



Lion Brewery (Ceylon) PLC Annual Report 2011/2012

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**THE PEOPLE WHO GET ON IN THIS WORLD ARE  
THE PEOPLE WHO GET UP AND LOOK FOR THE  
CIRCUMSTANCES THEY WANT AND IF THEY  
CAN'T FIND THEM, MAKE THEM.**

**GEORGE BERNARD SHAW**





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## **2** The year's highlights

REVENUE

**Rs 17,649Mn**

PROFIT BEFORE TAX

**Rs 2,153Mn**

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DIVIDEND PER SHARE

**Rs 4.00**

EARNINGS PER SHARE

**Rs 15.23**

EMPLOYEES

**218**

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TOTAL ASSETS

**Rs 10,127Mn**

EQUITY RETURN

**23%**





## Financial highlights

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	2012 Rs.'000	2011 Rs.'000	% Change
Revenue	17,649,146	11,250,330	56.88
Profit from operations	2,528,968	1,552,800	62.87
Profit after taxation	1,262,232	832,287	51.66
Dividend - preference dividend	43,750	43,750	-
- ordinary dividend	320,000	240,000	33.33
Shareholders' funds	5,209,440	4,722,869	10.31
Total assets	10,126,687	8,543,842	18.53
Earnings per ordinary share (Rs.)	15.23	9.86	54.47
Net assets per ordinary share (Rs.)	65.12	54.66	19.14
Market capitalisation	15,960,000	16,000,000	(0.25)



attitude

**bold**





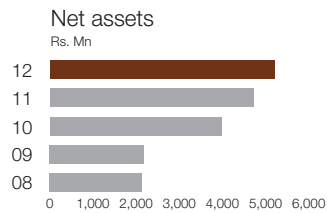
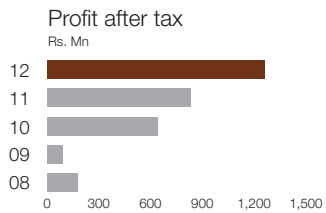
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**6** Chairman's statement



**“Your Company continues to be a significant contributor to Government coffers. During the year under review, with both excise duties & corporate tax rates being increased, Your Company contributed Rs. 11 bn as taxes to the Government, an improvement of 48% from the previous year. Available records suggest that Lion Brewery is the 3rd largest contributor to Government revenue & based on payments during the year under review, its taxes per working day amounted to Rs. 45 mn.”**





It is with great pleasure that I welcome the shareholders to the 16th Annual General Meeting of our Company & to present to you its audited financial statements along with the Report of the Directors & the Chief Executive's Review. The Chief Executive Officers review covers in detail the performance of the Company and hence I will restrict my comments to salient issues.

During 2011, Sri Lanka's GDP grew at an impressive 8.3%, the highest ever recorded in the recent history of our Country. The resulting consumer confidence together with increasing tourist arrivals, helped increase your Company's turnover to Rs. 17.7 bn, up from Rs.11.2 bn in the previous financial year. Your Company's net profit post tax improved to Rs.1.3 bn from Rs.0.8 bn in the previous year. This year we were constrained by a lack of production capacity. In order to cater to the demand for our brands, we were compelled to supplement local supply by importing the short fall from Carlsberg facilities in India & Vietnam. Since imports are more expensive than locally produced beers, cost of sales & hence margins were impacted during the year. In order to overcome supply constraints, your Company has embarked on an extensive expansion program. The enhanced capacity will come on stream during the on-going financial year. As approved by the shareholders at a recent EGM, the proceeds from the Rights Issue in 2009 of Rs. 1.2 bn will be used to partly fund this expansion. This Rights Issue was made to fund the Company's investment in India which was sold to the Carlsberg Group during the year.

Your Company's results were adversely affected by the sharp devaluation in the currency between November 2011 & March 2012. The impact of the depreciation on the Company's Dollar borrowing alone amounted to Rs.207 mn. The weaker currency & higher energy & fuel costs also contributed to lower margins



since mid – February 2012 although the full impact from these items will be felt only during the on-going financial year. Similarly, the impact of the Rs 5 per liter Excise Duty increase announced w.e.f 30th March 2012 will be felt in the ensuing financial year.

Your Company continues to be a significant contributor to Government coffers. During the year under review, with both excise duties & corporate tax rates being increased, Your Company contributed Rs. 11 bn as taxes to the Government, an improvement of 48% from the previous year. Available records suggest that Lion Brewery is the 3rd largest contributor to Government revenue & based on payments during the year under review, its taxes per working day amounted to Rs.45 mn.

Based on the results achieved during the year, I am pleased to inform shareholders that a first & final dividend of Rs.4/- per share is proposed by your Board which will be paid consequent to receiving your approval at the AGM.

Growth is expected to slow down during 2012 due to a number of factors. However, at a projected rate of close to 7%, the economy will remain robust. Nevertheless businesses will have a difficult period adjusting to a weaker currency, higher interest rates & energy prices & restricted credit all of which are aimed at controlling a deteriorating balance of payments position. Increasing prices & tighter cash flows may dampen consumer sentiment & reduce discretionary consumption thus exerting pressure on Your Company's

## Chairman's statement

**“Based on the results achieved during the year, I am pleased to inform shareholders that a first & final dividend of Rs. 4/- per share is proposed by your Board which will be paid consequent to receiving your approval at the AGM.”**

Your Board & I wish to acknowledge & appreciate all employees, especially the Management Team, for it is their skill, dedication & commitment that made the years' results possible. Appreciation & gratitude is due to our valued consumers, customers, suppliers and bankers whose support was pivotal in the year concluded. Our grateful thanks are also extended to our loyal shareholders & business partners for their continued confidence in the Company. Finally, whilst warmly welcoming Mr. Soren Ravn, Managing Director, Carlsberg Malaysia to your board, I wish to extend my appreciation & gratitude to the members of the Audit & Remuneration Committees and to my colleagues on the Board for their guidance & support.

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top line. In the meanwhile margins too will come under pressure as a result of rising costs on account of the weaker currency & higher fuel & energy prices.

Thus the year ahead will pose new challenges to our business. However, I take confidence from the strong foundations of your Company; it has excellent brands with strong equity, a highly productive, state of the art, production facility, an efficient & integrated supply chain from sourcing of inputs to distribution of finished products & a talented and energized workforce. Lion is an end to end business system where the focus is on maximizing opportunities notwithstanding the challenges that it may face from time to time.

In March this year we were deeply saddened by the passing away of our colleague on the Board, Dato Voon Loong Chin D. S. P. N. Dato Chin served on Your Board since the inception of the Company and throughout has been an invaluable source of advice and guidance. We must record with appreciation the pivotal role he played in facilitating Carlsberg's investment in Your Company during its startup phase in 1996. On behalf of the Board and the Company, I extend our sincere condolences to the family of Late Dato Chin.

(Sgd.)

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

Chairman

8th May 2012





### Overview

Your Company responded positively to the strong economic growth during 2011 – as did most businesses across the country - recording a much improved performance over the previous year. During the year under review, Turnover & Profit after Tax increased to Rs.17.649 bn & Rs.1.262 bn respectively as against Rs.11.250 bn & Rs.0.832 bn in the previous year. These results were notwithstanding the very stringent regulations that continue to govern the AlcobeV industry. Marketing, distribution & pricing remain beyond the effective control of management due to prevailing policies that regulate companies such as Yours. During the year under review the AlcobeV industry was put under further pressure when income taxes applicable to the sector were increased to 40% at a time when rates relating to other businesses were reduced to 28%.

At the end of the financial year, Your Company's share price stood at Rs 199.50 a very marginal decline of Rs 0.50 when compared to the close of the previous year. The slight decline in the share price is more a reflection of the external environment rather than the performance of the Company since both the ASPI & MPI declined by 25% & 29% respectively during the year.

As at 31st March 2012, Your Company's market capitalization stood at Rs.15.960 bn.

### Operating Environment

In 2011 Sri Lanka's GDP grew at an impressive 8.3%, the highest recorded in the country's recent history. The services & industry sectors contributed significantly to the growth in the economy. The contribution from agriculture was significantly below its potential as unfavorable weather conditions limited its output.

During the year, the Government continued its investment in infrastructure. The roads across the country are being systematically improved, Sri Lanka's first highway was opened as was a new harbor in Hambantota, work on a second international airport is well underway & the national power grid has been augmented with new capacity. In the meanwhile, reconstruction activities in the North & East continue apace. The simplified tax structure announced in the November 2010 National Budget gave confidence to the private sector to expand capacities & increase output.

The Tourism sector continued to perform impressively when compared to the previous year with arrivals increasing by 27% to 900,000. This is the highest ever number of tourist arrivals recorded in the country. The cricket world cup co-hosted by Sri Lanka during 2011 also helped boost arrivals.

## Chief executive's review

**“During the year under review, Your Company's revenue increased by approx. 57% to Rs. 17.649 bn. However, gross margins declined to approx. 29% from the previous year's 33%. Two factors contributed to the drop in margins, firstly the excise duty increase which was not fully passed down to consumers & secondly, the need to supplement a shortfall in local production with imported beer at a higher cost.”**

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The factors discussed above, helped Your Company increase its revenue during the financial year to Rs.17.649 bn.

Most commodity prices reflected an upward trend during the year. However, as a result of effective procurement, Your Company succeeded in sourcing its main raw material at very reasonable rates. To some extent this off-set price increases in other input materials.

The last quarter of the financial year brought with it significant changes to the operating environment. The first indicator of this change came with the devaluation of the Rupee via the National Budget in November 2011. Whilst the currency was defended at this level for a few more months, imbalances in the Country's Balance of Payments meant that the Government had to make the difficult but necessary call to let the currency float. The financial year ended with the currency at Rs 129/57 to the US Dollar, a depreciation of almost Rs.18/51 since November. As a result of this, Your Company accounted for a loss of Rs 206.934 million on its Dollar based borrowings.

A combination of panic & uncertainty in the markets post the free float of the Rupee led to a sizable devaluation of 13% between mid February & end March. No doubt a more considered response from the market may very

well have stabilized the currency at a somewhat lower rate. Yet, it was the slow response by the authorities to the impending Balance of Payments difficulties that caused the panic & uncertainty. Had the currency been floated gradually at an earlier date, it is likely that the Rupee would have lost less of its value than it did by end of the financial year under review.

In addition to the free float of the currency, the Government took other measures to control imports. Controlling credit, increasing interest rates & removing the subsidies on fuel were some such measures. These were all necessary considering the circumstances but from both a consumer & business perspective, the period after mid-February was a difficult one.

### Alcohol Policy

There were two excise duty increases during the year, in October 2011 & March 2012. Since the latter increase took place on the last day of the financial year, its impact will be felt only in the on-going operating period. The cumulative excise duty increases during the year were significantly above the level of inflation.

During the financial year, new corporate tax rates came into force. Here too whilst rates across the board reduced from 35% to 28%, corporates involved in Alcobev – and also tobacco – businesses were subjected to a significantly higher rate of 40%. Thus Alcobev businesses are now levied a corporate tax that is almost 45% higher than the standard rate. As a result Alcobev company margins are now squeezed at both the top & the bottom by excise duties & corporate taxes respectively.

Price is just one of the tools used by the administration in its efforts to control the consumption of alcohol. Restrictions on promotion, distribution & hours of sale are some of the other



tools that are applied under the policy commonly referred to as “Mathata Thitha”. Those reaching the age of majority – or adulthood – can vote to elect a Government. They can also help conceive but must wait 3 more years to consume! However, none of these methods are of much use; they do constrain the legal Alcobev companies but have little impact in curbing demand for alcohol. The gap between demand & legal supply is comfortably filled by the deep rooted illicit alcohol business that is widespread across the country. Illicit alcohol producers & sellers are hardly constrained by the rules of the Excise Department nor do they respect the National Alcohol & Tobacco Act.

Due to the impact of taxation, legal alcohol is beyond the reach of the economically under privileged, the segment that still accounts for the largest numbers in the Country. Further, those outside urban areas have little or no access to legal alcohol due to regulations that restrict distribution. Due to these two reasons, illicit alcohol is in wide spread use across the country.

Of late, there have been some efforts at controlling the spread of illicit alcohol through more effective enforcement. However, enforcement addresses only the supply side. Yet the driver of the supply is demand – in turn a result of higher prices & poor availability of legal alcohols – and enforcement cannot address this aspect of illicit alcohol consumption. If the blight of illicit alcohol is to be addressed in a sustainable manner, it is essential that demand for the product is eliminated. This can be achieved if practical & pragmatic policies that address the issues of pricing & availability of legal alcohols are implemented.

Amongst legally marketed alcohols, hard liquor is more affordable than the milder beers since the latter is taxed at a higher rate than the former. In terms of distribution & promotion

the two products are treated as equals although they are hardly that. The result is that hard liquors are more popular amongst consumers than mild alcohols. This is not ideal; logically the reverse is more appropriate. Policies that link taxation, availability & promotion to alcohol content will help achieve a more appropriate balance in alcohol consumption.

Today Sri Lanka is in a unique position; the most dangerous form of alcohol – illicit – is the cheapest whilst the least harmful – beer – is the most expensive. Legal hard alcohols lie in between the two. With price driving the consumption of hard alcohols – both licit & illicit - it is no surprise that the country has multiple alcohol related issues. The vast majority of alcohol related health issues for instance, arise as a result of illicit alcohol consumption. Addressing these issues is possible & an appropriate policy response incorporating the recommendations discussed above will help resolve most of them.

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

During the year under review, Your Company's revenue increased by approx. 57% to Rs. 17.649 bn. However, gross margins declined to approx. 29% from the previous year's 33%. Two factors contributed to the drop in margins, firstly the excise duty increase which was not fully passed down to consumers & secondly, the need to supplement a shortfall in local production with imported beer at a higher cost (details of which are dealt with in this review under the section titled Supply Chain). Nevertheless, Operating Margins remained stable as a result of the stringent cost controls in place during the year.

Beer – unlike spirits – is a capital intensive business since it converts basic raw materials into a finished product via an involved process that requires much attention to detail. However, in a low to middle income operating environment, it is difficult to drive prices up & margins tend to decline over time. Thus managing costs is a key imperative in a business such as ours, a fact that management is extremely conscious of & has diligently worked on over the past few years.

During the year, Your Company earned Rs 203.802 mn as income from short to medium term deposits & is reflected under Other Income. The cash

## Chief executive's review

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received from the sale of the investment in Carlsberg India constituted a major part of the deposits. These deposits will be utilized in full during the on-going financial year to fund Your Company's expansion program.

During the year under review, Your Company modified the classification of returnable containers – i.e. bottles, crates, pallets & kegs – from inventories to long term assets since these items are used for periods in excess of a year. This new treatment reflects both industry practice & also the manner in which these containers are used in the business. As a result of this new treatment, Your Company's Pre-Tax & Post-Tax profits have been reduced by Rs 139.123 mn & Rs. 84.194 mn respectively.

Your Company achieved a Pre-Tax profit of Rs. 2.153 bn during the year, up from Rs.1.395 bn the previous year. After accounting for corporate tax at the rate of 40%, Profit After Tax stood at Rs.1.262 bn up from Rs. 832 mn the previous year. A Deferred Tax of Rs. 97.68 mn (Rs. 53.63 mn in the previous year) is included in the Income Tax Expenses for the year under review.

In total, Your Company's tax bill this year amounted to Rs. 11.081 bn. Based on available records, Your Company is the third largest tax payer in Sri Lanka. Each hour Your Company works, it contributes Rs 5.6 mn to Government coffers as tax revenue. This is a 48% increase when compared to the previous year.

Your Company's Return on Equity (including Reserves) for the financial year under review was 23% up from 18% in the previous year. Earnings per ordinary share increased 54% during the year under review to Rs 15.23.

Your Company's cash flows remained robust during the year under review. By the end of the financial year, positive cash balances had been built up. This will be used to partly fund the capacity expansion program planned for the ensuing financial year. During the last quarter of the financial year, Your Company repaid in full the Preference Shares held by the Parent Company, Ceylon Beverage Holdings PLC. Thus, Your Company's balance sheet had no gearing at the end of the financial year; not for long however, since the expansion program will require borrowings to partly fund it.

### Marketing & Sales

Almost all consumer goods businesses took advantage of the buoyant economic conditions that prevailed during most of the financial year to grow volumes & revenue. The Alcobev sector as a whole - & Your Company - was no different; growth was substantial & was underpinned by a significant increase in tourist arrivals, a growing economy & an end to hostilities in the North East. Amongst local consumers, an increasing trend in search of entertainment was evident & this too helped Alcobev companies to increase revenue.

Your Company's enviable brand portfolio – well supported by its benchmark distribution system – was ideally placed to take advantage of the favorable market conditions. The addition during the year of the iconic Mexican brand Corona to Your Company's portfolio gave it additional strength. Corona has small but devoted customer base & fills a gap at the very top of the portfolio in the super premium category.

The worth of Your Company's portfolio was amply demonstrated when Lion was ranked the 9th most valuable amongst the Country's brands by Brand Finance in its 8th Annual Sri Lankan Review. This is a remarkable achievement for a brand that is prohibited from communicating with its consumers via advertising & promotions. What is even more remarkable is that Lion was the only FMCG brand in the top 10, a grouping that included 6 banks & 2 telecoms companies.

Your Company takes special pride in the quality of its brands. Whilst local consumers readily acknowledge the superiority of Your Company's brands, they have been consistently recognized on the global stage as well. Over the years the Lion brand has won many international awards & the year under review was no exception. Two brands, Lion Lager & Lion Strong were awarded gold at the Monde Selections of



2011 whilst a third, Lion Stout was awarded the Grande Gold. In addition, Lion Stout received the International High Quality Award for winning gold or better for 3 consecutive years.

Whilst the Alcobev category as a whole recorded growth during the year under review, Your Company outperformed the industry thus further increasing its market share.

### Supply Chain

During the year under review Your Company faced a significant shortfall in capacity. To augment local production, beer was imported from Carlsberg facilities in Vietnam & India at a higher cost. However, consumer prices were not adjusted to reflect the higher cost & hence margins were curtailed. Expansion of capacity is currently under way with the first stage scheduled for completion shortly.

A primary focus of Supply Chain operations during the year was procurement. Sourcing alternate suppliers, keeping a close tab of commodity markets & working on new methods of procurement were some of the key activities during the year. Following commodity markets closely has returned rich dividends since annual contracts on some raw materials have been finalized at advantageous prices to Your Company.

Waste minimization & efficiency gains were other areas of focus during the year. Reducing energy consumption per unit of beer produced was also a key focus area.

Your Company has always been extremely conscious of its obligations vis-à-vis the environment & its effluent discharge remains well below the norms stipulated by the relevant European standards.



### Support Services

Technology is used extensively throughout the operations of Your Company. Our production processes are highly automated & technology intensive. Similarly, sales processes, HR systems, procurement & accounting are all backed by sophisticated IT systems. To streamline internal operations & processes further, Your Company will shortly move its primary IT platform to an SAP ERP system. This will help rationalize & consolidate a number of software programs currently in use to a single platform thereby streamlining the IT management process as well.

Your Company has an extremely strong & talented team that thrives on opportunities & challenges. Further, it is well balanced in terms of both experience & skills. 33% of the team has contributed to the growth of Your Company for 10 years or more. More than 50% of the team has either professional or vocational qualifications and / or a university degree.

During the year under review Your Company continued to invest in its people. Employees from all sections of the Company underwent training to enhance job related skills & competencies. Employee personal development was also a key driver of the year's training program with special focus on communication & IT skills.

### Exports

During the financial year under review, Your Company exported the equivalent of 250 containers to different parts of the world. This was a 55% increase

## Chief executive's review

over the exports made during the previous year and amounted to more than 1 container per working day. Both revenues & profits from exports improved significantly notwithstanding the difficult economic conditions in both the US & Europe. Maldives remained the largest single market where Your Company's is now the clear market leader. Exports to most markets performed well whilst strong growth was recorded from Maldives, Canada, Switzerland, Japan & Malaysia. During the year, our brands were exported to 18 destinations including 4 new markets, namely, UAE, Korea, Sudan & Belgium.

### Shareholder Returns

As at 31st March 2012 Your Company's Net Assets Value per share stood at Rs. 65/12 up from Rs.54/66 as at 1st April 2011. In the meantime the market price of Your Company's share closed the financial year at Rs 199/50 down marginally from Rs 200/- at the start of the year. Since the ASPI & MPI declined by 25% & 29% respectively during this same period, Your Company's share holding its value is noteworthy.

As at year end, Your Company's Price to Earnings (PE) ratio stood at 13.10 times.

Your Board has recommended a dividend of Rs 4 per share to be distributed after the conclusion of the AGM if approval is received from shareholders. If approved, this dividend will account for 25% of the Company's post tax profit. In recommending this dividend, Your Board was conscious of the significant outflows that will take place in the months ahead on account of the on-going capacity expansion.

### Community Service

Since inception, Your Company has supported the community in the area with special emphasis on education. As in the past, School books were distributed to students of all ages in December 2011, on this occasion numbering 1,700. In addition, Your Company continues to fund an on-going IT training program for the community in the vicinity.

During the year under review, Your Company conducted programs in Hambantota & Killinochchi to enhance the employability of youth. In all, 500

youths completed these two programs. 40 such youth who obtained full time employment are scheduled to leave on overseas training shortly. This is an on-going program which will be continued in the future.

### The Year Ahead

The year ahead will be a difficult one. After two years of impressive growth which was seemingly sustainable, the economy will slow down significantly in the year ahead. Growth will still remain robust at or just below 7% but citizens including corporates who were caught by surprise with the new policy framework will take time to adjust. The measures that the Government took were necessary. However, adjusting overnight to a free-floating currency, credit restrictions, higher interest rates & significantly more expensive energy & fuel will be difficult.

With the economy expected to grow at close to 7%, opportunities to grow volumes & revenue remain to be exploited. Growth in tourism is one such opportunity with arrivals during 2012 expected to reach & exceed a million. Other opportunities too exist & Your Company has strategies in place to take advantage of them during the ensuing financial year.

Whilst opportunities remain, the new economic realities both at home & abroad are likely to put challenges center stage during the next financial year. Commodity prices in the world market are expected to rise during the year ahead. In addition, imports will be more expensive in the coming year on account of the now depreciated currency. Energy & fuel prices too will be higher as will be the cost of borrowings. However, passing on these cost increases in full to consumers likely to be weighed down with a higher level of inflation will not be possible. Hence, it is likely that operating margins will decline during the year

ahead. Growth in revenues will also be under pressure as consumers adjust to the new economic realities.

Notwithstanding the unsettled conditions that are likely to prevail in the year ahead, Your Company will press ahead with its expansion plan. The expansion will be partly funded by receipts from the sale of shares in Carlsberg India as approved by shareholders at an EGM on 28th March 2012. The rest of the funding required to complete the expansion is now available with Your Company.

The proposed investments in IT will also take place during the year ahead. This investment will help further consolidate & streamline Your Company's operations, particularly its supply chain processes.

Whilst the year ahead will be difficult, Sri Lanka remains a country of immense potential. Yet the Country will not reach its full potential until a sustainable solution is found to what is possibly its economic "Achilles' heel", the Balance of Payments. A possible short term fix is a significant increase in FDI but in the longer term an export centric economy is the likely answer. Government expenditure is another aspect that needs urgent attention if high economic growth is to be sustained & if the Country is to achieve the laudable goal of doubling its per capita income in the medium term. A possible solution is the privatization of under-performing state owned enterprises. In the alternative, the Government may consider listing up to 49% of such businesses on the stock exchange whilst retaining majority control.

Sri Lanka will not reach its full potential until a permanent solution to the ethnic conflict is found. It is now 3 years since the end of the war & it is unfortunate that the solution which must necessarily be political still remains elusive. It is hoped at

all political parties come together without delay to find a lasting solution to this conflict which over the years has caused so much pain & destruction within the Country.

### **Conclusion**

The year under review was a good one. The year ahead will pose greater challenges. Yet Your Company is well geared to meet & overcome whatever challenges that come before it. It has a superb portfolio of brands, a benchmark distribution system & state of the art manufacturing processes that will be further augmented in the coming year with greater capacity. These are all significant competitive advantages. Your Company's greatest competitive advantage though remains its human resources; it is our people that give us the aggressive intent & edge that will ensure that notwithstanding a remarkable year, the best still remains firmly in the future.

(Sgd.)

**Suresh K. Shah**

Chief Executive Officer

8th May 2012



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**16** Profiles of the directors

**CUBBY WIJETUNGE**

Cubby Wijetunge is the Chairman of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC, Union Residencies Ltd., and Chairman Emeritus, Nestle Lanka PLC. He is also a Director of Hunter & Co. Ltd, Janashakthi Insurance, Swiss Trading Company, East India Retailing Company (Pvt) Ltd., Heath & Co.Ltd. and Lanka Canneries Ltd. Also serves as Trustee of Joseph Fraser Hospital. In addition he is a member of the Monetary Policy Consultative 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. He is also 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).

Counts over 20 years experience in commodity trading in International Markets. He holds a Bachelor of Commerce Degree.

**SURESH SHAH**

Director and Chief Executive Officer of Ceylon Beverage Holdings PLC and Lion Brewery (Ceylon) PLC. He is also Director of Carson Cumberbatch PLC and The Sri Lanka Business Development Centre. Currently serves as the Vice Chairman of the Ceylon Chamber of Commerce and is a Vice President of 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. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

**ROY ENZO 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.

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. 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.

**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. Since assuming Non Executive status in the group, he currently serves as an advisor to the group's strategic planning and management forums and serves on Board Committees including its Audit Committees of the Group.

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

He has served in the Management committee of the Ceylon Chamber of Commerce for over 10 years, and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years. He is a Fellow of the Chartered Institute of Management Accountants, UK.

**RANIL GOONETILLEKE**

Appointed to the Board of Lion Brewery (Ceylon) PLC in 2004 and subsequently to the Board of CBL Retailers (Pvt) Ltd. He is a Fellow of the Chartered Institute of Management Accountants, UK and a Member of the Branding Sub Committee of the CIMA Sri Lanka Board. Consequent to his initial training at KPMG, he joined the mercantile sector and has since held various positions in the field of Finance. He counts over twenty years experience in the related field.

**CHANDRARATNE LIYANAGE**

Chandraratne Liyanage commenced his career as a trainee brewer with Ceylon Beverage Holdings 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.

**PRASANNA AMERASINGHE**

Prasanna Amerasinghe 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.

**KRISHNA SELVANATHAN**

Director of Carsons Management Services (Private) Limited, Lion Brewery (Ceylon) PLC and the Investment Sector Companies of the Carsons Group. He is also a Director of Carlsberg India (Pvt) Ltd.

He holds a BA Degree in Accounting, Finance and Business Administration from the University of Kent, U.K.

**SUSAN EVANS**

Director of Lion Brewery (Ceylon) PLC. Counts over 30 years experience in strategy and marketing, largely with multi-national consumer product companies, Gillette, GlaxoSmithKline and Whirlpool. Whilst based in the UK, held an international strategic marketing position and managed a global nutritional drinks brand portfolio with a turnover of £330 million worldwide. In the past 10 years has been working as a Senior Consultant in India and Sri Lanka on a wide variety of assignments covering industries as diverse as soft drinks, retail, passenger cars and industrial export products. Currently works with STING Consultants, the leading strategic marketing and brand consultancy in Sri Lanka. Also serves as a Trustee with the Hemas Outreach Foundation, a national charity funding pre-school education. Holds a Bachelor of Arts (Hons) from the University of Wales, UK.

**SOREN RAVN (APPOINTED W.E.F. 06.04.2012)**

Soren Ravn was appointed as the Managing Director of Carlsberg Brewery Malaysia Berhad on 1st March 2010.

Mr. Ravn graduated with a Higher Diploma in Organisation & Management from Copenhagen Business School in 2001. Prior to that he graduated as a Market Economist from Aarhus Business College in 1997.

He has been with the Carlsberg Group since 1998, initially in the Carlsberg Denmark organisation and then in Carlsberg Breweries A/S in the role of Group Strategy Director. In late 2006, he moved to Hong Kong to take up the position of Vice President – Supply Chain, HR & Business Development for Carlsberg Greater China. In August 2008, he was appointed Managing Director of Carlsberg Hong Kong & Macau and held this position before being appointed as Managing Director of Carlsberg Brewery Malaysia Berhad.

Mr. Ravn is presently the Chairman of Carlsberg Distributors Taiwan Limited (Taiwan) and Carlsberg Cottingham Ltd (Taiwan) and he is also the Chairman of the Group's private companies namely Carlsberg Singapore Pte Ltd and Luen Heng F & B Sdn.Bhd. He also sits on the Board of Carlsberg Marketing Sdn. Bhd, a wholly owned subsidiary of Carlsberg Brewery Malaysia Berhad.

PAGE  
**18** Senior management team



Front Row : Shiran Jansz - Head of Procurement, Preethi De Silva - Manager Business Development, Nishantha Hulangamuwa - Head of Outbound Supply Chain, Nausha Raheem - Head of Human Resources  
Back Row : Nalaka Kuruwitaarachchige - Financial Controller, Roshan Bandara - Head of Operations-Pub Chain, Janaka Kiridena - Head of Sales  
Madhushanka Ranathunge - Marketing Manager Premium Category, Suresh Shah - Director/Chief Executive Officer





Front Row : Janaka Bandara - *Manager Production*, Chan Liyanage - *Director Supply Chain*, Ranil Goonetilleke - *Director Finance*  
Back Row : Prasanna Amerasinghe - *Director Marketing*, Wasantha Heenatigala - *Manager Marketing - Regular Category*, Hiran Edirisinghe - *Chief Engineer*  
Arjuna Jayasinghe - *Head of Information Technology*, Eshantha Salgado - *Manager Quality Assurance*, Sharlene Adams - *Head of Exports (Absent)*

## **Annual report of the board of directors on the affairs of the company**

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 2012.

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 8th May 2012.

### **PRINCIPAL ACTIVITY OF THE COMPANY**

The principal activity of the Company is manufacturing and marketing of high quality beers, under license, for local and export markets.

### **REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS**

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

### **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 its Financial Statements 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.

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 2012 are set out on pages 34 to 56 of this report.

For the year ended 31st March In Rs.'000s	2012	2011
The profit available for appropriation is:		
- Current year	1,262,232	832,287
- Brought forward	1,324,550	1,207,821
- Retrospective adjustment	-	(431,808)
Utilised for redemption of preference shares	(280,000)	-
retrospective adjustment	7,419	-
	2,314,200	1,608,300
From which the following appropriations have been made:		
Dividends -		
Preference 12.5% (2011 -12.5%)	43,750	43,750
Ordinary Rs. 4/- per share (2011 - 3/-)	320,000	240,000
Leaving a balance to be carried forward of	1,950,450	1,324,550

## RESERVES

After the above mentioned appropriations, the total reserves of the Company stand at Rs.2,671.64 million ( 2011 - Rs.2,185.07 million) comprising Capital Reserves of Rs.721.19 million ( 2011 - Rs.860.52 million ) and Revenue Reserves of Rs.1,950.45 million ( 2011 - Rs. 1,324.55 million). Details are shown in the Statement of Changes in Equity on page 36.

## CAPITAL EXPENDITURE ON PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

The total expenditure on the purchase of capital assets by the Company during the year amounted to Rs.1,242.59 million (2011 - Rs.905.75 million). The movements in capital assets during the year are set out in Notes 12 and 13 to the Financial Statements.

## 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. These are further explained in Note 12 to the Financial Statements.

## OUTSTANDING LITIGATION

The outstanding litigations related to the Company are shown in Note 30.2 (b) to these Financial Statements.

## RISK MANAGEMENT/MATERIAL FORESEEABLE RISK FACTORS

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

## MATERIAL ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONS

There were no material issues relating to employees and industrial relations during the year ended 31st March 2012.

## 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 43. As explained in Notes 3.2(e), 12.1, 15 and 16 the Company reclassified the Returnable Containers under Property, Plant and Equipment to better reflect the nature of the asset. Accordingly the accounting treatment adopted for Returnable Containers has been changed. The details of this change and impact have been disclosed in the relevant notes.



## Annual report of the board of directors on the affairs of the company

### DONATIONS

There were no donations made during the year ended 31st March 2012.  
(2011 - Nil)

### INTERESTS REGISTER

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 2012 is given in Note 6 to the Financial Statements, on page 44.

### DIRECTORS' INTEREST IN CONTRACTS AND SHARES

Directors' interest in contracts with the company are disclosed in Note 32 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 the Ordinary shares of the Company as shown in the table below.

### DIRECTORS

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

### Resignations/Deaths

Mr. G. Brockett, Alternate Director to Mr. R. E. Bagattini resigned as an Alternate Director w.e.f. 29th February 2012.

	No. of Shares as at	
	31st March 2012	1st April 2011
Mr. L. C. R. de C. Wijetunge (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	1,579	1,579
Mr. S. K. Shah (Chief Executive Officer)	6,016	6,017
Mr. D. C. R. Gunawardena	34	34
Dato Voon Loong Chin D. S. P. N. (deceased on 16.03.2012)	-	-
Mr. C. P. Amerasinghe	1	1
Mr. C. T. Liyanage	2,500	2,500
Mr. D. R. P. Goonetilleke	-	-
Mr. K. Selvanathan	-	-
Mr. R. E. Bagattini	-	-
Ms. S. J. F. Evans	-	-
Mr. G. Brockett (Alternate Director to Mr. R. E. Bagattini - Resigned on 29.02.2012)	-	-
Mr. Y. F. Lew ( Alternate Director to Dato V. L. Chin D. S. P. N. - ceased to be Alternate Director w.e.f. 16.03.2012)	-	-
Mr. S. Ravn (Appointed w.e.f. 06.04.2012)	-	-
Mr. Y. F. Lew ( Appointed Alternate Director to Mr. S. Ravn w.e.f. 06.04.2012)	-	-

Dato V. L. Chin D. S. P. N., Director of the Company passed away on the 16th of March 2012.

Mr. Y. F. Lew, Alternate Director to Dato V. L. Chin D. S. P. N. ceased to be the Alternate Director w.e.f. 16.03.2012.

#### **Appointments of Directors**

Mr. S. Ravn was appointed as a Non Executive Director of the Company with effect from 6th April 2012.

Mr. Y.F.Lew was appointed as the Alternate Director to Mr.S.Ravn with effect from 6th April 2012.

#### **Directors to retire by rotation**

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

#### **Retirement at the first AGM following appointment as Director**

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

#### **Appointment of Director who is over 70 years of age**

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

#### **AUDITORS**

Company's Auditors during the year under review were Messrs. KPMG, Chartered Accountants. A sum of Rs. 850,000/- was

paid to them by the Company as audit fees for the year ended 31st March 2012 (2011- Rs 765,000/-). The retiring auditors have expressed their willingness to continue in office. A Resolution to re-appoint them as Auditors of the company and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

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

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

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

#### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

##### **Redemption of 35 million Non Voting Redeemable Cumulative Preference shares**

On the 31st March 2012 the Company redeemed the entirety of the 35,000,000 (unlisted) Non Voting Redeemable Cumulative Preference shares issued to Ceylon Beverage Holdings PLC in accordance with Article 4(4)(iv) of the Articles of Association of the Company and Section 67 of the Companies Act No.7 of 2007.

##### **Material change in the use of funds raised through the Rights Issue in 2009**

Shareholders' concurrence was obtained on the 28th of March 2012 to utilize the funds raised through a Rights Issue in 2009 amounting to Rs.1.2 billion, on the ongoing capital expansion projects of the Company.

The details of significant events during the year are contained in the Chief Executive's Review on pages 9 to 15 of this Report.

## Annual report of the board of directors on the affairs of the company

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### 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 2012 did not exceed 10% of the shareholders equity or 5% of the total assets as at 31st March 2012.

The details of the related party transactions are given in Note 32 on page 55 to 56 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 16 to 17 of the Annual Report.

Directors	Executive/ Non-Executive / Independent
Mr. L. C. R. de C. Wijetunge (Chairman)	Non-Executive/ Independent*
Mr. H. Selvanathan (Deputy Chairman)	Executive
Mr. S. K. Shah (Chief Executive Officer)	Executive
Mr. D. C. R. Gunawardena	Non-Executive
Dato Voon Loong Chin D.S.P.N. (deceased on 16.03.2012)	-
Mr. C.P. Amerasinghe	Executive
Mr. C. T. Liyanage	Executive
Mr. D. R. P. Goonetilleke	Executive
Mr. K. Selvanathan	Executive
Mr. R. E. Bagattini	Non-Executive
Ms. S. J. F. Evans	Non-Executive/ Independent
Mr. G. Brockett (Alternate Director to Mr. R. E. Bagattini - Resigned on 29.02.2012)	-
Mr. Y. F. Lew ( Alternate Director to Dato V. L. Chin D. S. P. N. ceased to be Alternate Director w.e.f. 16.03.2012)	-
Mr. S. Ravn (Appointed w.e.f. 06.04.2012)	Non-Executive
Mr. Y. F. Lew ( Appointed Alternate Director to Mr. S. Ravn w.e.f. 06.04.2012)	-

\* 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 Beverage Holdings PLC, which has a substantial shareholding in the Company, since he is not directly involved in the management of the Company.

### Remuneration Committee

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

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

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

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 ultimate parent Company functions as



the Audit Committee of the Company and comprises of the following members.

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

Additionally Mr. R. de Lanerolle acted as the Expert Advisory member to the Brewery sector. In May 2012 Mr.R.de.Lanerolle stepped down from the position of Expert Advisory member to the Audit Committee in respect of the Brewery sector.

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

#### 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)
Mr. L.C.R. de C. Wijetunge (Chairman)	6
Mr. H. Selvanathan (Deputy Chairman)	5
Mr. S. K. Shah(Chief Executive Officer)	6
Mr. D.C.R.Gunawardena	5
Dato Voon Loong Chin D.S.P.N. - deceased on 16.03.2012	2
Mr. C.P. Amerasinghe	5
Mr. C. T. Liyanage	4
Mr. D.R.P.Goonetilleke	5
Mr. K. Selvanathan	6
Mr. R.E. Bagattini	1
Ms. S.J.F.Evans	4
Mr. G. Brockett (Alternate Director to Mr. R. E. Bagattini) - Resigned on 29.02.2012	-
Mr. Y. F. Lew ( Alternate Director to Dato V. L. Chin D.S.P.N. ceased to be Alternate Director w.e.f. 16.03.2012)	2
Mr. S. Ravn (Appointed w.e.f. 06.04.2012)	-
Mr. Y. F. Lew ( Appointed Alternate Director to Mr. S. Ravn w.e.f. 06.04.2012)	-

#### NOMINATION COMMITTEE

A Nomination Committee for the Company was formed on the 1st of April 2012 and comprises of the following Members.

Nomination Committee members	Executive / Non-Executive
Mr. L.C.R. de C. Wijetunge (Chairman)	Non Executive/Independent Director
Mr. D.C.R. Gunawardena	Non Executive Director
Ms. S. J. F. Evans	Non Executive/Independent Director

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

#### DIVIDEND

Subject to the approval of the shareholders at the Annual General Meeting, a first & final dividend of Rs. 4/-per Ordinary share is recommended by the Directors for the year ended 31st March 2012. The dividend payable has not been accounted for until it is approved at the forthcoming Annual General Meeting.

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 said distribution, the Directors are satisfied that the Company would meet the solvency test requirement under Section 56(2) of the companies Act No.07 of 2007 immediately after the distribution. The Company's Auditors, KPMG , Chartered Accountants have issued a Certificate of Solvency confirming the same.

#### STATED CAPITAL

The Stated Capital of the Company as at 31st March 2012 was Rs . 2,537,801,310/- consisting of 80,000,000 Ordinary shares. The Company redeemed its 35,000,000 Redeemable Cumulative Preference Shares on 31st March 2012 at Rs. 10/- each amounting to Rs. 350,000,000/-.

## Annual report of the board of directors on the affairs of the company

### SHARE INFORMATION

Information relating to share trading are given on pages 66 and 67 of this Report.

As at 31st March	2012		2011	
	No.of Shares	%	No.of Shares	%
Ceylon Beverage Holdings PLC	41,798,788	52.25	40,798,788	51.00
Carlsberg Brewery Malaysia Berhad	19,680,000	24.60	19,680,000	24.60
Carson Cumberbatch PLC A/C No.2	4,107,793	5.13	4,107,793	5.13
Lanka Orix Leasing Company PLC	2,462,400	3.08	2,165,800	2.71
Bukit Darah PLC A/C No 2	1,300,000	1.63	1,300,000	1.63
GF Capital Global Limited	1,265,199	1.58	1,265,199	1.58
BNY-CF Ruffer Investment Funds : CF Ruffer Pacific	1,000,000	1.25	1,000,000	1.25
Carson Cumberbatch PLC A/C No. 01	983,900	1.23	-	-
Employees Trust Fund Board	731,600	0.91	386,100	0.48
Deutsche Bank AG-National Equity Fund	600,000	0.75	-	-
Capital Development and Investment Company PLC A/C	540,000	0.68	540,000	0.68
Aardwolf Limited	351,500	0.44	-	-
Seylan Bank Limited/Priyani Dharshini Ratnagopal	307,206	0.38	290,206	0.36
Bank Of Ceylon No. 1 Account	289,900	0.36	44,200	0.06
Seylan Bank PLC/Symphony Capital Ltd	201,700	0.25	84,800	0.11
Deutsche Bank AG as Trustee for Namal Acuity Value	200,000	0.25	-	-
Waldock Mackenzie Limited/Mr. Chamila Damion Kohombanwickramage	188,228	0.24	184,027	0.23
Thurston Investments Limited	185,000	0.23	-	-
Aviva NDB Insurance PLC A/C No.07	182,500	0.23	450,400	0.56
Portelet Limited	161,920	0.20	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 8th May 2012. 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 GENERAL MEETING**

The 16th Annual General Meeting of the Company will be held on Friday, the 8th day of June 2012 at 2.30p.m. at the Taj Samudra Hotel, 'Crystal Room', Upper Floor, No.25, Galle Face Centre Road, Colombo 3, Sri Lanka.

The Notice of the Annual General Meeting is on page 69 of the Annual Report.

Signed on behalf of the Board,

(Sgd.)

**S. K. Shah**

Director

(Sgd.)

**C. P. Amerasinghe**

Director

8th May 2012



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**28** **Audit committee report**

As provided by the Colombo Stock Exchange Listing Rules, the Audit Committee of Carson Cumberbatch PLC (CCPLC), the ultimate parent Company, is the Audit Committee of the Company.

The members of the Audit Committee are as follows :

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

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

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

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

The audit aspects of Lion Brewery (Ceylon) PLC are conducted within the Agenda of CCPLC-Audit Committee and the Committee was 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. de Lanerolle is a Director of Overseas Realty (Ceylon) PLC.

In May 2012, Mr.R. de Lanerolle stepped down from the position of Expert Advisor to the Audit Committee.

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 was as follows :

Meetings attended (out of six)	
Mr. V. P. Malalasekera (Chairman)	06
Mr. D. C.R. Gunawardena	05
Mr. F. Mohideen	06

The Audit Committee Meetings were attended by the internal auditors, as well as the senior management staff members.

The Committee 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 Audit Committee also met the external auditors, Messrs. KPMG and discussed the draft Financial Report and Accounts, without the management being present.

In accordance with the audit plan formulated and approved by the Audit Committee for the financial year 2011/2012, the Group Internal Audit (GIA) carried out 12 audits of processes of the 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 2012 were also reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/ CEO and Director-Finance of the Company that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs. KPMG, 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 as Auditors for the financial year ending 31st March 2013, 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 is as follows :

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

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

(Sgd.)

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

8th May 2012

attitude

confident





**FINANCIAL REPORTING**

**INDEPENDENT AUDITORS' REPORT 33 INCOME STATEMENT 34 BALANCE SHEET 35 STATEMENT OF  
CHANGES IN EQUITY 36 CASH FLOW STATEMENT 37 NOTES TO THE FINANCIAL STATEMENTS 38-56**

## Financial calendar

Financial year 31st March 2012

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### Announcement of Results

<b>1st Quarter</b>	<b>30th June 2011</b>
Issued to Colombo Stock Exchange	12th August 2011

<b>2nd Quarter</b>	<b>30th September 2011</b>
Issued to Colombo Stock Exchange	14th November 2011

<b>3rd Quarter</b>	<b>31st December 2011</b>
Issued to Colombo Stock Exchange	14th February 2012

### Meetings

15th Annual General Meeting	24th June 2011
16th Annual General Meeting	8th June 2012

# Independent auditors report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
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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 2012, 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 56 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 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2012 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.

8th May 2012

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

M.R. Mihular FCA	Ms. M. P. Perera FCA	P.Y.S. Perera FCA
C.P. Jayatilake FCA	T.J.S. Rajakerier 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	R.M.D.B. Rajapakse ACA
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA		



## Income statement

For the year ended 31st March

In Rs.'000s

	Note	2012	2011 (Re-stated)
<b>Revenue</b>	4	17,649,146	11,250,330
Cost of sales		(12,596,394)	(7,571,658)
<b>Gross profit</b>		5,052,752	3,678,672
Other income	5	227,937	14,715
Distribution expenses		5,280,689	3,693,387
Administrative expenses		(2,092,205)	(1,593,874)
Other expenses		(512,642)	(396,128)
<b>Profit from operations</b>	6	146,874	(150,585)
Finance expenses	7	(376,278)	(157,519)
<b>Profit before taxation</b>		2,152,690	1,395,281
Income tax expense	8	(890,458)	(562,994)
<b>Profit for the year</b>		1,262,232	832,287
Dividend per share (Rs.)	9	4.00	3.00
Earnings per ordinary share (Rs.)	10	15.23	9.86

The Notes to the Financial Statements from page 38 to 56 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Balance sheet

As at 31st March  
In Rs.'000s

	Note	2012	2011 (Re-stated)
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Property, plant & equipment	12	4,879,912	4,075,228
Intangible assets	13	9,844	20,590
Long term investment	14	-	2,187,086
<b>Total Non-Current Assets</b>		<b>4,889,756</b>	<b>6,282,904</b>
<b>Current Assets</b>			
Inventories	15	1,316,880	650,001
Trade and other receivables	16	1,071,873	499,420
Amounts due from related companies	17	-	11,639
Cash and cash equivalents		2,848,178	1,099,878
<b>Total Current Assets</b>		<b>5,236,931</b>	<b>2,260,938</b>
<b>Total Assets</b>		<b>10,126,687</b>	<b>8,543,842</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	18	2,537,801	2,537,801
Capital reserves	19	721,189	860,518
Retained earnings		1,950,451	1,324,550
<b>Total Equity</b>		<b>5,209,441</b>	<b>4,722,869</b>
<b>Non- Current Liabilities</b>			
Loans and borrowings	20	1,103,802	1,176,728
Refundable deposits	21	858,664	744,253
Employee benefits	22	65,890	51,402
Deferred tax liabilities	23	575,476	408,466
<b>Total Non- Current Liabilities</b>		<b>2,603,832</b>	<b>2,380,849</b>
<b>Current Liabilities</b>			
Trade and other payables	24	597,512	248,475
Amounts due to related companies	25	15,189	19,656
Current tax liabilities	26	1,214,127	996,672
Loans and borrowings	20.1	328,470	55,322
Bank overdrafts		158,116	119,999
<b>Total Current Liabilities</b>		<b>2,313,414</b>	<b>1,440,124</b>
<b>Total Liabilities</b>		<b>4,917,246</b>	<b>3,820,973</b>
<b>Total Equity and Liabilities</b>		<b>10,126,687</b>	<b>8,543,842</b>
Net assets per ordinary share (Rs.)		65.12	54.66

The Notes to the Financial Statements from page 38 to 56 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

(Sgd.)

**S. K. Shah**

Director

(Sgd.)

**C. P. Amerasinghe**

Director

**Carsons Management Services ( Private) Limited**

8th May 2012

## Statement of changes in equity

In Rs.'000s	Note	Stated Capital	Capital Redemption Reserve	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2010 as originally reported		2,537,801	70,000	162,628	1,207,821	3,978,250
Retrospective adjustment (Note 12.1)		-	-	-	(431,808)	(431,808)
Balance as at 1st April 2010 (Re-stated)		2,537,801	70,000	162,628	776,013	3,546,442
Adjustment for deferred tax liability	23	-	-	5,840	-	5,840
Revaluation during the year	12.2	-	-	622,050	-	622,050
Profit for the year		-	-	-	832,287	832,287
Ordinary dividends		-	-	-	(240,000)	(240,000)
Preference dividends	9	-	-	-	(43,750)	(43,750)
Balance as at 31st March 2011		2,537,801	70,000	790,518	1,324,550	4,722,869
Adjustments (Note 12.1)		-	-	-	7,419	7,419
Adjustment for deferred tax liability	23	-	-	(69,329)	-	(69,329)
Redemption of Preference shares (Note A)		-	(70,000)	-	(280,000)	(350,000)
Profit for the year		-	-	-	1,262,232	1,262,232
Ordinary dividends		-	-	-	(320,000)	(320,000)
Preference dividends	9	-	-	-	(43,750)	(43,750)
Balance as at 31st March 2012		2,537,801	-	721,189	1,950,451	5,209,441

### Note A

The Capital Redemption Reserve included in Capital Reserves was for the purpose of redeeming the non-voting 12.5% Redeemable Cumulative Preference Shares. During the year the Company utilised the said reserve of Rs. 70,000,000/- fully for the redemption of Preference Shares. The Retained Earnings were used for the remaining requirement of Rs. 280,000,000/-.

The Notes to the Financial Statements from page 38 to 56 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Cash flow statement

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

	Note	2012	2011 (Re-stated)
<b>Cash Flows from Operating Activities</b>			
<b>Profit before taxation</b>		2,152,690	1,395,281
Adjustments for:			
Finance expenses	7	376,278	157,519
Depreciation on property, plant & equipment	12	430,229	335,050
Adjustment on property, plant & equipment	12.1	7,419	131,341
Inventory provisions and reversals	15	257	385
Amortisation of intangible assets	13	11,777	12,639
Interest cost capitalised	12	-	(537)
Provision for gratuity	22	14,984	17,613
Loss /(Profit) on disposal of property, plant & equipment	5	6,400	(543)
Exchange loss on revaluation of foreign currency term loans	20	206,934	2,484
Interest income	5	(203,802)	(9,510)
<b>Operating cash flow before working capital changes</b>		3,003,166	2,041,722
Increase in inventories		(666,880)	(179,997)
Increase in trade and other receivables		(571,583)	(55,015)
Decrease in amounts due from related companies		11,639	22,041
Increase in trade and other payables		428,255	281,158
Decrease in amounts due to related companies		(4,467)	(13,527)
<b>Cash generated from operations</b>		2,200,130	2,096,382
Finance expenses paid	7	(376,278)	(157,519)
Gratuity paid	22	(496)	(926)
Current tax paid		(536,070)	(105,344)
Economic service charge paid		(120,000)	(73,378)
<b>Net cash generated from operating activities</b>		1,167,286	1,759,215
<b>Cash Flows from Investing Activities</b>			
Purchase and construction of property, plant & equipment and Intangible assets	12 & 13	(1,242,587)	(905,747)
Proceeds from sale of property, plant & equipment		242	7,229
Agent deposits received	21.3	126,560	117,557
Agent deposits refunded	21.3	(12,149)	(1,069)
Proceeds from disposal of long term investment	14	2,187,086	-
Long term investment		-	(739,671)
Interest received	5	203,802	9,510
<b>Net cash generated from /(used in) investing activities</b>		1,262,954	(1,512,191)
<b>Cash Flows from Financing Activities</b>			
Long term loan received	20.1	117,467	1,244,820
Redemption of Preference shares		(350,000)	-
Repayments of long term borrowings	20.1	(124,179)	(48,205)
Dividend paid		(363,345)	(283,631)
<b>Net cash (used in)/generated from financing activities</b>		(720,057)	912,984
<b>Net increase in cash &amp; cash equivalents</b>		1,710,183	1,160,008
<b>Cash &amp; cash equivalents at the beginning of the year</b>		979,879	(180,129)
<b>Cash &amp; cash equivalents at the end of the year</b>		2,690,062	979,879
<b>Analysis of Cash &amp; cash equivalents</b>			
Cash & cash equivalents		2,848,178	1,099,878
Bank overdraft		(158,116)	(119,999)
		2,690,062	979,879

The Notes to the Financial Statements from page 38 to 56 form an integral part of these Financial Statements.

Figures in brackets indicate deductions



# 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 parent Company is Ceylon Beverage Holdings PLC and the ultimate parent company is Carson Cumberbatch PLC.

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

The principal activities of the Company is manufacturing and marketing of high quality beers, under license, for local and export markets. In order to widen the current brand portfolio the Company imports and market, both locally and overseas, renowned global brands. Apart from this there were no significant changes in the nature of the principal activities of the Company during the financial year under review.

There were 218 employees (2011 - 2012) as at the Balance Sheet date.

## 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 were approved by the Directors on 8th May 2012.

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for

inflationary factors affecting the financial statements, except for the following;

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

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

### 2.3 Functional Currency and Presentation Currency

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

### 2.4 Comparative Information

The comparative information are reclassified and restated wherever necessary with current year's presentation in order to provide a better presentation and to reflect changes in accounting policies.

### 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 a probability of having a major impact on the amount recognised in the Financial Statements are described below.

#### 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 Benefits

The liability as at Balance Sheet date was actuarially valued based on the assumptions set out in Note No 22 to these Financial Statements.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied by the Company consistent with the previous years except in the instance of returnable containers where previous classification has been modified as described in Note 3.2 (e), 12.1, 15 and 16. The said change has been applied retrospectively.

### 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 in 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.

#### (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:

## Notes to the Financial Statements

	years
Freehold buildings	40
Plant & machinery	10 - 20
Furniture & fittings	10
Office equipment	3 - 10
Computer equipment	3
Computer equipment - software	5
Motor vehicles	4 - 5
Laboratory equipment	4
Returnable containers	5

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) Returnable containers

Returnable containers are classified under Property, Plant and Equipments. All purchases of Returnable Containers will be recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the Company, the written down value will be charged on a first in first out (FIFO) basis to the Income Statement as breakages.

Deposits are collected from the Agents for the Returnable Containers in their possession and is classified under non current liabilities as explained in Note 3.9. The said deposit will be refunded to the Agent only upon them returning these returnable containers due to cessation of their operation or due to contraction in sales.

### (f) 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.

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

The cost of self constructed assets includes the cost of materials, direct labour, and direct overheads including any other costs directly attributable to 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. Obsolete items are written off whilst provisioning is made for slow moving items.

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

**Raw materials and Packing materials** - 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 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 is recognised in the Income Statement under Distribution Expenses.

### 3.7 Cash & Cash Equivalents

Cash and cash equivalents comprise of 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

Returnable containers issued to the 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.

### 3.10 Employee 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 2012, which was carried out by Mr M Poopalanathan, (AIA), of 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 22 to these Financial Statements.



## Notes to the 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 the 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. 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.

#### 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. Provision has been made for bad and doubtful debts and 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 of 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.

**(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.

**3.21. New Accounting Standards issued but not effective as at Balance Sheet Date**

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

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 said new/ revised standards will become applicable to the Company from 1st April 2012 and accordingly the reporting framework for the year ending 31st March 2013.

The Company has evaluated the potential effects of these standards on its financial statements on adoption with the assistance of an independent consultant. Based on the management's assessment there will not be significant financial impact on the financial statement of the Company on adoption of these standards.

## Notes to the Financial Statements

For the year ended 31st March In Rs.'000s		2012	2011 (Re-stated)
<b>4</b>	<b>REVENUE</b>		
	Local revenue	17,421,847	11,110,779
	Export revenue	227,299	139,551
		17,649,146	11,250,330
<b>5</b>	<b>OTHER INCOME</b>		
	Interest income - FCBU deposits	78	289
	Interest income - Other	203,724	9,221
	(Loss)/Profit on disposal of property, plant & equipment	(6,400)	543
	Other income	30,535	4,662
		227,937	14,715
<b>6</b>	<b>PROFIT FROM OPERATIONS</b>		
	Profit from operations is stated after charging all expenses including the following :		
	Executive Directors' emoluments	39,066	33,148
	Non-Executive Directors' fees	1,046	780
	Auditors' remuneration - Audit services	850	765
	- Audit related services	165	60
	- Non audit services	1,300	-
	Internal audit fees	5,655	5,000
	Audit committee fees	200	200
	Depreciation on property, plant & equipment (Note 12)	430,229	335,050
	Amortisation of intangible assets (Note 13)	11,777	12,639
	Royalty	174,970	143,646
	Management & Secretarial fees	117,462	157,770
	Research & development	12,755	17,487
	Personnel expenses (Note 6.1)	408,851	326,720
<b>6.1</b>	<b>Personnel expenses</b>		
	Salaries, wages and other related expenses	367,095	287,114
	Defined benefit plan costs - Gratuity	14,984	17,613
	Defined contribution plan cost - EPF & ETF	26,772	21,993
		408,851	326,720
<b>7</b>	<b>FINANCE EXPENSES</b>		
	Interest expenses	376,278	157,519
		376,278	157,519

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

	2012	2011 (Re-stated)
<b>8 INCOME TAX EXPENSE</b>		
Income tax expense (Note 8.1)	792,777	509,359
Net deferred tax expense (Note 23.1 & Note 23.2)	97,681	53,635
<b>Total income tax</b>	<b>890,458</b>	<b>562,994</b>
<b>8.1 Reconciliation of the accounting profit and tax expenses</b>		
Accounting profits	2,152,690	1,395,281
Aggregate of disallowable expenses	780,657	421,944
Aggregate of allowable claims	(696,622)	(122,453)
<b>Tax adjusted profit</b>	<b>2,236,725</b>	<b>1,694,772</b>
Less - Exempt operational profit	-	(930,572)
Exempt interest income	(78)	(160)
<b>Total Statutory Income</b>	<b>2,236,647</b>	<b>764,040</b>
Utilisation of tax loss	-	(509)
Royalty	(174,970)	(143,646)
<b>Assessable income /Taxable income</b>	<b>2,061,677</b>	<b>619,885</b>
Current tax (Note 8.2.1)	792,894	501,832
Over provision in respect of prior years	(117)	-
Social responsibility levy	-	7,527
<b>Total income tax expense</b>	<b>792,777</b>	<b>509,359</b>

## 8.2 Income Tax

**8.2.1** In terms of the Inland Revenue Act No. 10 of 2006 and amendments thereto, the profits & income from operating profits of local operations are liable to income tax at the rate of 40% (2011 - 35%) and profits attributable to export turnover are liable at 12% (2011 - 15%). Income arising on interest income are considered as a separate source of income and which is taxed at 28%. Social Responsibility Levy for Income Tax on taxable profits were withdrawn with effect from 1st April 2011 (2011 - 1.5%).

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

**8.2.3** The Company is liable to pay Economic Service Charge at 1% (2011 - 1%) on local operational turnover and at 0.25% on export turnover. Payments made during the year amounted to Rs. 120,000,000/- (2011 - 97,699,323/-). Payment made hereunder was set off against the income tax liability on self assessment basis.

## 9 DIVIDENDS

On ordinary shares Rs. 4 /- per share - (2011 - 3/-)	320,000	240,000
On preference shares - 12.5% (2011 - 12.5%)	43,750	43,750
	<b>363,750</b>	<b>283,750</b>



## Notes to the Financial Statements

- (a) A preference dividend of 12.5% per annum on Redeemable Cumulative Preference Shares was paid on 30th June 2011, 30th September 2011, 31st December 2011 and 31st March 2012.
- (b) The Board of Directors has recommended the payment of first & final dividend of Rs.4/- per share for the year ended 31st March 2012 (2011 - 3/-) which is to be paid subsequent to approval of the shareholders at the Annual General Meeting. In Accordance with Sri Lanka Accounting Standards No 12 - Events after the Balance Sheet Date (Revised 2006), this proposed dividend has not been recognised as a liability as at 31st March 2012.
- (c) As required by Section 56 of the Companies Act No 7 of 2007, the Board of Directors of the Company was satisfied that the Company had satisfied the solvency test is in accordance with Section 57, prior to recommending the final dividend. A statement of solvency was compiled and was duly signed by the Directors.
- (d) Currently Preference and Ordinary dividend declared by the Company during the year are liable for Dividend tax at 10% on gross amount declared as dividends.

### 10 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share of Rs. 15/23 (2011 - Rs.9/86) is based on profit for the year attributable to the ordinary shareholders and weighted average number of ordinary shares outstanding during the year.

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

For the year ended 31st March In Rs.'000s	2012	2011 (Re-stated)
Profit after taxation	1,262,232	832,287
Less : Dividends on Redeemable Cumulative Preference Shares	(43,750)	(43,750)
Net profit attributable to ordinary shareholders (as the Numerator)	1,218,482	788,537
Number of ordinary shares (as denominator)	80,000	80,000
Earnings per ordinary share (Rs.)	15.23	9.86

### 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	
	2012 Rs	2011 Rs	2012 Rs	2011 Rs
US Dollar	129.57	111.33	116.47	112.99
Euro	173.87	158.32	158.92	150.20

**12 PROPERTY, PLANT & EQUIPMENT**

In Rs. '000s	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Returnable Containers	Capital Work-in-Progress	31st March 2012	31st March 2011
<b>Cost / Valuation</b>												
<b>As at 1st April 2011 as previously reported</b>												
	907,865	727,791	2,429,141	16,095	9,864	66,669	44,569	28,061	-	331,121	4,561,176	3,369,158
Reclassification adjustments	-	-	-	-	-	-	-	-	1,137,433	-	1,137,433	900,368
<b>As at 1st April 2011 re-stated</b>												
	907,865	727,791	2,429,141	16,095	9,864	66,669	44,569	28,061	1,137,433	331,121	5,698,609	4,269,526
Additions	-	-	1,900	1,044	1,001	9,134	2,646	866	519,559	705,406	1,241,556	905,515
Transfers	-	51,662	546,673	2,086	7,417	10,478	22,623	2,189	-	(643,128)	-	(8,549)
Revaluation	-	-	-	-	-	-	-	-	-	-	-	556,682
Disposals	-	-	(17,006)	(92)	(290)	(477)	-	-	-	-	(17,865)	(25,102)
Interest Capitalised	-	-	-	-	-	-	-	-	-	-	-	537
Adjustments	-	42,518	(42,518)	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2012</b>												
	907,865	821,971	2,918,190	19,133	17,992	85,804	69,838	31,116	1,656,992	393,399	6,922,300	5,698,609
<b>Accumulated Depreciation</b>												
<b>As at 1st April 2011 as previously reported</b>												
	-	-	916,322	10,624	8,976	41,239	18,563	28,061	-	-	1,023,785	977,237
Reclassification adjustments	-	-	-	-	-	-	-	-	599,597	-	599,597	394,877
<b>As at 1st April 2011 re-stated</b>												
	-	-	916,322	10,624	8,976	41,239	18,563	28,061	599,597	-	1,623,382	1,372,114
Charge for the year	-	18,581	131,361	1,040	541	13,609	9,317	153	255,627	-	430,229	335,050
Disposals	-	-	(10,558)	(81)	(290)	(294)	-	-	-	-	(11,223)	(18,416)
On Revaluation	-	-	-	-	-	-	-	-	-	-	-	(65,367)
Adjustments	-	2,935	(2,935)	-	-	-	-	-	-	-	-	-
<b>As at 31st March 2012</b>												
	-	21,516	1,034,190	11,583	9,227	54,554	27,880	28,214	855,224	-	2,042,388	1,623,381
<b>Net Book Value</b>												
<b>As at 31st March 2012</b>												
	907,865	800,455	1,884,000	7,550	8,765	31,250	41,958	2,902	801,768	393,399	4,879,912	-
<b>As at 31st March 2011 re-stated</b>												
	907,865	727,791	1,512,819	5,471	888	25,430	26,006	-	537,836	331,121	-	4,075,228

## Notes to the Financial Statements

### 12.1 Change in classification

During the current year the Company modified the classification of Returnable Containers comprising of bottles, crates, pallets and kegs from Inventories to Property, Plant and Equipments to reflect more appropriately the nature and the way in which the said assets are used in business operations.

Up to 31st March 2011, Returnable Containers were classified under inventories at its cost/net realisable value and was written off to the Income Statement only in the event they broke within the premises of the Company. All returnable containers in the custody of the Agents were supported by deposits which represents its cost / net realisable value in full. These deposits are returned by an Agent upon them ceasing operations or in the event of a contraction in sales.

During the year the Company reclassified Returnable Containers under Property, Plant and Equipment as explained above. Accordingly, the accounting treatment adopted for Returnable Containers has been changed. The policy now applicable to Returnable Containers is explained in Note 3.2 (e).

This change in classification and accounting treatment has been applied retrospectively. Accordingly the comparatives have been re-stated.

Had the company continued with the previous classification for returnable containers the impact on current year Income Statement and Balance Sheet would have been as follows.

	31st March 2012 (Under previous classification)	31st March 2012 (After reclassification)
<b>Income statement</b>		
Profit before taxation	2,291,813	2,152,690
Income tax expense	(945,387)	(890,458)
Profit for the year	1,346,426	1,262,232
<b>Balance sheet</b>		
Non Current Assets	4,087,989	4,889,757
Current Assets	6,844,808	5,236,930
Total Assets	10,932,797	10,126,687
Total Equity	5,899,159	5,209,440
Total Liabilities	5,033,638	4,917,247
	10,932,797	10,126,687

**12.2** 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 arising therefrom was transferred to the Revaluation Reserve and included under Capital Reserves.

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

In Rs.'000s	Land	Buildings
<b>Cost</b>	338,259	644,763
Additions during the year	-	94,180
	338,259	738,943
Accumulated depreciation	-	(158,167)
	338,259	580,776
<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	-	573
Net appreciation	569,606	219,679
<b>Carrying amount</b>	907,865	800,455

**13 INTANGIBLE ASSETS**

as at 31st March

In Rs.'000s

	2012	2011
Cost		
Opening balance	86,084	77,303
Additions during the year	1,031	232
Transfers	-	8,549
Closing balance	87,115	86,084
Amortisation		
Opening balance	65,494	52,855
Amortisation for the year	11,777	12,639
Closing balance	77,271	65,494
Net Book Value	9,844	20,590

**14 LONG TERM INVESTMENT**

	% Holding	Cost as at 31st March 2012	Directors' value as at 31st March 2012	% Holding	Cost as at 31st March 2011	Directors' value as at 31st March 2011
South Asian Breweries (Pte) Ltd	-	-	-	22.5%	2,187,086	2,187,086
		-	-		2,187,086	2,187,086

On the 18th of August 2011, the Company disposed its investment in South Asian Breweries Pte Limited, Singapore, to Carlsberg South Asia (Pte) Limited at its book value Rs.2,187,085,815/- as at that date.



## Notes to the Financial Statements

### 15 INVENTORIES

as at 31st March In Rs.'000s	2012	2011 (Re-stated)
Raw and packing materials	241,287	146,781
Work in progress	69,018	59,534
Finished goods	660,696	300,422
Maintenance spares	125,817	107,301
Others	310,953	127,111
	1,407,771	741,149
Provision for slow moving items (Note 15.1)	(90,891)	(91,148)
	1,316,880	650,001
<b>15.1 Provision for slow moving items</b>		
Balance as at beginning of the year	91,148	90,763
Provisions made during the year	37,183	9,737
Reversals during the year	(37,440)	(9,352)
Balance as at end of the year	90,891	91,148
<b>16 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	725,168	320,625
Provision for doubtful debts ( Note 16.1)	(15,065)	(13,632)
Advances, prepayments & other receivables	361,770	192,427
	1,071,873	499,420

As explained in Note 12.1 Containers with agents were classified under Trade and Other Receivables in the prior year. The classification have been amended during the year to better reflect the nature and use of the asset. Accordingly the comparative have been re-stated.

### 16.1 Provision for doubtful debts

Balance as at beginning of the year	13,632	14,538
Provisions during the year	1,748	595
Write-offs against provisions during the year	(315)	(1,501)
Balance as at end of the year	15,065	13,632
<b>17 Amounts due from related companies</b>		
Ceylon Beverage Holdings PLC	-	2,228
CBL Retailers (Pvt) Limited	-	9,411
	-	11,639

**18 STATED CAPITAL**

as at 31st March

In Rs.'000s

	2012	2011 (Re-stated)
Shares issued and fully paid	2,537,801	2,537,801
	2,537,801	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** - Company had received Rs.350,000,000/- from the issue of 35,000,000 12.5% Redeemable Cumulative Preference Shares in year 1998. The said Redeemable Cumulative Preference Shares (non-voting) were fully redeemed on 31st March 2012. As explained in Note A to the Statement of Changes in Equity, the Capital Redemption Reserve and the Revenue Reserves were utilised for the said redemption. Accordingly the stated capital remained the same subsequent to the redemption.

**19 CAPITAL RESERVES**

Balance as at beginning of the year	860,518	232,628
Revaluation surplus	-	622,050
Utilised for redemption of preference shares	(70,000)	-
Deferred tax on revaluation of property	(69,329)	5,840
Balance as at end of the year	721,189	860,518
Represented by		
Revaluation reserve (Note 19a)	721,189	790,518
Capital Redemption Reserve	-	70,000
	721,189	860,518

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

**20 LOANS AND BORROWINGS**

Long term loans repayable after one year (Note20.1)	1,103,802	1,176,728
	1,103,802	1,176,728
<b>20.1 Long Term Loans repayable after one year</b>		
Balance as at the beginning of the year	1,232,050	32,951
Loan obtained during the year	117,467	1,244,820
Repayments during the year	(124,179)	(48,205)
Exchange loss on foreign currency loans	206,934	2,484
Balance as at the end of the year	1,432,272	1,232,050
Less:		
Repayable within one year	328,470	55,322
Repayable after one year	1,103,802	1,176,728

## Notes to the Financial Statements

### 20.2 Details of Long Term Borrowings

Name of the Lender Offered	Interest Rate p.a	31st March 2012	31st March 2011	Repayment Terms	Security
<b>Long Term Loan Rs.50 million</b> DFCC	6.5%	11,577	22,264	Payable in 57 equal monthly instalments commencing from August 2008	Unsecured
<b>Long Term Loan USD 1.1 million</b> HSBC	1 month LIBOR + 3.87%	60,466	96,486	Payable in equal monthly instalments USD 33,333/33 commencing from July 2010	Unsecured
<b>Long Term Loan USD 23 million</b> HSBC	3 month LIBOR + 3.17%	1,360,229	1,113,300	Payable in 20 equal quarterly instalments commencing from March 2012	Unsecured
		1,432,272	1,232,050		

### 21 REFUNDABLE DEPOSITS

as at 31st March In Rs.'000s	2012	2011
Balance as at the beginning of the year	744,253	627,765
Deposits received during the year	126,560	117,557
Deposits refunded during the year	(12,149)	(1,069)
Balance as at the end of the year	858,664	744,253

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

**22 EMPLOYEE BENEFITS**

as at 31st March

In Rs.'000s

**2012****2011**

	2012	2011
The amounts recognised in the Balance Sheet are as follows:		
Present value of unfunded obligation	65,890	51,402
Liability in the balance sheet	65,890	51,402
The movement in the defined benefit obligation over the year as follows:		
As at 1st April	51,402	34,715
Interest cost	5,140	4,166
Current service cost	7,110	5,754
Actuarial loss	2,734	7,693
Benefits paid	(496)	(926)
As at 31st March	65,890	51,402
The amounts recognised in the Income Statement are as follows:		
Interest cost	5,140	4,166
Current service cost	7,110	5,754
Actuarial loss	2,734	7,693
Total included under staff cost	14,984	17,613

**22.1** The gratuity liability as at 31st March 2012 amounting to Rs. 65,890,162/- (2011 - 51,402,436/-) is based on an Actuarial Valuation carried out by Mr M Poopalanathan, AIA, of 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 pay increase 10% p.a.
- Retirement age 55 years
- The Company will continue in business as a going concern.

**23 DEFERRED TAX LIABILITIES**

Deferred tax liability (Note 23.1)

575,476

408,466

Deferred tax asset (Note 23.2)

-

-

Balance as at the end of the year

575,476

408,466



## Notes to the Financial Statements

### 23.1 Deferred tax liability

as at 31st March

In Rs.'000s

	2012	2011
Balance as at the beginning of the year	408,466	401,564
Retrospective adjustment	-	(37,804)
Balance as at the beginning of the year after adjustment	408,466	363,760
Expense / (Reversal) during the year	97,681	(8,186)
Impact on revaluation of property	69,329	(5,840)
Effect on tax rate change	-	58,732
Balance as at the end of the year	575,476	408,466
<b>23.2 Deferred tax asset</b>		
Balance as at the beginning of the year	-	3,089
Reversal during the year	-	(3,089)
Balance as at the end of the year	-	-
<b>24 TRADE AND OTHER PAYABLES</b>		
Trade payables	71,321	67,156
Others, including accrued expenses	525,433	180,966
Unclaimed dividends	758	353
	597,512	248,475
<b>25 AMOUNTS DUE TO RELATED COMPANIES</b>		
Carlsberg A/S	15,189	14,085
Carsons Management Services (Pvt) Limited	-	5,571
	15,189	19,656
<b>26 CURRENT TAX LIABILITIES</b>		
Excise duty	641,650	580,474
Value added tax	130,072	116,089
Income tax	416,078	278,245
Nation building tax	26,327	21,864
	1,214,127	996,672

**27 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 disclosed in Note No 9(b).

**28 COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform to the change in accounting policies, classifications and presentations as at 31st March 2012.

**29 SEGMENTAL ANALYSIS**

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

**30 COMMITMENTS AND CONTINGENCIES****30.1 Finance Commitments**

Document credits effected for foreign purchases of the Company as at 31st March 2012 amounting to Rs. 10,957,677/- (2011 - 82,601,566/-).

**30.2 Contingencies**

(a) Contingent liabilities as at 31st March 2012 amount to Rs. 717,204,525/- (2011 - 184,186,442/-), being bank guarantees given to government bodies for operational purposes and shipping guarantees for clearing cargo pending the receipt of original documents.

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

The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the company and its directors to recover Excise Duty amounting to Rs. 58,753,582/94 comprising of a 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.

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

**31 CONTRACTS FOR CAPITAL EXPENDITURE**

As at the Balance Sheet date, the Company had contracts entered in to with regard to capital expenditure commitments, an amount of Rs. 723,354,839/- (2011 - Nil). However the Company has incurred an amount of Rs. 393,401,778/- (2011 - 331,123,972/-) being payments made on Capital Work in Progress.

**32 RELATED PARTY TRANSACTIONS****(a) Transactions with parent company - Ceylon Beverage Holdings PLC**

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

- (i) The Company has paid Rs. 117,221,133/- (2011 - Rs.79,582,472/-) as royalty in accordance with the licensed brewing agreement with the Company.
- (ii) The Company has paid Rs.43,750,000/- (2011 - Rs.43,750,000/-) as preference dividend at the rate of 12.5% (2011 - 12.5%) per annum .
- (iii) No balance was payable to the Company by Ceylon Beverage Holdings PLC as at 31st March 2012. (2011 - 2,228,319/-)
- (iv) During the year, the Company redeemed 35,000,000 Redeemable Cumulative Preference Shares of Rs. 10/- each to Ceylon Beverage Holdings PLC amounting to Rs.350,000,000/-.

## Notes to the Financial Statements

### 32 RELATED PARTY TRANSACTIONS (Contd.)

#### (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. 66,488,189 /- ( 2011 - Rs. 37,635,441 /- ) during the year.

No balance was receivable to Lion Brewery (Ceylon) PLC by CBL Retailers (Pvt) Limited as at 31st March 2012. (2011 - 9,410,505/-)

#### (c) Transactions with group entities

Messrs. H.Selvanathan, S.K.Shah and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides management and secretarial services to the Company. An amount of Rs. 204,669,027 /- (2011 - Rs.157,769,957/-) was paid by the Company during the year to Carsons Management Services (Private) Limited which included management and secretaries fees of Rs. 117,462,059/- and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

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

(i) Messrs.R.E.Bagattini and S. Ravn, Directors of the Company represent Carlsberg Brewery Malaysia Berhad. Mr. R.E.Bagattini is also an officer of 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.

(A) As per the licensed brewing agreement, a sum of Rs. 57,748,658/- (2011 - Rs. 64,063,828/-) was paid as royalty during the year to Carlsberg A/S.

(B) An amount of Rs. 15,189,011/- is payable to Carlsberg A/S as at 31st March 2012 (2011 - 14,085,517 /-).

(ii) 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 against future purchases. During the year the Company purchased rice for an amount of Rs.105,344,983/- (2011 - 91,917,481/-). As at the Balance Sheet date an amount of Rs. 68,386,039/- (2011 - 56,205,933/-) has been advanced to Ran sahal (Pvt) Limited which remains to be settled from future purchases.

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

According to Sri Lanka Accounting Standard 30 (Revised 2006) "Related Party Disclosures", key management personnel are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company and its parent company (including executive and non executive directors) and their immediate family members have been classified as KMP of the Company.

The compensation paid to key management personnel as short-term employment benefits is disclosed in aggregate in Note 6 to the Financial Statements. No other payments such as post-employment benefits, terminal benefits and share based payments have been paid to key management personnel during the year.

### 33 DIRECTORS RESPONSIBILITY STATEMENT

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

## Value Added Statement

For the year ended 31st March

In Rs.'000s

	2012		2011	
Revenue	17,649,146		11,250,330	
Value Added Tax	2,095,137		1,913,670	
Other income	227,937		14,715	
	19,972,220		13,178,715	
Cost of material & services bought from outside	(6,721,380)		(4,255,305)	
Value Added	13,250,840		8,923,410	
Distributed as follows		%		%
<b>To Employees</b>				
as remuneration and other employee costs	408,851	3.09	326,720	3.66
<b>To Government</b>				
Value Added Tax	2,095,137	15.81	1,913,670	21.45
as excise duty	7,758,627	58.55	4,646,616	52.07
as income tax	792,777	5.98	509,359	5.71
as social responsibility levy	-	-	39,575	0.44
as economic service charge	120,000	0.90	97,699	1.08
as Nation Building Tax	314,932	2.38	292,276	3.28
<b>To Providers of Capital</b>				
as preference dividends	43,750	0.33	43,750	0.49
as finance expenses	376,278	2.84	157,519	1.77
<b>Retained in the Business</b>				
as depreciation/amortisation	442,006	3.34	347,689	3.90
as profit for the year	898,482	6.78	548,537	6.15
	13,250,840	100.00	8,923,410	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

	2012	2011
Value Added Tax (paid but not included under Net Revenue)	2,095,137	1,913,670
Excise Duty (included under Net Revenue)	7,758,627	4,646,616
Income Tax	792,777	509,359
Social Responsibility Levy	-	39,575
Economic Service Charge	120,000	97,699
Nation Building Tax	314,932	292,276
Total taxes paid to the Government	11,081,473	7,499,195



## Five Year Summary

For the year ended 31st March

In Rs.'000s

	2012	2011	2010	2009	2008
<b>Revenue</b>	17,649,146	11,250,330	7,919,292	6,094,726	5,207,004
Other income	227,937	14,715	2,624	1,625	6,631
Total expenditure	(15,348,115)	(9,712,245)	(7,049,116)	(5,623,124)	(4,829,707)
Profit from operating activities before finance expenses	2,528,968	1,552,800	872,800	473,227	383,928
Finance expenses	(376,278)	(157,519)	(240,105)	(391,339)	(229,964)
Profit from ordinary activities before tax	2,152,690	1,395,281	632,695	81,888	153,964
Income tax expense	(890,458)	(562,994)	7,808	6,924	24,433
Profit for the period	1,262,232	832,287	640,503	88,812	178,397
Dividends -Ordinary	320,000	240,000	-	-	-
Dividends - Preference	43,750	43,750	43,750	43,750	43,750

As at 31st March

In Rs.'000s

	2012	2011	2010	2009	2008
<b>BALANCE SHEET</b>					
Stated capital	2,537,801	2,537,801	2,537,801	1,337,801	1,337,801
Capital reserves	721,189	860,518	232,628	232,479	232,330
Retained profits	1,950,451	1,324,550	1,207,821	611,068	566,005
Long term borrowings repayable after one year	1,103,802	1,176,728	22,264	32,951	27,893
Capital Employed	6,313,243	5,899,597	4,000,514	2,214,299	2,164,029
<b>REPRESENTED BY</b>					
Non-current assets	4,889,756	6,282,904	3,863,784	3,527,777	3,089,900
Current assets	5,236,931	2,260,938	2,259,263	2,014,852	1,827,303
Current liabilities	(2,313,414)	(1,440,124)	(1,061,505)	(2,295,524)	(1,880,658)
Refundable deposits	(858,664)	(744,253)	(627,838)	(593,873)	(436,736)
Employee benefits	(65,890)	(51,402)	(34,715)	(28,829)	(19,505)
Deferred tax liabilities	(575,476)	(408,466)	(398,475)	(410,104)	(416,275)
	6,313,243	5,899,597	4,000,514	2,214,299	2,164,029

Year ended 31st March

In Rs.'000s

	2012	2011	2010	2009	2008
<b>CASH FLOW STATISTICS</b>					
Net cash inflows from operating activities	1,167,286	1,759,215	738,854	7,782	(129,917)
Net cash inflows/(outflows) from investing activities	1,262,954	(1,512,191)	(437,363)	(397,756)	(572,555)
Net cash inflows/(outflows) from financing activities	(720,057)	912,984	1,118,658	(80,395)	(73,868)
Net cash movement for the year	1,710,183	1,160,008	1,420,149	(470,369)	(776,340)

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

	2012	2011	2010	2009	2008
<b>RATIOS &amp; STATISTICS</b>					
Return on shareholders' funds (%)	23.39	18.03	16.45	2.46	7.54
Assets turnover (times)	1.74	1.32	1.29	1.10	1.06
Equity to total assets (times)	1.94	2.32	1.69	3.03	2.75
Interest cover (times)	6.72	9.86	3.64	1.21	1.67
Gearing ratio (%)	23.39	30.31	16.46	53.30	49.72
Current ratio (times)	2.26	1.57	2.13	0.88	0.97
Earnings per share (Rs)	15.23	9.86	8.69	0.90	2.69
Price earnings ratio (times)	13.10	20.29	9.95	61.11	22.30
Market price per share (Rs)	199.50	200.00	86.50	55.00	60.00
Net assets per share (Rs)	65.12	54.66	45.35	36.63	35.72
Market capitalisation (Rs'000)	15,960,000	16,000,000	6,920,000	2,750,000	3,000,000
Dividends - Preference (%)	12.50	12.50	12.50	12.50	12.50
- Ordinary (Rs.)	4.00	3.00	-	-	-

Figures in brackets indicate deductions.

attitude



inspired



The background of the entire page is a photograph of five bottles of Lion Lager beer. The bottles are dark glass and arranged in a row on a conveyor belt. Each bottle has a yellow label with a lion standing on a rock, and the word 'LION' in large, bold, yellow letters. Below the lion, the word 'LAGER' is written in smaller letters. The bottles are illuminated from above, creating highlights on the glass and the labels.

## US\$ FINANCIALS

**INCOME STATEMENT 62 BALANCE SHEET 63 NOTES TO THE FINANCIAL STATEMENT 64  
FIVE YEAR SUMMARY 65**

**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.**

## Income Statement

For the year ended 31st March

In USD '000

	Note	2012	2011 (Re-stated)
<b>Revenue</b>	2	151,540	99,570
Cost of sales		(108,156)	(67,012)
<b>Gross profit</b>		43,384	32,558
Other income		1,957	130
		45,341	32,688
Distribution expenses		(17,964)	(14,106)
Administrative expenses		(4,402)	(3,506)
Other expenses		(1,261)	(1,333)
<b>Profit from operations</b>		21,714	13,743
Finance expenses		(3,231)	(1,394)
<b>Profit before taxation</b>		18,483	12,349
Income tax		(7,646)	(4,983)
<b>Profit for the period</b>		10,837	7,366

Figures in brackets indicate deductions.



# Balance Sheet

As at 31st March  
In USD '000s

	2012	2011 (Re-stated)
<b>ASSETS</b>		
<b>Non- Current Assets</b>		
Property, plant & equipment	37,662	36,605
Intangible Assets	76	185
Long term investment	-	19,645
<b>Total Non-Current Assets</b>	37,738	56,435
<b>Current Assets</b>		
Inventories	10,163	5,839
Trade and other receivables	8,273	4,486
Amounts due from related companies	-	105
Cash and cash equivalents	21,982	9,879
<b>Total Current Assets</b>	40,418	20,309
<b>Total Assets</b>	78,156	76,743
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	33,068	33,068
Capital reserves	5,566	7,729
Currency fluctuations	(30,271)	(21,891)
Retained profits	31,843	23,516
<b>Total Equity</b>	40,206	42,422
<b>Non- Current Liabilities</b>		
Loans and Borrowings	8,519	10,570
Refundable deposits	6,627	6,685
Employee benefits	509	462
Deferred tax liabilities	4,441	3,669
<b>Total Non- Current Liabilities</b>	20,096	21,386
<b>Current Liabilities</b>		
Trade and other payables	4,612	2,232
Amounts due to related companies	117	177
Current tax liabilities	9,370	8,952
Loans and Borrowings	2,535	497
Bank overdrafts	1,220	1,078
<b>Total Current Liabilities</b>	17,854	12,936
<b>Total Liabilities</b>	37,950	34,322
<b>Total Equity and Liabilities</b>	78,156	76,744

## 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:

		2012	2011
Income statement	Average rate	116.47	112.99
Monetary assets and liabilities	Closing rate	129.57	111.33
Non-current assets and liabilities	Closing rate	129.57	111.33
Preference share capital	Historical rate	-	62.71
Ordinary share capital	Historical rate	57.99	57.99
For the year ended 31st March		<b>2012</b>	<b>2011</b>
In USD '000s			
<b>2 REVENUE</b>			
Local revenue		149,588	98,335
Export revenue		1,952	1,235
		151,540	99,570

## Five Year Summary

For the year ended 31st March

In USD '000s

	2012	2011	2010	2009	2008
<b>Revenue</b>	151,540	99,570	68,299	54,848	46,855
Other income	1,957	130	23	15	60
<b>Total Expenditure</b>	153,497	99,700	68,322	54,863	46,915
	(131,783)	(85,957)	(60,794)	(50,605)	(43,460)
<b>Profit from operating activities before finance expenses</b>	21,714	13,743	7,528	4,258	3,455
Finance expenses	(3,231)	(1,394)	(2,071)	(3,522)	(2,069)
<b>Profit from ordinary activities before tax</b>	18,484	12,349	5,457	736	1,386
Income tax expense	(7,646)	(4,983)	67	62	220
<b>Profit for the period</b>	10,838	7,366	5,524	798	1,606
Dividends -Ordinary	2,748	2,124	-	-	-
Dividend - Preference	376	387	377	394	394

As at 31st March

In USD '000s

	2012	2011	2010	2009	2008
<b>BALANCE SHEET</b>					
Stated capital	33,068	33,068	33,068	23,070	23,070
Capital reserves	5,566	7,729	2,026	1,999	2,137
Currency fluctuations	(30,271)	(21,891)	(19,113)	(19,825)	(10,762)
Retained profits	31,843	23,516	18,662	13,515	5,207
	40,206	42,422	34,642	18,759	19,652
Long term borrowings repayable after one year	8,519	10,570	194	285	257
<b>CAPITAL EMPLOYED</b>	48,725	52,992	34,836	19,044	19,909
<b>REPRESENTED BY</b>					
Non-current assets	37,738	56,435	33,645	30,339	28,425
Current assets	40,418	20,308	19,673	17,328	16,811
Current liabilities	(17,855)	(12,936)	(9,243)	(19,740)	(17,301)
Refundable deposits	(6,627)	(6,685)	(5,467)	(5,108)	(4,018)
Employee benefits	(509)	(462)	(302)	(248)	(179)
Deferred tax liabilities	(4,441)	(3,669)	(3,470)	(3,527)	(3,830)
	48,725	52,992	34,836	19,044	19,909

## Information to Shareholders & Investors

### 1 STOCK EXCHANGE LISTING

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

### 2 SHARE VALUATION

The market price of the Company's share as at 31st March 2012 was Rs. 199/50 per share ( 2011 - Rs.200/00).

### 3 ORDINARY SHAREHOLDERS

As at 31st March

**2012**

**2011**

Number of shareholders

1,378

1,597

#### (a) Frequency distribution of shareholdings as at 31st March 2012

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	998	258,624	0.32	10	6,100	0.01	1,008	264,724	0.33
1,001 - 10,000	266	862,532	1.08	25	92,179	0.12	291	954,711	1.19
10,001 - 100,000	43	1,239,480	1.55	12	528,700	0.66	55	1,768,180	2.21
100,001 - 1,000,000	13	4,570,534	5.71	5	1,827,671	2.28	18	6,398,205	8.00
Above 1,000,000	4	49,668,981	62.09	2	20,945,199	26.18	6	70,614,180	88.27
<b>Total</b>	<b>1,324</b>	<b>56,600,151</b>	<b>70.75</b>	<b>54</b>	<b>23,399,849</b>	<b>29.25</b>	<b>1,378</b>	<b>80,000,000</b>	<b>100.00</b>

#### Categories of Shareholders

	No. of Shareholders	No. of Shares	%
Individuals	1,247	1,759,116	2.20
Institutions	131	78,240,884	97.80
<b>Total</b>	<b>1,378</b>	<b>80,000,000</b>	<b>100.00</b>

(b) The number of shares held by non-residents as at 31st March 2012 was 23,399,849 (2011 -23,886,449) which amounts to 29.25 % (2011 - 29.86%).

(c) Percentage of shares held by the public as at 31st March 2012 was 15.15% (2011 - 17.63%).

### 4 MARKET PERFORMANCE - ORDINARY SHARES

For the year ended 31st March

**2012**

**2011**

Highest (Rs.)

260.00

219.90

Lowest (Rs.)

175.00

86.50

Value of Shares traded (Rs Mn)

1,818

3,825

No. of shares traded

8,497,053

23,008,272

**5 MARKET CAPITALIZATION**

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share was Rs. 15,960,000,000/- as at 31st March 2012 ( 2011 - Rs 16,000,000,000).

**6 DIVIDENDS****Preference**

A Preference dividend of 12.5% per annum on Redeemable Cumulative Preference shares was paid on 30th June 2011, 30th September 2011, 31st December 2011 and 31st March 2012.

**Ordinary**

The Board of Directors has recommended the payment of first & final dividend of Rs 4/- per share for the year ended 31st March 2012 (2011 - Rs. 3/-).



## 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.

### 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 assets per ordinary share

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

### Price earning ratio - (P/E)

Market price of a share divided by earnings per share

### Related parties

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

### Revenue reserves

Reserves considered as being available for future distribution and appropriations.

### Value addition

The quantum of wealth generated by the activities of the Company

### Working capital

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

## Notice of meeting

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of LION BREWERY (CEYLON) PLC will be held on Friday the 8th day of June 2012 at 2.30 p.m. at the Taj Samudra Hotel, 'Crystal Room', Upper Floor, No. 25, Galle Face Centre Road, Colombo 3, Sri Lanka for the following purposes :

1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2012, together with the Report of the Independent Auditors thereon.
2. To declare a dividend as recommended by the Directors.
3. To re-elect Mr. H. Selvanathan, who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
4. To re-elect Mr. S. K. Shah who retires in terms of Articles 72 and 73 of the Articles of Association of the Company.
5. To re-elect Mr. S. Ravn who retires in terms of Article 68 of the Articles of Association of the Company.
6. To re-appoint Mr. L.C.R. de C. Wijetunge who is over Seventy years of age and to consider and if deemed fit to pass the following resolution;

"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not be applicable to Mr. L.C.R. de C. Wijetunge who is 73 years of age and that he be re-appointed a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year."

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

By Order of the Board

### **CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED**

Secretaries

Colombo, 8th May 2012

### **Notes**

1. A Shareholder is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a Shareholder of the Company. A Form of Proxy accompanies this notice.
2. The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 p.m. on 6th June 2012.
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.



# Form of proxy

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

- LIONEL CUTHBERT READ DE CABRAAL WIJETUNGE
- HARIHARAN SELVANATHAN
- SURESH KUMAR SHAH
- DON CHANDIMA RAJAKARUNA GUNAWARDENA
- DILKUSHAN RANIL PIERIS GOONETILLEKE
- CHANDRARATNE TALPE LIYANAGE
- CHITTA PRASANNA AMERASINGHE
- KRISHNA SELVANATHAN
- ROY ENZO BAGATTINI
- SUSAN JULIET FARRINGTON EVANS
- SOREN RAVN

- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing him,
- Or failing her,

As \*my/our proxy to attend at the Sixteenth Annual General Meeting of the Company to be held on Friday the 8th day of June 2012 at 2.30 p.m. at the Taj Samudra Hotel, 'Crystal Room', Upper Floor, No. 25, Galle Face Centre Road, Colombo 3, Sri Lanka and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31st March 2012, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare Rs.4/-per share as a First & Final dividend for the financial year ended 31st March 2012 as recommended by the Directors	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. H. Selvanathan 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 Mr. S. K. Shah who retires by rotation in terms of Articles 72 & 73 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. S. Ravn who retires by rotation in terms of Article 68 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mr. L.C.R. de C. Wijetunge who is over Seventy years of age as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint M/s KPMG, 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 Twelve.

.....  
Signature/s

**Notes**

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

**INSTRUCTIONS AS TO COMPLETION**

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

The instrument appointing a proxy shall be in writing and:

(i) in the case of an individual shall be signed by the appointor or by his attorney; and

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

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

A proxy need not be a shareholder of the Company.

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

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

5. To be valid the completed form of proxy should be deposited at the Registered Office of the Company situated at No. 61, Janadhipathi Mawatha, Colombo 1, Sri Lanka not later than 2.30 p.m., on 6th June 2012.

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 Beverage Holdings PLC

## ULTIMATE PARENT COMPANY

Carson Cumberbatch PLC

## DIRECTORS

L. C. R. de C. Wijetunge (Chairman)  
H. Selvanathan (Deputy Chairman)  
S. K. Shah (Chief Executive Officer)  
Dato' Voon Loong Chin, D. S. P. N. (Deceased on 16.03.2012)  
D. C. R. Gunawardena  
C. T. Liyanage  
C. P. Amerasinghe  
D. R. P. Goonetilleke  
K. Selvanathan  
R. E. Bagattini  
Ms. S. J. F. Evans  
G. Brockett (Alternate Director to R. E. Bagattini Resigned on 29.02.2012)  
Y. F. Lew ( Alternate Director to Dato V. L. Chin D. S. P. N.  
ceased to be Alternate Director w.e.f. 16.03.2012)  
S. Ravn (Appointed w.e.f. 06.04.2012)  
Y. F. Lew ( Appointed Alternate Director to S. Ravn w.e.f. 06.04.2012)

## 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  
216, De Saram Place  
Colombo 10, Sri Lanka  
Tel: +94 11 4718200  
Fax:+94 11 4718220

## AUDITORS

Messrs. KPMG  
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

254, Colombo Road, Biyagama, Sri Lanka  
Tel: +94 11 2465900 (10 Lines)  
Fax:+94 11 2465901

## GROUP WEBSITE

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

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