Debentures falling due after one year (Note 17.2 & 17.3)	2,798,800	-
Classified under current liabilities		
Debentures falling due within one year (Note 17.2 /Type A)	201,200	-
Debenture interest payable (Note 17.5)	93,774	-
	294,974	-

17.5 Interest paid on Debentures

During the period the Company has charged Rs. 320,937,352/- (2013-Nil) as debenture interest on both at fixed and floating rates of which Rs. 93,773,466/- (2013 - Nil) was payable as at the reporting date.

As at 31st March In Rs.'000s	2014	2013
18 LOANS AND BORROWINGS		
Balance as at the beginning of the year	4,087,983	1,432,272
Obtained during the year	12,910,739	2,922,410
Repayments during the year	(7,885,117)	(261,429)
Exchange loss /(gain) on foreign currency loans	31,965	(5,270)
Total loans and borrowings (Note 18.1)	9,145,570	4,087,983
Interest payable	23,770	-
Balance as at the end of the year	9,169,340	4,087,983

18.1 Details of loans and borrowings

Name of the Lender	Interest Rate (p.a)	31st March 2014 In Rs.'000s	31st March 2013 In Rs.'000s	Repayment Terms	Security Offered
DFCC - Rs. 50 Mn	10.50%	-	890	Payable in 57 equal monthly installments commencing from August 2008	Unsecured
HSBC - USD 1.1 Mn	1 month LIBOR + 3.87%	-	8,565	Payable in equal monthly installments commencing from July 2010	Unsecured
HSBC - USD 11.05 Mn	3 month LIBOR + 3.17%	944,168	1,156,118	Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
DFCC - Rs. 1 Bn	3 Months AWDR + 3%	800,000	1,000,000	Payable in 60 equal monthly installments commencing from April 2013	Unsecured
HSBC - Up to Rs. 2.2 Bn	1 month SLIBOR + 2.75 %	1,651,402	1,472,410	Payable in 42 equal monthly installments commencing from April 2013	Unsecured
SCB - Rs. 450 Mn	14.25%	-	450,000	1 month - renewable	Unsecured
HNB - Rs. 750 Mn	7.60%	750,000	-	1 month - renewable	Unsecured
HNB - Rs. 2,500 Mn	8.00%	2,500,000	-	1 month - renewable	Unsecured
HNB - Rs. 750 Mn	7.85%	750,000	-	1 month - renewable	Unsecured
HNB - Rs. 400 Mn	7.60%	400,000	-	1 month - renewable	Unsecured
Commercial Bank Rs. 850 Mn	7.75%	850,000	-	1 month - renewable	Unsecured
SCB - Rs. 500 Mn	7.65%	500,000	-	1 month - renewable	Unsecured
Total		9,145,570	4,087,983		

As at 31st March In Rs.'000s	2014	2013

18.2 Composition of loans and borrowings repayment

Classified under non current liabilities		
Loans and borrowings falling due after one year	2,307,690	2,723,906
Classified under current liabilities		
Loans and borrowings falling due within one year	6,837,880	1,364,077
Interest payable	23,770	-
	6,861,650	1,364,077

19 EMPLOYEE BENEFITS

The amounts recognized in the Statements of Financial Position are as follows:

Present value of unfunded obligation	93,313	79,315
Liability in the Statements of Financial Position	93,313	79,315

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

As at 1st April	79,315	65,890
Interest cost	7,931	6,589
Current service cost	9,102	8,369
Actuarial loss	1,121	314
Benefits paid	(4,156)	(1,847)
As at 31st March	93,313	79,315

For the year ended 31st March In Rs.'000s	2014	2013
The amounts recognised in the Comprehensive Income Statement are as follows:		
Interest cost	7,931	6,589
Current service cost	9,102	8,369
Actuarial loss	-	314
	17,033	15,272
The amounts recognised in the Other Comprehensive Income are as follows:		
Actuarial loss	1,121	-

19.1 The gratuity liability as at 31st March 2014 amounting to Rs. 93,312,807/- (2013 - Rs. 79,315,042/-) is based on an Actuarial Valuation carried out by Mr M Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

The principal assumptions made are given below:

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

19.2 The liability is not externally funded.

19.3 Sensitivity of assumptions used

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

	Discount Rate	Rate of Pay
Increase by one percentage	(5,343)	6,323
Decrease by one percentage	5,975	(5,747)

As at 31st March In Rs.'000s	2014	2013
20 DEFERRED TAX LIABILITIES		
Deferred tax liability (Note 20.1)	1,204,097	789,579
Balance as at end of the year	1,204,097	789,579
20.1 Movement of Deferred tax liability		
Balance as at beginning of the year	789,579	575,476
Originated during the year (Note 29)	414,518	214,103
Balance as at end of the year	1,204,097	789,579
20.2 Net Deferred tax liability relates to the followings.		
Temporary differences from Property,Plant & Equipment	1,241,422	821,305
Employee benefits	(37,325)	(31,726)
	1,204,097	789,579

As at 31st March In Rs.'000s	2014	2013

21 TRADE AND OTHER PAYABLES

Trade payables	517,234	453,977
Trade incentives	57,059	48,270
Accruals	62,978	91,659
Other payables	137,202	192,421
	774,473	786,327

22 AMOUNTS DUE TO RELATED COMPANIES

Carlsberg A/S	54,652	40,613
Ceylon Beverage Holdings PLC	12,749	11,131
	67,401	51,744

23 REFUNDABLE DEPOSITS

Balance as at beginning of the year	980,333	858,664
Deposits received during the year	63,790	148,776
Deposits refunded during the year	-	(27,107)
Balance as at end of the year	1,044,123	980,333

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

24 CURRENT TAX LIABILITIES

Excise duty	505,395	854,518
Value added tax	181,048	116,337
Income tax	155,925	(45,359)
Nation building tax	44,105	32,797
	886,473	958,293

For the year ended 31st March In Rs.'000s	2014	2013

25 REVENUE

Local revenue	25,517,976	21,907,873
Export revenue	286,343	283,797
	25,804,319	22,191,670

26 OTHER INCOME

Profit on disposal of property, plant & equipment	-	3,765
Other income	15,433	22,738
	15,433	26,503

For the year ended 31st March In Rs.'000s		2014	2013
27 PROFIT FROM OPERATIONS			
Operating profit is stated after charging all expenses including the following :			
Directors' fees and emoluments		33,017	49,808
Auditors' remuneration	- Audit Fee	1,100	1,000
	- Audit related services	70	650
	- Non audit services	150	2,030
Depreciation on property, plant equipment (Note 8)		581,191	503,482
Amortisation of intangible assets (Note 9)		3,328	4,608
Royalty		233,428	205,178
Supporting service fees		130,144	117,860
Personnel expenses (Note 27.1)		413,724	425,992
27.1 Personnel expenses			
Salaries, wages and other related expenses		361,156	379,638
Defined benefit plan costs - Gratuity (Note 19)		17,033	15,272
Defined contribution plan cost - EPF & ETF		35,535	31,082
		413,724	425,992

For the year ended 31st March In Rs.'000s	2014	2013

28 NET FINANCE (COSTS)/INCOME

	2014	2013
Finance Income:		
Interest income - FD	621,514	514,837
Interest income - FCBU deposits	11	2,985
Interest income - Other	10,850	93
Total Finance income	632,375	517,915
Interest Expenses :		
Interest expenses -term loans	340,540	175,234
Interest expenses -bank overdrafts & bank charges	1,707	148,272
Interest on debentures	176,598	-
Interest expenses - others	222,452	167,921
Total Interest expenses (Note 28.1)	741,297	491,427
Net foreign exchange transaction loss /(gain)	43,281	(12,406)
Total Finance costs	784,578	479,021
Net Finance (costs) / income	(152,203)	38,894

28.1 Analysis of Total Interest Expenses

	2014	2013
Total interest expenses	1,273,332	640,318
Less: Capitalised during the period (Note 8.5)	(532,035)	(148,891)
Interest expenses recognised in the Statement of Comprehensive Income	741,297	491,427

For the year ended 31st March In Rs.'000s	2014	2013
29 INCOME TAX		
Income tax (Note 29.1)	443,022	321,775
Net deferred tax (Note 20.1)	414,518	214,103
Total income tax	857,540	535,878
29.1 Reconciliation of the accounting profit and tax		
Profit before taxation	2,200,794	1,581,783
Remeasurement of employee benefit obligations (Note 19)	(1,121)	-
Profit before tax adjustments	2,199,673	1,581,783
Aggregate of disallowable expenses	1,022,296	907,710
Aggregate of allowable claims	(1,701,429)	(1,211,435)
Tax adjusted profit	1,520,540	1,278,058
Less : Exempt interest income	(11)	(49)
Total Statutory Income	1,520,529	1,278,009
Royalty	(233,428)	(205,178)
Assessable income /Taxable income	1,287,101	1,072,831
Current tax (Note 29.2.1)	443,022	364,272
Over provision in respect of prior years	-	(42,497)
Total income tax	443,022	321,775

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% (2013 - 40%) and profits attributable to export turnover are liable at 12% (2013 - 12%). Income arising on interest income were considered as separate source of income and which is taxed at 28%. (2013 - 28%).

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

For the year ended 31st March In Rs.'000s	2014	2013

30 DIVIDENDS

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

30.1 The Board of Directors has recommended the payment of a final dividend of Rs.4/- per share for the year ended 31st March 2014 (2013 - 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 2014.

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

30.3 Currently ordinary dividend 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 is based on profit for the year attributable to the ordinary shareholders and number of ordinary shares in issue.

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

In Rs.'000s	2014	2013
Profit for the year	1,343,254	1,045,905
Net profit attributable to ordinary shareholders (as the Numerator)	1,343,254	1,045,905
Number of ordinary shares (as denominator)	80,000	80,000
Earnings per ordinary share (Rs.)	16.79	13.07

32 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/Counterparty Risk

(b) Liquidity risk

(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 analyze the risks faced by the Company, to set appropriate risk limits, controls 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 Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

32.1.1 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:

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

32.1.2 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 namely Peoples Bank, DFCC, Sampath and NDB bank.
Trade and other receivables	Most of trade receivables are covered through either bank guarantees or as a discounting arrangement without recourse to the Company with a commercial bank.
Due from related companies	Monitor the balance outstanding regularly
Cash and cash equivalents	Monitor the balance outstanding regularly

32.1.3 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.

As at 31st March (in Rs. 000)	2014	2013
Investments	-	1,578,014
Trade and other receivables	2,384,727	2,855,469
Amounts due from related companies	214,071	17,150
Cash and cash equivalents	6,857,302	2,232,783
	9,456,100	6,683,416
The maximum exposure to credit risk at the reporting date by type of counterparty was:		
Financial institutions	6,857,302	3,810,797
Customers and other parties	2,384,727	2,855,469
Related parties	214,071	17,150
	9,456,100	6,683,416

32.1.4 Trade & Other Receivable

The Company has a well established credit policy for both international and domestic customers to minimise credit risk. The Company obtains bank guarantees from all the agents to cover part of their outstandings. In addition to these bank guarantees, the bank provides a facility to cover the receivable amount in excess of the bank guarantee with nil recourse to the Company. Except for the Agents representing Kandy and Ratnapura, all others are fully covered through a combination of bank guarantees and bank facilities.

The bank guarantees and the facility from the bank cover 100% of all the trade receivables.

32 FINANCIAL RISK MANAGEMENT CONTD.

32.1.5 Impairment Losses

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

As at 31st March (In Rs.000)	2014	2013
Age		
Past due 0 - 365 days	1,050,531	1,389,051
More than 365 days	15,065	15,065
	1,065,596	1,404,116

32.2.1 Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting the obligation associated with its financial liabilities that are to be settled by delivering cash or other financial assets.

32.2.2 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:

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

(b) Arrange adequate facilities with banks as contingency measures.

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

32.2.3. The Maturity Analysis of Liabilities

As at 31st March 2013 Current & Non Current (In Rs.000)	Carrying value	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	3,445,702	3,445,702	-
Loans and borrowings	4,087,983	1,364,077	2,723,906
Trade & other payables	786,327	786,327	-
Refundable deposits	980,333	980,333	-
Amounts due to related companies	51,744	51,744	-
	9,352,089	6,628,183	2,723,906

As at 31st March 2014 Current & Non Current (In Rs.000)	Carrying value	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	801,204	801,204	-
Loans and borrowings	9,169,340	6,861,650	2,307,690
Debentures	3,093,774	294,974	2,798,800
Trade & other payables	774,473	774,473	-
Amounts due to related companies	67,401	67,401	-
Refundable deposits	1,044,123	1,044,123	-
	14,950,315	9,843,825	5,106,490

32.3.1 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) that can 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.

32.3.2 Management of market risks

All borrowing rates are linked to AWDR, AWPLR, LIBOR and SLIBOR. Hence, any movement will be in line with market and have a corresponding impact.

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

32.3.3 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.

32 FINANCIAL RISK MANAGEMENT CONTD.

32.3.4 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.

32.3.5 Sensitivity analysis on interest rate fluctuation

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

Instrument	Rate	Increase by one percentage	Decrease by one percentage
Debenture Type A	AWPLR + 0.20%	14,743	(11,725)
Debenture Type B	AWPLR + 0.40%	15,045	(12,027)
Debenture Type C	AWPLR + 0.60%	15,347	(12,329)
Debenture Type D	AWPLR + 0.80%	15,648	(12,630)
Debenture Type E	AWPLR + 1.10%	16,101	(13,083)
HSBC - USD 11.05 Mn	3 month LIBOR + 3.17%	41,543	(22,660)
Potential impact		118,427	(84,454)

32.3.6 Management of interest rate risk

The facility limits given by banks are reviewed annually or whenever required. The market rates/values, trends & movements are reviewed weekly to ascertain the interest rate risk and plan of action. A daily review is made on outstanding balances and interest rates.

32.4 Accounting classifications and fair values

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

As at 31st March 2014	Carrying value		Fair value
Financial Instrument	**Loans and receivables**	**Other financial liabilities**	
Financial assets			
Trade and other receivables	2,384,727		2,384,727
Amounts due from related companies	214,071		214,071
Cash and cash equivalent	6,857,302		6,857,302
Financial liabilities			
Debentures		3,093,774	3,093,774
Loans and borrowings		9,169,340	9,169,340
Trade and other payables		774,473	774,473
Refundable deposits		1,044,123	1,044,123
Amounts due to related companies		67,401	67,401
Bank overdraft		801,204	801,204

As the carrying value of financial assets and liabilities approximates its fair values, the fair value hierarchy does not apply.

33 EVENTS OCCURRING AFTER THE REPORTING PERIOD

33.1 Incorporation of a Subsidiary Company

Pearl Springs (Private) Limited, a private Limited Liability Company was incorporated on 20th May 2014 as a fully owned Subsidiary of the Company.

33.2 Acquisition of Millers Brewery Limited

The Company together with its newly formed subsidiary Pearl Springs (Private) Limited has entered in to a Sale & Purchase Agreement with Cargills (Ceylon) PLC & Millers Brewery Limited, a subsidiary of Cargills (Ceylon) PLC to purchase the shareholding including the trademarks of Millers Brewery Limited at a consideration of Rs.5,150,000,000/- subject to due diligence & settlement of all its liabilities.

33.3 Dividends

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommend a First and Final dividend of Rs.4/-per Ordinary share for the year ended 31st March 2014. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

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

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to give proper presentations as at 31st March 2014.

35 SEGMENTAL ANALYSIS

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

36 COMMITMENTS AND CONTINGENCIES

36.1 Finance Commitments

Document credits effected for foreign purchases of the Company as at 31st March 2014 amounting to Rs. 378,005,086/- (2013 - Rs. 1,230,812,683/-).

36.2 Contingencies

(a) Contingent liabilities as at 31st March 2014 amount to Rs. 17,076,169/- (2013 - Rs. 128,876,247/-), 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 disputed Excise Duty of Rs.29,376,791/47 and its penalty of Rs. 29,376,791/47. The Company and the directors have obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case and filed an application for Writ in the Court of Appeal, to quash the Certificate of Excise Duty in Default and penalty issued by the DG of Customs and Excise Duty to recover the said sum. The Court of Appeal made an order against the Company refusing the writ of Certiorari prayed for and the Company has now preferred a Special Leave to Apppeal to the Supreme Court against the said order of the Court of Appeal.

(c) As disclosed in Note 33.2 above, Acquisition of Millers Brewery Limited, upon the satisfactory completion of the conditions precedent in the Sale & Purchase Agreement with Cargills (Ceylon) PLC & Millers Brewery Limited, the Company is committed to pay Rs.5,150,000,000/- towards the settlement of the transaction.

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

37 RELATED PARTY DISCLOSES

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 Related Party Disclosure, the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and comparable with what is applied to transactions between the Company and its unrelated customers.

(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,D. A. Cabraal ,H.J.Andersen, 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. 132,218,641/- (2013 - Rs.128,429,445/-) as royalty in accordance with the licensed brewing agreement with the Company.

(b) As at 31st March 2014 the balance payable by the Company to Ceylon Beverage Holdings PLC is Rs. 12,749,389/-. (2013 - Rs. 11,131,040/-)

(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, to which the Company sold beer for a total value of Rs. 183,630,888/- (2013 - Rs. 166,708,404/-) during the year at the market value.

No balance was receivable to Lion Brewery (Ceylon) PLC from Pubs N' Places (Private) Limited as at 31st March 2014. (2013 - 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. 211,148,300/- (2013 - Rs. 81,400,544 /-) during the year at the market value.

No balance was receivable to Lion Brewery (Ceylon) PLC from Retail Spaces (Private) Limited as at 31st March 2014. (2013 - 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 Brands (Private) Limited, from which the Company obtained management services for a management fee amounting to Rs. 11,954,282/- (2013 - Rs. 13,158,565/).

An amount of Rs. 214,071,291/- was receivable to Lion Brewery (Ceylon) PLC from Luxury Brands (Private) Limited as at 31st March 2014. (2013 - Rs. 17,149,658/-)

(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 supporting services to the Company. An amount of Rs. 231,750,623/- (2013-Rs. 240,510,089/-) was paid by the Company during the year to Carsons Management Services (Private) Limited which included Supporting Service Fees of Rs. 130,143,825/- (2013 -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 2014 (2013 - Nil/-).

(F) Transactions with other related entities

(a) Mr. H.J. Andersen, Director of the Company and Mr. G.J. Fewkes, Director of Ceylon Beverage Holdings PLC, represents Carlsberg Brewery Malaysia Berhad. Mr. G.J. Fewkes is also an officer of Carlsberg affiliated Companies, with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

(i) As per the licensed brewing agreement, a sum of Rs. 101,209,154/- (2013 - Rs.76,749,028/-) was paid as royalty during the year to Carlsberg A/S.

(ii) During the period the Company purchased a part of its requirement of the raw material Aroma Hop from Carlsberg A/S amounting to Rs. 7,392,825/- (2013 - Rs. 4,507,957/-).

(iii) An amount of Rs. 54,651,778/- is payable to Carlsberg A/S as at 31st March 2014 (2013 - Rs. 40,613,227/-).

(b) Mr. K. Selvanathan, Director of the Company is also Director of Carlsberg India Private Limited from which the Company purchased finished beer cans for the purpose of resale during the period for a sum of Rs. 417,771,855/-. (2013 - Rs. 397,853,928/-)

(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.131,435,540/- (2013 - Rs. 124,851,146/-). As at the reporting date an amount of Rs. 70,087,738/- (2013 - Rs. 57,719,133/-) has been advanced to Ran Sahal (Private) Limited which remains to be settled from future purchases.

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

(d) Mr. D.C.R. Gunawardena, Director of the Company, is also a Director of the following companies with which the Company entered into transactions.

(i) An amount of Rs. 29,314/- has been paid as parking fees to Equity Two PLC . (2013 - Rs. 41,142/-)

(ii) An amount of Rs.47,699/- has been paid as rental to Equity One PLC. (2013 - Rs. 194,127/-)

(e) Messrs. D.C.R. Gunawardene and H. Selvanathan , Directors of the Company, are also Directors of the following companies with which the Company entered into the following transactions.

(i) The Company obtained services from Carsons Airline Services (Private) Limited for foreign travel for which an amount of Rs. 7,319,308/- was paid (2013 - Rs. 9,274,114/-) during the year.

(ii) An amount of Rs. 333,780/- (2013 - Rs. 747,884/-) has been paid to Pegasus Hotels of Ceylon PLC for the hotel services provided to the Company.

(f) Mr. D. A. Cabraal, Director of the Company, is also Director of HNB PLC, from which during the period the Company obtained short term loans/ overdrafts for operational purposes.

An amount of Rs. 4,400,000,000/- is payable to HNB PLC on account of outstanding short term loans as at 31st March 2014.

(g) Mr. L. C. R. de C. Wijethunge, Director of the Company, are also Director of Janashakthi Insurance PLC for which Company has paid Rs. 10,358,836/- (2013-Rs. 27,981,691/-) as insurance premium.

(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 and share based payments have been paid to key management personnel during the year.

During the period the Company sold a motor vehicle to Mr. C.T. Liyanage for Rs.3,080,000/-. When the disposal was made the carrying value of the motor vehicle was Rs. 4,861,462/-.

During the period the Company sold a motor vehicle to Mr. D. R. P. Goonetilleke for Rs.11,200/-. When the disposal was made the carrying value of the motor vehicle was Rs. 1/-.

38 DIRECTORS RESPONSIBILITY STATEMENT

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

Value Added Statement

For the year ended 31st March In Rs.'000s	2014		2013	
Revenue	25,804,319		22,191,670	
Value added tax	3,065,440		2,632,252	
Other income	15,433		26,503	
Finance income	632,375		517,915	
	29,517,567		25,368,340	
Cost of material & services bought from outside	(10,596,323)		(8,551,298)	
Value Added	18,921,244		16,817,042	
Distributed as follows		**%**		**%**
To Employees				
as remuneration and other employee costs	413,724	2.19	425,992	2.53
To Government				
as value added tax	3,065,440	16.20	2,632,252	15.65
as excise duty	11,225,461	59.33	8,327,347	49.52
as import tax	1,068,851	5.65	2,982,286	17.73
as income tax	276,085	1.46	364,272	2.17
as nation building tax	480,453	2.54	396,990	2.36
To Providers of Capital				
as finance costs	784,578	4.15	479,021	2.85
Retained in the Business				
as depreciation/amortisation	584,519	3.09	508,090	3.02
as profit for the year	1,022,133	5.39	700,792	4.17
	18,921,244	100.00	16,817,042	100.00

Notes:

The Statement of Value Added shows the quantum of wealth generated by the activities of the Company and its applications.
The total tax liability / payment made to the Government during the year include the following:

In Rs.'000s	2014	2013
Value Added Tax	3,065,440	2,632,252
Excise Duty	11,225,461	8,327,347
Income Tax	276,085	364,272
Import Taxes	1,068,851	2,982,286
Nation Building Tax	480,453	396,990
Total taxes paid to the Government	16,116,290	14,703,147

Five Year Summary

Year ended 31st March In Rs.'000s	2014	2013	2012	2011	2010
Revenue	25,804,319	22,191,670	17,649,146	11,250,330	7,919,292
Other income	15,433	26,503	24,135	5,205	1,018
	25,819,752	22,218,173	17,673,281	11,255,535	7,920,310
Total expenditure	(23,466,755)	(20,675,284)	(15,355,184)	(9,711,066)	(7,048,699)
Profit from operations	2,352,997	1,542,889	2,318,097	1,544,469	871,611
Net finance (costs)/income	(152,203)	38,894	(209,157)	(192,938)	(282,666)
Profit before tax	2,200,794	1,581,783	2,108,940	1,351,531	588,945
Income tax	(857,540)	(535,878)	(888,680)	(562,994)	7,808
Profit for the year	1,343,254	1,045,905	1,220,260	788,537	596,753
Total comprehensive loss for the year	(1,121)	-	-	-	-
Total comprehensive income for the year	1,342,133	1,045,905	1,220,260	788,537	596,753
Dividends - ordinary	320,000	320,000	320,000	240,000	-

As at 31st March In Rs.'000s	2014	2013	2012	2011	2010
FINANCIAL POSITION					
Stated capital	2,537,801	2,537,801	2,537,801	2,187,801	2,187,801
Capital reserves	719,411	719,411	719,411	860,518	232,628
Retained earnings	3,675,154	2,653,021	1,952,229	1,324,550	1,207,821
	6,932,366	5,910,233	5,209,441	4,372,869	3,628,250
Loans and borrowings payable after one year	2,307,690	2,723,906	1,103,802	1,176,728	372,264
Debentures payable after one year	2,798,800	-	-	-	-
CAPITAL EMPLOYED	12,038,856	8,634,139	6,313,243	5,549,597	4,000,514
REPRESENTED BY					
Total non-current assets	11,915,443	7,999,378	4,889,756	6,282,904	3,863,784
Total current assets	12,151,121	9,090,131	5,236,931	2,260,938	2,259,263
Total current liabilities	(10,730,298)	(7,586,476)	(3,172,078)	(2,534,377)	(1,689,343)
Employee benefits	(93,313)	(79,315)	(65,890)	(51,402)	(34,715)
Deferred tax liabilities	(1,204,097)	(789,579)	(575,476)	(408,466)	(398,475)
	12,038,856	8,634,139	6,313,243	5,549,597	4,000,514

Five Year Summary

Year ended 31st March In Rs.'000s	2014	2013	2012	2011	2010
CASH FLOW STATISTICS					
Net cash inflows from operating activities	1,753,446	(1,698,253)	1,116,467	1,759,215	738,854
Net cash (outflows)/inflows from investing activities	(2,222,332)	(4,577,539)	1,270,023	(1,512,191)	(437,363)
Net cash inflows/(outflows) from financing activities	7,737,903	2,372,811	(676,307)	912,984	1,118,658
Net cash movement for the year	7,269,017	(3,902,981)	1,710,183	1,160,008	1,420,149
RATIOS & STATISTICS					
Return on shareholders' funds (%)	19.36	17.70	23.42	18.03	16.45
Assets turnover (times)	1.07	1.30	1.74	1.32	1.29
Equity to total assets (times)	3.47	2.89	1.94	1.95	1.69
Interest cover (times)	3.67	12.60	10.93	7.72	3.08
Gearing ratio (%)	47.24	47.28	-	12.10	16.46
Current ratio (times)	1.13	1.20	1.65	0.89	1.34
Earnings per share (Rs)	16.79	13.07	15.25	9.86	8.69
Price earnings ratio (times)	23.29	25.47	13.08	20.29	9.95
Market price per share (Rs)	391.00	333.00	199.50	200.00	86.50
Net assets per share (Rs)	86.65	73.88	65.12	54.66	45.35
Market capitalisation (Rs'000)	31,280,000	26,640,000	15,960,000	16,000,000	6,920,000
Dividends - Preference (%)	-	-	12.50	12.50	12.50
- Ordinary (Rs.)	4.00	4.00	4.00	3.00	-

Statement of Financial Position - US$

As at 31st March In USD '000s	2014	2013
ASSETS		
Non- Current Assets		
Property, plant & equipment	88,207	62,202
Intangible assets	1,945	64
Total Non-Current Assets	90,152	62,266
Current Assets		
Inventories	20,391	18,734
Trade and other receivables	18,043	22,227
Amounts due from related companies	1,620	133
Investment in fixed deposits		12,283
Cash and cash equivalents	51,882	17,380
Total Current Assets	91,936	70,757
Total Assets	182,088	133,023
EQUITY AND LIABILITIES		
Equity		
Stated capital	33,068	33,068
Capital reserves	5,443	5,600
Currency fluctuations	(13,867)	(13,313)
Retained profits	27,806	20,651
Total Equity	52,450	46,006
Non- Current Liabilities		
Debentures	21,176	-
Loans and borrowings	17,460	21,203
Employee benefits	706	617
Deferred tax liabilities	9,110	6,146
Total Non- Current Liabilities	48,452	27,966
Current Liabilities		
Trade and other payables	5,860	6,121
Amounts due to related companies	510	403
Refundable deposits	7,900	7,631
Current tax liabilities	6,707	7,459
Debentures	2,232	-
Loans and borrowings	51,915	10,618
Bank overdrafts	6,062	26,819
Total Current Liabilities	81,186	59,051
Total Liabilities	129,638	87,017
Total Equity and Liabilities	182,088	133,023

Statement of Comprehensive Income - US$

Year ended 31st March In USD '000s	Note	2014	2013
Revenue	2	198,418	169,428
Cost of sales		(152,386)	(131,418)
Gross profit		46,032	38,010
Other income		119	202
		46,151	38,212
Distribution expenses		(22,669)	(20,591)
Administrative expenses		(4,799)	(4,572)
Other expenses		(590)	(1,279)
Profit from operations		18,093	11,780
Finance income		4,863	3,954
Finance costs		(6,033)	(3,657)
Net finance (costs)/income		(1,170)	297
Profit before tax		16,923	12,076
Income tax		(6,594)	(4,091)
Profit for the period		10,329	7,985
Other comprehensive income			
Remeasurement of employee benefit obligations		(9)	-
Total comprehensive Loss for the year		(9)	-
Total comprehensive income for the year		10,320	7,985

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:

		2014	2013
Income statement	Average rate	130.05	130.98
Monetary assets and liabilities	Closing rate	132.17	128.47
Non-current assets and liabilities	Closing rate	132.17	128.47
Ordinary share capital	Historical rate	57.99	57.99

For the year ended 31st March In USD '000s	2014	2013
2 REVENUE		
Local revenue	196,217	167,261
Export revenue	2,201	2,167
	198,418	169,428

Five Year Summary - US$

Year ended 31st March In USD '000s	2014	2013	2012	2011	2010
Revenue	198,418	169,428	151,540	99,570	68,299
Other income	119	202	207	130	23
	198,537	169,630	151,747	99,700	68,322
Total expenditure	(180,444)	(157,851)	(131,844)	(85,957)	(60,794)
Profit from operations	18,093	11,779	19,903	13,743	7,528
Net finance (costs)/ income	(1,170)	297	(1,795)	(1,394)	(2,071)
Profit before tax	16,923	12,076	18,108	12,349	5,457
Income tax	(6,594)	(4,091)	(7,630)	(4,983)	67
Profit for the period	10,329	7,985	10,478	7,366	5,524
Total other comprehensive loss for the year	(9)	-	-	-	-
Total comprehensive income for the year	10,320	7,985	10,478	7,366	5,524
Dividends - ordinary	2,461	2,443	2,748	2,124	-

As at 31st March In USD '000s	2014	2013	2012	2011	2010
FINANCIAL POSITION					
Stated capital	33,068	33,068	33,068	33,068	33,068
Capital reserves	5,443	5,600	5,552	7,729	2,026
Currency fluctuations	(13,867)	(13,313)	(30,257)	(21,891)	(19,113)
Retained earnings	27,806	20,651	31,843	23,516	18,662
	52,450	46,006	40,206	42,422	34,643
Loans and borrowings payable after one year	17,460	21,203	8,519	10,570	194
Debentures payable after one year	21,176	-			
CAPITAL EMPLOYED	91,086	67,209	48,725	52,992	34,837
REPRESENTED BY					
Total non-current assets	90,152	62,266	37,738	56,436	33,646
Total current assets	91,936	70,757	40,418	20,308	19,673
Total current liabilities	(81,186)	(59,051)	(24,481)	(19,621)	(14,710)
Employee benefits	(706)	(617)	(509)	(462)	(302)
Deferred tax liabilities	(9,110)	(6,146)	(4,441)	(3,669)	(3,470)
	91,086	67,209	48,725	52,992	34,837

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.

The Stock Exchange Code for Lion Brewery (Ceylon) PLC shares is “LION”.

2 SHARE VALUATION

The market price of the Company’s share as at 31st March 2014 was Rs. 391/- per share (2013 - Rs.333/-).

3 ORDINARY SHAREHOLDERS

As at 31st March	2014	2013
Number of shareholders	1,104	1,170

(a) Frequency distribution of shareholdings as at 31st March 2014.

Distribution of Shares	Residents			Non- Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1 - 1,000	865	183,513	0.23	10	5,001	0.01	875	188,514	0.24
1,001 - 10,000	165	474,460	0.59	18	58,226	0.07	183	532,686	0.67
10,001 - 100,000	21	520,234	0.65	9	355,807	0.44	30	876,041	1.10
100,001 -1,000,000	1	300,000	0.38	5	993,646	1.24	6	1,293,646	1.62
Above 1,000,000	4	48,307,652	60.38	6	28,801,461	36.00	10	77,109,113	96.39
Grand total	1,056	49,785,859	62.23	48	30,214,141	37.77	1,104	80,000,000	100.00

(b) Categories of Shareholders

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individual	1,016	1,102,744	1.38
Institutions	88	78,897,256	98.62
Total	1,104	80,000,000	100.00

(c) The number of shares held by non-residents as at 31st March 2014 was 30,214,141 (2013 - 29,151,232) which amounts to 37.77% (2013 - 36.44%).

(d) Percentage of shares held by the public as at 31st March 2014 was 14.61% (2013 - 15.15%).

4 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2014	2013
Highest (Rs.)	444.00	340.00
Lowest (Rs.)	330.00	199.50
Value of Shares traded (Rs Mn)	790	1,688
No. of shares traded	2,127,293	7,304,821

5 MARKET CAPITALIZATION

The market capitailsation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share was Rs. 31,280,000,000/- as at 31st March 2014 (2013 - Rs. 26,640,000,000/-).

6 ORDINARY DIVIDENDS

The Board of Directors has recommended the payment of First and Final dividend of Rs. 4/- per share for the year ended 31st March 2014 (2013 - 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 Reporting 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 interest bearing loans (including bank OD less interest bearing deposits).

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
Stated capital plus reserves.

Events occurring after Reporting date
Significant events that occur between the reporting date and the date on which financial statements are authorised for issue.

Gearing
Ratio of borrowings to capital employed.

Interest cover
Profits before tax and interest charges divide by Net 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 total liabilities 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)
Market price of a share divided by earnings per share

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

Revenue reserves
Reserves considered as being available for future distribution and appropriations.

Value addition
The quantum of wealth generated by the activities of the Company

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Wednesday, the 23rd day of July 2014 at 2.30 P.M. at the Hilton Colombo, 'Grand Ballroom', 2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka for the following purposes:

1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Report of the Independent Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. To re-elect Mrs. S. J. F. Evans who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

4. To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

5. To re-elect Mr. H. J. Andersen as a Director in terms of Article 68 of the Articles of Association of the Company.

6. To re-elect Mr. D. A. Cabraal as a Director in terms of Article 68 of the Articles of Association of the Company.

7. To re-elect Mr. Y. F. Lew as a Director in terms of Article 68 of the Articles of Association of the Company.

8. 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.07 of 2007 shall not be applicable to Mr. L. C. R. de C. Wijetunge who is 76 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."

9. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 07 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd.)
K. D. De Silva (Mrs)
Director

Carsons Management Services (Private) Limited
Secretaries

Colombo
20th June 2014

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 21st July 2014.

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.

Notes

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,
SUSAN JULIET FARRINGTON EVANS	Or failing her,
HENRIK JUEL ANDERSEN	Or failing him,
DAMIAN AMAL CABRAAL	Or failing him,
YOONG FAH LEW	Or failing him,

as *my/our proxy to attend at the Eighteenth Annual General Meeting of the Company to be held on Wednesday, the 23rd day of July 2014 at 2.30 P.M. at the Hilton Colombo, 'Grand Ballroom', 2, Sir Chittampalam A Gardiner Mawatha, Colombo 02, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2014, together with the Report of the Independent Auditors thereon.	☐	☐
2.	To declare Rs. 4/- per share as a First and Final dividend for the financial year ended 31st March 2014 as recommended by the Directors.	☐	☐
3.	To re-elect Mrs. S. J. F. Evans who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	☐	☐
4.	To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.	☐	☐
5.	To re-elect Mr. H. J. Andersen as a Director in terms of Article 68 of the Articles of Association of the Company.	☐	☐
6.	To re-elect Mr. D. A. Cabraal as a Director in terms of Article 68 of the Articles of Association of the Company.	☐	☐
7.	To re-elect Mr. Y. F. Lew as a Director in terms of Article 68 of the Articles of Association of the Company.	☐	☐
8.	To re-appoint Mr. L. C. R. de C. Wijetunge who is over Seventy years of age as a Director of the Company.	☐	☐
9.	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No.07 of 2007 and to authorize the Directors to determine their remuneration.	☐	☐

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

....
Signature/s

Notes

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.

2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 54 of the Articles of Association of the Company:

   The instrument appointing a proxy shall be in writing and:

   (i) in the case of an individual shall be signed by the appointor or by his attorney; and

   (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.

   The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

   A proxy need not be a shareholder of the Company.

4. In 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 21st July 2014.

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

SUBSIDIARY COMPANY
Pearl Springs (Private) Limited
(Incorporated on 20/May/2014)

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. P. Amerasinghe
C.T. Liyanage
D. R. P. Goonetilleke
K. Selvanathan (Director / Alternate Director to H. Selvanathan)
Ms. S.J.F.Evans
R.E.Bagattini (Resigned w.e.f. 07/June/2013)
S.G.Lauridsen (Ceased to be Alternate Director to R.E.Bagattini w.e.f. 07/June/2013)
S. Ravn (Resigned w.e.f. 10/June/2013)
Y.F.Lew (Ceased to be Alternate Director to S. Ravn w.e.f. 10/June/2013)
H.J.Andersen (Appointed w.e.f. 10/June/2013)
S.G.Lauridsen (Appointed w.e.f. 10/June/2013 / Resigned w.e.f. 20/February/2014)
Y.F.Lew (Appointed Alternate Director to S.G.Lauridsen w.e.f. 10/June/2013 and Ceased to be Alternate Director to S.G.Lauridsen w.e.f 20/February/2014)
D. A. Cabraal (Appointed w.e.f. 01/November/2013)
Y.F.Lew (Appointed w.e.f. 27/February/2014)

BANKERS
Citibank
Commercial Bank
Deutsche Bank
Hatton National Bank
HSBC
Nations Trust Bank
Standard Chartered Bank
Sampath Bank
DFCC Bank
National Development 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

Designed & produced by
emagewise
Digital Plates & Printing by
Aitken Spence Printing & Packaging (Pvt) Ltd
Photography by Manakal Wijayapala

www.carsoncumberbatch.com