

# **Lion Brewery (Ceylon) PLC**

**Interim Condensed Financial Statements  
for the Second quarter ended  
30th September 2014**

## **LION BREWERY (CEYLON) PLC**

### **REVIEW**

A turnover of Rs.14.3 billion was recorded for the 6 months ended 30th September 2014 compared to Rs.12.4 billion for the period April to September 2013, an improvement of 16%, partly due to a price revision necessitated by an Excise Duty increase which came into effect in the second quarter of last year. Tourism was another contributory factor towards topline growth. The Company recorded a pre-tax profit of Rs. 1,464 million during the 1st half of the financial year 2014/15. The increase in profits was mainly a result of the Company ceasing the import of canned beer. As was communicated previously, until September 2013 the Company resorted to imports of canned beer in order to meet market demand. This was done at a substantial expense to the Company but since it has now stopped, margins have increased accordingly.

In the month of October, Excise Duties on beer were increased twice, first on the 10th of October 2014 & thereafter on the 25th of October along with the budget. In the first instance, duties were increased by Rs 10 & Rs 15 for mild & strong beer respectively. In this instance, the Company passed on the tax increase to its consumers. In the second instance, sale of beer was exempted from VAT & NBT but in order to re-coup the resultant reduction in government revenue, excise duties were increased. Accordingly, excise duties were increased by Rs 30 & Rs 40 for mild & strong beer respectively. However, the removal of the beer industry from VAT & NBT has led to a very substantial cost increase since the Company can no longer claim input VAT. The Company expects an annual cost increase of approx. Rs. 600 mn on account of this completely unexpected move on the part of the Government. Since a second price increase in two weeks was not considered appropriate, the Company's net result in the remaining period of this financial year may not be as buoyant as in the 1st half.

In addition to the cost implications discussed above, the exemption from VAT & NBT had led to greater operating complexity in the supply chain. Since the Company can no longer issue VAT invoices, customers liable for VAT, particularly, hotels, restaurants & supermarkets, can no longer claim input VAT on beer. Supermarkets & other VAT liable retailers are particularly affected since they are also subject to a maximum retail price (MRP) as per Sri Lankan regulations. Such customers have negative margins post VAT & as a result they have stopped orders for beer from the 25th of October. This is likely to lead to a loss in volumes although a part of it will be recouped through wine shops who are not liable for VAT.

For many years the alcohol industry has been subjected to poorly thought out policies. The adjustment referred to above is a case in point. These seem good on paper to those without the benefit of proper information. The reality though is that ad-hoc policies such as this promote the products of non-tax paying manufacturers, be they illicit or quasi legal. Their production volumes are not reflected in official data & the public believe that alcohol tax increases lead to lower consumption. But the reality is far from it; the illicit & quasi legal manufacturers sell more & make more profits. The result; a higher sale of illegal alcohol products, lower revenue to government & poorer quality to consumers.

#### **Acquisition of Millers Brewery**

As announced previously, the Company together with its newly formed subsidiary Pearl Springs (Private) Limited (PSPL) entered into a Sale & Purchase Agreement with Cargills (Ceylon) PLC & Millers Brewery Limited (MBL) to acquire the trade marks & shareholding of the latter Company. The transaction has now been concluded consequent to the completion of due diligence. All liabilities of MBL were fully settled by the previous management prior to the acquisition. The MBL brewery at Meegoda which had ceased operations prior to the conclusion of the transaction, will remain thus pending a final evaluation by the Board.

With the acquisition of trademarks, the brands of MBL have now been consolidated with those of the Company. Thus the Company will soon commence brewing of Sando Power, Irish Dark, Sando Stout, Three Coins Lager and Grande Blond at its production facility in Biyagama. These brands together with the Lion & Carlsberg range will be distributed & sold through the Company's well-established network. Thus, this acquisition provides Lion the opportunity of taking advantage of supply chain synergies whilst ensuring that loyal consumers of MBL continue to have access to their brands of choice.

# **LION BREWERY (CEYLON) PLC**

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## **BOARD OF DIRECTORS AS AT 30TH SEPTEMBER 2014**

Mr. L. C. R. de C.Wijetunge (**Chairman**)

Mr. H. Selvanathan (**Deputy Chairman**)

Mr. S. K. Shah (**Chief Executive Officer**)

Mr. D.C.R.Gunawardena

Mr. C. P. Amerasinghe

Mr. C.T. Liyanage

Mr. D. R. P. Goonetilleke

Mr. K. Selvanathan (Director / Alternate Director to H. Selvanathan)

Mrs. S.J.F.Evans

Mr. H.J.Andersen

Mr. D. A. Cabraal

Mr. Y.F.Lew

**LION BREWERY (CEYLON) PLC**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**

<i>As at 30th September</i> <i>In Rs.'000s</i>	<b>2014</b>	<b>2013</b>	<b>31.03.2014</b> <b>(Audited)</b>
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property, plant & equipment	13,061,126	9,365,105	11,658,310
Intangible assets	4,230,752	12,667	257,133
	<b>Note 04</b>		
<b>Total Non-Current Assets</b>	<b>17,291,878</b>	<b>9,377,772</b>	<b>11,915,443</b>
<b>Current Assets</b>			
Inventories	2,264,317	2,533,883	2,695,021
Trade and other receivables	2,682,398	3,569,698	2,384,727
Amounts due from related companies	234,818	141,304	214,071
Cash and cash equivalents	1,227,709	5,708,395	6,857,302
<b>Total Current Assets</b>	<b>6,409,242</b>	<b>11,953,280</b>	<b>12,151,121</b>
<b>Total Assets</b>	<b>23,701,120</b>	<b>21,331,052</b>	<b>24,066,564</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital/ Share Capital	2,537,801	2,537,801	2,537,801
Capital reserves	719,411	719,411	719,411
Retained earnings	4,340,949	2,879,251	3,675,154
<b>Total Equity</b>	<b>7,598,161</b>	<b>6,136,463</b>	<b>6,932,366</b>
<b>Non- Current Liabilities</b>			
Debentures	2,597,600	2,798,800	2,798,800
Loans and borrowings	3,512,941	3,141,111	2,307,690
Employee benefits	93,935	86,659	93,313
Deferred taxation	1,308,825	903,520	1,204,097
	<b>Note 05</b>		
<b>Total Non- Current Liabilities</b>	<b>7,513,301</b>	<b>6,930,090</b>	<b>6,403,900</b>
<b>Current Liabilities</b>			
Trade and other payables	716,639	1,205,693	774,473
Amounts due to related companies	166,137	48,099	67,401
Refundable deposits	1,085,928	998,228	1,044,123
Current tax Liabilities	581,787	1,186,449	886,473
Debentures	287,949	302,661	294,974
Loans and borrowings	5,235,286	3,151,594	6,861,650
Bank overdrafts	515,932	1,371,775	801,204
	<b>Note 05</b>		
<b>Total Current Liabilities</b>	<b>8,589,658</b>	<b>8,264,499</b>	<b>10,730,298</b>
<b>Total Liabilities</b>	<b>16,102,959</b>	<b>15,194,589</b>	<b>17,134,198</b>
<b>Total Equity and Liabilities</b>	<b>23,701,120</b>	<b>21,331,052</b>	<b>24,066,564</b>
<b>Net assets per ordinary share (Rs.)</b>	<b>94.98</b>	<b>76.71</b>	<b>86.65</b>

The above figures are provisional and subject to audit.

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

(Sgd.)

**D.R.P. Goonetilleke**

Director - Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

**A. Weeratunge**

Director

**Carsons Management Services ( Private) Limited**

3rd November 2014

(Sgd.)

**S.K. Shah**

Director

(Sgd.)

**C.T. Liyanage**

Director

**LION BREWERY (CEYLON) PLC**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

<i>In Sri Lankan Rs. '000s</i>	Quarter Ended		Change %	Six Months Ended		Change %	Year ended 31.03.2014 (Audited)
	30.09.2014	30.09.2013		30.09.2014	30.09.2013		
<b>Revenue</b>	<b>7,423,323</b>	<b>6,369,653</b>	<b>17</b>	<b>14,318,589</b>	<b>12,364,216</b>	<b>16</b>	<b>25,804,319</b>
Cost of sales	(5,443,911)	(5,004,882)	9	( 10,541,389)	( 9,620,964)	10	( 19,817,748)
<b>Gross Profit</b>	<b>1,979,412</b>	<b>1,364,771</b>	<b>45</b>	<b>3,777,200</b>	<b>2,743,252</b>	<b>38</b>	<b>5,986,571</b>
Other income	2,958	5,916	(50)	5,082	4,475	14	15,433
	<b>1,982,370</b>	<b>1,370,687</b>	<b>45</b>	<b>3,782,282</b>	<b>2,747,727</b>	<b>38</b>	<b>6,002,004</b>
Distribution expenses	(825,439)	(678,411)	22	( 1,602,809)	( 1,386,022)	16	( 2,948,066)
Administrative expenses	(241,612)	(186,333)	30	( 406,236)	( 340,774)	19	( 624,112)
Other expenses	(34,245)	(37,495)	(9)	( 77,152)	( 76,404)	1	( 76,829)
<b>Profit from operations</b>	<b>881,074</b>	<b>468,448</b>	<b>88</b>	<b>1,696,085</b>	<b>944,527</b>	<b>80</b>	<b>2,352,997</b>
Finance income	54,683	164,345	(67)	177,841	313,624	(43)	632,375
Finance costs	(213,626)	(207,281)	3	( 409,806)	( 414,898)	(1)	( 784,578)
<b>Net finance cost</b>	<b>(158,943)</b>	<b>(42,936)</b>	<b>270</b>	<b>( 231,965)</b>	<b>( 101,274)</b>	<b>129</b>	<b>( 152,203)</b>
<b>Profit before taxation</b>	<b>722,131</b>	<b>425,512</b>	<b>70</b>	<b>1,464,120</b>	<b>843,253</b>	<b>74</b>	<b>2,200,794</b>
Income tax expenses	(224,214)	(166,978)	34	( 478,325)	( 297,023)	61	( 857,540)
<b>Profit after taxation</b>	<b>497,917</b>	<b>258,534</b>	<b>93</b>	<b>985,795</b>	<b>546,230</b>	<b>80</b>	<b>1,343,254</b>
Remeasurement of employee benefit obligations	-	-	-	-	-	-	( 1,121)
<b>Total comprehensive income for the year</b>	<b>497,917</b>	<b>258,534</b>	<b>93</b>	<b>985,795</b>	<b>546,230</b>	<b>80</b>	<b>1,342,133</b>
<b>Earnings per ordinary share (Rs.)</b>	<b>6.22</b>	<b>3.23</b>		<b>12.32</b>	<b>6.83</b>		<b>16.79</b>
<b>Dividend per share (Rs.)</b>							<b>4.00</b>

*The above figures are provisional and subject to audit.*

**LION BREWERY (CEYLON) PLC****STATEMENT OF CHANGES IN EQUITY**

<i>In Rs.'000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
<b>Balance as at 1st April 2013</b>	<b>2,537,801</b>	<b>719,411</b>	<b>2,653,021</b>	<b>5,910,233</b>
<b>Total Comprehensive income for the period</b>				
Profit for the period	-	-	546,230	546,230
Total other comprehensive income	-	-	-	-
<b>Total Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>546,230</b>	<b>546,230</b>
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>				
Ordinary dividends	-	-	(320,000)	(320,000)
Preference dividends	-	-	-	-
<b>Balance as at 30th September 2013</b>	<b>2,537,801</b>	<b>719,411</b>	<b>2,879,251</b>	<b>6,136,463</b>

<i>In Rs.'000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
<b>Balance as at 1st April 2013</b>	<b>2,537,801</b>	<b>719,411</b>	<b>2,653,021</b>	<b>5,910,233</b>
<b>Total Comprehensive income for the year</b>				
Profit for the year	-	-	1,343,254	1,343,254
Total other comprehensive loss	-	-	(1,121)	(1,121)
<b>Total Comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,342,133</b>	<b>1,342,133</b>
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>				
Ordinary dividends	-	-	(320,000)	(320,000)
<b>Balance as at 31st March 2014</b>	<b>2,537,801</b>	<b>719,411</b>	<b>3,675,154</b>	<b>6,932,366</b>

<i>In Rs.'000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
<b>Balance as at 1st April 2014</b>	<b>2,537,801</b>	<b>719,411</b>	<b>3,675,154</b>	<b>6,932,366</b>
<b>Total Comprehensive income for the period</b>				
Profit for the period	-	-	985,795	985,795
Total other comprehensive income	-	-	-	-
<b>Total Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>985,795</b>	<b>985,795</b>
<b>Transactions with owners, recorded directly in equity contribution by and distribution to owners</b>				
Ordinary dividends	-	-	(320,000)	(320,000)
<b>Balance as at 30th September 2014</b>	<b>2,537,801</b>	<b>719,411</b>	<b>4,340,949</b>	<b>7,598,161</b>

Figures in brackets indicate deductions.

The above figures are provisional and subject to audit.

**LION BREWERY (CEYLON) PLC****CASH FLOW STATEMENT**

<i>In Sri Lankan Rs. '000s</i>	<b>6 months ended 30.09.2014</b>	6 months ended 30.09.2013	<b>Year ended 31.03.2014 (Audited)</b>
Net cash generated from / (used in) operating activities	1,272,368	2,681,165	1,753,446
Net cash used in investing activities	(5,699,357)	(1,944,642)	(2,222,332)
Net cash generated from financing activities	(917,333)	4,864,113	7,737,903
<b>Net increase / (decrease) in cash &amp; cash equivalents</b>	<b>(5,344,321)</b>	5,600,635	<b>7,269,017</b>
Cash & cash equivalents at the beginning of the period	6,056,098	(1,264,015)	(1,212,919)
<b>Cash &amp; cash equivalents at the end of the period</b>	<b>711,777</b>	4,336,620	<b>6,056,098</b>
<b>Analysis of Cash &amp; cash equivalents</b>			
Cash and cash equivalents	1,227,709	5,708,395	6,857,302
	<b>1,227,709</b>	5,708,395	6,857,302
Bank overdraft	(515,932)	(1,371,775)	(801,204)
	<b>711,777</b>	4,336,620	<b>6,056,098</b>

*Figures in brackets indicate deductions.*

*The above figures are provisional and subject to audit.*

# LION BREWERY (CEYLON) PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1 CORPORATE INFORMATION

Lion Brewery (Ceylon) PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The parent company is Ceylon Beverage Holdings PLC and the ultimate parent Company is Carson Cumberbatch 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.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The Condensed Interim Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34 – Interim Financial Reporting. This Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31st March 2014 including the changes to accounting policies as a result of adapting to Sri Lanka Financial Reporting Standards, (" SLFRSs/LKASs ")

#### 2.2 Basis of measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the financial statements, except for the following;

- Freehold Land and buildings are measured at cost at the time of acquisition and construction and subsequently at revalued amounts, which are the fair values at the date of revaluation less accumulated depreciation and impairment losses, if any.

- Employee benefits are recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

#### 2.3 Functional Currency and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees Thousands (Rs.'000s) which is the Company's functional currency, unless otherwise indicated.

### 3 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

#### 3.1 Finance Commitments

Document credits established for foreign purchases of the Company as at 30th September 2014 amounts to Rs. 210,769,865/- . (2013 - Rs.749,659,722/- )

#### 3.2 Contingencies

(a) Contingent liabilities as at 30th September 2014 amount to Rs. 11,243,535/- . (2013 -Rs. 118,759,248/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

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

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

#### 3.3 Capital Commitments.

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

Whilst the first phase of the transaction of acquiring the trademarks has been completed, the purchase of shares of MBL through PSPL remained to be concluded as at the balance sheet date. An amount of Rs.1,150,000,000/- remains to be paid towards the share capital of PSPL for it to purchase the shareholding of MBL.

Please refer Note no 08 - Events after the reporting period.

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



**LION BREWERY (CEYLON) PLC****NOTES TO THE FINANCIAL STATEMENTS****4 Intangible assets**

Further to the Note 3.3 Sale & Purchase Agreement, the Company completed the first phase of the transaction during the reporting period in which the Lion Brewery (Ceylon) PLC acquired the trademarks of Millers Brewery Limited at a cost of Rs 4,000,000,000/- . The said trademarks are recognized at cost in these financial statements.

**5 Debentures**

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

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

**Category 01 Debentures - Floating Rate**

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

**Category 02 Debentures - Fixed Rate**

Types in Category 02 Debentures	Amount Rs. ('000)	Proportion (From and out of the Category 01 Debentures issued)	Interest Rate (per annum) payable quarterly	AER (per annum)	Redemption From the Date of Allotment
Type F	598,200	30%	13.50%	14.20%	36 Months (3 Years)
Type G	598,200	30%	13.75%	14.48%	48 Month (4 Years)
Type H	797,600	40%	14.00%	14.75%	60 Months (5 Years)
<b>Total</b>	<b>1,994,000</b>				

**LION BREWERY (CEYLON) PLC****NOTES TO THE FINANCIAL STATEMENTS****Classified Under Non Current Liabilities**

Total Debentures on issue (Category 1 & 2)	2,798,800
Debentures Falling due within one year/Category Type B	<u>(201,200)</u>
Debentures Falling due after one year	<u>2,597,600</u>

**Classified Under Current Liabilities**

Debentures Falling due within one year/Category Type B	201,200
Interest Payable	<u>86,749</u>
	<u>287,949</u>

**Debenture Trading Information**

	<b>Period Ended 30.09.2014</b>
Price as at the end of the period (Rs.)	1,116.47
Highest price (Rs.)	1,116.47
Lowest price (Rs.)	1,116.47

**Trading Statistics**

No of Transactions	1.00
No of Shares traded	18,600
Value of all shares traded (Rs. Mn.)	20.77

**Debt related ratios**

	<b>Period Ended 30.09.2014</b>
Debt/equity ratio (times)	1.53
Quick asset ratio (%)	55%
Interest cover (times)	7.31

**6 SEGMENTAL ANALYSIS**

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

**7 COMPARATIVE FIGURES**

Comparative figures/information have been restated/reclassified where necessary in line with the changes to the new Sri Lanka Accounting Standards (SLFRS/LKAS) which are effective from 01st January 2012 and wherever necessary to conform to the current presentation.

**8 EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the reporting date, the Sale & Purchase Agreement entered to with the Cargills (Ceylon) PLC & Millers Brewery Limited (MBL), a subsidiary of Cargills (Ceylon) PLC, with Lion Brewery (Ceylon) PLC and Pearl Springs (Private) Limited (PSPL) to purchase the shareholding including the trademarks of MBL was concluded on the 30th October 2014.

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

**LION BREWERY (CEYLON) PLC****NOTES TO THE FINANCIAL STATEMENTS****9 INVESTOR INFORMATION**

	Investor Information	Quarter Ended		6 months Ended	
		30.09.2014	30.09.2013	30.09.2014	30.09.2013
<b>1</b>	<b>Share Information</b>				
	Price as at the end of the period (Rs.)	639.40	363.00	639.40	363.00
	Highest price (Rs.)	740.00	414.50	740.00	444.00
	Lowest price (Rs.)	450.00	350.00	370.00	330.00
<b>2</b>	<b>Trading Statistics</b>				
	No of Transactions	691	264	961	763
	No of Shares traded	129,470	253,392	173,926	1,736,557
	Value of all shares traded (Rs. Mn.)	80	93	99	647

**10 TWENTY MAJOR SHAREHOLDERS AS AT 30th SEPTEMBER 2014**

	Name of Shareholder	No.of Shares	%
1	CEYLON BEVERAGE HOLDINGS PLC	41,798,788	52.25
2	CARLSBERG BREWERY MALAYSIA BERHAD	19,680,000	24.60
3	CARSON CUMBERBATCH PLC A/C NO.2	4,107,793	5.13
4	HSBC INTL NOM LTD -SSBT -WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	2,256,243	2.82
5	HSBC INTL NOM LTD-MSCO-ROUTE ONE FUND I, L.P.	2,144,176	2.68
6	HSBC INTL NOM LTD-MSCO-ROUTE ONE OFFSHORE MASTER FUND L.P.	1,984,236	2.48
7	CACEIS BANK LUXEMBOURG S/A BARCA GLOBAL MASTER FUND LP	1,473,118	1.84
8	BUKIT DARAH PLC A/C NO 2	1,300,000	1.63
9	GF CAPITAL GLOBAL LIMITED	1,265,199	1.58
10	CARSON CUMBERBATCH PLC A/C NO. 01	1,101,071	1.38
11	HSBC INTL NOM LTD-BP2S SINGAPORE-BNP PARIBAS BANK AND TRUST CAYMAN LIMITED AS TRUSTEE FOR HARVEST FUNDS (CAYMAN) - ASIA FRONTIER EQUITY FUND	330,994	0.41
12	SEYLAN BANK LIMITED/PRIYANI DHARSHINI RATNAGOPAL	300,000	0.38
13	HSBC INTERNATIONAL NOMINEES LTD-MORGAN STANLEY AND CO INTL PLC-OWN A/C	200,000	0.25
14	MELLON BANK N.A.-COMMONWEALTH PEN PUB SCHOOL	166,193	0.21
15	PORTELET LIMITED	161,920	0.20
16	TRANZ DOMINION,L.L.C.	129,251	0.16
17	UNION ASSURANCE PLC/ACCOUNT NO. 05 (UNIT-LINKED LIFE INSURANCE FUND - EQUITY TRACKER FUND)	106,222	0.13
18	NEWGREENS LIMITED	83,200	0.10
19	HSBC INTL NOM LTD-MSCO-ROUTE ONE FUND II, L.P.	76,133	0.10
20	PEOPLE'S LEASING & FINANCE PLC/K.L.UDAYANANDA	55,179	0.07

**11 PUBLIC HOLDING**

Percentage of shares held by the public as at 30th September 2014 was 14.56% comprising of 1,139 public Shareholders.

**12 DIRECTOR'S SHAREHOLDINGS**

As at 30th September 2014	No. of Shares
Mr. L.C.R. de C. Wijetunge (Chairman)	-
Mr. H. Selvanathan (Deputy Chairman)	1,579
Mr. S. K. Shah (Chief Executive Officer)	6,016
Mr. D.C.R. Gunawardena	34
Mr. C. T. Liyanage	2,500
Mr. C.P. Amerasinghe	1
Mr. D. R. P. Goonetilleke	-
Mr. K. Selvanathan (Director / Alternate Director to H. Selvanathan)	-
Mrs. S.J.F. Evans	-
Mr. H.J.Andersen	-
Mr. D. A. Cabraal	-
Mr. Y.F.Lew	-

**13 STATED CAPITAL**

The company's stated capital consists of 80,000,000 ordinary shares.

# LION BREWERY (CEYLON) PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 14 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. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and comparable with what is applied to transactions between the Company and its unrelated customers.

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

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

- (i) The Company has paid Rs. 70,074,746/- (2013 - Rs.65,615,886/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (ii) As at 30th September 2014 the balance payable by the Company to Ceylon Beverage Holdings PLC is Rs. 11,634,410/- (2013 - Rs. 851,852/-)

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

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Pubs 'N Places (Private) Limited, to which the Company sold beer for a total value of Rs. 94,004,043/- (2013 - Rs. 91,008,118/-) during the period.

No balance receivable to Lion Brewery (Ceylon) PLC by Pubs 'N Places (Private) Limited as at 30th September 2014 (2013 - Nil).

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

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Retail Spaces (Private) Limited, to which the Company sold beer for a total value of Rs. 77,188,310/- (2013 -Rs. 110,506,094/-) during the period.

No balance was receivable to Lion Brewery (Ceylon) PLC by Retail Spaces (Private) Limited as at 30th September 2014 (2013 - Nil)

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

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of Luxury Brands (Private) Limited, from which the Company obtain management services for a management fee amounting to Rs. 5,124,517/- (2013 - Rs. 5,128,977/-)

As at 30th September 2014 an amount of Rs. 232,600,143/- was receivable from Luxury Brands (Private) Limited. (2013 - Rs. 140,541,297/-)

#### (E) Transactions with Group entities

Messrs. H.Selvanathan, S.K.Shah and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides supporting services to the Company. An amount of Rs. Rs. 133,770,093/- (2013 - Rs.119,184,449/-) was paid by the Company during the period to Carsons Management Services (Private) Limited which included Supporting service fees of Rs. 132,611,269/-(2013 - Rs. 66,542,438/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

Balance payable to Carsons Management Services (Private) Limited as at 30th September 2014 is Rs. 37,585,775/- (2013 - Nil).

## LION BREWERY (CEYLON) PLC

### NOTES TO THE FINANCIAL STATEMENTS

#### 14 RELATED PARTY TRANSACTIONS (Contd)

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

- (a) Mr.H.J Andersen, Directors of the Company represent Carlsberg Brewery Malaysia Berhad with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.
- (i) As per the licensed brewing agreement, a sum of Rs.60,046,940/- (2013 - Rs. 47,246,712/-) was paid as royalty during the period to Carlsberg A/S.
- (ii) During the period the Company purchased a part of its requirement of the raw material Aroma Hop from Carlsberg A/S amounting to Rs. 1,488,081/-.
- (iii) An amount of Rs. 114,698,718/- is payable to Carlsberg A/S as at 30th September 2014 (2013 - Rs. 47,246,710/-).
- (b) The Company purchases a part of its requirement of the raw material rice from Ran Sahal (Private) Limited. The entire production of Ran Sahal (Private) Limited is exclusively sold to the Company. Towards this the Company advances funds to Ran Sahal (Private) Limited from time to time against future purchases. During the period the Company purchased rice for an amount of Rs. 167,550,525/- (2013 - Rs.81,680,140/-). As at the reporting date an amount of Rs.73,222,433/- (2013 - Rs.74,769,203/-) has been advanced to Ran sahal (Private) Limited which remains to be settled against future purchases.
- (c) Messrs D.C.R. Gunawardena, Director of the Company, is also a Director of following companies with which the Company entered into transactions.
- (i) An amount of Rs. 20,571/- has been paid as parking fees to Equity Two PLC . (2013 - Rs.24,000/-)
- (ii) An amount of Rs. 27,085/- has been paid as rental to Equity One PLC. (2013 - Rs. 3,486/-)
- (d) Messrs D.C.R. Gunawardene and Mr. H. Selvanathan , Directors of the Company, are also Directors of following companies with which the Company entered into transactions.
- (i) The Company obtained services from Carsons Airline Services (Private) Limited in relation to employees' foreign visits and paid an amount of Rs. 43,400/- (2013 - Rs. 3,526,769/-) during the period.
- (ii) An amount of Rs. 46,111/- (2012 - Rs 17,400/-) has been paid to Pegasus Hotels of Ceylon PLC for the hotel services provided to the Company.

## **LION BREWERY (CEYLON) PLC**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **14 RELATED PARTY TRANSACTIONS (Contd)**

- (e) Mr. D.A. Cabraal, Director of the company is also a Director of the HNB PLC, From which during the period the company obtained short - term loans / overdrafts for operational purposes.

An amount of Rs. 1 Bn is payable to HNB PLC on account of outstanding short term loans as at 30th September 2014

- (f) Mr. L.C.R. de C. Wijethunge, director of the company, is also a director of Janashakthi Insurance PLC for which the company has paid Rs. 15,157,992/-for it's services. (2013 - 9,836,571/-).

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

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

The compensation paid to key management personnel as short-term employment benefits and no other payments such as post-employment benefits, terminal benefits and share based payments have been paid to key management personnel during the period.

**LION BREWERY (CEYLON) PLC****Corporate Information**

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**NAME OF COMPANY**

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

**COMPANY REGISTRATION NUMBER**

PQ 57

**LEGAL FORM**

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

**SUBSIDIARY COMPANY**

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

**PARENT COMPANY**

Ceylon Beverage Holdings PLC

**ULTIMATE PARENT COMPANY**

Carson Cumberbatch PLC

**DIRECTORS**

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

**BANKERS**

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

**LEGAL ADVISERS**

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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**

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