

# CAN DO





*Leader.  
Aggressive.  
Future.*

CANDO

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# Financial Highlights

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

	2011 Rs.'000	2010 Rs.'000	% Change
Revenue	<b>11,250,330</b>	7,919,292	42.06
Profit from operations	<b>1,756,342</b>	872,800	101.23
Profit after taxation	<b>1,013,422</b>	640,503	58.22
Dividend - preference dividend	<b>43,750</b>	43,750	-
- ordinary dividend	<b>240,000</b>	-	100.00
Shareholders' funds	<b>4,985,812</b>	3,628,250	37.42
Total assets	<b>9,218,248</b>	6,123,047	50.55
Earnings per ordinary share (Rs.)	<b>12.12</b>	8.69	39.47
Net assets per ordinary share (Rs.)	<b>62.32</b>	45.35	37.42
Market capitalisation	<b>16,000,000</b>	6,920,000	131.21

**Rs.11Billion** 42%<sup>^</sup>

Revenue

**Rs.1Billion** 58%<sup>^</sup>

Profit after taxation

**Rs.9Billion** 50%<sup>^</sup>

Total assets

# Chairman's Statement

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It gives me great pleasure to welcome shareholders to the Company's 15th Annual General Meeting & to present to you the audited financial statements of the Company along with the Report of the Directors & the Chief Executive's Review.

The year in review is most notable for the progress made in the Country's economy. With armed conflict at an end & business & consumer confidence at a high, Sri Lanka's GDP grew by an impressive 8%. Your Company's performance reflected the growth in the economy & returned strong results during the year under review. The Chief Executive's Review deals extensively with the performance of Your Company but suffice to say that the multiple strengths of brand portfolio, world class distribution, state of the art manufacturing & supply chain systems & a management full of aggression & intent combined well to take full advantage of a market on the upturn.

Based on the results achieved during the year, I am pleased to inform shareholders that an interim dividend of Rs 4/- per share was declared on 09th May 2011. Since this amounts to 32% of the Company's post tax profits, Your Board does not recommend a further dividend for the year. Under normal circumstances, the interim distribution would have been replaced by a first & final dividend. However, since dividends after 31st May 2011 would no longer be free of tax - a result of the BOI tax holiday period coming to an end - Your Board thought it appropriate to make the annual distribution to shareholders as an interim payment.

Whilst the year proved to be a satisfying one, the amendment to the rate of Corporate Tax applicable to the industry causes concern. At a time when the standard rate of Corporate Tax was reduced by 20%, that applicable to the alcobev industry was increased by approx. 15%. Thus at present, a gap of approx. 45% exists between the standard rate of Corporate Tax and that applicable to the alcobev industry. For an industry already burdened with high taxes - in the form of Excise Duty - and stringent regulations, the inequitable rate of Corporate Tax came as an unpleasant surprise.

I am confident that the Sri Lankan economy will progress well in the coming year. Your Company is well poised to take advantage of the opportunities that are likely to emerge. Increasing capacity is a priority and management is currently working on a 3 year expansion program. Other structural changes are also taking place within the Company, the details of which are spelt out in detail in the Chief Executive's Review. All things considered, I believe that the year ahead will prove to be a successful one for the Company.

In order to retain its dominant position in the market & build upon the fine results of the year, it is critical that the Company expands its brewing & packaging capacity in Sri Lanka ahead of demand. Initial estimates envisage that the Sri Lankan business will require substantial investments. In the meanwhile, recent projection in India also foretell of a need for substantial investments in that country. Since Your Board considers Sri Lanka its priority and since it does not consider it judicious to stretch

## Chairman's Statement Cont.

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the resources of Your Company to cover the investments in both countries, it has arrived at the difficult – but necessary – decision to exit the Indian JV. In this connection Your Company has just concluded negotiations with Carlsberg South Asia Pte Ltd, a subsidiary of the Carlsberg Group, to purchase its stake in the Indian JV. The transaction will be concluded at the Company's book value as at 31st March 2011 once the necessary regulatory approvals are received.

These changes in India have no impact on Your Company's strong & longstanding relationship with Carlsberg which continues on a firm footing.

Your Board & I are aware that in 2009 a right issue was made to raise Rs 1.2bn to part fund the investment in India. As a result of the sale described above, these funds will now be available with the Company. Broadly, your Company has two options to deal with these funds. It can return the relevant component of the funds to shareholders or it can retain it for use in capacity expansions that are due during the ongoing year & the next. The investment to enhance capacity in the ongoing year alone is estimated to exceed Rs 700 mn. Your Board is currently evaluating the available options & will make a recommendation to shareholders at an EGM, which will be called shortly for the purpose.

In conclusion I wish to acknowledge & thank all those who contributed to make the year under review a success.

Your Board & I wish to extend our appreciation to all employees, especially the Management Team, for it is their skill, dedication & commitment that made the years' results possible. Appreciation is due to our valued customers, consumers, consignment agents, suppliers and bankers whose support was vital in the year concluded. Our grateful thanks also to our loyal shareholders for their continued confidence in the Company. Finally, my thanks to the Audit Committee for their careful deliberations & to my colleagues on the Board for their guidance & support.

(Sgd.)

**L.C.R.de C. Wijetunge**

*Chairman*

Colombo  
26th May 2011

# Chief Executive's Review

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On the back of strong economic growth & in keeping with the trends of most business sectors across the country, your Company posted impressive results during the year under review. In the face of the most stringent regulatory environment – where pricing, distribution & promotion are all beyond its control – management moved aggressively to take advantage of the unfolding economic conditions whilst maintaining strict control over costs. As a result, on revenues of Rs 11.25 billion, the Company earned a post-tax profit of Rs 1.01 billion, up from Rs 7.92 billion & Rs 640.50 million respectively in the previous year whilst earnings per share rose to Rs 12.12 from Rs 8.69. The Company's balance sheet remained strong & at the year end its gearing stood at a healthy 25%.

During the year, Your Company's share price moved from Rs 86.50 to Rs 200/-, an increase of 131% thereby significantly outperforming both the All Share Index (94%) & the Milanka Index (61%). The Company's market capitalization as at 31st March 2011 stood at Rs 16 billion up from Rs 6.9 billion at the start of the year.

## ***Operating Environment***

Sri Lanka's economy grew strongly during the year under review with GDP growth reaching a remarkable 8%. It was a stunning response by a nation just emerging from a devastating, 30 year, internal conflict. Without doubt it is a response that demonstrates the resolve of the Sri Lankan nation & the confidence its people have in the country's future. The remarkable performance of the Colombo bourse since the end of the conflict is a real demonstration of this confidence.

The Government moved quickly to build up the necessary infrastructure; roads, ports & airports are being built, capacity has been added to the national grid, the reconstruction in the North & East continues and the spread of ICT has increased. In the meanwhile, programs such as "Gama Neguma" are attempting to uplift the living standards in the many villages spread across the country. The Government clearly demonstrated its intentions of consolidating these economic gains by presenting a strong, private sector friendly, development oriented budget in November 2010. Some "nuisance" taxes were removed, corporate & individual income taxes were substantially reduced – with the exception of the alcohol industry whose income taxes were increased – and the system of VAT simplified. All these factors provided a strong platform for growth and most businesses in Sri Lanka took advantage of the positive trends. However, it was the "feel good" factor in an environment sans conflict that contributed the most to the upward momentum in the economy. This was most evident in the tourism sector; with the danger of war a thing of the past, arrivals jumped by 46% during 2010 & hotel occupancies reached 70%.

These factors helped your Company increase its revenue to Rs 11.25 billion during the year under review.

Commodity prices the world over started to move upwards during the year, a result of an imbalance between demand & supply. The demand for food worldwide – particularly in Asia – picked up whilst adverse weather led to lower yields. A combination of factors also resulted in a gradual increase in the price of oil. Due to these factors the County felt inflationary pressures although it was curtailed to the mid single digits during the year.

Notwithstanding the heavy pressure on costs, management succeeded in minimizing its impact using a combination of techniques that included amongst others, a careful monitoring of the markets, timing of negotiations & simplification of operating processes.



## Chief Executive's Review Cont.

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The relatively low levels of inflation that prevailed in 2010, coupled with a lower than expected demand for funds meant that interest rates remained well below double digits during the year under review. The exchange rate too remained stable against the Dollar, a result of increasing receipts from remittances & tourism & the continuing access to the IMF stand by facility.

All these factors meant that the Company succeeded in improving its margins at both gross & net levels leading to a post-tax profit of Rs 1.01 billion for the year under review.

#### ***Alcohol Policy***

There were two excise duty increases during the year, in June & October 2010. The overall increase during the year varied between 23% & 31% depending on the style of beer. This data excludes the excise duty increase implemented to negate the impact of the VAT simplification announced in the budget of November 2010.

Whilst the November 2010 budget reduced the standard rate of corporate income tax from 35% to 28%, the alcohol sector was burdened with a higher rate of 40% with effect from 1st April 2011. Thus the sector margins get squeezed at the top via excise levies and at the bottom by corporate taxes. The new rate – approx. 45% higher than the standard rate of corporate tax – can only be described as discriminatory & takes alcohol taxation closer to shareholders than previously.

Thus the year witnessed greater regulatory pressure on the legal alcohol industry. The higher taxes as described above together with the stringent regulations governing sales, distribution & promotion – all of these consolidated under the theme "Mathata Thitha" – means that your Company operates within a space that is forever being squeezed. Paradoxically, the greater the pressure on the legal industry, the more space the illicit operators get.

Over the years, alcohol policies in Sri Lanka have favored the consumption of hard alcohols be they legal or illicit. Due to the impact of taxation, legal alcohol is beyond the reach of the economically underprivileged. In the meanwhile, those outside urban areas have limited or no access to legal alcohol due to regulations governing distribution. Due to these two reasons, illicit alcohol is in wide spread use across the Country. Those who choose legal alcohol find hard liquor more affordable than the milder varieties since taxation on the former is less than on the latter. That these policies are counterproductive is obvious. Yet little or no attempt has been made to correct the anomalies.

In the recent past, there have been some enforcement efforts at curbing the production of illicit alcohol. Unfortunately, enforcement addresses the supply side although the problem is one of demand created by high prices & poor availability of legal liquors. Further, as long as the risk to reward ratio is skewed towards the latter – and it is heavily so in the illicit alcohol industry – enforcement alone will not prevent the production and use of these products.

Appropriate policies that address the issues of pricing & availability in a practical & pragmatic manner will be far more effective in combating illicit alcohol. Policies that link taxation & availability to alcohol content will also shift consumption from hard to soft alcohols over time. No doubt such shifts in policy are difficult to implement; to start with published data – being limited to the legal industry – is likely to suggest an

## Chief Executive's Review Cont.

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increase in consumption. In the meanwhile, since data on illicit alcohol is hard to come by & not published, the extent of its reduction will not be immediately apparent. Yet policy – together with education - remains the most effective way to battle illicit liquor & to reduce the extent of pure alcohol consumed in the country.

### ***Operating Results & Financial Position***

On a turnover of Rs 11.25 billion, the Company returned a pre-tax profit of Rs 1.60 billion. At the point of gross profit, the margin was 33%, the same as the previous year. In a year in which excise taxes were increased by as much as 31%, it is noteworthy that gross margins remained intact and reflects the gains made in procurement. Operating margins increased from 11% to 16% during the year. Thus both critical indicators i.e volumes & margins were above those of the previous year.

The level of margin returned by the beer business is a reflection of the high taxation imposed on it - both in terms of excise & revenue related levies – and the complex manufacturing process that takes basic raw materials & converts them into a liquid in a pack. On year end Equity – including reserves – the return was a satisfactory 19%, up from 16% a year ago.

Overall operational costs increased by 12% driven mainly by higher distribution expenses incurred to support the growth in revenue. During the latter part of the year, increasing inflation also contributed towards higher fixed overheads.

During the year under review, the Company continued to place great emphasis on the management of working capital. As a result all key working capital indicators – raw material & finished goods inventories, receivables & payables – improved significantly.

The net borrowings of the Company – including long term loans – moved from Rs 213.08 million at the start of the financial year to Rs 252.17 million at its end. The net cash outflow of Rs 39.09 million was after investing Rs 668.45 million on expanding capacity & Rs 739.67 million as an equity infusion in Carlsberg India. At the end of the year, the Company's gearing stood at a healthy 25%.

### ***Marketing & Sales***

An environment sans conflict & a growing economy resulted in improved consumer sentiment. The general "feel good" factor that prevailed during the year under review meant that consumers felt more comfortable being out & about than in previous years. Volumes of many product categories grew as a result & those of your Company were no exception. The alcohol category as a whole saw reasonable growth, as did the beer segment. Your Company, with its enviable portfolio of brands well supported by its benchmark distribution system, took the lion's share of the growth in the beer segment and outperformed the market.

The greatest challenge the Company faced during the year came as a result of a capacity shortage that lasted until August of 2010. Had the capacity been available, volumes, shares & profits would have been even higher than those finally achieved. Notwithstanding the capacity constraints, all brands grew in comparison to the previous year, whilst of the SKU's, cans outperformed the others. All trade channels performed better than the previous year, as did sales from across the many regions in the country. Special emphasis was placed on consolidating the sales & distribution operations in the North & East & the results derived from these areas have been very satisfactory.

## Chief Executive's Review Cont.

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Quality has always been a cornerstone of the Company's marketing strategy and it is gratifying when this is acknowledged on a global scale. 4 of the Company's brands – Lion Lager, Lion Strong, Lion Stout & Lion Imperial (the latter brand being export only) - were submitted for the Monde Selections of 2010. Three were awarded gold medals whilst the fourth, Lion Stout, received the much coveted Grande Gold, an award it has now won for the second time.

#### **Supply Chain**

During the year under review, the Company increased the capacity of its state of the art plant at Biyagama by 30% at a cost of Rs 668.45 million to enable uninterrupted supplies to the market. This it did in August 2010 until which time supplies were somewhat curtailed.

Procurement was a key focus area during the year under review and the strong systems established helped the Company gain substantial savings in raw material prices. Focused efforts in waste minimization and efficiency gains also helped lower the cost of a unit of beer produced, as did improvements in energy consumption.

During the year, the Company expanded its effluent treatment facility at a cost of Rs 90 million whilst simultaneously shifting from an aerobic to an anaerobic system. Your Company has always been extremely conscious of its obligations vis-à-vis the environment & the quality of its effluent discharge remains well below the norms stipulated by the relevant European standards.

#### **Support Services**

Your Company consolidated its performance based reward system during the year under review. The reward system in place was a key element in the Company's efforts to reduce its cost per unit of output and the results were extremely encouraging. Both Your Company & its members of staff gained as a result of the scheme in place.

Over the years, the Company has put in place an extensive IT system that has helped it achieve operational excellence across the value chain. During the year, the Company commenced a significant overhaul of the system bearing in mind the emerging operating environment. The new systems once in place, will not only help improve operations further but will also be a key tool in the search for business growth.

During the year, the Company made use of the favorable conditions in the financial markets to re-structure its borrowings. Using the stability of the currency against the US Dollar & the low interest rates attached to that currency, Your Company negotiated a USD 23 million term loan re-payable over 6 years – including an years' grace - from HSBC at reasonable rates. With this facility in place the Company's expansion program over the next few years has also been secured.

#### **Exports**

Your Company's brands continue to lead the market in the Maldives. Market share & volumes grew during the year, as did profitability from this operation. The new distribution arrangements in the UK are working well & the Company seems well poised to grow volumes in that market in the years ahead. The US was a major disappointment during this year and expectations from that market were not realized. This has led to a re-look at the US strategy & the Company is hopeful that volumes & profits will once again be realized from this market in the not too distant future.

## Chief Executive's Review Cont.

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In addition to the three key markets of the Maldives, US & UK, the Company exports its brands to many other locations including France, Japan, Canada & Australia. During the year, the Company exported a total of 162 containers earning revenues of Rs 139.55 million.

### ***Corporate Tax & Dividends***

As shareholders are aware, the Company enjoyed a 12 year tax holiday under the BOI. This tax holiday came to an end on 31st May 2010 & since then the Company has been liable to Income Tax on profits at the rate of 35%. Thus based on the profits of the year, the Company's liability on account of Corporate Tax is estimated at Rs 586.58 million. Together with Excise Duties & all sales related taxes, the Company's total contribution to the national exchequer during the year under review amounts to Rs 7.46 billion.

As mentioned previously, the rate of income tax on the alcohol industry has been increased to 40% with effect from 1st April 2011.

With the tax holiday coming to an end, future dividend distributions will no longer be free of withholding tax. However as per the Company's agreement with the BOI, a dividend declared on or before 31st May 2011 remains free of withholding tax in the hands of shareholders. Thus an interim dividend of Rs 4 per share was declared on 09th May 2011. The total outflow on account of the interim dividend is Rs 320 million, 32% of post-tax profits.

### ***The Investment in India***

In 2006 the Company together with Carlsberg & two others invested in a brewery business in India – currently styled Carlsberg India Pvt Ltd (CIPL) - via a Singapore based special purpose vehicle, South Asian Breweries Pte Ltd (SoAB). CIPL commenced operations by acquiring a brewery in Himachal Pradesh and thereafter embarked on an aggressive expansion plan. So far that Company has built / acquired 4 more breweries in Rajasthan, Maharashtra, West Bengal & Andhra Pradesh. CIPL's brands cater to all segments of the market and as of today have gained a market share of approximately 5%. The company has remained in the red since its inception.

Recent projections indicate that India will require substantial investments – estimated at over US\$ 200 million – over the next few years. In the meanwhile, judging by emerging market conditions, the business in Sri Lanka will also need to enhance capacity for which substantial investments are required. If the necessary capacity enhancements don't take place in Sri Lanka, the Company is likely to compromise its dominant position in the market place. Your Board considers Sri Lanka to be its first priority being the Company's home market. Further, it believes that the Company & its shareholders will receive a greater return on investment from its Sri Lankan operations. Thus rather than stretch the resources of the Company beyond a prudent level, a difficult decision has been made to exit the Indian JV. In this connection, negotiations have been concluded with Carlsberg South Asia (Pte) Ltd, a subsidiary of the Carlsberg Group, who will now purchase your Company's stake in SoAB at its book value as at 31st March 2011. The Company is currently awaiting necessary regulatory approvals prior to concluding this transaction.

The changes described above have no impact on Your Company's strong & longstanding relationship with Carlsberg. Indeed even in India, whilst Your Company will no longer be a shareholder, the two companies will continue to exchange ideas, share best practices & interact as would any two businesses within the same family.

## Chief Executive's Review Cont.

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#### ***The Year Ahead***

There is no doubt that the Sri Lankan economy will continue its strong growth momentum into the year ahead. Notwithstanding inflationary pressures, consumer confidence remains high & businesses across a range of sectors are expected to do well in the year ahead. The budget proposals announced in November 2010 will spur development in general & the private sector in particular. The expanding stock of infrastructure including the road modernization program will also be a catalyst for growth. In many ways, a "new" Sri Lanka is emerging & this is best demonstrated in Colombo; the city is finally taking the shape of a major, modern, Asian metropolis thanks largely to the work of the UDA.

There are however some downsides to the economy in 2011. Principal amongst these is inflation. Commodity prices across the world are on the rise & will likely continue to do so for the foreseeable future. In the meanwhile the unrest in the Middle East has the potential to drive up further the price of oil. Since Sri Lanka is an import dependent economy, the consequences of such price increases on the Country's trade balance & currency are of concern. Inflation restricts discretionary spending & will, to some degree, inhibit the growth of consumer goods businesses such as Your Company.

Overall, however, the expanding economy will provide many an opportunity for growth. Your Company is well positioned to capture the growth that the market offers. More importantly, it is well positioned to create growth opportunities for itself and the industry.

Whilst management took full advantage of the market opportunities presented during the year under review, it also focused on structuring the Company to face the future aggressively & with confidence.

Corona – the iconic beer from Grupo Modelo, Mexico – will be added to the Company's portfolio shortly. The brand brewed exclusively in Mexico & commonly served with a wedge of lime, is one of the top selling beers in the world. Lion, Carlsberg & Corona is a brilliant combination & caters to all segments of the market.

Over the years, the Company's distribution system has been highly effective. In the year ahead a few significant changes will make the system even more effective & less expensive per unit of beer sold.

Brewing capacity will be enhanced again during the year ahead to ensure that the market is well supplied with no shortages. The on going consolidation of the IT system will tightly knit the Company's operations into a single seamless supply chain. Management has also put in a new structure that is squarely focused on growth & value addition. New aggressive targets have been set across the Company & the Lion team is well prepared for the hunt that lies ahead.

Thus there is confidence in the future of Your Company. Yet, the fortunes of Your Company and those of others that operate in the Sri Lankan environment are inescapably linked to the progress of the Nation. Since the conclusion of the war, there has been much progress. The necessary stock of infrastructure is being put in place, there has been some consolidation in the system of taxation, the currency has stabilized, education reforms are being discussed and inflation has largely been under control. The economy has responded strongly to these interventions & will continue to grow into the year ahead.

## Chief Executive's Review Cont.

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However, it is noteworthy that the Country is still largely riding on the sentiments that arose out of the defeat of the LTTE in May 2009. It is now 2 years since this event and positive sentiment alone will not sustain the growth momentum for much longer into the future. A process of policy led consolidation is critical if Sri Lanka is to emerge as a strong sustainable economy. Whilst many changes have been implemented there are still some significant issues that need to be addressed. 2 are worthy of mention.

The underlying conditions that led to the 30 year conflict must be resolved soon. The end of the conflict 2 years ago presented Sri Lanka with a momentous opportunity to address the issues that gave rise to the war. It is an opportunity that the people of Sri Lanka must not let slip by.

To sustain the impressive economic growth of the last 2 years, Sri Lanka needs to attract foreign direct investment (FDI). FDI is also a vital source of technology transfer. In terms of stability, the end of the war has brought Sri Lanka on par with nations that compete for FDI. Now Sri Lanka needs to find a unique advantage to attract the necessary FDI or in the alternative, outperform competing nations in terms of the standard parameters that investors look for.

The challenges that the Country faces in the medium term are considerable. Yet, Sri Lanka can take hope from a stable political climate and a popular & credible presidency to lead the Nation to a prosperous future. The run up to May 2009 demonstrated the courage & resolve of the incumbent President when in the face of tremendous pressure from the international community, he stood firm to bring to an end the scourge of terrorism. Sri Lankan must hope that the same courage & resolve would be brought to bear on the other fundamental challenges facing the Nation.

### **Conclusion**

The year under review has certainly been a good one. The year ahead looks promising as well. Your Company's superb portfolio of brands, benchmark distribution systems, state of the art manufacturing process and outstanding human resources provide it a strong platform from which it can aggressively seek opportunities to grow volumes, margins & profits.

In concluding the review of the previous year, the statement was made that for Lion Brewery, the best is yet to come. Notwithstanding the results of the year under review, that statement continues to hold true even as of today.

(Sgd.)

**Suresh K. Shah**  
*Chief Executive*

Colombo  
26th May 2011

# Profiles of Directors

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## ***Cubby Wijetunge***

Cubby Wijetunge is the Chairman of Ceylon Brewery PLC and Lion Brewery (Ceylon) PLC, Union Residencies Ltd. and Chairman Emeritus, Nestle Lanka Ltd. He is also Director of Hunter & Co. Ltd, Janashakthi Insurance, Swiss Trading Company, East India Retailing Company (Private) Limited, Heath & Co. Ltd and Lanka Canneries Ltd. Also serves as Trustee of Joseph Fraser Hospital. In addition a member of the Monetary Policy Committee of the Central Bank of Sri Lanka and President of the Swiss Business Club of Colombo.

## ***Hari Selvanathan***

Hari Selvanathan is Deputy Chairman of Carson Cumberbatch PLC and 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, South Asian Breweries Pte Ltd-Singapore and Carlsberg India Private Limited. He is the Chairman of Express Newspapers (Ceylon) Ltd and Carsons Management Services (Private) Limited, the Groups Management company. Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka). He is also a Director of the India-Sri Lanka Foundation. He holds a Bachelor of Commerce Degree.

## ***Suresh K. Shah***

Director and Chief Executive Officer of Ceylon Brewery PLC and Lion Brewery (Ceylon) PLC. He is also a Director of Carson Cumberbatch PLC and The Sri Lanka Business Development Centre. Mr. Shah serves as the Deputy Vice Chairman of the Ceylon Chamber of Commerce and is a Vice President of the Sri Lanka Institute of Directors and the Confederation of Asia Pacific Chambers of Commerce & Industry (CACCI).

He also serves on the council of The Employers Federation of Ceylon and The Mercantile Services Provident Society. Mr. Shah is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

## ***Roy Bagattini***

Director of Lion Brewery (Ceylon) PLC, Senior Vice-President, Africa and Asia for Carlsberg A/S and Carlsberg Breweries A/S, based in Hong Kong. Currently part of the Executive Committee of the Carlsberg Group and also sits on the Board of several private companies within the Carlsberg Group.

Mr. Bagattini Holds a Bachelor of Commerce degree from the University of South Africa and has also completed various study programs at Stanford University, USA and Oxford University, UK. Worked formerly for SABMiller where he was the Regional Managing Director for Eastern Europe. He has held several senior general management positions in South Africa and the USA as well as being the country Managing Director of SABMiller in India, China and Italy.

## Profiles of Directors Contd.

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### ***Chandima Gunawardena***

Chandima Gunawardena is a Director of Carson Cumberbatch PLC. He serves as a Director in most of the Carsons Group Companies in Sri Lanka and overseas. He is a member of the Group's Strategic Planning Forum. He also serves as a member of the Audit Committees of the Group in Sri Lanka and overseas. Mr.Gunawardena has over three decades of experience in varied fields of business and commercial activities and has held senior positions in the Corporate Sector. He is a Fellow of the Chartered Institute of Management Accountants, UK.

### ***Dato' Voon Loong Chin D.S.P.N.***

Director of Lion Brewery (Ceylon) PLC, Deputy Managing Director of Carlsberg Brewery Malaysia Berhad. He is also a Director of Carlsberg Singapore Pte Ltd. (Singapore), Gorkha Brewery Pvt. Ltd. (Nepal), South East Asia Brewery Ltd. (Vietnam), International Beverage Distributors Ltd. (Vietnam), Carlsberg Distributors Taiwan Limited (Taiwan), Carlsberg Cottingham Ltd. (Taiwan), Luen Heng F & B Sdn.Bhd. (Malaysia) and also serves on the Board of several private companies within the Group. Dato' Chin is a Member of the Governing Council of the Confederation of Malaysian Brewers Berhad. He is a Fellow Member of the Institute of Chartered Accountants in England and Wales. He is also a Chartered Accountant with the Malaysian Institute of Accountants, an Associate Member of the Malaysian Institute of Taxation, Affiliate of The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), a Member of the Institute of Public Relations Malaysia and a Member of the Malaysian Alliance of Corporate Directors. He has held the positions of Chief Financial Officer, Commercial Director, Company Secretary and Executive Director, Corporate Affairs prior to his current position in Carlsberg Brewery Malaysia Berhad. He graduated with a Bachelor of Science (Honours) Degree in Systems and Management from The City University, London.

### ***Prasanna Amerasinghe***

Prasanna Amerasinghe is a Director of Lion Brewery (Ceylon) PLC and is responsible for the marketing function of the Brewery Sector. He has over 21 years of experience in the field of marketing and has held many senior positions in this area.

### ***Chandraratne Liyanage***

Director of Lion Brewery (Ceylon) PLC. Commenced his career as a trainee brewer with Ceylon Brewery PLC in 1979 and was promoted to Senior Brewer and subsequently to Factory Manager. In 1998 he took up the position as Factory Manager at Lion Brewery (Ceylon) PLC and was promoted to his current position as Head of Technical in 2004. Holds a Special Degree in Botany from the University of Peradeniya (Sri Lanka) and has attended several overseas training programs including Carlsberg Brew Masters Course, training with Allied Breweries (UK) & Carlsberg Tetley Leeds Brewery (UK) and management programs at Cranfield University, UK and National University, Singapore.



## Profiles of Directors Contd.

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### ***Ranil Goonetilleke***

Director of Lion Brewery (Ceylon) PLC and CBL Retailers (Pvt) Ltd. Subsequent to undergoing training at KPMG Ford, Rhodes, Thornton & Co, he joined the Haycarb Group in 1989 where he worked in different capacities in the field of finance until he left its employment as Divisional Manager (Finance). He joined Lion Brewery (Ceylon) PLC in 1998 in the capacity of Financial Controller and was appointed Director Finance in 2004. He is a Fellow of the Chartered Institute of Management Accountants, UK.

### ***Krishna Selvanathan***

Director of Carsons Management Services (Private) Limited, the investment sector group companies and Lion Brewery (Ceylon) PLC. He is also a member of the Investment Sector Management Team. He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, UK.

### ***Susan J. F. Evans***

Sue Evans has over 30 years experience in strategy and marketing, largely with multi-national consumer product companies, Gillette, GlaxoSmithKline and Whirlpool. Whilst based in the UK, she held an international strategic marketing position and managed a global nutritional drinks brand portfolio with a turnover of £330 million worldwide.

For the last 10 years Ms. Evans 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. She currently works with STING Consultants, the leading strategic marketing and brand consultancy in Sri Lanka. She also serves as a trustee with the Hemas Outreach Foundation, a national charity funding pre-school education. Ms. Evans holds a Bachelor of Arts (Hons) from the University of Wales, UK.

# Senior Management Team

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Lion Brewery (Ceylon) PLC  
Annual Report 2011





**Standing left to right**  
**Nishantha Hulangamuwa**

*Head of Outbound Supply Chain*

**Eshantha Salgado**

*Manager Quality Assurance*

**Wasantha Heenatigala**

*Manager Marketing*

**Ranil Goonetilleke**

*Director Finance*

**Prasanna Amerasinghe**

*Director Marketing*

**Hiran Edirisinghe**

*Chief Engineer*

**Arjuna Jayasinghe**

*Head of Information Technology*

**Roshan Bandara**

*Head of Operations - Pub Chain*

**Shiran Jansz**

*Head of Procurement*

**Chandana Wijesundara**

*Financial Controller*

**Seated left to right**

**Janaka Bandara**

*Manager Production*

**Sharlene Adams**

*Head of Exports*

**Preethi De Silva**

*Manager Business Development*

**Chan Liyanage**

*Director Supply Chain*

**Nausha Raheem**

*Head of Human Resources*

**Suresh Shah**

*Director / Chief Executive*

**Janaka Kiridena** (Absent)

*Head of Sales Operations*

# Annual Report of the Board of Directors on the affairs of the Company

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

The Board of Directors of Lion Brewery (Ceylon) PLC (the Company) is pleased to present its Report and Financial Statements of the Company for the financial year ended 31st March 2011.

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 Directors on 26th May 2011.

### ***Principal Activity of the Company***

The principal activity of the Company remained brewing, bottling and sale of high quality beers, under license, for local and export markets.

### ***Review of Operations and Future Developments***

The Chairman's Statement and the Review of Operations 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 Year***

The details of significant events during the year are contained in the Chief Executive's Review on pages 6 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 Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the results for the said period.

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

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

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

# Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

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

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

### **Financial Statements**

The Financial Statements which include Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements of the Company for the year ended 31st March 2011 are set out on pages 34 to 58 of this report.

### **Financial Results**

<i>For the year ended 31st March</i>	2011	2010
<i>In Rs.'000s</i>		
The profit available for appropriation is:		
- Current year	<b>1,013,422</b>	640,503
- Brought forward	<b>1,207,821</b>	611,068
	<b>2,221,243</b>	1,251,571
<b>From which the following appropriations have been made:</b>		
Dividends -		
Preference 12.5% (2010 - 12.5%)	<b>43,750</b>	43,750
Ordinary Rs.3/- per share (2010 - Nil)	<b>240,000</b>	-
Leaving a balance to be carried forward of	<b>1,937,483</b>	1,207,821

### **Reserves**

After the above mentioned appropriations, the total reserves of the Company stand at Rs.2,798.01 million (2010 - Rs.1,440.45 million) comprising Capital Reserves of Rs.860.52 million (2010 - Rs.232.63 million) and Revenue Reserves of Rs.1,937.49 million (2010 - Rs. 1,207.82 million). Details are shown in the Statement of Changes in Equity on page 36.

### **Capital Expenditure**

The total expenditure on the purchase of capital assets by the Company during the year amounted to Rs.668.69 million (2010 - Rs.118.24 million). The movements in capital assets during the year are set out in Notes 12 and 13 to the Financial Statements.

## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

### ***Market Value of Freehold Properties***

The land and buildings owned by the Company were valued in March 2011 by a qualified independent valuer. The market value arrived at was Rs.1,635.66 million. The book value of Rs. 1,635.66 million shown as at 31st March 2011 (2010 - Rs.980.50 million) is after accounting for subsequent additions, disposals and depreciation. These are further explained in Note 12 to the Financial Statements.

### ***Outstanding Litigation***

The outstanding litigations related to the Company are shown in Note 29.2(b) to these Financial Statements.

### ***Going Concern***

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

### ***Independent Auditors' Report***

The Independent Auditors' Report on the Financial Statements is given on page 33 of this Report.

### ***Significant Accounting Policies***

The accounting policies set out in Note 1 to 3 in the Notes to the Financial Statements on pages 38 to 58, which have been consistently applied to all periods presented in these Financial Statements.

### ***Donations***

There were no donations made during the year ended 31st March 2011 (2010 - Nil).

### ***Interests Register***

#### ***Director's Interests***

The Company maintains the Interests Register conforming to the provisions of the Companies Act No.7 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 2011 is given in Note 6 to the Financial Statements, on page 44.

# Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

### **Directors' Interest In Contracts And Shares**

Directors' interest in contracts with the company are disclosed in Note 31 to these Financial Statements and have been declared at meetings of the directors. The Directors have had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the company, while they had the following interests in Ordinary shares of the Company as shown in the table below.

### **Directors' Shareholdings**

	No. of Shares as at	
	1st April 2010	31st March 2011
L.C.R. de C. Wijetunge (Chairman)	-	-
H. Selvanathan (Deputy Chairman)	1,579	<b>1,579</b>
S. K. Shah (Chief Executive Officer)	6,017	<b>6,017</b>
D.C.R.Gunawardena	34	<b>34</b>
Dato Voon Loong Chin D.S.P.N.	-	-
C.P. Amerasinghe	1	<b>1</b>
C. T. Liyanage	2,500	<b>2,500</b>
D.R.P.Goonetilleke	-	-
K. Selvanathan	-	-
R.E. Bagatiini	-	-
S.J.F.Evans (Appointed w.e.f. 01.07.2010)	-	-
G. Brockett (Alternate Director to R. E. Bagatiini)	-	-
Y.F.Lew(Appointed as Alternate Director to Dato V.L.Chin D.S.P.N. w.e.f. 10.02.2011)	-	-

### **Directors**

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

### **Appointment of Directors**

Ms. S.J.F.Evans was appointed as an Independent, Non Executive Director of the Company on 1st July 2010.

Mr. Y. F. Lew was appointed as the Alternate Director to Dato V. L. Chin D.S.P.N. with effect from 10th February 2011.

### **Directors to Retire by Rotation**

In terms of Articles 72 and 73 of the Articles of Association of the Company, Mr. D. C. R. Gunawardena and Dato V. L. Chin D.S.P.N. retire by rotation and being eligible offer themselves for re-election.

## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

### ***Retirement At The 1st AGM Following Appointment As Director***

In terms of Article 68 of the Articles of Association of the Company, Ms. S.J.F. Evans retires from the Board and being eligible offers herself for re-election.

### ***Auditors***

Company's Auditors during the year under review were Messrs. KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants. A sum of Rs. 765,000/- was paid to them by the Company as audit fees for the year ended 31st March 2011 (2010 - Rs 715,000/-).

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

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

### ***Auditors' Relationship or any Interest with the Company***

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

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

The transactions carried out by the Company with its related parties during the year ended 31st March 2011 did not exceed 10% of the shareholders equity or 5% of the total assets as at 31st March 2011.

The details of the related party transactions are given in Note 31 on page 57 to 58 of the Financial Statements.

### ***Corporate Governance***

Compliance of corporate governance rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

### ***Board of Directors***

The following Directors held office as at the balance sheet date and their brief profiles are given on pages 13 to 15 of the Annual Report.



## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

Directors	Executive/ Non-Executive / Independent
L.C.R. de C. Wijetunge (Chairman)	Non-Executive/ Independent*
H. Selvanathan (Deputy Chairman)	Executive
S.K. Shah (Chief Executive Officer)	Executive
Dato Voon Loong Chin D.S.P.N.	Non-Executive
D.C.R. Gunawardena**	Executive
C. T. Liyanage	Executive
C.P. Amerasinghe	Executive
D.R.P. Goonetilleke	Executive
K. Selvanathan	Executive
R. E. Bagattini	Non-executive
S.J.F.Evans(Appointed w.e.f. 01.07.2010)	Non-Executive/ Independent
G. Brockett (Alternate Director to R. E. Bagattini)	
Y.F.Lew (Appointed as Alternate Director to Dato V.L.Chin D.S.P.N. w.e.f. 10.02.2011)	

\* The Board has determined that Mr. L.C.R. de C. Wijetunge is an independent Non Executive Director in spite of being on the Board for more than 9 years and being a Director of Ceylon Brewery PLC, which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

\*\*Mr.D.C.R.Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non-Executive Director.

#### Remuneration Committee

As per Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange the Remuneration Committee of Ceylon Brewery PLC (BREW), the parent Company, functioned as the Remuneration Committee of the Company and comprised of the following members.

Remuneration Committee members	Executive/Non-Executive/Independent
Mr. H. Selvanathan	Executive Director of BREW
Mr. M. Selvanathan	Executive Director of BREW

The committee has formulated a remuneration policy based on market and industry factors and individual performance of the Company.

## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

As allowed by Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Company has adopted the Remuneration Committee of Carson Cumberbatch PLC (CCPLC), the ultimate parent Company, to function as the Remuneration Committee of the Company w.e.f. 15th April 2011 and comprises of the following members.

Remuneration Committee members	Executive/Non-Executive/Independent
Mr. I. Paulraj -Chairman	Non Executive/Independent Director of CCPLC
Mr. M. Moonesinghe	Non Executive/Independent Director of CCPLC
Mr. D.C.R. Gunawardena	Non Executive Director of CCPLC

Aggregated remuneration paid to the Non-Executive Directors of the company is disclosed under Note 6 on page 44 of the Annual Report.

Executive Directors are not compensated for their role on the Board.

### Audit Committee

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

Audit Committee members	Executive / Non-Executive
Mr. V.P. Malalasekera	Non Executive/ independent Director of CCPLC
Mr. D.C.R. Gunawardena*	Executive Director of CCPLC
Mr. F. Mohideen	Non Executive/ independent Director of CCPLC

\*Mr.D.C.R.Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non-Executive Director.

Additionally Mr. R. de Lanerolle acts as the Expert Advisory member to the Brewery sector.

The Audit Committee Report is given on pages 28 to 29 of this Annual Report.

## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

### Directors' Meetings Attendance

Six Board Meetings were convened during the financial year and the attendance of the Directors were as follows :

Director	Meetings attended (out of 6)
L.C.R. de C. Wijetunge	6
H.Selvanathan	4
S.K. Shah	6
Dato' Voon Loong Chin D.S.P.N.	3
D.C.R. Gunawardena	4
C. T. Liyanage	6
C.P. Amerasinghe	6
D. R. P. Goonetilleke	6
K. Selvanathan	6
R. E. Bagattini	2
S.J.F.Evans (Appointed w.e.f. 01.07.2010)	5
G. Brockett (Alternate Director to R.E.Bagattini)	1
Y.F.Lew (Appointed as Alternate Director to Dato V.L.Chin D.S.P.N. w.e.f. 10.02.2011)	2

### Dividend

On 9th May 2011, the directors declared a first interim dividend of Rs 4/- per share in respect of the year ended 31 March 2011. These financial statements do not reflect this dividend payable.

A 12.5% dividend on the Redeemable Cumulative Preference Shares was paid during the year. The details of the dividends paid during the year are set out in Note 9 to the Financial Statements.

### Solvency Test

Taking into account the proposed first interim dividend as above, the Directors are satisfied that the Company would meet the solvency test requirement under Section 56(2) of the companies Act No.07 of 2007 immediately after the said distribution. The Company's Auditors, KPMG Ford Rhodes Thornton & Company has issued a Certificate of Solvency confirming the same. Solvency tests have been carried out by the Board of Directors before the payment of preference dividends in accordance with the Companies Act No 7 of 2007.

### Stated Capital

The Stated Capital of the Company as at 31st March 2011 was Rs. 2,537,801,310/- consisting of 80,000,000 Ordinary shares and 35,000,000 Redeemable Cumulative Preference Shares.

There was no change in the stated capital of the Company during the year.

# Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

## Share Information

Information relating to share trading are given on pages 67 and 68 of this Report.

## Twenty Major Shareholders with Comparatives

As at 31st March	2011		2010	
	No. of Shares	%	No. of Shares	%
Ceylon Brewery PLC	<b>40,798,788</b>	<b>50.99</b>	40,328,788	50.41
Carlsberg Brewery Malaysia Berhad	<b>19,680,000</b>	<b>24.60</b>	19,680,000	24.60
Carson Cumberbatch PLC - A/C No. 01	<b>4,107,793</b>	<b>5.13</b>	525,921	0.66
Lanka Orix Leasing Company PLC	<b>2,165,800</b>	<b>2.71</b>	-	-
Bukit Darah PLC	<b>1,300,000</b>	<b>1.63</b>	1,000,000	1.25
The Gilpin Fund Limited	<b>1,265,199</b>	<b>1.58</b>	1,265,199	1.58
Northern Trust Co S/A Prince Street Opportunities	<b>1,009,200</b>	<b>1.26</b>	-	-
BNY-CF Ruffer Investment Funds : CF Ruffer Pacific	<b>1,000,000</b>	<b>1.25</b>	-	-
Sri Lanka Insurance Corporation Ltd-Life Fund	<b>560,640</b>	<b>0.70</b>	560,640	0.70
National Development Bank PLC - A/C No; 02	<b>540,000</b>	<b>0.68</b>	-	-
Capital Development And Investment Company PLC A/C	<b>540,000</b>	<b>0.68</b>	-	-
Aviva NDB Insurance PLC - A/C No.07	<b>450,400</b>	<b>0.56</b>	-	-
Asian Alliance Insurance PLC -General Fund Account	<b>390,000</b>	<b>0.49</b>	73,700	0.09
Employees Trust Fund Board	<b>386,100</b>	<b>0.48</b>	508,800	0.64
NDB Aviva Wealth Management Ltd S/A				
Hatton National Bank PLC	<b>300,000</b>	<b>0.38</b>	-	-
Seylan Bank Limited/Priyani Dharshini Ratnagopal	<b>290,206</b>	<b>0.36</b>	290,206	0.36
Pershing LLC S/A Averbach Grauson & Co.	<b>231,500</b>	<b>0.29</b>	25,000	0.03
Asian Alliance Insurance PLC -A/C 02 (Life Fund)	<b>196,400</b>	<b>0.25</b>	47,800	0.06
Waldock Mackenzie Limited/Mr. Chamila Damion				
Kohombanwickramage	<b>184,027</b>	<b>0.23</b>	-	-
Portelet Limited	<b>161,920</b>	<b>0.20</b>	161,920	0.20

## Annual Report

The Board of Directors approved the Financial Statements together with the reviews which forms a part of the Annual Report, on 26th May 2011. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the given time frames.

## Annual Report of the Board of Directors on the affairs of the Company Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

### ***Annual General Meeting***

The 15th Annual General Meeting of the Company will be held on Friday, the 24th day of June 2011 at 10.00 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1.

The Notice of the Annual General Meeting is on page 70 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

**Suresh K. Shah**

*Director*

(Sgd.)

**C.P.Amerasinghe**

*Director*

Colombo

26th May 2011

# Audit Committee Report

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

The Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate Parent Company, is the Audit Committee of the Company, as provided for by the Colombo Stock Exchange Listing Rules.

The members of the Audit Committee are as follows :

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

\*Mr. D. C. R. Gunawardena having assumed Non-Executive responsibilities with effect from 15th April 2011, is categorised as a Non – Executive Director.

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

Mr. D.C.R. Gunawardena is a Director of CCPLC and in most of its' Group Companies.

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

In addition, Mr. R. de Lanerolle is the Expert Advisor to the Audit Committee for the Beverage Sector.

The audit aspects of Lion Brewery (Ceylon) PLC are conducted within the Agenda of CCPLC-Audit Committee and the Committee is advised by Mr. R. de Lanerolle as a member of the Panel of Expert Advisors to the Audit Committee of CCPLC, for the Beverage Sector of the Group. Mr. R. de Lanerolle is presently the Managing Director of Mireka Capital Land (Pvt) Ltd.

CCPLC-Audit Committee held 06 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 :

<b>Audit Committee members</b>	<b>Meetings attended (out of six)</b>
Mr. V.P. Malalasekera	6
Mr. D.C.R. Gunawardena	6
Mr. F. Mohideen	6

The Audit Committee Meetings were also attended by the internal auditors and senior management staff members.

The Committee has also met the external auditors twice during the year, i.e. to discuss the audit scope and to deliberate the draft Financial Report and Accounts. The draft Financial Report and Accounts were discussed with the external auditors, without the management being present.

## Audit Committee Report Contd.

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Lion Brewery (Ceylon) PLC  
Annual Report 2011

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2010/2011, the Group Internal Audit (GIA) carried out ten audits of processes of Beverage Sector companies.

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

The 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. The draft financial statements of Lion Brewery (Ceylon) PLC for the year ended 31st March 2011 have also been reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG Ford Rhodes Thornton & Company, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/CEO and Director-Finance of the Company that the said Financial Statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs. KPMG Ford Rhodes Thornton & Company, Auditors are independent on the basis that they do 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 Ford Rhodes Thornton & Company as Auditors for the financial year ending 31st March 2012, subject to the approval of the shareholders of Lion Brewery (Ceylon) PLC at the Annual General Meeting.

The purpose of the Audit Committee of CCPLC, the Audit Committee of Lion Brewery (Ceylon) PLC 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 process for monitoring compliance with Company policies and procedures, laws and regulations and the code of conduct and the identification of and management of risks that would impact on the Company/Group's business objectives.

(Sgd.)

**V.P. Malalasekera**

*Chairman – Audit Committee*

Carson Cumberbatch PLC

26th May 2011





# Financial Report

## ***Financial calendar Financial statements 2010/2011***

Financial year 31st March 2011

### **Announcement of results**

First quarter released on	12th August 2010
Second quarter released on	12th November 2010
Third quarter released on	14th February 2011
Fourth quarter released on	26th May 2011

### **Meetings**

Fourteenth Annual General Meeting	11th June 2010
Fifteenth Annual General Meeting	24th June 2011



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## 33 Independent Auditors Report



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
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### **TO THE SHAREHOLDERS OF LION BREWERY (CEYLON) PLC**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Lion Brewery (Ceylon) PLC (the "Company"), which comprise the balance sheet as at 31st March 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 34 to 58 of this Annual Report.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Scope of Audit and Basis of Opinion**

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2011 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Report on Other Legal and Regulatory Requirements**

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo

26th May 2011

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

A.N. Fernando FCA	M.R. Mihular FCA	Ms. M. P. Perera FCA
P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakarier FCA
W.W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara ACA
W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA	G.A.U. Karunaratne ACA

**Principals** - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

## 34 Income Statement

For the year ended 31st March In Rs.'000s	Note	2011	2010
<b>Revenue</b>	4	<b>11,250,330</b>	7,919,292
Cost of sales		<b>(7,571,658)</b>	(5,324,940)
<b>Gross profit</b>		<b>3,678,672</b>	2,594,352
Other income	5	<b>14,715</b>	2,624
		<b>3,693,387</b>	2,596,976
Distribution expenses		<b>(1,389,153)</b>	(1,176,423)
Administrative expenses		<b>(396,128)</b>	(351,038)
Other expenses		<b>(151,764)</b>	(196,715)
<b>Profit from operations</b>	6	<b>1,756,342</b>	872,800
Finance expenses	7	<b>(156,340)</b>	(240,105)
<b>Profit before taxation</b>		<b>1,600,002</b>	632,695
Income tax (expenses) / release	8	<b>(586,580)</b>	7,808
<b>Profit for the year</b>		<b>1,013,422</b>	640,503
<b>Earnings per ordinary share (Rs.)</b>	10	<b>12.12</b>	8.69

The Notes to the Financial Statements from page 38 to 58 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

## 35 Balance Sheet

As at 31st March In Rs.'000s	Note	2011	2010
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property, plant & equipment	12	3,537,392	2,391,921
Intangible assets	13	20,590	24,448
Long term investment	14	2,187,086	1,447,415
<b>Total Non-Current Assets</b>		<b>5,745,068</b>	3,863,784
<b>Current Assets</b>			
Inventories	15	997,298	860,710
Trade and other receivables	16	1,364,365	1,213,328
Amounts due from related companies	17	11,639	33,680
Cash and cash equivalents		1,099,878	151,545
<b>Total Current Assets</b>		<b>3,473,180</b>	2,259,263
<b>Total Assets</b>		<b>9,218,248</b>	6,123,047
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	18	2,537,801	2,537,801
Capital reserves	19	860,518	232,628
Retained earnings		1,937,493	1,207,821
<b>Total Equity</b>		<b>5,335,812</b>	3,978,250
<b>Non- Current Liabilities</b>			
Payables due after one year	20	1,921,054	650,102
Retirement benefit obligations	21	51,402	34,715
Deferred taxation	22	469,856	398,475
<b>Total Non- Current Liabilities</b>		<b>2,442,312</b>	1,083,292
<b>Current Liabilities</b>			
Trade and other payables	23	248,475	210,414
Amounts due to related companies	24	19,656	33,183
Current taxation	25	996,672	475,547
Long term loans repayable within one year	20.1	55,322	10,687
Bank overdrafts		119,999	331,674
<b>Total Current Liabilities</b>		<b>1,440,124</b>	1,061,505
<b>Total Liabilities</b>		<b>3,882,436</b>	2,144,797
<b>Total Equity and Liabilities</b>		<b>9,218,248</b>	6,123,047
Net assets per ordinary share (Rs.)		62.32	45.35

The Notes to the Financial Statements from page 38 to 58 form an integral part of these Financial Statements.

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

(Sgd.)

**D.R.P. Goonetilleke**

Director - Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

**A. Weeratunge**

Director

**Carsons Management Services (Private) Limited**

(Sgd.)

**S.K. Shah**

Director

(Sgd.)

**C.P.Amerasinghe**

Director

Colombo

26th May 2011

## 36 Statement of Changes in Equity

In Rs.'000s			Capital			
	Note	Stated Capital	Redemption Reserve	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2009		1,337,801	70,000	162,479	611,068	2,181,348
Right issue		1,200,000	-	-	-	1,200,000
Adjustment for deferred tax liability	22	-	-	149	-	149
Profit for the year		-	-	-	640,503	640,503
Preference dividend	9	-	-	-	(43,750)	(43,750)
<b>Balance as at 31st March 2010</b>		<b>2,537,801</b>	<b>70,000</b>	<b>162,628</b>	<b>1,207,821</b>	<b>3,978,250</b>
Adjustment for deferred tax liability	22	-	-	5,840	-	5,840
Revaluation during the year	12.1	-	-	622,050	-	622,050
Profit for the year		-	-	-	1,013,422	1,013,422
Ordinary dividend		-	-	-	(240,000)	(240,000)
Preference dividend	9	-	-	-	(43,750)	(43,750)
<b>Balance as at 31st March 2011</b>		<b>2,537,801</b>	<b>70,000</b>	<b>790,518</b>	<b>1,937,493</b>	<b>5,335,812</b>

The Notes to the Financial Statements from page 38 to 58 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## 37 Cash Flow Statement

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

Note

2011

2010

### Cash Flows from Operating Activities

<b>Profit before taxation</b>		<b>1,600,002</b>	632,695
Adjustments for:			
Finance expenses	7	<b>156,340</b>	240,105
Depreciation on property, plant & equipment	12	<b>130,330</b>	125,357
Net inventory provisions and write offs	15.1	<b>385</b>	56,435
Amortisation of intangible assets	13	<b>12,639</b>	13,559
Interest cost capitalised	12	<b>(537)</b>	(5,587)
Adjustments made for property, plant and equipments	12	<b>-</b>	4,524
Provision for gratuity	21	<b>17,613</b>	7,063
Profit on disposal of property, plant & equipments	5	<b>(543)</b>	(926)
Exchange loss on revaluation of foreign currency term loans		<b>2,484</b>	-
Interest income	5	<b>(9,510)</b>	(1,606)
<b>Operating cash flow before working capital changes</b>		<b>1,909,203</b>	1,071,619
Increase in inventories		<b>(136,973)</b>	(2,027)
Increase in trade and other receivables		<b>(203,764)</b>	(184,871)
Decrease / (increase) in amounts due from related companies		<b>22,041</b>	(17,488)
Increase in trade and other payables		<b>281,158</b>	190,127
Decrease in amounts due to related companies		<b>(13,527)</b>	(59,548)
<b>Cash generated from operations</b>		<b>1,858,138</b>	997,812
Finance expenses paid	7	<b>(156,340)</b>	(240,105)
Gratuity paid	21	<b>(926)</b>	(1,177)
Income tax paid		<b>(105,344)</b>	-
Economic service charge paid		<b>(73,378)</b>	(17,676)
<b>Net cash generated from operating activities</b>		<b>1,522,150</b>	738,854
<b>Cash Flows from Investing Activities</b>			
Purchase and construction of property, plant & equipment and Intangible assets	12 & 13	<b>(668,682)</b>	(118,240)
Proceeds from sale of property, plant & equipment		<b>7,229</b>	1,044
Agent deposits received	20.3	<b>117,557</b>	59,931
Agent deposits refunded	20.3	<b>(1,069)</b>	(25,966)
Long term investment	14	<b>(739,671)</b>	(355,738)
Interest received	5	<b>9,510</b>	1,606
<b>Net cash used in investing activities</b>		<b>(1,275,126)</b>	(437,363)
<b>Cash Flows from Financing Activities</b>			
Proceeds from new shares issue		<b>-</b>	1,200,000
Long term loan received	20.1	<b>1,244,820</b>	-
Repayments of long term borrowings	20.1	<b>(48,205)</b>	(37,447)
Dividend paid		<b>(283,631)</b>	(43,895)
<b>Net cash generated from financing activities</b>		<b>912,984</b>	1,118,658
<b>Net increase in cash &amp; cash equivalents</b>		<b>1,160,008</b>	1,420,149
<b>Cash &amp; cash equivalents at the beginning of the year</b>		<b>(180,129)</b>	(1,600,278)
<b>Cash &amp; cash equivalents at the end of the year</b>		<b>979,879</b>	(180,129)
<b>Analysis Cash &amp; cash equivalents</b>			
Cash & cash equivalents		<b>1,099,878</b>	151,545
Bank overdraft		<b>(119,999)</b>	(331,674)
		<b>979,879</b>	(180,129)

The Notes to the Financial Statements from page 38 to 58 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# 38 Notes to the Financial Statements

## 1 **Corporate Information**

### **Reporting Entity**

Lion Brewery (Ceylon) PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange.

The ultimate parent company is Carson Cumberbatch PLC.

The registered office of the company is situated at No 61, Janadhipathi Mawatha, Colombo 1 and the principal business is situated at No 254, Colombo Road, Biyagama.

The principal activities of the Company are brewing, bottling and sale of high quality beers, under license, for local and export markets. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

## 2 **Basis of Preparation**

### **2.1 Statement of Compliance**

The Financial Statements of Lion Brewery (Ceylon) PLC comprise the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements. These statements are prepared in accordance with the Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of Companies Act No 7 of 2007.

The Financial Statements are presented in accordance with the SLAS 3 (revised 2005) - "Presentation of Financial Statements" to ensure comparability with the entities financial statements of previous periods.

The Financial Statements were approved by the Directors on 26th May 2011.

### **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.

- Defined Benefit obligations is 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.

### **2.4 Comparative Information**

The comparative information reclassified wherever necessary with current year's presentation in order to provide a better presentation.

### **2.5 Use of Estimates and Judgements**

The preparation of Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation and uncertainty that have the most significant effect on the amounts recognised in the financial statements are described below.



## 39 Notes to the Financial Statements contd.

### *2.5.1 Assessment of Impairment*

The Company assesses at each Balance Sheet date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell.

In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset.

### *2.5.2 Employee Retirement Benefits*

The liability as at Balance Sheet date was actuarially valued based on the assumptions set out in Note No 21 to these Financial Statements.

## **3. Significant Accounting Policies**

The accounting policies set out below have been applied by the Company consistent with the previous year.

### **3.1 Foreign Currency Transactions**

All foreign currency transactions are converted at the rate of exchange prevailing at the time the transactions were effected. Monetary assets and liabilities denominated in foreign currencies have been translated to Sri Lankan rupees at rates of exchange prevailing at the Balance Sheet date. The exchange differences arising there from have been dealt within the Income Statement.

### **Assets and Bases of Their Valuation**

Assets classified as Current Assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date whichever is shorter. Assets other than Current Assets are those which the Company intends to hold beyond a period of one year from the Balance Sheet date.

### **3.2 Property, Plant & Equipment**

#### *(a) Recognition and Measurement*

Items of property, plant & equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment loss, if any, provided on the basis stated in Note No 12. Cost of property, plant & equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

The Company applies the revaluation model for freehold land and buildings while cost model is applied for other categories of Property, Plant and Equipment.

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

#### *(b) Revaluation of Land and Buildings*

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

#### *(c) Subsequent Expenditure*

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other expenditure is recognised in the Income Statement as and when an expense is incurred.

## 40 Notes to the Financial Statements contd.

### (d) Depreciation

Depreciation is provided on a straight-line basis over the periods appropriate to the estimated useful lives of different types of assets, at varying rates specified on their costs or revalued amounts which are as follows:

	%
Freehold buildings	2
Plant & machinery	5 - 10
Furniture & fittings	10
Office equipment	10 - 33.33
Computer equipment	33.33
Computer equipment - software	20
Motor vehicles	20 - 25
Laboratory equipment	25

Assets are depreciated from the month of purchase, construction and development up to the month of disposal.

No depreciation is provided on freehold land.

### (e) 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 exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the Income Statement unless it reverses a previous revaluation surplus for the same asset.

### (f) Capital Work - in- Progress

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

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Company has capitalised borrowing costs with respect to capital work in progress.

### 3.3 Intangible Assets - Computer Application Software

All software licensed for use by the Company, not constituting an integral part of related hardware are included in the Balance Sheet under the category of Intangible Assets and carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The initial acquisition cost comprises license fee paid at the inception, import duties, non-refundable taxes and levies, cost of customising the software to meet the specific requirements of the Company and other directly attributable expenditure in preparing the asset for its intended use.

The initial cost is enhanced by subsequent expenditure incurred by further customisation to meet ancillary transaction processing and reporting requirements tailor-made for the use of the Company constituting an improvement to the software.

The cost is amortised using the straight-line method, at the rate of 20% per annum commencing from the date the application software is available for use. The amortised amount is based on the best estimate of its useful life and the amortisation cost is recognised as an expense in the Income Statement.

### 3.4 Inventories

Inventories are recognised at cost or net realisable value whichever is lower after making due allowance for obsolete and slow moving items. Actual breakages of bottles are removed from inventory and recognised as an expense in the Income Statement. Obsolete items are written off and provisioning is made for slow moving items.

## 41 Notes to the Financial Statements contd.

The cost of each category of inventory is derived on the following bases:

<b>Category of Inventory</b>	<b>Basis</b>
Raw materials and containers (empty bottles and crates)	cost of purchase together with any incidental expenses.
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.

Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and / or cost of conversion from their existing state to saleable condition.

Appropriate provisions will be made for the value of any stocks where there has been no movement for a period greater than 365 days.

### **3.5 Long Term Investments**

Investments classified as long term are carried at cost. If there is a decline other than temporary, in the value of long term investment, the carrying amount is reduced to recognise the decline.

### **3.6 Trade and Other Receivables**

Trade and other receivables are stated at the amounts estimated to be realised less provision for bad and doubtful debts. A provision is recognised against the trade receivables when there is an evidence that the Company will not be able to collect all amounts due. The provision is measured at the difference between the relevant trade receivable's carrying amount and the estimated realisable value and recognised in the Income Statement under Distribution Expenses.

### **3.7 Cash & Cash Equivalents**

Cash and cash equivalents comprise 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.

### **3.8 Impairment of Assets**

Identifiable assets of the Company are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated and shown in the Balance Sheet. The impairment loss is recognised in the Income Statement.

### **Liabilities and Provisions**

Liabilities classified as Current Liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as Non-Current Liabilities are those obligations which will be repaid after a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing these Financial Statements.

### **3.9 Agent Deposits**

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 a contraction in sales.

## 42 Notes to the Financial Statements contd.

### **3.10 Retirement Benefits**

The Company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983. The Gratuity Provision for employees has been made on the basis of an actuarial valuation as at 31st March 2011, which was carried out by Mr. M. Poopalanathan, (AIA), Actuarial and Management Consultants (Pvt.) Limited. As recommended by the Sri Lanka Accounting Standard No 16 (Revised 2010) "Employee Benefits", the 'Projected Unit Credit' (PUC) method has been used in this valuation and the premium for the year is charged as an expense to the Income Statement in the period to which it relates. The assumptions based on which the results of the actuarial valuation was determined, is included in Note 21 to these Financial Statements.

### **Defined Contribution Plans**

#### **Employees' Provident Fund and Employees' Trust Fund**

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes.

Company contributions to the defined contribution plans are recognised as an expense in the Income Statement when incurred.

### **3.11 Provisions**

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

### **3.12 Capital Commitments and Contingent Liabilities**

All material capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective Notes to these Financial Statements.

### **3.13 Trade and Other Payables**

Trade and other payables are stated at their cost.

## **Income Statement**

### **3.14 Revenue**

The Revenue represents the amounts derived from customers outside the Company, on the provision of goods and services which fall within the ordinary activities, net of trade discounts. Value Added Tax is excluded in arriving at the turnover.

### **3.15 Revenue Recognition**

Revenue is principally accrued and matched with the related expenditure and is recognised in accordance with the Sri Lanka Accounting Standard 29, "Revenue".

#### **3.15.1 Sale of Goods**

Revenue from sale is recognised upon delivery /collection of products and customer acceptance, if any, whereby significant risks and rewards of ownership are passed on to the buyer, or performance of services, net of sales taxes and discounts.

#### **3.15.2 Other Income**

- (a) Interest Income  
Interest income is recognised on an accrual basis.
- (b) Gains or Losses on Disposal of Property, Plant & Equipment  
Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted as Other Income in the Income Statement. Where the gain is on immovable property, such gain is appropriated to the Capital Accretion Reserve.

## 43 Notes to the Financial Statements contd.

### 3.16 Expenditure Recognition

#### (a) Operating Expenses

All expenses incurred in day-to-day operations 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 or loss for the year. Provisioning has been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

#### (b) Finance Expenses

Interest expenses are recognised on an accrual basis.

#### (c) Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred, except those that are directly attributable to the construction of property, plant & equipment which are capitalised as a part of the cost of the asset during the period of construction / development.

### 3.17 Income tax expenses

Income tax expense comprises current and deferred taxation.

#### (a) Current Taxation

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments made thereto, as stated in the respective notes to these Financial Statements.

However, in terms of the Agreement entered into with the Board of Investment of Sri Lanka, the operating profits of the Company was exempt from income tax for a period of twelve years commencing 1st of June 1998 and ended on 31st May 2010.

#### (b) Deferred Taxation

Deferred taxation is provided on the balance sheet liability method for all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for tax purposes only on payment.

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.

### 3.18 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.

### 3.19 Related Party Transactions

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

### 3.20 Segment Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segment) or in providing products or services within a particular economic environment (Geographical Segment) which is subject to risk and rewards that are different from those of the other segment.

## 44 Notes to the Financial Statements contd.

### 3. 21. New Accounting Standards Issued But Not Effective At The Reporting Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 01st January 2012. Accordingly these standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31st March 2011.

These Sri Lanka Accounting standards comprise accounting standards prefixed both SLFRS (Corresponding IFRS) and LKAS (Corresponding IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential effects of these standards on its Financial Statements and the impact on the adoption of these standards have not been quantified as at Balance Sheet date.

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

2011

2010

#### 4 Revenue

Local revenue	<b>11,110,779</b>	7,761,951
Export revenue	<b>139,551</b>	157,341
	<b>11,250,330</b>	7,919,292

#### 5 Other Income

Interest income - FCBU deposits	<b>289</b>	160
Interest income - Other	<b>9,221</b>	1,446
Profit on disposal of property, plant & equipment	<b>543</b>	926
Other income	<b>4,662</b>	92
	<b>14,715</b>	2,624

#### 6 Profit From Operations

Operating profit is stated after charging all expenses including the following :

Directors' fees and emoluments		<b>33,938</b>	24,227
Auditors' remuneration - Audit services		<b>765</b>	715
- Audit related services		<b>60</b>	40
Internal audit fee		<b>5,000</b>	4,972
Audit committee fees		<b>200</b>	200
Depreciation on property, plant equipment	(Note 12)	<b>130,330</b>	125,357
Amortisation of intangible assets	(Note 13)	<b>12,639</b>	13,559
Royalty		<b>143,646</b>	179,393
Management & Secretarial fees		<b>157,770</b>	108,770
Breakages - bottles and crates		<b>98,008</b>	106,123
Research & development		<b>17,487</b>	6,357
Personnel expenses	(Note 6.1)	<b>453,731</b>	370,492

## 45 Notes to the Financial Statements contd.

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

2011

2010

### 6.1 Personnel expenses

Salaries, wages and other related expenses	<b>417,131</b>	347,648
Defined benefit plan costs - Gratuity	<b>17,613</b>	7,064
Defined contribution plan cost - EPF & ETF	<b>18,987</b>	15,780
	<b>453,731</b>	370,492

### 7 Finance Expenses

Interest expenses - financial institutions	<b>156,340</b>	230,886
Interest expenses - related companies	-	9,219
	<b>156,340</b>	240,105

### 8 Income Tax Expense / (Release)

Income tax expense	(Note 8.1)	<b>509,359</b>	1,038
Economic service charge		-	2,634
Net deferred tax expense / (income)	(Note 22.1 & Note 22.2)	<b>77,221</b>	(11,480)
<b>Total income tax</b>		<b>586,580</b>	(7,808)

#### 8.1 Reconciliation of the accounting profit and tax expenses

Accounting profits		<b>1,600,002</b>	632,695
Aggregate of disallowable expenses		<b>501,763</b>	421,944
Aggregate of allowable claims		<b>(185,842)</b>	(122,453)
<b>Tax adjusted profit</b>		<b>1,915,923</b>	932,186
Less - Exempt operational profit		<b>(317,735)</b>	(930,572)
Exempt interest income		<b>(289)</b>	(160)
<b>Total statutory income</b>		<b>1,597,899</b>	1,454
Utilisation of tax loss	(Note 8.2.3)	<b>(8,842)</b>	(509)
Royalty		<b>(143,646)</b>	-
<b>Assessable Income / Taxable income</b>		<b>1,445,411</b>	945
Current tax	(Note 8.2.2)	<b>501,832</b>	331
Under provision in respect of prior years		-	702
Social responsibility levy		<b>7,527</b>	5
<b>Total income tax expense</b>		<b>509,359</b>	1,038

## 46 Notes to the Financial Statements contd.

### 8.2 Income Tax

8.2.1 The operating profit and income of the Company is exempt from income tax for a period of twelve years, commencing from 1st of June 1998, in terms of the agreement with the Board of Investment of Sri Lanka under Section 17th of the BOI Law No 4 of 1978. However, this exemption period of twelve years was completed in May 2010. Therefore with effect from June 2010, the Company is liable for Income Tax at the normal rate.

8.2.2 Accordingly, in terms of the Inland Revenue Act No. 10 of 2006, the profits & income from operating profits of local operations are liable to income tax at the rate of 35% (2010 - exempt) and profits attributable to export turnover are liable at 15% (2010 - exempt). 1.5% of income tax is payable as a Social Responsibility Levy (2010 - 1.5%).

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

The Company had a tax loss of Rs.8,842,341/- as at 31 st March 2010 which was fully utilised during the period ended 31st March 2011. Utilisation of the same is restricted to 35% of the Statutory Income during the year.

8.2.4 The Company is liable to pay Economic Service Charge at 1% (2010 - 0.25%) on local operational turnover and at 0.25% on export turnover. Payments made during the year amounted to Rs.97,699,323/- (2010 - Rs. 19,509,099/-). Payment made hereunder was set off against income tax liability arisen on a self assessment basis.

## 9 Dividends

For the year ended 31st March In Rs.'000s	2011	2010
On ordinary shares - Rs. 3 /- per share - (2010 - Nil)	240,000	-
On preference shares - 12.5% (2010 - 12.5%)	43,750	43,750
	<b>283,750</b>	<b>43,750</b>

(a) A preference dividend of 12.5% per annum on Redeemable Cumulative Preference Shares was paid on 30th June 2010, 30th September 2010, 31st December 2010 and 31st March 2011.

(b) The Board of Directors has declared a first interim dividend of Rs.4/- per share for the year ended 31st March 2011 which is to be paid before 31st May 2011. In Accordance with Sri Lanka Accounting Standards No 12 - Events after the Balance Sheet Date (Revised 2006), this declared dividend has not been recognised as a liability as at 31st March 2011.

(c) Currently, dividends declared by the Company out of exempt profits during the period of the tax holiday and one year thereafter, are exempt from income tax.



## 47 Notes to the Financial Statements contd.

### 10 Earnings Per Ordinary Share

The calculation of Earnings Per Ordinary Share of Rs. 12.12 (2010 - Rs.8.69) is based on profit for the year attributable to the ordinary shareholders and weighted average number of ordinary shares in issue during the year.

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

For the year ended 31st March In Rs.'000s	2011	2010
Profit after taxation	1,013,422	640,503
Less : Dividends on redeemable cumulative preference shares	(43,750)	(43,750)
Net profit attributable to ordinary shareholders (as the numerator)	969,672	596,753
Number of ordinary shares (as denominator)	80,000	68,608
Earnings per ordinary share (Rs.)	12.12	8.69*

\* restated Earnings Per Ordinary Share due to the Right Issue during the year ended 31st March 2010

### 11 Foreign Currency Transactions

The principle exchange rates used for conversion of foreign currency transactions/balances are as follows:

31st March	Closing Rate		Average Rate	
	2011 Rs	2010 Rs	2011 Rs	2010 Rs
US Dollar	111.33	114.84	112.99	115.95
Euro	158.32	154.52	150.20	164.51

12 Property, Plant & Equipment

In Rs.' 000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Capital Work- in -Progress	31st March 2011	31st March 2010
<b>Cost / Valuation</b>											
Beginning of the year	450,146	582,526	1,977,010	13,374	9,502	46,559	34,533	28,061	227,447	3,369,158	3,253,429
Additions	-	-	988	109	268	3,481	16,953	-	646,651	668,450	118,240
Transfers	13,435	33,730	465,037	3,644	94	19,025	-	-	(543,514)	(8,549)	-
Revaluation	444,284	112,398	-	-	-	-	-	-	-	556,682	-
Disposals	-	(863)	(13,894)	(1,032)	-	(2,396)	(6,917)	-	-	(25,102)	(3,574)
Interest Capitalised	-	-	-	-	-	-	-	-	537	537	5,587
Adjustments	-	-	-	-	-	-	-	-	-	-	(4,524)
<b>End of the year</b>	<b>907,865</b>	<b>727,791</b>	<b>2,429,141</b>	<b>16,095</b>	<b>9,864</b>	<b>66,669</b>	<b>44,569</b>	<b>28,061</b>	<b>331,121</b>	<b>4,561,176</b>	<b>3,369,158</b>
<b>Depreciation</b>											
Beginning of the year	-	52,171	821,864	10,885	8,656	37,098	19,249	27,314	-	977,237	855,336
Charge for the year	-	13,293	102,505	737	320	6,497	6,231	747	-	130,330	125,357
Disposals	-	(97)	(8,047)	(998)	-	(2,357)	(6,917)	-	-	(18,416)	(3,456)
On Revaluation	-	(65,367)	-	-	-	-	-	-	-	(65,367)	-
<b>End of the year</b>	<b>-</b>	<b>-</b>	<b>916,322</b>	<b>10,624</b>	<b>8,976</b>	<b>41,239</b>	<b>18,563</b>	<b>28,061</b>	<b>-</b>	<b>1,023,785</b>	<b>977,237</b>
<b>Net Book Value</b>											
<b>As at 31st March 2011</b>	<b>907,865</b>	<b>727,791</b>	<b>1,512,819</b>	<b>5,471</b>	<b>888</b>	<b>25,431</b>	<b>26,006</b>	<b>-</b>	<b>331,121</b>	<b>3,537,392</b>	<b>-</b>
As at 31st March 2010	450,146	530,355	1,155,146	2,489	846	9,461	15,284	747	227,447	-	2,391,921

## 49 Notes to the Financial Statements contd.

12.1 Freehold land and buildings of the Company were revalued in the books to conform with the market values as at 31st March 2011, which were assessed on a going concern basis by Messrs. Arthur Perera, A.M.I.V (Sri Lanka) professional valuer and the resultant surplus of Rs. 622 million (revaluation on cost of Rs. 557 million and reversal of provision for depreciation of Rs. 65 million) arising therefrom were transferred to the Revaluation Reserve in the Statement of Changes in Equity.

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

As at 31st March In Rs.'000s	2011	2010
	Land	Buildings
<b>Cost</b>		
	324,824	611,896
Additions during the year	13,435	33,730
Disposal during the year	-	(863)
	338,259	644,763
Accumulated depreciation	-	(138,727)
	338,259	506,036
<b>Appreciation due to revaluation</b>		
Revaluation amount	569,606	83,028
Accumulated depreciation on cost as at revaluation	-	136,078
Revaluation surplus	569,606	219,106
Accumulated depreciation on revaluation amount	-	2,649
Net appreciation	569,606	221,755
Carrying amount	907,865	727,791

### 13 Intangible Assets

<b>Cost</b>		
Opening balance	77,303	77,303
Additions during the year	232	-
Transfers	8,549	-
Closing balance	86,084	77,303
<b>Amortisation</b>		
Opening balance	52,855	39,296
Amortisation for the year	12,639	13,559
Closing balance	65,494	52,855
<b>Net Book Value</b>	20,590	24,448

## 50 Notes to the Financial Statements contd.

### 14 Long Term Investment

In Rs.'000s						
Name of the company	% Holding	Cost as at 31st March 2011	Directors' value as at 31st March 2011	% Holding	Cost as at 31st March 2010	Directors' value as at 31st March 2010
South Asian Breweries (Pte) Ltd	22.5%	2,187,086	2,187,086	22.5%	1,447,415	1,447,415
		<b>2,187,086</b>	<b>2,187,086</b>		1,447,415	1,447,415

A consortium comprising of Carlsberg A/S, The Industrialization Fund for Developing Nations, SA Lion Holdings (Pte) Limited and Lion Brewery (Ceylon) PLC incorporated a company based in Singapore, South Asian Breweries Pte Limited (SABL), which in turn wholly owns Carlsberg India Private Limited, India. The latter company was formed for the purpose of investing in breweries across the various states of India. The Company owns 22.5% of the issued share capital of SABL. The Board of SABL comprises of nine Directors two of whom represent the Company on the Board of SABL. Consequent to a comprehensive assessment carried out by the management, based on Sri Lanka Accounting Standard 27 "Investment in Associates", this investment has been classified as a Long Term Investment by the Company due to its limited influence over SABL because of its minority position both in ownership and on the Board.

Subsequent to the Balance Sheet date, the Board of Directors has decided to dispose of the investment in South Asian Breweries Pte Limited, Singapore. In this connection it has concluded negotiations with Carlsberg South Asia Pte Ltd, a subsidiary of the Carlsberg Group, who has agreed to acquire these shares at the Company's book value (cost of investment) as at 31st March 2011. The Company is currently awaiting the necessary regulatory approvals after which the transaction will be concluded. As these conditions did not exist as at Balance Sheet date, the change in intention and proposed disposal of investment have been treated as a non adjusting event in accordance with Sri Lanka Accounting Standard 12 (Revised 2005) "Events after Balance Sheet Date". Accordingly, the investment in SABL has been presented as Long Term Investment as at Balance Sheet date.

As at 31st March	2011	2010
In Rs.'000s		

### 15 Inventories

Raw and packing materials	<b>146,781</b>	151,339
Work in progress	<b>59,534</b>	46,406
Finished goods	<b>300,422</b>	127,696
Bottles and crates	<b>361,400</b>	402,791
Maintenance spares	<b>107,301</b>	99,767
Others	<b>113,008</b>	123,474
	<b>1,088,446</b>	951,473
Provision for slow moving items	(Note 15.1) <b>(91,148)</b>	(90,763)
	<b>997,298</b>	860,710

## 51 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 15.1 Provision for slow moving items

Balance as at beginning of the year	<b>90,763</b>	34,328
Provisions made during the year	<b>9,737</b>	83,115
Write offs / reversals during the year	<b>(9,352)</b>	(26,680)
Balance as at end of the year	<b>91,148</b>	90,763

## 16 Trade And Other Receivables

Trade receivables	<b>320,625</b>	303,930
Provision for doubtful debts ( Note 16.1)	<b>(13,632)</b>	(14,538)
Containers with agents	<b>864,945</b>	716,123
Advances, prepayments & other receivables	<b>192,427</b>	207,813
Loans to company employees (Note 16.2)	-	-
	<b>1,364,365</b>	1,213,328

### 16.1 Provision for doubtful debts

Balance as at beginning of the year	<b>14,538</b>	2,689
Provisions during the year	<b>595</b>	11,849
Write-offs against provisions during the year	<b>(1,501)</b>	-
Balance as at end of the year	<b>13,632</b>	14,538

### 16.2 Loans to Company Employees

Balance as at beginning of the year	-	40
Loans granted during the year	-	-
Recovered during the year	-	(40)
Balance as at end of the year	-	-

## 17 Amounts due from related companies

Ceylon Brewery PLC	<b>2,228</b>	25,979
CBL Retailers (Pvt) Limited	<b>9,411</b>	2,074
Carsons Management Services (Pvt) Limited	-	5,627
	<b>11,639</b>	33,680

## 52 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 18 Stated Capital

80,000,000 Ordinary Shares (2010 - 80,000,000)	(Note 18a)	<b>2,187,801</b>	2,187,801
35,000,000, 12.5% Redeemable Cumulative Preference Shares	(Note 18b)	<b>350,000</b>	350,000
		<b>2,537,801</b>	2,537,801

*Note 18a* - 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.

*Note 18b* - The Redeemable Cumulative Preference Shares (non-voting) were issued on 1st April 1998. The dividend thereon is paid quarterly.

### 19 Capital Reserves

Balance as at beginning of the year		<b>232,628</b>	232,479
Revaluation surplus		<b>622,050</b>	-
Deferred tax on revaluation of property		<b>5,840</b>	149
Balance as at end of the year		<b>860,518</b>	232,628
<b>Represented by</b>			
Revaluation reserve	(Note 19a)	<b>790,518</b>	162,628
Capital redemption reserve	(Note 19b)	<b>70,000</b>	70,000
		<b>860,518</b>	232,628

*19a* - The Revaluation Reserve relates to revaluation of land and buildings and comprises of the increase in the fair value of land and buildings at the date of revaluation.

*19b* - The Capital Redemption Reserve is for the purpose of redeeming the non-voting 12.5% Redeemable Cumulative Preference Shares.

### 20 Payables Due After One Year

Long term loans repayable after one year	(Note 20.1)	<b>1,176,728</b>	22,264
Agent deposits	(Note 20.3)	<b>744,326</b>	627,838
		<b>1,921,054</b>	650,102

## 53 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 20.1 Long Term Loans repayable after one year

Balance as at the beginning of the year		<b>32,951</b>	70,398
Loan obtained during the year		<b>1,244,820</b>	-
Repayments during the year		<b>(48,205)</b>	(37,447)
Exchange loss on foreign currency loans		<b>2,484</b>	-
Balance as at the end of the year	(Note 20.2)	<b>1,232,050</b>	32,951
Less:			
Repayable within one year		<b>55,322</b>	10,687
Repayable after one year		<b>1,176,728</b>	22,264

### 20.2 Details of Long Term Borrowings

Name of the Lender	Interest Rate per annum	31st March 2011	31st March 2010	Repayment Terms	Security Offered
<b>Long Term Loan Rs.50.0 million</b>					
DFCC	10.50%	22,264	32,951	Payable in 57 equal monthly installments commencing from August 2008	Unsecured
<b>Long Term Loan USD 1.1 million</b>					
HSBC	1 month LIBOR + 3.87%	96,486	-	Payable in equal monthly installments of USD 33,333/33 commencing from July 2010	Unsecured
<b>Long Term Loan USD 7.0 million</b>					
HSBC	3 month LIBOR + 3.17%	779,310	-	Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
<b>Long Term Loan USD 3.0 million</b>					
HSBC	3 month LIBOR + 3.17%	333,990	-	Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
		<b>1,232,050</b>	<b>32,951</b>		

## 54 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 20.3 Agent Deposits

Balance as at the beginning of the year	<b>627,838</b>	593,873
Deposits received during the year	<b>117,557</b>	59,931
Deposits refunded during the year	<b>(1,069)</b>	(25,966)
Balance as at the end of the year	<b>744,326</b>	627,838

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

### 21 Retirement Benefit Obligations

The amounts recognised in the Balance Sheet are as follows:

Present value of unfunded obligation	<b>51,402</b>	34,715
Liability in the balance sheet	<b>51,402</b>	34,715

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

As at 1st April	<b>34,715</b>	28,829
Interest cost	<b>4,166</b>	3,460
Current service cost	<b>5,754</b>	4,019
Actuarial loss /(gain)	<b>7,693</b>	(416)
Benefits paid	<b>(926)</b>	(1,177)
As at 31st March	<b>51,402</b>	34,715

The amounts recognised in the income statement are as follows:

Interest cost	<b>4,166</b>	3,460
Current service cost	<b>5,754</b>	4,019
Actuarial loss /(gain)	<b>7,693</b>	(416)
Total included under staff cost	<b>17,613</b>	7,063

21.1 The gratuity liability as at 31st March 2011 amounting to Rs.51,402,436/- (2010 - Rs. 34,715,186/-) is based on an Actuarial Valuation carried out by Mr. M. Poopalanathan, AIA, M/s. Actuarial and Management Consultants (Pvt) Limited, a firm of professional actuaries.

The principal assumptions made are given below:

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



## 55 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 22 Deferred Taxation

Deferred tax liability	(Note 22.1)	<b>469,856</b>	401,564
Deferred tax asset	(Note 22.2)	-	(3,089)
<b>Balance as at the end of the year</b>		<b>469,856</b>	<b>398,475</b>

#### 22.1 Deferred tax liability

Balance as at the beginning of the year		<b>401,564</b>	413,371
Expense / (reversal) during the year		<b>15,400</b>	(11,658)
Impact on revaluation of property		<b>(5,840)</b>	(149)
Effect on tax rate change		<b>58,732</b>	-
<b>Balance as at the end of the year</b>		<b>469,856</b>	<b>401,564</b>

#### 22.2 Deferred tax asset

Balance as at the beginning of the year		<b>3,089</b>	3,267
Reversal during the year		<b>(3,089)</b>	(178)
<b>Balance as at the end of the year</b>		<b>-</b>	<b>3,089</b>

#### 22.3 Unused tax losses

The deferred tax asset which had been recognised last year in respect of carried forward tax losses amounting to Rs.8,842,341/-, has been reversed since the remaining tax losses were fully recovered against the income tax payments made during the year.

#### 22.4 Impact due to corporate income tax change

As provided for in "SLAS 14 - Income taxes", deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the Balance Sheet date.

As per the amended Inland Revenue Act Number 22 of 2011, the corporate income tax rates would be increased to 40% (from the currently enacted 35%) with effect from 1 April 2011 and accordingly, deferred tax asset and liability have been computed based on such increased corporate tax rates.

### 23 Trade And Other Payables

Trade payables		<b>67,156</b>	45,075
Others, including accrued expenses		<b>180,966</b>	165,105
Unclaimed dividends		<b>353</b>	234
<b>Balance as at the end of the year</b>		<b>248,475</b>	<b>210,414</b>

## 56 Notes to the Financial Statements contd.

As at 31st March  
In Rs.'000s

2011

2010

### 24 Amounts Due To Related Companies

Carlsberg A/S	14,085	33,183
Carsons Management Services (Pvt) Limited	5,571	-
	19,656	33,183

### 25 Current Taxation

Excise duty	580,474	306,192
Value added tax	116,089	138,237
Income tax	278,245	336
Social responsibility levy	-	4,593
Nation building tax	21,864	26,189
	996,672	475,547

### 26 Events Occurring After The Balance Sheet Date

Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustment to or disclosure in the Financial Statements except for the events disclosed in Notes No 9(b) and 14.

### 27 Comparative Figures

Certain comparative figures have been restated to conform to the classifications and presentations as at 31st March 2011.

### 28 Segmental Analysis

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

### 29 Commitments And Contingencies

#### 29.1 Finance Commitments

Document credits established for foreign purchases of the Company as at 31st March 2011 amounts to Rs. 82,601,566/- (2010 - Rs. 53,531,369/-).

## 57 Notes to the Financial Statements contd.

### 29.2 Contingencies

- (a) Contingent liabilities as at 31st March 2011 amounts to Rs.184,186,442/- (2010 - Rs.37,138,035/-) being bank guarantees given to government bodies for operational purposes.
- (b) The following legal matters are outstanding against the Company and no provision has been made in the Financial Statements to this regard.
- (i) The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the Company and its Directors to recover Excise Duty amounting to Rs.58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs.29,376,791/47. The Company and the Directors have filed an application for Writ in the Court of Appeal to quash the Certificate Excise Duty in Default issued by the DG of Customs and Excise Duty to recover the said sum and obtained a Stay Order in respect of the proceedings of the MC Kaduwela Case. The Court of Appeal matter is currently pending.
- (ii) There are 14 cases filed in the District Court of Balapitiya against the Company and two others (Case numbers 2816/M to 2819/M, 2682/MR, 3031/M to 3038/M and 3058/M) claiming damages for injuries and deaths caused due to a road accident which occurred at Induruwa, Balapitiya on 10th April 2007, involving a truck transporting products of the Company and a passenger bus. The aggregate of all the claims of said 14 cases amounts to Rs.46,000,000/-. All the cases are currently pending.

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

### 30 **Contracts for Capital Expenditure**

As at the Balance Sheet date, the Company had no contracts entered in to with regard to capital expenditure commitments. However the Company has incurred an amount of Rs.331,123,972/- (2010 - Rs.227,449,531/-) being progressive payments made on Capital Work in Progress.

### 31 **Related Party Transactions**

#### **(A) Transactions with parent company - Ceylon Brewery PLC**

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

- (a) The Company has paid Rs.79,582,472/- (2010 - Rs.61,949,353/-) as royalty in accordance with the licensed brewing agreement with the parent company.
- (b) The Company has paid Rs.43,750,000/- (2010 - Rs.43,750,000/-) as preference dividend at the rate of 12.5% (2010 - 12.5%) per annum .
- (c) An amount of Rs.2,228,319/- was payable to Lion Brewery (Ceylon) PLC by Ceylon Brewery PLC as at 31st March 2011.

#### **(B) Transactions with Fellow Subsidiary - CBL Retailers (Private) Limited**

Messrs. S.K. Shah, C.P. Amerasinghe and D.R.P. Goonetilleke, Directors of the Company are also Directors of CBL Retailers (Private) Limited, to which the Company sold beer for a total value of Rs. 37,635,441 /- (2010 - Rs. 23,582,349/-) during the year.

## 58 Notes to the Financial Statements contd.

### **(C) Transactions with group entities**

Messrs. H.Selvanathan, S.K.Shah and D.C.R.Gunawardena and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides management and secretarial services to the Company. During the year management & secretarial fees amounting to Rs.157,769,957/- (2010 - Rs.108,770,391/-) was paid by the Company to Carsons Management Services (Private) Limited.

An amount of Rs. 5,571,546/- (2010 - Rs.5,627,028/-) is payable as management & secretarial fees to Carsons Management Services (Private) Ltd. as at 31st March 2011 .

### **(D) Transactions with other related entities**

(a) Messrs. Dato' Voon Loong Chin D.S.P.N and R.E.Bagattini, Directors of the Company represent Carlsberg Brewery Malaysia Berhad, while R.E.Bagattini also represents Carlsberg A/S with which the following contracts / transactions have been entered into during the year by the Company in the normal course of business.

- (i) As per the licensed brewing agreement, a sum of Rs. 64,063,828/- (2010 - Rs. 117,443,332/-) was paid as royalty during the year to Carlsberg A/S.
- (ii) The Company also purchased Carlsberg beer cans from Carlsberg Brewery Malaysia Berhad for the purpose of resale, for a total value of Rs. 115,642,345 /- (2010 - Rs.1,559,400/-).
- (iii) An amount of Rs. 14,085,517 /- is payable to Carlsberg A/S as at 31st March 2011 (2010 - Rs.33,183,403/-).

(b) Messrs. H.Selvanathan (K.Selvanathan - Alternate Director to H. Selvanathan in Carlsberg India Private Limited Director of the Company, is also a Director of South Asian Breweries Pte Limited - Singapore and Carlsberg India Private Limited. R.E.Bagattini is a Director of Carlsberg India Private Limited. During the year the Company invested Rs.739,671,000/- (2010 - Rs.355,738,000/-) on equity shares of South Asian Breweries Pte Limited-Singapore.

(c) The Company purchases a part of its requirement of the raw material rice from Ran Sahal (Pvt) Limited. The entire production of Ran Sahal (Pvt) Limited is exclusively sold to the Company. Towards this the Company advances funds to Ran Sahal (Pvt) Limited from time to time in lieu of pending purchases. As at the Balance Sheet date an amount of Rs.56,205,933/- (2010 - Rs.53,038,038/-) has been advanced to Ran Sahal (Pvt) Limited which remains to be settled from future purchases.

### **(E) Transactions with key management personnel**

- (a) According to Sri Lanka Accounting Standard 30 (Revised 2006) "Related Party Disclosures", Key Management Personnel (KMP) 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 KMP as short-term employment benefits is disclosed in aggregate in Note 6 to the Financial Statements. No other payments such as post-employment benefits, termination benefits and share based payments have been paid to KMP during the year.

- (b) During the year the Company sold two motor vehicles to Mr. C.T.Liyanage and Mr. D.R.P.Goonetilleke for Rs.882,000/- and Rs.735,000/- respectively. When the disposal was made the carrying value of the motor vehicles were Nil.

## **32 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.

## 59 Value Added Statement

For the year ended 31st March In Rs.'000s	2011	2010
Revenue	11,250,330	7,919,292
Value Added Tax	1,913,670	1,591,980
Other income	14,715	2,624
	<b>13,178,715</b>	9,513,896
Cost of material & services bought from outside	(4,248,372)	(3,325,744)
Value Added	<b>8,930,343</b>	6,188,151

Distributed as follows	2011	%	2010	%
<b>To Employees</b>				
as remuneration and other employee costs	453,731	5.08	370,492	5.99
<b>To Government</b>				
as Value Added Tax	1,913,670	21.43	1,591,980	25.73
as Excise Duty	4,551,302	50.96	2,918,917	47.17
as Income Tax / Deferred Tax	509,359	5.70	1,037	0.02
as Social Responsibility Levy	39,575	0.44	45,025	0.73
as Economic Service Charge	97,699	1.09	19,509	0.32
as Nation Building Tax	292,276	3.27	221,667	3.58
<b>To Providers of Capital</b>				
as Preference dividends	43,750	0.49	43,750	0.71
as Finance expenses	156,340	1.75	240,105	3.88
<b>Retained in the Business</b>				
as Depreciation / amortisation	142,969	1.60	138,916	2.24
as Profit for the year	729,672	8.17	596,753	9.64
	<b>8,930,343</b>	100.00	6,188,151	100.00

Notes:

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

In Rs.'000s	2011	2010
Value Added Tax (paid but not included under Net Revenue)	1,913,670	1,591,980
Excise Duty (included under Net Revenue)	4,551,302	2,918,917
Income Tax	509,359	1,037
Social Responsibility Levy	39,575	45,025
Economic Service Charge	97,699	19,509
Nation Building Tax	292,276	221,667
Total taxes paid to the Government	<b>7,403,881</b>	4,798,135

## 60 Five Year Summary

Year ended 31st March In Rs.'000s	2011	2010	2009	2008	2007
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### INCOME STATEMENT

Revenue	<b>11,250,330</b>	7,919,292	6,094,726	5,207,004	4,365,261
Other income	<b>14,715</b>	2,624	1,625	6,631	19,983
	<b>11,265,045</b>	7,921,916	6,096,352	5,213,635	4,385,244
Total expenditure	<b>(9,508,703)</b>	(7,049,116)	(5,623,124)	(4,829,707)	(4,244,223)
Profit from operating activities before finance expenses	<b>1,756,342</b>	872,800	473,228	383,928	141,021
Finance expenses	<b>(156,340)</b>	(240,105)	(391,339)	(229,964)	(61,495)
Profit from ordinary activities before tax	<b>1,600,002</b>	632,695	81,889	153,964	79,526
Income tax (expense)/release	<b>(586,580)</b>	7,808	6,924	24,433	(65,643)
Profit for the period	<b>1,013,422</b>	640,503	88,813	178,397	13,883
Dividends - Ordinary	<b>240,000</b>	-	-	-	150,000
Dividends - Preference	<b>43,750</b>	43,750	43,750	43,750	50,750

As at 31st March In Rs.'000s	2011	2010	2009	2008	2007
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### BALANCE SHEET

Stated capital	<b>2,537,801</b>	2,537,801	1,337,801	1,337,801	1,337,801
Capital reserves	<b>860,518</b>	232,628	232,479	232,330	232,181
Retained profits	<b>1,937,493</b>	1,207,821	611,068	566,005	431,358
	<b>5,335,812</b>	3,978,250	2,181,348	2,136,136	2,001,340
Long term borrowings repayable after one year	<b>1,176,728</b>	22,264	32,951	27,893	78,369
<b>CAPITAL EMPLOYED</b>	<b>6,512,540</b>	4,000,514	2,214,299	2,164,029	2,079,709

### REPRESENTED BY

Non-current assets	<b>5,745,068</b>	3,863,784	3,527,777	3,089,900	2,622,595
Current assets	<b>3,473,180</b>	2,259,263	2,014,852	1,827,303	1,287,058
Current liabilities	<b>(1,440,124)</b>	(1,061,505)	(2,295,524)	(1,880,658)	(969,286)
Agent deposits	<b>(744,326)</b>	(627,838)	(593,873)	(436,736)	(415,285)
Retirement benefit obligations	<b>(51,402)</b>	(34,715)	(28,829)	(19,505)	(21,730)
Deferred tax liabilities	<b>(469,856)</b>	(398,475)	(410,104)	(416,275)	(423,643)
	<b>6,512,540</b>	4,000,514	2,214,299	2,164,029	2,079,709

## 61 Five Year Summary contd.

Year ended 31st March In Rs.'000s	2011	2010	2009	2008	2007
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### CASH FLOW STATISTICS

Net cash inflows / (outflows) from operating activities	<b>1,522,150</b>	738,854	7,782	(129,917)	20,862
Net cash outflows from investing activities	<b>(1,275,126)</b>	(437,363)	(397,756)	(572,555)	(384,794)
Net cash inflows / (outflows) from financing activities	<b>912,984</b>	1,118,658	(80,395)	(73,868)	(63,488)
Net cash movement for the year	<b>1,160,008</b>	1,420,149	(470,369)	(776,340)	(427,420)

### RATIOS & STATISTICS

Return on shareholders' funds (%)	<b>19.45</b>	16.45	2.46	7.54	(2.23)
Assets turnover (times)	<b>1.22</b>	1.29	1.10	1.06	1.12
Equity to total assets (times)	<b>1.85</b>	1.69	3.03	2.75	2.37
Interest cover (times)	<b>11.23</b>	3.64	1.21	1.67	2.29
Gearing ratio (%)	<b>25.45</b>	16.46	53.30	49.72	37.12
Current ratio (times)	<b>2.41</b>	2.13	0.88	0.97	1.33
Earnings/(loss) per share (Rs)	<b>12.12</b>	8.69	0.90	2.69	(0.74)
Price earnings ratio (times)	<b>16.50</b>	9.95	61.11	22.30	(84.76)
Market price per share (Rs)	<b>200.00</b>	86.50	55.00	60.00	62.50
Net assets per share (Rs)	<b>62.32</b>	45.35	36.63	35.72	33.03
Market capitalisation (Rs'000)	<b>16,000,000</b>	6,920,000	2,750,000	3,000,000	3,125,000
Dividends - Preference (%)	<b>12.50</b>	12.50	12.50	12.50	14.50
- Ordinary (Rs.)	<b>3.00</b>	-	-	-	3.00

Figures in brackets indicate deductions.

## USD FINANCIALS

### ***PREPARATION OF US DOLLAR FINANCIALS***

The translation of the Sri Lankan Rupee amounts into US Dollars is included solely for the convenience of Shareholders, Investors, Bankers and other users of Financial Statements.



## 63 Income Statement

For the year ended 31st March In USD '000s	Note	2011	2010
<b>Revenue</b>	2	<b>99,570</b>	68,299
Cost of sales		<b>(67,012)</b>	(45,924)
<b>Gross profit</b>		<b>32,558</b>	22,375
Other income		<b>130</b>	23
		<b>32,688</b>	22,398
Distribution expenses		<b>(12,295)</b>	(10,146)
Administrative expenses		<b>(3,506)</b>	(3,027)
Other expenses		<b>(1,343)</b>	(1,697)
<b>Profit from operations</b>		<b>15,544</b>	7,528
Finance expenses		<b>(1,384)</b>	(2,071)
<b>Profit before taxation</b>		<b>14,160</b>	5,457
Income tax (expenses) / release		<b>(5,191)</b>	67
<b>Profit for the period</b>		<b>8,969</b>	5,524

Figures in brackets indicate deductions.

## 64 Balance Sheet

As at 31st March  
In USD `000s

2011

2010

### ASSETS

#### Non- Current Assets

Property, plant & equipment	31,774	20,828
Intangible assets	185	213
Long term investment	19,645	12,604
<b>Total Non-Current Assets</b>	<b>51,604</b>	<b>33,645</b>

#### Current Assets

Inventories	8,958	7,495
Trade and other receivables	12,255	10,565
Amounts due from related companies	105	294
Cash and cash equivalents	9,879	1,320
<b>Total Current Assets</b>	<b>31,197</b>	<b>19,674</b>
<b>Total Assets</b>	<b>82,801</b>	<b>53,319</b>

### EQUITY AND LIABILITIES

#### Equity

Stated capital	33,068	33,068
Capital reserves	7,729	2,026
Currency fluctuations	(17,989)	(19,113)
Retained profits	25,120	18,662
<b>Total Equity</b>	<b>47,928</b>	<b>34,643</b>

#### Non- Current Liabilities

Creditors due after one year	17,255	5,661
Retirement benefit obligations	462	302
Deferred taxation	4,220	3,470
<b>Total Non- Current Liabilities</b>	<b>21,937</b>	<b>9,433</b>

#### Current Liabilities

Trade and other payables	2,232	1,832
Amounts due to related companies	177	289
Current taxation	8,952	4,141
Long term loans repayable within one year	497	93
Bank overdrafts	1,078	2,888
<b>Total Current Liabilities</b>	<b>12,936</b>	<b>9,243</b>
<b>Total Liabilities</b>	<b>34,873</b>	<b>18,676</b>
<b>Total Equity and Liabilities</b>	<b>82,801</b>	<b>53,319</b>

## 65 Five Year Summary

Year ended 31st March In USD `000s	2011	2010	2009	2008	2007
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### INCOME STATEMENT

Revenue	<b>99,570</b>	68,299	54,848	46,855	41,322
Other income	<b>130</b>	23	15	60	189
	<b>99,700</b>	68,322	54,863	46,915	41,511
Total Expenditure	<b>(84,156)</b>	(60,794)	(50,605)	(43,460)	(40,176)
Profit from operating activities before finance expenses	<b>15,544</b>	7,528	4,258	3,455	1,335
Finance expenses	<b>(1,384)</b>	(2,071)	(3,522)	(2,069)	(582)
Profit from ordinary activities before tax	<b>14,161</b>	5,457	736	1,386	753
Income tax (expense) / releases	<b>(5,191)</b>	67	62	220	(621)
Profit for the period	<b>8,969</b>	5,524	798	1,606	132
Dividends - Ordinary	<b>2,124</b>	-	-	-	1,364
Dividends - Preference	<b>387</b>	377	394	394	480

As at 31st March In USD `000s	2011	2010	2009	2008	2007
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### BALANCE SHEET

Stated capital	<b>33,068</b>	33,068	23,070	23,070	23,070
Capital reserves	<b>7,729</b>	2,026	1,999	2,137	2,111
Currency fluctuations	<b>(17,989)</b>	(19,113)	(19,825)	(10,762)	(10,909)
Retained profits	<b>25,120</b>	18,662	13,515	5,207	3,921
	<b>47,928</b>	34,643	18,759	19,652	18,193
Long term borrowings repayable after one year	<b>10,570</b>	193	285	257	712
<b>CAPITAL EMPLOYED</b>	<b>58,498</b>	34,836	19,044	19,909	18,905

### REPRESENTED BY

Non - current assets	<b>51,604</b>	33,645	30,339	28,425	23,840
Current assets	<b>31,197</b>	19,673	17,328	16,811	11,699
Current liabilities	<b>(12,936)</b>	(9,243)	(19,740)	(17,301)	(8,810)
Agent deposits	<b>(6,686)</b>	(5,467)	(5,108)	(4,018)	(3,775)
Retirement benefit obligations	<b>(462)</b>	(302)	(248)	(179)	(198)
Deferred tax liabilities	<b>(4,220)</b>	(3,470)	(3,527)	(3,830)	(3,851)
	<b>58,498</b>	34,836	19,044	19,909	18,905

## 66 Notes to the Financial Statements

### 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:

		2011	2010
Income statement	Average rate	<b>112.99</b>	115.95
Monetary assets and liabilities	Closing rate	<b>111.33</b>	114.84
Non-current assets and liabilities	Closing rate	<b>111.33</b>	114.84
Preference share capital	Historical rate	<b>62.71</b>	62.71
Ordinary share capital	Historical rate	<b>57.99</b>	57.99

For the year ended 31st March  
In USD '000s

2011

2010

### 2 REVENUE

Local revenue	<b>98,335</b>	66,942
Export revenue	<b>1,235</b>	1,357
	<b>99,570</b>	68,299

## 67 Information to Shareholders and Investors

### 1 Stock Exchange Listing

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

### 2 Share Valuation

The market price of the Company's share as at 31st March 2011 was Rs. 200.00 per share (2010 - Rs.86.50).

### 3 Ordinary Shareholders

As at 31st March	2011	2010
Number of shareholders	1,597	1,607

#### (a) Distribution of shareholdings as at 31st March 2011

Distribution of Shares		Residents			Non - Residents			Total		
		No. of share holders	No. of shares	%	No. of share holders	No. of shares	%	No. of share holders	No. of shares	%
1	1,000	1,090	333,971	0.42	17	12,300	0.01	1,107	346,271	0.43
1,001	10,000	371	1,243,503	1.55	24	116,679	0.15	395	1,360,182	1.70
10,001	100,000	63	1,945,223	2.43	7	284,700	0.36	70	2,229,923	2.79
100,001	1,000,000	14	4,688,473	5.86	4	1,518,371	1.90	18	6,206,844	7.76
Above 1,000,000		4	47,902,381	59.88	3	21,954,399	27.44	7	69,856,780	87.32
<b>Total</b>		<b>1,542</b>	<b>56,113,551</b>	<b>70.14</b>	<b>55</b>	<b>23,886,449</b>	<b>29.86</b>	<b>1,597</b>	<b>80,000,000</b>	<b>100.00</b>

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individuals	1,452	2,559,158	3.20
Institutions	145	77,440,842	96.80
<b>Total</b>	<b>1,597</b>	<b>80,000,000</b>	<b>100.00</b>

(b) The number of shares held by non-residents as at 31st March 2011 was 23,886,449 (2010 -29,628,205) which amounts to 29.86% (2010 - 37.04%).

(c) Percentage of shares held by the public as at 31st March 2011 was 17.63% (2010 - 18.99%).

## 68 Information to Shareholders & Investors contd.

### 4 **Preference Shares**

Ceylon Brewery PLC holds 35,000,000 Redeemable Cumulative Preference Shares of Lion Brewery (Ceylon) PLC.

### 5 **Market Performance - Ordinary Shares**

For the year ended 31st March	2011	2010
Highest (Rs.)	<b>219.90</b>	93.00
Lowest (Rs.)	<b>86.50</b>	53.50
Value of Shares traded (Rs.'000)	<b>3,825</b>	875
No. of shares traded	<b>23,008,272</b>	11,742,400

### 6 **Market Capitalisation**

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share was Rs.16,000,000,000/- as at 31st March 2011 (2010 - Rs. 6,920,000,000/-).

### 7 **Dividends**

#### **Preference**

A Preference dividend of 12.5% per annum on Redeemable Cumulative Preference Shares was paid on 30th June 2010, 30th September 2010, 31st December 2010 and 31st March 2011.

#### **Ordinary**

The Board of Directors has declared a first interim dividend of Rs. 4/- per share for the year ended 31st March 2011 (2010 - Rs. 3/-).

### 8 **Number of Employees**

There were 207 (2010 -195) employees as at the Balance Sheet date.

## 69 Glossary of Financial Terms

### **Appropriations**

Apportioning of earnings as dividends, capital and revenue reserves.

### **Capital reserves**

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

### **Cash equivalents**

Liquid investments with original maturities of six months or less.

### **Contingent liabilities**

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

### **Current ratio**

Current assets divided by current liabilities.

### **Debt**

Total fixed interest bearing capital and borrowings.

### **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**

Ordinary share capital plus reserves.

### **Events occurring after Balanced Sheet date**

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

### **Gearing**

Ratio of Borrowings to capital employed. Borrowings include all interest bearing long term liabilities.

### **Interest cover**

Profits before tax and interest charges divided by interest charges.

### **Market capitalisation**

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

### **Net asset per ordinary share**

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

### **Price 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).

## 70 Notice of Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Friday the 24th day of June 2011 at 10.00 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No.48, Janadhipathi Mawatha, Colombo 1 for the following purposes :

1.	To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2011, together with the Report of the Independent Auditors thereon.
2.	To re-elect Mr. D.C.R. Gunawardena, who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
3.	To re-elect Dato V.L. Chin D.S.P.N., who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
4.	To re-elect Ms. S.J.F. Evans, who retires in terms of Articles 68 of the Articles of Association of the Company.
5.	To re-appoint Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board  
Carsons Management Services (Private) Limited  
Secretaries  
Colombo,  
26th May 2011

### Notes

1.	A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2.	The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 10.00 a.m. on 22nd June 2011.
3.	A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4.	The transfer books of the Company will remain open.
5.	Security Check

We shall be obliged if the shareholders/proxies attending the Annual General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.



# 71 Form of Proxy

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

Lionel Cuthbert Read De Cabraal Wijetunge	Or Failing Him,
Hariharan Selvanathan	Or Failing Him,
Suresh Kumar Shah	Or Failing Him,
Don Chandima Rajakaruna Gunawardena	Or Failing Him,
Dato Voon Loong Chin D.S.P.N.	Or Failing Him,
Chitta Prasanna Amerasinghe	Or Failing Him,
Chandraratne Talpe Liyanage	Or Failing Him,
Dilkushan Ranil Pieris Goonetilleke	Or Failing Him,
Krishna Selvanathan	Or Failing Him,
Roy Enzo Bagattini	Or Failing Him,
Susan Juliet Farrington Evans	

As \*my/our proxy to attend at the Fifteenth Annual General Meeting of the Company to be held on Friday the 24th day of June 2011 at 10.00 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2011, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72 & 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Dato V. L. Chin D.S.P.N. who retires by rotation in terms of Articles 72 & 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Ms. S. J. F. Evans who retires in terms of Articles 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint M/s KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
Signature/s

## Notes

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

**INSTRUCTIONS AS TO COMPLETION**

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

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

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

The instrument appointing a proxy shall be in writing and :

- (i) in the case of an individual shall be signed by the appointor or by his attorney; and
- (ii) in the case of a Corporation shall be either under its common seal or signed by its attorney or by an authorised officer on behalf of the Corporation. The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer.

A proxy need not be a member of the Company.

4. In terms of Article 50 of the Articles of Association of the Company:

In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, not later than

10.00 a.m., on 22nd June 2011.

Please fill in the following details:

Name : .....

Address : .....

.....

Jointly with .....

Share folio No. : .....

# Corporate Information

## **NAME OF COMPANY**

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

## **COMPANY REGISTRATION NO.**

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

## **PARENT COMPANY**

Ceylon Brewery 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  
Dato' Voon Loong Chin D.S.P.N.  
C.P.Amerasinghe  
C.T.Liyanage  
D.R.P.Goonetilleke  
K.Selvanathan  
R.E.Bagattini  
G.Brockett (Alternate Director to R.E.Bagattini)  
S.J.F.Evans (Appointed w.e.f. 01.07.2010)  
Y.F.Lew (Appointed as Alternate Director  
to Dato V.L.Chin D.S.P.N. w.e.f. 10.02.2011)

## **BANKERS**

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

## **LEGAL ADVISERS**

Messrs. F.J. & G. De.Saram  
No. 216, De Saram Place  
Colombo 10, Sri Lanka  
Tel: +94 11 4718200  
Fax: +94 11 4718220

## **AUDITORS**

Messrs. KPMG Ford, Rhodes, Thornton & Company  
Chartered Accountants  
No.32A, Sir Mohamed Macan Markar Mawatha  
Colombo 3, Sri Lanka  
Tel: +94 11 5426426  
Fax: +94 11 2445872

## **MANAGERS & SECRETARIES**

Carsons Management Services (Private) Limited  
No. 61, Janadhipathi Mawatha  
Colombo 1, Sri Lanka  
Tel: +94 11 4739200  
Fax: +94 11 4739300

## **REGISTERED OFFICE**

No. 61, Janadhipathi Mawatha  
Colombo 1, Sri Lanka  
Tel: +94 11 4739200  
Fax: +94 11 4739300

## **CORPORATE OFFICE & BREWERY**

No. 254, Colombo Road, Biyagama, Sri Lanka  
Tel: +94 11 2465900 (10 Lines)  
Fax: +94 11 2465901

## **CORPORATE WEBSITE**

[www.lionbeer.com](http://www.lionbeer.com)

## **GROUP WEBSITE**

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

