LION BREWERY (CEYLON) PLC

ANNUAL REPORT 2019/20

CONTENTS

Financial Highlights	1
Chairman’s Message	2
Chief Executive’s Review	4
Profiles of Directors	13
Senior Management Team	16
Annual Report of the Board of Directors on the Affairs of the Company	18
Audit Committee Report	30
Report of the Related Party Transactions Review Committee	32
Financial Calendar	34
Independent Auditor’s Report	35
Statement of Financial Position	38
Statement of Profit or Loss and Other Comprehensive Income	40
Statement of Changes In Equity	42
Statement of Cash Flows	44
Notes to the Financial Statements	46
Value Added Statement	107
Five Year Summary	109
Statement of Profit or Loss and Other Comprehensive Income - USD	112
Statement of Financial Position - USD	113
Notes to the Financial Statements - USD	115
Five Year Summary - USD	116
Information to Shareholders & Investors	118
Glossary of Financial Terms	120
Notice of Meeting	121
Form of Proxy	123
Corporate Information	Inner Back Cover

FINANCIAL HIGHLIGHTS

In Rs. '000s	2020	2019	Change %
Revenue	47,835,328	42,830,494	12
Profit from operations	4,905,437	6,247,580	(21)
Profit before taxation	4,388,333	5,313,324	(17)
Profit after taxation	2,812,130	3,220,880	(13)
Shareholders' funds	15,142,643	12,520,759	21
Total assets	38,784,301	35,280,781	10
Earnings per ordinary share (Rs.)	35.15	40.26	(13)
Net assets per ordinary share (Rs.)	189.28	156.51	21
Market capitalisation	41,600,000	44,400,000	6

CHAIRMAN'S MESSAGE

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 Company 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 Company paid Rs. 38.4 billion as taxes compared to Rs. 31.7 billion paid out the previous year, an increase of 21%.

The Company recorded a 12% increase in turnover to Rs. 47.8 billion compared to Rs. 42.8 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. 2.9 billion is a 12% 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 Company face the challenges with resolve and confidence.

Lion Brewery's exports continue to grow at a steady pace. Shipping over 3 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 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 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 Company 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 Berhard, was appointed on the 26th of October 2019 as their representative on the Board of Lion. 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'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 47.8 bn, we earned a post-tax profit of Rs 2.8 Bn, a decline of 12.6% 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 our 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 sizable 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 alcobev 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 to 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 our 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 content; the rationale being that those who wish to consume are best served with softer rather than harder alcobevs. 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 alcobev 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 alcobev 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, our 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 60mn 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, we increased 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 & 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 Program; 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 program 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, we 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 Company 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, revenues improved by 12%. 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 44% 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 1.576 bn. Thus, profit after tax amounted to Rs 2.812 bn, a decline of 12% 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 1.42 Bn at the close of the financial year reflecting a gearing of 9%. 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 189.28 at the conclusion of the financial year. Meanwhile, total net assets in the books of the company amounted to Rs 15.142 bn at the end of the reporting period, an increase of 20.9% over the previous year. As the financial year ended, the Company's share price stood at Rs 520 compared to Rs 555 at its commencement. The share was trading closer to Rs 600 for most of the financial year – a gain of 8.1% - but lost value right at the end due to the impact of COVID-19 on investor sentiment.

TAXATION

Our contribution to Government revenue during the financial year amounted to Rs 38.42 Bn. This was an increase of 21.1% 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 alcobev 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 alcobev 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.

RETURNS TO SHAREHOLDERS

Your Board has proposed a dividend of Rs 8 per share for approval by shareholders at the AGM. This is a lower dividend compared to the previous year & reflects the need to preserve cash considering the uncertain business environment that has arisen due to the COVID-19 pandemic. The proposed dividend distribution of Rs 640 mn amounts to 22.1% of the post-tax profits of the year under review.

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 alcobev 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 alcobev 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. We were ranked as the most valuable FMCG brand in the county, 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.

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, as a Member of Council, University of Moratuwa and as 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.

PROFILES OF DIRECTORS

RANIL GOONETILLEKE

A Fellow of the Chartered Institute of Management Accounts, UK. Consequent to initial training at KPMG, has held various positions in the mercantile sector in the field of Finance and counts over 30 years' experience. He joined the Company in 1998 as a Financial Controller and thereafter in 2005 was appointed Finance Director of Lion Brewery (Ceylon) PLC.

KRISHNA SELVANATHAN

Krishna Selvanathan - Director, Carsons Management Services (Private) Limited, is the CEO of Guardian Fund Management Limited and serves as a Board Member of other investment sector companies within the Ceylon Guardian Group. He also serves as a Director of Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC. He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

SUSAN EVANS (MRS.)

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

For the past 16 years she has been working as a Senior Consultant in India and Sri Lanka on a wide variety of assignments covering industries as diverse as soft drinks, retail, passenger cars and industrial export products. Currently works with STING Consultants, the leading strategic marketing and brand consultancy in Sri Lanka. Also serves as a Trustee on Ayati Trust Sri Lanka and Hemas Outreach Foundation, both national charities involved in improving the potential of disabled and underprivileged children.

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

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).

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

LIM CHEE KEAT

Mr Lim Chee Keat is currently the Chief Financial Officer (CFO) of Carlsberg Brewery Malaysia Berhad ("Carlsberg Malaysia"). Prior to joining Carlsberg Malaysia, he was a Director and CFO of a telecommunications company based in Jakarta and he had held several senior Finance positions in Astro Malaysia, including CFO (Content Management & Production) and Group Financial Controller.

Lim started his career as an auditor in Arthur Andersen Malaysia before joining PricewaterhouseCoopers Hong Kong as Senior Manager, Assurance & Advisory.

Lim is a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Member of the Malaysian Institute of Accountants (MIA).

SUDARSHAN SELVANATHAN

(Appointed w.e.f. 05/04/2019)

Sudarshan Selvanathan serves as an Executive Director on the Board of Lion Brewery (Ceylon) PLC. Prior to joining Carson Cumberbatch in 2019, he was a partner at JNE Partners LLP and a senior member of the investment team at its predecessor firms, MSD Partners & MSD Capital. Prior to joining MSD in 2006, he served in various roles at Lone Star Funds and Lehman Brothers. He holds a BSc (Hons) Management Science from the University of Warwick, United Kingdom.

STEFANO CLINI

(Appointed w.e.f. 26/10/2019)

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., Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC.

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

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
Director – Finance

Stefan Atton
General Manager – Sales & Marketing

Nirosh de Silva
General Manager – Technical

Nishantha Hulangamuwa
Head of Outbound Supply Chain

Shiran Jansz
Head of Procurement

Sharlene Adams
Head of Exports

Eshantha Salgado
Head of Technological Development & Sustainability

Hiran Edirisinghe
Chief Engineer

Keerthi Kanaheraarachchi
Head of Sales

Prasanthan Pathmanathan
Financial Controller, Commercial

Shiyan Jayaweera
Head of Marketing

Ama Ekanayake
Head of Information Technology

Surani Amerasinghe
Head of Human Resources

Channa Senarathne
Head of Regulatory Affairs

Jehan Goonaratne
Financial Controller, Corporate Finance

Chandana De Silva
Quality Assurance Manager

Chaminda Bandaranayake
Head of Packaging

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

The Board of Directors of Lion Brewery (Ceylon) PLC 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 year ended 31st March 2020.

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

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

GENERAL

The Group consists of Lion Brewery (Ceylon) PLC and its fully owned subsidiaries Pearl Springs (Private) Limited and Millers Brewery Limited. Lion Brewery (Ceylon) PLC is a public limited liability Company incorporated in Sri Lanka in 1996. Its subsidiary Pearl Springs (Private) Limited is a wholly owned entity incorporated in 2014. Millers Brewery Limited is a wholly owned undertaking of Pearl Springs (Private) Limited.

PRINCIPAL ACTIVITY OF THE GROUP

The Principal activity of the Group is brewing and marketing of high quality beers for both the local and export markets.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

IMPACT OF COVID-19

The Company made an Announcement on 27th April 2020 regards the impact of the COVID-19 pandemic on the business/operations of the Company, Company's response to the impact of the COVID-19 pandemic and the Company's expectation of the future impact of COVID-19 on the Company's future operations and the financial condition.

RATING REVIEW

Fitch Rating Lanka Limited on 3rd June 2020 revised the National Long-Term Rating of Lion Brewery (Ceylon) PLC to 'AAA(lka)'/Stable from 'AA-(lka)'/Stable.

Further details of significant events during the year are contained in the Chief Executive's Review on pages 04 to 12 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,
- reasonable and prudent judgments and estimates have been made, and,
- provides the information required by and otherwise comply with the Companies Act, No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Directors are responsible for ensuring that the Group 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 Group 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 Group 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 contributions, levies and taxes payable on behalf of and in respect of the employees, and,
- all other known statutory dues as were due and payable by the Company as at the reporting date have been paid, or where relevant provided for in these Financial Statements.

ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

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

FINANCIAL STATEMENTS

The Financial Statements which include the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, 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 38 to 106 of this Report.

RESERVES

The total reserves of the Group stand at Rs. 12,605 Mn (2019 - Rs. 9,983 Mn) comprising Capital Reserves of Rs. 1,388 Mn (2019 - Rs. 1,107 Mn) and Revenue Reserves of Rs. 11,216 Mn (2019 - Rs. 8,876 Mn). Details are shown in the Statement of Changes in Equity on pages 42 and 43.

CAPITAL EXPENDITURE ON PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs. 1,895 Mn (2019 - Rs. 944Mn). The movements in capital assets during the year are set out in Notes 08 & 10 to the Financial Statements.

MARKET VALUE OF FREEHOLD PROPERTIES

The land and buildings of Lion Brewery (Ceylon) PLC and Millers Brewery Limited were valued in March 2020, by a qualified independent valuer. The market value of said properties were Rs. 6,624Mn. These are further explained in Note 08 to the Financial Statements.

RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

The need for risk management has been identified and action plans to monitor and manage these risks are incorporated into the business plans and reviewed on a continuous basis.

MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

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

STATUTORY PAYMENTS

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

GOING CONCERN

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

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

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on pages 35 to 37 of this Report.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 1 to 7 in the notes to the Financial Statements on pages 46 to 63.

DONATIONS

There were no donations made during the year ended 31st March 2020 (2019 - Nil).

INTERESTS REGISTER

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

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

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

REMUNERATION OF DIRECTORS

Directors' remuneration, for the financial year ended 31st March 2020 is given in Note 28 to the Financial Statements, on page 86.

DIRECTORS' INTEREST IN CONTRACTS AND SHARES

The Related Party Transactions of the Group as required by the Sri Lanka Accounting Standard LKAS 24 Related Party Disclosures are disclosed in Note 34 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 Group, while they had the following interests in the ordinary shares of the Company as shown in the table below.

Directors	No. of shares as at	
	31st March 2020	31st March 2019
Mr. D. A. Cabraal (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	1,579	1,579
Mr. S. K. Shah (Chief Executive Officer)	6,016	6,016
Mr. D. C. R. Gunawardena	34	34
Mr. D. R. P. Goonetilleke	1	1
Mr. K. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan)	-	-
Mrs. S. J. F. Evans	-	-
Mr. R. H. Meewakkala (Chief Executive Officer - Designate w.e.f. 01/07/2020)	-	-
Mr. Lim C. K.	-	-
Mr. S. Selvanathan (Appointed w.e.f. 05/04/2019)	-	-
Mr. S. Clini (Appointed w.e.f. 26/10/2019)	-	-
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)	-	-

DIRECTORS

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

Changes in the Directorate

Mr. S. Selvanathan was appointed as a Non-Executive Director of the Company with effect from 05th April 2019. On 1st August 2019, he was designated as an Executive Director.

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 on 25th October 2019.

Mr. S. Clini was appointed to the Board on 26th 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.

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

In terms of Article 68 of the Articles of Association of the Company, Mr. S. Clini retires from the Board and being eligible offers himself for re-election.

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.

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

Appointment of Director who is over 70 years of age

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

AUDITORS

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants. Details of audit fees are set out in Note 28 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

Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC. 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

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

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, 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.

The details of the Related Party Transactions are given in Note 34 on pages 100 to 104 of the Financial Statements.

1. Non-Recurrent Related Party Transactions

There were no non-recurrent related party transactions where the aggregate value of the non-recurrent related party transactions exceed 10% of the equity or 5% of the total Asset whichever is lower of the Company as per the latest audited financial statements.

2. Recurrent Related Party Transactions

There were no Recurrent Related Party Transactions entered into by the Company, where the aggregate value of the recurrent Related Party Transactions exceed 10% of the Gross Revenue/ Income of the Group, as per the latest audited financial statements.

CORPORATE GOVERNANCE

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

Board of Directors

The following Directors held office during the period under review and their brief profiles are given on pages 13 to 15 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. D. A. Cabraal (Chairman)	Non-Executive/ Independent *
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. S. K. Shah (Chief Executive Officer)	Executive
Mr. D. C. R. Gunawardena	Non-Executive
Mr. D. R. P. Goonetilleke	Executive
Mr. K. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan)	Executive
Mrs. S. J. F. Evans	Non-Executive/ Independent

Directors	Executive/ Non-Executive / Independent
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. Lim C. K.	Non-Executive
Mr. S. Selvanathan (Appointed w.e.f. 05/04/2019)	Non-Executive Executive w.e.f. 01/08/2019
Mr. S. Clini (Appointed w.e.f. 26/10/2019)	Non-Executive
Mr. T. Akiskalos (Appointed w.e.f. 20/05/2019 / 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 Ceylon Beverage Holdings PLC, which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

Directors' Meeting Attendance

During the financial year, the Board of Directors had only four (04) Meetings, 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 four)
Mr. D. A. Cabraal (Chairman)	4/4
Mr. H. Selvanathan (Deputy Chairman)	2/4
Mr. S. K. Shah (Chief Executive Officer)	4/4
Mr. D. C. R. Gunawardena	4/4
Mr. D. R. P. Goonetilleke	3/3
Mr. K. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan)	3/4
Mrs. S. J. F. Evans	4/4
Mr. R. H. Meewakkala (Appointed Chief Executive Officer-Designate w.e.f. 01/07/2020)	4/4
Mr. Lim C. K.	4/4
Mr. S. Selvanathan (Appointed w.e.f. 05/04/2019)	3/4
Mr. S. Clini (Appointed w.e.f. 26/10/2019)	1/1
Mr. T. Akiskalos (Appointed w.e.f. 20/05/2019/ Resigned w.e.f. 25/10/2019)	3/3
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

Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC. As per the Rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange, the Audit Committee of CCPLC functions as the Audit Committee of the Company

Composition

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

Observer representing the Beverage Sector at the Carson Cumberbatch PLC Audit Committee Meetings	
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 to 31 of this Annual Report.

Remuneration Committee

Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC. As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange (CSE), the Remuneration Committee of CCPLC functions as the Remuneration Committee of the Company.

Composition

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

Scope and Objective

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

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

Functions and Proceedings

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

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

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

The Remuneration Committee meets at least twice a year.

During the 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.

Remuneration Committee Members	Meetings Attended (One meeting)
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 Executive Directors of the Company is disclosed under Note 28 on page 86 of the Annual Report.

Nomination Committee

Composition

Nomination Committee Members	Executive / Non-Executive/ Independent
Mr. D. A. Cabraal (Chairman)	Non-Executive/ Independent Director
Mrs. S. J. F. Evans	Non-Executive/ Independent Director
Mr. D. C. R. Gunawardena	Non-Executive Director

Scope and Objective

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

Functions and Proceedings

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

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

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

The Nomination Committee meets at least twice a year.

During the 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.

Nomination Committee Members	Meetings Attended (One meeting)
Mr. D. A. Cabraal (Chairman)	1/1
Mrs. S. J. F. Evans	1/1
Mr. D. C. R. Gunawardena	1/1

DIVIDEND

The Company paid a Final Dividend of Rs.6/- per ordinary share for the year ended 31st March 2019 totalling Rs. 480,000,000/- on 30th July 2019.

Subject to the approval of the Shareholders at the Annual General Meeting, the Board of Directors recommended a Final Dividend of Rs.8/- per ordinary share amounting to Rs.640,000,000/- for the year ended 31st March 2020. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

SOLVENCY TEST

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

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

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2020 was Rs.2,537,801,310/- consisting of 80,000,000 Ordinary shares.

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

EVENTS OCCURRING AFTER THE REPORTING DATE

Further, to the Note 36 Events Occurring After the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

SHARE INFORMATION

Information relating to share trading are given on pages 118 and 119 of this Report.

TWENTY MAJOR SHAREHOLDERS

		31st March 2020		31st March 2019	
	Name of Shareholders	No. of shares	%	No. of shares	%
1	CEYLON BEVERAGE HOLDINGS PLC	41,798,788	52.25	41,798,788	52.25
2	CARLSBERG BREWERY MALAYSIA BERHAD	20,000,686	25.00	20,000,686	25.00
3	CARSON CUMBERBATCH PLC A/C NO. 02	4,107,793	5.13	4,107,793	5.13
4	CB NY S/A ALLAN GRAY FRONTIER MARKETS EQUITY FUND LIMITED	2,157,031	2.70	-	-
5	CARSON CUMBERBATCH PLC A/C NO. 01	1,402,060	1.75	1,402,060	1.75
6	PERSHING LLC S/A AVERBACH GRAUSON & CO.	1,319,945	1.65	1,353,445	1.69
7	BUKIT DARAH PLC A/C NO. 02	1,300,000	1.63	1,300,000	1.63
8	RBC INVESTOR SERVICES BANK-COELI SICAV I- FRONTIER MARKETS FUND	1,273,190	1.59	1,773,190	2.22
9	SSBT-AL MEHWAR COMMERCIAL INVESTMENTS L.L.C.	983,779	1.23	983,779	1.23
10	JPMLU-T ROWE PRICE FUNDS SICAV	770,261	0.96	947,879	1.18
11	MELLON BANK N.A.-FLORIDA RETIREMENT SYSTEM	593,086	0.74	593,086	0.74
12	BBH-RONDURE NEW WORLD FUND	472,256	0.59	472,256	0.59
13	GF CAPITAL GLOBAL LIMITED	468,595	0.59	518,595	0.65
14	SSBT-FRANK RUSSEL TRUST COMPANY COMINGLED BENEFIT FUNDS TRUST GNA-6QH3	436,967	0.55	253,681	0.32
15	SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	300,000	0.38	300,000	0.38
16	DEUTSCHE BANK AG-LONDON	272,614	0.34	372,614	0.47
17	CITIBANK NEWYORK S/A NORGES BANK ACCOUNT 2	185,820	0.23	1,071,443	1.34
18	SSBT- RUSSELL TRUST COMPANY COMMINGLED EMPLOYEE BENEFIT FUND TRUST RUSSELL FRONTIER MARKETS EQUITY FUND A/C 03	172,789	0.22	172,789	0.22
19	PORTELET LIMITED	161,920	0.20	161,920	0.20
20	TRANZ DOMINION,L.L.C.	129,251	0.16	129,251	0.16

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 24th Annual General Meeting of the Company will be held on Tuesday, 8th September 2020 at 9.30 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 121 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)	(Sgd.)
S. K. Shah	D. R. P. Goonetilleke
CEO/Director	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 Lion Brewery (Ceylon) PLC is Ceylon Beverage Holdings PLC (CBHPLC) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CBHPLC. As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of CCPLC functions as the Audit Committee of the Company.

The Audit Committee consists of the following Members:

Audit Committee Members	Executive / Non-Executive/ Independent
Mr.V.P. Malalasekera (Chairman)	Non-Executive/ Independent (CCPLC)
Mr.D.C.R. Gunawardena	Non-Executive (CCPLC)
Mr.F. Mohideen	Non-Executive/ Independent (CCPLC)
Mr.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 Lion Brewery (Ceylon) PLC & Ceylon Beverage Holdings PLC w.e.f. 01/07/2020

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

CCPLC-Audit Committee held eleven (11) 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 eleven)	
Mr.V.P. Malalasekera (Chairman)	09/11
Mr.D.C.R. Gunawardena	11/11
Mr.F. Mohideen	10/11
Mr.A.S. Amaratunga	11/11

The Chief Executive Officer-Beverage Sector, Director-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 Lion Brewery (Ceylon) 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 Lion Brewery (Ceylon) PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings, prior to release of same to the Regulatory Authorities and to the shareholders.

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 Lion Brewery (Ceylon) 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, Director - 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 Lion Brewery (Ceylon) 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 Lion Brewery (Ceylon) PLC is Ceylon Beverage Holdings PLC (CBHPLC) and Carson Cumberbatch PLC (CCPLC) in turn is the Parent Company of CBHPLC. As provided by the Colombo Stock Exchange Listing Rules, the Related Party Transactions Review Committee (RPTRC) of CCPLC 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:

Meetings attended (out of three)	
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

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

Financial Year	31st March 2020
Announcement of Results	
1st Quarter	30th June 2019
Issued to Colombo Stock Exchange	13th August 2019
2nd Quarter	30th September 2019
Issued to Colombo Stock Exchange	14th November 2019
3rd Quarter	31st December 2019
Issued to Colombo Stock Exchange	13th February 2020
4th Quarter	31st March 2020
Issued to Colombo Stock Exchange	29th May 2020
Meetings	
23rd Annual General Meeting	19th July 2019
24th Annual General Meeting	8th September 2020

INDEPENDENT AUDITOR'S REPORT

KPMG

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

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TO THE SHAREHOLDERS OF LION BREWERY (CEYLON) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lion Brewery (Ceylon) 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, 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 38 to 106 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.

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.

Carrying value of Brands acquired

Risk Description	Our response
The company has recognised an intangible asset relating to Brands acquired with a carrying value of Rs. 1.58 Billion as at the reporting date. 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. Note 37 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 finalizing these financial statements. See note 2.5 for Use of Estimates and Judgments, note 3.7 for accounting policy and note 10 for information.	Our audit procedures among others included: • 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. • Recomputing and comparing the data used in the forecasted cash flow model with information maintained by management and historical trends. • Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.

INDEPENDENT AUDITOR'S REPORT

KPMG

Revenue Recognition

Risk Description	Our response
The company recorded revenues of Rs.47.8 Bn for year ended 31 March 2020 and group recorded revenues of Rs.47.8 Bn for the year ended 31 March 2020. Whilst revenue recognition and measurement is not complex for the Company, the Company 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. See note 4.1 for accounting policy and note 26 for information.	Our audit procedures among others included: • 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. • Performing a fraud risk assessment through inquiry of management regarding any actual or suspected override of controls in relation to revenue recognition. • Testing design and implementation and operating effectiveness of controls over journal entries and post-closing adjustments. • Through inquiry and observation assessing the accounting for significant transactions that are outside of the normal course of business, or are otherwise unusual. • Testing that amounts have been recognised in the correct period for cutoff and evaluate whether there are any significant amount of returns after the year end. • 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.

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.
- 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.

KPMG

Chartered Accountants
Colombo, Sri Lanka
21st July 2020

STATEMENT OF FINANCIAL POSITION

		Company		Group	
As at 31st March		2020	2019	2020	2019
In Rs.'000s	Notes				
ASSETS					
Non-Current Assets					
Property, plant & equipment	8	17,554,046	16,674,679	19,152,259	18,073,888
Right of use assets	9	162,759	-	162,759	-
Intangible assets	10	1,642,330	2,378,212	1,642,330	2,378,212
Investment in subsidiary	11	1,029,623	1,029,623	-	-
Total non-current assets		20,388,758	20,082,514	20,957,348	20,452,100
Current Assets					
Inventories	12	2,582,120	2,105,811	2,582,120	2,105,811
Trade and other receivables	13	1,291,041	1,751,534	1,297,428	1,759,235
Amounts due from related companies	14	609,024	713,230	609,024	713,230
Cash and cash equivalents	15	13,183,568	10,126,039	13,338,381	10,250,405
Total current assets		17,665,753	14,696,614	17,826,953	14,828,681
Total assets		38,054,511	34,779,128	38,784,301	35,280,781
EQUITY AND LIABILITIES					
Equity					
Stated capital	16	2,537,801	2,537,801	2,537,801	2,537,801
Capital reserves	17	972,968	782,557	1,388,475	1,106,770
Retained earnings		11,427,695	9,008,246	11,216,367	8,876,188
Total equity		14,938,464	12,328,604	15,142,643	12,520,759
Non-Current Liabilities					
Loans and borrowings	18	2,633,041	3,271,271	2,633,041	3,271,271
Lease creditor	9	158,642	-	158,642	-
Employee benefits	19	198,737	197,430	198,737	197,430
Net deferred tax liabilities	20	4,602,596	4,700,075	5,116,420	5,000,172
Total non-current liabilities		7,593,016	8,168,776	8,106,840	8,468,873

As at 31st March In Rs.'000s	Notes	Company 2020	 2019	Group 2020	 2019
Current Liabilities					
Trade and other payables	21	1,477,865	1,101,924	1,486,979	1,108,777
Amounts due to related companies	22	108,371	115,060	107,748	114,946
Refundable deposits	23	1,715,620	1,456,224	1,715,620	1,456,224
Current tax liabilities	24	82,996	2,417,984	86,292	2,420,646
Debentures	25	-	2,078,285	-	2,078,285
Loans and borrowings	18	9,958,243	6,322,696	9,958,243	6,322,696
Lease creditor	9	12,370	-	12,370	-
Bank overdrafts	15	2,167,566	789,575	2,167,566	789,575
Total current liabilities		15,523,031	14,281,748	15,534,818	14,291,149
Total liabilities		23,116,047	22,450,524	23,641,658	22,760,022
Total equity and liabilities		38,054,511	34,779,128	38,784,301	35,280,781
Net assets per ordinary share		186.73	154.11	189.28	156.51

The Notes to the Financial Statements from page 46 to 106 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.)
J.N. Goonaratne
Financial Controller-Corporate

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

Approved and signed on behalf of the Managers

(Sgd.)
V. R. Wijesinghe
Director

Approved and signed on behalf of the Board

(Sgd.)
S.K. Shah
Director

(Sgd.)
D.R.P. Goonetilleke
Director

Carsons Management Services (Private) Limited
21st July 2020
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Company		Group	
For the year ended 31st March		2020	2019	2020	2019
In Rs.'000s	Notes				
Revenue	26	47,835,328	42,830,494	47,835,328	42,830,494
Cost of sales		(37,330,756)	(32,007,626)	(37,330,756)	(32,007,626)
Gross profit		10,504,572	10,822,868	10,504,572	10,822,868
Other income	27	150,253	140,249	162,319	143,060
		10,654,825	10,963,117	10,666,891	10,965,928
Distribution expenses		(2,908,894)	(2,900,004)	(2,908,894)	(2,900,004)
Administrative expenses		(1,556,963)	(1,394,180)	(1,594,622)	(1,440,482)
Other expenses		(517,623)	(377,862)	(517,623)	(377,862)
Impairment of intangible assets	10	(740,315)	-	(740,315)	-
Profit from operations	28	4,931,030	6,291,071	4,905,437	6,247,580
Finance income	29	1,012,709	1,032,653	1,020,932	1,043,122
Finance costs	29	(1,538,036)	(1,977,378)	(1,538,036)	(1,977,378)
Net finance cost		(525,327)	(944,725)	(517,104)	(934,256)
Profit before taxation		4,405,703	5,346,346	4,388,333	5,313,324
Income tax expense	30	(1,743,340)	(780,243)	(1,743,340)	(783,462)
Deferred taxation	30	229,037	(1,295,308)	167,137	(1,308,982)
Profit for the year		2,891,400	3,270,795	2,812,130	3,220,880

For the year ended 31st March In Rs.'000s	Notes	Company 2020	 2019	Group 2020	 2019
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurement of employee benefit obligations	19	11,545	12,533	11,545	12,533
Deferred tax charge on actuarial gain	30	(4,618)	(5,013)	(4,618)	(5,013)
Revaluation gain on land & buildings	8	317,351	-	560,472	279,091
Deferred tax charge on land and building revaluation	30	(126,940)	-	(278,767)	(78,145)
Total other comprehensive income for the year net of tax		197,338	7,520	288,632	208,466
Total comprehensive income for the year		3,088,738	3,278,315	3,100,762	3,429,346
Earnings per ordinary share (Rs.)		36.14	40.88	35.15	40.26

The notes to the Financial Statements from Page 46 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

In Rs.'000s	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
Company				
Balance as at 1st April 2018	2,537,801	782,557	6,049,931	9,370,289
Total comprehensive income for the year				
Profit for the year	-	-	3,270,795	3,270,795
Other comprehensive income for the year	-	-	7,520	7,520
Total comprehensive income for the year	-	-	3,278,315	3,278,315
Transactions with owners of the company				
Distribution made to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2019	2,537,801	782,557	9,008,246	12,328,604
Balance as at 1st April 2019	2,537,801	782,557	9,008,246	12,328,604
Total comprehensive income for the year				
Profit for the year	-	-	2,891,400	2,891,400
Other comprehensive income for the year	-	190,411	6,927	197,338
Total comprehensive income for the year	-	190,411	2,898,327	3,088,738
Transactions with owners of the company				
Distribution made to owners				
Ordinary dividends	-	-	(480,000)	(480,000)
Forfeiture of unclaimed dividends	-	-	1,122	1,122
Balance as at 31st March 2020	2,537,801	972,968	11,427,695	14,938,464

The notes to the Financial Statements from Page 46 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

In Rs.'000s	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
Group				
Balance as at 1st April 2018	2,537,801	905,824	5,967,788	9,411,413
Total comprehensive income for the year				
Profit for the year	-	-	3,220,880	3,220,880
Other comprehensive income for the year	-	200,946	7,520	208,466
Total Comprehensive income for the year	-	200,946	3,228,400	3,429,346
Transactions with owners of the company				
Distribution made to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2019	2,537,801	1,106,770	8,876,188	12,520,759
Balance as at 1st April 2019	2,537,801	1,106,770	8,876,188	12,520,759
Total comprehensive income for the year				
Profit for the year	-	-	2,812,130	2,812,130
Other comprehensive income for the year	-	281,705	6,927	288,632
Total comprehensive income for the year	-	281,705	2,819,057	3,100,762
Transactions with owners of the company				
Distributions made to owners				
Ordinary dividends	-	-	(480,000)	(480,000)
Forfeiture of unclaimed dividends	-	-	1,122	1,122
Balance as at 31st March 2020	2,537,801	1,388,475	11,216,367	15,142,643

The notes to the Financial Statements from Page 46 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

		Company		Group	
For the year ended 31st March		2020	2019	2020	2019
In Rs.'000s	Notes				
Cash flows from operating activities					
Profit before taxation		4,405,703	5,346,346	4,388,333	5,313,324
Adjustments for:					
Finance costs	29	1,557,657	1,979,510	1,557,657	1,979,510
Depreciation on property, plant & equipment	8	1,185,684	1,191,532	1,212,460	1,217,708
Amortisation on intangible assets	10	4,850	53,516	4,850	53,516
Depreciation on right of use assets	9	22,916	-	22,916	-
Net inventory provision/(reversal)	12	38,847	(20,818)	38,847	(20,818)
Provision for retirement benefit obligation	19	38,858	36,295	38,858	36,295
Impairment provision for trade debtors	13	-	10,000	-	10,000
Impairment of property, plant & equipment	8	4,729	7,311	4,729	7,335
Loss on disposal of returnable containers		132,443	-	132,443	-
Impairment of intangible assets	10	740,315	-	740,315	-
Gain on disposal of property, plant & equipment		(8,951)	(3,528)	(19,246)	(3,528)
Lease interest expense	9	15,508	-	15,508	-
Foreign exchange loss/(gain)		6,167	(4,639)	6,166	(4,638)
Finance Income	29	(1,012,709)	(1,032,653)	(1,020,932)	(1,043,122)
Operating cash flow before working capital changes		7,132,017	7,562,872	7,122,904	7,545,582
Increase in inventories	12	(515,156)	(470,989)	(515,156)	(470,989)
Decrease in trade and other receivables		454,327	794,530	455,641	812,938
Decrease/(Increase) in amounts due from related companies	14	104,206	(95,233)	104,206	(99,560)
(Decrease)/Increase in tax payable		(1,754,305)	122,456	(1,753,671)	122,391
Increase/(Decrease) in trade and other payables		377,126	(125,989)	379,387	(126,688)
(Decrease)/Increase in amounts due to related companies	22	(6,689)	9,500	(7,198)	9,386
Cash generated from operations		5,791,526	7,797,147	5,786,113	7,793,060
Finance expenses paid		(1,419,256)	(1,781,023)	(1,419,256)	(1,781,024)
Retirement benefits paid	19	(26,006)	(11,209)	(26,006)	(11,209)
Tax paid		(2,391,223)	(465,991)	(2,391,223)	(469,466)
Net cash generated from operating activities		1,955,041	5,538,924	1,949,628	5,531,361

		Company		Group	
For the year ended 31st March		**2020**	**2019**	**2020**	**2019**
In Rs.'000s	**Notes**				
Cash flows from investing activities					
Purchase and construction of property , plant & equipment	8	(1,889,170)	(899,522)	(1,889,170)	(899,522)
Purchase of intangible assets	10	(5,747)	(44,506)	(5,747)	(44,506)
Proceeds from sale of property, plant & equipment		9,713	3,529	37,350	3,529
Agent deposits received	23	259,396	298,961	259,396	298,961
Agent deposits refunded	23	-	(6,998)	-	(6,998)
Interest received	29	1,012,709	1,032,653	1,020,932	1,043,122
Net cash (used in)/ generated from investing activities		(613,099)	384,117	(577,239)	394,586
Cash flows from financing activities					
Loans and borrowings obtained	18	4,373,249	-	4,373,249	-
Repayments of loans and borrowings	18	(1,592,619)	(2,319,690)	(1,592,619)	(2,319,690)
Repayments of debentures	25	(2,000,000)	(998,800)	(2,000,000)	(998,800)
Repayments of lease rentals	9	(30,171)	-	(30,171)	-
Forfeiture of unclaimed dividends		1,122	-	1,122	-
Dividend paid net of tax		(413,985)	(275,210)	(413,985)	(275,210)
Net cash generated/(used) in financing activities		337,596	(3,593,700)	337,596	(3,593,700)
Net increase in cash & cash equivalents		1,679,538	2,329,341	1,709,985	2,332,247
Cash & cash equivalents at the beginning of the year		9,336,464	7,007,123	9,460,830	7,128,583
Cash & cash equivalents at the end of the year (Note 15)		11,016,002	9,336,464	11,170,815	9,460,830
Analysis of cash and cash equivalents					
Cash and cash equivalents		13,183,568	10,126,039	13,338,381	10,250,405
Bank overdraft		(2,167,566)	(789,575)	(2,167,566)	(789,575)
		11,016,002	9,336,464	11,170,815	9,460,830

The notes to the Financial Statements from Page 46 to 106 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 Reporting Entity

Lion Brewery (Ceylon) PLC ("LBCPLC") is a public limited liability Company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Beverage Holdings PLC. The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 01 and the principal place of business is situated at No 254, Colombo Road, Biyagama.

Pearl Springs (Private) Limited (PSPL) is a fully owned subsidiary of Lion Brewery (Ceylon) PLC. The Company together with its subsidiary, PSPL acquired 100% ownership of Millers Brewery Limited (MBL) in the financial year 2014/15.

The Consolidated Financial Statements for the year ended 31st March 2020 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually Group entities).

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

The principal activities of the Group is brewing and marketing of high quality beers for both local & export markets.

There were 237 employees in the Company and the Group as at the reporting date. (2019 -237).

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

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

2.2 Basis of measurement

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

Land & Building - Fair Value

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 a 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 Lanka Rupees has been rounded to the nearest thousand rupees.

2.5 Use of estimates and Judgments

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

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

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

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

Note 8 – Revaluation of Land & Building

Note 10 – Impairment test on Intangible Assets

Note 13 – Provision for impairment of debtors

Note 19 – Employee benefit obligations

Note 20 – Deferred tax liabilities/assets

Note 35 – Commitments & Contingencies

Note 37 – Impact from COVID-19 pandemic

2.6 Comparative Information

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

2.7 Measurement of Fair value

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

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

Significant valuation issues are reported to the Group's Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in Significant Accounting Policies

The Group 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 and the Company adopted SLFRS 16, 'Leases', with effect from 1st April 2019, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group and Company 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 Company and 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 it's 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 following table summarises the impact of transition to SLFRS 16 as at 01st April 2019;

Impact of adopting SLFRS 16 as at 01st April 2019

	Group	Company
Operating lease commitments at 31st March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	317,176	317,176
Recognition exemptions for leases	(209,937)	(209,937)
Lease liabilities recognised at 1st April 2019	107,239	107,239

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/Company's retained earnings. The details of right-of-use assets are given in note 9 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 and subsequent to the acquisition the Company continues to recognise the investment in subsidiary at cost.

During the year the Company has held the following subsidiaries:

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

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 the Profit or Loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(IV) Non-Controlling Interest

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

(V) Financial Period

The Consolidated Financial Statements are prepared to a common financial year ending 31st March.

(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 Group's monetary items at rates different from those which were initially recorded are dealt with in the Profit or Loss.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost at the reporting date are translated to Sri 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:

- 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 solely with the 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.
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.

3.4.2 Financial liabilities

Classification, subsequent measurement and gain and losses

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

3.4.3 De-recognition

Financial assets

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

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

Financial liabilities

The Group derecognised a financial liability when its contractual obligations were discharged or cancelled, or expired. The Group also derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different, in which case a new financial liability based on the modified terms were 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) was recognised in profit or loss.

3.4.4 Offsetting

Financial assets and financial liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Group had 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 debtor or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation
- the disappearance of an active market tor 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.

3.4.6 Write-off

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

3.4.7 Impairment of Non-Financial Assets

The carrying amounts of the company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an assets or cash generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell.

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

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

3.5 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 as and when the expense is incurred.

(IV) Revaluation of Land and Buildings

The freehold land and buildings of the Company and subsidiaries have been revalued and revaluation of these assets is carried out at least once in every five years in order to ensure that the book values reflect the 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 income statement in which case the increase is recognised in the income statement.

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.

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

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

(VI) Borrowing Costs

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

(VII) Refundable Deposits & Returnable Containers

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

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

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

(VIII) Capital Work-in-Progress

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

(IX) Impairment of Property, Plant and Equipment

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

(X) De-recognition

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

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

3.6 Leases

Policy applicable from 1 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 supplies 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 01 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 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 01 April 2019

For contracts entered into before 1 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group 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.

3.7 Intangible Assets

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

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

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

Intangible assets with finite lives are amortised based on the cost of an asset less its residual value and recognised in the Profit or Loss and on a straight line basis over the estimated useful lives of the intangible assets from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each financial year end. The estimated useful life of a Software License is 3 - 5 years.

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 indefinite useful life.

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

3.8 Inventories

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

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

Accordingly, the costs of inventories are accounted as follows:

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

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

3.9 Assets Held For Sale

(I) Recognition

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

(II) Measurement

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

(III) Depreciation

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

3.10 Investments

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

3.11 Cash and Cash Equivalents

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

3.12 LIABILITIES AND PROVISIONS

3.12.1 Liabilities

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

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

3.12.2 Refundable Deposits

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

3.12.3 Provisions

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

3.13 Employee Benefits

(i) Defined Contribution Plans

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

Employees' Provident Fund

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

Employees' Trust Fund

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

(ii) Defined Benefit Plans

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

The calculation is performed annually by a qualified actuary using the Projected Unit Credit method (PUC). The Company's net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continuous service. Any actuarial gains or losses arising are 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.

3.14 Capital Commitments & Contingencies

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

3.15 Events Subsequent to the Reporting Period

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

4 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 is net of discounts and sales taxes.

(i) Interest

Income is recognised on an accrual basis.

(ii) Others

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

4.2 Expenditure Recognition

(i) Operating Expenditure

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

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure. Repairs and renewals are charged to the Profit or Loss in the year in which the expenditure is incurred.

(ii) Finance Income & Finance Cost

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the Profit or Loss, using the effective interest method.

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

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

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

4.3 Income Tax

Income tax comprises of current and deferred tax. Income tax is 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 and subsequent amendments thereto.

(ii) Deferred Taxation

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

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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 Earnings per Share

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

4.5 Dividend Distribution

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

5 STATEMENT OF CASH FLOWS

5.1 Cash and Cash Equivalents

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

For the purpose of statement of cash flows, cash and cash equivalents comprise of cash in hand, cash in bank and deposits held 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 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 1st 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 PROPERTY, PLANT & EQUIPMENT

8.1 Property, Plant & Equipment - Company

In Rs.'000s	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
Cost / Valuation												
As at 1st April 2019	2,179,646	2,554,762	13,000,742	29,895	38,901	254,082	118,493	69,956	3,445,351	1,290,354	**22,982,182**	22,240,429
Additions	251,241	42,680	32,242	519	1,450	3,707	60,400	183	696,393	800,355	**1,889,170**	899,522
Transfers to PPE/Intangible assets	27,413	105,478	345,634	1,845	1,428	1,065	-	-	-	(486,399)	**(3,536)**	(1,600)
Revaluation gain/(loss)	333,530	(16,179)	-	-	-	-	-	-	-	-	**317,351**	-
Depreciation adjustment on revaluation	-	(256,420)	-	-	-	-	-	-	-	-	**(256,420)**	-
Disposals/ Breakages	-	-	(74)	-	-	-	(29,941)	-	(685,810)	-	**(715,825)**	(156,169)
As at 31st March 2020	2,791,830	2,430,321	13,378,544	32,259	41,779	258,854	148,952	70,139	3,455,934	1,604,310	**24,212,922**	22,982,182
Accumulated Depreciation												
As at 1st April 2019	-	186,720	3,426,568	18,855	22,081	206,676	79,238	65,116	2,299,395	2,854	**6,307,503**	5,264,829
Charge for the year	-	69,700	657,842	2,086	3,864	24,458	21,626	1,750	404,358	-	**1,185,684**	1,191,532
Depreciation adjustment on revaluation	-	(256,420)	-	-	-	-		-	-	-	**(256,420)**	-
Impairment	-	-	4,729	-	-	-	-	-	-	-	**4,729**	7,311
Disposals/ Breakages	-	-	-	-	-	-	(29,253)	-	(553,367)	-	**(582,620)**	(156,169)
As at 31st March 2020	-	-	4,089,139	20,941	25,945	231,134	71,611	66,866	2,150,386	2,854	**6,658,876**	6,307,503
Net Book Value												
As at 31st March 2020	2,791,830	2,430,321	9,289,405	11,318	15,834	27,720	77,341	3,273	1,305,548	1,601,456	**17,554,046**	
As at 31st March 2019	2,179,646	2,368,042	9,574,174	11,040	16,820	47,406	39,256	4,840	1,145,956	1,287,500		16,674,679

Except for the land at Kurunagala, all other freehold land and buildings of the Company were revalued 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. 5,151 Mn and the resultant surplus arising from there was transferred to the Revaluation Reserve.

8 PROPERTY, PLANT & EQUIPMENT

8.1 Property, Plant & Equipment - Group

In Rs.'000s	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
Cost / Valuation												
As at 1st April 2019	2,873,253	3,039,676	13,276,179	37,353	39,216	263,551	118,638	69,956	3,447,302	1,290,354	**24,455,478**	23,469,629
Additions	251,241	42,680	32,242	519	1,450	3,707	60,400	183	696,393	800,355	**1,889,170**	899,522
Transfers to PPE/Intangible assets	27,413	105,478	345,633	1,845	1,428	1,065	-	-	-	(486,399)	**(3,536)**	(1,600)
Revaluation gain/(loss)	570,991	(10,519)	-	-	-	-	-	-	-	-	**560,472**	279,091
Depreciation adjustment on revaluation	-	(268,543)	-	-	-	-	-	-	-	-	**(268,543)**	(34,994)
Disposals/ Breakages	(7,337)	-	(14,561)	-	-	-	(29,941)	-	(685,810)	-	**(737,649)**	(156,169)
As at 31st March 2020	3,715,561	2,908,772	13,639,493	39,717	42,094	268,323	149,097	70,139	3,457,885	1,604,310	**25,895,392**	24,455,479
Accumulated Depreciation												
As at 1st April 2019	-	186,717	3,484,779	22,852	22,397	216,147	79,383	65,116	2,301,346	2,854	**6,381,591**	5,347,711
Charge for the year	-	81,826	671,315	3,263	3,864	24,458	21,626	1,750	404,358	-	**1,212,460**	1,217,708
Depreciation adjustment on revaluation	-	(268,543)	-	-	-	-	-	-	-	-	**(268,543)**	(34,994)
Impairment	-	-	4,729	-	-	-	-	-	-	-	**4,729**	7,335
Disposals/ Breakages	-	-	(4,484)	-	-	-	(29,253)	-	(553,367)	-	**(587,104)**	(156,169)
As at 31st March 2020	-	-	4,156,339	26,115	26,261	240,605	71,756	66,866	2,152,337	2,854	**6,743,133**	6,381,591
Net Book Value												
As at 31st March 2020	3,715,561	2,908,772	9,483,154	13,602	15,833	27,718	77,341	3,273	1,305,548	1,601,456	**19,152,259**	
As at 31st March 2019	2,873,253	2,852,959	9,791,400	14,501	16,819	47,404	39,256	4,840	1,145,956	1,287,500		18,073,888

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.

8.2 Carrying amount of the revalued assets, if they were carried at cost model

	Company		Group	
In Rs.'000s	Land	Buildings	Land	Buildings
Cost as at 1st April 2019	1,300,467	2,167,262	1,612,816	2,616,626
Additions during the year	278,654	148,158	278,654	148,158
Cost as at 31st March 2020	1,579,121	2,315,420	1,891,470	2,764,784
Accumulated depreciation	-	(435,645)	-	(497,448)
Carrying amount as at 31st March 2020	1,579,121	1,879,775	1,891,470	2,267,336
Carrying amount as at 31st March 2019	1,300,467	1,786,892	1,612,816	2,185,718

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

Location	2020						2019					
	Extent of Lands			Cost / valuation of Lands Rs. 000s	Number of buildings/ Blocks	Cost/ valuation of Buildings Rs. 000s	Extent of Lands			Cost / valuation of Lands Rs. 000s	Number of buildings/ Blocks	Cost/ valuation of Buildings Rs. 000s
Lion Brewery Ceylon PLC	A	R	P				A	R	P			
Biyagama	28.00	2.00	4.46	2,445,380	46	2,420,321	28.00	1.00	14.71	1,968,321	46	2,544,262
Kaduwela	3.00	-	27.00	253,500	-	10,000	3.00	-	27.00	190,125	-	10,500
Tangalle	3.00	2.00	-	22,400	-	-	3.00	2.00	-	21,200	-	-
Kurunegala	3.00	-	35.00	70,550	-	-	-	-	-	-	-	-
Total- Company	38.00	1.00	26.46	2,791,830	46	2,430,321	35.00	0.00	1.71	2,179,646	46	2,554,762
Millers Brewery Limited												
Meegoda	22.00	2.00	37.43	923,731	12	478,451	22.00	3.00	30.04	693,607	12	484,914
Total- Group	61.00	0.00	23.89	3,715,561	58	2,908,772	57.00	3.00	31.75	2,873,253	58	3,039,676

A: Acres R: Roods P: Perches

8.4 The cost of fully-depreciated property, plant and equipment of the Group and the Company which are still in use amounted to Rs. 2,928Mn (2019 - Rs. 3,239Mn) and Rs. 2,906Mn (2019 - Rs. 3,217Mn) respectively.

8.5 Property plant and equipment 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).

8.6 Fair Value measurement

(a) Fair Value Hierarchy

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

(b) Valuation techniques and significant unobservable inputs

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

Property	Method of valuation	Estimated price per perch	Estimated price per square foot	Effective date of valuation	Correlation to fair value
Lion Brewery (Ceylon) PLC, Biyagama	OMV	LKR 500,000/- LKR 625,000/-	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/- LKR 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 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.

9 RIGHT OF USE ASSETS

The Group and the Company adopted SLFRS 16, 'Leases', with effect from 1st April 2019, using modified retrospective method 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.

	Company		Group	
As at 31st March	**2020**	**2019**	**2020**	**2019**
In Rs.'000s				
Recognition of right of use assets as at 1 April	107,239	-	107,239	-
Additions during the period	78,436	-	78,436	-
Depreciation charge for the period	(22,916)	-	(22,916)	-
Balance as at 31 March	162,759	-	162,759	-

9.1 LEASE CREDITOR

Recognition of lease liability as at 1 April	107,239	-	107,239	-
Leases obtained	78,436	-	78,436	-
Interest expense for the period	15,508	-	15,508	-
Lease rentals paid	(30,171)	-	(30,171)	-
Balance as at 31 March	171,012	-	171,012	-

Analysis of Finance Lease Liabilities by period of Re-payment

	Company		
As at 31st March 2020			
In Rs.'000s	**Contractual CF**	**Interest**	**Present Value of lease payments**
Current	35,953	(23,583)	12,370
Non current	260,338	(101,696)	158,642
	296,291	(125,279)	171,012

As at 31st March 2020 In Rs.'000s	Group		
	Contractual CF	Interest	Present Value of lease payments
Current	35,953	(23,583)	12,370
Non current	260,338	(101,696)	158,642
	296,291	(125,279)	171,012

As at 31st March In Rs.'000s	Company		Group	
	2020	2019	2020	2019
Following are the amounts recognised in profit or loss for the year ended 31 March				
Depreciation of right of use assets	22,916	-	22,916	-
Interest expense on lease liability	15,508	-	15,508	-
Total amount recognised in profit or loss	38,424	-	38,424	-

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

10 INTANGIBLE ASSETS

As at 31st March In Rs.'000s	Brands	Computer Software	Excise License	2020	2019
COMPANY					
Cost					
Opening balance	4,000,000	364,753	38,200	4,402,953	4,356,847
Additions during the year	-	5,747	-	5,747	44,506
Transfers from capital WIP	-	3,536	-	3,536	1,600
Closing balance	4,000,000	374,036	38,200	4,412,236	4,402,953
Amortisation					
Opening balance	1,673,065	351,676	-	2,024,741	1,971,225
Amortisation for the year	-	4,850	-	4,850	53,516
Impairment	740,315	-	-	740,315	-
Closing balance	2,413,380	356,526	-	2,769,906	2,024,741
Net Book Value	1,586,620	17,510	38,200	1,642,330	2,378,212
GROUP					
Cost					
Opening balance	4,000,000	364,753	38,200	4,402,953	4,356,847
Additions during the year	-	5,747	-	5,747	44,506
Transfers from capital WIP	-	3,536	-	3,536	1,600
Closing balance	4,000,000	374,036	38,200	4,412,236	4,402,953
Amortisation					
Opening balance	1,673,065	351,676	-	2,024,741	1,971,225
Amortisation for the year	-	4,850	-	4,850	53,516
Impairment	740,315	-	-	740,315	-
Closing balance	2,413,380	356,526	-	2,769,906	2,024,741
Net Book Value	1,586,620	17,510	38,200	1,642,330	2,378,212

Brands of Millers Brewery Limited

The Company acquired brands amounting to Rs. 4,000,000,000/- during FY 2014/15 from Millers Brewery Limited. The said acquisition consisted of five brands namely, Sando Power , Sando Stout, Three Coins, Grand Blonde and Irish Dark. 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. The brands are tested for impairment annually.

Assumptions

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 Limited 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 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 Limited, 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.

11 INVESTMENT IN SUBSIDIARY

Company

The company invested Rs. 1,150,000,000/- in Pearl Springs (Private) Limited through which the Company acquired Millers Brewery Limited in financial year 2014/15. Pearl Springs (Private) Limited is a fully owned subsidiary of Lion Brewery (Ceylon) PLC.

In Rs.'000s	No of Shares	% holding	Market Value / Directors Value as at 31st March 2020	Cost as at 31st March 2020	Market Value / Directors Value as at 31st March 2019	Cost as at 31st March 2019
Pearl Springs (Private) Limited	115,000,000	100%		1,150,000		1,150,000
Impairment Provision				(120,377)		(120,377)
Carrying value			**1,029,623**	1,029,623	1,029,623	1,029,623

As the subsidiaries are 100% equity owned companies, no presentation for non-controlling interest has been made.

12 INVENTORIES

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Raw and packing materials	499,256	328,947	499,256	328,947
Work in progress	245,750	208,140	245,750	208,140
Finished goods	1,423,164	1,210,465	1,423,164	1,210,465
Maintenance spares & others	487,216	392,678	487,216	392,678
	2,655,386	2,140,230	2,655,386	2,140,230
Impairment provision for inventory (Note 12.1)	(73,266)	(34,419)	(73,266)	(34,419)
	2,582,120	2,105,811	2,582,120	2,105,811

12.1 Impairment provision for inventory

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

13 TRADE AND OTHER RECEIVABLES

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Trade receivables	233,031	810,031	233,031	810,031
Provision for Impairment (Note 13.1)	(51)	(25,065)	(51)	(25,065)
	232,980	784,966	232,980	784,966
Advances	607,759	481,127	607,759	481,127
Prepayments	213,691	220,330	213,691	220,330
Other receivables	236,611	265,111	242,998	272,812
	1,291,041	1,751,534	1,297,428	1,759,235

13.1 Provision for Impairment

	Company 2020	Company 2019	Group 2020	Group 2019
Balance as at beginning of the year	25,065	15,065	25,065	15,065
Provisions made/(written off) during the year	(25,014)	10,000	(25,014)	10,000
Balance as at end of the year	51	25,065	51	25,065

14 AMOUNTS DUE FROM RELATED COMPANIES

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Pubs 'N Places (Private) Ltd	101,064	124,643	101,064	124,643
Ceylon Beverage Holdings PLC	501,460	588,587	501,460	588,587
Carsons Management Services (Private) Limited	6,500	-	6,500	-
	609,024	713,230	609,024	713,230

15 CASH AND CASH EQUIVALENTS

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Fixed deposits with financial institutions	7,959,925	9,563,340	8,074,925	9,678,340
Savings accounts	3,058,472	18,444	3,058,532	18,503
Cash at bank	2,160,561	540,800	2,200,314	550,107
Cash in hand	4,610	3,455	4,610	3,455
	13,183,568	10,126,039	13,338,381	10,250,405

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

Cash and cash equivalents	13,183,568	10,126,039	13,338,381	10,250,405
Bank overdrafts	(2,167,566)	(789,575)	(2,167,566)	(789,575)
	11,016,002	9,336,464	11,170,815	9,460,830

16 STATED CAPITAL

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Shares issued and fully paid (80,000,000 ordinary shares)	2,537,801	2,537,801	2,537,801	2,537,801

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

17 CAPITAL RESERVES

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

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Balance as at beginning of the year	782,557	782,557	1,106,770	905,824
Deferred tax charge on land and building revaluation	(126,940)	-	(278,767)	(78,145)
Revaluation of land and buildings	317,351	-	560,472	279,091
Balance as at end of the year	972,968	782,557	1,388,475	1,106,770

18 LOANS AND BORROWINGS

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Balance as at the beginning of the year	9,141,370	11,461,060	9,141,370	11,461,060
Obtained during the year	4,373,249	-	4,373,249	-
Repayments during the year	(1,592,619)	(2,319,690)	(1,592,619)	(2,319,690)
	11,922,000	9,141,370	11,922,000	9,141,370
Interest payable	669,284	452,597	669,284	452,597
Balance as at the end of the year	12,591,284	9,593,967	12,591,284	9,593,967

18.1 Details of loans and borrowings

Name of the Lender	31st March 2020 Rs. 000s	31st March 2019 Rs. 000s	Repayment Terms	Security Offered	Type of Interest
Commercial Bank - Rs. 1 Bn	-	99,820	Payable in 60 equal monthly instalments commencing from October 2014	Unsecured	Fixed
DFCC - Rs. 1 Bn (2015)	100,000	300,000	Payable in 60 equal monthly instalments commencing from October 2015	Unsecured	Floating
DFCC - Rs. 1 Bn (2016)	200,000	400,000	Payable in 60 equal monthly instalments commencing from April 2016	Unsecured	Floating
HNB - Rs. 1 Bn	-	305,000	35 equal monthly instalments of Rs 27.8Mn and with a final instalment of Rs 27 Mn commencing from March 2017.	Unsecured	Floating
Commercial Bank- Rs. 1Bn	505,000	713,800	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 instalments of Rs.17.40 Mn and a final instalment Rs.17.80 Mn commencing from October 2017.	Unsecured	Floating
HNB- Rs. 2Bn	992,000	1,496,000	Payable in 4 years. commencing from April 2018	Unsecured	Floating
NDBIB - Rs. 1.5Bn	1,425,000	1,500,000	Payable in 8 years. commencing from July 2019	Unsecured	Floating
Commercial Bank	3,950,000	2,000,000	1 month - Renewable	Unsecured	Fixed
HNB	2,000,000	-	2 month - Renewable	Unsecured	Fixed
DFCC (2020)	2,000,000	-	12 month - Renewable	Unsecured	Floating
Sampath Bank	750,000	750,000	1 month - Renewable	Unsecured	Fixed
Citi Bank	-	500,000	1 month - Renewable	Unsecured	Fixed
Deutsche Bank	-	1,076,750	15 days	Unsecured	Fixed
Total	11,922,000	9,141,370			

18.2 Composition of loans and borrowings repayment

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Classified under non current liabilities				
Loans and borrowings falling due after one year	2,059,200	3,222,000	2,059,200	3,222,000
Interest payable	573,841	49,271	573,841	49,271
	2,633,041	3,271,271	2,633,041	3,271,271
Classified under current liabilities				
Loans and borrowings falling due within one year	9,862,800	5,919,370	9,862,800	5,919,370
Interest payable	95,443	403,326	95,443	403,326
	9,958,243	6,322,696	9,958,243	6,322,696
Balance as at the end of the year	12,591,284	9,593,967	12,591,284	9,593,967

19 EMPLOYEE BENEFITS

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
The amounts recognised in the statements of financial position are as follows:				
Present value of unfunded obligation	198,737	197,430	198,737	197,430
Liability in the statements of financial position	198,737	197,430	198,737	197,430
The movement in the defined benefit obligation over the year as follows:				
As at 1st April	197,430	184,877	197,430	184,877
Interest cost	21,717	19,412	21,717	19,412
Current service cost	17,141	16,883	17,141	16,883
Actuarial gain	(11,545)	(12,533)	(11,545)	(12,533)
Benefits paid	(26,006)	(11,209)	(26,006)	(11,209)
As at 31st March	198,737	197,430	198,737	197,430

For the year ended 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
The amounts recognised in the Statement of Profit or Loss are as follows:				
Interest cost	21,717	19,412	21,717	19,412
Current service cost	17,141	16,883	17,141	16,883
	38,858	36,295	38,858	36,295
The amounts recognised in the Other Comprehensive Income are as follows:				
Actuarial gain	11,545	12,533	11,545	12,533

19.1 The gratuity liability as at 31st March 2020 was 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 principal assumptions used in determining the cost of employee benefits were:

For the year ended 31st March	Company 2020	Company 2019	Group 2020	Group 2019
Discount rate	10%	11%	10%	11%
Salary increment rate	8%	10%	8%	10%

19.2 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 by the amounts shown below,

	Discount rate 2020		Salary increment rate 2020	
In Rs.'000s	Company	Group	Company	Group
Increase by one percentage	(9,771)	(9,771)	11,566	11,566
Decrease by one percentage	10,679	10,679	(10,739)	(10,739)

20 NET DEFERRED TAX LIABILITIES

As at 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Deferred tax liability	4,713,178	4,809,874	5,227,002	5,109,971
Deferred tax asset	(110,582)	(109,799)	(110,582)	(109,799)
Balance as at the end of the year	4,602,596	4,700,075	5,116,420	5,000,172

Movement In Deferred Tax Balances - Company In Rs.'000s	Balance as at 1st April 2019	Recognised in Profit or Loss	Recognised in OCI	Balance as at 31st March 2020
Deferred Tax Liability				
Property plant and equipment	4,676,712	(102,540)	126,940	4,701,112
Intangible assets	133,162	(121,096)	-	12,066
Deferred Tax Assets				
Employee benefit	(78,972)	(5,141)	4,618	(79,495)
Trade receivables	(10,026)	10,026	-	-
Inventory	(20,801)	(10,286)	-	(31,087)
Net Tax Liabilities	4,700,075	(229,037)	131,558	4,602,596

Movement In Deferred Tax Balances - Group In Rs.'000s	Balance as at 1st April 2019	Recognised in Profit or Loss	Recognised in OCI	Balance as at 31st March 2020
Deferred Tax Liability				
Property plant and equipment	4,976,808	(40,639)	278,767	5,214,936
Intangible assets	133,163	(121,097)	-	12,066
Deferred Tax Assets				
Employee benefit	(78,972)	(5,141)	4,618	(79,495)
Trade receivables	(10,026)	10,026	-	-
Inventory	(20,801)	(10,286)	-	(31,087)
Net Tax Liabilities	5,000,172	(167,137)	283,385	5,116,420

Movement In Deferred Tax Balances - Company In Rs.'000s	Balance as at 1st April 2018	Recognised in Profit or Loss	Recognised in OCI	Balance as at 31st March 2019
Deferred Tax Liability				
Property plant and equipment	4,454,046	222,666	-	4,676,712
Intangible assets	21,091	112,071	-	133,162
Deferred Tax Assets				
Employee benefit	(73,951)	(10,034)	5,013	(78,972)
Trade receivables	-	(10,026)	-	(10,026)
Inventory	-	(20,801)	-	(20,801)
Brought forward tax losses	(1,001,432)	1,001,432	-	-
Net Tax liabilities	3,399,754	1,295,308	5,013	4,700,075

Movement In Deferred Tax Balances - Group In Rs.'000s	Balance as at 1st April 2018	Recognised in Profit or Loss	Recognised in OCI	Balance as at 31st March 2019
Deferred Tax Liability				
Property plant and equipment	4,681,019	217,644	78,145	4,976,808
Intangible assets	21,092	112,071	-	133,163
Deferred Tax Assets				
Employee benefit	(73,951)	(10,034)	5,013	(78,972)
Trade receivables	-	(10,026)	-	(10,026)
Inventory	-	(20,801)	-	(20,801)
Brought forward tax losses	(1,020,128)	1,020,128	-	-
Net Tax liabilities	3,608,032	1,308,982	83,158	5,000,172

21 TRADE AND OTHER PAYABLES

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Trade payables	742,857	441,949	742,857	441,949
Trade discounts	146,945	124,093	146,945	124,093
Accruals	319,839	255,555	322,947	262,408
Other payables	268,224	280,327	274,230	280,327
	1,477,865	1,101,924	1,486,979	1,108,777

22 AMOUNTS DUE TO RELATED COMPANIES

Carlsberg A/S	107,748	112,946	107,748	112,946
Millers Brewery Limited	623	114	-	-
Leechman & Company (Private) Limited	-	2,000	-	2,000
	108,371	115,060	107,748	114,946

23 REFUNDABLE DEPOSITS

Balance as at the beginning of the year	1,456,224	1,164,261	1,456,224	1,164,261
Deposits received during the year	259,396	298,961	259,396	298,961
Deposits refunded during the year	-	(6,998)	-	(6,998)
Balance as at the end of the year	1,715,620	1,456,224	1,715,620	1,456,224

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

24 CURRENT TAX LIABILITIES

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Excise duty (recoverable)/payable	(237,451)	1,084,892	(237,451)	1,084,892
Value added tax	190,867	545,061	191,501	545,061
Income tax	129,580	665,463	132,242	668,125
Nation building tax	-	77,768	-	77,768
Dividend tax	-	44,800	-	44,800
	82,996	2,417,984	86,292	2,420,646

25 DEBENTURES

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

The Company issued 20,000,000 rated Unsecured Redeemable Debentures (Category 3 - Type I) at a face value of Rs. 100/- each to raise Rs. 2,000,000,000/- on 11th December 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

The category of Debenture and its proportion as follows.

25.1 Category 03 Debentures - Fixed Rate

Debenture Category	Value in Rs. ('000)	Proportion	Interest Rate (per annum)	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.

25.2 Composition of Debentures and interest payable

	Company		Group	
As at 31st March	**2020**	**2019**	**2020**	**2019**
In Rs.'000s				
Classified under current liabilities				
Debentures falling due within one year	-	2,000,000	-	2,000,000
Debenture interest payable (Note 25.3)	-	78,285	-	78,285
	-	2,078,285	-	2,078,285

25.3 Interest paid on Debentures

During the year the Company has charged Rs. 125,298,630/- (2019- Rs. 185,688,107/-) as debenture interest.

25.4 No security has been pledged against the debentures held.

25.5 Debenture trading Information

	2020			2019		
	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)
Type I - Fixed Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T

N/T - Not traded during the year.

As at 31st March	2019
Interest rate of comparable government securities(%)	
05 year treasury bonds	11.04%

As at 31st March	2019
Debt related ratios - Company	
Debt/equity ratio (times)	0.95

26 REVENUE

	Company		Group	
For the year ended 31st March In Rs.'000s	**2020**	**2019**	**2020**	**2019**
Local revenue	46,773,429	42,106,994	46,773,429	42,106,994
Export revenue	1,061,899	723,500	1,061,899	723,500
	47,835,328	42,830,494	47,835,328	42,830,494

27 OTHER INCOME

	Company		Group	
For the year ended 31st March In Rs.'000s	**2020**	**2019**	**2020**	**2019**
Profit on disposal of property, plant & equipment	8,951	3,528	19,246	3,528
Other income	141,302	136,721	143,073	139,532
	150,253	140,249	162,319	143,060

28 PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses/(reversals) including the following :

	Company		Group	
For the year ended 31st March In Rs.'000s	2020	2019	2020	2019
Directors' fees and emoluments (Note 34.2)	37,554	29,032	37,554	29,032
Auditors' remuneration				
- Audit Fee	1,850	1,600	2,060	1,800
- Audit related services	75	75	75	75
- Non Audit Services	2,175	1,805	2,175	1,805
Depreciation on property, plant & equipment (Note 8)	1,185,684	1,191,532	1,212,460	1,217,708
Depreciation on right of use assets (Note 9)	22,916	-	22,916	-
Amortisation of intangible assets (Note 10)	4,850	53,516	4,850	53,516
Provision for impairment of debtors (Note 13.1)	-	10,000	-	10,000
Impairment of property, plant & equipment	4,729	7,311	4,729	7,335
Loss on disposal of returnable containers	132,443	-	132,443	-
Royalty	324,796	320,395	324,796	320,395
Supporting service fees	528,441	396,940	528,441	396,940
Personnel expenses (Note 28.1)	922,255	946,192	922,255	946,192

28.1 Personnel expenses

Salaries, wages and other related expenses	824,834	855,933	824,834	855,933
Defined benefit plan costs (Note 19)	38,858	36,295	38,858	36,295
Defined contribution plan cost - EPF & ETF	58,563	53,964	58,563	53,964
	922,255	946,192	922,255	946,192

29 NET FINANCE COST

	Company		Group	
For the year ended 31st March In Rs.'000s	2020	2019	2020	2019
Finance Income				
Interest income - Fixed deposits	932,983	996,014	941,206	1,006,483
Interest income - Intercompany loans	70,329	33,199	70,329	33,199
Interest income - Others	9,397	3,440	9,397	3,440
Total finance income	1,012,709	1,032,653	1,020,932	1,043,122
Interest Expenses				
Interest expenses -Term loans	545,609	789,964	545,609	789,964
Interest expenses -Bank overdrafts	45,051	55,490	45,051	55,490
Interest on debentures	125,299	185,688	125,299	185,688
Interest on lease	15,508	-	15,508	-
Interest expenses - others	826,190	948,368	826,190	948,368
Total Interest expenses	1,557,657	1,979,510	1,557,657	1,979,510
Net foreign exchange transaction gain	(19,621)	(2,132)	(19,621)	(2,132)
Total Finance costs	1,538,036	1,977,378	1,538,036	1,977,378
Net Finance Cost	(525,327)	(944,725)	(517,104)	(934,256)

30 INCOME TAX / DEFERRED TAX

	Company		Group	
For the year ended 31st March In Rs.'000s	2020	2019	2020	2019
Income tax (Note 30.1.1)	1,743,340	780,243	1,743,340	783,462
Deferred tax (reversal)/ charge	(229,037)	1,295,308	(167,137)	1,308,982
Total income tax	1,514,303	2,075,551	1,576,203	2,092,444
Deferred tax recognised in other comprehensive income				
Re-measurement of employee benefit obligations	4,618	5,013	4,618	5,013
Revaluation gain on land and buildings	126,940	-	278,767	78,145
	131,558	5,013	283,385	83,158

30.1.1 Reconciliation of the accounting profit and tax expenses

	Company 2020	Company 2019	Group 2020	Group 2019
Profit before taxation	4,405,703	5,346,346	4,388,333	5,313,324
Remeasurement of employee benefit obligations	11,545	12,533	11,545	12,533
Profit before tax adjustments	4,417,248	5,358,879	4,399,878	5,325,857
Aggregate of disallowable expenses	2,259,104	1,590,144	2,308,559	1,627,516
Aggregate of allowable claims	(2,606,697)	(3,188,515)	(2,608,308)	(3,206,389)
Utilisation of tax losses	-	(2,524,439)	(30,716)	(2,524,439)
Operating losses incurred during the year	-	-	242	13,523
Tax adjusted profit	4,069,655	1,236,069	4,069,655	1,236,068
Investment Income - Interest	1,012,709	1,075,153	1,012,709	1,085,622
Assessable income /taxable income	5,082,364	2,311,222	5,082,364	2,321,690
Current tax on operations (Note 30.3)	1,620,872	494,427	1,620,872	494,427
Current tax on interest income (Note 30.3)	273,431	301,043	273,431	303,974
Over provision in respect of prior year	(150,963)	(15,227)	(150,963)	(14,939)
Total current tax expense	1,743,340	780,243	1,743,340	783,462

30.1.2 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 2020	Company 2019	Group 2020	Group 2019
Profit before taxation	4,405,703	5,346,346	4,388,333	5,313,324
Tax charge on profit	1,514,303	2,075,551	1,576,203	2,092,444
Effective tax rate	34.4%	38.8%	35.9%	39.4%

For the year ended 31st March In Rs.'000s	Company %	Company 2020	Company %	Company 2019	Group %	Group 2020	Group %	Group 2019
Profit before taxation		4,405,703		5,346,346		4,388,333		5,313,324
Tax calculated @ 40%	40%	1,762,281	40%	2,138,538	40%	1,755,333	40%	2,125,330
The Effect of Tax								
Aggregate of disallowable expenses	20.5%	903,642	11.9%	636,058	20.9%	917,489	12.3%	651,006
Aggregate of allowable claims	(23.7%)	(1,042,679)	(23.9%)	(1,275,406)	(23.8%)	(1,045,432)	(24.1%)	(1,282,556)
Operating losses incurred during the year	0.0%	-	0.0%	-	0.1%	6,298	0.1%	5,409
Rate differential & over/under provision LY	2.7%	120,096	5.4%	290,829	2.5%	109,652	5.5%	294,048
Tax loss utilised	0.0%	-	(18.9%)	(1,009,776)	0.0%	-	(19.0%)	(1,009,775)
Deferred tax charge	(5.2%)	(229,037)	24.2%	1,295,308	(3.8%)	(167,137)	24.6%	1,308,982
Tax charge	34.4%	1,514,303	38.8%	2,075,551	35.9%	1,576,203	39.4%	2,092,444

30.2 Analysis of Tax Losses

For the year ended 31st March In Rs.'000s	Company 2020	Company 2019	Group 2020	Group 2019
Tax losses brought forward	-	2,503,581	1,538,233	4,038,577
Adjustment on losses brought forward	-	20,858	(10,470)	10,820
Tax losses incurred during the year	-	-		13,275
Utilisation of tax losses during the year	-	(2,524,439)	(30,716)	(2,524,439)
Tax losses carried forward	-	-	1,497,047	1,538,233

30.3 Income Tax

The income tax provision for Lion Brewery Ceylon 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, 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 the 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 08th April 2020.As per the First Schedule and the subsequent notices, a Company with income from a business consisting of liquor (include beer) is liable to income tax at 40%. Therefore, on taxable income consisting component of liquor. the Company is liable to pay income tax at 40% (2019 - 40%) and the profits attributable to export are liable at the rate of 40% in first 9 months and 14% in last 3 months(2019 - 40%).Also if the current tax liability on export profit is calculated using the currently enacted tax rate of 40%, the additional liability would amount to Rs. 6.9 Mn., which would have an immaterial impact on the company results. Investment Income arising on interest is taxed at 28% in first 9 months and 24% on balance 3 months. Also, if the current tax liability on investment income are calculated using the currently enacted tax rate of 28%, the additional liability would amount to Rs. 10.1 Mn for the Company and for the Group, which would have an immaterial impact on the results. Business profits of the Subsidiary companies of Millers Brewery Limited should be taxed at a 40% and Pearl Springs (Private) Limited should be taxed at the rate of 28% & 24% respectively. Investment and other income will be taxed at the rate of 28% on first 9 months and 24% for balance 3 months. However, no income has arisen on the two companies since non-operation.

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.

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.

31 DIVIDENDS

For the year ended 31st March In Rs.'000s	2020	2019
On ordinary shares Rs. 8/- per share - (2019 - Rs. 10/-)	640,000	800,000
	640,000	800,000

31.1 The Board of Directors has recommended the payment of a final dividend of Rs. 8/- per share for the year ended 31st March 2020 which is to be paid subsequent to approval of the shareholders at the Annual General Meeting. In Accordance with Sri Lanka Accounting Standards LKAS 10 Events after the Reporting period, this proposed dividend has not been recognised as a liability as at 31st March 2020.

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

32 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.

	Company		Group	
For the year ended 31st March In Rs.'000s	2020	2019	2020	2019
Net profit attributable to ordinary shareholders (as the Numerator)	2,891,400	3,270,795	2,812,130	3,220,880
Number of ordinary shares in '000 (as denominator)	80,000	80,000	80,000	80,000
Earnings per ordinary share (Rs.)	36.14	40.88	35.15	40.26

33 FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT

33.1 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. 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).

	Company					
As at 31st March	2020			2019		
Financial Instrument Category In Rs.'000s	Amortised Cost	FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI
Financial assets						
Trade and other receivables	469,591	-	-	1,050,077	-	-
Amounts due from related companies	609,024	-	-	713,230	-	-
Cash and cash equivalents	13,183,568	-	-	10,126,039	-	-
Financial liabilities						
Debentures	-	-	-	2,078,285	-	-
Loans and borrowings	12,591,284	-	-	9,593,967	-	-
Trade and other payables	1,477,865	-	-	1,101,924	-	-
Lease creditor	171,012	-	-	-	-	-
Amounts due to related companies	108,371	-	-	115,060	-	-
Bank Overdraft	2,167,566	-	-	789,575	-	-

	Group					
As at 31st March	2020			2019		
Financial Instrument Category In Rs.'000s	Amortised Cost	FVTPL	FVOCI	Amortised Cost	FVTPL	FVOCI
Financial assets						
Trade and other receivables	475,978	-	-	1,057,778	-	-
Amounts due from related companies	609,024	-	-	713,230	-	-
Cash and cash equivalents	13,338,381	-	-	10,250,405	-	-
Financial liabilities						
Debentures	-	-	-	2,078,285	-	-
Loans and borrowings	12,591,284	-	-	9,593,967	-	-
Trade and other payables	1,486,979	-	-	1,108,777	-	-
Lease creditor	171,012	-	-	-	-	-
Amounts due to related companies	107,748	-	-	114,946	-	-
Bank Overdraft	2,167,566	-	-	789,575	-	-

Financial Assets and Liabilities with shorter maturities and/or 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.

33.2 Financial Risk Management

The Group is exposed to a range of financial risks through its number of financial instruments.

In particular, the key financial risk categories are:

A. Credit Risk/Counterparty Risk

B. Liquidity risk

C. Market risk

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

Risk Management Framework

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

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

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

33.2.1 Credit Risk/Counterparty Risk

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

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

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

33.2.2 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 factoring arrangement without recourse to the Company with a commercial bank.
Amounts due from related companies	Monitor the balance outstanding regularly
Cash and cash equivalents	Monitor the balance outstanding regularly and also balances are with reputed and established banks with a rating of "BBB+" or above

33.2.3 Exposure to credit risk

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

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

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Trade and other receivables	469,591	1,050,077	475,978	1,057,778
Amounts due from related companies	609,024	713,230	609,024	713,230
Cash and cash equivalents	13,178,958	10,122,584	13,333,771	10,246,950
	14,257,573	11,885,891	14,418,773	12,017,958

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

	Company 2020	Company 2019	Group 2020	Group 2019
Financial institutions	13,178,958	10,122,584	13,333,771	10,246,950
Customers and other parties	469,591	1,050,077	475,978	1,057,778
Related parties	609,024	713,230	609,024	713,230
	14,257,573	11,885,891	14,418,773	12,017,958

33.2.4 Trade & Other Receivables

The Group has a well established credit policy for both international and domestic customers to minimise credit risk. A credit evaluation team comprising of personnel from Finance , Sales & Operations evaluate and recommend the credit worthiness of the customer. The company obtains bank 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 100% (2019 - 100%) of the trade receivables.

33.2.5 Impairment Losses

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

	Company		Group	
As at 31st March	**2020**	**2019**	**2020**	**2019**
In Rs.'000s				
Age				
Past due 0 - 365 days	232,980	784,966	232,980	784,966
More than 365 days	51	25,065	51	25,065
	233,031	810,031	233,031	810,031

33.3.1 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.

33.3.2 Management of liquidity risk

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

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

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

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

33.3.3 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 (Current & Non Current) - Company

In Rs.'000s	Total	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	2,167,566	2,167,566	-
Loans and borrowings	12,591,284	9,958,243	2,633,041
Trade & other payables	1,477,865	1,477,865	-
Amounts due to related companies	108,371	108,371	-
Lease creditor	296,291	35,953	260,338
	16,641,377	13,747,998	2,893,379

As at 31st March 2019 (Current & Non Current) - Company

In Rs.'000s	Total	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	789,575	789,575	-
Loans and borrowings	9,593,967	6,322,696	3,271,271
Debentures	2,078,285	2,078,285	-
Trade & other payables	1,101,924	1,101,924	-
Amounts due to related companies	115,060	115,060	-
	13,678,811	10,407,540	3,271,271

As at 31st March 2020 (Current & Non Current) - Group

In Rs.'000s	Total	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	2,167,566	2,167,566	-
Loans and borrowings	12,591,284	9,958,243	2,633,041
Trade & other payables	1,486,979	1,486,979	-
Amounts due to related companies	107,748	107,748	-
Lease creditor	296,291	35,953	260,338
	16,649,868	13,756,489	2,893,379

As at 31st March 2019 (Current & Non Current) - Group

In Rs.'000s	Total	Current Up to Year 1	Non-Current Above year 1
Bank overdrafts	789,575	789,575	-
Loans and borrowings	9,593,967	6,322,696	3,271,271
Debentures	2,078,285	2,078,285	-
Trade & other payables	1,108,777	1,108,777	-
Amounts due to related companies	114,946	114,946	-
	13,685,550	10,414,279	3,271,271

33.4.1 Market Risk

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

33.4.2 Management of market risks

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

33.4.3 Currency Risk

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

The following significant exchange rates were applied during the year:

	Closing exchange rates		Average exchange rates	
In Rs.	**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.

33.4.4 Interest Rate Risk

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

The Group's short-term investments are at fixed interest rates and mature within one year from the date of the deposit.

33.4.4.1 Fixed and Variable rated instruments

	Company		Group	
As at 31st March In Rs.'000s	2020	2019	2020	2019
Fixed rated instruments				
Financial assets	7,959,925	9,563,340	8,074,925	9,678,340
Financial liabilities	6,700,000	6,426,570	6,700,000	6,426,570
Variable rated instruments				
Financial assets	3,058,472	18,444	3,058,532	18,503
Financial liabilities	7,389,566	5,504,375	7,389,566	5,504,375

33.4.4.2 Sensitivity analysis on interest rate fluctuation

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

Instrument In Rs.'000s	Increase by one percentage	Decrease by one percentage
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 - Rs.1.5 Bn	14,250	(14,250)
Potential impact	52,220	(52,220)

33.4.4.3 Management of interest rate risk

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

34 RELATED PARTY DISCLOSURES

34.1 Parent and ultimate controlling party

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

34.2 Transactions with key management personnel (KMP)

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

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

	Company		Group	
For the year ended 31st March	**2020**	**2019**	**2020**	**2019**
In Rs.'000s				
Short term employee benefits	37,554	29,032	37,554	29,032
	37,554	29,032	37,554	29,032

As at 31st March 2020 an amount of Rs. 23,755,699/- (2019 - 10,561,030/-) is payable towards gratuity of Key Management Personnel whilst a Company maintained vehicle is provided for both official & private use.

34.3 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 arms length basis. Outstanding balances as at year end are unsecured, interest free (except for Ceylon Beverage Holdings 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.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission.

(A) Transactions with Parent Company - Ceylon Beverage Holdings PLC

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) As per the licensed brewing agreement with Ceylon Beverage Holdings PLC, the Company was charged Rs. 159,348,804/- (2018/19 -Rs. 149,638,626/-) as royalty during the period.

(ii) A dividend of Rs. 215,681,746/- was paid by the company to Ceylon Beverage Holdings PLC during the year (2018/19 - Rs. 143,787,831/-)

(iii) As per the loan agreement with Ceylon Beverage Holdings PLC, the Company charged Rs. 57,707,719/- (2018/19 - 30,554,963/-) at a rate of AWPLR+1% as loan interest during the period.

(iv) Balance receivable from Ceylon Beverage Holdings PLC as at 31st March 2020 is Rs. 501,459,843/-

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Pubs 'N Places (Private) Limited, to which the Company sold beer for a total value of Rs. 195,294,979/- during the period (2018/19 - Rs.192,475,832/-).

(i) An amount of Rs. 5,690,051/- was paid by the Company to Pubs 'N Places (Private) Limited as trade rebates on beer purchases during the period.(2018/19- Rs. 6,387,356/-)

(ii) As per the loan agreement with Pubs 'N Places (Private) Limited, the Company charged Rs. 12,621,180/- (2018/19 - Rs. 2,643,823/-) at a rate of AWPLR+1% as loan interest during the period.

(iii) An amount of Rs. 24,416,569/- was paid by the company to Pubs 'N Places (Private) Limited as marketing fee for the outlets operated by Pubs 'N Places (Private) Limited during the period. (2018/19 - Nil)

(iv) Balance receivable from Pubs 'N Places (Private) Limited as at 31st March 2020 is Rs. 101,064,163/-

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Retail Spaces (Private) Limited, to which the Company sold beer for a total value of Rs. 262,919,767/- (2018/19 - Rs. 214,838,659/-) during the period.

Balance receivable from Retail Spaces (Private) Limited as at 31st March 2020 is Nil.

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Luxury Brands (Private) Limited, for which the Company provided distribution services for a fee amounting to Rs. 13,975,430/- (2018/19 - Rs. 15,142,675/-) during the period.

Balance receivable from Luxury Brands (Private) Limited as at 31st March 2020 is Nil.

(E) Transactions with Subsidiary - Millers Brewery Limited

Messrs. S.K Shah & D.R.P. Goonetilleke Directors of the Company are also Directors of Millers Brewery Limited.

(i) An amount of Rs. 7,596,000/- (2018/19 -Rs. 7,764,000/-) was charged by Millers Brewery Limited for warehouse services provided to the Company during the period.

(ii) Company purchased Rs. 9,920,058/- worth of fixed assets from Millers Brewery Limited during the period which had a net book value of Rs. 9,920,058/- at the disposal date.

(iii) Balance payable to Millers Brewery Limited as at 31st March 2020 is Rs. 623,010/-.

(F) Transactions with Group entities

Messrs. H.Selvanathan, S.K.Shah and K. Selvanathan, S.Selvanathan Directors of the Company, are also Directors of Carsons Management Services (Private) Limited, which provides supporting services to the Company. An amount of Rs. 604,304,691/- (2018/19 - Rs. 450,572,407/-) was charged by Carsons Management Services (Private) Limited to the Company during the period, which included support services fees of Rs. 528,440,512/- (2018/19 - Rs. 396,940,716/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company. Balance receivable from Carsons Management Services (Private) Limited as at 31st March 2020 is Rs. 6,500,000/-

(G) Transactions with other related entities

(a) Messrs. L. Lehmann (resigned on 20/05/2019), Mr. T. Akiskalos (appointed w.e.f. 20/05/2019, resigned w.e.f. 25/10/2019), Mr. S. Clini (appointed w.e.f. 26/10/2019) and Lim C. K. Directors of the Company represents the Carlsberg Group with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

(i) As per the licensed brewing agreement, a sum of Rs. 165,446,581/- (2018/19 - Rs. 170,755,823/-) was charged as royalty during the period by Carlsberg A/S.

(ii) LBCL purchases part of its requirement of the raw material Aroma Hop From Carlsberg A/S. There were purchases during the period for a sum of Rs. 8,827,641/- (2018/19 -Rs. 6,917,907/-)

(iii) An amount of Rs. 107,747,594/- remains payable as at 31st March 2020.

(b) Mr. D.C.R. Gunawardena, Director of the Company, is also a Director of Equity Two PLC with which the Company entered into transactions.

(i) An amount of Rs. 61,224/- has been charged as parking fees by Equity Two PLC . (2018/19 - Rs. 61,224/-)

(ii) Balance payable to Equity Two PLC as at 31st March 2020 is Nil.

(c) Messrs. D.C.R. Gunawardena and K. Selvanathan Directors of the Company are also Directors of Pegasus Hotels of Ceylon PLC with which the following transactions have been entered into during the period by the Company in the normal course of business.

(i) An amount of Rs. 2,011,540/- recognised as income from sale of Beer in the normal course of business. (2018/19- Rs. 2,531,432/-)

(ii) An amount of Rs. 668,586/- was charged as hotel charges for services provided (2018/19- Rs. 479,966/-)

(iii) Balance payable to Pegasus Hotels of Ceylon PLC as at 31st March 2020 is Nil.

(d) Mr. D.C.R. Gunawardena, Director of the Company, is also a Director of Equity Hotels Ltd, following transactions have been entered into during the period by the Company in the normal course of business.

(i) An amount of Rs. 422,332/- is recognised as income from sale of Beer to Equity Hotels Ltd in the normal course of business. (2018/19 Rs. 295,918/-)

(ii) Balance receivable from Equity Hotels Ltd as at 31st March 2020 is Nil.

(e) Messrs. H.Selvanathan Director of the Company, is also a Director of Leechman & Company (Private) limited with the following transactions have been entered during 2018/19 period by the Company in the normal course of business.

(i) An amount of Rs. 2,000,000/- charged as expense reimbursement incurred by Leechman (Private) Limited on behalf of the Company during 2018/19 period.

(ii) Balance payable to Leechman & Company (Private) limited as at 31st March 2020 is Nil.

34.4 Fully Owned Subsidiaries – Pearl Springs (Private) Limited (PSPL) & Millers Brewery Limited (MBL)

The Company together with its subsidiary, Pearl Springs (Private) Ltd (PSPL) had acquired in 2014 Millers Brewery Limited (MBL). Management is currently evaluating the available options in order to ensure the assets in both PSPL and MBL are used to maximise the value in both entities. Accordingly as at the reporting date, no commercial operations were carried out since the date of acquisition in both entities.

35 COMMITMENTS AND CONTINGENCIES

35. 1 Finance Commitments

Document credits established for foreign purchases of the Company as at 31st March 2020 amounts to Rs. 335,296,976/- (2019 - Rs. 359,426,133/-)

35.2 Contingencies

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.

36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subject to the approval of the shareholders at the Annual General Meeting, the Board of Directors recommends a Final dividend of Rs. 8/- per Ordinary share for the year ended 31st March 2020. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

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

37 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 the 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 31 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 and net realisable value of inventory.

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 and net realisable value of inventory

At 31 March 2020, the Group assessed the recoverable value of property plant and equipment 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 31 March 2020, the impairment assessment of the Company's Brands that are classified as intangible assets (MBL Brands) were carried out. The Company 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 10.

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 31 March 2020, the Company assessed the recoverable value of its subsidiaries in light of the COVID-19 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 non-essential capital expenditure.

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.

38 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to give proper presentations as at 31st March 2020.

39 SEGMENTAL ANALYSIS

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

40 DIRECTORS RESPONSIBILITY STATEMENT

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

VALUE ADDED STATEMENT

For the year ended 31st March In Rs.'000s	2020	2019
Revenue	47,835,328	42,830,494
Value Added Tax	6,353,397	6,515,508
Other income	162,319	143,060
Finance income	1,020,932	1,043,122
	55,371,976	50,532,184
Cost of material & services bought from outside	(9,502,123)	(10,386,379)
Value Added	45,869,853	40,145,805

For the year ended 31st March In Rs.'000s	2020	%	2019	%
Distributed as follows				
To Employees				
as remuneration and other employee costs	922,255	2.01	946,192	2.36
To Government				
as value added tax	6,353,397	13.85	6,515,508	16.23
as excise duty	29,233,357	63.73	24,140,705	60.13
as income tax	2,009,000	4.38	179,000	0.45
as nation building tax	626,037	1.36	615,707	1.53
as withholding tax	22,914	0.05	49,988	0.12
as economic service charge	183,868	0.40	220,757	0.55
To Providers of Capital				
as dividends to shareholders (Note 31.1)	640,000	1.40	800,000	1.99
as finance expenses	1,538,036	3.35	1,977,378	4.93
Retained in the Business				
as depreciation/amortisation	1,240,226	2.70	1,271,224	3.17
as profit/(loss) for the year	3,100,762	6.76	3,429,346	8.54
	45,869,853	100.00	40,145,805	100.00

VALUE ADDED STATEMENT

Notes:

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

2 The total tax liability / payment made to the Government during the year include the following:

In Rs.'000s	2020	2019
Value Added Tax	6,353,397	6,515,508
Excise Duty	29,233,357	24,140,705
Income Tax	2,009,000	179,000
Economic Service Charge	183,868	220,757
Nation Building Tax	626,037	615,707
Withholding Tax	22,914	49,988
Total tax liability/payment made to the Government	38,428,573	31,721,665

FIVE YEAR SUMMARY

Year ended 31st March In Rs.'000s	2020	2019	2018	2017	2016
Revenue	47,835,328	42,830,494	29,798,010	20,799,537	34,752,350
Progressive insurance receipts on business interruption	-	-	1,205,359	1,000,000	-
Other income	162,319	143,060	75,788	64,778	51,501
	47,997,647	42,973,554	31,079,157	21,864,315	34,803,851
Total expenditure	(42,351,895)	(36,725,974)	(27,448,999)	(21,211,962)	(30,931,842)
Impairment of intangible assets	(740,315)	-	-	(1,673,065)	-
Operating Profit/(loss)	4,905,437	6,247,580	3,630,158	(1,020,712)	3,872,009
Progressive insurance receipts on property damage	-	-	752,263	1,066,448	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	-	-	(1,041,358)	-
Reversal of unabsorbed VAT provision	-	-	-	339,811	-
Profit/(loss) before finance cost	4,905,437	6,247,580	4,382,421	(655,811)	3,872,009
Net finance expenses	(517,104)	(934,256)	(1,334,791)	(1,259,244)	(913,652)
Profit/(loss) before tax	4,388,333	5,313,324	3,047,630	(1,915,055)	2,958,357
Income tax expense	(1,576,203)	(2,092,444)	(1,209,754)	467,728	(877,812)
Profit/(loss) for the year	2,812,130	3,220,880	1,837,876	(1,447,327)	2,080,545
Total other comprehensive income/ (loss) for the year net of tax	288,632	208,466	(420,856)	15,586	587,200
Total comprehensive income/ (loss) for the year	3,100,762	3,429,346	1,417,020	(1,431,741)	2,667,745
Dividends - Ordinary (Note 31.1)	640,000	800,000	320,000	-	240,000

FIVE YEAR SUMMARY

As at 31st March In Rs.'000s	2020	2019	2018	2017	2016
STATEMENT OF FINANCIAL POSITION					
Stated capital	2,537,801	2,537,801	2,537,801	2,537,801	2,537,801
Capital reserves	1,388,475	1,106,770	905,824	1,302,117	1,302,117
Retained profits	11,216,367	8,876,188	5,967,788	4,474,475	6,146,216
	15,142,643	12,520,759	9,411,413	8,314,393	9,986,134
Loans and borrowings	12,762,296	9,593,967	11,681,673	12,701,633	6,173,647
Debentures	-	2,078,285	3,110,582	3,936,732	4,756,899
Less: Cash	(11,170,815)	(9,460,830)	(7,128,583)	(6,244,229)	(2,517,810)
CAPITAL EMPLOYED	16,734,124	14,732,181	17,075,085	18,708,529	18,398,870
REPRESENTED BY					
Total non-current assets	20,957,348	20,452,100	20,507,540	20,335,112	20,263,764
Total current assets excluding cash & cash equivalents	4,488,572	4,578,276	4,805,209	3,432,411	4,072,283
Total current liabilities-excluding borrowings & overdraft	(3,396,639)	(5,100,593)	(4,444,755)	(2,605,526)	(2,934,848)
Employee benefits	(198,737)	(197,430)	(184,877)	(74,230)	(108,578)
Deferred tax liabilities	(5,116,420)	(5,000,172)	(3,608,032)	(2,379,238)	(2,893,751)
	16,734,124	14,732,181	17,075,085	18,708,529	18,398,870

Year ended 31st March In Rs.'000s	2020	2019	2018	2017	2016
CASH FLOW STATISTICS					
Net cash inflows from operating activities	1,949,628	5,531,361	2,731,870	190,319	4,141,784
Net cash inflows/(outflows) from investing activities	(577,239)	394,586	(363,400)	(2,954,933)	(1,022,335)
Net cash inflows/(outflows) from financing activities	337,596	(3,593,700)	(1,484,116)	6,491,033	(1,384,283)
Net cash movement for the year	1,709,985	2,332,247	884,354	3,726,419	1,735,166
RATIOS & STATISTICS					
Return on shareholders' funds (%)	20.48	27.39	15.06	(17.22)	26.71
Return on capital employed (ROCE) (times)	29.31	42.41	25.67	(3.51)	21.04
Assets turnover (times)	1.23	1.21	0.89	0.88	1.43
Equity to total assets (times)	2.56	2.82	3.55	3.77	2.81
Interest cover (times)	9.49	6.69	3.28	(0.52)	4.22
Gearing ratio (%)	9.51	15.01	44.88	55.56	45.72
Current ratio (times)	1.15	1.04	0.96	0.87	0.97
Quick ratio (times)	0.98	0.89	0.84	0.71	0.71
Price earnings ratio (times)	14.79	13.79	22.87	(25.43)	17.65
Net assets per share (Rs)	189.28	156.51	117.64	103.93	124.83
Dividends - Ordinary (Rs.) (Note 31.1)	8.00	10.00	4.00	-	3.00
Dividend payout ratio (%) - Company	22.13	24.46	15.84	-	11.68

Figures in brackets indicate deductions.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME GROUP - USD

For the year ended 31st March In USD '000s	Note	2020	2019
Revenue	2	266,533	253,851
Cost of sales		(208,002)	(189,705)
Gross profit		58,531	64,146
Other income		904	848
		59,435	64,994
Distribution expenses		(16,208)	(17,188)
Administrative expenses		(8,885)	(8,538)
Other expenses		(2,884)	(2,240)
Impairment of intangible assets		(4,125)	-
Profit from operations		27,333	37,028
Finance income		5,689	6,182
Finance costs		(8,570)	(11,720)
Net finance cost		(2,881)	(5,538)
Profit before taxation		24,452	31,490
Income tax expense		(9,714)	(4,643)
Deferred Taxation		931	(7,758)
Profit for the period		15,669	19,089
Other comprehensive income			
Re-measurement of employee benefit obligations		64	74
Deferred tax charge on actuarial gain		(26)	(30)
Revaluation gain on land & buildings		3,123	1,654
Deferred tax charge on land & building revaluation		(1,553)	(463)
Total other comprehensive income for the year net of tax		1,608	1,235
Total comprehensive income for the year		17,277	20,324

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION GROUP - USD

As at 31st March In USD '000s	2020	2019
ASSETS		
Non- Current Assets		
Property, plant & equipment	99,517	101,529
Right of use assets	846	-
Intangible Assets	8,534	13,359
Total non-current assets	108,897	114,888
Current Assets		
Inventories	13,417	11,829
Trade and other receivables	6,742	9,882
Amounts due from related companies	3,165	4,007
Cash and cash equivalents	69,307	57,581
Total current assets	92,631	83,299
Total assets	201,528	198,187
EQUITY AND LIABILITIES		
Equity		
Stated capital	33,068	33,068
Capital reserves	8,513	6,943
Retained earnings	37,105	30,324
Total equity	78,686	70,335
Non- Current Liabilities		
Loans and borrowings	13,681	18,376
Lease creditor	824	-
Employee benefits	1,033	1,109
Net deferred tax liabilities	26,585	28,088
Total non- current liabilities	42,123	47,573

STATEMENT OF FINANCIAL POSITION GROUP - USD

As at 31st March In USD '000s	2020	2019
Current Liabilities		
Trade and other payables	7,726	6,228
Amounts due to related companies	560	646
Refundable deposits	8,914	8,180
Current tax liabilities	448	13,598
Debentures	-	11,675
Loans and Borrowings	51,744	35,517
Lease creditor	64	-
Bank overdrafts	11,263	4,435
Total current liabilities	80,719	80,279
Total liabilities	122,842	127,852
Total equity and liabilities	201,528	198,187

NOTES TO THE FINANCIAL STATEMENTS USD

1 BASIS OF CONVERSION

The translation of Sri Lankan Rupee amounts into US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of the 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	76.74	76.74

2 REVENUE

For the year ended 31st March In USD '000s	2020	2019
Local revenue	260,616	249,563
Export revenue	5,917	4,288
	266,533	253,851

FIVE YEAR SUMMARY - USD

Year ended 31st March In USD '000s	2020	2019	2018	2017	2016
Revenue	266,533	253,851	191,393	138,123	243,168
Progressive insurance receipts on business interruption	-	-	7,742	6,641	-
Other income	904	848	487	430	360
	267,437	254,699	199,622	145,194	243,528
Total Expenditure	(235,979)	(217,671)	(176,306)	(140,861)	(216,434)
Impairment of intangible assets	(4,125)	-	-	(11,110)	-
Operating Profit/(loss)	27,333	37,028	23,316	(6,777)	27,094
Progressive insurance receipts on property damage	-	-	4,832	7,082	-
Stocks and PPE quantified and written-off to date due to flood related damages	-	-	-	(6,915)	-
Reversal of unabsorbed VAT provision	-	-	-	2,257	-
Profit/(loss) before finance cost	27,333	37,028	28,148	(4,353)	27,094
Net finance expenses	(2,881)	(5,538)	(8,573)	(8,362)	(6,393)
Profit/(loss) before tax	24,452	31,490	19,575	(12,715)	20,701
Income tax expense	(8,783)	(12,401)	(7,770)	3,106	(6,142)
Profit/(loss) for the year	15,669	19,089	11,805	(9,609)	14,559
Total other comprehensive income/(loss) for the year	1,608	1,235	(2,703)	103	4,108
Total comprehensive income/(loss) for the year	17,277	20,324	9,102	(9,506)	18,667
Dividends - Ordinary (Note 31.1)	3,566	4,742	2,055	-	1,679

As at 31st March In USD '000s	2020	2019	2018	2017	2016
STATEMENT OF FINANCIAL POSITION					
Stated capital	33,068	33,068	33,068	33,068	33,068
Capital reserves	8,513	6,943	5,752	8,460	8,871
Retained profits	37,105	30,324	20,938	12,492	26,096
	78,686	70,335	59,758	54,020	68,035
Loans and borrowings	66,313	53,893	74,174	82,527	42,061
Debentures	-	11,675	19,751	25,578	32,409
Less-Cash	(58,044)	(53,146)	(45,264)	(40,571)	(17,154)
CAPITAL EMPLOYED	86,955	82,757	108,419	121,554	125,351
REPRESENTED BY					
Total non-current assets	108,897	114,888	130,215	132,124	138,055
Total current assets excluding cash & cash equivalents	23,325	25,718	30,511	22,301	27,744
Total current liabilities-excluding borrowings & overdraft	(17,649)	(28,652)	(28,223)	(16,930)	(19,994)
Employee benefits	(1,033)	(1,109)	(1,174)	(482)	(740)
Deferred tax liabilities	(26,585)	(28,088)	(22,910)	(15,459)	(19,714)
	86,955	82,757	108,419	121,554	125,351

INFORMATION TO SHAREHOLDERS & INVESTORS

1 STOCK EXCHANGE LISTING

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

The Stock Exchange code for Lion Brewery (Ceylon) PLC shares is "LION".

2 SHARE VALUATION

The market price of the Company's share as at 31st March 2020 was Rs. 520/- per share (2019- Rs. 555/-)

3 ORDINARY SHAREHOLDERS

As at 31st March	2020	2019
Number of shareholders	1,161	1,169

(a) Frequency distribution of shareholdings as at 31st March 2020

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1 - 1,000	939	151,801	0.19	12	4,836	0.01	951	156,637	0.20
1001 - 10,000	141	421,917	0.53	17	55,082	0.07	158	476,999	0.60
10,001 - 100,000	22	622,603	0.78	9	316,930	0.40	31	939,533	1.17
100,001 - 1,000,000	1	300,000	0.38	12	4,767,338	5.96	13	5,067,338	6.33
Above 1,000,000	4	48,608,641	60.76	4	24,750,852	30.94	8	73,359,493	91.7
Grand Total	1,107	50,104,962	62.64	54	29,895,038	37.38	1,161	80,000,000	100.00

(b) Category of Shareholders

Categories of Shareholders as at 31st March 2020	No. of Shareholders	No. of Shares	%
Individual	1,057	933,749	1.17
Institutions	104	79,066,251	98.83
Total	1,161	80,000,000	100.00

(c) The number of shares held by non-residents as at 31st March 2020 was 29,895,038 (2019 - 29,848,552) which amounts to 37.37% (2019 - 37.31%) of the total number of shares in issue.

(d) Public Holding

The Company is in compliance with the Minimum Public Holding requirements for Companies listed on the Main Board as per Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange, under Option 3, i.e. Float-Adjusted Market Capitalisation of Rs.5 Billion with 500 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.5.79 Billion
Percentage of ordinary shares held by the public	13.92%
Number of Public Shareholders	1,137

4 MARKET PERFORMANCE- ORDINARY SHARES

For the year ended 31st March	2020	2019
Highest (Rs.)	650	679
Lowest (Rs.)	500	520
Value of Shares traded (Rs.Mn)	1,467	1,981
No. of shares traded	2,549,677	3,430,480

5 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. 41,600,000,000/- as at 31st March 2020. (2019 - Rs. 44,400,000,000/-)

6 DIVIDENDS

6.1 A Final Dividend of Rs.6/- per ordinary share for the year ended 31st March 2019 was paid to the Shareholders on 30th July 2019.

6.2 The Directors have recommended the payment of a Final Dividend of Rs.8/- per ordinary share for the year ended 31st March 2020.

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 interest bearing loans (including bank OD less interest bearing deposits).

DIVIDEND COVER (ORDINARY)

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

DIVIDEND PER ORDINARY SHARE

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

EARNINGS PER ORDINARY SHARE

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

EQUITY

Stated capital plus reserves.

EVENTS OCCURRING AFTER REPORTING DATE

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

GEARING

Ratio of borrowings to capital employed.

INTEREST COVER

Profits before tax and interest charges divided by Net interest charges.

MARKET CAPITALISATION

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

NET ASSETS PER ORDINARY SHARE

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

PRICE EARNING RATIO - (P/E)

Market price of a share divided by earnings per share

RELATED PARTIES

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

REVENUE RESERVES

Reserves considered as being available for future distribution and appropriations.

VALUE ADDITION

The quantum of wealth generated by the activities of the Company

WORKING CAPITAL

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

DIVIDEND PAYOUT RATIO

The percentage of earnings paid to shareholders in dividends.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 24th Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Tuesday, 8th September 2020 at 9.30 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 declare a dividend as recommended by the Directors.

3. To re-elect Mr. S. Clini as a Director in terms of Article 68 of the Articles of Association of the Company.

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

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

6. To re-appoint Mr. H. Selvanathan as a Director of the Company who is seventy one 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."

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

By Order of the Board

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

Colombo
21st 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 and on the Group's website www.carsoncumberbatch.com and you may access same directly through the URL link http://www.carsoncumberbatch.com/investor_information/investor_information_lion_brewery_(ceylon)_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 LIONAGM2020@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.

NOTES

FORM OF PROXY

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

DAMIAN AMAL CABRAAL	Or failing him,
HARIHARAN SELVANATHAN	Or failing him,
SURESH KUMAR SHAH	Or failing him,
DON CHANDIMA RAJAKARUNA GUNAWARDENA	Or failing him,
DILKUSHAN RANIL PIERIS GOONETILLEKE	Or failing him,
KRISHNA SELVANATHAN	Or failing him,
SUSAN JULIET FARRINGTON EVANS	Or failing her,
RAJIV HERATH MEEWAKKALA	Or failing him,
LIM CHEE KEAT	Or failing him,
SUDARSHAN SELVANATHAN	Or failing him,
STEFANO CLINI	

as *my/our proxy to attend at the 24th Annual General Meeting of the Company to be held on Tuesday, 8th September 2020 at 9.30 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 declare Rs.8/- per share as a final dividend for the financial year ended 31st March 2020 as recommended by the Directors.		
2.	To re-elect Mr. S. Clini as a Director in terms of Article 68 of the Articles of Association of the Company.		
3.	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.		
4.	To re-elect Mrs. S. J. F. Evans who retires by rotation in terms of Articles 72, 73 and 74 of the Articles of Association of the Company.		
5.	To re-appoint Mr. H. Selvanathan who is over seventy years of age as a Director of the Company.		
6.	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act, No.07 of 2007 and to authorise the Directors to determine their remuneration.		

Signed this ………… day of ……………………………….Two Thousand and Twenty.

……………………………………….
Signature/s

Notes

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:

   The instrument appointing a proxy shall be in writing and:

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

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

   A proxy need not be a shareholder of the Company.
4. In terms of Article 50 of the Articles of Association of the Company:

   In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed Form of Proxy should be submitted to the Company not later than 4.45 p.m. on 6th September 2020 or via email to LIONAGM2020@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 of Shareholder : ....

CDS Account No. : ....

Name of Proxy holder : ....

NIC No. of the Proxyholder : ....

CORPORATE INFORMATION

NAME OF COMPANY
Lion Brewery (Ceylon) PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NUMBER
PQ 57

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

SUBSIDIARY COMPANIES
Pearl Springs (Private) Limited
Millers Brewery Limited

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

DIRECTORS
Mr. D. A. Cabraal (Chairman)
Mr. H. Selvanathan (Deputy Chairman)
Mr. S. K. Shah (Chief Executive Officer)
Mr. D. C. R. Gunawardena
Mr. K. Selvanathan (Director / Alternate Director to H. Selvanathan)
Mr. D. R. P. Goonetilleke
Mrs. S. J. F. Evans
Mr. R. H. Meewakkala (Chief Executive Officer-Designate - w.e.f. 01/07/2020)
Mr. Lim C. K.
Mr. S. Selvanathan (appointed w.e.f. 05/04/2019)
Mr. S. Clini (appointed w.e.f. 26/10/2019)
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
Citibank
Commercial Bank
Deutsche Bank
Hatton National Bank
Nations Trust Bank
Standard Chartered Bank
Sampath Bank
DFCC Bank
National Development Bank
Peoples Bank

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

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

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

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

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

GROUP WEBSITE
www.carsoncumberbatch.com

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Printage (Pvt) Ltd