



CEYLON BEVERAGE  
HOLDINGS PLC

ANNUAL REPORT  
2019/20



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## FINANCIAL HIGHLIGHTS

In Rs. '000s	2020	2019 (Restated)	Change %
Revenue	49,215,361	44,216,827	11.3
Profit from operations	5,233,500	6,300,465	(16.9)
Profit before taxation	4,494,240	5,215,873	(13.9)
Profit after taxation	2,816,263	3,065,263	(8.2)
Dividends per share (Rs.)	10.00	7.00	42.9
Shareholders' funds	14,821,211	12,149,381	22.0
Total assets	40,028,770	36,379,641	10.0
Earnings per ordinary share (Rs.)	70.21	72.77	(3.5)
Net assets per ordinary share (Rs.)	361.68	294.03	23.0
Market capitalisation	16,790,472	17,315,174	(3.0)

# CHAIRMAN'S STATEMENT

Dear Shareholder,

It is with great pleasure that I present to you the Annual Report of the Company for the year ended 31st March 2020. The Chief Executive's review in the ensuing pages presents the operational details of your Company and hence, I will confine my statement to an overview.

It was a year filled with a number of unusual challenges. The year began with the tragic and senseless Easter Sunday attacks on 21st April causing the loss of many valuable lives, including considerable damage to limb and property. Consequently, the nation was engulfed in fear and uncertainty, resulting in stringent security measures which curtailed economic activity and restricted movement for both local and foreign travellers. The damage caused to the economy, particularly to tourism and leisure, resulted in severe negative impacts to the industry and loss of valuable foreign exchange earnings to the country. Tourism is a key factor that supports the consumption of beer and hence with its decrease, volumes were affected.

This was not the only challenge. In the last quarter of the financial year, the world experienced the rapid escalation of the COVID-19 pandemic which eventually reached our shores in March 2020. To control the spread of the pandemic, the government imposed an all island curfew from the 20th of March, resulting in a near complete shutdown of the economy. The gradual lifting of the curfew and the reopening of the economy commenced only from the 11th of May. The outlets licensed to sell alcohol products were reopened on the 15th of May in all districts other than the two most populated districts of Colombo and Gampaha. Sales in these two districts were permitted only from the 26th of May. As a result of the closures, the Group virtually had no sales from the 20th of March to the 14th of May.

In addition to the two aforementioned factors, beer consumption was also impeded by the unusually heavy rains experienced in August through November 2019. Due to these heavy rains,

employment of daily paid and field workers was disrupted, leading to loss of income and reduced discretionary spending. Overall, the nation's economy which had to withstand a body blow in 2019, is expected to record only a modest GDP growth of 2.3%.

The overall Value Added Tax (VAT) rate was reduced from 15% to 8% in December 2019. Whilst this reduction was meant to ease consumer prices, it was not applicable to the alcohol industry. Instead, to recoup lost revenue, excise duty on beer was increased. Additionally, the increase in excise duty was greater than the reduction in VAT in rupee terms for some products in the portfolio which compelled a compensatory price increase. During the year, the Group paid Rs. 38.8 billion as taxes compared to Rs. 32.2 billion paid out the previous year, an increase of 21%.

The Group recorded a 11% increase in turnover to Rs. 49.2 billion compared to Rs. 44.2 billion last year. The growth in turnover is largely a result of the price increases which negated the drop in volume. The profit after tax of Rs. 2.8 billion is a 8% decline over last year. As the operating environment during the year was filled with abnormal challenges, it must be noted that these results are not fully comparable to that of the previous year. However, taking into consideration the formidable challenges faced, the year's results are noteworthy. Investments made in building strong foundations in supply chain, marketing, information technology, human resources and finance have helped the Group face the challenges with resolve and confidence.

Lion Brewery's exports continue to grow at a steady pace. Shipping over three containers of beer a day to 25 countries across the world, export volume grew by 58% over last year. Africa remains our biggest market with the next being the Maldives, where we remain the market leader, catering mainly to the hotel and tourism sectors. Unfortunately, tourism in the Maldives has also been affected by the COVID-19 pandemic but

is expected to recover during the oncoming winter season. The Sri Lankan authorities need to revamp its excise duty refund process on exports which is currently prone to considerable delays. These refunds are meant to enable export products to be priced competitively in the global arena, the purpose of which is negated due to the administrative delays in reimbursements. These delays also impact cash in-flows, leading to the erosion of export profitability. This impedes our efforts to successfully market our range of beers on the global stage, where over 20,000 brands compete.

Lion Brewery was ranked the 8th most valuable brand in Sri Lanka in 2020 by Brand Finance in their annual survey, up one place over last year's ranking. This is indeed an excellent accomplishment considering that beer operates in a media dark market where advertising of any form is prohibited. Lion Brewery achieved another landmark endorsement when Fitch upgraded the rating of the Company to AAA from the previous rating of AA-. There are only 4 other publicly rated entities in Sri Lanka that has an AAA rating by Fitch.

Meeting and overcoming the challenges faced would not have been possible if not for our committed and skilled work force. Together with the battle-hardened management team, the Group has a formidable force of talent and expertise, willing and able to overcome obstacles in its path while seizing new opportunities. I acknowledge with grateful thanks the contribution of all employees during these difficult times.

Mr. Theodoros Akiskalos, former Managing Director of Carlsberg Brewery Malaysia Berhad, who joined the Board during the year, resigned on the 25th of October 2019, to take up responsibilities elsewhere. We wish him all success. In his place, Mr. Stefano Clini, the current Managing Director of Carlsberg Malaysia Berhad, was appointed on the 26th of October 2019 as their representative on the Board of the Company. We warmly welcome

Stefano to the Board of our Company and look forward to his valuable advice and contribution.

Mr. Suresh K Shah, the current Chief Executive of the Company will retire on the 30th of June 2021 following a very long and successful stewardship. Suresh successfully led the transformation of Lion, a small brewery when he took over 30 years ago, into one of the largest companies in Sri Lanka. Over the years, Lion has received many awards and accolades for its products and brands both in the local and international stage, whilst its plant and the systems underpinning the entire value chain, are state of the art by global standards.

Mr. Rajiv Meewakkala, who joined the Board on the 1st September 2017, was appointed CEO designate with effect from 1st July 2020. Rajiv possesses over 22 years of management experience in both the private and public sectors. His core expertise is marketing and general management. Upon Suresh's retirement, Rajiv will succeed him as Chief Executive Officer.

A special thank you and a note of appreciation to our partners Carlsberg, our bankers, consignment agents, suppliers and to our loyal consumers for the continued confidence placed in the Company, and for supporting us through good times and bad.

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

*(Sgd.)*

**D. A. Cabraal**  
Chairman

Colombo  
21st July 2020

# CHIEF EXECUTIVE OFFICER'S REVIEW

It was both a dramatic and challenging year. The year started with the senseless & tragic Easter Sunday attacks & ended with curfew due the COVID-19 pandemic. Both posed serious social and economic challenges to Sri Lanka. The impact on the private sector has been significant. As is to be expected, our results reflect the events of the year. On a turnover of Rs 49.2 bn, we earned a post-tax profit of Rs 2.8 Bn, a decline of 8.12% when compared to the previous year.

These results in no way signify a deterioration of company fundamentals. Instead they reflect a downturn in the external environment. As a business we had many successes during the year and indeed, the strength of the Lion Brewery balance sheet was recognised recently by Fitch which has rated us AAA, making us one amongst 5 Sri Lankan corporates to be rated thus.

## BUSINESS AND ECONOMIC ENVIRONMENT

The year got off to the worst possible start with the Easter Sunday attacks. The loss of life and the injuries sustained were both tragic and unnecessary. The resulting economic fallout was also substantial.

On the economic front, the tourism industry was the first and most seriously affected. 3 of the most prominent hotels in Colombo experienced the blasts first hand. The sector which was experiencing strong growth in the months before were suddenly faced with almost zero arrivals. Stringent security measures were adopted by all hotels. Potential patrons preferred to stay home rather than face a threat in public places. Thus, on premise outlets mainly at the premium end in Colombo, felt a significant drop in footfall. Since our business has a strong link with the tourism sector and the footfall into on-premise outlets, it was no surprise that sales volumes dropped in the aftermath.

Just as volumes started to recover from the April setbacks, we had to contend with heavy unseasonal rains from August to November. Rain has a significant impact on the daily wage earner,

a large consumer segment of ours. Construction workers, fisher folk, gem miners, rubber tappers, the manual laborers of Pettah & many others are starved of income when it rains. Thus, we experience a sizeable slowdown in volumes when the rains come. This is less of a challenge when the rains are seasonal since that is planned for. However, when it is out of season, the pain of the rain is greater.

The festive month of December saw a turnaround. A newly elected President was in office. Tourist traffic although yet to fully recover after the Easter Sunday attacks was nevertheless improving faster than expected. Both business and consumer confidence were trending upwards. Our volumes responded well to these positive developments and by end February we were expecting to finish the financial year on or very close to our forecasts. Then COVID-19 struck.

On 16th March, the Government issued a "work from home" directive to combat the pandemic. This was followed very soon by a country-wide curfew which brought economic activity to a near standstill. Sale of alcohol was temporarily banned and the financial year ended on 31st March with our operations in hibernation.

With the imposition of curfew, we lost 10 days of sales during the reporting year. A third of a month without revenue is a significant hit to the bottom line at any time. However, the period 20th March to the 10th of April is by far the peak selling period for the alcohol industry as traders start to stock up to meet the seasonal demand during the traditional new year period. Thus, the lack of sales at such a time leads to a very substantial negative impact on our revenues and profitability.

Unfortunately, these multiple challenges befell Sri Lanka at a time when the economy was performing well below its potential. GDP growth in 2018 was just 3.2%. There was a modest increase to 3.7% during the 1st quarter in 2019 when the Easter Sunday attacks took place. Growth dipped thereafter to end at 2.3% for the year. All sectors underperformed with Industry delivering the

highest growth rate of a modest 2.7%. Growth in agriculture was the lowest at 0.6% whilst services amounted to 2.3%.

Thus, all things considered, the year under review was one of the most challenging for the Sri Lankan private sector. Our results during the financial year reflect these challenges.

## **THE ALCOBEV INDUSTRY**

The alcobev sector continues to be dominated by spirits which is much against the global norm. Consumers have access to three types of spirits, legal, illegal & illicit. Legal spirits are produced in licensed premises and is fully tax paid. Less than a handful of the licensed spirits manufacturers fall into this category. Illegal spirits are produced in licensed premises but taxes are paid only on part of the production. Most of the licensed spirits manufacturers fall into this category. These manufacturers use the cash flow from unpaid taxes to undercut tax paid brands & drive up trade margins. A few of these manufacturers are also consolidating their route to market by acquiring off trade outlets in many parts of the country. Through this tactic they establish a path for goods to move from production facility to consumer without the requisite documentation. With insufficient documentation in place, regulation is a challenge. Due the methods adopted, over the years, illegal products have gained in market share at the expense of their legal counterparts. This has a direct bearing on government revenue. When revenue targets are not met, the Government takes the easy way out by increasing excise taxes. Unfortunately, the higher taxes provide an even greater incentive for those engaged in the illegal trade and give them greater flexibility to manipulate the trade. Thus, a vicious cycle takes hold at the expense of those playing within the rules and of government coffers. To the credit of officials & policymakers, they are attempting to put a stop to the tax leakage. The process started approx. 2 years back but has run into snags due to the method envisaged. What's being contemplated is the application of a sticker. To start with, this is an outdated system. Furthermore, it is wholly inappropriate for manufacturers using high speed

lines. The more up to date technology is a digital coding system using security ink. Such a system was tested successfully at Lion Brewery in Biyagama by the Excise Department & we hope that this will be the technology finally adopted.

The third type of spirits available to consumers is illicit alcohol. The widespread use of illicit alcohol is a direct result of government policy over the years. A combination of high excise taxes & regulations restricting distribution have pushed consumers into the arms of illicit liquor barons. Low income earners & those on a daily wage are the most susceptible to the trap of illicit alcohol; they don't have the cashflow to afford the tax paid legal product. Exacerbating the high cost is restricted access. In the 64,000 sq.km that is Sri Lanka, alcobevs are sold legally in just 2,800 outlets. Thus, on average, each outlet serves 22 sq.km. In the urban areas the distance is significantly less. This of course means that in the rural areas, the distance is much greater. And it is in the rural areas that illicit alcohol consumption is at its highest. Those that consume illicit alcohol run a high risk. It's a risk they are aware of but their economic conditions leave them little choice. In short, governments over the years have trapped the underprivileged in a sea of illicit liquor – more than 40% of alcohol consumption in the country is from illicit sources - with their alcohol policy mix. To give credit to Government, we have seen increased efforts at enforcement in the recent past. As a result, availability of illicit alcohol is somewhat less than before. However, it is still widely prevalent and remains the most consumed alcobev in the Country. Enforcement alone will not eliminate illicit alcohol nor will it reduce it to tolerable levels. Instead, enforcement must be supported by a pragmatic policy mix to get the desired result. In the short term, the policy objective must be to eliminate illicit alcohol. In the longer term the objective must shift to reducing the per capita consumption of pure alcohol. A pragmatic policy mix must also support a reasonable revenue stream to government whilst ensuring an attractive return to investors. All of this can be achieved with two tools; a reasonable excise tax structure and broader - but nevertheless regulated – accessibility. Both the tax structure and the level of accessibility must depend on alcohol

## CHIEF EXECUTIVE OFFICER'S REVIEW

content; the rationale being that those who wish to consume are best served with softer rather than harder alcohols. The challenge to policymakers is not in devising the mechanisms; these are well known & widely used in many parts of the world. Instead what is needed is the political will to rise above the cacophony of noise created by the anti-alcohol lobby. With strong leadership currently at the helm of government, we hope that a pragmatic set of alcohol related policies will be implemented enabling the eradication of illicit alcohol.

A few years back, a product categorised as a sake was introduced to the market. Sake is a traditional Japanese alcohol produced from rice. The process followed in producing sake is unique although somewhat akin to brewing a beer. The term sake cannot be used unless this unique process is followed. We trust that the regulator has verified the appropriateness of the process being used prior to granting the necessary approvals. More importantly, this product – which imitates a beer in its presentation - carries an alcohol content of 12.5% and attracts an excise tax of Rs 600 per liter of pure alcohol. In comparison, the alcohol content in beer is restricted to a maximum of 8.8% and attracts a tax of Rs 3,200 per litre of pure alcohol. Thus, a product with 42% more alcohol attracts just 18.75% of the tax levied on a competitor brand. This is certainly not a level playing field and we call on the authorities to correct this anomaly expeditiously.

As we have pointed out above there is much work to be done to improve the policy framework governing the production & sale of alcohol in the country. Chief amongst them is a policy mix to curb the production, sale & consumption of illicit alcohol. Whilst much work needs to be done, it must also be said that at a macro level, the excise tax policies being followed are beginning to translate into positive outcomes. The numbers speak for themselves. During the 10 year period ending 31st December 2019, per capita consumption of legal pure alcohol has increased by just 3.08%. During the same period, revenue to government from the

alcohol industry has increased by 205%. These are strong results. And with a little fine tuning of the policy mix these numbers will get even better.

### SALES AND MARKETING OF BEER IN SRI LANKA

The Easter Sunday attacks at the beginning of the financial year had a negative impact on the economy. The outlook amongst the people was not one of optimism. It was not an environment in which to seek aggressive growth in the fast moving consumer goods space. Hence, at the outset of the financial year, we took a call to focus on further consolidating our position in the market place rather than aggressively attempting to grow the beer category. Much work was done at the trade level to improve our presence. During the year we also worked on strengthening the equity around the Lion brand by leveraging the imagery brought to life 2 years ago. The results of these efforts have been positive. In the latest LMD Brand Finance standings, Lion is ranked at no 8 behind a telco & 6 banks. This is an improvement over the previous year when Lion was ranked 9th. This year's ranking makes Lion the most valuable FMCG brand in the country. That a brand legally restricted from communicating with its consumers could claim such a position in competition with those that have no such constraints is a notable achievement and says much for its underlying strengths.

Whilst a decision had been made to focus on consolidating our position, we faced a conundrum with respect to a new product we had been working on for some time. Liquid development and other preparatory work including label designs had been completed. The product was an extension under the Ryder's Brand and named Reggae Rum. We took the decision to launch the brand in July 2019 and initial consumer response was better than expected. However, subsequently, the brand's off take from the trade tailed off & we have now decided to delist it. Whilst Ryder's Reggae Rum did not deliver the results we had hoped for, we have learned some valuable lessons from the experience, lessons that will help us as we bring new products into the market in future.



## EXPORTS

In the reporting year, Lion Brewery exports increased by 58% & 48% in volume & value respectively. This translates into more than 1,100 containers during the period. Had the curfew not interfered mid-March, preventing us from fulfilling some orders, these numbers would have been somewhat better.

The Lion brand now reaches 25 countries across 5 continents. In the Maldives we remain market leader whilst Africa & the Middle East contribute the most in terms of volumes & revenue. In terms of brand recognition, we do best in New York, USA where Lion Stout is being served in several high profile bars & restaurants. In some instances, Lion Stout is the only non-US beer listed in the outlet. Whilst volumes are still small we've seen significant growth in the UK market. This is due in part to new Sri Lankan on premise accounts opening in Central London. This followed the BBC declaring Sri Lankan street food a major trend in 2019. Of the newer markets to which we export, Fiji seems promising with Lion being well received by consumers there.

Exports is of strategic importance to us to mitigate against the risks of inconsistent alcohol policy in Sri Lanka. Moreover, exports are of strategic importance to the Country too in order to buffer against a constantly depreciating currency. Thus, every endeavour should be made to encourage exports, particularly those that are high value adding & non-traditional. On the policy side, government seems to have cleared one major impediment, namely the tax structure on export profits. Previously, our export profits were taxed at 40%. Now, as per a press notification issued by the authorities, the tax rate has been reduced to 14% w.e.f. 1st January 2020 although it is yet to be passed into law. Unfortunately, a second major impediment remains unresolved. Whilst beer that is exported is exempted from excise duty, the prevailing system requires us to pay on production and claim a refund thereafter. This is a cumbersome process. A refund claim once made makes its way through 16 touch points within the Excise Department. As a result, a claim is rarely

settled in less than 60 days. On the flip side – i.e. when we pay excise duty – there is just 1 touch point within the excise department. Further, a day's delay in payment attracts a penalty of 3%. We ask that the Excise Department treats refunds with the same zeal as they do when collecting payments.

During the reporting period, at any given time, we had approx. Rs 600 mn due from the Excise Department on account of exports made. This is not small money & financing costs on this outstanding is approx. Rs 60 mn based on the interest rates of the reporting year. This is not an incentive to export, it is contrary to the country's strategic interests and therefore needs urgent rectification.

## SUPPLY CHAIN

During the year under review, Lion Brewery increased its capacity in malt & rice handling. This included both intake as well as storage for both raw materials. As part of this project, we also automated the function of unloading malt & rice. This improves truck turnaround time at the brewery & the health & safety of people whilst reducing operating expenditure. During the year, we also increased capacity in yeast propagation & storage.

We continue to focus on driving efficiencies & reducing wastage within our operations. Significant gains were made in all areas with wastage in brewing & packaging reaching all-time lows. We laid special emphasis in reducing the use of furnace fuel & electricity where we bettered our target by approx. 11% on the former. On electricity, we fell just short of our target for the year although we improved on previous year's usage. We are particularly happy to report on the successes we have achieved in water consumption. Over the last 2 years, we have reduced our usage of water by 36%. Whilst this is a significant achievement, we will continue to find ways of improving further in the years ahead & hope to be on par with global industry benchmarks in the not too distant future.

We continue to be certified for ISO 22000, ISO 14001 & OHSAS 18001 standards which relate to Food Safety, Environment & Occupational Health

## CHIEF EXECUTIVE OFFICER'S REVIEW

& Safety respectively. These standards give us a strong foundation for quality & governance within the production environment.

Our commitment to quality is rewarded each year by the international awards we to continue to receive. The reporting year was no different with three of our brands, Lion Stout, Lion Imperial & Lion Extra Strong - of which the latter two are solely for export – being awarded Gold at the Monde Selections. Customer complaints – or the lack of it – is another indication of quality across the supply chain process. In the reporting year, we were well within Six Sigma standards at 1.9 DPMO. This was also an improvement over the previous year.

During the reporting year, we delivered 4,669 man hours of training to help improve safety of our personnel. In terms of Lost Time Incidents, we were down to one during the year. During the last quarter of the year, starting in late January, we began preparations to face the COVID-19 pandemic. Personnel across the supply chain – including staff of our agents - were briefed of preventing measures & were provided with kits of masks, gloves, hand sanitisers etc. Those whose responsibilities put them at higher risk – eg. personnel in trade focused delivery trucks – were briefed on preventive measures on a daily basis.

### SUPPORT SERVICES

Whilst we foresaw a downturn in our operating results at the outset of the reporting year – due to the incidents in April – we took a strategic call to continue to develop our people without compromise. Thus, during the year, we continued with 3 major tailor-made initiatives we had commenced the previous year. The first was the Management Development Program; a 4 month course designed to upskill Middle Managers and high potential Assistant Managers in line with the Lion Brewery Leadership Competencies. The second was the Executive Development Programme; a 3 month course designed to upskill executives and supervisors to perform their roles more efficiently & effectively whilst also getting them ready for the their next role in management.

The third was our signature “Discover the Lion in You” program, this year themed as “Conquer the Mahaweli”. The entire company – divided into teams – participated in this programme that was conducted over a period of two months. It is designed to build a stronger Team Lion and to develop the necessary competencies within each member of the team so that we – as an organisation - are better equipped to face any challenge that may arise in the future.

During the reporting year, Lion Brewery were certified as a “Great Place to Work”. Such recognition is particularly satisfying and taken together with our ranking as the most valuable FMCG brand in the country & our AAA rated balance sheet, conveys the underlying strengths of our business.

As reported last year, we started the process of migrating our IT systems to SAP S/4HANA & with it our data on to the cloud. The process was on schedule until the COVID-19 related closures interrupted progress. However, we are pleased to report that the project was successfully concluded in the on-going financial year. In terms of information security, our ISO 27001:2013 certification remained intact during the reporting year.

### OPERATING RESULTS & FINANCIAL POSITION

The operating results of the Group were negatively impacted by the Easter Sunday attacks at the start and by COVID-19 at the end. Volumes declined during the year due to both challenges. We felt the biggest impact from areas & channels exposed to tourism and entertainment. Volumes from hotels & premium on-premise channels reported a significant downturn. In locations where the economy is tightly linked to tourism such as in the South Coast & Ella, there was a drop in disposable incomes and this reflected on our volumes as well. However, whilst volumes declined, Group revenues improved by 11%. This was a result of higher excise duties that came into effect in March & December 2019. In terms of costs, distribution

expenses remained on par with the previous year whilst inflationary pressures drove up other overheads. Nevertheless, these increases were offset by a 32% decline in net financing costs.

During the financial year, we took a further impairment of Rs 740 mn on account of the Miller Brewery brands. The Lion portfolio's bond with consumers is such that the Miller brands get little traction when they have to compete on a level playing field. The depressed economic environment of the reporting year also contributed to lower than anticipated volumes from the Miller portfolio. Both factors made the impairment inevitable. However, whilst the Miller brands have underperformed, the gap that they have left in the market has been more than compensated for by the Lion portfolio.

Income tax – net of Deferred Tax – was Rs 1.67 bn. Thus, profit after tax amounted to Rs 2.81 bn, a decline of 8% compared to the year before which considering the challenging operating environment was a reasonable outcome.

Although the business environment was challenging & the operating results not as good as the previous year, our balance sheet remained strong. Net borrowings stood at Rs 2.46 Bn at the close of the financial year reflecting a gearing of 14.2%. Such a low level of gearing is unusual but we prefer to be cautious and prudent in this respect considering the unpredictable & inconsistent policy framework that has shadowed the beer industry in the past. Management of working capital remained strong although stock levels increased beyond our norms at the very end of the financial year due to the pandemic related shut down.

Net assets per share stood at Rs 361.68 at the conclusion of the financial year. Meanwhile, total net assets in the books of the Group amounted to Rs 14.821 bn at the end of the reporting period, an increase of 21.9% over the previous year.

## TAXATION

Our contribution to Government revenue during the financial year amounted to Rs 38.82 Bn. This was an increase of 20.48% compared to the previous year

In December 2019, the rate of VAT was reduced to 8% from 15%. Not surprisingly, the authorities increased excise duty, to re-coup the VAT related revenue loss from the alcohol industry. However, the increase in excise duty was greater than the benefit the industry received from the VAT reduction. Thus, within a 9 month period we were subjected to two excise duty increases, the first being in March 2019.

As part of the tax reforms announced by the new Government, the standard rate of income tax on corporates was reduced from 28% to 24% w.e.f. 1st January 2020. The income tax rate applicable to the alcohol industry was also adjusted to 28% from 40% as part of these tax reforms. However, subsequently, the authorities had a change of heart, and increased the rate back up to 40%. Thus, we are back at the "penal" rate of tax, a full 67% more than the standard rate. On the reporting year's lower earnings, the impact of the higher tax rate is approx. Rs 705 mn, which, if not for the tax, could have been declared as a dividend to shareholders.

## PUBS N' PLACES

This company owns 5 pub cum restaurant chains, namely, Machang, OI, Chillax, HQ & 8.8. Currently, there are 37 locations within the chain covering most parts of the Country. These outlets are franchised to operators whilst we earn a revenue based royalty from each location.

With the economy under pressure during the year under review, we pushed back on the planned outlet expansion program. Thus, we limited ourselves to opening in just 02 locations, namely, Hedeniya & Rikillagaskada. Both new outlets were under the Machang brand & were fully invested by the franchisees.

## CHIEF EXECUTIVE OFFICER'S REVIEW

Footfall into the outlets suffered during the 1st quarter of the year under review due to the security situation post the Easter Sunday attacks. We experienced a recovery thereafter until mid-March when the COVID related lockdown came into effect. As a response to COVID, we commenced a food delivery service utilising some of our outlets. We hope to expand on this during the on-going financial year using specialised delivery agencies. This should enhance revenue to the franchisees and through royalty, to us as well. Meanwhile, we will continue to look for opportunities to expand our outlet base using a fully franchisee invested model thus minimising the financing impact on ourselves.

### LUXURY BRANDS

This company imports and markets a superb range of alcobevs including beers, wines & spirits. Our anchor portfolio comes from the global alcobev powerhouse, Diageo and includes the internationally acclaimed Johnnie Walker range. Singleton, Talisker, Cardhu, Ciroc, Tanqueray, & Bailey's are some of the other brands from Diageo that sit in our portfolio. We also represent Brown-Forman in Sri Lanka. Their brands in our portfolio include the acclaimed American whiskey, Jack Daniels, Finlandia vodka & Pepe Lopez tequila. Camus cognac and specialty brands such as Jägermeister complete an extensive portfolio of fine spirits. We have an extensive portfolio of wines as well representing brands from across the world including French, Chile, Spain, Italian, California, South Africa, Australia and New Zealand. Beers and cider in the portfolio include Corona, Stella Artois, Hoegaarden, Tsingtao & Somersby.

As shareholders are aware, the Easter Sunday attacks led to a dramatic reduction in tourist arrivals. Similarly, footfall into premium on-premise outlets also reduced significantly. Since our business is greatly exposed to both sectors, revenues declined from May. Revenues remained subdued until November but picked up somewhat in December and remained encouraging until February. However, the impact of COVID-19, which we felt from March, has once again put our operations under pressure.

During the year, Government introduced a security sticker to counter the import & sale of alcobevs via illegal channels. Whilst the process itself is cumbersome, we welcome the initiative. It will help curb the illegal trade, which up to now, has accounted for a major portion of the imported spirits market. Of course, it is the exorbitant import duties which have helped the illegal trade to thrive. If tariffs remain high, the illegal channels will continue to operate although the security sticker will help control it somewhat. Thus, we call upon Government, to rationalise import tariffs as well. Together with the security sticker, tariff reform will help eliminate the illegal trade which in turn will also benefit government revenue.

### THE YEAR AHEAD

The on-going financial year will likely be the most challenging faced by Sri Lanka in recent history. Sri Lanka – and indeed the entire global community – is weighed down by the COVID-19 pandemic. The financial year commenced under curfew. In economic terms, Sri Lanka was in a particularly vulnerable spot as COVID broke out, since the pandemic closely followed the tragic events of April 2019. Whilst the country's response from a health perspective has been commendable, the economic fallout is as yet unfolding. As the year progresses, it is likely that remittances, exports, tourism & investments will decline. Meanwhile, unemployment will likely rise. Many who are fortunate to retain employment, may do so on lower incomes. Sri Lanka's chronic twin deficits & high debt levels have left the Government with little or no fiscal space to respond to the crisis. Its strongest response so far has been to curb imports. Whilst this reigned in the Rupee from an initial rapid depreciation, its likely negative impact on economic growth, employment and incomes will be felt in the coming months.

From a business perspective, the on-going financial year got off to a poor start with alcobev sales suspended until 14th May. Thus, we were without revenues and cashflows for 55 days whilst expenses on account of staff salaries, financing costs & other essential overheads had

to be met. On a positive note, since operations recommenced, we have succeeded in collecting more than 96% of market debts outstanding at the time curfew was declared.

With money circulation likely to be impacted due to the reasons explained above, disposable incomes will be at a premium in the coming months. Revenues from tourism related sectors are likely to experience a significant downturn. Exports too are unlikely to perform at the level of the reporting year since most overseas markets have faced greater COVID related challenges than Sri Lanka has. These together with the 44 day temporary sales ban imposed on the alcohol sector at the commencement of the financial year, are likely to result in a business contraction in the reporting period that follows. Plans are in place to minimise the impact to the company through stringent cost control. Capex too will be lower than usual with the objective of preserving cash. However, notwithstanding our best efforts, earnings are likely to dip in the year ahead as a result of the external environment.

## **CONCLUSION**

It was indeed a challenging year. The year got off to a tragic start and just as a recovery was on the horizon, an even greater challenge in the form of a pandemic set upon us at the end. Unsurprisingly, our volumes declined as did our operating results. Nevertheless, we had some gains too. Our market share increased both within the narrower beer segment as well as within the overall alcohol space. We reduced losses in production, gained in efficiencies in many areas, were well within six sigma norms on account of defects & improved on our health & safety record. Our benchmark route to market systems continued to perform at the highest levels of efficiency. Lion Brewery (Ceylon) PLC were ranked as the most valuable FMCG brand in the country, certified as a great place to work & were AAA rated by Fitch. Thus, although we have experienced an earnings decline due to the challenges in the operating environment, the underlying foundations of our business are stronger than ever.

The coming year will be more challenging than the one just concluded. Yet, we have the brands, the route to market, the manufacturing technology, the people & the balance sheet to make the best of the circumstances available. As we have shown in the past, the greater the challenge, the better we become. And when the depressed outlook changes for the better – hopefully sooner rather than later – we are geared to deliver the earnings that have characterised us in the past.

*(Sgd.)*

**S. K. Shah**

Chief Executive Officer

Colombo  
21st July 2020

# PROFILES OF DIRECTORS

## **AMAL CABRAAL**

Mr. Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, Silvermill Investment Holdings and CIC Feeds Group of Companies. He is a former Chairman & Chief Executive Officer of Unilever Sri Lanka and has over 4 decades of local and international business experience in general management, strategy development and marketing & sales management.

Amal Cabraal is also the Vice Chairman of Sunshine Holdings PLC and a Non-Executive Director of a number of companies such as John Keells Holdings PLC and Hatton National Bank PLC. He is a Member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society.

A Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK, he holds a MBA from the University of Colombo and is an executive education alumnus of INSEAD-France.

## **HARI SELVANATHAN**

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

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

He holds a Bachelor of Commerce Degree.

## **MANO SELVANATHAN**

Mano Selvanathan is the Chairman of Sri Krishna Corporation (Private) Limited, Ceylon Finance & Securities (Private) Ltd. He is a Director of most of the Companies in the Carson Cumberbatch Group in Sri Lanka, Indonesia, Malaysia & Singapore and is an active Member of its Executive Management Forums.

He has served as the Chairman of the Ceylon Chamber of Commerce and The Indo Lanka Chamber of Commerce & Industry and also as the President of the Rotary Club of Colombo North. At present, he is the Honorary Consul of the Republic of Chile in Sri Lanka.

Mano Selvanathan was conferred the National Honours in Sri Lanka the 'DESAMANYA' title by H.E. The President of Sri Lanka, in recognition of the services rendered to the Nation in November 2005.

In January 2011, he was awarded with the prestigious 'PRAVASI BHARATIYA SAMMAN AWARD' by the President of India.

He also received the Presidential Honour of 'ORDER OF KNIGHT COMMANDER' in October 2013 awarded by the Government of Chile.

He holds a Bachelor's Degree in Commerce.

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

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

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

### **CHANDIMA GUNAWARDENA**

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

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

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

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

### **RAJIV MEEWAKKALA**

*(Chief Executive Officer - Designate w.e.f. 01/07/2020)*

Rajiv was appointed as an Independent Non-Executive Director of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC on 1st September 2017.

Rajiv was appointed as the Chief Executive Officer - Designate of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC with effect from 1st July 2020.

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

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

Post BAT, Rajiv worked as a Brand Consultant with Interbrand, a global brand consultancy group. In his tenure in the public sector, he was appointed as CEO of Lanka Sathosa, Chairman of State Development Construction Corporation and Chairman of Housing Development Finance Corporation (public quoted, specialised housing bank of the Government).

## PROFILES OF DIRECTORS

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

### **STEFANO CLINI**

*(Appointed w.e.f. 31/10/2019)*

Mr. Clini is currently the Chairman of Carlsberg Singapore Pte. Ltd. He is also on the Board of Carlsberg Marketing Sdn. Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, the Malaysian Danish Business Council and Maybev Pte. Ltd., a 51% owned subsidiary by Carlsberg Singapore Pte. Ltd. and Lion Brewery (Ceylon) PLC.

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

### **THEODOROS AKISKALOS**

*(Appointed w.e.f. 20/05/2019 / Resigned w.e.f. 25/10/2019)*

Mr. Theodoros Akiskalos joined the Carlsberg Group in March 2010 as the Vice President of Group Strategy. He was the Managing Director of Carlsberg Hong Kong from 2014 to 2016 and most recently, the Managing Director of Carlsberg Sweden since June 2016. He was appointed as Managing Director of Carlsberg Brewery Malaysia Berhad on 1st May 2019. Prior to joining the Carlsberg Group, Mr. Akiskalos was Associate Principal of McKinsey & Company based in Boston, USA.

He holds a Degree in Mechanical Engineering from Georgia Institute of Technology (Georgia Tech), a Masters in Mechanical Engineering from Massachusetts Institute of Technology (MIT) and an Executive MBA from INSEAD.

### **LARS LEHMANN**

*(Resigned w.e.f. 20/05/2019)*

Mr. Lars Lehmann, a Dane, was appointed to the Board and as Managing Director of Carlsberg Brewery Malaysia Berhad on 1 July 2016 and resigned on 1 May 2019 to take up the position of Executive Vice President, Eastern Europe and also as CEO of Baltika Breweries effective 1 May 2019.

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

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

Mr. Lehmann was the Chairman of Carlsberg Singapore Pte. Ltd. He was also on the Board of Carlsberg Marketing Sdn. Bhd., a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad, the Malaysian Danish Business Council and Maybev Pte. Ltd., a 51% owned subsidiary by Carlsberg Singapore Pte. Ltd. He was also a member of the Governing Council of the Confederation of Malaysian Brewers Berhad.



# SENIOR MANAGEMENT TEAM



**SURESH SHAH**  
Director/CEO



**RAJIV MEEWAKKALA**  
Director/ Chief Executive Officer – Designate



**RANIL GOONETILLEKE**  
Head of Finance



**STEFAN ATTON**  
Head of Marketing

## SENIOR MANAGEMENT TEAM



**NIROSH DE SILVA**  
Head of Supply Chain



**INDIKA DANIELS**  
Head of Pubs 'N Places (Pvt) Ltd &  
Retail Spaces (Pvt) Ltd



**MADHUSHANKA RANATUNGA**  
General Manager - Luxury Brands (Pvt) Ltd

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

The Board of Directors of Ceylon Beverage Holdings PLC ('the Company') have pleasure in presenting to the Shareholders their Report together with the Audited Consolidated Financial Statements of the Company and its Subsidiaries (the Group) for the financial year ended 31st March 2020.

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

The Annual Report was approved by the Board of Directors on 21st July 2020.

## GENERAL

Ceylon Beverage Holdings PLC is a public limited liability Company incorporated in Sri Lanka in 1910. Ceylon Beverage Holdings PLC operates as an investment holding company.

## PRINCIPAL ACTIVITY OF THE COMPANY

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

## CHIEF EXECUTIVE'S REVIEW AND FUTURE DEVELOPMENTS

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Luxury Brands (Private) Limited, a fully owned subsidiary of the Company issued 20,000,000 ordinary shares at Rs. 10/- per share amounting to Rs. 200,000,000/- to the Company on 16th May 2019.

Further details of significant events during the year are contained in the Chief Executive's Review on pages 04 to 11 of this Report.

## STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

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

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

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

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

These Financial Statements have been prepared on a Going Concern basis, since the Directors are of the view that the Company has adequate resources to continue operations for the foreseeable future from the date of signing these Financial Statements. The Directors are also of the view that they have discharged their responsibilities as set out in this statement.

The Directors confirm that to the best of their knowledge,

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

## Accounting Policies and Changes during the Year

There were no major changes made to the accounting policies other than those disclosed under Notes 1 to 8 to the Financial Statements for the financial year ended 31st March 2020.

## FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Financial Position, Statement of Profit or Loss and other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2020 are set out on pages 40 to 112 of this Report.

## RESERVES

After the above mentioned appropriations, the total Group Reserves stand at. Rs. 7,057.50Mn (2019 - Rs. 5,637.62Mn) comprising Capital Reserves of Rs. 735.71Mn (2019 - Rs. 588.52Mn) and Revenue Reserves of Rs. 6,321.79Mn (2019 - Rs. 5,049.10Mn). The movements are shown in the Statement of Changes in Equity and Notes 20 and 21 to the Financial Statements.

## VALUE OF THE INVESTMENT PORTFOLIO

The Market Value/ Director's value of the Company's investment portfolio as at 31st March 2020 was Rs. 22,289.56Mn (2019 - Rs. 23,552.52Mn) as disclosed under Note 13 to the Financial Statements.

## CAPITAL EXPENDITURE

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs. 1,895.40Mn (2019 - Rs. 1,072.09). The movements in capital assets during the year are set out in Notes 9 and 11 to the Financial Statements.

## MARKET VALUE OF FREEHOLD PROPERTIES

Freehold properties of the Group are stated in the books at their revalued amounts. The valuation has been carried out by an independent professional valuer, as further explained in Notes 9(c) and 10.3 to these Financial Statements.

## **STATUTORY PAYMENTS**

The Directors to the best of their knowledge and belief are satisfied that all statutory dues have been paid up to date or have been provided for in these Financial Statements except as disclosed in Note 39 to these Financial Statements.

## **OUTSTANDING LITIGATION**

The outstanding litigations related to the Company are shown in Note 39 to these Financial Statements.

## **RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS**

The Company and the Group's activities were exposed to a variety of financial risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk and those have been disclosed in Note 37 to these Financial Statements. The need for risk management has been identified and action plans to monitor and manage risks are incorporated into the business plans and are reviewed on a continuous basis.

## **MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS**

There were no material issues relating to employees and industrial relations during the year ended 31st March 2020.

## **GOING CONCERN**

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, these Financial Statements are prepared based on the Going Concern concept.

## **INDEPENDENT AUDITORS' REPORT**

The Independent Auditors' Report on the Financial Statements is given on pages 35 to 39 of this Report.

## **SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out in Notes 1 to 8 in the notes to the Financial Statements on pages 48 to 66.

## **INTERESTS REGISTER**

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

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

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

## **REMUNERATION OF DIRECTORS**

Directors' remuneration, for the financial year ended 31st March 2020 is given in Note 38 to the Financial Statements.

## **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 38 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.

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

Directors	No. of shares as at	
	31st March 2020	31st March 2019
Mr. D. A. Cabraal (Chairman)	1,500	1,500
Mr. H. Selvanathan (Deputy Chairman)	690	690
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	690	690
Mr. S. K. Shah (Chief Executive Officer)	2,632	2,632
Mr. D. C. R. Gunawardena	15	15
Mr. R. H. Meewakkala (Chief Executive Officer - Designate w.e.f. 01/07/2020)	-	-
Mr. S. Clini (appointed w.e.f. 31/10/2019)	-	-
Mr. T. Akiskalos (appointed w.e.f. 20/05/2019 and resigned w.e.f. 25/10/2019)	-	-
Mr. L. Lehmann (resigned w.e.f. 20/05/2019)	-	-

## DIRECTORS

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

### Changes in the Directorate

Mr. L. Lehmann, Non-Executive Director resigned from the Board with effect from 20th May 2019.

Mr. T. Akiskalos was appointed as a Non-Executive Director of the Company with effect from 20th May 2019 and he resigned from the Board with effect from 25th October 2019.

Mr. S. Clini was appointed as a Non-Executive Director of the Company with effect from 31st October 2019.

Mr. R. H. Meewakkala who was a Non-Executive Independent Director was appointed as the Chief Executive Officer-Designate with effect from 1st July 2020 and designated as an Executive Director.

## Directors to retire by rotation

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

### Appointment of Directors who are over 70 years of age

Upon the recommendation of the Nomination Committee of the Company and the Board, it is recommended that Messrs. M. Selvanathan and H. Selvanathan who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not be applicable to them.

## AUDITORS

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

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

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

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

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

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

### **Related Party Transactions Review Committee**

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

## **Composition**

<b>Related Party Transactions Review Committee Members</b>	<b>Executive / Non-Executive / Independent</b>
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. H. Selvanathan	Executive Director of CCPLC
Mr. M. Selvanathan	Executive Director of CCPLC
Mr. S. K. Shah	Executive Director of CCPLC

The Related Party Transactions Review Committee Report is given on pages 32 to 33 of this Annual Report.

## **Declaration**

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

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

## **Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets of the Company**

In terms of the requirements of the Listing Rules of the Colombo Stock Exchange, the transactions carried out by the Company with its Related Parties during the year ended 31st March 2020, that exceed 10% of Equity or 5% of the Total Assets of the Company are listed below.

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

The details of the Related Party Transactions are given in Note 38 on page 106 to 107 of the Financial Statements.

## 1. Non-Recurrent Related Party Transactions

Information pertaining to non-recurrent related party transactions where the aggregate value of the non-recurrent related party transactions exceed 10% of the equity or 5% of the total Asset whichever is lower of the Company as per the audited financial statements are as below.

Name of the Related Party	Relationship	Value of the Related Party Transactions entered in to during the financial year	Value of Related Party Transaction as a % of Equity and as a % of Total Assets	Term and conditions of the related party transaction	The rationale for entering in to transaction
Luxury Brands Pvt Ltd.	Subsidiary	RS. 200,000,000/-	11.86% - Equity 8.34% - Total Assets	Share Investment (20,000,000 ordinary shares at Rs. 10/- per share)	Infusion of shareholders equity

## 2. Recurrent Related Party Transactions

Information pertaining to Recurrent Related Party Transactions where the aggregate value of the Recurrent Related Party Transactions exceeds 10% of the Gross Revenue/ Income of the Company, as per the Audited Financial Statements are disclosed below;

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate value of Related Party Transactions entered into during the financial year Rs.	Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	Terms and Conditions of the Related Party Transactions
Lion Brewery (Ceylon) PLC	Subsidiary	Royalty Income	159,348,804/-	43%	As per the royalty agreement
Lion Brewery (Ceylon) PLC	Subsidiary	Dividend Income	215,681,746/-	57%	Declaration of dividends



## CORPORATE GOVERNANCE

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

### Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 12 to 14 of the Annual Report.

<b>Directors</b>	<b>Executive/ Non-Executive / Independent</b>
Mr. D. A. Cabraal (Chairman)	Non-Executive/ Independent *
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	Executive
Mr. S. K. Shah (Chief Executive Officer)	Executive
Mr. D. C. R. Gunawardena	Non-Executive
Mr. R. H. Meewakkala (Appointed Chief Executive Officer - Designate w.e.f. 01/07/2020)	Non-Executive/ Independent Executive w.e.f. 01/07/2020
Mr. S. Cline (appointed w.e.f. 31/10/2019)	Non-Executive
Mr. T. Akiskalos (appointed w.e.f. 20/05/2019 and resigned w.e.f. 25/10/2019)	Non-Executive
Mr. L. Lehmann (resigned w.e.f. 20/05/2019)	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 July 2020, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

\* The Board has determined that Mr. D. A. Cabraal is an Independent/ Non-Executive Director in spite of being a Director of Lion Brewery (Ceylon) PLC, in which a majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

### Non-Compliance with minimum number of Independent Directors

Mr. R. H. Meewakkala was a Non-Executive Independent Director of the Company until 30th June 2020.

Following the appointment of Mr. R. H. Meewakkala as the Chief Executive Officer - Designate / Executive Director of the Company with effect from 1st July 2020, the Company became non-compliant with Rule 7.10.2 (a) of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to the minimum number of independent Directors.

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

In terms of the Listing Rules 7.10.7(b), the Company is given a period of 3 months with effect from 1st July 2020 to comply with the Listing Rule 7.10.2 and the Board is working towards meeting the CSE criteria, in respect of Independent Directors.

## Directors' Meetings Attendance

During the financial year, the Board of Directors had only three (03) Board Meetings as the Board Meeting for the 4th quarter could not be held due to the COVID-19 pandemic situation in the country. The attendance of the Directors were as follows;

Directors	Meetings Attended (Out of three)
Mr. D. A. Cabraal (Chairman)	3/3
Mr. H. Selvanathan (Deputy Chairman)	2/3
Mr. M. Selvanathan (Director/ Alternate Director to Mr. H. Selvanathan)	3/3
Mr. S. K. Shah (Chief Executive Officer)	3/3
Mr. D. C. R. Gunawardena	3/3
Mr. R. H. Meewakkala (Chief Executive Officer - Designate w.e.f. 01/07/2020)	3/3
Mr. S. Clini (appointed w.e.f. 31/10/2019)	1/1
Mr. T. Akiskalos (appointed w.e.f. 20/05/2019 and resigned w.e.f. 25/10/2019)	2/2
Mr. L. Lehmann (resigned w.e.f. 20/05/2019)	-

## Board Evaluation

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

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

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

## Audit Committee

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

## Composition

<b>Audit Committee Members</b>	<b>Executive / Non-Executive/ Independent</b>
Mr. V. P. Malalasekera (Chairman)	Non-Executive/ Independent Director of CCPLC
Mr. F. Mohideen	Non-Executive/ Independent Director of CCPLC
Mr. D. C. R. Gunawardena	Non-Executive Director of CCPLC
Mr. A. S. Amaratunga	Non-Executive/ Independent Director of CCPLC
<b>Observer representing the Beverage Sector at the Carson Cumberbatch PLC Audit Committee Meetings</b>	
Mr. R. H. Meewakkala (Appointed Chief Executive Officer - Designate w.e.f. 01/07/2020)	Non-Executive/Independent Director of Ceylon Beverage Holdings PLC & Lion Brewery (Ceylon) PLC until 30/06/2020  Executive Director of Ceylon Beverage Holdings PLC & Lion Brewery (Ceylon) PLC w.e.f. 01/07/2020

The Audit Committee Report is given on page 30 and 31 of this Annual Report.

## Remuneration Committee

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

## Composition

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

## Scope and Objective

The primary objective of the 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.

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

## **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 financial year, the Committee had only one (01) Meeting as a Remuneration Committee Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

<b>Remuneration Committee Members</b>	<b>Meetings Attended/ (Out of one)</b>
Mr. T. de Zoysa (Chairman)	1/1
Mr. D. C. R. Gunawardena	1/1
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1/1

## **Reporting and Responsibilities**

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

Aggregated remuneration paid to the Non-Executive Directors of the Company is disclosed under Note 32 on page 92 of the Annual Report. Executive Directors are not compensated for their role on the Board.

## **Nomination Committee**

The Nomination Committee of Carson Cumberbatch PLC (CCPLC), the Parent Company, functions as the Nomination Committee of the Company.

## **Composition**

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

## **Scope and Objective**

The primary objective of the Nomination Committee is to lead the process for Board appointments of new Directors within group companies and the nominations of members to represent the Company in group companies/ investee companies.

## **Functions and Proceedings**

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

Any Director of the Board and the Chief Executive Officer/ Director-in-Charge and other members of senior management may be invited to attend Meetings of the Nomination Committee. The Committee may also invite appointed external consultants to aid the Committee in the discharge of its duties.

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

The Nomination Committee meets at least twice a year.

During the financial year, the Committee had only one (01) Meeting as a Nomination Committee Meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country.

<b>Nomination Committee Members</b>	<b>Meetings Attended (Out of one)</b>
Mr. T. de Zoysa (Chairman)	1/1
Mr. D. C. R. Gunawardena	1/1
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1/1

## **DIVIDEND**

The Company paid a First Interim Dividend of Rs.10/- per ordinary share for the year ended 31st March 2020 totalling Rs.209,880,900/- on 27th

August 2019.

The details of the dividend paid during the year is set out in Note 36 to the Financial Statements.

## **SOLVENCY TEST**

Taking into account the said distribution, the Directors were satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act, No. 07 of 2007 immediately after the distribution.

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

## **CORPORATE DONATIONS**

No donations were made by the Company and its Subsidiaries during the year (2019 - Nil).

## **STATED CAPITAL**

The Stated Capital of the Company as at 31st March 2020 was Rs.533,384,288/- consisting of 20,988,090 Ordinary shares.

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

## **EVENTS OCCURRING AFTER THE REPORTING DATE**

There were no significant events after the reporting period, other than those disclosed in Note 40 of the notes to the Financial Statements.

## **SHARE INFORMATION**

Information relating to share trading are given on pages 125 and 126 of this Report.

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

## TWENTY MAJOR SHAREHOLDERS

Name of Shareholders	31 March 2020		31 March 2019	
	No. of shares	%	No. of shares	%
1 CARSON CUMBERBATCH PLC A/C NO.02	15,726,912	74.93	15,726,912	74.93
2 GF CAPITAL GLOBAL LIMITED	1,928,416	9.19	1,920,586	9.15
3 CARLSBERG A/S	1,676,440	7.99	1,676,440	7.99
4 SERENDIP INVESTMENTS LIMITED	800,000	3.81	-	-
5 DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE - PWM WM CLIENT)	130,000	0.62	-	-
6 CARSON CUMBERBATCH PLC A/C NO. 01	91,655	0.44	91,655	0.44
7 TRANZ DOMINION,L.L.C.	75,500	0.36	75,500	0.36
8 MRS. C.A.D.S. WOODWARD	40,065	0.19	40,065	0.19
9 MRS. J.K.P. SINGH	31,485	0.15	31,485	0.15
10 GUINNESS MORISON INTERNATIONAL LIMITED	20,953	0.10	20,953	0.10
11 SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	13,650	0.07	13,650	0.07
12 MISS M.P. RADHAKRISHNAN	10,257	0.05	10,257	0.05
13 MISS A. RADHAKRISHNAN	10,256	0.05	10,256	0.05
14 SEYLAN BANK PLC/CHANNA NALIN RAJAHMONEY	10,131	0.05	10,061	0.05
15 MR. N.J. GAMADIA	8,786	0.04	8,786	0.04
16 MR. R. MAHESWARAN	8,134	0.04	8,134	0.04
17 MRS. M.S.K. WELIKALA	7,856	0.04	7,856	0.04
18 ADMIN.OF T A.C. ABDEEN (DECD)	7,725	0.04	7,725	0.04
19 MRS. M.C. ABEYSEKERA	7,622	0.04	7,622	0.04
20 MISS. C.S. THENABADU	7,370	0.04	7,370	0.04

## ANNUAL REPORT

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

The Board of Directors have approved the Audited Financial Statements of the Company together with the Reviews and other Reports which form part of the Annual Report on 21st July 2020.

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 109th Annual General Meeting of the Company will be held on Tuesday, 8th September 2020 at 11.30 a.m. at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology.

The Notice of the Annual General Meeting, setting out the business, which will be transacted thereat is on page 130 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)  
**M. Selvanathan**  
Director

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

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

Colombo  
21st July 2020

# AUDIT COMMITTEE REPORT

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

The Audit Committee consists of the following Members:

<b>Audit Committee Members</b>	<b>Executive / Non-Executive/ Independent</b>
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. A.S. Amaratunga	Non-Executive/ Independent (CCPLC)

## **Observer-for the Beverage Sector matters**

Mr.R.H. Meewakkala	Executive Director Appointed Chief Executive Officer -Designate of Ceylon Beverage Holdings PLC & Lion Brewery (Ceylon) PLC w.e.f. 01/07/2020
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Mr.Vijaya Malalasekera is a Non-Executive/ Independent Director of CCPLC and a former Director of Ceylon Tobacco Company PLC.

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

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

Mr.Saktha Amaratunga, a Non-Executive/ Independent Director of CCPLC, is also a Director of Hemas Holdings PLC, Chairman of Hemas Holdings PLC-Audit Committee and a Commissioner of PT Agro Indomas, Indonesia, a subsidiary of Carson Cumberbatch PLC.

Mr.Rajiv Meewakkala is the Chief Executive Officer- Designate of Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC. He was the former Marketing Director of Ceylon Tobacco Company and was also part of the South Asia Marketing Leadership team of British American Tobacco.

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

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

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

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

CCPLC-Audit Committee held ten (10) Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee were as follows :

## **Meetings attended (out of ten)**

Mr.V.P. Malalasekera (Chairman)	08/10
Mr.D.C.R. Gunawardena	10/10
Mr.F. Mohideen	09/10
Mr.A.S. Amaratunga	10/10



The Chief Executive Officer-Beverage Sector, Head of Finance of the Company, internal auditors and senior management staff members also attended the Audit Committee Meetings by invitation. Mr.R.H. Meewakkala, Chief Executive Officer-Designate of Ceylon Beverage Holdings PLC also attended the Audit Committee Meetings as an 'Observer-for the Beverage Sector matters'.

The Audit Committee met the External Auditors, Messrs. KPMG, twice during the year to discuss the audit scope, including Key Audit Matters and to deliberate the draft Financial Report and Accounts at the completion stage of the audit. The 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 2019/2020 and the Group Internal Audit (GIA) carried out audits on the Beverage Sector companies based on the plan.

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

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

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

Based on the audit reporting requirements, the Audit Committee continued the process to discuss the areas which are identified as Key Audit Matters by Messrs. KPMG for reporting in the audit report, at the audit planning and completion stages.

The financial statements of Ceylon Beverage Holdings PLC for the year ended 31st March 2020 were reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required by the Director/CEO, Head of Finance of the Company and Director - Finance, Carsons Management Services (Private) Limited, Managers of the Company that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors for the financial year ending 31st March 2021, subject to the approval of the shareholders of Ceylon Beverage Holdings PLC at the Annual General Meeting.

*(Sgd.)*

**V. P. Malalasekera**  
Chairman – Audit Committee  
**Carson Cumberbatch PLC**

Colombo  
21st July 2020

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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

## COMPOSITION OF THE COMMITTEE

The Members of the RPTRC are as follows :

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

## MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held three (03) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

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

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### Meetings attended (out of three)

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Mr.V.P. Malalasekera (Chairman)	2/3
Mr.F. Mohideen	3/3
Mr.D.C.R. Gunawardena	3/3
Mr.H. Selvanathan	3/3
Mr.M. Selvanathan	3/3
Mr.S.K. Shah	3/3

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A Meeting of the RPTRC was scheduled for March 2020 and could not be held due to COVID-19 pandemic situation in the country.

## PURPOSE OF THE COMMITTEE

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

## POLICIES AND PROCEDURES

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

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the guidelines which senior management

must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable have been documented even in the case of once approved recurrent transactions which are of operational nature, which as per the RPT Code need not be repeatedly approved, if within the broad thresholds.

The RPTRC in discharging its function endeavours to ensure that :

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

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

The Related Party Transactions of the Company for the period 1st April 2019 to 31st March 2020 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

*(Sgd.)*

**V. P. Malalasekera**

Chairman – Related Party Transactions Review  
Committee

**Carson Cumberbatch PLC**

Colombo

21st July 2020

# FINANCIAL CALENDAR

<b>Financial Year</b>	<b>31st March 2020</b>
<b>Announcement of Results</b>	
<b>1st Quarter</b>	<b>30th June 2019</b>
Issued to Colombo Stock Exchange	13th August 2019
<b>2nd Quarter</b>	<b>30th September 2019</b>
Issued to Colombo Stock Exchange	14th November 2019
<b>3rd Quarter</b>	<b>31st December 2019</b>
Issued to Colombo Stock Exchange	13th February 2020
<b>4th Quarter</b>	<b>31st March 2020</b>
Issued to Colombo Stock Exchange	29th May 2020
<b>Meetings</b>	
108th Annual General Meeting	19th July 2019
109th Annual General Meeting	8th September 2020

# INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## To the shareholders of Ceylon Beverage Holdings PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Ceylon Beverage Holdings PLC (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31st March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 40 to 112 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and Group as at 31st March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter – Restatement of comparative balances

We draw attention to the restatement of the Lands and Buildings of the Company amounting Rs. 331.261 Mn that were held for capital appreciation were classified as Property, plant and equipment in the previous years. Management has reclassified those assets under "Investment Properties" during the year and made retrospective restatements in these financial statements. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

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

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

M.R. Mihindi FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajapakse FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasinghe ACA	W.K.D.C. Abeyaratne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. E.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shumassel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Rajasekera ACA		

Principals - S.R.I. Perera FCA(II)(K), LLB Attorney-at-Law, H.S. Goonesardene ACA  
Ms. P.M.K. Sumanasekara - CA

# INDEPENDENT AUDITOR'S REPORT



<b>Carrying value of Brands acquired</b>	
<b>Risk Description</b>	<b>Our response</b>
<p>The subsidiary, Lion Brewery (Ceylon) PLC has recognised intangible asset relating to Brands acquired with a carrying value of Rs. 1.58 Billion as at the reporting date.</p> <p>The annual impairment testing relating to the brand which is an indefinite life intangible asset is considered to be a key audit matter due to the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount has been derived using discounted forecasted cash flow model. This model uses several key assumptions, including estimates of future sales volume growth rate, contribution growth rate and discount rate.</p> <p>Note 41 in the Financial Statements describes the impact of COVID-19 outbreak to the current year financial statements and the possible effects of the future implications of COVID-19 outbreak on the Company's future prospects, performance and cash flows. Management has considered the uncertainties from these events and circumstances as the outbreak is prevailing at the time of finalising these financial statements.</p> <p>See note 2.5 for Use of Estimates and Judgments, note 3.8 for accounting policy and note 11 for information.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness and consistency of underlying assumptions via corroborating estimates of future cash flows and discussing whether they are reasonable and supported by the most recent approved management budgets, including expected future performance of the CGUs, and discussing whether these are appropriate in light of future macroeconomic expectations in the markets including latest economic conditions pursuant to the Covid-19 outbreak.</li> <li>• Recomputing and comparing the data used in the forecasted cash flow model with information maintained by management and historical trends.</li> <li>• Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.</li> </ul>

<b>Impairment assessment of investments and receivables from Pubs 'N Places (Pvt) Ltd and Luxury Brands (Pvt) Ltd</b>	
<b>Risk Description</b>	<b>Our response</b>
<p>The Company has invested Rs. 304 million in Pubs 'N Places (Pvt) Ltd and Rs.250 million in Luxury Brands (Pvt) Ltd.</p> <p>We identified the impairment assessment of investments in subsidiaries due to the pandemic and disclosure of estimation uncertainty and implications of COVID 19 as a key audit matter because the assessment involves consideration of future events which are inherently uncertain, and effect of those difference may significantly impact the resulting accounting estimates.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness and consistency of underlying assumptions in determining forecasted cash flows, which includes future sales, expenses growth rates and discount rate.</li> <li>• Examining the indications of possible impairment of investments in subsidiary.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



Risk Description	Our response
<p>Company has tested for impairment relating to its investment in Pubs 'N Places (Pvt) Limited, Luxury Brands (Pvt) Limited and the related receivables, using the discounted forecasted cash flow model.</p> <p>This model uses several key assumptions, including estimates of future sales, expenses growth rates and discount rate.</p> <p>See note 2.5 for Use of Estimates and Judgments, note 3.11 for accounting policy and note 13 for information.</p>	<ul style="list-style-type: none"> <li>• Testing the completeness and accuracy of key inputs in to computations. Further we assessed the reasonability of the model methodology and key assumptions, in light of future macroeconomic expectations in the markets including latest economic conditions pursuant to the Covid-19 outbreak.</li> <li>• Assessing the adequacy of the financial statement disclosures.</li> </ul>

Revenue Recognition	
Risk Description	Our response
<p>The company recorded revenues of Rs. 375 Mn for year ended 31 March 2020 and group recorded revenues of Rs. 49.2 Bn for the year ended 31 March 2020.</p> <p>Whilst revenue recognition and measurement is not complex for the Company, the subsidiary Lion Brewery Ceylon PLC operates in a market which is affected by different customer behaviour and the various discounts and locally imposed duties and fees in regard to revenue recognition introduce an inherent risk to the revenue recognition process. This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter.</p> <p>See note 4.1 for accounting policy and note 30 for information.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> <li>• Identifying and evaluating the design and implementation and operating effectiveness of key controls relating to revenue recognition and reviewing General IT Controls and Application Controls and consider impact on financial reporting with the assistance of IRM specialist.</li> <li>• Performing a fraud risk assessment through inquiry of management regarding any actual or suspected override of controls in relation to revenue recognition.</li> <li>• Testing design and implementation and operating effectiveness of controls over journal entries and post-closing adjustments.</li> <li>• Through inquiry and observation assessing the accounting for significant transactions that are outside of the normal course of business, or are otherwise unusual.</li> <li>• Testing that amounts have been recognised in the correct period for cut-off and evaluate whether there are any significant amount of returns after the year end.</li> <li>• Agreeing the monthly sales system reports to general ledger to ensure that the revenue is recognised accurately in accordance with the company's accounting policy.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT



## Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



# INDEPENDENT AUDITOR'S REPORT



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1798.

**Chartered Accountants**

Colombo, Sri Lanka  
21st July 2020

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Company			Group		
		2020	2019	2018	2020	2019	2018
In Rs.'000s			(Restated)	(Restated)		(Restated)	(Restated)
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Property, plant & equipment	9	155	387	619	19,221,050	18,162,978	18,146,017
Investment properties	10	486,870	331,261	331,261	486,870	331,261	331,261
Intangible assets	11	-	-	-	1,706,873	2,442,755	2,447,946
Right of use assets	12	-	-	-	304,355	-	-
Investments in subsidiaries	13	1,964,272	1,764,272	1,971,964	-	-	-
Loan to operators		-	-	-	-	-	53,422
Deferred taxation	25	-	-	-	8,691	13,496	6,282
<b>Total Non-Current Assets</b>		<b>2,451,297</b>	<b>2,095,920</b>	<b>2,303,844</b>	<b>21,727,839</b>	<b>20,950,490</b>	<b>20,984,928</b>
<b>Current Assets</b>							
Inventories	14	-	-	-	3,043,692	2,512,995	1,910,141
Trade & other receivables	15	18,261	22,457	10,141	1,881,002	2,345,704	3,128,030
Amounts due from related companies	16	98,909	36,079	107,818	6,500	-	5,535
Current Taxation	17	-	-	-	2,477	5,653	16,232
Cash and cash equivalents	18	6,179	242,604	36,045	13,367,260	10,564,799	8,180,171
<b>Total Current Assets</b>		<b>123,349</b>	<b>301,140</b>	<b>154,004</b>	<b>18,300,931</b>	<b>15,429,151</b>	<b>13,240,109</b>
<b>Total Assets</b>		<b>2,574,646</b>	<b>2,397,060</b>	<b>2,457,848</b>	<b>40,028,770</b>	<b>36,379,641</b>	<b>34,225,037</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Stated capital	19	533,384	533,384	533,384	533,384	533,384	533,384
Capital reserves	20	19,924	19,924	19,924	735,712	588,521	483,527
Revenue reserves	21	1,318,235	1,131,918	1,281,780	6,321,790	5,049,101	3,664,795
Equity Attributable To Equity Holders of the Company		<b>1,871,543</b>	<b>1,685,226</b>	<b>1,835,088</b>	<b>7,590,886</b>	<b>6,171,006</b>	<b>4,681,706</b>
Non controlling interest	13.4	-	-	-	7,230,325	5,978,375	4,493,662
<b>Total Equity</b>		<b>1,871,543</b>	<b>1,685,226</b>	<b>1,835,088</b>	<b>14,821,211</b>	<b>12,149,381</b>	<b>9,175,368</b>

As at 31st March	Notes	Company			Group		
		2020	2019	2018	2020	2019	2018
In Rs.'000s			(Restated)	(Restated)		(Restated)	(Restated)
<b>Non Current Liabilities</b>							
Debentures	22	-	-	-	-	-	2,000,000
Loans and borrowings	23	25,000	55,000	85,000	2,658,041	3,326,271	4,899,620
Lease creditor	12	-	-	-	274,532	-	-
Employee benefits	24	-	-	-	207,333	204,058	190,953
Net deferred tax liabilities	25	15,561	-	-	5,134,844	5,002,666	3,607,868
<b>Total Non- Current Liabilities</b>		<b>40,561</b>	<b>55,000</b>	<b>85,000</b>	<b>8,274,750</b>	<b>8,532,995</b>	<b>10,698,441</b>
<b>Current Liabilities</b>							
Trade and other payables	26	15,471	17,834	15,047	1,780,350	1,350,370	1,391,694
Amounts due to related companies	27	501,460	588,587	394,170	107,748	114,945	105,559
Refundable deposits	28	-	-	-	1,715,620	1,456,224	1,164,261
Tax liabilities	29	15,587	20,025	3,977	104,398	2,448,319	1,967,401
Debentures	22	-	-	-	-	2,078,285	1,110,582
Loans and borrowings	23	30,213	30,388	124,566	9,988,456	6,353,084	6,991,619
Lease creditor	12	-	-	-	50,532	-	-
Bank overdraft	18	99,811	-	-	3,185,705	1,896,038	1,620,112
<b>Total Current Liabilities</b>		<b>662,542</b>	<b>656,834</b>	<b>537,760</b>	<b>16,932,809</b>	<b>15,697,265</b>	<b>14,351,228</b>
<b>Total Liabilities</b>		<b>703,103</b>	<b>711,834</b>	<b>622,760</b>	<b>25,207,559</b>	<b>24,230,260</b>	<b>25,049,669</b>
<b>Total Equity and Liabilities</b>		<b>2,574,646</b>	<b>2,397,060</b>	<b>2,457,848</b>	<b>40,028,770</b>	<b>36,379,641</b>	<b>34,225,037</b>
<b>Net assets per ordinary share (Rs.)</b>		<b>89.17</b>	<b>80.29</b>	<b>87.44</b>	<b>361.68</b>	<b>294.03</b>	<b>223.07</b>

The notes to the Financial Statements from Pages 48 to 112 form an integral part of these Financial Statements.

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

(Sgd.)

D.R.P. Goonetilleke

Head of Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

V.R. Wijesinghe

Director

(Sgd.)

M. Selvanathan

Director

(Sgd.)

S.K. Shah

Director

Carsons Management Services (Private) Ltd.

21st July 2020

Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March In Rs.'000s	Notes	Company		Group	
		2020	2019 (Restated)	2020	2019 (Restated)
Revenue	30	375,031	293,426	49,215,361	44,216,827
Cost of Sales		-	-	(38,202,972)	(32,953,571)
<b>Gross Profit</b>		<b>375,031</b>	<b>293,426</b>	<b>11,012,389</b>	<b>11,263,256</b>
Other Income	31	-	-	153,337	138,025
Net gains arising from changes in fair value of investment properties	10	155,609	-	155,609	-
		<b>530,640</b>	<b>293,426</b>	<b>11,321,335</b>	<b>11,401,281</b>
Distribution Expenses		-	-	(3,021,787)	(3,030,771)
Administrative Expenses		(14,816)	(14,794)	(1,780,647)	(1,656,879)
Other Expenses		-	-	(545,086)	(413,166)
Impairment of Investments in subsidiaries	13	-	(207,692)	-	-
Impairment of intangible assets	11.2	-	-	(740,315)	-
<b>Profit from Operations</b>		<b>515,824</b>	<b>70,940</b>	<b>5,233,500</b>	<b>6,300,465</b>
Finance Income	33	7,514	12,741	950,905	1,009,923
Finance Costs	33	(71,552)	(49,118)	(1,690,165)	(2,094,515)
<b>Net Finance Costs</b>		<b>(64,038)</b>	<b>(36,377)</b>	<b>(739,260)</b>	<b>(1,084,592)</b>
<b>Profit Before Taxation</b>		<b>451,786</b>	<b>34,563</b>	<b>4,494,240</b>	<b>5,215,873</b>
Income Tax Reversal /(Expenses)	34	(44,922)	(37,508)	(1,824,379)	(846,185)
Deferred taxation	34	(15,561)	-	146,402	(1,304,425)
<b>Profit/(Loss) After Taxation</b>		<b>391,303</b>	<b>(2,945)</b>	<b>2,816,263</b>	<b>3,065,263</b>

For the year ended 31st March In Rs.'000s	Notes	Company		Group	
		2020	2019 (Restated)	2020	2019 (Restated)
<b>Other Comprehensive Income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Remeasurement of employee benefit obligation	24	-	-	11,545	12,533
Deferred tax adjustment on employee benefit	34	-	-	(4,618)	(5,013)
Change in Revaluation of Property Plant & Equipment	9	-	-	560,472	279,091
Deferred tax adjustment on land & buildings	34	-	-	(278,767)	(78,145)
<b>Total Other Comprehensive Income for the year</b>		-	-	<b>288,632</b>	<b>208,466</b>
<b>Total Comprehensive Income/ (Expenses)</b>		<b>391,303</b>	<b>(2,945)</b>	<b>3,104,895</b>	<b>3,273,729</b>
<b>Profit/(Loss) Attributable to</b>					
- Equity Holders of the Company		<b>391,303</b>	<b>(2,945)</b>	<b>1,473,471</b>	<b>1,527,293</b>
- Non Controlling interest	13.4	-	-	<b>1,342,792</b>	<b>1,537,970</b>
<b>Profit/(Loss) for the year</b>		<b>391,303</b>	<b>(2,945)</b>	<b>2,816,263</b>	<b>3,065,263</b>
<b>Total Comprehensive Income Attributable to</b>					
- Equity Holders of the Company		<b>391,303</b>	<b>(2,945)</b>	<b>1,624,281</b>	<b>1,636,216</b>
- Non Controlling interest	13.4	-	-	<b>1,480,614</b>	<b>1,637,513</b>
<b>Total comprehensive income / expenses for the year</b>		<b>391,303</b>	<b>(2,945)</b>	<b>3,104,895</b>	<b>3,273,729</b>
<b>Earnings/(Loss) per Ordinary Share (Rs.)</b>	35	<b>18.64</b>	<b>(0.14)</b>	<b>70.21</b>	<b>72.77</b>

The notes to the Financial Statements from Pages 48 to 112 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF CHANGES IN EQUITY

In Rs.'000s	Attributable to Equity Holders of the Parent						Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	General Reserve	Revenue reserves Fair Value	Revenue reserves Retained Earnings	Total		
<b>COMPANY</b>								
Balance as at 1st April 2018 (as previously reported)	533,384	239,576	5,776	-	965,727	1,744,463	-	1,744,463
Impact of correction of errors (Note 42)	-	(225,428)	-	316,972	(919)	90,625	-	90,625
Restated balance 1st April 2018	533,384	14,148	5,776	316,972	964,808	1,835,088	-	1,835,088
<b>Total Comprehensive Income (Restated)</b>	-	-	-	-	(2,945)	(2,945)	-	(2,945)
Loss for the period	-	-	-	-	(2,945)	(2,945)	-	(2,945)
<b>Total Comprehensive Loss for the period (Restated)</b>	-	-	-	-	(2,945)	(2,945)	-	(2,945)
Transactions with owners, recorded directly in equity	-	-	-	-	(2,945)	(2,945)	-	(2,945)
contribution by and distribution to owners	-	-	-	-	(146,917)	(146,917)	-	(146,917)
Dividends	-	-	-	-	-	-	-	-
<b>Balance as at 31st March 2019 (Restated)</b>	533,384	14,148	5,776	316,972	814,946	1,685,226	-	1,685,226
<b>Total Comprehensive Income</b>	-	-	-	140,048	251,255	391,303	-	391,303
Profit for the period	-	-	-	140,048	251,255	391,303	-	391,303
Other comprehensive income for the period	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income for the period</b>	-	-	-	140,048	251,255	391,303	-	391,303
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-
contribution by and distribution to owners	-	-	-	-	4,895	4,895	-	4,895
Forfeiture of unclaimed dividends (1997-2012)	-	-	-	-	(209,881)	(209,881)	-	(209,881)
Dividends	-	-	-	-	-	-	-	-
<b>Balance as at 31st March 2020</b>	533,384	14,148	5,776	457,020	861,215	1,871,543	-	1,871,543

The notes to the Financial Statements from Pages 48 to 112 form an integral part of these Financial Statements.

In Rs. '000s	Attributable to Equity Holders of the Parent						Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	General Reserve	Revenue reserves Fair Value	Revenue Retained Earnings	Total		
<b>GROUP</b>								
Balance as at 1st April 2018 (as previously reported)	533,384	703,179	5,776	-	3,348,742	4,591,081	4,493,662	9,084,743
Impact of correction of errors (Note 42)	-	(225,428)	-	316,972	(919)	90,625	-	90,625
Restated balance 1st April 2018	533,384	477,751	5,776	316,972	3,347,823	4,681,706	4,493,662	9,175,368
<b>Total Comprehensive Income (Restated)</b>								
Profit for the period	-	-	-	-	1,527,293	1,527,293	1,537,970	3,065,263
Other comprehensive income for the period	-	104,994	-	-	3,929	108,923	99,543	208,466
<b>Total Comprehensive Income for the period (Restated)</b>	-	104,994	-	-	1,531,272	1,636,216	1,637,513	3,273,729
Transactions with owners, recorded directly in equity								
Dividends	-	-	-	-	(146,917)	(146,917)	(152,800)	(299,717)
<b>Balance as at 31st March 2019 (Restated)</b>	533,384	582,745	5,776	316,972	4,732,128	6,171,006	5,978,375	12,149,381
<b>Total Comprehensive Income</b>								
Profit for the period	-	-	-	140,048	1,333,423	1,473,471	1,342,792	2,816,263
Other comprehensive income for the period	-	147,191	-	-	3,619	150,810	137,822	288,632
<b>Total Comprehensive Income for the period</b>	-	147,191	-	140,048	1,337,042	1,624,281	1,480,614	3,104,895
Transactions with owners, recorded directly in equity								
contribution by and distribution to owners								
Forfeiture of unclaimed dividends (1997-2012)	-	-	-	-	(209,881)	(209,881)	(229,200)	(439,081)
Dividends	-	-	-	-	5,481	5,481	536	6,017
<b>Balance as at 31st March 2020</b>	533,384	729,936	5,776	457,020	5,864,770	7,590,886	7,230,325	14,821,211

The notes to the Financial Statements from Pages 48 to 112 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the year ended 31st March In Rs.'000s	Notes	Company		Group	
		2020	2019 (Restated)	2020	2019 (Restated)
<b>Cash Flows from Operating Activities</b>					
Profit before taxation		451,786	34,563	4,494,240	5,215,873
<b>Adjustments for:</b>					
Finance expenses	33	71,552	49,118	1,709,786	2,096,644
Depreciation on Right of use assets	12.1	-	-	69,116	-
Depreciation on property, plant & equipment	9	232	232	1,233,239	1,224,466
Amortisation of intangible assets	11	-	-	4,850	53,515
Net Inventory provisions	14.1	-	-	38,847	(20,818)
Provision for employee benefit obligations	24	-	-	40,826	36,847
Impairment of property plant & equipment	9(b)	-	-	4,729	60,547
Loss on disposal of returnable containers		-	-	132,443	-
Impairment of Intangible Assets	11	-	-	740,315	881
Impairment of doubtful debtors	15.1	-	-	-	24,651
Impairment of Investments	13	-	207,692	-	-
Finance income	33	(7,514)	(12,741)	(950,905)	(1,009,923)
Net gain arising from changes in fair value of investment properties	10	(155,609)	-	(155,609)	-
(Profit)/Loss on disposal of property, plant & equipment		-	-	(19,246)	(3,529)
Lease interest	12.1	-	-	37,567	-
Unrealised exchange loss/(gain) on foreign currency term Loan		-	-	(13,455)	(4,638)
<b>Operating cash flow before working capital changes</b>					
		360,447	278,864	7,366,743	7,674,516
Decrease in inventories	14	-	-	(569,544)	(582,036)
Increase/(decrease) in trade & other receivables	15	4,195	(12,301)	464,701	762,324
Increase/(decrease) in amounts due from related companies		(55,316)	84,480	(6,500)	58,957
Increase/(decrease) in amounts due to related companies		(144,835)	163,862	(7,197)	9,386
Increase/(decrease) in tax payables	29	(2,428)	158	(1,802,196)	129,007
Increase/(decrease) in trade & other payables	26	(1,593)	771	429,980	(41,324)
<b>Cash generated from operations</b>		<b>160,470</b>	<b>515,834</b>	<b>5,875,987</b>	<b>8,010,830</b>
Finance expenses		(13,844)	(18,563)	(1,558,103)	(1,899,035)
Tax paid		(46,932)	(21,620)	(2,327,810)	(460,282)
Retirement benefits paid	24	-	-	(26,006)	(11,209)
<b>Net cash generated from operating activities</b>		<b>99,694</b>	<b>475,651</b>	<b>1,964,068</b>	<b>5,640,305</b>



For the year ended 31st March In Rs.'000s	Notes	Company		Group	
		2020	2019 (Restated)	2020	2019 (Restated)
<b>Cash Flows from Investing Activities</b>					
Purchase and construction of property, plant & equipment		-	-	(1,889,651)	(1,022,884)
Purchase of intangible assets	11	-	-	(5,746)	(49,205)
Proceeds from sale of property, plant & equipment		-	-	37,351	3,529
Agent deposits received	28	-	-	259,396	298,961
Agent deposits refunded	28	-	-	-	(6,998)
Interest received		-	-	950,902	1,009,923
Investment in subsidiaries	13	(200,000)	-	-	-
<b>Net cash used in investing activities</b>		<b>(200,000)</b>	<b>-</b>	<b>(647,748)</b>	<b>233,327</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from loans & borrowings	23.1	-	-	4,373,249	-
Repayment of loans & borrowings	23.1	(30,000)	(123,300)	(1,622,619)	(2,442,990)
Repayment of debentures	22	-	-	(2,000,000)	(998,800)
Lease payments	12.1	-	-	(85,974)	-
Forfeiture of unclaimed dividends (1997-2012)		4,895	-	6,017	-
Dividends paid net of tax		(210,825)	(145,792)	(474,199)	(323,139)
<b>Net cash generated from/(used in) financing activities</b>		<b>(235,930)</b>	<b>(269,092)</b>	<b>196,474</b>	<b>(3,764,929)</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(336,236)</b>	<b>206,559</b>	<b>1,512,794</b>	<b>2,108,702</b>
<b>Cash &amp; cash equivalents at the beginning of the year</b>		<b>242,604</b>	<b>36,045</b>	<b>8,668,761</b>	<b>6,560,059</b>
<b>Cash &amp; cash equivalents at the end of the year</b>	18	<b>(93,632)</b>	<b>242,604</b>	<b>10,181,555</b>	<b>8,668,761</b>
<b>Analysis of Cash and Cash Equivalents</b>					
Cash and cash equivalents	18	<b>6,179</b>	242,604	<b>13,367,260</b>	10,564,799
Bank overdraft	18	<b>(99,811)</b>	-	<b>(3,185,705)</b>	(1,896,038)
		<b>(93,632)</b>	242,604	<b>10,181,555</b>	8,668,761

The notes to the Financial Statements from Pages 48 to 112 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 Reporting Entity

Ceylon Beverage Holdings PLC (CBHPLC) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The parent company of Ceylon Beverage Holdings PLC is Carson Cumberbatch PLC (CCPLC) and the ultimate parent Company is Bukit Darah PLC. The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 01 and the principal place of business is situated at No 254, Colombo Road, Biyagama.

The Financial Statements for the year ended 31st March 2020 comprises of the Company and its subsidiaries (together referred to as the “Group” and individually Group entities). The subsidiaries of the Company are set out below.

Subsidiary	Controlling interest	Note
Lion Brewery (Ceylon) PLC	52.25%	LBCPLC
Pubs 'N Places (Private) Limited	99.9%	
Retail Spaces (Private) Limited	100%	
Luxury Brands (Private) Limited	100%	
Pearl Springs (Private) Limited (PSPL)	52.25%	Wholly owned subsidiary of LBCPLC
Millers Brewery Limited	52.25%	Wholly owned Subsidiary of PSPL

The principal activities of the Group is brewing and marketing of high quality beers for both local & export markets and retailing of beer & alcohol products through its owned/managed wine shops & pubs. The Group is also engaged in the import & marketing of globally renowned high quality beer and spirits brands.

The Group had 260 (2019 – 259) employees at the end of the financial year. The Company had no employees as at the reporting date (2019 – Nil).

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The Financial Statements of Ceylon Beverage Holdings PLC, and its subsidiaries (Group) comprise the Statements of Financial Position, Profit or Loss and Other Comprehensive Income, Changes in Equity, Statement of Cash Flows together with the Notes to the Financial Statements. The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS/ LKAS) as laid down by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Company's Act No. 07 of 2007 and the listing rules of the Colombo Stock Exchange.

The Financial Statements were authorised for issue by the Board of Directors on 21st July 2020.

### 2.2 Basis of Measurement

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

Land & Building - Fair Value

Investment Properties - Fair Value

Employee Defined Benefit Obligation - Actuarially valued and obligation recognised at present value of the defined benefit obligation.

### 2.3 Going Concern

In preparing the financial statements for the year ended 31 March 2020, the management has assessed the possible effects of COVID-19 on the businesses of the Company and its subsidiaries to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company and its subsidiaries would continue as a going concern. Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Company & its subsidiaries have adequate resources to continue as a going concern for the foreseeable future.

The Company had positive net assets, working capital and cash flow positions as at the reporting date. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis

### 2.4 Functional Currency and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand rupees.

### 2.5 Use of Estimates and Judgments

The preparation of financial statements in conformity with LKASs/SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

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

Information about critical estimates and underlying assumptions in applying Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in following notes.

Note 09 – Revaluation of Land & Building  
Note 11 – Impairment test on Intangible Assets  
Note 15 – Provision for Impairment of Debtors  
Note 23 – Employee benefit obligations  
Note 25 – Deferred tax liabilities/assets  
Note 39 – Commitments & Contingencies  
Note 41 – Impact from COVID-19 pandemic

### 2.6 Restatement of Information

The presentation and classification of the Financial Statements of the previous years have been restated, where relevant for better presentation and to be comparable with those of the current year. Refer (Note 42)

### 2.7 Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non- financial assets and liabilities. The Group regularly reviews significant unobservable inputs and valuation adjustments.

## NOTES TO THE FINANCIAL STATEMENTS

If third party information is used to measure fair values, the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified. 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.

The following table summarises the impact of transition to SLFRS 16 as at 01st April 2019;

In Rs. '000s	Impact of adopting SLFRS 16 as at 01st April 2019
	Group
Operating lease commitments at 31March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	317,176
Recognition exemptions for leases	(24,733)
Lease liabilities recognised as at 1st April 2019	292,443

### 3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Changes in Significant Accounting Policies

The Group has initially applied SLFRS 16 from 1st April 2019, except for this change, the Group has consistently applied the accounting policies to all periods presented in these Financial Statements. A number of other new standards are also effective from 1st April 2019 but those do not have a material effect on the Group's financial statements.

##### *SLFRS 16 Lease*

The Group adopted SLFRS 16, 'Leases', with effect from 1 April 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted SLFRS 16 using modified retrospective method from 1st April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of SLFRS 16, the Group recognised right of use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17, 'Leases'. On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate as at 1st April 2019. Right of use assets are measured at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group has tested its right of use assets for impairment on the date of transition and concluded that there is no indication that right of use assets are impaired.

The Group discounted future lease payments due as of 1st April 2019 using the incremental borrowing rate of 13.4%.

The adoption of SLFRS 16 had no impact on Group's retained earnings. The details of right-of-use assets are given in note 12 to the 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 recognised 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 recognise the investment in subsidiary at cost.

During the year Company has held the following subsidiaries

Subsidiary	Controlling interest
Lion Brewery (Ceylon) PLC	52.25%
Pubs 'N Places (Private) Limited	99.9%
Retail Spaces (Private) Limited	100%
Luxury Brands (Private) Limited	100%
Pearl Springs (Private) Limited	52.25%
Millers Brewery Limited	52.25%

The accounting policies of Subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

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

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

#### (iii) Loss of Control

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

#### (iv) Non-Controlling Interest

The Non-Controlling Interest is presented in the Consolidated Statement of Financial Position within equity, separated from the equity attributable to the Equity Holders to the 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.

## NOTES TO THE FINANCIAL STATEMENTS

### (iv) *Financial Period*

The Group Financial Statements are prepared to a common financial year ended 31st March

### (vi) *Intra-Group Transactions*

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

### 3.3 **Foreign Currency Transactions**

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

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

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

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

### 3.4 **Financial instruments Recognition and initial measurement**

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

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

#### 3.4.1 **Financial Assets**

##### **Classification and subsequent measurement of financial assets**

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

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

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

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

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

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

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

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

### **Financial assets - Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

### Financial assets - Subsequent measurement and gains and losses

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss
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Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss
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### 3.4.2 Financial liabilities

Classification, subsequent measurement and gain and losses

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

### 3.4.3 De-recognition

#### Financial assets

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



The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### **Financial liabilities**

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

#### **3.4.4 Offsetting**

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

#### **3.4.5 Impairment**

##### **Financial instruments and contract assets**

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

The Group uses simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information

##### **Credit-impaired financial assets**

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default

## NOTES TO THE FINANCIAL STATEMENTS

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or - the disappearance of an active market or a security because of financial difficulties.

### Presentation of allowance for ECL in the statement of financial position

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

#### 3.4.6 Write-off

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

#### 3.4.7 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there are 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.

### 3.5 Property, Plant & Equipment

#### Recognition & measurement

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

##### (i) Recognition

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

##### (ii) Measurement

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

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

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

**(iii) Subsequent Expenditure**

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. The cost of replacing part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured

reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in the Profit or Loss and when the expense is incurred.

**(iv) Revaluation of Land and Buildings**

The freehold land and buildings of the Group have been revalued and revaluation of these assets is carried out at least once in every five years in order to ensure that the book values reflect the realisable values. Any surplus or deficit that arises is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve except to the extent that it reserves a revaluation decrease of the same asset previously recognised in Profit or Loss in which case the increase is recognised in the Profit or Loss.

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

**(v) Depreciation**

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

### (vi) *Borrowing Costs*

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

### (vii) *Refundable Deposits & Returnable Containers*

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

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

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

### (viii) *Capital Work-in-Progress*

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

### (ix) *Impairment of Property Plant & Equipment*

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

### (x) *De - recognition*

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

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

## 3.6 Investment Properties

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale on the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of

replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

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

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

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

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

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

### **3.7 Leases**

#### **Policy applicable from 1st April 2019**

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

- The contract involves the use of an identified asset—this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 01st April 2019

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative

## NOTES TO THE FINANCIAL STATEMENTS

stand-alone prices. However, for leases of land and buildings in which it is a lease, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

### Short-term leases and leases of low-value Assets

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

### Policy applicable before 01st April 2019

For contracts entered into before 1st January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
  - The arrangement has conveyed the right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
1. The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output
  2. The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output
  3. Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

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

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the assets are classified as operating leases. Payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease. The initial cost of acquiring a leasehold property treated as an operating lease is recognised as a non-current asset and is amortised over the period of the lease in accordance with the pattern of benefits expected to be derived from the lease. The carrying amount of leasehold property is tested for impairment annually.

### As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate,

if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

### **Under LKAS 17**

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

### **3.8 Intangible Assets**

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

Intangible assets with finite lives are amortised based on the cost of an asset less its residual value and recognised in the profit or loss on a straight line basis over the estimated useful lives of the intangible assets from the date that they are available for use.

The estimated useful life is as follows;

	<b>Ceylon Beverage Holdings Years</b>	<b>Lion Brewery (Ceylon) PLC Years</b>	<b>Luxury Brands (Private) Limited Years</b>	<b>Pubs 'N Places (Private) Limited Years</b>	<b>Retail Spaces (Private) Limited Years</b>
Computer software	5	5	5	5	5

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

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

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

### 3.9 Inventories

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

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

Accordingly, the costs of inventories are accounted as follows:

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

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



### **3.10 Assets held for sale**

#### *(i) Recognition*

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

#### *(ii) Measurement*

Non-Current Assets held for sale are carried at the lower of carrying amount or fair value less costs to sell.

Comparatives in the Statement of Financial Position are not re-presented when a non-current asset is classified as held for sale.

#### *(iii) Depreciation*

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

### **3.11 Investments**

Long term investments and investments in subsidiaries of the Group are classified as Non-Current Investments, which are stated in the statement of Financial Position of the Company at cost less accumulated impairment losses, if any.

### **3.12 Cash & Cash Equivalents**

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

### **3.13 Liabilities and Provisions**

#### **3.13.1 Liabilities**

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

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

#### **3.13.2 Refundable Deposits**

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

#### **3.13.3 Provisions**

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

### **3.14 Employee Benefits**

#### *(i) Defined Contribution Plans*

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

#### *Employees' Provident Fund*

The companies of the Group and Employees' contribute 12% & 10% respectively on the salary of each employee respectively.

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

## NOTES TO THE FINANCIAL STATEMENTS

### *Employees' Trust Fund*

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

### *(ii) Defined Benefit Plans*

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

The calculation is performed annually by an qualified actuary using the projected unit credit (PUC) method. The net obligation in respect of defined pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continuous service. Any actuarial gains or losses arising are recognised in the Other Comprehensive Income and all expenses related to the defined benefit plans are in personnel expenses in the Profit or Loss. The liability was not externally funded.

### **3.15 Capital Commitments & Contingencies**

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

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

### **3.16 Events Subsequent to the Reporting Period**

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

## **4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

### **4.1. Revenue Recognition**

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

#### - Royalty

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

#### - Dividend

Income is recognised upon its receipt.

#### - Interest

Income is recognised on an accrual basis.

#### - Others

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

## 4.2. Expenditure Recognition

### (i) Operating Expenses

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Profit or Loss in arriving at the profit for the year. For the purpose of presentation of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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

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

### (ii) Finance income & Finance cost

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

Finance cost comprises interest expenses on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest rate method.

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

### (iii) Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the acquisition

/ construction of Property, Plant & Equipment which are capitalised as a part of the cost of the asset during the period of construction/ development.

## 4.3. Income Tax expenses

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

### (i) Current Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax payable also includes any tax liability arising from the declaration of dividends.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 subsequent amendments and notices as explained under note 34.3.1.

### (ii) Deferred Taxation

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

# NOTES TO THE FINANCIAL STATEMENTS

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## 4.4. Dividend Distribution

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

## 4.5. Earnings Per Share

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

## 5. STATEMENT OF CASH FLOWS

### Cash and Cash Equivalents

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

For the purpose of statement of cash flow, cash and cash equivalents comprise of cash in hand, cash in bank and deposits held for less than 6 months at banks, net of bank overdrafts.

Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The statement of cash flows has been prepared using the "Indirect Method".

Interest paid are classified as operating cash flows, interests received are classified as investing

cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of statement of cash flows.

## 6. SEGMENTAL REPORTING

An operating segment is a component of the Group's that engages in the business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. No separate reportable segment has been identified. Hence, performance of the Group is reported together.

## 7. NEW ACCOUNTING STANDARDS NOT EFFECTIVE AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1 April 2020. Accordingly, the Group has not applied the following new standards in preparing these Financial Statements.

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

- I. Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards
- II. Definition of a business (Amendments to SLFRS 3)
- III. Definition of material (Amendments to LKAS 1 and LKAS 8)

## 8. RELATED PARTY TRANSACTIONS

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

**9 PROPERTY, PLANT & EQUIPMENT**

**(a) Company**

In Rs. '000s	Freehold Land	Freehold Buildings	Machinery	Plant & Fittings	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in-Progress	31st March 2020	31st March 2019
												(Restated)	
<b>Cost / Valuation</b>													
As at 1st April 2019	-	-	-	-	-	2,384	-	-	-	-	-	2,384	2,384
As at 31st March 2020	-	-	-	-	-	2,384	-	-	-	-	-	2,384	2,384
<b>Accumulated Depreciation</b>													
As at 1st April 2019	-	-	-	-	-	1,997	-	-	-	-	-	1,997	1,767
Charge for the year	-	-	-	-	-	232	-	-	-	-	-	232	232
As at 31st March 2020	-	-	-	-	-	2,229	-	-	-	-	-	2,229	1,999
<b>Net Book Value</b>													
As at 31st March 2020	-	-	-	-	-	155	-	-	-	-	-	155	-
As at 31st March 2019 (Restated)	-	-	-	-	-	387	-	-	-	-	-	-	387

Details of the restatement are further explained under note 42.

## NOTES TO THE FINANCIAL STATEMENTS

### 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

(b) Group	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in-Progress	31st March 2020	31st March 2019 (Restated)
In Rs.'000s												
Cost / Valuation												
As at 1st April 2019	2,873,254	3,198,503	13,276,179	64,360	64,393	272,365	104,642	69,957	3,447,302	1,309,482	24,680,437	23,569,625
Additions	251,241	42,680	32,242	601	1,703	3,853	60,400	183	696,393	800,355	1,889,651	902,626
Transfers	27,413	105,478	345,633	1,845	1,428	1,065	-	-	-	(486,399)	(3,537)	120,258
Revaluation	570,991	(10,519)	-	-	-	-	-	-	-	-	560,472	279,091
Depreciation adjustment on revaluation	-	(268,543)	-	-	-	-	-	-	-	-	(268,543)	(34,994)
Disposals/Breakages	(7,337)	-	(14,561)	(2,305)	-	-	(29,941)	-	(685,610)	-	(739,954)	(156,169)
As at 31st March 2020	3,715,562	3,067,599	13,639,493	64,501	67,524	277,283	135,101	70,140	3,457,885	1,623,438	26,118,526	24,680,437
Accumulated Depreciation												
As at 1st April 2019	-	262,127	3,484,779	48,733	44,440	223,545	65,389	65,116	2,301,349	21,984	6,517,460	5,423,610
Charge for the year	-	99,632	671,317	3,617	5,703	25,238	21,624	1,750	404,358	-	1,233,239	1,224,466
Impairment	-	-	4,729	-	-	-	-	-	-	-	4,729	60,547
Depreciation adjustment on revaluation	-	(268,543)	-	-	-	-	-	-	-	-	(268,543)	(34,994)
Disposals/Breakages	-	-	(4,485)	(2,305)	-	-	(29,251)	-	(553,367)	-	(569,406)	(156,169)
As at 31st March 2020	-	99,216	4,156,340	50,045	50,143	248,783	57,762	66,866	2,152,340	21,984	6,897,477	6,517,460
Net Book Value												
As at 31st March 2020	3,715,562	2,974,383	9,483,153	14,456	17,381	28,500	77,339	3,274	1,305,545	1,601,454	19,221,050	
As at 31st March 2019 (Restated)	2,873,254	2,936,376	9,791,400	15,627	19,953	48,820	39,253	4,841	1,145,953	1,287,488		18,162,978

Details of the restatement are further explained under note 42.

- (c) Freehold land and buildings of the Lion Brewery (Ceylon) PLC, Millers Brewery Ltd and Ceylon Beverage Holdings PLC were revalued in the books to confirm with the market values as at 31st March 2020, which were assessed on a going concern basis by Arthur Perera & Co. independent professional valuer at a value of Rs. 6,553 Mn and the resultant surplus arising from there was transferred to the Revaluation Reserves.
- (d) Freehold land and buildings of subsidiary (Millers Brewery Limited) were revalued as at 31st March 2020 by Arthur Perera & Co. independent professional valuer at a value of Rs. 1,402 Mn and the resultant surplus arising from there was transferred to the Revaluation Reserve.
- (e) Carrying value of the revalued assets of the Group as at 31st March 2020, if they were carried at cost are given below:

In Rs.'000s	Company		Group	
	Land	Buildings	Land	Buildings
Cost - As at 1st April 2019	141	4,066	1,612,957	2,739,847
Additions/ Transfers during the year	-	-	278,654	148,157
Disposal during the year	-	-	-	-
Cost as at 31st March 2020	141	4,066	1,891,611	2,888,004
Accumulated depreciation	-	(2,640)	-	(553,633)
Carrying value of assets at cost - As at 31st March 2020	141	1,426	1,891,611	2,334,371

Property plant and equipment's has not been pledged as security against the borrowings during the period and the borrowing cost has not been capitalised during the financial year (2019 – Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

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

Company	Location	2020						2019					
		Extent of Lands		Cost/Valuation of Lands	Rs.'000s	Number of buildings/ Blocks	Cost/Valuation of Buildings	Extent of Lands		Cost/Valuation of Lands	Rs.'000s	Number of buildings/ Blocks	Cost/Valuation of Buildings
		A	R					P	A				
Lion Brewery (Ceylon) PLC	Lands at Biyagama Land - Kaduwela Land - Tangalle Land - Kurunegala	28	2	4.46	2,445,380	46	2,430,321	28	1	14.71	1,988,321	46	2,554,762
Millers Brewery Limited	Factory & Office Premises	22	2	37.43	923,732	12	478,451	22	3	30.04	693,608	12	484,914
Pubs 'n' places (Private) Limited	No Lands				923,732		478,451				693,608		484,914
<b>Total - Group</b>		<b>61</b>	<b>0</b>	<b>23.89</b>	<b>3,715,562</b>	<b>32</b>	<b>158,827</b>	<b>62</b>	<b>0</b>	<b>28.74</b>	<b>2,873,254</b>	<b>32</b>	<b>158,827</b>
							<b>3,067,599</b>				<b>2,873,254</b>		<b>3,198,503</b>

A: Acres R: Roods P: Perches

(g) Property, Plant & Equipment includes fully depreciated assets still in use which cost/valuation is Rs. 3,027,550,298/- (2019 - 3,337,931,859/-)

### (i) Fair Value measurement

#### (i) Fair Value Hierarchy

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



(ii) Valuation techniques and significant unobservable inputs

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

Property	Method of valuation	Estimated Price Per perch	Estimated price per square foot	Effective date of valuation	Coorelation to fair value
Lion Brewery Ceylon PLC, Biyagama	OMV	LKR 625,000/- - 500,000/-	LKR 1,500/- - LKR 11,000/-	31.03.2020	Positive
Lion Brewery Ceylon PLC, Kaduwela	OMV	LKR 500,000/-	LKR 2,250/- - LKR 3,750/-	31.03.2020	Positive
Lion Brewery Ceylon PLC, Tangalle	OMV	LKR 40,000/-	-	31.03.2020	Positive
Millers Brewery Limited, Meegoda	OMV	LKR 3,400/- - 300,000/-	LKR 2,500/- - LKR 5,000/-	31.03.2020	Positive

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

The land at Kurunagala was purchased by Lion Brewery (Ceylon) PLC in the current financial year. Hence, this property was not revalued as at 31st March 2020 as the directors are of the view that there is no material value difference against the market value.

## 10 INVESTMENT PROPERTIES

### 10.1 Details of investment properties - Company

	Freehold Land	Freehold Buildings	2020	2019 (Restated)
Balance as at the beginning of the year	319,205	12,056	331,261	331,261
Change in fair value of investment properties	149,695	5,914	155,609	-
<b>Balance as at the end of the year</b>	<b>468,900</b>	<b>17,970</b>	<b>486,870</b>	<b>331,261</b>

### 10.2 Valuation of investment properties

Property	Method of valuation	Extent	Estimated Price Per perch	Estimated price per square foot	Effective date of valuation	Coorelation to fair value
Ceylon Beverage Holdings PLC, Nuwara Eliya	OMV	3A, 2R, 35P	LKR 750,000/-	LKR 5,500/- - LKR 8,000/-	31.03.2020	Positive

## NOTES TO THE FINANCIAL STATEMENTS

### 10.2 Valuation of investment properties (Contd.)

Property	Method of valuation	Extent	Estimated Price Per perch	Estimated price per square foot	Effective date of valuation	Coorelation to fair value
Ceylon Beverage Holdings PLC, Trincomalee	OMV	36P	LKR 600,000/-	LKR 4,000/-	31.03.2020	Positive

The property at Nuwara Eliya is valued at Rs. 460.87 Mn whilst the property at Trincomalee is valued at Rs. 26 Mn. Changes in fair value adjustments on investment properties (gain/loss), which are unrealised, are recognised in the statement of profit or loss. Accordingly, the total net gain on changes in fair value, net of related deferred tax, is recorded in the fair value adjustment reserve as at the reporting date.

Based on Management's assessment, the carrying value of the investment properties as at 31.3.2019 do not differ materially from that which was determined previously as the fair value of the investment properties during this period had not significantly changed from the fair value recorded as at 31.03.2016.

### 10.3 Fair value hierarchy

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

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

#### *Valuation technique and significant unobservable inputs*

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

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

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

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

There were no restrictions on titles of the investment properties as at the reporting date.

No items of the investment properties were pledged as security for liabilities as at the reporting date.

**10.5** Capitalisation of borrowing costs into investment properties

No borrowing cost capitalised for the year ended 31st March 2020 (2019 - Rs. Nil).

**10.6** Contractual obligations to construct and develop investment properties

There were no contractual obligations entered to construct and develop investment properties as at the reporting date.

**11 INTANGIBLE ASSETS - GROUP**

In Rs.'000s	Brands	Computer Software	Excise Licenses	31st March 2020	31st March 2019
<b>Cost</b>					
Beginning of the year	4,000,000	366,586	103,363	4,469,949	4,420,744
Additions for the year	-	5,746	-	5,746	2,199
Transfers during the year	-	3,537	-	3,537	47,006
Disposals during the year	-	(242)	-	(242)	-
<b>End of the year</b>	<b>4,000,000</b>	<b>375,627</b>	<b>103,363</b>	<b>4,478,990</b>	<b>4,469,949</b>
<b>Amortisation</b>					
Beginning of the year	1,673,065	353,507	622	2,027,194	1,972,798
Amortisation for the year	-	4,850	-	4,850	53,515
Reversal of amortisation	-	-	-	-	-
Disposals during the year	-	(242)	-	(242)	-
Impairment	740,315	-	-	740,315	881
<b>End of the year</b>	<b>2,413,380</b>	<b>358,115</b>	<b>622</b>	<b>2,772,117</b>	<b>2,027,194</b>
<b>Net Book Value</b>	<b>1,586,620</b>	<b>17,512</b>	<b>102,741</b>	<b>1,706,873</b>	<b>2,442,755</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 11.1 Intangible assets consist of the acquired brands of Millers Brewery Ltd, excise licenses and software licenses used by the Group.

#### LBCPLC - Brands of Millers Brewery Ltd.

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

### 11.2 Impairment of brands

#### Assumptions

##### Lion Brewery (Ceylon) PLC

Consequent to the evaluation of the short term down turn post April Easter Attacks together with the environmental impact on the business, an impairment test was carried out for the brands acquired from Millers Brewery Ltd as at 31st December 2019 as per the accounting standard LKAS 36. The Company had computed its recoverable amount of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity. Accordingly, the carrying value of the said brands as at 31st December 2019 stood at Rs. 1,788,753,370/- which resulted in an impairment of Rs. 538,182,037/- which was charged to the statement of profit or loss.

As at 31st March 2020, a further impairment test was carried out for the brands acquired from Millers Brewery Ltd, as per the accounting standard LKAS 36. The Company computed its recoverable amount of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity adjusted with a risk premium. Cost of equity was determined based on the risk-free rate of a 10 year treasury bond at 9.9% for the relevant cash flows, whereas the equity risk premium added was based on non-observable inputs as estimated for a valuation of the business in a previous period. Therefore, the difference in the discount rate compared with previous financial year is the change in the risk free rate due to market changes. The contribution and volume assumptions are made at mid-single digit growth levels similar to the previous period. Accordingly, the carrying value of the said brands as at 31st March stands at Rs. 1,586,620,485/- resulting in a further impairment of Rs. 202,132,884/- which has been charged to the income statement for the quarter ended 31st March 2020.

## 12 RIGHT OF USE ASSETS

The Group and the Company adopted SLFRS 16, 'Leases', with effect from 1 April 2019, using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard. The movement of warehouse lease which recognised as Right of use assets set out below.

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Recognition of right of use assets on 1 April	-	-	292,443	-
Additions during the period	-	-	81,028	-
Depreciation charge for the period	-	-	(69,116)	-
Balance as at 31 March	-	-	304,355	-

### 12.1 Lease creditor

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Recognition of lease liability on 1 April	-	-	292,443	-
Leases obtained	-	-	81,028	-
Interest expenses for the period	-	-	37,567	-
Lease rentals paid	-	-	(85,974)	-
Balance as at 31 March	-	-	325,064	-

Analysis of Finance Lease Liabilities by period of Re-payment	Company			Group		
	Contractual CF	Interest	Present Value of lease payments	Contractual CF	Interest	Present Value of lease payments
Current	-	-	-	93,692	(43,160)	50,532
Non current	-	-	-	406,313	(131,781)	274,532
	-	-	-	500,005	(174,941)	325,064

## NOTES TO THE FINANCIAL STATEMENTS

### 12.1 Lease creditor (Contd.)

Following are the amounts recognised in profit or loss for the year ended 31 March 2020

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Depreciation of right of use assets	-	-	69,116	-
Interest expenses on lease liability	-	-	37,567	-
<b>Total amount recognised in profit or loss</b>	-	-	<b>106,683</b>	-

There were no expenses relating to short term leases and leases of low value assets during the financial year. The Group recorded Rs. 41.6 Mn as operating lease expenses for the year ended 31st March 2019.

### 13 INVESTMENT IN SUBSIDIARIES

	No. of Shares	% holding	Cost as at 31st March 2020	Market Value/Directors Value as at 31st March 2020	No. of Shares	% holding	Cost as at 31st March 2019	Market Value/Directors Value as at 31st March 2019
			Rs. '000s	Rs. '000s			Rs. '000s	Rs. '000s
<b>Lion Brewery (Ceylon) PLC</b>								
- Ordinary shares	41,798,788	52.25	1,410,084	21,735,370	41,798,788	52.25	1,410,084	23,198,327
<b>Pubs 'N Places (Private) Limited</b>								
- Ordinary shares	51,188,102	99.90	511,880	304,188	51,188,102	99.90	511,880	304,188
- Impairment provision	-	-	(207,692)	-	-	-	(207,692)	-
			304,188	304,188			304,188	304,188
<b>Retail Spaces (Private) Limited</b>								
- Ordinary shares	1	100.00	0.01	0.01	1	100.00	0.01	0.01
<b>Luxury Brands (Private) Limited</b>								
- Ordinary shares	5,000,001	100.00	50,000	50,000	5,000,001	100.00	50,000	50,000
- Subsequent investment - 16th May 2019	20,000,000	100.00	200,000	200,000				
	25,000,001		250,000	250,000				
			1,964,272	22,289,558			1,764,272	23,552,515

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

**13.2** The recoverable value of Pubs 'N Places (Pvt) Ltd., has been valued at Level 3, under the fair value hierarchy (SLRFS 13) which is based on fair value less cost of disposal. The valuation method consisted of deriving a value for the business carried out by the pubs, based on the revenue generated by each pub for 23 licenses, considering their different locations and applying an appropriate market factor (realisation of 60%). In doing so, consideration was given to the event that occurred on the 21st of April 2019 as well as the COVID-19 pandemic and its resultant impact to its business. Based on this, the recoverable value to Ceylon Beverage Holdings PLC of its investment in Pubs 'N Places (Pvt) Ltd., was ascertained at Rs. 304,188,631/- as at 31st March 2020.

## NOTES TO THE FINANCIAL STATEMENTS

**13.3** Company purchased 20,000,000 shares of Luxury Brands (Private) Limited at Rs. 10/- per share with a total value of Rs. 200,000,000/- on 16th May 2019

### 13.4 Non-Controlling Interest (NCI) in Subsidiary

Company's subsidiary, Lion Brewery (Ceylon)PLC has a Non-Controlling interest of 47.75%. Following table summarises the information relating to NCI in LBCPLC Group.

As at 31st March In Rs.'000s	Group	
	2020	2019 (Restated)
NCI - percentage	47.75%	47.75%
Non - Current Assets	10,007,135	9,765,878
Current Assets	8,512,370	7,080,695
Non - Current Liabilities	(3,871,304)	(4,044,175)
Current Liabilities	(7,417,876)	(6,824,024)
<b>Net Assets</b>	<b>7,230,325</b>	<b>5,978,375</b>
<b>Carrying amount of NCI</b>	<b>7,230,325</b>	<b>5,978,375</b>
Revenue	47,835,328	42,830,493
Profit	2,812,130	3,220,880
Other Comprehensive Income	288,632	208,465
<b>Total Comprehensive Income</b>	<b>3,100,762</b>	<b>3,429,345</b>
Profit Allocated to NCI	1,342,792	1,537,970
Other comprehensive income allocated to NCI	137,822	99,542
Cash flow from operating activities	930,947	2,641,225
Cash flow used in investing activities	(275,632)	188,415
Cash flow used in financing activities	161,202	(1,715,992)
<b>Net increase/(decrease)equivalents in cash and cash</b>	<b>816,517</b>	<b>1,113,648</b>



## 14 INVENTORIES

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Raw and Packing materials	-	-	499,256	328,948
Work in progress	-	-	245,750	208,140
Finished goods	-	-	1,885,127	1,613,653
Maintenance spares & others	-	-	486,825	396,673
			3,116,958	2,547,414
Impairment provision for inventory (Note 14.1)	-	-	(73,266)	(34,419)
	-	-	3,043,692	2,512,995

### 14.1 Provision for inventory

Balance as at the beginning of the year	-	-	34,419	55,237
Provisions during the year	-	-	41,538	22,776
Reversals during the year	-	-	(2,691)	(43,594)
Balance as at end of the year	-	-	73,266	34,419

## NOTES TO THE FINANCIAL STATEMENTS

### 15 TRADE AND OTHER RECEIVABLES

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Trade receivables	-	-	334,744	904,380
Impairment provision for doubtful debts (Note 15.1)	-	-	(55,454)	(65,921)
	-	-	279,290	838,459
Advances given to business partners	-	-	247,867	236,518
Other advances	-	-	787,501	666,755
Prepayments	-	-	239,392	245,389
Other receivables	18,261	22,457	326,952	358,583
	18,261	22,457	1,881,002	2,345,704

#### 15.1 Impairment provision for Doubtful Debts

Balance at the beginning of the year	-	-	65,921	41,270
Provision / (Reversals) during the year	-	-	(10,467)	24,651
Balance at the end of the year	-	-	55,454	65,921

### 16 AMOUNTS DUE FROM RELATED COMPANIES

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Pubs 'N Places (Private) Limited	98,909	36,079	-	-
Carsons Management Services (Private) Limited	-	-	6,500	-
Balance as at end of the year	98,909	36,079	6,500	-

## 17 CURRENT TAXATION

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Income tax (Recoverable)	-	-	2,477	5,653
	-	-	2,477	5,653

## 18 CASH AND CASH EQUIVALENTS

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Fixed deposits with financial institutions	-	-	8,074,925	9,678,340
Savings accounts	-	-	3,058,532	18,500
Cash at bank	6,129	242,554	2,228,533	864,004
Cash in hand	50	50	5,270	3,955
	6,179	242,604	13,367,260	10,564,799

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

Cash and cash equivalents	6,179	242,604	13,367,260	10,564,799
Bank overdrafts	(99,811)	-	(3,185,705)	(1,896,038)
	(93,632)	242,604	10,181,555	8,668,761

## 19 STATED CAPITAL

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
20,988,090 ordinary shares	533,384	533,384	533,384	533,384

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. All ordinary shares rank equally with regard to the right to the Company's residual assets, at the point of distribution.

## NOTES TO THE FINANCIAL STATEMENTS

### 20 CAPITAL RESERVES

As at 31st March In Rs.'000s	Company			Group		
	2020	2019 (Restated)	2018 (Restated)	2020	2019 (Restated)	2018 (Restated)
Balance as at beginning of the year	19,924	19,924	19,924	588,521	483,527	779,928
Revaluation of property	-	-	-	147,191	104,994	(296,401)
<b>Balance as at end of the year</b>	<b>19,924</b>	<b>19,924</b>	<b>19,924</b>	<b>735,712</b>	<b>588,521</b>	<b>483,527</b>
Represented by :						
Revaluation reserve (Note 20.1)	14,148	14,148	14,148	729,936	582,745	477,751
General capital reserve (Note 20.2)	5,776	5,776	5,776	5,776	5,776	5,776
	<b>19,924</b>	<b>19,924</b>	<b>19,924</b>	<b>735,712</b>	<b>588,521</b>	<b>483,527</b>

**20.1** The revaluation reserve relates to revaluation of land and buildings.

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

### 21 REVENUE RESERVES

As at 31st March In Rs.'000s	Company			Group		
	2020	2019 (Restated)	2018 (Restated)	2020	2019 (Restated)	2018 (Restated)
Retained Earnings	1,318,235	1,131,918	1,281,780	6,321,790	5,049,101	3,664,795
Represented by:						
Retained profits - Company	861,215	814,946	964,808	861,215	814,947	964,808
Fair value adjustment reserve (Note 21.1)	457,020	316,972	316,972	457,020	316,972	316,972
- Subsidiaries	-	-	-	5,003,555	3,917,182	2,383,015
	<b>1,318,235</b>	<b>1,131,918</b>	<b>1,281,780</b>	<b>6,321,790</b>	<b>5,049,101</b>	<b>3,664,795</b>

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

## 21.1 Fair value adjustment reserve

Gains arising, net of related deferred taxes, from fair value adjustment of investment properties will be transferred from retained earnings to fair value adjustment reserve and any losses arising, net of related deferred taxes, will be transferred to fair value adjustment reserve to the extent that loss does not exceed the balance held in the said reserve as at 31st March 2020.

## 22 DEBENTURES

As at 31st March In Rs.'000s	Group	
	2020	2019
Balance as at the beginning of the year	2,000,000	2,998,800
Debenture redeemed	(2,000,000)	(998,800)
Balance as at the end of the year	-	2,000,000
Interest payable (Note 22.3)	-	78,285
Balance as at the end of the year	-	2,078,285

The Lion Brewery (Ceylon) PLC further issued 20,000,000 rated Unsecured Redeemable Debentures (Category 3 - Type I) at a face value of Rs. 100/- each to raise Rs. 2,000,000,000/- on 8th December 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

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

As at 31st March In Rs.'000s	Group	
	2020	2019
Category 03 Debentures - Fixed Rate (Note 22.1)	-	2,000,000
Total	-	2,000,000

### 22.1 Category 03 Debentures - Fixed Rate

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

Category 03 -Type I debentures amounting to Rs. 2,000,000,000/- were redeemed on 8th December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

### 22.2 Composition of Debentures repayment

As at 31st March In Rs.'000s	Group	
	2020	2019
Classified under Non Current Liabilities		
Debentures falling due after one year	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Classified under Current Liabilities		
Debentures falling due within one year (Type I)	-	2,000,000
Debenture Interest Payable (Note 22.3)	-	78,285
	-	2,078,285
<b>Total Debentures</b>	<b>-</b>	<b>2,078,285</b>

### 22.3 Interest Payments on Debentures

During the year the Company has charged Rs. 125,298,630/- (2019- Rs. 185,688,107/-) as debenture interest out of which Rs. 78,284,932/- was payable as at 31 March 2019.

22.4 No security has been pledged against the debentures.

## 23 LOANS AND BORROWINGS

### 23.1 Loans and borrowings

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Balance as at the beginning of the year	85,000	208,300	9,226,370	11,669,360
Loan obtained during the year	-	-	4,373,249	-
Repayments during the year	(30,000)	(123,300)	(1,622,619)	(2,442,990)
Exchange gain on foreign currency Term Loans Payables	-	-	-	-
	<b>55,000</b>	<b>85,000</b>	<b>11,977,000</b>	<b>9,226,370</b>
Interest Payable	213	388	669,497	452,985
<b>Balance at the end of the year</b>	<b>55,213</b>	<b>85,388</b>	<b>12,646,497</b>	<b>9,679,355</b>

### 23.2 Details of Borrowings

Name of the Lender Rs. '000s	Repayment Terms	Security Offered	31st March 2020	31st March 2019	Fixed/ Floating
<b>Ceylon Beverage Holdings PLC</b>					
HNB	Payable in 60 equal monthly installments commencing from February 2017	Unsecured	55,000	85,000	Floating
			55,000	85,000	
<b>Lion Brewery (Ceylon) PLC</b>					
Commercial Bank - Rs. 1 Bn	Payable in 60 equal monthly installments commencing from October 2014.	Unsecured	-	99,820	Fixed
DFCC - Rs. 1 Bn (2015)	Payable in 60 equal monthly installments commencing from October 2015.	Unsecured	100,000	300,000	Floating
DFCC - Rs. 1 Bn (2016)	Payable in 60 equal monthly installments commencing from April 2016.	Unsecured	200,000	400,000	Floating
HNB - Rs. 1 Bn	35 equal monthly installments of Rs 27.8Mn and with a final installment of Rs 27 Mn commencing from March 2017.	Unsecured	-	305,000	Floating
Commercial Bank - Rs. 1 Bn - 2017	7th to the 12th Month - Rs. 10Mn per month (Rs.60 Mn) and the balance thereof for Rs.940 Mn to be settled in 53 equal monthly installments of Rs.17.40 Mn and a final installment of Rs.17.80 Mn. commencing from October 2017.	Unsecured	505,000	713,800	Floating
HNB-2BN-2017	Payable in 4 years, commencing from April 2018	Unsecured	992,000	1,496,000	Floating
NDBIB	Payable in 8 years, commencing from April 2018	Unsecured	1,425,000	1,500,000	Floating
Commercial Bank	1 month - Renewable	Unsecured	3,950,000	2,000,000	Fixed
HNB	2 month - Renewable	Unsecured	2,000,000	-	Fixed
DFCC (2020)	12 month - Renewable	Unsecured	2,000,000	-	Floating
Citi Bank	1 month - Renewable	Unsecured	-	500,000	Fixed
Sampath Bank	1 month - Renewable	Unsecured	750,000	750,000	Fixed
Deutsche Bank	15 days	Unsecured	-	1,076,750	Fixed
			11,922,000	9,141,370	
			11,977,000	9,226,370	

## NOTES TO THE FINANCIAL STATEMENTS

### 23.3 Composition of loans and borrowings repayment

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Classified under non current liabilities				
Loans and borrowings falling due after one year	25,000	55,000	2,084,200	3,277,000
Interest payable	-	-	573,841	49,271
	25,000	55,000	2,658,041	3,326,271
Classified under current liabilities				
Loans and borrowings falling due within one year	30,000	30,000	9,892,800	5,949,370
Interest payable	213	388	95,656	403,714
Total Loans and borrowings falling due within one year	30,213	30,388	9,988,456	6,353,084
Balance as at the end of the year	55,213	85,388	12,646,497	9,679,355

### 24 EMPLOYEE BENEFITS

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

Present value of unfunded obligation	207,333	204,058
<b>Liability in the Statement of Financial Position</b>	<b>207,333</b>	<b>204,058</b>
The movement in the defined benefit obligation over the year is as follows:		
At 1 April	204,058	190,953
Interest cost	21,717	19,412
Current service cost	19,109	17,435
Actuarial loss	(11,545)	(12,533)
Benefits paid	(26,006)	(11,209)
<b>As at 31st March</b>	<b>207,333</b>	<b>204,058</b>

The amounts recognised in the Profit or Loss as follows:

Interest cost	21,717	19,412
Current service cost	19,109	17,435
<b>Total included under staff cost</b>	<b>40,826</b>	<b>36,847</b>

The amount recognised in the Other Comprehensive Income is as follows:

Actuarial (Gain)/ Loss	(11,545)	(12,533)
	(11,545)	(12,533)



**24.1** The requirement for the Company to provide for gratuity payments does not arise as it had no employees on its payroll as at the reporting date.

**24.2** The gratuity liability of Lion Brewery (Ceylon) PLC as at 31st March 2020 was Rs 198,737,221/- (2019 - Rs. 197,430,000/-) valued under the Projected Unit Credit (PUC) method by Mr M Poopalanathan, AIA, of M/s. Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The Gratuity Liability of Pubs N' Places (Pvt) Limited, Retail Spaces (Pvt) Limited and Luxury Brands (Pvt) Limited as at 31st March 2020 amounting to Rs. 2,272,159/- ,Rs. 935,086/- & Rs. 5,389,064/- respectively (2019 - Rs. 1,889,409/- , Rs. 737,800/- & Rs. 4,000,849/) has been computed by multiplying half month's salary into number of years in service which is in line with LKAS 19.

The principal assumptions made are given below:

- Rate of discount 10% p.a. (2019 - 11% p.a)
- Rate of pay increase 8% p.a. (2019-10% p.a)
- Retirement age 55 years
- The company will continue in business as a going concern.

**24.3** The above provisions are not externally funded.

**24.4 Sensitivity of assumptions used**

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

In Rs.'000s	Group	
	Discount Rate	Salary increment
Increase by one percentage	(9,771)	11,566
Decrease by one percentage	10,679	(10,739)

## NOTES TO THE FINANCIAL STATEMENTS

### 25 NET DEFERRED TAX LIABILITIES

As at 31st March In Rs.'000s	Company		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
Deferred tax asset	-	-	8,691	13,496
Deferred tax liability	15,561	-	5,134,844	5,002,666
<b>Balance as at the end of the year</b>	<b>15,561</b>	<b>-</b>	<b>5,126,153</b>	<b>4,989,170</b>

#### Movement in Deferred Tax Balances - Company

As at 31st March In Rs.'000s	Balance as at 1st April 2019	Recognised in Profit or Loss	Recognised in OCI	Recognised directly in equity	Balance as at 31st March 2020
<b>Deferred Tax Liability</b>					
Investment Property	-	15,561	-	-	15,561
<b>Net Tax liabilities</b>	<b>-</b>	<b>15,561</b>	<b>-</b>	<b>-</b>	<b>15,561</b>

#### Movement In Deferred Tax Balances - Group

As at 31st March In Rs.'000s	Balance as at 1st April 2019	Recognised in Profit or Loss	Recognised in OCI	Recognised directly in equity	Balance as at 31st March 2020
<b>Deferred Tax Liability</b>					
Property Plant and equipment's	4,976,980	(12,741)	278,767	-	5,243,006
Investment Property	-	15,561	-	-	15,561
Intangible assets	149,143	(121,097)	-	-	28,046
<b>Deferred Tax Assets</b>					
Employee benefit	(81,645)	(15,298)	4,618	-	(92,325)
Trade receivables	(23,992)	23,992	-	-	-
Lease creditor	-	(32,922)	-	-	(32,922)
Inventory	(20,801)	(12,128)	-	-	(32,929)
Brought forward tax losses	(10,515)	8,231	-	-	(2,284)
<b>Net Tax liabilities</b>	<b>4,989,170</b>	<b>(146,402)</b>	<b>283,385</b>	<b>-</b>	<b>5,126,153</b>

### Movement in Deferred Tax Balances - Company

As at 31st March	Balance as at 1st April 2018	Recognised in Profit or Loss	Recognised in OCI	Recognised directly in equity	Balance as at 31st March 2019
In Rs.'000s					
<b>Deferred Tax Liability</b>					
Property plant and equipment's	-	-	-	-	-
<b>Net Tax liabilities</b>	-	-	-	-	-

### Movement in Deferred Tax Balances - Group

As at 31st March	Balance as at 1st April 2018	Recognised in Profit or Loss	Recognised in OCI	Recognised directly in equity	Balance as at 31st March 2019
In Rs.'000s					
<b>Deferred Tax Liability</b>					
Property Plant and equipment's	4,672,879	225,955	78,145	-	4,976,980
Intangible assets	29,068	120,075	-	-	149,143
<b>Deferred Tax Assets</b>					
Employee benefit	(75,198)	(11,460)	5,013	-	(81,645)
Trade receivables	-	(23,992)	-	-	(23,992)
Inventory	-	(20,801)	-	-	(20,801)
Brought forward tax losses	(1,025,163)	1,014,648	-	-	(10,515)
<b>Net Tax liabilities</b>	3,601,586	1,304,425	83,158	-	4,989,170

Details of the restatement are further explained under note 42.

## NOTES TO THE FINANCIAL STATEMENTS

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
<b>26 TRADE AND OTHER PAYABLES</b>				
Trade payables	-	-	892,962	544,162
Trade Discounts	-	-	146,945	124,093
Accruals	-	-	335,408	275,723
Other payables	15,471	17,834	405,035	406,392
	<b>15,471</b>	<b>17,834</b>	<b>1,780,350</b>	<b>1,350,370</b>
<b>27 AMOUNTS DUE TO RELATED COMPANIES</b>				
Lion Brewery (Ceylon) PLC	501,460	588,587	-	-
Carlsberg A/S	-	-	107,748	112,945
Leechman Company	-	-	-	2,000
	<b>501,460</b>	<b>588,587</b>	<b>107,748</b>	<b>114,945</b>
<b>28 REFUNDABLE DEPOSITS</b>				
Balance as at the beginning of the year	-	-	1,456,224	1,164,261
Deposits received during the year	-	-	259,396	298,961
Deposits refunded during the year	-	-	-	(6,998)
Balance as at the end of the year	-	-	<b>1,715,620</b>	<b>1,456,224</b>
Refundable deposits are taken from Agents as security against the returnable containers held with them.				
<b>29 CURRENT TAX LIABILITIES</b>				
Excise Duty (recoverable)/payable	-	-	(237,451)	1,084,894
Value Added Tax	-	2,415	192,882	552,032
Income tax	15,587	17,597	148,889	687,580
WHT	-	-	10	323
Dividend tax	-	-	-	44,800
PAYE	-	13	-	39
Stamp duty	-	-	13	-
EPF/ETF Payable	-	-	55	883
Nation Building Tax	-	-	-	77,768
	<b>15,587</b>	<b>20,025</b>	<b>104,398</b>	<b>2,448,319</b>

### 30 REVENUE

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Dividend income	215,682	143,787	-	-
Royalty income	159,349	149,639	-	-
Brewery	-	-	47,377,113	42,423,178
Retail trade	-	-	1,838,248	1,793,649
	375,031	293,426	49,215,361	44,216,827
Local revenue	375,031	293,426	48,153,462	43,493,327
Export revenue	-	-	1,061,899	723,500
	375,031	293,426	49,215,361	44,216,827

### 31 OTHER INCOME

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Deposit liability write back	-	-	-	-
Profit on disposal of property, plant & equipment	-	-	19,246	3,529
Other income	-	-	134,091	134,496
	-	-	153,337	138,025

## NOTES TO THE FINANCIAL STATEMENTS

### 32 PROFIT FROM OPERATIONS

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Profit from operations is stated after charging all expenses including the following;				
Directors' fees and emoluments	2,191	1,920	52,774	30,952
Auditors' remuneration - Audit Fee and related expenses	700	660	3,955	3,560
- Audit related services	155	150	230	225
- Non audit services	-	-	2,175	1,805
Depreciation on property, plant equipment (Note 9)	232	232	1,233,239	1,224,467
Depreciation on right of use assets (Note 12.3)	-	-	69,116	-
Reversal of impairment provision for trade debtors (Note - 15.1)	-	-	(10,467)	-
Amortisation of intangible assets (Note 11)	-	-	4,850	53,515
Impairment of property, plant equipment (Note 9)	-	-	4,729	60,547
Loss on disposal of fixed assets	-	-	132,443	-
Impairment of intangible assets (Note 10)	-	-	740,315	881
Impairment of subsidiary (note 13)	-	207,692	-	-
Impairment of doubt full debts	-	-	-	24,651
Supporting service fees	703	717	529,144	397,533
Operational Expenses	-	-	9,198	-
Personnel expenses (Note 32.1)	-	-	983,308	1,094,363
<b>32.1 Personnel expenses</b>				
Salaries, wages and other related expenses	-	-	876,820	998,973
Defined benefit plan costs-Gratuity	-	-	42,355	36,847
Defined contribution plan costs- EPF & ETF	-	-	64,133	58,543
	-	-	983,308	1,094,363

### 33 NET FINANCE COSTS

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
<b>Finance Income:</b>				
Interest income - fixed deposit	-	-	941,206	1,006,483
Interest income - intercompany loans	7,514	12,741	-	-
Interest income - other	-	-	9,699	3,440
<b>Total Finance Income</b>	<b>7,514</b>	<b>12,741</b>	<b>950,905</b>	<b>1,009,923</b>
<b>Interest Expenses:</b>				
Interest expenses -Term loans	8,531	18,292	554,140	808,256
Interest expenses -Bank overdrafts	5,313	271	166,471	154,212
Lease Interest	-	-	37,567	-
Interest on Debentures	-	-	125,299	185,688
Interest expenses - Intercompany Loans	57,708	30,555	-	-
Interest expenses - others	-	-	826,309	948,488
<b>Total Interest Expenses (Note 33.1)</b>	<b>71,552</b>	<b>49,118</b>	<b>1,709,786</b>	<b>2,096,644</b>
Net foreign exchange transaction loss / (gain)	-	-	(19,621)	(2,129)
<b>Total Finance Costs</b>	<b>71,552</b>	<b>49,118</b>	<b>1,690,165</b>	<b>2,094,515</b>
<b>Net Finance Costs</b>	<b>64,038</b>	<b>36,377</b>	<b>739,260</b>	<b>1,084,592</b>

#### 33.1 Analysis of Total Interest Expenses

Total interest expenses incurred during the year	71,552	49,118	1,709,786	2,096,644
Finance expenses recognised in the profit or loss	71,552	49,118	1,709,786	2,096,644

## NOTES TO THE FINANCIAL STATEMENTS

### 34 INCOME TAX / DEFERRED TAX

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Current tax (Note 34.1)	44,922	37,508	1,789,261	822,773
Dividend tax	-	-	35,118	23,412
Net Deferred tax (Note 25)	15,561	-	(146,402)	1,304,425
	<b>60,483</b>	<b>37,508</b>	<b>1,677,977</b>	<b>2,150,610</b>
<b>Deferred tax recognised in other comprehensive income</b>				
Remeasurement of employee benefit obligation	-	-	4,618	5,013
Revaluation Gain on Land & Buildings	-	-	278,767	78,145
	-	-	283,385	83,158

#### 34.1 Reconciliation of the Accounting Profit and Tax Expenses

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Profits before taxation	451,786	34,563	4,494,240	5,215,873
Consolidation adjustments	-	-	215,683	-
Remeasurement of employee benefit obligations (Note 23)	-	-	11,545	12,533
<b>Profits after adjustments</b>	<b>451,786</b>	<b>34,563</b>	<b>4,721,468</b>	<b>5,228,406</b>
Aggregate of disallowable expenses	50,724	243,182	2,605,980	2,069,676
Aggregate of allowable claims	(377,850)	(156,529)	(3,057,775)	(3,371,184)
<b>Operating losses Incurred during the Year</b>	<b>-</b>	<b>-</b>	<b>242</b>	<b>13,523</b>
Adjusted profit	124,660	121,216	4,269,915	3,940,421
Investment Income - Interest	7,514	12,741	1,028,748	1,009,923
<b>Total Income</b>	<b>132,174</b>	<b>133,957</b>	<b>5,298,664</b>	<b>4,950,344</b>
Utilization of tax loss	-	-	(80,336)	(2,550,534)
<b>Assesable/Taxable income</b>	<b>132,174</b>	<b>133,957</b>	<b>5,218,328</b>	<b>2,399,810</b>
Current tax on local operations	33,658	31,684	1,655,591	527,895
Current tax on interest income	2,029	3,567	275,702	307,542
Under/(Over) provision in respect of previous years	9,235	2,257	(142,032)	(12,664)
<b>Total current tax expense</b>	<b>44,922</b>	<b>37,508</b>	<b>1,789,261</b>	<b>822,773</b>



### Reconciliation of the effective tax rate

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

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Profit before taxation	451,786	34,563	4,494,240	5,215,873
Tax charge on profit or loss	60,483	37,508	1,677,977	2,150,610
Effective tax rate	13.39%	108.52%	37.34%	41.23%

### Reconciliation of the Accounting Profit and Tax Expenses

For the year ended 31st March In Rs.'000s	Company				Group			
	%	2020	%	2019 (Restated)	%	2020	%	2019 (Restated)
Profit/(Loss) before taxation		451,786		34,563		4,494,240		5,215,529
Tax calculated @ 28%, 40%	28.00%	126,500	28.00%	9,678	40%	1,797,696	40%	2,086,212
<b>The Effect of Tax</b>								
Aggregate of disallowable expenses	3.22%	14,567	197.28%	68,187	23.2%	1,042,392	16.0%	833,021
Aggregate of allowable claims	-13.83%	(62,495)	-126.81%	(43,828)	-25.8%	(1,161,248)	-25.9%	(1,348,474)
Operating losses incurred during the year	0.00%	-	0.00%	-	0.0%	68	0.1%	5,409
Rate differential & over under provision LY	-7.45%	(33,650)	10.04%	3,471	3.2%	142,487	5.1%	266,819
Dividend Tax	0.00%	-			0.8%	35,118	0.4%	23,412
Tax loss utilised	0.00%	-	0.00%	-	-0.7%	(32,134)	-19.6%	(1,020,214)
Deferred tax charge	3.44%	15,561	0.00%	0	-3.3%	(146,402)	25.0%	1,304,425
<b>Tax charge</b>	<b>13.4%</b>	<b>60,483</b>	<b>108.5%</b>	<b>37,508</b>	<b>37.3%</b>	<b>1,677,977</b>	<b>41.2%</b>	<b>2,150,610</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34.2 Analysis of Tax Losses

For the year ended 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Tax losses brought forward	-	-	1,877,072	4,367,750
Adjustment on losses B/F	-	-	11,136	10,820
Tax losses incurred during the Year	-	-	-	49,036
Utilisation of tax losses during the Year	-	-	(80,336)	(2,550,534)
<b>Tax losses carried forward</b>	-	-	<b>1,807,872</b>	<b>1,877,073</b>

### 34.3 Income Tax

#### Company

- (a) "The income tax provision for Ceylon Beverage Holdings PLC is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue on the instruction of the Ministry of Finance on 12th February 2020 (No. PN/IT/2020-03) on subject of "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" and further amended by the notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8th April 2020.

As the proposed changes are effective from 01st January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 06th May 2020, providing instructions on the subject of "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied. Though the legislative process relating to the amendment to laws needs to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date.

However, Company has computed the current tax based on above instructions and remitted the tax payments on the same basis. The Company has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future. In terms of above, income tax shall be calculated by applying the relevant rate set out under the First Schedule and the subsequent amendment notices issued by the Department of Inland Revenue dated on 08th April 2020. As per the First Schedule and the subsequent notices, company with income from a business is liable to income tax at a rate of 28% & 24%. (2019 - 28%). Also if the current tax liability on business profits and the profits of investment income are calculated using the currently enacted tax rate of 28%, the additional liability would amount to Rs. 1.3 Mn., which would have an immaterial impact on the company's results.

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years. Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly. In reviewing the recoverability of unclaimed losses, Deferred tax assets

recognised on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount. As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted in respect of these losses amounted to 1,782.92 Mn (2018/2019 - Rs. 2,859.92 Mn) since utilisation against future taxable profits are not probable.

Economic Service Charge (ESC) payable at 0.5% on the relevant turnover has been abolished from 01st January 2020. ESC paid during the year could be deducted against current income tax liability and any unclaimed amount could be carried forward for a maximum of two years. Any unclaimed amount within the specified period has been adjusted as an income tax expense together with any adjustments relating to income tax payable or receivable balances in respect of previous years.

### **Subsidiaries**

#### ***Lion Brewery (Ceylon) PLC (LBCPLC)***

(b) In terms of provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments income tax shall be calculated by applying the relevant rate set out under the First Schedule. As per the First Schedule company with income from a business consisting of liquor (include beer) is liable to income tax at 40% during the first 9 months period. Therefore on taxable income consist component of liquor, company is liable to pay income tax at 40% (2019 - 40%) and the profits attributable to export on first 9 months are also liable at the rate of 40% (2019 - 40%) and balance 3 months at a rate of 14% Investment Income arising on interest is taxed at 28% in first 9 months and at 24% in balance 3 months.

#### ***Pubs 'N Places (Private) Limited***

(c) In terms of provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments , Pubs 'N Places (Private) Limited is liable to income tax at the rate of 28% in first 9 months and at 24% in balance 3 months. (2019 - 40% or 28%).

Company has earned tax profit of Rs. 1,894,242 of the year ended 31st March 2020 (2019 - Nil).

During the year, Company paid Economic Service Charge amounting to Rs. 1,648,571/- (2019 - Rs. 2,182,904/-). Payment made hereunder is available as income tax credit for the period in which the payment is made and another four years thereafter.

#### ***Retail Spaces (Private) Limited***

(d) In terms of the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments, Company is liable to income tax on profits of the business income and the investment income will be at the rate of 28%. (2019 - 40%).

#### ***Luxury Brands (Private) Limited***

(e) In terms of provisions 2 of the Inland Revenue Act No. 24 of 2017 and the subsequent amendments, income tax shall be calculated by applying the relevant rate set out under the First Schedule. As per the First Schedule company with income from a business consisting of liquor is liable to income tax at 40%. (2019 - 40%) .

## NOTES TO THE FINANCIAL STATEMENTS

### 35 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		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
<b>Amount used as the Numerator:</b>				
Profit/(loss) after taxation	391,303	(2,945)	2,816,263	3,065,263
Non controlling interest	-	-	(1,342,792)	(1,537,970)
Net Profit/(loss) Attributable to equity holders of the company (as the Numerator)	391,303	(2,945)	1,473,471	1,527,293
Number of ordinary shares (as denominator-'000s)	20,988	20,988	20,988	20,988
Earnings/(loss) per ordinary share (Rs.)	18.64	(0.14)	70.21	72.77

### 36 DIVIDEND - ORDINARY

For the year ended 31st March In Rs.'000s	Company	
	2020	2019
First Interim Dividend	209,881	146,917
<b>Total Dividend</b>	<b>209,881</b>	<b>146,917</b>

**36.1** Ordinary dividend declared by the Company during the year is liable for dividend tax 14% (2019 -Nil).

**36.2** 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 approving the first interim dividend. A statement of solvency was compiled and was duly signed by the Board of Directors.

## 37 FINANCIAL INSTRUMENT - FAIR VALUE AND RISK MANAGEMENT

### 37.1 Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows. (In Rs.000) SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit or loss).

Category	Company					
	2020			2019		
As at 31st March	Amortised			Amortised		
In Rs.'000s	Cost	FVPL	FVOCI	Cost	FVPL	FVOCI
Financial Instrument						
<b>Financial assets</b>						
Trade and other receivables	18,261	-	-	22,457	-	-
Amounts due from related companies	98,909	-	-	36,079	-	-
Cash and cash equivalents	6,179	-	-	242,604	-	-
<b>Financial liabilities</b>						
Loans and borrowings	55,213	-	-	85,388	-	-
Trade and other payables	15,471	-	-	17,834	-	-
Amounts due to related companies	501,460	-	-	588,587	-	-
Bank Overdraft	99,811	-	-	-	-	-

Category	Group					
	2020			2019		
As at 31st March	Amortised			Amortised		
In Rs.'000s	Cost	FVPL	FVOCI	Cost	FVPL	FVOCI
Financial Instrument						
<b>Financial assets</b>						
Loans to operators	-	-	-	-	-	-
Trade and other receivables	1,881,002	-	-	2,345,704	-	-
Amounts due from related companies	6,500	-	-	-	-	-
Cash and cash equivalent	13,367,260	-	-	10,564,799	-	-
<b>Financial liabilities</b>						
Debentures	-	-	-	2,078,285	-	-
Loans and borrowings	12,646,497	-	-	9,679,355	-	-
Trade and other payables	1,780,350	-	-	1,350,370	-	-
Refundable deposits	1,715,620	-	-	1,456,224	-	-
Amounts due to related companies	107,748	-	-	114,945	-	-
Lease Creditor	325,064	-	-	-	-	-
Bank Overdraft	3,185,705	-	-	1,896,038	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 37.1 Accounting classifications and fair values (Contd.)

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.

### 37.2 Financial Risk Management

The Group is exposed to a range of financial risks through its number of financial instruments. In particular, the key financial risk categories are:

- A. Credit risk/Counterparty risk
- B. Liquidity risk and
- C. Market risk

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

### 37.3 Risk Management Framework

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

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

The Audit Committee oversees how management monitors compliance with the Group risk management processes/guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 37.4 Credit Risk/Counterparty Risk

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

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

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

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

### 37.4.1 Management of credit risk

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

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

### 37.4.2 Exposure to Credit Risk

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

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

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Trade and other receivables	18,261	22,457	1,881,002	2,345,704
Amounts due from related companies	98,909	36,079	6,500	-
Cash and cash equivalents	6,129	242,554	13,361,990	10,560,844
	123,349	301,140	15,254,762	12,910,503

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

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Financial institutions	6,129	242,554	13,361,990	10,560,844
Customers and other parties	18,261	22,457	1,881,002	2,345,704
Related parties	98,909	36,079	6,500	-
	123,349	301,140	15,254,762	12,910,503

### 37.4.3 Trade & Other Receivable

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

The bank guarantees and the facility from the bank cover 94% (2019 - 97%) of the trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### 37.4.4 Impairment Losses

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

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Age				
Past due 0 - 365 days	-	-	279,290	814,215
More than 365 days	-	-	55,454	90,165
	-	-	334,744	904,380

### 37.5 Liquidity Risk

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

#### 37.5.1 Management of Liquidity risk

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

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

#### 37.5.2 The Maturity Analysis of Liabilities

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

As at 31st March 2020 In Rs.'000s	Company			Group		
	Total	Up to Year 1	Above year 1	Total	Up to Year 1	Above year 1
Bank Overdrafts	99,811	99,811	-	3,185,705	3,185,705	-
Loans and borrowings	55,213	30,213	25,000	12,646,497	9,988,456	2,658,041
Trade & other payables	15,471	15,471	-	1,780,350	1,780,350	-
Amount payable to related parties	501,460	501,460	-	107,748	107,748	-
Lease Creditor	-	-	-	500,005	93,692	406,313
	671,955	646,955	25,000	18,220,305	15,155,951	3,064,354



As at 31st March 2019 In Rs.'000s	Company			Group		
	Total	Up to Year 1	Above year 1	Total	Up to Year 1	Above year 1
Bank Overdrafts	-	-	-	1,896,038	1,896,038	-
Debentures	-	-	-	2,078,285	2,078,285	-
Loans and borrowings	85,388	30,388	55,000	9,679,355	6,353,084	3,326,271
Trade & other payables	17,834	17,834	-	1,350,370	1,350,370	-
Amount payable to related parties	588,587	588,587	-	114,945	114,945	-
	691,809	636,809	55,000	15,118,993	11,792,722	3,326,271

### 37.6 Market Risk

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

#### 37.6.1 Management of Market Risks

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

#### 37.6.2 Currency Risk

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

## NOTES TO THE FINANCIAL STATEMENTS

### 37.6.2 Currency Risk (Contd.)

The following significant exchange rates were applied during the year:

In Rs.	Closing exchange rates		Average exchange rates	
	2020	2019	2020	2019
US Dollar (USD)	192.45	178.02	179.47	168.72
Great Britain Pound (GBP)	238.79	233.92	228.20	221.44
Euro (EUR)	213.56	201.25	199.43	195.25

The Group considered a further 5% strengthening or weakening of the functional currency against non-functional currencies as a reasonably possible change. The impact is calculated with reference to the financial assets or liabilities held as at the year end. A 5% increase or decrease of functional currency against non-functional currencies would result in Rs. 20.5 Mn impact on pre-tax profit.

### 37.6.3 Interest Rate Risk

Interest rate risk is the risk to the earnings and economic value of equity ("EVE") arising from adverse movements in interest rates. The Group's short-term investments are at fixed interest rates and mature within one year.

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019

### 37.6.4 Exposure to interest Rate Risk

#### Fixed rate instruments

- Financial Assets	-	-	8,074,925	9,678,340
- Financial Liabilities	-	-	6,700,000	6,426,570

#### Variable rate instruments

- Financial Assets	-	-	3,058,532	18,500
- Financial Liabilities	154,811	85,000	8,462,705	6,695,838

### 37.6.5 Sensitivity analysis on interest rate fluctuation

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

<b>Instrument In Rs.'000s</b>	<b>Increase by one percentage</b>	<b>Decrease by one percentage</b>	<b>Increase by one percentage</b>	<b>Decrease by one percentage</b>
HNB - 150 Mn	550	(550)	550	(550)
DFCC - Rs. 1 Bn (2015)	-	-	1,000	(1,000)
DFCC - Rs. 1 Bn (2016)	-	-	2,000	(2,000)
DFCC - Rs. 1 Bn (2020)	-	-	20,000	(20,000)
Commercial Bank-Rs. 1 Bn	-	-	5,050	(5,050)
HNB-Rs. 2 Bn	-	-	9,920	(9,920)
NDBIB Loans- Rs.1.5 Bn	-	-	14,250	(14,250)
<b>Potential impact</b>	<b>550</b>	<b>(550)</b>	<b>52,770</b>	<b>(52,770)</b>

### 37.6.6 Management of interest rate risk

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

## NOTES TO THE FINANCIAL STATEMENTS

### 38 RELATED PARTY DISCLOSURES

#### 38.1 Parent and ultimate controlling party

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

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

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

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

For the year ended/as at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Short term employee benefits	2,191	1,920	52,774	30,952
	2,191	1,920	52,774	30,952

As at 31 March 2020 an amount of Rs. 26,530,099/- (2019- Rs. 10,561,030/-) is payable towards gratuity of Key Management Personnel of the Group, whilst a Company maintained vehicle is provided by the subsidiary for both official and private use.

#### 38.3 Other Related Party Transactions

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

Transactions with related parties are carried out on an arm's length basis. Outstanding balances as at year end are unsecured, interest free (except for Lion Brewery (Ceylon) PLC and Pubs 'N Places (Private) Limited) and all related-party dues are on demand and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables for the year ended 31st March 2020 and the Group has not recorded any impairment for receivables relating to amount owed by Group entities.

### **38.3.1 Transactions with subsidiary companies**

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

Messrs. D.A.Cabraal, H Selvanathan, S.K.Shah, D.C.R. Gunawardena and R.H. Meewakkala are Directors of the related entity. Mr. L. Lehmann who was a Director of the Company and Ceylon Beverage Holdings PLC resigned on 20/05/2019, Mr. T. Akiskalos was appointed as a Director of the Company and Ceylon Beverage Holdings PLC w.e.f. 20/05/2019 and resigned on 25/10/2019 and Mr. S. Clini was appointed as a Director of the Company w.e.f. 26/10/2019 and Ceylon Beverage Holdings PLC w.e.f. 31/10/2019 with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

- (i) Was charged Rs. 159,348,804/- (2019 -Rs. 149,638,626/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (ii) A dividend of Rs. 215,681,746/- was paid by LBCPLC to the company during the period. (2019 - Rs. 143,787,831/-).
- (iii) Rs.501,459,843/- balance payable to the company as at 31st March 2020. (2019 - 588,586,958/-).
- (iv) As per the loan agreement with Lion Brewery Ceylon PLC, the Company was charged Rs. 57,707,719/- (2019 - 30,554,963) at a rate of AWPLR+1% as loan interest during the period.

#### **(b) Pubs 'N Places (Private) Limited**

- (i) As at 31st March 2020 balance receivable from Pubs 'N Places (Private) Limited to the Company was Rs. 98,909,079/- (2019 - Rs. 36,078,862/-).
- (ii) An interest amount of Rs. 7,514,286/- (2019 - 12,740,925/-) was charged from Pubs 'N Places (Private) Limited for the outstanding receivable balance during the period at a rate of AWPLR+1%.

#### **(c) Luxury Brands (Private) Limited**

- (i) Company purchased 20,000,000 shares of Luxury Brands (Private) Limited at Rs. 10/- per share with a total value of Rs. 200,000,000/- on 16th May 2019

### **38.3.2 Transactions with group entities**

#### **(a) Carsons Management Services (Private) Ltd.**

Messrs. H.Selvanathan, S.K.Shah and M.Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides supporting services to the Company. An amount of Rs. 702,864/- (2019 - Rs. 717,133/-) was charged by Carsons Management Services (Private) Limited to the Company and Group Rs.605,503,120/- (2019 - Rs. 451,699,666/-) during the period ,which included supporting services fees of Rs. 528,478,891/- (2019 - Rs. 397,532,554/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Group.

#### **(b) SKC Management Services Ltd.**

A sum of Rs. 596,475/- was incurred as reimbursement of casual wages for the period. (2019 - 1,144,650/-)

# NOTES TO THE FINANCIAL STATEMENTS

## 39 CONTINGENT LIABILITIES AND COMMITMENTS

### 39.1 Contingencies

#### (a) Company

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

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

- (ii) Contingent liabilities as at 31st March 2020 amounts to Rs. 239,964,854/- (2019 - Rs. 167,049,559/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

### 39.2 Finance Commitments

Document credits established for foreign purchases of the Group as at 31st March 2020 amounts to Rs. 335,296,976/- (2018 - Rs. 359,426,133/-)

## 40 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

## 41 IMPACT FROM CORONAVIRUS (COVID-19) PANDEMIC

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Consolidated Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and employment). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed various accounting estimates in these Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31st March 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group.

Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to recoverable amount assessments of non-financial assets, investments in subsidiaries, recoverable value of property plant and equipment net realisable value of inventory and allowance for expected credit losses.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

### **Non Financial Assets**

#### *Recoverable value of property plant and equipment, investment property and net realisable value of inventory*

At 31 March 2020, the Group assessed the property plant and equipment, investment property and net realisable value of inventory balances. Based on the revised sales forecasts and resultant production capacity utilisation no reduction was observed in the recoverable values of property plant and equipment and of inventory.

Under prevailing circumstances, it is premature to ascertain the full impact COVID-19 would have on the real estate market as the pandemic is still evolving. However, all the available information in the market have been taken into account in determining the fair value of the properties as at the reporting date by the property valuer.

### **Intangible Assets**

At 31st March 2020, the impairment assessment of the Group's Brands that are classified as intangible assets (Millers Brewery) were carried out. The Group performed a cashflow projection to assess if the carrying value of the assets were impaired.

The Cashflow calculations are sensitive to a number of key assumptions, including discount rates, long term sales growth rates and future profitability. Changes in key assumptions could have a positive or adverse impact on the recoverable amount of the asset. The method of calculation is given in note 11.

The management has considered the impact from COVID 19 to the best extent possible when arriving in the calculation. However the actual impact of COVID-19 on the valuation of MBL brands is uncertain. Significant management judgment is required to determine the assumptions underpinning the Cashflow projections.

### **Investment in subsidiaries**

At 31st March 2020, the Group assessed the recoverable value of its subsidiaries in light of the COVID impact on its operations and fair value of assets and have concluded that the investment value is retained.

The management performed multiple stress tested scenarios considering cost management practices, cash reserves, ability to secure additional funding to finance the adverse effect to the cash flow, ability to secure supplies, expected revenue streams, credit and collection management practices and ability to defer nonessential capital expenditure.

## NOTES TO THE FINANCIAL STATEMENTS

### 41 IMPACT FROM CORONAVIRUS (COVID-19) PANDEMIC (CONTD.)

Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Company and its subsidiaries would continue as a going concern.

#### *Allowance for expected credit losses*

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Group's accounting policy for the recognition and measurement of the allowance for expected credit losses is described at Note 3.4.5 Annual Financial Statements for the year ended 31st March 2020.

### 42 RESTATEMENTS

During the FY 2019/20, the Company realised that the lands and buildings of the Company were erroneously classified as PPE. Accordingly, the properties located at Nuwara Eliya and Trincomalee, were reclassified as Investment Properties. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following table summarises the impacts on the Group's Consolidated Financial Statements.

#### *Consolidated Financial Statements Position*

As at 1st April 2018 In Rs.'000s	Company			Group		
	Impact of correction of error			Impact of correction of error		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Property, plant & equipment	331,190	(330,571)	619	18,476,588	(330,571)	18,146,017
Investment Property	-	331,261	331,261	-	331,261	331,261
Other Assets	2,125,968	-	2,125,968	15,747,759	-	15,747,759
<b>Total Assets</b>	<b>2,457,158</b>	<b>690</b>	<b>2,457,848</b>	<b>34,224,347</b>	<b>690</b>	<b>34,225,037</b>
Stated capital	533,384	-	533,384	533,384	-	533,384
Capital reserves	245,352	(225,428)	19,924	708,955	(225,428)	483,527
Revenue reserves - Fair Value	-	316,972	316,972	-	316,972	316,972
Revenue reserves - Retained Earnings	965,727	(919)	964,808	7,842,404	(919)	7,841,485
<b>Total Equity</b>	<b>1,744,463</b>	<b>90,625</b>	<b>1,835,088</b>	<b>9,084,743</b>	<b>90,625</b>	<b>9,175,368</b>



As at 1st April 2018 In Rs.'000s	Company			Group		
	Impact of correction of error			Impact of correction of error		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Net deferred tax liabilities	89,935	(89,935)	-	3,697,803	(89,935)	3,607,868
Other Liabilities	622,760	-	622,760	21,441,801	-	21,441,801
<b>Total Liabilities</b>	<b>712,695</b>	<b>(89,935)</b>	<b>622,760</b>	<b>25,139,604</b>	<b>(89,935)</b>	<b>25,049,669</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,457,158</b>	<b>690</b>	<b>2,457,848</b>	<b>34,224,347</b>	<b>690</b>	<b>34,225,037</b>

At 1st April 2019 In Rs.'000s	Company			Group		
	Impact of correction of error			Impact of correction of error		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Property, plant & equipment	330,613	(330,226)	387	18,493,204	(330,226)	18,162,978
Investment Property	-	331,261	331,261	-	331,261	331,261
Other Assets	2,065,412	-	2,065,412	17,885,402	-	17,885,402
<b>Total Assets</b>	<b>2,396,025</b>	<b>1,035</b>	<b>2,397,060</b>	<b>36,378,606</b>	<b>1,035</b>	<b>36,379,641</b>
		-				
Stated capital	533,384	-	533,384	533,384	-	533,384
Capital reserves	245,352	(225,428)	19,924	813,949	(225,428)	588,521
Revenue reserves - Fair Value	-	316,972	316,972	-	316,972	316,972
Revenue reserves - Retained Earnings	815,521	(574)	814,947	10,711,078	(574)	10,710,504
<b>Total Equity</b>	<b>1,594,257</b>	<b>90,970</b>	<b>1,685,227</b>	<b>12,058,411</b>	<b>90,970</b>	<b>12,149,381</b>
Net deferred tax liabilities	89,935	(89,935)	-	5,092,601	(89,935)	5,002,666
Other Liabilities	711,833	-	711,834	19,227,594	-	19,227,594
<b>Total Liabilities</b>	<b>801,768</b>	<b>(89,935)</b>	<b>711,834</b>	<b>24,320,195</b>	<b>(89,935)</b>	<b>24,230,260</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,396,025</b>	<b>1,035</b>	<b>2,397,060</b>	<b>36,378,606</b>	<b>1,035</b>	<b>36,379,641</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 42 RESTATEMENT (CONTD.)

Consolidated statement of profit or loss and OCI

For the year ended 31 March 2019 In Rs.'000s	Company			Group		
	Impact of correction of error			Impact of correction of error		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Administration Expenses	(15,138)	344	(14,794)	(1,657,223)	344	(1,656,879)
Other	11,849	-	11,849	4,722,142	-	4,722,742
Profit/(Loss)	(3,289)	344	(2,945)	3,064,919	344	3,065,263

There is no material impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cashflows for the year ended 31st March 2019.

### 43 SEGMENTAL ANALYSIS

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

### 44 DIRECTOR'S RESPONSIBILITY STATEMENT

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

# VALUE ADDED STATEMENT

For the year ended 31st March In Rs.'000s	2020	2019 (Restated)
<b>VALUE ADDED</b>		
Revenue	49,215,361	44,216,827
Other income	153,337	138,025
Finance income	950,905	1,009,923
Value Added Tax	6,663,699	6,925,595
	<b>56,983,302</b>	<b>52,290,370</b>
Cost of material and services bought from outside	(11,224,700)	(12,388,331)
	<b>45,758,602</b>	<b>39,902,039</b>

For the year ended 31st March In Rs.'000s	2020	%	2019 (Restated)	%
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## DISTRIBUTED AS FOLLOWS:

### To Employees

As remuneration and other employee costs	983,308	2.15	1,094,363	2.74
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### To Government

As Excise duty & import Duty	29,233,357	63.89	24,140,705	60.50
As Value added tax	6,663,699	14.56	6,925,595	17.36
As Income tax	2,045,747	4.47	189,995	0.48
As Economic service charge	194,269	0.42	234,620	0.59
As Nation building tax	643,951	1.41	661,147	1.66
As Withholding tax	39,873	0.09	70,938	0.18

### To Providers' of Capital

As Dividends to shareholders	209,881	0.46	146,917	0.37
As Finance expenses	1,690,165	3.69	2,094,515	5.25

### Retained in the Business

As Depreciation/amortisation	1,238,089	2.71	1,277,982	3.20
As Non controlling interest	1,342,792	2.93	1,537,970	3.85
As Profit for the year	1,473,471	3.22	1,527,293	3.83
	<b>45,758,602</b>	<b>100.00</b>	<b>39,902,039</b>	<b>100.00</b>

## VALUE ADDED STATEMENT

### Notes:

- 1 The Statement of Value Added shows the quantum of wealth generated by the activities of the Group and its applications.
- 2 Value Added Tax is excluded in arriving at the above Turnover. Therefore, tax liability / payment made to the Government during the year include the following:

In Rs.'000s	2020	2019
Value added tax	6,663,699	6,925,595
Excise duty & import duty	29,233,357	24,140,705
Income Tax	2,045,747	189,995
Economic service charge	194,269	234,620
Nation building tax	643,951	661,147
Withholding tax	39,873	70,938
<b>Total Taxes</b>	<b>38,820,897</b>	<b>32,223,000</b>

# FIVE YEAR SUMMARY

Year ended 31st March In Rs.'000s	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016
<b>OPERATING RESULTS</b>					
Revenue	49,215,361	44,216,827	31,456,943	22,595,309	35,906,464
Other income	153,337	138,025	56,515	29,721	21,432
Net gains arising from changes in fair value of investment properties	155,609	-	-	-	-
Progressive insurance receipts on business interruption	-	-	1,205,359	1,000,000	-
	<b>49,524,307</b>	<b>44,354,852</b>	<b>32,718,817</b>	<b>23,625,030</b>	<b>35,927,896</b>
Total expenditure	(43,550,492)	(38,054,387)	(29,087,246)	(22,882,351)	(31,920,932)
Impairment of intangible assets	(740,315)	-	-	(1,673,065)	-
<b>Profit/(loss) from operating activities before exceptional expenses</b>	<b>5,233,500</b>	<b>6,300,465</b>	<b>3,631,571</b>	<b>(930,386)</b>	<b>4,006,964</b>
Loss on disposal and impairment of PPE	-	-	-	-	-
Profit/(loss) From Operations Before Expenses Relating to New Investment	<b>5,233,500</b>	<b>6,300,465</b>	<b>3,631,571</b>	<b>(930,386)</b>	<b>4,006,964</b>
Progressive insurance receipts on property damage	-	-	752,263	1,366,294	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	-	-	(1,349,287)	-
Reversal of unabsorbed VAT provision	-	-	-	339,811	-
Expenses relating to new investment	-	-	-	-	-
Net finance costs	(739,260)	(1,084,592)	(1,491,855)	(1,403,976)	(996,198)
<b>Profit/(loss) before taxation</b>	<b>4,494,240</b>	<b>5,215,873</b>	<b>2,891,979</b>	<b>(1,977,544)</b>	<b>3,010,766</b>
Income tax reversal/(expense)	(1,677,977)	(2,150,610)	(1,251,268)	417,716	(928,205)
<b>Profit/(loss) for the year</b>	<b>2,816,263</b>	<b>3,065,263</b>	<b>1,640,711</b>	<b>(1,559,828)</b>	<b>2,082,561</b>
<b>Total other comprehensive Income/ (loss) for the year</b>	<b>288,632</b>	<b>208,466</b>	<b>(510,194)</b>	<b>15,586</b>	<b>795,476</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>3,104,895</b>	<b>3,273,729</b>	<b>1,130,517</b>	<b>(1,544,242)</b>	<b>2,878,037</b>
Dividends - Ordinary	209,881	146,917	167,905	62,964	167,905

## FIVE YEAR SUMMARY

As at 31st March In Rs.'000s	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016
<b>BALANCE SHEET</b>					
Stated capital	533,384	533,384	533,384	533,384	533,384
Capital reserve	735,712	588,521	483,527	779,928	1,005,356
Revenue reserve	6,321,790	5,049,101	3,664,796	992,128	3,690,596
	7,590,886	6,171,006	4,681,707	4,305,440	5,229,336
Minority interest	7,230,325	5,978,375	4,493,662	3,969,835	4,768,089
	14,821,211	12,149,381	9,175,369	8,275,275	9,997,425
Loans and borrowings	12,646,497	11,757,640	15,001,821	16,976,265	11,224,911
Less - Net cash	(10,181,555)	(8,668,761)	(6,560,059)	(5,097,839)	(1,599,494)
<b>Capital Employed</b>	<b>17,286,153</b>	<b>15,238,260</b>	<b>17,617,131</b>	<b>20,153,701</b>	<b>19,622,842</b>

### Represented by:

Non-current assets	21,727,839	20,950,490	20,984,929	20,790,168	20,745,003
Current assets excluding Cash and cash equivalents	4,933,671	4,864,352	5,059,938	4,643,189	5,044,326
Current liabilities excluding borrowings & OD	(3,758,648)	(5,369,858)	(4,628,915)	(2,827,696)	(3,171,140)
Lease Creditor	(274,532)	-	-	-	-
Retirement benefit obligations	(207,333)	(204,058)	(190,953)	(78,440)	(109,811)
Deferred tax liabilities	(5,134,844)	(5,002,666)	(3,607,868)	(2,373,520)	(2,885,536)
	17,286,153	15,238,260	17,617,131	20,153,701	19,622,842

Year ended 31st March In Rs.'000s	2020	2019	2018	2017	2016
<b>Cash Flow Statistics</b>					
Net cash (outflows)/inflows from operating activities	1,964,068	5,640,305	3,473,298	(381,632)	4,007,103
Net cash (outflows)/inflows from investing activities	(647,748)	233,327	(364,657)	(3,006,018)	(1,104,872)
Net cash inflows/(outflows) from financing activities	196,474	(3,764,929)	(1,646,421)	6,885,995	5,398,108
<b>Net cash movement for the year</b>	<b>1,512,794</b>	<b>2,108,702</b>	<b>1,462,220</b>	<b>3,498,345</b>	<b>8,300,339</b>

<b>As at 31st March In Rs.'000s</b>	<b>2020</b>	<b>2019 (Restated)</b>	<b>2018 (Restated)</b>	<b>2017 (Restated)</b>	<b>2016</b>
<b>RATIOS &amp; STATISTICS</b>					
Return on shareholders' funds (%)	<b>19.41</b>	24.75	16.29	(20.19)	20.83
Return on Capital Employed (ROCE) (times)	<b>30.28</b>	41.35	25.01	(2.85)	20.42
Equity to total assets (times)	<b>2.70</b>	2.99	3.73	4.00	2.96
Assets turnover (times)	<b>1.23</b>	1.22	0.92	0.70	1.24
Gearing ratio (%)	<b>14.26</b>	20.27	48.17	58.94	49.05
Interest cover (times)	<b>7.08</b>	5.81	2.94	(0.41)	4.02
Current ratio (times)	<b>1.08</b>	0.98	0.92	0.87	0.94
Quick asset ratio (times)	<b>0.90</b>	0.82	0.79	0.69	0.65
Price earnings ratio (times)	<b>11.40</b>	11.34	17.34	(14.49)	11.18
Dividends per share (Rs.)	<b>10.00</b>	7.00	8.00	3.00	8.00
Dividend payout ratio (%) (Company)	<b>53.64</b>	-	95.54	76.63	87.19

# STATEMENT OF COMPREHENSIVE INCOME - US\$

For the year ended 31st March In USD '000s	Company		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
Revenue	2,090	1,739	274,222	262,068
Cost of sales	-	-	(212,862)	(195,312)
<b>Gross profit</b>	<b>2,090</b>	<b>1,739</b>	<b>61,360</b>	<b>66,756</b>
Progressive insurance receipts on business interruption	-	-	-	-
Other Income	-	-	854	818
Net gains arising from changes in fair value of investment properties	867	-	867	-
	<b>2,957</b>	<b>1,739</b>	<b>63,081</b>	<b>67,574</b>
Distribution expenses	-	-	(16,837)	(17,963)
Administrative expenses	(83)	(88)	(9,922)	(9,820)
Other expenses	-	-	(3,037)	(2,449)
Impairment of intangible assets	-	-	(4,125)	-
Impairment of Investments in subsidiaries	-	(1,231)	-	-
<b>Profit/(Loss) from Operations</b>	<b>2,874</b>	<b>420</b>	<b>29,160</b>	<b>37,342</b>
<b>Profit Before Finance Cost</b>	<b>2,874</b>	<b>420</b>	<b>29,160</b>	<b>37,342</b>
Finance income	42	76	5,298	5,986
Finance costs	(399)	(291)	(9,417)	(12,414)
<b>Net Finance Costs</b>	<b>(357)</b>	<b>(215)</b>	<b>(4,119)</b>	<b>(6,428)</b>
<b>Profit Before Taxation</b>	<b>2,517</b>	<b>205</b>	<b>25,041</b>	<b>30,914</b>
Income tax reversal /(expenses)	(337)	(222)	(9,349)	(12,746)
<b>Profit/(Loss) After Taxation</b>	<b>2,180</b>	<b>(17)</b>	<b>15,692</b>	<b>18,168</b>
<b>Other Comprehensive Income</b>				
<b>Items that will never be reclassified to profit or loss</b>				
Remeasurement of employee benefit obligation	-	-	64	74
Deferred tax adjustment	-	-	(26)	(30)
Change in revaluation of property plant and equipment	-	-	3,123	1,654
Deferred tax adjustment	-	-	(1,553)	(463)
<b>Total Other Comprehensive Income for the year</b>	<b>-</b>	<b>-</b>	<b>1,608</b>	<b>1,235</b>
<b>Total Comprehensive Income/(Expenses)</b>	<b>2,180</b>	<b>(17)</b>	<b>17,300</b>	<b>19,403</b>



For the year ended 31st March In USD '000s	Company		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
<b>Profit Attributable to</b>				
- Equity holders of the company	2,180	(17)	8,210	9,053
- Non - controlling interest	-	-	7,482	9,115
<b>Profit/(Loss) Available for Appropriation</b>	<b>2,180</b>	<b>(17)</b>	<b>15,692</b>	<b>18,168</b>
<b>Total Comprehensive Income Attributable to</b>				
- Equity holders of the company	2,180	(17)	9,050	9,698
- Non - controlling interest	-	-	8,250	9,705
<b>Profit/(Loss) Available for Appropriation</b>	<b>2,180</b>	<b>(17)</b>	<b>17,300</b>	<b>19,403</b>

# STATEMENT OF FINANCIAL POSITION - US\$

As at 31st March In USD '000s	Company		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant & equipment	1	2	99,874	102,030
Investment properties	2,530	1,861	2,530	1,861
Right of use assets	-	-	1,581	-
Intangible assets	-	-	8,869	13,722
Deferred taxation	-	-	45	76
Investments in subsidiaries	10,207	9,911	-	-
<b>Total Non-Current Assets</b>	<b>12,738</b>	<b>11,774</b>	<b>112,899</b>	<b>117,689</b>
<b>Current Assets</b>				
Inventories	-	-	15,815	14,117
Trade & other receivables	95	126	9,774	13,177
Amounts due from related companies	514	203	34	-
Current Taxation	-	-	13	32
Cash and cash equivalents	32	1,363	69,457	59,347
<b>Total Current Assets</b>	<b>641</b>	<b>1,692</b>	<b>95,093</b>	<b>86,673</b>
<b>Total Assets</b>	<b>13,379</b>	<b>13,466</b>	<b>207,992</b>	<b>204,362</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital	9,198	9,198	9,198	9,198
Capital reserves	104	112	3,823	3,306
Revenue reserves	423	158	26,423	22,163
<b>Equity Attributable To Equity Holders of the Company</b>	<b>9,725</b>	<b>9,468</b>	<b>39,444</b>	<b>34,667</b>
Non - controlling interest	-	-	37,569	33,583
<b>Total Equity</b>	<b>9,725</b>	<b>9,468</b>	<b>77,013</b>	<b>67,250</b>

As at 31st March In USD '000s	Company		Group	
	2020	2019 (Restated)	2020	2019 (Restated)
<b>Non - Current Liabilities</b>				
Loans and borrowings	130	309	13,811	18,685
Lease Creditor	-	-	1,426	-
Employee benefits	-	-	1,077	1,146
Deferred tax liabilities	81	-	26,681	28,102
<b>Total Non- Current Liabilities</b>	<b>211</b>	<b>309</b>	<b>42,995</b>	<b>47,933</b>
<b>Current Liabilities</b>				
Trade and other payables	80	100	9,251	7,586
Amounts due to related companies	2,606	3,306	560	646
Refundable deposits	-	-	8,914	8,180
Tax liabilities	81	112	542	13,753
Debentures	-	-	-	11,675
Loans and borrowings	157	171	51,901	35,688
Lease Creditor	-	-	263	-
Bank overdraft	519	-	16,553	10,651
<b>Total Current Liabilities</b>	<b>3,443</b>	<b>3,689</b>	<b>87,984</b>	<b>88,179</b>
<b>Total Liabilities</b>	<b>3,654</b>	<b>3,998</b>	<b>130,979</b>	<b>136,112</b>
<b>Total Equity and Liabilities</b>	<b>13,379</b>	<b>13,466</b>	<b>207,992</b>	<b>204,362</b>

# NOTES TO THE FINANCIAL STATEMENTS - US\$

## 1 BASIS OF CONVERSION

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

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

As at 31st March In USD '000s		2020	2019
Income statement	Average rate	179.47	168.72
Monetary assets and liabilities	Closing rate	192.45	178.02
Non-current assets and liabilities	Closing rate	192.45	178.02
Ordinary share capital	Historical rate	57.99	57.99

## 2 REVENUE

For the year ended 31st March In USD '000s	Company		Group	
	2020	2019	2020	2019
(A) Dividend income	888	852	-	-
Royalty income	1,202	887	-	-
Brewery	-	-	263,980	251,437
Retail Trade	-	-	10,242	10,631
	2,090	1,739	274,222	262,068
(B) Local / Export Revenue				
Local revenue	2,090	1,739	268,305	257,780
Export revenue	-	-	5,917	4,288
	2,090	1,739	274,222	262,068

# FIVE YEAR SUMMARY - US\$

Year ended 31st March In US\$ '000s	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016
Revenue	274,222	262,068	202,049	150,045	251,235
Other income	854	818	363	197	150
Net gains arising from changes in fair value of investment properties	867	-	-	-	-
Progressive insurance receipts on business interruption	-	-	7,742	6,641	-
	<b>275,943</b>	<b>262,886</b>	<b>210,154</b>	<b>156,883</b>	<b>251,385</b>
Total expenditure	(242,658)	(225,544)	(186,828)	(151,951)	(223,348)
Impairment of intangible assets	(4,125)	-	-	(11,110)	-
<b>Profit/(loss) from operating activities before exceptional expenses</b>	<b>29,160</b>	<b>37,342</b>	<b>23,326</b>	<b>(6,178)</b>	<b>28,036</b>
Progressive insurance receipts on property damage	-	-	4,832	9,073	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	-	-	(8,960)	-
Reversal of unabsorbed VAT provision	-	-	-	2,257	-
Net finance costs	(4,119)	(6,428)	(9,582)	(9,324)	(6,970)
<b>Profit/(loss) Before Taxation</b>	<b>25,041</b>	<b>30,914</b>	<b>18,576</b>	<b>(13,131)</b>	<b>21,066</b>
Income tax reversal/(expense)	(9,349)	(12,746)	(8,037)	2,774	(6,495)
<b>Profit/(loss) for the year</b>	<b>15,692</b>	<b>18,168</b>	<b>10,539</b>	<b>(10,357)</b>	<b>14,571</b>
<b>Total other comprehensive Income/(loss) for the year</b>	<b>1,608</b>	<b>1,235</b>	<b>(3,277)</b>	<b>103</b>	<b>5,565</b>
<b>Total comprehensive Income/(loss) for the year</b>	<b>17,300</b>	<b>19,403</b>	<b>7,260</b>	<b>(10,257)</b>	<b>20,136</b>
Dividends - Ordinary	804	848	1,078	418	1,175

## FIVE YEAR SUMMARY - US\$

As at 31st March In US\$ '000s	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)	2016
<b>STATEMENT OF FINANCIAL POSITION</b>					
Stated capital	9,198	9,198	9,198	9,198	9,198
Capital reserves	3,823	3,306	4,502	6,532	6,849
Revenue reserves	26,423	22,163	15,452	12,245	19,580
	39,444	34,667	29,152	27,975	35,627
Minority interest	37,569	33,584	28,533	25,793	32,485
	77,013	68,251	57,685	53,768	68,112
Loans and borrowings	65,712	66,050	95,256	110,299	76,474
Less - Cash	(52,904)	(48,698)	(41,654)	(33,122)	(10,897)
<b>Capital Employed</b>	<b>89,821</b>	<b>85,603</b>	<b>111,287</b>	<b>130,945</b>	<b>133,689</b>
<b>Represented by:</b>					
Non-current assets	112,899	117,693	133,242	135,080	141,334
Current assets excluding Cash and cash equivalents	25,636	27,326	32,129	30,168	34,367
Current liabilities excluding borrowings & OD	(19,530)	(30,166)	(29,392)	(18,372)	(21,605)
Lease creditor	(1,426)	-	-	-	-
Retirement benefit obligations	(1,077)	(1,146)	(1,212)	(510)	(748)
Deferred tax liabilities	(26,681)	(28,104)	(23,480)	(15,421)	(19,659)
	89,821	85,603	111,287	130,945	133,689

# INFORMATION TO SHAREHOLDERS & INVESTORS

## 1 STOCK EXCHANGE LISTING

Ceylon Beverage Holdings PLC is a Public Quoted Company, the issued ordinary shares of which are listed on the Diri Savi Board of the Colombo Stock Exchange of Sri Lanka.

The Stock Exchange code for Ceylon Beverage Holdings PLC shares is “BREW”.

The Market Value of the Company’s share as at 31st March 2020 was Rs. 800/- per share (31st March 2019 - Rs.825/-).

## 2 ORDINARY SHAREHOLDERS

As at 31st March	2020	2019
Number of shareholders	959	955

## 3 FREQUENCY DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2020

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	778	110,257	0.53	60	15,028	0.07	838	125,285	0.60
1001 - 10,000	77	214,895	1.02	30	82,190	0.39	107	297,085	1.42
10,001 - 100,000	5	135,949	0.65	4	168,003	0.80	9	303,952	1.45
100,001 - 1,000,000	-	-	-	2	930,000	4.43	2	930,000	4.43
Above 1,000,000	1	15,726,912	74.93	2	3,604,856	17.18	3	19,331,768	92.11
Grand Total	861	16,188,013	77.13	98	4,800,077	22.87	959	20,988,090	100.00

## 4 CATEGORIES OF SHAREHOLDERS

As at 31st March 2020	No. of Shareholders	No. of Shares	%
Individual	887	489,121	2.33
Institutions	72	20,498,969	97.67
<b>Total</b>	<b>959</b>	<b>20,988,090</b>	<b>100.00</b>

## INFORMATION TO SHAREHOLDERS & INVESTORS

- 5 The number of shares held by non-residents as at 31st March 2020 was 4,800,077 (2019 -4,798,122) which amounts to 22.87% (2019 - 22.86%) of the total number of shares in issue.

### 6 PUBLIC HOLDING

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

#### The Company's Public Holding as at 31st March 2020

Market Capitalisation of the Public Holding	Rs.4.13 Billion
Percentage of ordinary shares held by the public	24.60%
Number of Public Shareholders	940

### 7 MARKET PERFORMANCE - ORDINARY SHARES

For The year ended 31st March	2020	2019
Highest (Rs.)	998.00	899.90
Lowest (Rs.)	680.20	600.00
Value of Shares Traded (Rs.'000)	9,107	18,054

### 8 MARKET CAPITALISATION

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share, was Rs. 16,790,472,000/- as at 31st March 2020 ( 31st March 2019 - Rs. 17,315,174,250/-).

### 9 DIVIDENDS

- 9.1 First Interim Dividend of Rs. 10/- per ordinary share for the year ended 31st March 2020 was paid to the Shareholders on 27th August 2019.

### 10 NUMBER OF EMPLOYEES

There were no employees as at the reporting date.



# GLOSSARY OF FINANCIAL TERMS

## **APPROPRIATIONS**

Apportioning of earnings as dividends, capital and revenue reserves.

## **CAPITAL RESERVES**

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

## **CASH EQUIVALENTS**

Liquid investments with original maturities of twelve months or less.

## **CONTINGENT LIABILITIES**

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

## **CURRENT RATIO**

Current assets divided by current liabilities.

## **DEBT**

Total borrowings, less cash and cash equivalents.

## **DIVIDEND COVER**

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

## **DIVIDEND PER ORDINARY SHARE**

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

## **DIVIDEND PAYOUT RATIO**

The percentage of earnings paid to shareholders in dividends.

## **EARNINGS PER ORDINARY SHARE**

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

## **EQUITY**

Ordinary share capital plus reserves.

## **EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Significant events that occur between the Balance Sheet date and the date on which financial statements are authorised for issue.

## **GEARING**

Ratio of Borrowings to capital employed.

## **INTEREST COVER**

Profits before tax and interest charges divided by interest charges.

## **MARKET CAPITALISATION**

The Market value of a company at a given date obtained by multiplying the market price of a share by the number of issued ordinary shares.

## **NET ASSETS PER ORDINARY SHARE**

Total assets less liabilities excluding preference share capital divided by the number of ordinary shares in issue. This represents the theoretical value per share if the Company is broken up.

## **PRICE EARNINGS RATIO - (P/ E)**

Market price of a share divided by earnings per share

## **RELATED PARTIES**

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

## **REVENUE RESERVES**

Reserves considered as being available for future distribution and appropriations.

## **VALUE ADDITION**

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

## **WORKING CAPITAL**

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





# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 109th Annual General Meeting of CEYLON BEVERAGE HOLDINGS PLC will be held on Tuesday, 8th September 2020 at 11.30 a.m. at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology for the following purposes:

1. To consider the Annual Report of the Board of Directors including the Financial Statements for the financial year ended 31st March 2020 together with the Report of the Auditors thereon.
2. To re-elect Mr. D. C. R. Gunawardena, who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.
3. To re-appoint Mr. M. Selvanathan as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;  
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. M. Selvanathan who is 73 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
4. To re-appoint Mr. H. Selvanathan as a Director of the Company who is over seventy years of age and to consider and if deemed fit to pass the following resolution;  
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 07 of 2007 shall not be applicable to Mr. H. Selvanathan who is 71 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."
5. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No. 07 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd.)

**K. D. De Silva (Mrs)**

Director

Carsons Management Services (Private) Limited

Secretaries

Colombo

21st July 2020

## Notes

1. This Notice and the submission of the Form of Proxy should be read in conjunction with the '**Procedure to be followed at the Annual General Meeting of the Company scheduled for 8th September 2020**', which is enclosed with the Notice convening the AGM.
2. The notice convening the AGM together with the procedure to be followed at the AGM will be posted to the Shareholders. The documents will also be made available on the Colombo Stock Exchange [website www.cse.lk](http://www.cse.lk) and on the Group's website [www.carsoncumberbatch.com](http://www.carsoncumberbatch.com) and you may access same directly through the URL link [http://www.carsoncumberbatch.com/investor\\_information/investor\\_information\\_ceylon\\_beverage\\_holdings\\_plc.php](http://www.carsoncumberbatch.com/investor_information/investor_information_ceylon_beverage_holdings_plc.php)
3. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
4. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on 6th September 2020** or via email to [CBHAGM2020@carcumb.com](mailto:CBHAGM2020@carcumb.com) or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
5. A person representing a Corporation is required to submit a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
6. The transfer books of the Company will remain open.

# FORM OF PROXY

\* I/We .....  
of .....  
being \*a Shareholder/Shareholders of **CEYLON BEVERAGE HOLDINGS PLC**  
hereby appoint .....  
of ..... bearing NIC No./Passport  
No. .... or failing him/her.

DAMIAN AMAL CABRAAL	Or failing him,
HARIHARAN SELVANATHAN	Or failing him,
MANOHARAN SELVANATHAN	Or failing him,
SURESH KUMAR SHAH	Or failing him,
DON CHANDIMA RAJAKARUNA GUNAWARDENA	Or failing him,
RAJIV HERATH MEEWAKKALA	Or failing him,
STEFANO CLINI	

as \*my/our proxy to attend at the 109th Annual General Meeting of the Company to be held on Tuesday, 8th September 2020 at 11.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology and at any adjournment thereof and at every poll which may be taken in consequence thereof.

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

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

.....  
Signature/s

## Notes

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

# FORM OF PROXY

## INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.

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

The instrument appointing a proxy shall be in writing and;

- (i) in the case of an individual shall be signed by the appointor or by his attorney; and
- (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation.

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

A proxy need not be a Shareholder of the Company.

4. In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed Form of Proxy should be submitted to the Company not later than 4.45 p.m. on 6th September 2020 or via email to [CBHAGM2020@carcumb.com](mailto:CBHAGM2020@carcumb.com) or by fax to +94 11-2337671 or handed over or posted to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
6. Shareholders who are unable to participate at the meeting through the online meeting platform (i.e. Zoom platform) may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 6th September 2020, clearly indicating their vote under each matter set out in the Form of Proxy as per the instructions set out in the **'Procedure to be followed at the Annual General Meeting of the Company scheduled for 8th September 2020'**, attached with this Notice.
7. Shareholders could also appoint a member of the Board to act as their proxy if they so choose. The Shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same together with the **Registration Form (Annexure 1)**, attached herewith to the Company.

Please fill in the following details:

Name : .....

Address : .....

Jointly with : .....

Share folio No : .....

# CORPORATE INFORMATION

## NAME OF THE COMPANY

Ceylon Beverage Holdings PLC  
(A Carson Cumberbatch Company)

## COMPANY REGISTRATION NUMBER

PQ 35

## LEGAL FORM

A public Quoted Company with Limited Liability incorporated in Sri Lanka in 1910. Official listing of the Colombo Stock Exchange was obtained in April 1991.

## SUBSIDIARY COMPANIES

Lion Brewery (Ceylon) PLC  
Pubs 'N Places (Private) Limited  
Retail Spaces (Private) Limited  
Luxury Brands (Private) Limited  
Pearl Springs (Private) Limited  
Millers Brewery Limited

## PARENT AND CONTROLLING ENTITY

In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Beverage Holdings PLC

## DIRECTORS

Mr. D. A. Cabraal (Chairman)  
Mr. H. Selvanathan (Deputy Chairman)  
Mr. M. Selvanathan (Director / Alternate Director to H. Selvanathan)  
Mr. S. K. Shah (Chief Executive Officer)  
Mr. D. C. R. Gunawardena  
Mr. R. H. Meewakkala (Chief Executive Officer-Designate w.e.f. 01/07/2020)  
Mr. S. Clini (Appointed w.e.f. 31/10/2019)  
Mr. T. Akiskalos (Appointed w.e.f. 20/05/2019 / Resigned w.e.f. 25/10/2019)  
Mr. L. Lehmann (Resigned w.e.f. 20/05/2019)

## BANKERS

Bank of Ceylon  
Citibank  
Commercial Bank  
Deutsche Bank  
Hatton National Bank  
Nations Trust Bank  
People's Bank  
Standard Chartered Bank  
Sampath Bank  
National Development Bank  
DFCC Bank

## LEGAL ADVISERS

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

## AUDITORS

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

## MANAGERS & SECRETARIES

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

## REGISTERED OFFICE

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

## CORPORATE OFFICE & BREWERY

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

## GROUP WEBSITE

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

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