Annual Report 2014/15

END OF THE BEGINNING

Lion Brewery (Ceylon) PLC

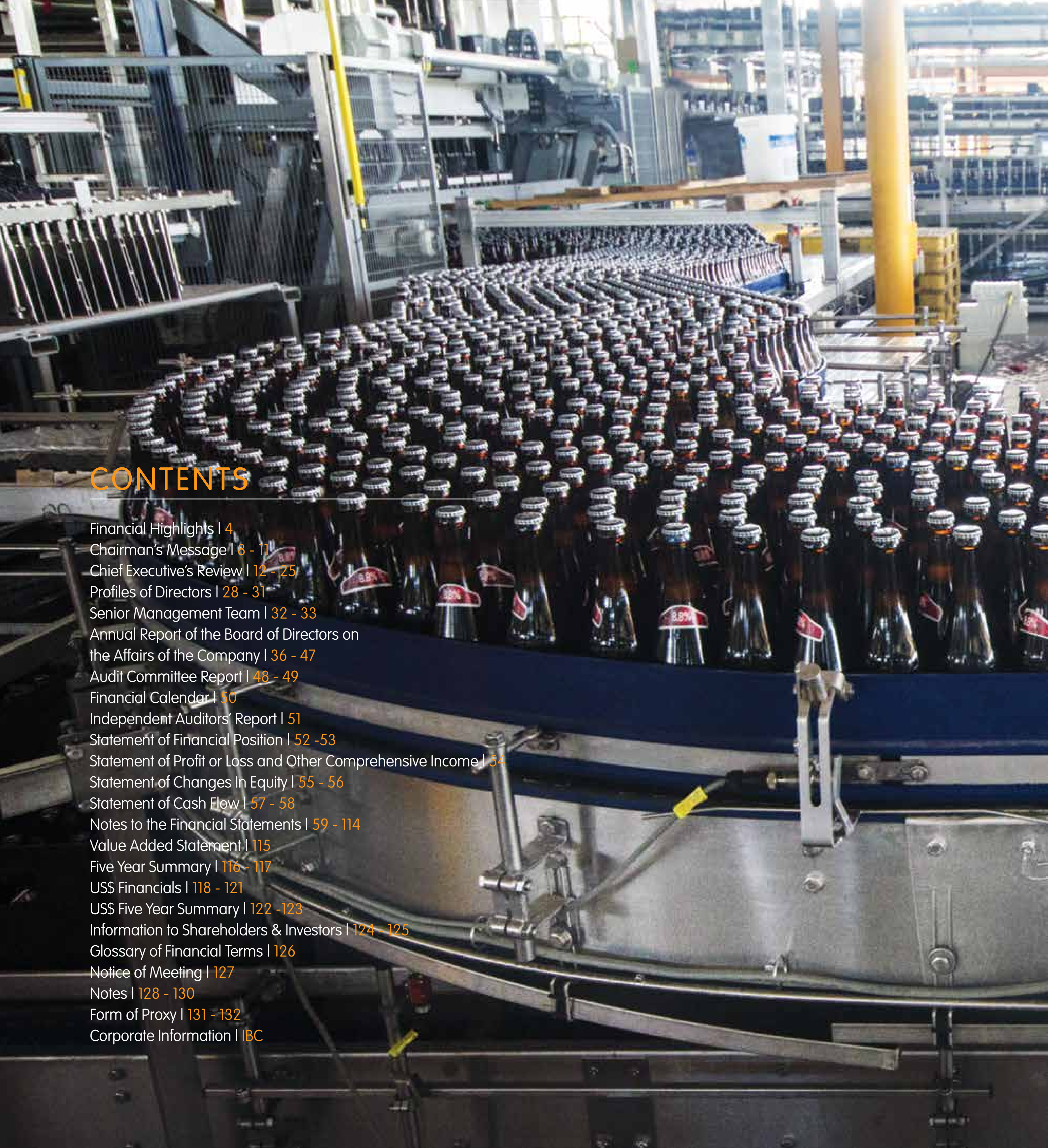
Read the Lion Brewery (Ceylon) PLC
Annual Report 2014/15 online

END OF THE BEGINNING

Lion Brewery was incorporated in 1996 as a joint venture between Ceylon Brewery (now known as Ceylon Beverage Holdings PLC) and the global brewing giant Carlsberg. Today its portfolio includes a trio of Lion brands, widely acclaimed as Sri Lanka's finest beers and Carlsberg & Carlsberg Special Brew, which are brewed and marketed under license. Both the Lion and Carlsberg claim to heritage of over a century in brewing excellence and market leadership. Recently Lion Brewery acquired the Three Coins and Sando portfolio and with it a range of brands that have served Sri Lankan consumers for well over 5 decades.

In its formative years, Lion has built a strong foundation to grasp the opportunities that lie ahead. It has remained true to its rich heritage of brewing excellence but has nevertheless modernised to remain relevant to the 21st century. Lion has an aggressive and creative corporate culture that is driven by consumer needs and supported by a truly state of the art manufacturing facility and supply chain excellence. It may operate in the most regulated industry in the Country, but this is a challenge its talented team thrives on as they strive to exceed stakeholder expectations.

At Lion the journey is never ending. Perfection is said to be unattainable but it doesn't stop us from seeking it. Along the way, there are waypoints at which we will stop, take stock, re-strategise, energize and prepare for the opportunities that lie ahead. We have reached the first of the waypoints. It is the end of the beginning...



CONTENTS

FINANCIAL HIGHLIGHTS

	2015 Rs.'000	2014 Rs.'000	% Change
Revenue	32,350,375	25,804,319	25.37
Profit before finance cost	2,984,420	2,352,997	26.83
Profit before taxation	2,386,367	2,200,794	8.43
Profit after taxation	1,330,320	1,343,254	(0.96)
Dividends per share (Rs.)	4.00	4.00	-
Shareholders' funds	7,926,582	6,932,366	14.34
Total assets	26,521,313	24,064,784	10.20
Earnings per ordinary share (Rs.)	16.63	16.79	(0.95)
Net assets per ordinary share (Rs.)	99.08	86.65	14.34
Market capitalisation	48,000,000	31,280,000	53.45

Rs. 2,386Mn
Profit Before Tax
(2014-Rs. 2,201Mn)

Rs. 48,000Mn
Market Capitalisation
(2014-Rs. 31,280Mn)


IT'S PAPARE TIME!
PAPARE
IT'S PAPARE TIME!
ENGLISH RED ALE


LIMITED PAPARE EDITION
PAPARE
ENGLISH TOUR 2014
ENGLISH RED ALE
ALC 4.8% V/V
LIMITED PAPARE EDITION
BRING HOME THE CUP
PAPARE
CELEBRATION PILSNER
ALC 4.8% V/V

CHAIRMAN'S MESSAGE

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

Dear Shareholder,

On behalf of the Board of Directors and myself, I am delighted to welcome the shareholders to the 19th Annual General Meeting of the Company and to present to you the Annual Report for the year ended 31st March 2015, which you would have now reviewed. As the Chief Executive Officers review covers the performance of the Company in detail, I will restrict my comments to some salient issues.

On the economic front the GDP grew by 7.4%, driven mainly by the industry sector. Whilst the services sector has contributed marginally above last year, agriculture has recorded a sharp decline. On the back drop of this economic performance, the turnover of the Company grew to Rs.32.3 billion from last year's Rs.25.8 billion. The improvement in turnover however was largely a result of price increases necessitated by two Excise Duty revisions and adjustments made to the taxation structure applicable to Your Company.

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

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

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

CHAIRMAN'S MESSAGE

Rs. 2.3Bn

Profit Before Tax

Despite the many challenges faced, the Company returned a profit before tax of Rs. 2.3 billion compared to last years Rs.2.2 billion.

Despite the many challenges faced, the Company returned a profit before tax of Rs. 2.3 billion compared to last years Rs.2.2 billion. The profit after tax however was Rs.1.2 billion, a marginal decline vis-à-vis last year's Rs.1.3 billion primarily due to the substantial deffered tax adjustments necessitated due to the high capital expenditure. If not for the untiring skill and efforts of the entire staff of the brewery and the commitment of the management team, these results may not have been possible. I therefore take this opportunity to thank every employee and the management team for their commitment & contribution towards these results.

On the backdrop of these results, I am pleased to propose a first & final dividend of Rs.4/- per share to be paid consequent to obtaining the necessary approvals at this Annual General Meeting.

Mr. Prasanna Amarasinghe who functioned as the Marketing Director since the inception of the Company retired on the 31st of March 2015. The work he has done on the brands, to build them to their current potential and the excellent distribution processes he has introduced, has to be recognized. Although retired, he will continue to work closely with the Company on areas of his expertise. On behalf of the Company and myself, I wish him well.

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

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

With best wishes,

(Sgd.)
L C R De C Wijetunge
Chairman

Colombo
21st May 2015

"I take this opportunity to thank every employee and the management team for their commitment & contribution towards these results."

CHIEF EXECUTIVE'S REVIEW

"Lion was ranked amongst the 10 most valuable brands in Sri Lanka. Lion Stout was placed amongst the top 20 stouts in the world by Esquire Magazine, was named as Asia's Best Stout at the World Beer Awards at which it won Gold and was awarded a Bronze at the New York International Beer Competition.

Executive Summary

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

In financial terms, on a turnover of Rs. 32.35 billion, up 25% from the previous year and driven primarily by tax related changes, your Company recorded a Pre-Tax Profit of Rs. 2.28 billion. These results were after recording an amount of Rs. 0.73 billion relating to unusual and non-recurring expenditure, the details of which are explained in detail elsewhere in this review. Thus from the perspective

of on-going operations, your Company's Pre-Tax Profit crossed Rs. 3 billion during the year under review.

The results of your Company have been consolidated with those of its subsidiaries, Millers Brewery and Pearl Springs, the latter being the special purpose entity through which the former was acquired. As these entities have not engaged in operational activities since the acquisition of Millers Brewery, the consolidated results reflect the performance of the parent, Lion Brewery, with the exception of an impairment on investment accounted for at Pearl Springs, the details of which are explained elsewhere in this review.

Economic Environment

During the year 2014 the Country's GDP recorded a growth of 7.4%, at first glance, a commendable performance, in the prevailing global economic environment. However, the growth has been driven mainly by the construction sector and conversion to household incomes has been less than expected. Indeed growth in household incomes has not kept pace with that of GDP in recent times and is reflected in a

CHIEF EXECUTIVE'S REVIEW

slowdown in the FMCG sector during the period 2012 to 2014. However, the FMCG sector experienced volume growth during the last quarter of 2014 and the momentum has continued into the 1st quarter of 2015 as well.

The Country experienced a severe drought during the year under review. The areas most affected were in the North Central Province. The paddy harvest during both the Yala & Maha seasons were very seriously affected compelling the government to reduce import tariffs on rice. It was not just the crop – and resultant income - that was affected; basics such as food and drinking water were scarce in many parts of the North Central Province.

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

Inflation continued to remain in the low single digits for most of the year under review. This was also reflected in bank interest rates although during the latter part of the financial year rates did trend upwards somewhat. We welcome the low interest rate regime since Company borrowings are at a historical high to support the expansion program and the acquisition of Millers Brewery.

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

The Alcohol Industry

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

Whilst such outdated regulations – mostly to do with production and documentation - do frustrate, the bigger issues relate to the limitations applied to distribution and marketing. Alcohol is restricted to approx. 2% of Sri Lanka's retail universe through a system of licensing whilst advertising and promotion of any and all sorts is prohibited by law. In addition, annual tax increases have sent legal alcohol beyond the reach of the average consumer. These regulations are well intended as they seek to curb the consumption of alcohol whilst increasing revenue to the state. However, the mountain of evidence available suggests otherwise. The very tough regulations that straitjacket the

"The alcohol industry is the most tightly regulated industry in the Country. From a global perspective, few countries regulate their alcohol industry as much as Sri Lanka does."

legal alcohol industry have left gaping holes for unethical operators to exploit. Such operators come in two forms. The first, produce illicit alcohol commonly called moonshine. These are underground businesses that operate without the required manufacturing licenses. They produce beverages of questionable quality using a variety of unconventional raw materials and many are the instances where they have caused much harm to consumers including loss of life. The recent tragedy in Mumbai where over 100 people died consuming illicit alcohol clearly reinforces the dangers of its consumption and will hopefully act as a wake up call to administrators all over, including Sri Lanka. Their distribution system is also mainly underground with few links to the traditional retail network. Since they pay no taxes of any sort, their products are very affordable and thus their volumes very high – probably much higher than that of the legal industry - although better enforcement in the last few years have meant that supplies have declined somewhat. The state earns no revenue from the sale of illicit alcohol. The second category refers to producers whose manufacturing facilities are licensed but they do not declare the full extent of their production. Thus they avoid paying a part of the taxes due to the state. Available market data suggests that the tax component avoided is greater than that paid to the state. A component of the cost thus avoided is passed down to the consumer making such products more affordable. Again available market data suggests that such products account for approx. 22% of the declared spirits produced in a year. These producers also set up a network of alcohol retailers either through acquisition or lease thus creating a seamless supply chain from manufacturing to consumer. Since both manufacturing and retailing operates as a single entity, it facilitates products passing from one to the other without the required documentation making tax avoidance that much easier. We estimate that the loss of revenue to the State on account of undeclared spirits production calculated at current excise duty rates is approx. Rs. 9.5 billion.

The way forward would be a more liberal but pragmatic policy towards alcohol particularly those with a lower alcohol content such as beer and wine. So far the focus has been to prevent alcohol consumption. Sufficient evidence exists to confirm that such a goal is in the realm of the impossible in free and democratic societies. The more pragmatic – and hence more successful – approach has been to prevent harm that may arise from alcohol consumption. Greater

CHIEF EXECUTIVE'S REVIEW

"The way forward would be a more liberal but pragmatic policy towards alcohol particularly those with a lower alcohol content such as beer and wine. So far the focus has been to prevent alcohol consumption. Sufficient evidence exists to confirm that such a goal is in the realm of the impossible in free and democratic societies".

availability at more affordable pricing will shift consumption from illicit and illegal to legal. Taxation based on alcohol content will make lower alcohol beverages more affordable and shift consumption from hard to soft liquor. Overall, a "prevent harm" policy will shift alcohol consumption from illicit and illegal to legal and from hard to soft, consumer health will improve and tax revenues will reach full potential. Continuing with the present "prevent consumption" policy will retain the current market structure; illicit and illegal will thrive, hard alcohol will remain the preferred beverage, consumer health will be compromised and tax revenues will remain well below potential.

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

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

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

Acquisition of Millers Brewery

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

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

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

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

At the time the Millers brands were acquired your Company was liable for VAT. Accordingly it was expected that input VAT on the purchase price of these brands could be claimed. However, since the alcohol industry was "exempted" from VAT as a result of a budget proposal in October 2014, an unclaimed portion of input VAT on this transaction amounting to Rs. 340 million has been written off in the accounts of the year under review. This write off is included in the unusual and non-recurring expenditure of Rs. 0.73 billion referred to in the Executive Summary above.

CHIEF EXECUTIVE'S REVIEW

Sales and Marketing of Beer in Sri Lanka

Your Company's revenue reached Rs. 32.3 billion during the year under review, a growth of 25% when compared to the previous period. However, most of this growth was a result of price adjustments on account of the two Excise Duty increases that took place in October 2014. The significant growth in tourism has also helped improve volumes somewhat during the year under review.

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

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

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

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

Export of Beer

Your Company continues to make gradual but steady progress in overseas markets, not an easy task considering it operates in very competitive spaces full of well-established global brands. During the year under review, revenue from exports reached Rs. 369 million, a growth of 29% in comparison to the previous year. Your Company now exports the equivalent of 1 container per day to a wide cross-section

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

of markets which in the year under review numbered 12. Unfortunately profits suffered during the year primarily due to margin eroding competition in our main market, The Maldives, the significant investments we are making in New York City, USA and the VAT "exemption" that resulted in an immediate cost increase of 11%.

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

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

CHIEF EXECUTIVE'S REVIEW

Sales and Marketing of the Diageo and Moet Hennessy Brands

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

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

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

As is the case with beer, the distribution and sale of spirits is highly regulated in Sri Lanka whilst marketing activities are completely prohibited. These regulations significantly constraint our ability to establish brand equity of a portfolio that consists of life-style oriented, image driven, high value products. In addition to regulatory restrictions, import duties charged on these products are exorbitant further limiting their growth potential. Further, these excessive duties help promote "grey" imports which available data suggests is far greater than the legal market. Such imports are much more competitively priced in the market place, in most instances as low as 60% of the value of legally sourced product. This too hinders growth opportunities for those businesses that keep to the rules.

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

We closed the year with this segment of Your Company's business accounting for Rs. 981 million of its revenue and Rs.92 million of its profitability.

Supply Chain

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

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

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

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

Support Services

Your Company's relatively small but skilled talent pool must be credited for delivering strong results under challenging conditions. A significant training budget ensures continuous development of our people with special emphasis on key positions and star performers. Senior staff are trained at the Carlsberg Leadership Building Center and other internationally recognized business and management schools. We encourage cross functional teams to seek opportunities and address challenges on an ongoing basis. Indeed, 3 permanent cross functional teams are responsible for the results of Your Company. The Strategic Leadership Team, The Operational Excellence Team and The Enterprise Optimization Team are responsible for strategy, ongoing operations and process innovation and optimization respectively.

All activities of Your Company are seamlessly integrated through state of the art information technology. As its main IT platform, Your Company uses SAP whilst other automation technologies linked to it support the production and sales functions. Your Company's mail system was migrated to the cloud during the year under review and we will evaluate the use of similar technologies in other areas as we move forward.

Operating Results and Financial Position

On a turnover of Rs. 32.3 billion, Your Company earned a pre-tax profit of Rs. 2.3 billion. If not for the non-repetitive / non-operative items we were compelled to account for during the year under review, pre-tax profit would have crossed the Rs. 3 billion mark. The Company's gross margin

CHIEF EXECUTIVE'S REVIEW

"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. 19.3 billion up 20% (Rs. 3.2 billion) from the previous year."

was 25%, up 2 basis points from 23% during the previous year. The increase in margin is partly a result of all our beer now being produced within the brewery at Biyagama. As discussed in last year's review, in order to meet market demand, beer was imported at a cost above the selling price during the first 7 months of that financial year. That pressure on margins has been absent this year. Further, sound procurement practices have resulted in savings on some major input materials thus leading to improved margins.

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

The Company's balance sheet remains strong notwithstanding the heavy outlays on account of expansion and the acquisition of Millers Brewery. As shareholders are aware, both these projects were partly funded through borrowing and Your Company's debt to equity ratio has risen to 1.54 times, challenging but still healthy. However, we have succeeded in changing the composition of borrowing to accurately reflect the purposes for which funds were needed and the long term portion now amounts to 62% of the total debt.

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

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. 19.3

billion up 20% (Rs. 3.2 billion) from the previous year. In addition, Your Company paid a further Rs. 1.49 billion as duty and associated levies on imports during the year under review.

Corporate taxes for the year amounted to Rs. 1 billion based on the discriminatory 40% rate applicable to the alcohol sector. Other corporates (excluding those involved in tobacco) are taxed at the much lower rate of 28%. This discriminatory rate – approx. 45% higher than the standard rate of corporate tax – takes alcohol taxation closer to shareholders than previously.

Shareholder Returns

As at 31st March 2015, Your Company's Net Assets Value per share stood at Rs. 99.08 up from Rs.86.65 as at 1st April 2014. Thus the book value of the Company at the financial year end stands at Rs. 7.9 billion. In the meantime, the market value of Your Company at the same date amounted to Rs. 48 billion making it the 12th most valuable publicly listed entity in the Country. As at the end of the financial year Your Company's share price had moved up to Rs. 600. from Rs. 391, an increase of 53% thus outperforming the market.

The Company achieved a reasonable return of 16.7% on equity and reserves for the financial year under review. Had normal operating results prevailed – i.e. excluding the unusual and non-recurring charges – return on equity and reserves would have reached 24.5% and would have comfortably exceeded the previous year's 19.4%. Earnings per share at year end amounted to Rs. 16.63 whilst the Company's price to earnings (PE) ratio at that date was 36 times.

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 & will account for 26% of the Company's post tax profit. In recommending this dividend, Your Board was conscious of the significant outflows that have taken place in the preceding months on account of the just concluded capacity expansion program and the acquisition of Millers Brewery.

Community Service

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

Our Youth Employability program in Hambantota continued during the year under review. So far, 1100 youth have completed this program since its inception of which 225 have found permanent employment in various fields.

Our most far reaching community service scheme is the support we extend to a project of our Parent, Ceylon Beverage Holdings. It work with 3581 farmers in the North Central Province and help them increase yields and reduce input costs. On average, yields have doubled through the use of better farming techniques and the introduction of modern technologies. Expenditure has been reduced through more appropriate application of inputs, use of easily available organic material as fertilizer and the re-introduction of

CHIEF EXECUTIVE'S REVIEW

traditional but very effective low cost methods that have helped replace insecticides. The paddy obtained from this project is converted into rice and used by Your Company as an input material. This process ensures that the project is self-funding and hence, sustainable. Whilst the quantity so used is a negligible fraction of the Country's rice production (less than 0.5%), it does help reduce its import bill. Overall, the project supports three key stakeholders; the farmers make better profits through higher yields and lower costs, your Company has a lower cost input material and the Country's import bill is reduced.

The Year Ahead

Whilst an improvement in business and consumer confidence was noted immediately after the conclusion of the Presidential Elections in January 2015, subsequent events – particularly the harsh terms used to describe the private sector, the prevailing political uncertainty and the compromises being made in Parliament to satisfy the interests of political parties – have led to their sharp decline of late. Nonetheless, the FMCG sector has seen reasonable volume growth, a good sign, since it's a strong barometer of disposable income in the hands of consumers. No doubt the salary increase granted to the public sector coupled with the reduction in the price of food items and fuel have helped increase disposable incomes. The strong growth in tourism experienced so far is expected to continue into the rest of the year and remittances are also likely to remain robust. The recent rains have led to full reservoirs and hopefully, will in turn lead to a good harvest and incomes in the hands of farmers. However, the tea and rubber sectors are currently facing a challenging period and incomes of those in these industries will be under pressure. So too the incomes of those employed in the construction industry since there is a perceptible slowdown in the sector. Inflation which is currently low may increase somewhat as the year progresses particularly since an upward adjustment in the price of fuel and pressure on the currency seem inevitable. We are also experiencing a gradual, though as of yet slight, upward pressure on interest rates. All in all it seems a mixed bag on the economic front, some positives and some uncertainties. Most of the uncertainties arise from the current political environment. The interim government in place has a mandate limited to constitutional reform. Thus it has not moved decisively on the economic front and has mainly confined itself to short term relief measures on account of cost of living. Further, Parliamentary elections are imminent. The result is a significant drop in investment activity, a drop in the "feel good" factor and a likely slowdown in GDP growth in comparison to the previous year.

Gaining volume growth in such an environment will be a significant challenge. The regulatory restrictions placed on Your Company's marketing activities will make it even more challenging. Price increases too will be hard to come by keeping margins under pressure for a further year. Input costs are also likely to trend upwards due to the reasons discussed above. Nevertheless, Your Company faces some key tasks in the year ahead. Primary amongst them is the integration of the Millers brands to Your Company's portfolio and into its distribution system. We also need to gain consumer traction for these brands which in the past have been sold primarily on price and monetary incentives to the trade. In terms of internal operations, focus will be on completing the necessary infrastructure within the brewery premises – for instance warehousing – and regaining efficiencies lost during the expansion program, both of which will lead to lower operating costs.

> "Our superb brand portfolio, benchmark distribution system, state of the art, world class manufacturing facility and talented and experienced team of professionals form a strong foundation from which the business is driven forward aggressively and with intent and focus"

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

Conclusion

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

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

(Sgd.)
Suresh Shah
Chief Executive Officer

Colombo
21st May 2015


COPENHAGEN


Carlsberg
Carlsberg

PROFILE OF DIRECTORS

Cubby Wijetunge

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

Hari Selvanathan

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

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

He holds a Bachelor of Commerce Degree.

Suresh Shah

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

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

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

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
(Resigned w.e.f. 31st March 2015)

Was a Director of Lion Brewery (Ceylon) PLC and held responsibility 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 as Head of Technical in 2004 and subsequently appointed as a Board member in 2005. 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

A Fellow of the Chartered Institute of Management Accounts, UK. Consequent to initial training at KPMG, has held various positions in the mercantile sector in the field of Finance and counts over 25 years experience. Has undergone several study programs both nationally & internationally, including INSEAD, Finance and the Wharton University, USA.

PROFILE OF DIRECTORS

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

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 12 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.

Henrik Andersen

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

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

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

Amal Cabraal

Amal Cabraal is the former Chairman and Chief Executive Officer of Unilever Sri Lanka. He has over 3 decades of business experience in general management, marketing and sales. Apart from Sri Lanka, he has served with Unilever in the United Kingdom, India and Bangladesh. He is an alumnus of INSEAD-France and holds a MBA from the University of Colombo. A Chartered Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK. He is presently the Chairman of CIC Feeds (Private) Ltd., and serves as an independent non-executive Director of John Keells Holdings PLC, Hatton National Bank PLC, Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, S A Silva & Sons Ltd, and the Supervisory Board of Associated Motorways Ltd. He is a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society.

Yoong Fah Lew

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

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

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

Yoong Fah Lew joined the Carlsberg Group in January 2010 and is presently the Chief Financial Officer and Company Secretary of Carlsberg Brewery Malaysia Berhad ("the Company"). He 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.

SENIOR MANAGEMENT TEAM

Suresh Shah
Director /CEO
FCA

Prasanna Amerasinghe
Marketing Director
Chartered Marketer

Chan Liyanage
Supply Chain Director
B.Sc (Pera) Special

Ranil Goonetilleke
Finance Director
FCMA

Stefan Atton
General Manager- Marketing
Dip in Business Admiration

Nausha Raheem
Head of Human Resources
B.Sc Hons (Nottingham-UK)

Janaka Bandara
Head of *Production*
MBA (PIM), B.Sc.(Eng) Prod, Dipl.(Brew), CSCM

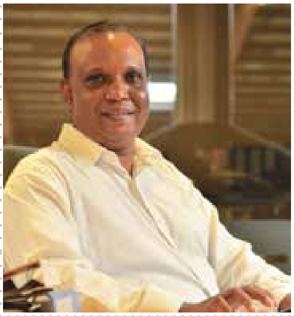
Nishantha Hulangamuwa
Head of Outbound Supply Chain

Shiran Jansz
Head of Procurement
MBA (Syd), BBA (Col),CSCM

Sharlene Adams
Head of Exports & New Products Development
BA (Econ)-USA

Eshantha Salgado
Head of Quality Assurance
PhD (Wales-UK), B.Sc. Hons (Biotech) (Wales-UK)

Madhushanka Ranatunga
Head of Premium Category

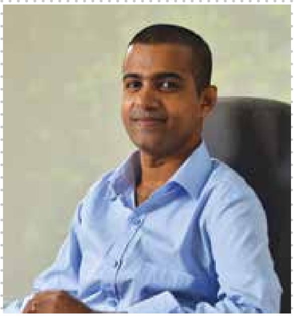


Chandana Rupasinghe
Head of Packaging
NDES(Electrical), Dip in Operations Mgt

Chaminda Rajapakshe
Head of Sales

Hiran Edirisinghe
Chief Engineer
MBA (Moratuwa), B.Sc (Eng)

Keerthi Kanaheraarachchi
Head of Administration
M.Sc. (KDU)



Prashanthan Pathmanathan
Finance Manager - Marketing
MBA (Aus), ACMA (UK)

Shiyan Jayaweera
Head of Regular Category
B.Sc.Mgt (Lon) , Dip Econ (Lon), MCIM,
Chartered Marketer

Daham Gunasena
Financial Controller
MBA (PIM), FCA, ACMA (UK), ACMA (SL),
B.Sc. (Acc & Fin.Mgt) Sp (USJ)

Nayana Abeysinghe
Head of Legal
Attorney-at-law

Ama Ekanayake
Head of Information Technology
ACS


LION
8.8%
1881
LION
STOUT
8.8%
LION
STRONG
BEER
8.8%
1881
LION
LAGER


Carlsberg
SPECIAL
BREW
Carlsberg
SPECIAL BREW
8.8%
THE ORIGINAL STRONG BEER
Carlsberg

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

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

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

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

GENERAL

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

PRINCIPAL ACTIVITY OF THE GROUP

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

CHANGES TO THE GROUP STRUCTURE & SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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 Pearl Springs (Private) Limited completed the Sale and Purchase Agreement with Cargills (Ceylon) PLC and Millers Brewery Limited on the acquisition of Trademarks and the entirety of shareholding of Millers Brewery Limited at a purchase consideration of Rs.5,150,000,000/- on 30th October 2014.

Issuance of Rated Unsecured Listed Redeemable Debentures

The Company issued 10,000,000 Debentures at the par value of Rs.100/- each aggregating to a value of Rs.1,000,000,000/- with an option of issuing up to a further 10,000,000 Debentures at the par value of Rs.100/- each aggregating to a value of Rs.1,000,000,000/-, to raise Rs.2,000,000,000/- . The debenture issue was subscribed in full and accordingly 20,000,000 debentures were allotted on the 8th December 2014. The interest is paid on 30th September and 31st March each year for a period of 5 years. The redemption of these debentures in its entirety will be on the 8th December 2019.

Details of significant events during the year are contained in the Chief Executive's Review on pages 12 to 25 of this Report.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that its Financial Statements meet with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate systems of internal control with a view to prevent, detect and rectify frauds and other irregularities.

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

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

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

There were no major changes made to the accounting policies other than those disclosed under Note 3 to the Financial Statements for the financial year ended 31st March 2015.

FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2015 are set out on pages 52 to 114 of this Report.

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

RESERVES

After the above mentioned appropriations, the total reserves of the Group stand at Rs. 5,388 Mn (2014 - Rs. 4,394 Mn) comprising Capital Reserves of Rs. 719 Mn (2014 - Rs. 719 Mn) and Revenue Reserves of Rs. 4,669 Mn (2014 - Rs. 3,675 Mn). Details are shown in the Statement of Changes in Equity on page 56.

VALUE OF THE INVESTMENT PORTFOLIO

The Market Value / Director's value of the Company's investment portfolio as at 31st March 2015 was Rs. 1,030 Mn as disclosed under Note 10 to the Financial Statements.

CAPITAL EXPENDITURE ON PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs. 8,560 Mn (2014 - Rs. 4,502 Mn). The movements in capital assets during the year are set out in Notes 8 and 9 in the Financial Statements.

MARKET VALUE OF FREEHOLD PROPERTIES

Freehold properties of the Group are stated in the books at their revalued amounts. The valuation has been carried out by an independent professional valuer, as further explained in Note 8 to the Financial Statements.

OUTSTANDING LITIGATION

The outstanding litigations related to the Company and Group are shown in Note 38 to these Financial Statements.

RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

The Company and the Group's activities were exposed to a variety of financial risk, market risk (including currency risk, fair value, interest rate risk and price risk), credit risk and liquidity risk and those have been disclosed in Note 35 to these Financial Statements. The need for risk management has been identified and action plans to monitor and manage these risks are incorporated into the business plans and reviewed on a continuous basis.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

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

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 except as disclosed in Note 38 to these Financial Statements.

GOING CONCERN

The Board of Directors are 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 51 of this Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are set out in Notes 1 to 7 in the Notes to the Financial Statements on pages 59 to 73.

DONATIONS

There were no donations made during the year ended 31st March 2015. (2014 - Nil)

INTERESTS REGISTER

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

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

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

REMUNERATION OF DIRECTORS

Directors' remuneration in respect of the Group, for the financial year ended 31st March 2015 is given in Note 30 to the Financial Statements, on page 96.

DIRECTORS' INTEREST IN CONTRACTS AND SHARES

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

Directors	No. of shares as at	
	31st March 2015	31st March 2014
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 (Resigned w.e.f. 31-Mar-2015)	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. H. J. Andersen	-	-
Mr. D. A. Cabraal	-	-
Mr. Y. F. Lew	-	-

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.

Resignation of Director

Mr. C. P. Amerasinghe resigned from the Board as an Executive Director with effect from 31st March 2015.

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

Directors to retire by rotation

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

In terms of Articles 72, 73 and 74 of the Articles of Association of the Company, Mr. S. K. Shah retires by rotation and being eligible offers himself for re-election.

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

Appointment of Director who is over 70 years of age

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

AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants, whilst the fees paid to the Auditors during the year is illustrated below.

Rs. '000s	2015	2014
Audit fee	1,210	1,100
Audit related services	113	70
Total	1,323	1,170

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

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

Auditors' relationship or any interest with the Company

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

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

The Directors declare in terms of the requirements of the Listing Rules of the Colombo Stock Exchange that the transactions carried out by the Company with its Related Parties during the year ended 31st March 2015, did not exceed 10% of Equity or 5% of the Total Assets of the Company as at 31st March 2015 except for the matters described below.

The details of the Related Party Transactions are given in Note 37 on page 108 to 112 of the Financial Statements.

1. Related Party Transactions Review Committee

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

2. Non-Recurrent Related Party Transactions

Information pertaining to Non-Recurrent Related Party Transactions where the aggregate value of the Non-Recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Company, as per the Audited Financial Statements are disclosed below;

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the financial year	Value of Related Party Transactions as a % of Equity and as a % of Total Assets	Terms and Conditions of the Related Party Transactions	The rationale for entering into the transaction
Pearl Springs (Private) Limited	Subsidiary	Rs. 1,150,000,000/-	14.7% - Equity 4.3% - Total Assets	Equity shares of the company	Acquisition of Millers Brewery Limited

3. Recurrent Related Party Transactions

In relation to Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income of the Company, there were no transactions that exceeded the above threshold during the year.

CORPORATE GOVERNANCE

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

Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 28 to 31 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 (Resigned w.e.f. 31-Mar-2015)	Executive

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

Directors	Executive/ Non-Executive / Independent
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. H. J. Andersen	Non-Executive
Mr. D. A. Cabraal	Non-Executive/ Independent **
Mr. Y. F. Lew	Non-Executive

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

* 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 period under review the Board of Directors had nine Board Meetings and the attendance of the Directors were as follows;

Directors	Meetings Attended (Out of nine)
Mr. L. C. R. de C. Wijetunge (Chairman)	9
Mr. H. Selvanathan (Deputy Chairman)	8
Mr. S. K. Shah (Chief Executive Officer)	9
Mr. D. C. R. Gunawardena	6
Mr. C. P. Amerasinghe (Resigned w.e.f. 31-Mar-2015)	8
Mr. C. T. Liyanage	8
Mr. D. R. P. Goonetilleke	8
Mr. K. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan)	8
Mrs. S. J. F. Evans	8
Mr. H. J. Andersen	4
Mr. D. A. Cabraal	8
Mr. Y. F. Lew	3

Board Evaluation

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

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

- Core Board Responsibilities
- Board Meetings
- Committee Meetings (any/ all sub-committees)
- Relationship with Management
- Individual self-assessment
- Stakeholder and Shareholder communication/ relationship
- Suggestions/ comments

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

Audit Committee

The Parent Company of the Company is Ceylon Beverage Holdings PLC (CBHPLC) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CBHPLC. As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of CCPLC 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 48 to 49 of this Annual Report.

Remuneration Committee

The Parent Company of the Company is Ceylon Beverage Holdings PLC (CBHPLC) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CBHPLC. As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of CCPLC functions as the Remuneration Committee of the Company.

Composition

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

** Appointed with effect from 18th May 2015*

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

Scope and Objective

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

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

Functions and Proceedings

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

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

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

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had two Meetings.

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

** Appointed with effect from 18th May 2015*

Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 30 on page 96 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
Mrs. 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.

The Nomination Committee meets at least twice a year.

During the period under review the Committee had three Meetings.

Nomination Committee Members	Meetings Attended (Out of three)
Mr. L. C. R. de C. Wijetunge (Chairman)	3
Mrs. S. J. F. Evans	3
Mr. D. C. R. Gunawardena	3

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 2015. 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 2015 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

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 124 and 125 of this Report.

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

	Name of Shareholder	31st March 2015		31st March 2014	
		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	19,979,686	24.97	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	2,256,243	2.82
5	HSBC Intl Nom Ltd-Msco-Route One Offshore Master Fund, L.P.	1,635,774	2.04	2,016,281	2.52
6	HSBC Intl Nom Ltd-Msco-Route One Fund 1,L.P.	1,558,802	1.95	2,110,620	2.64
7	Caceis Bank Luxembourg S/A Barca Global Master Fund Lp	1,473,118	1.84	1,473,118	1.84
8	Carson Cumberbatch PLC A/C No. 01	1,400,758	1.75	1,101,071	1.38
9	Bukit Darah PLC A/C No 2	1,300,000	1.63	1,300,000	1.63
10	GF Capital Global Limited	1,265,199	1.58	1,265,199	1.58
11	CB NY S/A Wasatch Frontier Emerging Small Countries Cit Fund	410,139	0.51	34,539	0.04
12	HSBC Intl Nom Ltd-Bp2s Singapore-Bnp Paribas Bank And Trust Cayman Limited As Trustee For Harvest Funds (Cayman) - Asia Frontier Equity Fund	330,994	0.41	336,282	0.42
13	Seylan Bank Limited/Priyani Dharshini Ratnagopal	300,000	0.38	300,000	0.38
14	HSBC International Nominees Ltd-Morgan Stanley And Co Intl PLC - Own A/C	200,000	0.25	200,000	0.25
15	Mellon Bank N.a.-Commonwealth Pen Pub School	166,193	0.21	166,193	0.21
16	Portelet Limited	161,920	0.20	161,920	0.20
17	Tranz Dominion,L.L.C.	129,251	0.16	129,251	0.16
18	Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund - Equity Tracker Fund)	85,610	0.11	71,887	0.09
19	Newgreens Limited	83,200	0.10	83,200	0.10
20	People's Leasing & Finance PLC/K.I. Udayananda	55,179	0.07	-	-

ANNUAL REPORT

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

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

ANNUAL GENERAL MEETING

The 19th Annual General Meeting of the Company will be held on Thursday, 23rd July 2015 at 2.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka.

The Notice of the Annual General Meeting, setting out the business which will be transacted thereat is on page 127 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
21st May 2015

AUDIT COMMITTEE REPORT

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

The Members of the Audit Committee are as follows :

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The interim financial statements of Lion Brewery (Ceylon) PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

The draft financial statements of Lion Brewery (Ceylon) PLC for the year ended 31st March 2015 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs.KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/CEO and 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 2016, 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
21st May 2015

FINANCIAL CALENDAR

Financial Year	31st March 2015
Announcement of Results	
1st Quarter	30th June 2014
Issued to Colombo Stock Exchange	14th August 2014
2nd Quarter	30th September 2014
Issued to Colombo Stock Exchange	14th November 2014
3rd Quarter	31st December 2014
Issued to Colombo Stock Exchange	13th February 2015
4th Quarter	31st March 2015
Issued to Colombo Stock Exchange	29th May 2015
Meetings	
18th Annual General Meeting	23rd July 2014
19th Annual General Meeting	23rd July 2015

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"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 52 to 114.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

b) In our opinion:

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- The financial statements of the Company give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
21st May 2015

STATEMENT OF FINANCIAL POSITION

As at 31st March In Rs.'000s	Note	Company 2015	2014	Group 2015
ASSETS				
Non- Current Assets				
Property, plant & equipment	8	13,792,402	11,658,310	14,583,827
Intangible assets	9	4,205,582	257,133	4,205,582
Investment in subsidiary	10	1,029,623	-	-
Total Non-Current Assets		19,027,607	11,915,443	18,789,409
Current Assets				
Inventories	11	2,798,064	2,695,021	2,798,064
Trade and other receivables	12	1,845,855	2,382,947	1,874,085
Amounts due from related companies	13	376,720	214,071	256,342
Assets held for sale	14	58,660	-	491,895
Cash and cash equivalents	15	2,232,530	6,857,302	2,311,518
Total Current Assets		7,311,829	12,149,341	7,731,904
Total Assets		26,339,436	24,064,784	26,521,313
EQUITY AND LIABILITIES				
Equity				
Stated capital	16	2,537,801	2,537,801	2,537,801
Capital reserves	17	719,411	719,411	719,411
Retained earnings		4,560,771	3,675,154	4,669,370
Total Equity		7,817,983	6,932,366	7,926,582
Non- Current Liabilities				
Debentures	18	4,597,600	2,798,800	4,597,600
Loans and borrowings	19	2,874,862	2,307,690	2,874,862
Employee benefits	20	101,631	93,313	101,631
Deferred tax liabilities	21	2,009,632	1,204,097	2,074,371
Total Non- Current Liabilities		9,583,725	6,403,900	9,648,464

As at 31st March In Rs.'000s	Note	Company 2015	 2014	Group 2015
Current Liabilities				
Trade and other payables	22	787,153	774,473	795,692
Amounts due to related companies	23	176,403	65,621	176,403
Refundable deposits	24	885,915	1,044,123	885,915
Current tax liabilities	25	983,505	886,473	983,505
Debentures	18	331,964	294,974	331,964
Loans and borrowings	19	4,243,914	6,861,650	4,243,914
Bank overdrafts	15	1,528,874	801,204	1,528,874
Total Current Liabilities		8,937,728	10,728,518	8,946,267
Total Liabilities		18,521,453	17,132,418	18,594,731
Total Equity and Liabilities		26,339,436	24,064,784	26,521,313
Net assets per ordinary share (Rs.)		97.72	86.65	99.08

The Notes to the Financial Statements from page 59 to 114 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

(Sgd.)
A. Weeratunge
Director

Approved and signed on behalf of the Board

(Sgd.)
S.K. Shah
Director

(Sgd.)
C.T. Liyanage
Director

Carsons Management Services (Private) Limited
21st May 2015
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Company		Group
For the year ended 31st March		2015	2014	2015
In Rs.'000s	Note			
Revenue	26	32,350,375	25,804,319	32,350,375
Cost of sales		(24,217,959)	(19,817,748)	(24,217,959)
Gross profit		8,132,416	5,986,571	8,132,416
Other income	27	234,749	15,433	393,085
		8,367,165	6,002,004	8,525,501
Distribution expenses		(3,670,066)	(2,948,066)	(3,680,025)
Administrative expenses		(885,649)	(624,112)	(1,019,148)
Other expenses		(199,311)	(76,829)	(199,311)
Loss on disposal and impairment of PPE	28	(274,514)	-	(302,786)
Profit from operations before expenses relating to new investment		3,337,625	2,352,997	3,324,231
Expenses relating to new investment	29	(460,188)	-	(339,811)
Profit before finance cost	30	2,877,437	2,352,997	2,984,420
Finance income	31	222,302	632,375	222,302
Finance costs	31	(820,350)	(784,578)	(820,355)
Net finance cost		(598,048)	(152,203)	(598,053)
Profit before taxation		2,279,389	2,200,794	2,386,367
Income tax	32	(1,065,776)	(857,540)	(1,056,047)
Profit for the year		1,213,613	1,343,254	1,330,320
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of employee benefit obligations	20	(13,327)	(1,121)	(13,327)
Deferred tax adjustment	32	5,331	-	5,331
Total other comprehensive loss for the year net of tax		(7,996)	(1,121)	(7,996)
Total comprehensive income for the year		1,205,617	1,342,133	1,322,324
Earnings per ordinary share (Rs.)	34	15.17	16.79	16.63

The Notes to the Financial Statements from page 59 to 114 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company

In Rs.'000s	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
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
Transactions with owners of the Company					
Distributions made to owners					
Ordinary dividends	33	-	-	(320,000)	(320,000)
Balance as at 31st March 2014		2,537,801	719,411	3,675,154	6,932,366
Balance as at 1st April 2014		2,537,801	719,411	3,675,154	6,932,366
Total comprehensive income for the year					
Profit for the year		-	-	1,213,613	1,213,613
Total other comprehensive loss		-	-	(7,996)	(7,996)
Total comprehensive income for the year		-	-	1,205,617	1,205,617
Transactions with owners of the Company					
Distributions made to owners					
Ordinary dividends	33	-	-	(320,000)	(320,000)
Balance as at 31st March 2015		2,537,801	719,411	4,560,771	7,817,983

The Notes to the Financial Statements from page 59 to 114 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Group

In Rs.'000s	Note	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
On consolidation	1.1	2,537,801	719,411	3,675,154	6,932,366
Total Comprehensive income for the year					
Profit for the year		-	-	1,330,320	1,330,320
Total other comprehensive loss		-	-	(7,996)	(7,996)
Total Comprehensive income for the year		-	-	1,322,324	1,322,324
Transactions with owners of the Company					
Contributions and distributions					
Share issue costs of subsidiary		-	-	(8,108)	(8,108)
Ordinary dividends	33	-	-	(320,000)	(320,000)
Balance as at 31st March 2015		2,537,801	719,411	4,669,370	7,926,582

The Notes to the Financial Statements from page 59 to 114 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	Company 2015	Company 2014	Group 2015
Cash Flows from Operating Activities				
Profit before taxation		2,279,389	2,200,794	2,386,367
Adjustments for:				
Finance costs	31	791,417	784,578	791,422
Depreciation on property, plant & equipment	8	710,886	581,191	722,647
Net Inventory provisions	11	24,112	(68,864)	24,112
Amortization of intangible assets	9	53,053	3,328	53,053
Reclassification of returnable containers	8	-	(4,700)	-
Provision for retirement benefit obligation	20	19,770	17,033	19,770
Impairment for assets held for sale	28	89,641	-	117,913
Impairment of investment	29	120,377	-	-
Loss on disposal of property, plant & equipment		154,963	626	153,804
Provision for irrecoverable VAT	29	339,811	-	339,811
Exchange loss/ (gain) on revaluation of foreign currency term loans	19	(1,927)	31,965	(1,927)
Deposit liability write back	24	(253,590)	-	(253,590)
Finance income	31	(222,302)	(632,375)	(222,302)
Operating cash flow before working capital changes		4,105,600	2,913,576	4,131,080
Increase in inventories	11	(127,155)	(219,442)	(127,155)
Decrease in trade and other receivables	12	537,092	470,742	508,863
Increase in amounts due from related companies	13	(162,649)	(196,921)	(42,271)
Decrease in tax payables		(121,918)	(273,103)	(47,451)
Increase / (Decrease) in trade and other payables		12,704	(12,151)	21,244
Increase in amounts due to related companies	23	110,782	15,657	110,782
Cash generated from operations		4,354,456	2,698,358	4,555,092
Finance expenses paid	31	(768,197)	(667,034)	(768,202)
Retirement benefits paid	20	(24,779)	(4,156)	(24,779)
Tax paid		(407,766)	(273,722)	(407,766)
Net cash generated from operating activities		3,153,714	1,753,446	3,354,345

STATEMENT OF CASH FLOW

		Company		Group
For the year ended 31st March		2015	2014	2015
In Rs.'000s	Note			
Cash Flows from Investing Activities				
Purchase and construction of property , plant & equipment		(2,700,903)	(3,968,121)	(4,052,989)
Borrowing cost capitalized		(505,697)	(532,035)	(505,697)
Purchase of intangible assets	9	(4,001,502)	(1,429)	(4,001,502)
Proceeds from sale of property, plant & equipment		58,358	5,074	146,909
Investments in subsidiary	10	(1,150,000)	-	-
Agent deposits received	24	98,292	63,790	98,292
Agent deposits refunded	24	(2,910)	-	(2,910)
Maturity of fixed deposits		-	1,578,014	-
Interest received	31	222,302	632,375	222,302
Net cash used in investing activities		(7,982,060)	(2,222,332)	(8,095,595)
Cash Flows from Financing Activities				
Loans and borrowings received	19	2,000,000	12,910,739	2,000,000
Proceeds from debentures	18	2,000,000	3,000,000	2,000,000
Repayments of loans and borrowing	19	(4,034,867)	(7,885,117)	(4,034,867)
Repayments of debentures	18	(201,200)	-	(201,200)
Share issue costs		-	-	(8,108)
Dividend paid net of tax		(288,029)	(287,719)	(288,029)
Net cash generated / (used in) from financing activities		(524,096)	7,737,903	(532,204)
Net (decrease) /increase in cash & cash equivalents		(5,352,442)	7,269,017	(5,273,454)
Cash & cash equivalents at the beginning of the year		6,056,098	(1,212,919)	6,056,098
Cash & cash equivalents at the end of the year		703,656	6,056,098	782,644
Analysis of Cash & Cash Equivalents				
Cash & cash equivalents	15	2,232,530	6,857,302	2,311,518
Bank overdraft	15	(1,528,874)	(801,204)	(1,528,874)
		703,656	6,056,098	782,644

The Notes to the Financial Statements from page 59 to 114 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 ("LBCPLC") is a public limited liability Company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The parent company is Ceylon Beverage Holdings PLC ("CBHPLC") and the ultimate parent company is Bukit Darah PLC. The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 01 and the principal place of business is situated at No 254, Colombo Road, Biyagama.

Pearl Springs (Private) Limited (PSPL), a fully owned subsidiary of Lion Brewery Ceylon PLC was incorporated during the year. As explained in note 36 to the financial statements, the Company together with its subsidiary, PSPL acquired 100% ownership of MBL.

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

Subsidiary	Controlling interest
Pearl Springs (Private) Limited	100%
Millers Brewery Limited	100%

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

There were 239 employees in the Company as at the reporting date. (2014 -228).

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of Lion Brewery (Ceylon) PLC, and its subsidiaries (Group) comprise the Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Equity, Cash Flow together with the notes to the Financial Statements. The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as 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 21st May 2015.

2.2 Basis of Measurement

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

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

2.3 Functional Currency and Presentation Currency

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

NOTES TO THE FINANCIAL STATEMENTS

financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee thousands.

2.4 Use of Estimates and Judgments

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

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

Information about critical estimates and underlying assumptions 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 – Retirement benefit obligations
Note 21 – Deferred tax liabilities/assets
Note 38 – Commitments & Contingencies

2.5 Comparative Information

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

2.6 Measurement of Fair Value

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Accounting Policies

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

(I) SLFRS 10 - Consolidated Financial Statements

SLFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. Current year was the Company's first year in preparing Consolidated Financial Statements.

(II) SLFRS 13 - Fair Value Measurement

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

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

3.2 Basis of Consolidation

(I) Business Combinations

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

(II) Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

During the year the Company has held the following subsidiaries:

Subsidiary	Controlling interest
Pearl Springs (Private) Limited	100%
Millers Brewery Limited	100% (Held through PSPL)

(III) Loss of Control

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

(IV) Non-Controlling Interest

The Non-Controlling Interest is presented in the Consolidated Statement of Financial Position within equity, separated from the equity attributable to the Equity Holders to the Group. Non-controlling Interest in the Profit or Loss of the Group is disclosed separately in the Consolidated Statement of Profit or Loss and other Comprehensive Income. However the Group does not have non-controlling interest as of the reporting date, as subsidiaries are wholly owned by the Company.

(V) Financial Period

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

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

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

(VI) Intra-Group Transactions

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

3.3 Foreign Currency Transactions

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

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

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

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

3.4 Financial Assets and Liabilities

3.4.1 Non Derivative Financial Assets

(I) Initial Recognition and Measurement

Financial Assets are recognized when and only when the Group becomes a party to the contractual provisions of the financial instruments. The Group determines the classification of its financial assets at initial recognition. When financial assets are 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 cash equivalents, short term deposits, trade and other receivables and amounts due from related parties.

(II) Subsequent Measurement

Financial assets can be classified into the following categories: financial assets at fair value through Profit or Loss, held to maturity financial assets, loans and receivables and available for sale financial assets and the subsequent measurement of non-derivative financial assets depends on their classification. Financial assets of the Group are limited to loans and receivables and their subsequent measurement is as follows;

(III) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are 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.

(IV) Derecognition

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

(V) Impairment

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

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

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of

NOTES TO THE FINANCIAL STATEMENTS

estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in the Profit or Loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

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

3.4.2 Financial Liabilities

(I) Initial Recognition and Measurement

Financial liabilities within the scope of SLFRS are recognized when and only when the Group 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. The financial liabilities include debentures, loans and borrowings, trade and other payables, amounts due to related parties and bank overdrafts.

(II) Subsequent Measurement

The Group classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are 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 debentures, trade and other payables, amounts due to related companies and bank overdrafts.

(III) Derecognition

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

3.4.3 Amortised Cost Measurement

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

3.5 Impairment of Non-Financial Assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (if any) and then to reduce the carrying amounts of other assets in the CGU (group of CGUs) on pro rata basis. For other assets , an impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined , net of depreciation or amortisation, if no impairment loss had been recognised.

3.6 Property, Plant & Equipment

Recognition & Measurement

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

(I) Recognition

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

(II) Measurement

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

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

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

(III) Subsequent Expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

property, plant and equipment are recognized in the Profit or Loss as and when the expense is incurred.

(IV) Revaluation of Land and Buildings

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

(V) Depreciation

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

	Lion Brewery (Ceylon) PLC Years	Millers Brewery Limited Years
Freehold buildings	40	40
Plant & machinery	10-20	20
Furniture & fittings	10	5
Office equipment	3-10	5
Computer equipment	3	3
Returnable containers	5	-
Motor vehicles	4-5	5
Laboratory equipment	4	-

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

(VI) Borrowing Costs

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

(VII) Refundable Deposits & Returnable Containers

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

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

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

(VIII) Capital Work-in-Progress

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

(IX) Impairment of Property, Plant and Equipment

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

3.7 Intangible Assets

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

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

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

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

	Lion Brewery (Ceylon) PLC
Category	Years
Software Licenses	5

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.8 Inventories

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

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

Accordingly, the costs of inventories are accounted as follows:

Category	Basis
Raw material	- Cost of purchase together with any incidental expenses. The cost of the inventories is based on the weighted average principle.
Work-in-progress	- Raw material cost and a proportion of manufacturing expenses.
Finished goods	- Raw material cost and manufacturing expenses in full.
Maintenance stock	- On a weighted average basis.

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

3.9 Assets Held For Sale

(I) Recognition

Non-current assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is highly probable.

(II) Measurement

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

(III) Depreciation

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

3.10 Investments

Long term investments and investments in subsidiaries of the Group are classified as non-current investments, which are stated in the Statement of Financial Position at cost less accumulated impairment losses, if any.

3.11 Cash and Cash Equivalents

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

3.12 LIABILITIES AND PROVISIONS

3.12.1 Liabilities

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

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

3.12.2 Refundable Deposits

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

3.12.3 Provisions

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

3.13 Employee Benefits

(i) Defined Contribution Plans

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

Employees' Provident Fund

The Group and Employees' contribute 12% & 10% respectively on the salary of each employee respectively. The contribution of the Employees' Provident Fund is recognized as an expense in the Profit or Loss.

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

Employees' Trust Fund

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

(ii) Defined Benefit Plans

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

The calculation is performed annually by a qualified actuary using the Projected Unit Credit method (PUC). The 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 continuous service. Any actuarial gains or losses arising are recognized in the Other Comprehensive Income and all expenses related to the defined benefit plans are in personnel expenses in the Profit or Loss. The liability was not externally funded.

3.14 Capital Commitments & Contingencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.15 Events Subsequent to the Reporting Period

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

4 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

4.1 Revenue Recognition

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

(i) Interest

Income is recognized on an accrual basis.

(ii) Others

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

4.2 Expenditure Recognition

(i) Operating Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & 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 Statements of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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

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

(ii) Finance Income & Finance Cost

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

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

4.3 Income Tax

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

(i) Current Taxation

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

(ii) Deferred Taxation

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

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are 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.

4.4 Earnings Per Share

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

4.5 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, bank, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, cash and cash equivalents comprise of cash in hand and deposits held for less than 3 months at banks, net of bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

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

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

6 SEGMENTAL REPORTING

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

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

7 NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT & EQUIPMENT

8.1 Property, Plant & Equipment - Company

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings
Cost / Valuation				
As at 1st April 2014	946,163	1,032,229	4,714,533	20,891
Reclassifications	-	-	-	-
Additions	-	-	7,926	158
Transfers	717,880	892,701	4,600,347	461
Reclassification to assets held for sale (Note 14)	-	-	(390,627)	-
Disposals/ Breakages	-	-	(250,229)	(16)
As at 31st March 2015	1,664,043	1,924,930	8,681,950	21,494
Accumulated Depreciation				
As at 1st April 2014	-	62,304	1,390,245	13,843
Charge for the year	-	27,340	265,963	1,046
Reclassification to assets held for sale (Note 14)	-	-	(242,325)	-
Disposals/ Breakages	-	-	(42,207)	(16)
As at 31st March 2015	-	89,644	1,371,676	14,873
Net Book Value				
As at 31st March 2015	1,664,043	1,835,286	7,310,274	6,621
As at 31st March 2014	946,163	969,925	3,324,288	7,047

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 at a value of Rs. 1,635.66 Mn and the resultant surplus arising therefrom was transferred to the Revaluation Reserves.

Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in -Progress	31st March 2015	31st March 2014
23,123	148,858	84,084	42,003	2,417,600	5,247,533	14,677,017	10,449,095
-	-	-	-	-	-	-	4,700
1,005	11,474	-	5,257	133,080	3,047,700	3,206,600	4,500,156
552	12,266	10,341	-	276,660	(6,511,208)	-	(250,748)
-	-	-	-	-	-	(390,627)	
-	(1,344)	-	-	(36,793)	-	(288,382)	(26,186)
24,680	171,254	94,425	47,260	2,790,547	1,784,025	17,204,608	14,677,017
12,182	93,844	27,208	31,491	1,387,589	-	3,018,706	2,458,002
1,764	29,882	15,886	4,481	364,524		710,886	581,191
-	-	-	-	-	-	(242,325)	-
-	(708)	-	-	(32,130)	-	(75,061)	(20,486)
13,946	123,018	43,094	35,972	1,719,983	-	3,412,206	3,018,707
10,734	48,236	51,331	11,288	1,070,564	1,784,025	13,792,402	-
10,942	55,013	56,876	10,512	1,030,011	5,247,533	-	11,658,310

NOTES TO THE FINANCIAL STATEMENTS

8 PROPERTY, PLANT & EQUIPMENT

8.1 Property, Plant & Equipment - Group

In Rs.'000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings
Cost / Valuation				
As at 1st April 2014	946,163	1,032,229	4,714,533	20,891
Additions	-	-	7,926	158
On consolidation	312,349	466,168	396,000	8,904
Transfers	717,880	892,701	4,600,347	461
Reclassification to assets held for sale (Note 14)	-	-	(783,134)	-
Disposals/ Breakages	-	-	(254,339)	(16)
As at 31st March 2015	1,976,392	2,391,098	8,681,333	30,398
Accumulated Depreciation				
As at 1st April 2014	-	62,304	1,390,245	13,843
Charge for the year	-	32,196	265,962	1,500
Reclassification to assets held for sale (Note 14)	-	-	(242,325)	-
Disposals/ Breakages	-	-	(42,823)	(16)
As at 31st March 2015	-	94,500	1,371,059	15,327
Net Book Value				
As at 31st March 2015	1,976,392	2,296,598	7,310,274	15,071

Freehold land and buildings of Lion Brewery (Ceylon) PLC 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 at a value of Rs. 1,635.66 Mn and the resultant surplus arising there from was transferred to the Revaluation Reserves.

As explained in Note 36, Pearl Springs (Private) Limited acquired Millers Brewery Limited ("MBL") on 30th October 2014. Accordingly PPE of MBL is recorded at such values.

Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in -Progress	31st March 2015
23,123	148,858	84,084	42,003	2,417,600	5,247,533	14,677,017
1,005	11,474	-	5,257	133,080	3,047,700	3,206,600
291	9,882	8,000	-	150,492	-	1,352,086
552	12,266	10,341	-	276,660	(6,511,208)	-
-	-	-	-	(69,000)	-	(852,134)
-	(1,494)	(4,317)	-	(116,334)	-	(376,500)
24,971	180,986	98,108	47,260	2,792,498	1,784,025	18,007,069
12,182	93,844	27,208	31,491	1,387,589	-	3,018,706
1,835	32,733	17,465	4,481	366,475	-	722,647
-	-	-	-	-	-	(242,325)
-	(817)	-	-	(32,130)	-	(75,786)
14,017	125,760	44,673	35,972	1,721,934	-	3,423,242
10,954	55,226	53,435	11,288	1,070,564	1,784,025	14,583,827

NOTES TO THE FINANCIAL STATEMENTS

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

	Company		Group	
In Rs.'000s	Land	Buildings	Land	Buildings
Cost as at 1st April 2014	376,557	949,201	376,557	949,200
On consolidation			312,349	466,167
Additions during the year	717,880	892,701	717,880	892,701
Cost as at 31st March 2015	1,094,437	1,841,902	1,406,786	2,308,068
Accumulated depreciation	-	(218,706)	-	(223,561)
	1,094,437	1,623,196	1,406,786	2,084,507
Appreciation due to revaluation				
Revaluation amount	569,606	83,028	569,606	83,028
Accumulated depreciation on cost as at revaluation	-	136,078	-	136,078
Revaluation surplus	569,606	219,106	569,606	219,106
Accumulated depreciation on revaluation amount	-	(7,016)	-	(7,016)
Net appreciation	569,606	212,090	569,606	212,090
Carrying amount as at 31st March 2015	1,664,043	1,835,286	1,976,392	2,296,597

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

Location	2015 Extent of Lands A	R	P	2015 Cost / Valuation of Lands Rs. 000s	2015 Number of buildings/ Blocks	2015 Cost/ Valuation of Buildings Rs. 000s	2014 Extent of Lands A	R	P	2014 Cost / Valuation of Lands Rs. 000s	2014 Number of buildings/ Blocks	2014 Cost/ Valuation of Buildings Rs. 000s
Lion Brewery Ceylon PLC	A	R	P				A	R	P			
Factory & Office Premises	10	1.0	0.05	490,732	34	986,433	10	1.0	0.05	490,732	34	968,298
New packaging Line Land	8	3.0	20.14	326,825	5	902,383	8	3.0	20.14	326,825	5	27,817
Kaduwela Land	3	-	27.00	77,318	1	33,545	3	0.0	27.00	77,318	1	33,545
Keerthi Mawatha Lands	-	3.0	5.66	30,704	1	2,569	-	2.0	21.81	13,650	1	2,569
Parakum Mawatha Lands	-	3.0	4.67	51,892	2	-	-	2.0	26.67	37,638	-	-
Jayanthi Mawatha Lands	7	2.0	17.29	686,572	3	-	-	-	-	-	-	-
Total- Company				1,664,043		1,924,930				946,163		1,032,229
Millers Brewery Limited												
Factory & Office Premises	23	3.0	35.00	312,349	12	466,167	-	-	-	-	-	-
Total- Group	55	1.0	34.76	1,976,392	58	2,391,097	23	2.0	15.67	946,163	41	1,032,229

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

8.4 The Group has capitalised the borrowing cost amounting to Rs. 505,696,889/- (2014- Rs. 532,035,344/-). The average capitalization rate used for the year was 8.64%.

8.5 Property, Plant and Equipment includes fully depreciated assets still in use which cost/valuation to Rs. 1,021,293,477/- (2014 - Rs. 807,008,372/-) .

NOTES TO THE FINANCIAL STATEMENTS

8.6 Fair Value Measurement

8.6.1 Fair Value Hierarchy

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

8.6.2 Valuation Techniques and Significant Unobservable Inputs

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

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

9 INTANGIBLE ASSETS - COMPANY

As at 31st March In Rs.'000s	Brands	Computer Software	2015 Total	2014 Total
Cost				
Opening balance	-	342,340	342,340	90,163
Additions during the year	4,000,000	1,502	4,001,502	1,429
Transfers from capital WIP	-	-	-	250,748
Closing balance	4,000,000	343,842	4,343,842	342,340
Amortisation				
Opening balance	-	85,207	85,207	81,879
Amortisation for the year	-	53,053	53,053	3,328
Closing balance	-	138,260	138,260	85,207
Net Book Value	4,000,000	205,582	4,205,582	257,133

INTANGIBLE ASSETS - GROUP

	Brands	Computer Software	2015 Total
Cost			
Opening balance	-	342,340	342,340
Additions during the year	4,000,000	1,502	4,001,502
Closing balance	4,000,000	343,842	4,343,842
Amortisation			
Opening balance	-	85,207	85,207
Amortisation for the year	-	53,053	53,053
Closing balance	-	138,260	138,260
Net Book Value	4,000,000	205,582	4,205,582

Intangible assets consists of the acquired brands of Millers Brewery Ltd and software licenses used by the Company.

As explained in Note 36 to these Financial Statements, the Company had acquired brands amounting to Rs.4,000,000,000/- during the year. Brands are not amortized as the useful life is considered to be infinite given the nature of the asset. However the assessment of indefinite life is reviewed annually. Brands are also tested for impairment annually. The Company had assessed the possible impairment for acquired brands by forecasting the annual sales quantity and price growth and discounting such estimated cash flows by its cost of equity. Based on such computation the management had concluded that no impairment is required.

The computer software is amortized over five years and the details are given in note 3.7 of the accounting policies to these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

10 INVESTMENT IN SUBSIDIARY

Company

During the year, the Company invested Rs. 1,150,000,000/- in Pearl Springs (Pvt) Ltd through which the Company acquired Millers Brewery Limited. Pearl Springs (Pvt) Ltd is a fully owned subsidiary of Lion Brewery Ceylon PLC (Note 36).

In Rs. '000s	No of Shares	% holding	Cost as at 31st March 2015	Market Value / Directors Value as at 31st Mar 2015
Pearl Springs (Pvt) Ltd	1	100%	1,150,000	
Impairment provision (Note 29)			(120,377)	
Balance as at 31.03.2015			1,029,623	1,029,623

As at the end of the year the Company, made a provision for the impairment of it's investment in Pearl Springs Pvt Ltd amounting to Rs. 120,377,019/-, considering its net asset position as at the reporting date.

As the subsidiaries are 100% equity owned companies, disclosure relating to non-controlling interest will not be applicable.

11 INVENTORIES

As at 31st March In Rs.'000s	Company 2015	2014	Group 2015
Raw and packing materials	537,129	576,712	537,129
Work in progress	155,875	145,249	155,875
Finished goods	1,904,600	1,795,380	1,904,600
Maintenance spares & others	267,524	220,632	267,524
	2,865,128	2,737,973	2,865,128
Impairment provision for inventory (Note 11.1)	(67,064)	(42,952)	(67,064)
	2,798,064	2,695,021	2,798,064

11.1 Impairment Provision for Inventory

Balance as at the beginning of the year	42,952	111,816	42,952
Provisions made during the year	54,732	74,719	54,732
Reversals during the year	(30,620)	(143,583)	(30,620)
Balance as at the end of the year	67,064	42,952	67,064

12 TRADE AND OTHER RECEIVABLES

Trade receivables	1,101,337	1,065,596	1,101,337
Provision for doubtful debts (Note 12.1)	(15,065)	(15,065)	(15,065)
	1,086,272	1,050,531	1,086,272
Advances given to business partners	110,466	286,432	110,466
Other advances	333,746	823,379	333,746
Prepayments	139,456	75,966	139,456
Other receivables	175,915	146,639	204,145
	1,845,855	2,382,947	1,874,085

12.1 Provision for Doubtful Debts

Balance as at the beginning of the year	15,065	15,065	15,065
Provisions / Write-offs during the year	-	-	-
Balance as at the end of the year	15,065	15,065	15,065

13 AMOUNTS DUE FROM RELATED COMPANIES

Ceylon Beverages Holdings PLC	24	-	24
Luxury Brands (Private) Limited	256,318	214,071	256,318
Pearl Springs (Private) Limited	120,378	-	-
	376,720	214,071	256,342

NOTES TO THE FINANCIAL STATEMENTS

14 ASSETS HELD FOR SALE

Company

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

Group

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

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

15 CASH AND CASH EQUIVALENTS

As at 31st March In Rs.'000s	Company 2015	 2014	Group 2015
Fixed deposits with financial institutions	1,716,784	6,449,484	1,716,784
Savings accounts	77,905	4,861	77,905
Cash at bank	435,896	401,092	514,884
Cash in hand	1,945	1,865	1,945
	2,232,530	6,857,302	2,311,518

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

Cash and cash equivalents	2,232,530	6,857,302	2,311,518
Bank overdrafts	(1,528,874)	(801,204)	(1,528,874)
	703,656	6,056,098	782,644

16 STATED CAPITAL

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

17 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.

Revaluation reserve	719,411	719,411	719,411

NOTES TO THE FINANCIAL STATEMENTS

18 DEBENTURES

As at 31st March In Rs.'000s	Company 2015	 2014	Group 2015
Balance as at the beginning of the year	3,000,000	-	3,000,000
Debentures issued	2,000,000	3,000,000	2,000,000
Debentures redeemed	(201,200)	-	(201,200)
Balance as at the end of the year	4,798,800	3,000,000	4,798,800
Interest payable (Note 18.5)	130,764	93,774	130,764
Balance as at the end of the year	4,929,564	3,093,774	4,929,564

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.

18.1 New Debenture Issue

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

The categories of debentures and its proportion of the different types of debentures in each category are as follows.

Category 01 Debentures - floating rate (Note 18.2)	804,800	1,006,000	804,800
Category 02 & 03 Debentures - fixed rate (Note 18.3)	3,994,000	1,994,000	3,994,000
Total	4,798,800	3,000,000	4,798,800

18.2 Category 01 Debentures - Floating Rate

Debentures Category	Value in Rs. ('000)	Proportion (From and out of the Category 01 Debentures issued)	Interest Rate (per annum)	Redemption From the Date of Allotment
Category 01 - Type B	201,200	20%	AWPLR + 0.40%	24 Months (2 Years)
Category 01 - Type C	201,200	20%	AWPLR + 0.60%	36 Months (3 Years)
Category 01 - Type D	201,200	20%	AWPLR + 0.80%	48 Months (4 Years)
Category 01 - Type E	201,200	20%	AWPLR + 1.10%	60 Months (5 Years)
Total	804,800			

Type A debentures amounting to Rs. 201,200,000/- were redeemed on June 16, 2014.

18.3 Category 02 & Category 03 Debentures - Fixed Rate

Debentures Category	Value in Rs. ('000)	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum)	AER (per annum)	Redemption From the Date of Allotment
Category 02 - Type F	598,200	30%	13.50%	14.20%	36 Months (3 Years)
Category 02 - Type G	598,200	30%	13.75%	14.48%	48 Months (4 Years)
Category 02 - Type H	797,600	40%	14.00%	14.75%	60 Months (5 Years)
Category 03 - Type I	2,000,000	N/A	7.85%	8.00%	60 Months (5 Years)
Total	3,994,000				

18.4 Composition of Debentures and Interest Payable

	Company		Group
As at 31st March In Rs.'000s	2015	2014	2015
Classified under non current liabilities			
Debentures falling due after one year (Note 18.2 & 18.3)	4,597,600	2,798,800	4,597,600
Classified under current liabilities			
Debentures falling due within one year (Note 18.2 / Type B)	201,200	201,200	201,200
Debenture interest payable (Note 18.5)	130,764	93,774	130,764
	331,964	294,974	331,964
Total debentures and interest payable	4,929,564	3,093,774	4,929,564

NOTES TO THE FINANCIAL STATEMENTS

18.5 Interest Paid on Debentures

During the year the Company has charged Rs. 397,770,084/- (2014 - Rs. 320,937,352/-) as debenture interest on both fixed and floating rates out of which Rs. 130,763,541/- (2014 -Rs. 93,773,466/-) was payable as at the reporting date.

18.6 No security has been pledged against the debentures.

18.7 Debenture Trading Information

As at 31st March	2015			2014		
	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)						
Type B - Floating Rate - 2 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type C - Floating Rate - 3 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type D - Floating Rate - 4 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type E- Floating Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type F - Fixed Rate - 3 Year	1,074	1,074	1,074	N/T	N/T	N/T
Type G - Fixed Rate - 4 Year	1,118	1,118	1,118	N/T	N/T	N/T
Type H - Fixed Rate - 5 Year	1,160	1,160	1,160	N/T	N/T	N/T
Debentures issued on 8th Dec 2014 (Rs.100/- par value)						
Type I - Fixed Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T

N/T - Not traded during the year

As at 31st March	2015	2014
Interest yield of last trade done (%)		
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)		
Type F - fixed rate - 3 Year	12.57%	N/T
Type G - fixed rate - 4 Year	12.30%	N/T
Type H - fixed rate - 5 Year	12.06%	N/T

Interest rate of comparable government securities(%)	2015	2014
03 year treasury bonds	8.70%	8.03%
04 year treasury bonds	8.92%	8.90%
05 year treasury bonds	9.13%	9.02%

Debt related ratios - Company	2015	2014
Debt/equity ratio (times)	1.54	1.77
Quick asset ratio (%)	0.51	0.88
Interest cover (times)	2.78	3.67

19 LOANS AND BORROWINGS

	Company		Group
As at 31st March In Rs.'000s	2015	2014	2015
Balance as at the beginning of the year	9,145,570	4,087,983	9,145,570
Obtained during the year	2,000,000	12,910,739	2,000,000
Repayments during the year	(4,034,867)	(7,885,117)	(4,034,867)
Exchange loss /(gain) on foreign currency loans	(1,927)	31,965	(1,927)
	7,108,776	9,145,570	7,108,776
Interest payable	10,000	23,770	10,000
Balance as at the end of the year	7,118,776	9,169,340	7,118,776

NOTES TO THE FINANCIAL STATEMENTS

19.1 Details of Loans and Borrowings

Name of the Lender	Interest Rate (p.a)	31st March 2015 - Rs. 000s	31st March 2014 - Rs. 000s	Repayment Terms	Security Offered
HSBC - USD 11.05 Mn	3 month LIBOR + 3.17%	653,083	944,168	Payable in 20 equal quarterly instalments commencing from March 2012	Unsecured
DFCC - Rs. 1 Bn	Fixed 8% , reviewed semi annually	600,000	800,000	Payable in 60 equal monthly instalments commencing from April 2013	Unsecured
HSBC - Up to Rs. 2.2 Bn	1 month SLIBOR + 0.5 %	1,055,713	1,651,402	Payable in 42 equal monthly instalments commencing from April 2013	Unsecured
Commercial Bank - Rs. 1 Bn	Fixed 7.75%	899,980	-	Payable in 60 equal monthly instalments commencing from October 2014	Unsecured
DFCC - Rs. 1 Bn	AWPLR(4 week AVG,Revised monthly)	1,000,000	-	Payable in 60 equal monthly instalments commencing from October 2015	Unsecured
Commercial Bank Rs. 2 Bn	6.95%	2,000,000	-	1 month - Renewable	Unsecured
Citi Bank - Rs. 250 Mn	5.80%	250,000	-	3 month - Renewable	Unsecured
HNB - Rs. 650 Mn	7.25%	650,000	-	1 week - Renewable	Unsecured
HNB - Rs. 750 Mn	7.60%	-	750,000	1 month - Renewable	Unsecured
HNB - Rs. 2,500 Mn	8.00%	-	2,500,000	1 month - Renewable	Unsecured
HNB - Rs. 750 Mn	7.85%	-	750,000	1 month - Renewable	Unsecured
HNB - Rs. 400 Mn	7.60%	-	400,000	1 month - Renewable	Unsecured
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		7,108,776	9,145,570		

19.2 Composition of Loans and Borrowings Repayment

As at 31st March In Rs.'000s	Company 2015	Company 2014	Group 2015
Classified under non current liabilities			
Loans and borrowings falling due after one year	2,874,862	2,307,690	2,874,862
Classified under current liabilities			
Loans and borrowings falling due within one year	4,233,914	6,837,880	4,233,914
Interest payable	10,000	23,770	10,000
	4,243,914	6,861,650	4,243,914
Balance as at the end of the year	7,118,776	9,169,340	7,118,776

20 EMPLOYEE BENEFITS

The amounts recognized in the statements of financial position are as follows:

Present value of unfunded obligation	101,631	93,313	101,631
Liability in the statements of financial position	101,631	93,313	101,631

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

As at 1st April	93,313	79,315	93,313
Interest cost	9,332	7,931	9,332
Current service cost	10,438	9,102	10,438
Actuarial loss	13,327	1,121	13,327
Benefits paid	(24,779)	(4,156)	(24,779)
As at 31st March	101,631	93,313	101,631

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

Interest cost	9,332	7,931	9,332
Current service cost	10,438	9,102	10,438
	19,770	17,033	19,770

The amounts recognised in the Other Comprehensive Income are as follows:

Actuarial loss	13,327	1,121	13,327

NOTES TO THE FINANCIAL STATEMENTS

20.1 The gratuity liability as at 31st March 2015 amounting to Rs. 101,631,356/- (2014- Rs. 93,312,807/-) is based on an actuarial valuation carried out by Mr. M. Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (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.

20.2 The liability is not externally funded.

20.3 Sensitivity of Assumptions Used

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

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

21 DEFERRED TAX LIABILITIES

As at 31st March In Rs.'000s	Company 2015	Company 2014	Group 2015
Deferred tax liability (Note 21.1)	2,009,632	1,204,097	2,074,371
Balance as at the end of the year	2,009,632	1,204,097	2,074,371

21.1 Movement of Deferred Tax Liability

Balance as at the beginning of the year	1,204,097	789,579	1,204,097
On consolidation (Note 36)	-	-	74,467
Originated during the year	805,535	414,518	795,807
Balance as at the end of the year	2,009,632	1,204,097	2,074,371

21.2 Net Deferred Tax Liability Relates to the Following

Temporary differences from Property,Plant & Equipment	2,050,285	1,241,422	2,115,024
Employee benefits	(40,653)	(37,325)	(40,653)
	2,009,632	1,204,097	2,074,371

22 TRADE AND OTHER PAYABLES

Trade payables	372,805	517,234	372,806
Trade incentives	128,853	57,059	128,853
Accruals	110,624	62,978	110,624
Other payables	174,871	137,202	183,410
	787,153	774,473	795,692

23 AMOUNTS DUE TO RELATED COMPANIES

Carlsberg A/S	176,403	52,872	176,403
Ceylon Beverage Holdings PLC	-	12,749	-
	176,403	65,621	176,403

24 REFUNDABLE DEPOSITS

Balance as at the beginning of the year	1,044,123	980,333	1,044,123
Deposits received during the year	98,292	63,790	98,292
Deposits refunded during the year	(2,910)	-	(2,910)
Empty deposit write back during the year	(253,590)	-	(253,590)
Balance as at the end of the year	885,915	1,044,123	885,915

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

NOTES TO THE FINANCIAL STATEMENTS

25 CURRENT TAX LIABILITIES

	Company		Group
As at 31st March In Rs.'000s	2015	2014	2015
Excise duty	948,441	505,395	948,441
Value added tax	-	181,048	-
Income tax	35,064	155,925	35,064
Nation building tax	-	44,105	-
	983,505	886,473	983,505

26 REVENUE

Local revenue	31,981,207	25,517,976	31,981,207
Export revenue	369,168	286,343	369,168
	32,350,375	25,804,319	32,350,375

27 OTHER INCOME

Deposit liability write back	231,875	-	231,875
Negative goodwill (Note 36)	-	-	153,892
Other income	2,874	15,433	7,318
	234,749	15,433	393,085

28 LOSS ON DISPOSAL AND IMPAIRMENT OF PPE

Company

During the year, the Company disposed of its old canning line to Wallart Sarl of France and entered in to a sale agreement with them for the sale of the old bottling line. Whilst Wallart Sarl took possession of the canning line, the bottling line yet remains in the books of the Company and thus classified under assets held for sale (Note 14). Accordingly an amount of Rs.155,527,632/- was recorded as a loss on disposal of the canning line whilst an impairment provision for Rs.89,641,422/- was recognized for the bottling line. As at 31st March 2015, the Company had in its possession spare parts for the old canning & bottling lines to the value of Rs.29,272,452/- which has been provided for in the Profit or Loss , as these items are now obsolete. The total impact of these transactions are as below.

Group

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

	Company		Group
As at 31st March	2015	2014	2015
In Rs.'000s			
Loss on disposal of old canning plant	155,528	-	155,528
Impairment of old bottling plant	89,641	-	89,641
Provision for spare parts - old bottling/ canning plant	29,345	-	29,345
Impairment of plant,machinery & returnable containers - MBL	-	-	28,272
	274,514	-	302,786

NOTES TO THE FINANCIAL STATEMENTS

29 EXPENSES RELATING TO NEW INVESTMENT

29.1 The Company incurred Rs. 480,000,000/- as VAT, on account of the acquisition of trademarks and brands from Millers Brewery Limited. The acquisition was made on the 21st Aug 2014.

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

29.2 A provision of Rs. 120,377,019/- for the impairment of the investment made in Pearl Springs (Pvt) Ltd was also recorded as at 31st March 2015, as explained in Note 10 to the Financial Statements.

	Company		Group
For the year ended 31st March In Rs.'000s	2015	2014	2015
Provision for irrecoverable VAT (Note 29.1)	339,811	-	339,811
Provision for investment in subsidiaries (Note 29.2)	120,377	-	-
Total	460,188	-	339,811

30 PROFIT BEFORE FINANCE COST

Profit before finance cost is stated after charging all expenses including the following :

Directors' fees and emoluments	60,824	37,077	60,824
Auditors' remuneration - Audit fee	1,210	1,100	1,510
- Audit related services	113	70	113
Depreciation on property, plant equipment (Note 8)	710,886	581,191	722,647
Amortisation of intangible assets (Note 9)	53,053	3,328	53,053
Impairment of property, plant equipment	89,641	-	117,913
Impairment of investment in subsidiary (Note 29)	120,377	-	-
Impairment for spare parts (Note 28)	29,345	-	29,345
Provision for irrecoverable VAT (Note 29)	339,811	-	339,811
Royalty	273,979	233,428	273,979
Supporting services fees	253,614	130,144	253,614
Personnel expenses (Note 30.1)	575,315	413,724	575,315

30.1 Personnel Expenses

For the year ended 31st March In Rs.'000s	Company 2015	Company 2014	Group 2015
Salaries, wages and other related expenses	512,712	361,156	512,712
Defined benefit plan costs (Note 20)	19,770	17,033	19,770
Defined contribution plan cost - EPF & ETF	42,833	35,535	42,833
	575,315	413,724	575,315

31 NET FINANCE COSTS

	Company 2015	Company 2014	Group 2015
Finance Income:			
Interest income - FD	214,155	621,514	214,155
Interest income - FCBU deposits	-	11	-
Interest income - other	8,147	10,850	8,147
Total Finance income	222,302	632,375	222,302
Interest Expenses :			
Interest expenses -term loans	140,937	340,540	140,937
Interest expenses -bank overdrafts & bank charges	60,741	1,707	60,746
Interest on debentures	195,732	176,598	195,732
Interest expenses - others	394,007	222,452	394,007
Total Interest expenses (Note 31.1)	791,417	741,297	791,422
Net foreign exchange transaction loss	28,933	43,281	28,933
Total Finance costs	820,350	784,578	820,355
Net Finance Cost	(598,048)	(152,203)	(598,053)

31.1 Analysis of Total Interest Expenses

	Company 2015	Company 2014	Group 2015
Total interest expenses incurred during the year.	1,297,114	1,273,332	1,297,119
Less: Capitalised during the period (Note 8.4)	(505,697)	(532,035)	(505,697)
Interest expenses recognised in the profit or loss	791,417	741,297	791,422

NOTES TO THE FINANCIAL STATEMENTS

32 INCOME TAX

For the year ended 31st March In Rs.'000s	Company 2015	Company 2014	Group 2015
Income tax (Note 32.1)	254,910	443,022	254,910
Net deferred tax	810,866	414,518	801,137
Total income tax	1,065,776	857,540	1,056,047
Deferred tax recognised in other comprehensive income	(5,331)	-	5,331
	(5,331)	-	5,331

32.1 Reconciliation of the Accounting Profit and Tax Expenses

	Company 2015	Company 2014	Group 2015
Profit before taxation	2,279,389	2,200,794	2,386,367
Remeasurement of employee benefit obligations (Note 20)	(13,327)	(1,121)	(13,327)
Profit before tax adjustments	2,266,062	2,199,673	2,373,040
Aggregate of disallowable expenses	2,068,248	1,022,296	2,068,248
Aggregate of allowable claims	(3,604,970)	(1,701,429)	(3,604,970)
Tax adjusted profit	729,340	1,520,540	836,318
Less : Exempt interest income	-	(11)	-
Total statutory income	729,340	1,520,529	836,318
Royalty	(273,979)	(233,428)	(273,979)
Assessable income /taxable income	455,361	1,287,101	562,339
Current tax (Note 32.2.1)	153,848	443,022	153,848
Under provision in respect of prior years	101,062	-	101,062
Total current tax expense	254,910	443,022	254,910

32.2 Income Tax

32.2.1 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% (2014 - 40%) and profits attributable to export turnover are liable at 12% (2014 - 12%). Income arising on interest income were considered as separate source of income and which is taxed at 28%.

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

33 DIVIDENDS

For the year ended 31st March In Rs.'000s	Company 2015	2014	Group 2015
On ordinary shares Rs. 4 /- per share - (2014 - 4/-)	320,000	320,000	320,000
	320,000	320,000	320,000

33.1 The Board of Directors has recommended the payment of a final dividend of Rs.4/- per share for the year ended 31st March 2015 (2014 - 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 2015.

33.2 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.

33.3 Currently ordinary dividend declared by the Company during the year are liable for dividend tax at 10% on gross amount declared as dividends.

34 EARNINGS PER ORDINARY SHARE

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

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

For the year ended 31st March In Rs.'000s	Company 2015	2014	Group 2015
Profit for the year	1,213,613	1,343,254	1,330,320
Net profit attributable to ordinary shareholders (as the numerator)	1,213,613	1,343,254	1,330,320
Number of ordinary shares (as denominator)	80,000	80,000	80,000
Earnings per ordinary share (Rs.)	15.17	16.79	16.63

NOTES TO THE FINANCIAL STATEMENTS

35 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

35.1 Accounting Classifications and Fair Values

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

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

Category	Company					
As at 31st March		2015			2014	
Financial Instruments	L&R	OFL	FV	L&R	OFL	FV
Financial assets						
Trade and other receivables	1,845,855	-	1,845,855	2,382,947	-	2,382,947
Amounts due from related companies	376,720	-	376,720	214,071	-	214,071
Cash and cash equivalents	2,232,530	-	2,232,530	6,857,302	-	6,857,302
Financial liabilities						
Debentures	-	4,929,564	4,929,564	-	3,093,774	3,093,774
Loans and borrowings	-	7,118,776	7,118,776	-	9,169,340	9,169,340
Trade and other payables	-	787,153	787,153	-	774,473	774,473
Refundable deposits	-	885,915	885,915	-	1,044,123	1,044,123
Amounts due to related companies	-	176,403	176,403	-	65,621	65,621
Bank Overdraft	-	1,528,874	1,528,874	-	801,204	801,204

Category	Group		
		2015	
Financial Instruments	L&R	OFL	FV
Financial assets			
Trade and other receivables	1,874,085	-	1,874,085
Amounts due from related companies	256,342	-	256,342
Cash and cash equivalents	2,311,518	-	2,311,518
Financial liabilities			
Debentures	-	4,929,564	4,929,564
Loans and borrowings	-	7,118,776	7,118,776
Trade and other payables	-	795,692	795,692
Refundable deposits	-	885,915	885,915
Amounts due to related companies	-	176,403	176,403
Bank Overdraft	-	1,528,874	1,528,874

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

35.2 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 Group's exposure to each of the above risks, the Group'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 Group risk management framework.

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

The Audit Committee oversees how management monitors compliance with the Company risk management processes/ guidelines and procedures to review 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.

35.2.1 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 Group by failing to discharge an obligation.

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

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

NOTES TO THE FINANCIAL STATEMENTS

35.2.1 (i) Management of Credit Risk

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

Item	Procedure
Fixed deposits	Deposits are placed only with reputed and established commercial banks with a rating of " A" or above.
Trade and other receivables	Most of trade receivables are covered through either bank guarantees or as a discounting arrangement without recourse to the Company with a commercial bank.
Due from related companies	Monitor the balance outstanding regularly
Cash and cash equivalents	Monitor the balance outstanding regularly

35.2.1 (ii) Exposure to Credit Risk

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

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

	Company		Group
As at 31st March In Rs. 000s	2015	2014	2015
Trade and other receivables	1,845,855	2,382,947	1,874,085
Amounts due from related companies	376,720	214,071	256,342
Cash and cash equivalents	2,232,530	6,857,302	2,311,518
	4,455,105	9,454,320	4,441,945

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

	Company 2015	Company 2014	Group 2015
Financial institutions	2,232,530	6,857,302	2,311,518
Customers and other parties	1,845,855	2,382,947	1,874,085
Related parties	376,720	214,071	256,342
	4,455,105	9,454,320	4,441,945

35.2.1 (iii) Trade & Other Receivables

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

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

35.2.1 (iv) Impairment Losses

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

	Company		Group
As at 31st March in Rs. 000s	2015	2014	2015
Age			
Past due 0 - 30 days	1,086,272	1,050,531	1,086,272
Past due 31 - 365 days	-	-	-
More than 365 days	15,065	15,065	15,065
	1,101,337	1,065,596	1,101,337

35.2.2 Liquidity Risk

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

35.2.2 (i) Management of Liquidity Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

35.2.2 (ii) The Maturity Analysis of Liabilities

As at 31st March 2015 (Current & Non Current) - Company

In Rs. 000s	Carrying value	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	1,528,874	1,528,874	-
Loans and borrowings	7,118,776	4,243,914	2,874,862
Debentures	4,929,564	331,964	4,597,600
Trade & other payables	787,153	787,153	-
Amounts due to related companies	176,403	176,403	-
Refundable deposits	885,915	-	885,915
	15,426,685	7,068,308	8,358,377

As at 31st March 2014 (Current & Non Current) - Company

	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	65,621	65,621	-
Refundable deposits	1,044,123	-	1,044,123
	14,948,535	8,797,922	6,150,613

As at 31st March 2015 (Current & Non Current) - Group

	Carrying value	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	1,528,874	1,528,874	-
Loans and borrowings	7,118,776	4,243,914	2,874,862
Debentures	4,929,564	331,964	4,597,600
Trade & other payables	795,692	795,692	-
Amounts due to related companies	176,403	176,403	-
Refundable deposits	885,915	-	885,915
	15,435,224	7,076,847	8,358,377

35.2.3 Market Risk

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

35.2.3 (i) Management of Market Risks

All borrowing rates are linked to AWPLR, LIBOR and SLIBOR. Hence, any movement will be in line with the 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.

35.2.4 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 Group backs its commitments in local currency. The Group does not use any derivative financial instruments to hedge the risk. The currency risk attached to financial instruments is minimal as it represents local currency.

35.2.5 Interest Rate Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

35.2.5 (i) Sensitivity Analysis on Interest Rate Fluctuation

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

In Rs. '000s

Instrument	Rate	Increase by one percentage	Decrease by one percentage
Debenture Type B	AWPLR + 0.40%	2,012	(2,012)
Debenture Type C	AWPLR + 0.60%	2,012	(2,012)
Debenture Type D	AWPLR + 0.80%	2,012	(2,012)
Debenture Type E	AWPLR + 1.10%	2,012	(2,012)
HSBC - Up to Rs. 2.2 Bn	1 month SLIBOR + 0.5 %	10,557	(10,557)
DFCC - Rs. 1 Bn	AWPLR(4 week AVG,Revised monthly)	10,000	(10,000)
HSBC - USD 11.05 Mn	3 month LIBOR + 3.17%	6,531	(6,531)
Potential impact		35,136	(35,136)

35.2.5 (ii) 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.

36 Acquisition of Millers Brewery Limited

On the 30th October 2014 , the Company together with its subsidiary Pearl Springs (Private) Limited (PSPL) acquired the 100% shareholding of Millers Brewery Limited (MBL) and its trademarks at a total consideration of Rs. 5,150,000,000/- . Whilst Rs. 4,000,000,000/- was paid for the acquisition of trademarks, Rs. 1,150,000,000/- was paid towards the purchase of the shareholding of MBL in its entirety. Consequent to this transaction, the accounts of MBL and PSPL have been consolidated with that of the Company.

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

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

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

	As at October 2014 Rs. 000's
Assets	
Property, plant & equipment (Note 8)	1,352,086
Trade and other receivables	32,497
Cash and cash equivalents	18,691
Total Assets	1,403,274
Non- Current Liabilities	
Deferred taxation (Note 21)	74,467
Current Liabilities	
Trade and other payables	24,915
Total Liabilities	99,382
Identifiable Net Assets Acquired	1,303,892
less: Negative Goodwill arising from acquisition	(153,892)
Total consideration for the acquisition	1,150,000

NOTES TO THE FINANCIAL STATEMENTS

		2014 Rs. 000's
36.1	**The effects of acquisition on cash flow is as follows**	
	Consideration settled in cash	1,150,000
	Less: Cash and Cash equivalents of subsidiary acquired	(18,691)
	Cost of acquisition of subsidiary net of cash	1,131,309

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

37 RELATED PARTY DISCLOSURES

37.1 Parent and Ultimate Controlling Party

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

37.2 Transactions with Key Management Personnel (KMP)

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

The compensation paid to key management personnel as short-term employment benefits is disclosed in aggregate in Note 30 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, except as disclosed below.

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

37.3 Other Related Party Transactions

The Group 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.

37.3.1 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 period by the Company in the normal course of business.

(a) As per the licensed brewing agreement with Ceylon Beverage Holdings PLC,the Company was charged Rs. 143,138,003/- (2014 - Rs. 132,218,641/-) as royalty during the year.

(b) A dividend of Rs. 150,475,636/- was paid by the Company to Ceylon Beverage Holdings PLC during the year . (2014 - Rs. 150,475,636/-).

(c) As at 31st March 2015 the balance receivable to the Company from Ceylon Beverage Holdings PLC is Rs. 24,400/-. (Payable 2014 - Rs. 12,749,389/-).

37.3.2 Transactions with Fellow Subsidiary - Pubs 'N Places (Private) Limited

Messrs. S.K. Shah, C. P. Amerasinghe (retired w.e.f. from 31st March 2015) 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. 180,297,243/- during the year. (2014 - Rs. 183,630,888/-).

(i) An amount of Rs. 7,590,575/- was paid by LBCPLC to Pubs 'N Places (Private) Limited as trade rebates on beer purchases for the year. (2014- Nil).

(ii) A one time fee of Rs. 75,000,000/- was paid by LBCPLC to Pubs 'N Places (Private) Limited to prioritise beer sales over a 10 year period. Rs. 7,500,000 /- has been charged as an expense in the current year. (2014- Nil).

(iii) No balance was receivable / payable to LBCPLC by Pubs 'N Places (Private) Limited as at 31st March 2015 . (2014 - Nil).

37.3.3 Transactions with Fellow Subsidiary - Retail Spaces (Private) Limited

Messrs. S.K. Shah, C. P. Amerasinghe (retired w.e.f. from 31st March 2015) 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. 165,918,866/- (2014 - Rs. 211,148,300/-) during the year.

No balance was receivable/payable to Lion Brewery (Ceylon) PLC by Retail Spaces (Private) Limited as at 31st March 2015. (2014 - Nil).

NOTES TO THE FINANCIAL STATEMENTS

37.3.4 Transactions with Fellow Subsidiary - Luxury Brands (Private) Limited

Messrs. S.K. Shah, C. P. Amerasinghe (retired w.e.f. from 31st March 2015) and D.R.P. Goonetilleke, Directors of the Company are also Directors of Luxury Brands (Private) Limited, from which the LBCPLC obtained management services for a management fee amounting to Rs.12,771,091-. (2014 - Rs. 11,954,282/-).

An amount of Rs. 256,317,883/- was receivable from Luxury Brands (Private) Limited to LBCPLC as at 31st March 2015 . (2014 - Rs. 214,071,291/-).

37.3.5 Transactions with Subsidiary - Pearl Springs (Private) Limited

Messrs. D.R.P. Goonetilleke & C.T Liyanage, Directors of the Company are also Directors of Pearl Springs (Private) Limited.

An amount of Rs. 1,150,000,000/- was invested in the equity shareholding of Pearl Springs (Private) Limited during the year.

An amount of Rs. 120,378,019/- was receivable from Pearl Springs (Private) Limited to LBCPLC as at 31st March 2015 (2014 - N/A).

37.3.6 Transactions with Sub Subsidiary - Millers Brewery Limited

Messrs. D.R.P. Goonetilleke & C.T Liyanage, Directors of the Company are also Directors of Millers Brewery Limited.

During the year the company purchased the following assets from Millers Brewery Limited.

Asset Class	Qty	Carrying value (Rs.)	Purchase Cost (Rs.)
Draught Beer units	25	3,493,137	3,493,125
Crates	125,000	42,304,252	42,391,901
Bottles (625ML)	720,000	17,856,000	17,856,000
Computer Equipment	2	40,073	44,240
Bottle Coolers	400	19,380,261	19,380,261
Total	-	83,073,723	83,165,527

37.3.7 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. 338,681,064/- (2014 - Rs. 231,750,623/-) was charged by Carsons Management Services (Private) Limited to the Company during the period ,which included supporting services fees of Rs. 253,614,753/- (2014 -Rs. 130,143,825/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

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

37.3.8 Transactions with Other Related Entities

(a) Messrs. H.J.Andersen, Director of the Company represents Carlsberg Brewery Malaysia Berhad 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. 123,530,742/- (2014 - Rs. 101,209,154/-) was charged as royalty during the period by Carlsberg A/S.

(ii) During the year the Company purchased a part of its requirement of the raw material Aroma Hops from Carlsberg A/S amounting to Rs. 6,438,666/- (2014 - Rs. 7,392,895/-).

(iii) An amount of Rs. 176,402,594/- remains payable to Carlsberg A/S as at 31st March 2015 (2014 - Rs. 52,871,852/-).

(b) 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 period the Company purchased rice for an amount of Rs. 316,976,685/- (2014 - Rs.131,435,540/-). As at the reporting date an amount of Rs. 100,588,460/- (2014 - Rs. 70,087,738/-) has been advanced to Ran sahal (Private) Limited which remains to be settled against future purchases.

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

(i) An amount of Rs. 41,051/- has been charged as parking fees to Equity Two PLC . (2014 - Rs.29,314/-).

(ii) An amount of Rs. 27,085/- has been charged as rental to Equity One PLC. (2014- Rs. 47,699/-).

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

(i) The Company purchased air line tickets and obtained other services from Carsons Air Line Services (Private) Limited for which an amount of Rs. 43,400/- (2014 - Rs. 7,319,308/-) was paid during the year.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

37.4 Fully Owned Subsidiaries – Pearl Springs (Pvt) Ltd & Millers Brewery Limited

As explained in Note 36 to these Financial Statements, the Company together with its subsidiary, Pearls Springs (Pvt) Ltd (PSPL) had acquired Millers Brewery Limited (MBL). Management is currently evaluating the available options in order to ensure the assets in both PSPL and MBL are used to maximize the value in both entities. Accordingly as at the reporting date, no commercial operations were carried out since the date of acquisition in both entities.

38 COMMITMENTS AND CONTINGENCIES

38. 1 Finance Commitments

Document credits established for foreign purchases of the Company as at 31st March 2015 amounts to Rs. 285,302,010/- (2014 - Rs. 378,005,086/-)

38.2 Contingencies

(a) Contingent liabilities as at 31st March 2015 amount to Rs. 17,482,348/- (2014 -Rs. 17,076,169/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

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

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

38.3 Other Matters

(a) As per interim Budget 2015 passed by the Parliament of Sri Lanka on 07th February 2015 it was proposed that a one off 25% Super Gain Tax (SGT) is to be imposed on companies based on either profits of (a) the company or (b) at the consolidated level if in a Group, if the profit before income tax is in excess of Rs. 2,000 million as per the Audited Financial Statements in the Financial Year 2013/14. The Bill in respect of the above budget proposal was issued on 30th March 2015. The consolidated profit before tax of Carson Cumberbatch PLC (of which Lion Brewery Ceylon PLC is a subsidiary) exceeds this threshold. Accordingly, the Company will become liable for SGT based on the taxable income . However, as of the date of authorizing the Financial Statements by the Board of Directors, this bill has not been passed in the Parliament. In the event the Bill is enacted as law in the future, the Company which has a taxable income for the year of assessment 2013/14 will become liable to pay SGT.

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

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

NOTES TO THE FINANCIAL STATEMENTS

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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 2015. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

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

40 COMPARATIVE FIGURES

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

41 SEGMENTAL ANALYSIS

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

42 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	2015		2014	
Revenue	32,350,375		25,804,319	
Value Added Tax	2,533,615		3,065,440	
Other income	393,085		15,433	
Finance income	222,302		632,375	
	35,499,377		29,517,567	
Cost of material & services bought from outside	(12,936,252)		(10,539,965)	
Value Added	22,563,126		18,977,603	
Distributed as follows		%		%
To Employees				
as remuneration and other employee costs	575,315	2.55	413,724	2.18
To Government				
as value added tax	2,533,615	11.23	3,065,440	16.15
as excise duty	16,174,296	71.68	11,225,461	59.15
as import tax	98,866	0.44	1,068,851	5.63
as income tax	192,293	0.85	276,085	1.45
as nation building tax	358,059	1.59	480,453	2.53
as withholding tax	40,415	0.18	56,359	0.30
To Providers of Capital				
as finance expenses	820,350	3.64	784,578	4.13
Retained in the Business				
as depreciation/amortisation	775,700	3.44	584,519	3.08
as profit for the year	994,216	4.41	1,022,133	5.39
	22,563,126	100.00	18,977,603	100.00

Notes:

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

In Rs.'000s	2015	2014
Value Added Tax	2,533,615	3,065,440
Excise Duty	16,174,296	11,225,461
Income Tax	192,293	276,085
Import Taxes	98,866	1,068,851
Nation Building Tax	358,059	480,453
Withholding Tax	40,415	56,359
Total taxes paid to the Government	19,397,544	16,172,649

FIVE YEAR SUMMARY

Year ended 31st March In Rs.'000s	2015	2014	2013	2012	2011
Revenue	32,350,375	25,804,319	22,191,670	17,649,146	11,250,330
Other income	393,085	15,433	26,503	24,135	5,205
	32,743,460	25,819,752	22,218,173	17,673,281	11,255,535
Total expenditure	(29,116,443)	(23,466,755)	(20,675,284)	(15,355,184)	(9,711,066)
Profit from operating activities before exceptional expenses	3,627,018	2,352,997	1,542,889	2,318,097	1,544,469
Loss on disposal and impairment of PPE	(302,786)	-	-	-	-
Profit from operations before expenses relating to new investment	3,324,231	2,352,997	1,542,889	2,318,097	1,544,469
Expenses relating to new investment	(339,811)	-	-	-	-
Net finance (expenses)/income	(598,053)	(152,203)	38,894	(209,157)	(192,938)
Profit before tax	2,386,367	2,200,794	1,581,783	2,108,940	1,351,531
Income tax	(1,056,047)	(857,540)	(535,878)	(888,680)	(562,994)
Profit for the year	1,330,320	1,343,254	1,045,905	1,220,260	788,537
Total comprehensive loss for the year	(7,996)	(1,121)	-	-	-
Total other comprehensive income for the year	1,322,324	1,342,133	1,045,905	1,220,260	788,537
Dividends - ordinary	320,000	320,000	320,000	320,000	240,000
Balance Sheet					
Stated capital	2,537,801	2,537,801	2,537,801	2,537,801	2,187,801
Capital reserves	719,411	719,411	719,411	719,411	860,518
Retained profits	4,669,370	3,675,154	2,653,021	1,952,229	1,324,550
	7,926,582	6,932,366	5,910,233	5,209,441	4,372,869
Loans and borrowings repayable after one year	2,874,862	2,307,690	2,723,906	1,103,802	1,176,728
Debentures repayable after one year	4,597,600	2,798,800	-	-	-
Capital Employed	15,399,044	12,038,856	8,634,139	6,313,243	5,549,597

Year ended 31st March In Rs.'000s	2015	2014	2013	2012	2011
Represented By					
Total Non-current assets	18,789,409	11,915,443	7,999,378	4,889,756	6,282,904
Total Current assets	7,731,904	12,149,341	9,090,131	5,236,931	2,260,938
Total Current liabilities	(8,946,267)	(10,728,518)	(7,586,476)	(3,172,078)	(2,534,377)
Employee benefits	(101,631)	(93,313)	(79,315)	(65,890)	(51,402)
Deferred tax liabilities	(2,074,371)	(1,204,097)	(789,579)	(575,476)	(408,466)
	15,399,044	12,038,856	8,634,139	6,313,243	5,549,597
Cash Flow Statistics					
Net cash inflows from operating activities	3,354,345	1,753,446	(1,698,253)	1,116,467	1,759,215
Net cash inflows/(outflows) from investing activities	(8,095,596)	(2,222,332)	(4,577,539)	1,270,023	(1,512,191)
Net cash inflows/(outflows) from financing activities	(532,204)	7,737,903	2,372,811	(676,307)	912,984
Net cash movement for the year	(5,273,454)	7,269,017	(3,902,981)	1,710,183	1,160,008
Ratios & Statistics					
Return on shareholders' funds (%)	16.78	19.38	17.70	23.42	18.03
Assets turnover (times)	1.22	1.07	1.30	1.74	1.32
Equity to total assets (times)	3.35	3.47	2.89	1.94	1.95
Interest cover (times)	2.78	3.67	12.60	10.93	7.72
Gearing ratio (%)	58.70	47.24	47.28	-	12.10
Current ratio (times)	0.86	1.13	1.20	1.65	0.89
Earnings per share (Rs)	15.17	16.79	13.07	15.25	9.86
Price earnings ratio (times)	36.08	23.29	25.47	13.08	20.29
Market price per share (Rs)	600.00	391.00	333.00	199.50	200.00
Net assets per share (Rs)	99.08	86.65	73.88	65.12	54.66
Market capitalisation (Rs'000)	48,000,000	31,280,000	26,640,000	15,960,000	16,000,000
Dividends - Preference (%)	-	-	-	12.50	12.50
- Ordinary (Rs.)	4.00	4.00	4.00	4.00	3.00

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

For the year ended 31st March In USD '000s	Note	2015	2014
Revenue	2	243,359	198,418
Cost of sales		(182,182)	(152,386)
Gross profit		61,177	46,033
Other income		2,957	119
		64,134	46,152
Distribution expenses		(27,683)	(22,669)
Administrative expenses		(7,667)	(4,799)
Other expenses		(1,499)	(591)
Loss on disposal and impairment of PPE		(2,278)	-
Profit from operations before expenses relating to new investment		25,007	18,093
Expenses relating to new investment		(2,556)	-
Profit before finance cost		22,451	18,093
Finance income		1,672	4,863
Finance costs		(6,171)	(6,033)
Net finance income / (costs)		(4,499)	(1,170)
Profit before taxation		17,952	16,923
Income tax		(7,944)	(6,594)
Profit for the year		10,007	10,329
Other comprehensive income			
Loss in actuarial value of employee benefit		(100)	(9)
Deferred tax adjustment		40	-
Total comprehensive loss for the year		(60)	(9)
Total comprehensive income for the year		9,947	10,320

STATEMENT OF FINANCIAL POSITION-US$

For the year ended 31st March In USD '000s	2015	2014
ASSETS		
Non- Current Assets		
Property, plant & equipment	108,245	88,207
Intangible Assets	31,215	1,945
Total Non-Current Assets	139,460	90,152
Current Assets		
Inventories	20,768	20,391
Trade and other receivables	13,910	18,029
Amounts due from related companies	1,903	1,620
Assets held for sale	3,651	-
Cash and cash equivalents	17,157	51,882
Total Current Assets	57,388	91,922
Total Assets	196,848	182,074
EQUITY AND LIABILITIES		
Equity		
Stated capital	33,068	33,068
Capital reserves	5,340	5,443
Currency fluctuations	(14,232)	(13,867)
Retained profits	34,657	27,806
Total Equity	58,833	52,450
Non-Current Liabilities		
Debentures	34,125	21,176
Loans and borrowings	21,338	17,460
Employee benefits	754	706
Deferred tax liabilities	15,397	9,110
Total Non-Current Liabilities	71,613	48,452

STATEMENT OF FINANCIAL POSITION-US$

For the year ended 31st March In USD '000s	2015	2014
Current Liabilities		
Trade and other payables	5,906	5,860
Amounts due to related companies	1,309	496
Refundable deposits	6,575	7,900
Current tax liabilities	7,300	6,707
Debentures	2,464	2,232
Loans and Borrowings	31,499	51,915
Bank overdrafts	11,348	6,062
Total Current Liabilities	66,401	81,172
Total Liabilities	138,015	129,624
Total Equity and Liabilities	196,848	182,074

NOTES TO THE FINANCIAL STATEMENTS-US$

1 BASIS OF CONVERSION

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

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

In USD '000s		2015	2014
Income statement	Average rate	132.93	130.05
Monetary assets and liabilities	Closing rate	134.73	132.17
Non-current assets and liabilities	Closing rate	134.73	132.17
Ordinary share capital	Historical rate	76.74	76.74

2 REVENUE

Local revenue	240,582	196,217
Export revenue	2,777	2,202
	243,359	198,418

FIVE YEAR SUMMARY-US$

Year ended 31st March In USD '000s	2015	2014	2013	2012	2011
Revenue	243,359	198,418	169,428	151,540	99,570
Other income	2,957	119	202	207	130
	246,316	198,537	169,630	151,747	99,700
Total expenditure	(219,032)	(180,444)	(157,851)	(131,844)	(85,957)
Profit from operating activities before exceptional expenses	27,285	-	-	-	-
Loss on disposal and impairment of PPE	(2,278)	-	-	-	-
Profit from operations before expenses relating to new investment	25,007	18,093	11,779	19,903	13,743
Expenses relating to new investment	(2,556)	-	-	-	-
Net finance (expenses)/income	(4,499)	(1,170)	297	(1,795)	(1,394)
Profit from ordinary activities before tax	17,952	16,923	12,076	18,108	12,349
Income tax	(7,944)	(6,594)	(4,091)	(7,630)	(4,983)
Profit for the year	10,007	10,329	7,985	10,478	7,366
Total comprehensive loss for the year	(60)	(9)	-	-	-
Total comprehensive income for the year	9,947	10,320	7,985	10,478	7,366
Dividends - ordinary	2,407	2,461	2,443	2,748	2,124
Balance Sheet					
Stated capital	33,068	33,068	33,068	33,068	33,068
Capital reserves	5,340	5,443	5,600	5,552	7,729
Currency fluctuations	(14,232)	(13,867)	(13,313)	(30,257)	(21,891)
Retained profits	34,657	27,806	20,651	31,843	23,516
	58,833	52,450	46,006	40,206	42,422
Loans and borrowings repayable after one year	21,338	17,460	21,203	8,519	10,570
Debentures repayable after one year	34,125	21,176	-		
Capital Employed	114,296	91,086	67,208	48,725	52,992

Year ended 31st March In USD '000s	2015	2014	2013	2012	2011
Represented By					
Total Non-current assets	139,460	90,152	62,267	37,738	56,435
Total Current assets	57,388	91,922	70,757	40,418	20,308
Total Current liabilities	(66,401)	(81,172)	(59,052)	(24,481)	(19,621)
Employee benefits	(754)	(706)	(617)	(509)	(462)
Deferred tax liabilities	(15,397)	(9,110)	(6,146)	(4,441)	(3,669)
	114,296	91,086	67,208	48,725	52,992

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 2015 was Rs. 600/- per share (2014 - Rs. 391/-).

3 ORDINARY SHAREHOLDERS

As at 31st March	2015	2014
Number of shareholders	1,134	1,104

(i) Frequency Distribution of Shareholdings as at 31st March 2015.

Distribution of Shares	Residents			Non- Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1 - 1,000	903	179,739	0.22	8	4,301	0.01	911	184,040	0.23
1,001 - 10,000	159	450,818	0.56	17	51,949	0.06	176	502,767	0.63
10,001 - 100,000	23	585,095	0.73	7	253,440	0.32	30	838,535	1.05
100,001 - 1,000,000	1	300,000	0.38	6	1,398,497	1.75	7	1,698,497	2.12
Above 1,000,000	4	48,607,339	60.76	6	28,168,822	35.21	10	76,776,161	95.97
Grand Total	1,090	50,122,991	62.65	44	29,877,009	37.35	1,134	80,000,000	100.00

(ii) Categories of Shareholders

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individual	1,042	973,373	1.22
Institutions	92	79,026,627	98.78
Total	1,134	80,000,000	100.00

(iii) The number of shares held by non-residents as at 31st March 2015 was 29,877,009 (2014 - 30,214,141) which amounts to 37.35% (2014 - 37.77%).

(iv) Public Holding

The percentage of Ordinary Shares held by the public as at 31st March 2015 was 13.94% (2014 - 14.61%) and the number of public Shareholders were 1,110 (2014 - 1,078).

4 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March	2015	2014
Highest (Rs.)	740.00	444.00
Lowest (Rs.)	370.00	330.00
Value of Shares traded (Rs Mn)	1,038	790
No. of shares traded	1,715,681	2,127,293

5 MARKET CAPITALIZATION

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share was Rs. 48,000,000,000/- as at 31st March 2015 (2014 - Rs. 31,280,000,000/-).

6 ORDINARY DIVIDENDS

The Board of Directors has recommended the payment of a First and Final dividend of Rs. 4/- per share for the year ended 31st March 2015 (2014 - Rs. 4/-).

GLOSSARY OF FINANCIAL TERMS

Appropriations
Apportioning of earnings as dividends, capital and revenue reserves

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

Cash equivalents
Liquid investments with original maturities of six months or less.

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

Current ratio
Current assets divided by current liabilities.

Debt
Total 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 Nineteenth Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Thursday, 23rd July 2015 at 2.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka for the following purposes:

1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015, together with the Report of the Independent Auditors thereon.

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

3. To re-elect Mr. H. Selvanathan 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. S. K. Shah 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. K. Selvanathan who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.

6. 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 77 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."

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

By Order of the Board

(Sgd)
K. D. De Silva (Mrs)
Director
CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED
Secretaries

Colombo
21st May 2015

Notes

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.

2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 P.M. on 21st July 2015.

3. A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a 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

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,
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	

as *my/our proxy to attend at the Nineteenth Annual General Meeting of the Company to be held on Thursday, 23rd July 2015 at 2.30 P.M. at The Ceylon Chamber of Commerce, 'Ground Floor Auditorium' at No.50, Navam Mawatha, Colombo 02, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2015, together with the Report of the Independent Auditors thereon.		
2.	To declare Rs.4/- per share as a First and Final dividend for the financial year ended 31st March 2015 as recommended by the Directors.		
3.	To re-elect Mr. H. Selvanathan 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. S. K. Shah 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. K. Selvanathan who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
6.	To re-appoint Mr. L. C. R. de C. Wijetunge who is over Seventy years of age as a Director of the Company.		
7.	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 Fifteen.

....
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 2015.

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 COMPANIES

Pearl Springs (Private) Limited [incorporated on 20th May 2014]
Millers Brewery Limited [acquired on 30th October 2014]

PARENT AND CONTROLLING ENTITY

Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Beverage Holdings PLC.

DIRECTORS

L. C. R. de C.Wijetunge (Chairman)
H. Selvanathan (Deputy Chairman)
S. K. Shah (Chief Executive Officer)
D.C.R.Gunawardena
C. P. Amerasinghe (Resigned w.e.f. 31st March 2015)
C.T. Liyanage
D. R. P. Goonetilleke
K. Selvanathan (Director / Alternate Director to H. Selvanathan)
Mrs. S.J.F.Evans
H.J.Andersen
D. A. Cabraal
Y.F.Lew

BANKERS

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

LEGAL ADVISERS

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

AUDITORS

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

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha
Colombo 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 2465 900 (10 Lines)
Fax : +94 11 2465 901

GROUP WEBSITE

www.carsoncumberbatch.com

Designed & produced by
emagewise
Printed by Printel (Pvt) Ltd

Lion Brewery (Ceylon) PLC
P.O. Box 24, No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka.
Tel : +94 11 2039 200 Fax: +94 11 2039 300