

Ceylon Brewery PLC
Annual Report

2011



**Ceylon Brewery PLC
Annual Report**

2011

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Financial Highlights

Financial Highlights - Group

	2011 Rs.'000	2010 Rs.'000	% Change
Revenue	11,583,356	8,155,266	42.03
Profit from operations	1,823,561	921,961	97.79
Profit after taxation	1,021,599	652,955	56.46
Dividend	62,964	62,964	-
Shareholders' funds	2,588,309	1,746,706	48.18
Total assets	9,478,742	6,191,502	53.09
Earnings per ordinary share (Rs.)	25.80	17.01	51.67
Net assets per ordinary share (Rs.)	123.32	83.22	48.18
Market capitalisation	7,765,593	3,777,856	105.56

42% ^

Revenue

Rs.11.5 Billion

56% ^

Profit after taxation

Rs.1 Billion

53% ^

Total assets

Rs.9 Billion

Chairman's Statement

It gives me great pleasure to welcome shareholders to the Company's 100th Annual General Meeting & to present to you the audited financial statements of the Group along with the Report of the Directors & the Chief Executive's Review.

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

Based on the results achieved during the year, I am pleased to inform shareholders that a first & final dividend of Rs. 4/- per share has been recommended by Your Board. This amounts to 46% of the Company's post tax profits. Since the dividends have been declared out of tax free profits received from a subsidiary, Lion Brewery (Ceylon) PLC (LION), shareholders would receive this distribution free of withholding tax.

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

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

In order to retain its dominant position in the market & build upon the fine results of the year, it is critical that the Group expands its brewing & packaging capacity in Sri Lanka ahead of demand. Initial estimates envisage that the Sri Lankan business will require substantial investments. In the meanwhile, recent projection in India also foretell of a need for substantial investments in that country. Since Sri Lanka is the Group's priority and since it is considered inadvisable to stretch the resources of Your Group to cover the investments in both countries, a difficult – but necessary – decision has been arrived at to exit the Indian Joint venture (JV). In this connection, LION has just concluded negotiations with Carlsberg South Asia Pte Ltd, a subsidiary of the Carlsberg Group, to purchase its stake in the Indian JV. The transaction will be concluded at LION's book value as at 31st March 2011 once the necessary regulatory approvals are received.

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

Chairman's Statement Contd.

Since your Company is no longer an operating entity & is now a holding company, Your Board has recommended a change of name to Ceylon Beverage Holdings PLC. The Extraordinary General Meeting to seek shareholder approval will be convened immediately after this years' Annual General Meeting.

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

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

(Sgd.)

L.C.R.de C. Wijetunge
Chairman

Colombo
26th May 2011

Chief Executive's Review

On the back of strong economic growth & in keeping with the trends of most business sectors across the country, your Group posted impressive results during the year under review. In the face of the most stringent regulatory environment – where pricing, distribution & promotion are all beyond its control – management moved aggressively to take advantage of the unfolding economic conditions whilst maintaining stringent control over costs. As a result, on revenues of Rs 11.58 billion, the Group earned a post tax profit of Rs 1.02 billion, up from Rs 8.15 billion & Rs 652.95 million respectively in the previous year whilst earnings per share rose to Rs 25.80 from Rs 17.01. The Group's Balance Sheet remained strong & at the year end its gearing stood at a satisfactory 42%.

During the year, Your Company's share price moved from Rs 180/- to Rs 370/-, an increase of 105% thereby significantly outperforming both the All Share Index (94%) & the Milanka Index (61%). The Company's market capitalization as at 31st March 2011 stood at Rs 7.8 billion up from Rs 3.8 billion at the start of the year.

Operating Environment

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

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

These factors helped your Group increase its revenue to Rs 11.58 billion during the year under review.

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

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

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

All these factors meant that the Group succeeded in improving its margins at both gross & net levels leading to a post tax profit of Rs 1.02 billion for the year under review.

Chief Executive's Review Contd.

Alcohol Policy

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

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

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

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

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

Appropriate policies that address the issues of pricing & availability in a practical & pragmatic manner will be far more effective in combating illicit alcohol. Policies that link taxation & availability to alcohol content will also shift consumption from hard to soft alcohols over time. No doubt such shifts in policy are difficult to implement; to start with published data – being limited to the legal industry – is likely to suggest an increase in consumption. In the meanwhile, since data on illicit alcohol is hard to come by & not published, the extent of its reduction will not be immediately apparent. Yet policy – together with education - remains the most effective way to battle illicit liquor & to reduce the extent of pure alcohol consumed in the country.

Operating Results & Financial Position

On a turnover of Rs 11.58 billion, the Group returned a pretax profit of Rs 1.62 billion. At the point of gross profit, the margin was 33%, the same as the previous year. In a year in which excise taxes were increased by as much as 31%, it is noteworthy that gross margins remained intact and reflects the gains made in procurement. Operating margins increased from 11% to 16% during the year. Thus both critical indicators i.e volumes & margins were above those of the previous year.

The level of margin returned by the beer business is a reflection of the high taxation imposed on it - both in terms of excise & revenue related levies – and the complex manufacturing process that takes basic raw materials & converts them into a liquid in a pack. On year end Equity – including Reserves – the return was 39%, up from 37% a year ago.

Overall operational costs increased by 13% driven mainly by higher distribution expenses incurred to support the growth in revenues. During the latter part of the year, increasing inflation also contributed towards higher fixed overheads.

Chief Executive's Review Contd.

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

The net cash position of the Group – including long term loans – moved from Rs 676.19 million at the start of the financial year to Rs 793.89 million at its end. The net cash outflow of Rs 117.70 million was after investing Rs 685.44 million on expanding capacity & Rs 739.67 million as an equity infusion in Carlsberg India. At the end of the year, the Company's gearing stood at a satisfactory 42%.

Marketing & Sales

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

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

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

Supply Chain

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

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

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

Support Services

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

Chief Executive's Review Contd.

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

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

Exports

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

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

Corporate Tax & Dividends

As shareholders are aware, the subsidiary Lion Brewery (Ceylon) PLC (LION) enjoyed a 12 year tax holiday under the BOI. This tax holiday came to an end on 31st May 2010 & since then that company has been liable to Income Tax on profits at the rate of 35%. Thus based on the profits of the year, the Group's liability on account of Corporate Tax is estimated at Rs 598.92 million. Together with Excise Duties & all sales related taxes, the Group's total contribution to the national exchequer during the year under review amounts to Rs 7.47 billion.

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

A first & final dividend of Rs.4/- per share has been proposed which will be paid consequent to shareholder approval at the forthcoming AGM. Since these dividends are from tax exempt income received from LION it will be received free of withholding tax in the hands of the shareholders. The total outflow on account of the proposed dividend is be Rs 83.95 million, 46% of post-tax profits.

The Investment in India

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

Recent projections indicate that India will require substantial investments – estimated at over US\$ 200 million – over the next few years. In the meanwhile, judging by emerging market conditions, the business in Sri Lanka will also need to enhance capacity for which substantial investments are required. If the necessary capacity enhancements don't take place in Sri Lanka, LION is likely to compromise its dominant position in the market place. The LION Board considers Sri Lanka

Chief Executive's Review Contd.

to be its first priority being that company's home market. Further, it believes that LION & its shareholders will receive a greater return on investment from its Sri Lankan operations. Thus rather than stretch the resources of LION beyond a prudent level, a difficult decision has been made by its Board to exit the Indian JV. In this connection, negotiations have been concluded with Carlsberg South Asia Pte Ltd, a subsidiary of the Carlsberg Group, who will now purchase LION's stake in SoAB at its book value as at 31st March 2011. LION is currently awaiting necessary regulatory approvals prior to concluding this transaction.

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

Retail Shops & Pubs

Your Company currently operates specialty alcohol retail stores & pubs under a fully owned subsidiary, CBL Retailers (Pvt) Ltd. This remains a very small part of the overall business of the Group & as at 31st March 2011, returned a loss of Rs 7.7 million on a turnover of Rs 370 million.

The Year Ahead

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

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

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

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

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

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

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

Chief Executive's Review Contd.

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

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

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

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

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

Conclusion

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

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

(Sgd.)

Suresh K. Shah
Chief Executive

Colombo
26th May 2011

Profiles of Directors

CUBBY WIJETUNGE

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

HARI SELVANATHAN

Hari Selvanathan is Deputy Chairman of Carson Cumberbatch PLC and President Commissioner of the palm oil related companies in Indonesia. He holds Directorships in several subsidiary companies within the Carsons Group and is also a Director of Sri Krishna Corporation (Private) Limited, South Asian Breweries Pte Ltd-Singapore and Carlsberg India Private Limited. He is the Chairman of Express Newspapers (Ceylon) Ltd and Carsons Management Services(Private) Limited, the Groups Management company. Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka). He is also a Director of the India-Sri Lanka Foundation. He holds a Bachelor of Commerce Degree.

MANO SELVANATHAN

Mano Selvanathan is the Chairman of Sri Krishna Corporation (Pvt) Ltd, Ceylon Finance & Securities (Private) Ltd, Selinsing PLC and is a Group Director of most Companies in the Carson Cumberbatch Group in Sri Lanka, Indonesia and Malaysia and is an active Member of its Executive Management Forums. He is also a Director of Ceybank Asset Management (Pvt) Ltd. He is a Director of Holcim (Lanka) PLC, Carlsberg India Private Limited, South Asian Breweries Pte Ltd-Singapore. Past Chairman of the Indo Lanka Chamber of Commerce & Industry and has served as the Chairman of the Ceylon Chamber of Commerce and as the President of the Rotary Club of Colombo North.

Mr. Selvanathan was conferred the highest National Honours in Sri Lanka, the 'DESAMANYA' title by H.E. The President of Sri Lanka, in recognition of the services rendered to the Nation. In January 2011 he was awarded with the prestigious 'PRAVASI BHARATIYA SAMMAN AWARD' by the President of India in Delhi.

He holds a Bachelors Degree in Commerce. He is also the Hon. Consul of the Republic of Chile in Sri Lanka.

CHANDIMA GUNAWARDENA

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

Profiles of Directors Contd.

SURESH SHAH

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

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

SOREN HANSEN

Director of Ceylon Brewery PLC and also Director of Mergers & Acquisitions and Business Development in Carlsberg Breweries A/S. Prior to joining Carlsberg, worked with Deloitte & Touche, Copenhagen, Denmark. During his tenor in Carlsberg has held finance and Project Managerial positions in Vietnam and Hong Kong, as well as being involved in/responsible for the majority of Carlsberg's expansion projects in Emerging Markets since 2000. Mr. Hansen is based in Copenhagen.

Mr. Hansen holds a Masters degree in Business Administration and Auditing and a Bac. Degree in International Trade.

Ceylon Brewery PLC
Annual Report 2011

Group Senior Management Team





Standing left to right

Prasanna Amerasinghe - *Head of Marketing*

Ranil Goonetilleke - *Head of Finance*

Seated left to right

Suresh K. Shah - *Director / Chief Executive*

Chan Liyanage - *Head of Supply Chain*

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

Report of the Directors

The Board of Directors of Ceylon Brewery PLC (the Company) have pleasure in presenting to the shareholders its report together with the audited Consolidated Financial Statements of the Company and its subsidiaries (the Group) for the financial year ended 31st March 2011.

The details set out herein provide the pertinent information required by Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended accounting best practices. The Annual Report was approved by the Directors on 26th May 2011.

Principal Activity of the Group

The principal activity of the Group continues to be brewing and retailing of high quality beers for the local and export markets. Ceylon Brewery PLC operates as an investment holding company.

Changes to the Group Structure

There were no significant changes to the Group structure during the period ended 31 March 2011. The Company has two subsidiaries namely, Lion Brewery (Ceylon) PLC and CBL Retailers (Pvt) Ltd.

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 Group.

Significant Events During the Year

The details of significant events during the year are contained in the Chief Executive's Review on pages 6 to 11 of this Annual Report.

Statement of Directors Responsibilities

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

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

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

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

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

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

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 in operation 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 Statements, Balance Sheets, Cash Flow Statements, Statements of Changes in Equity and Notes to the Financial Statements of the Company and the Group for the year ended 31st March 2011 are set out on pages 30 to 58 of this report.

Financial Results

	Company		Group	
For the year ended 31st March In Rs.'000s	2011	2010	2011	2010
The profit available for appropriation is:				
- Current year	180,669	61,798	541,427	357,016
- Brought forward	314,884	316,050	828,383	608,870
	495,553	377,848	1,369,811	965,886
From which the following appropriations have been made:				
Dividends				
Ordinary dividends - Rs 3/- per share (2010 - Rs. 3/- per share)	62,964	62,964	62,964	62,964
Leaving a balance to be carried forward of	432,589	314,884	1,306,847	902,922

Reserves

After the above mentioned appropriations, the total Group Reserves stand at Rs. 2,054.91 million (2010 - Rs.1,213.32 million) comprising Capital Reserves of Rs. 563.91 million (2010 - Rs.126.23 million) and Revenue Reserves of Rs. 1,491.00 million (2010 - Rs. 1,087.10 million). The movements are shown in the Statement of Changes in Equity on page 32 and Notes 24 and 25 to the Financial Statements.

Capital Expenditure

The total expenditure on the purchase of capital assets by the Group during the year amounted to Rs. 689.73 million (2010 - Rs.122.67 million). The movements during the year are set out in Note 17 and 18 to these Financial Statements.

Market Value of Freehold Properties

Freehold properties of the Group are stated in the books at their revalued amounts. The valuation has been carried out by an independent professional valuer, as further explained in Note 17 to these Financial Statements.

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

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory dues have been paid up to date, or have been provided for in the Financial Statements except as disclosed in Note 34 to these Financial Statements.

Outstanding Litigation

The outstanding litigations related to the Company and the Group are shown in Note 34 to these Financial Statements.

Going Concern

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

Independent Auditors' Report

The Independent Auditors' Report on the Financial Statements is given on page 29 of the Annual Report.

Significant Accounting Policies

The accounting policies set out in Note 3 in the Notes to the Financial Statements on pages 35 to 41 which have been consistently applied to all periods presented in these Financial Statements.

Interests Register

Director's Interests

The Company maintains an 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, in respect of the Group for the financial year ended 31st March 2011 is given in Note 11 to the Financial Statements, on page 42 of this report.

Directors' Interest in Contracts and Shares

Directors' interests in transactions of the Company are disclosed in Note 36.4 to these Financial Statements and have been declared at meetings of the Directors. The Directors had no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in Ordinary shares of the Company.

Annual Report of the Board of Directors
on the affairs of the Company Contd.**Directors' Shareholdings**

As at 31st March	No. of Shares As at 31st March 2011	No. of Shares As at 1st April 2010
L.C.R. de C. Wijetunge (Chairman)	-	-
H. Selvanathan (Deputy Chairman)	690	690
M. Selvanathan	690	690
S. K. Shah (Chief Executive Officer)	2,632	2,632
D.C.R. Gunawardena	15	15
S. Hansen	-	-
G. Brockett (Alternate Director to S.Hansen)	-	-

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.

Directors to Retire by Rotation

In terms of Articles 72 and 73 of the Articles of Association of the Company, Mr. M. Selvanathan retires by rotation and being eligible offers himself for re-election.

Auditors

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

A sum of Rs. 525,000/- was paid to them by the Company as audit fees for the year ended 31st March 2011. (2010 - Rs. 495,000/-).

As far as the Directors are aware, the Auditors do not have any other relationship or interest with the Company other than that of an auditor of the Company.

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

Annual Report of the Board of Directors
on the affairs of the Company Contd.**Related Party Transactions Exceeding 10% of The Equity or 5% of the Total Assets of the Company**

The transactions carried out by the Company with its related parties during the year ended 31st March 2011 did not exceed 10% of the Shareholders Equity or 5% of the Total Assets as at 31st March 2011.

The details of the related party transactions are given in Note 36 on pages 56 to 57 of the Financial Statements.

Corporate Governance

Compliance of corporate governance rules as per 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 12 to 13 of the Annual Report.

Directors	Executive/Non - Executive / Independent
L.C.R. de C. Wijetunge (Chairman)	Non - Executive / Independent*
H. Selvanathan (Deputy Chairman)	Executive
M. Selvanathan	Executive
S. K. Shah	Executive
D.C.R. Gunawardena **	Executive
S. Hansen	Non - Executive
G. Brockett (Alternate Director to S.Hansen)	-

*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 Lion Brewery (Ceylon) PLC, in which majority of the other Directors of the Board are also Directors, since he is not directly involved in the management of the Company.

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

The Board is working towards meeting the CSC criteria, in respect of Non - Executive Independent Directors on the Board.

Remuneration Committee

As per the Rule 7.10.5 of the Listing Rules of the Colombo Stock Exchange, the Company formed a Remuneration Committee which comprised of the following members;

Remuneration Committee Members	Executive / Non - Executive / Independent
Mr. H. Selvanathan	Executive Director
Mr. M. Selvanathan	Executive Director

The Committee has formulated a remuneration policy based on market, industry factors and individual performances for all group companies.

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

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

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

Aggregated remuneration paid to the Non - Executive Directors of the Company is disclosed under Note 11 on page 42 of this Annual Report.

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

Audit Committee

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

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

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

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

The report of the Audit Committee is given on pages 24 to 25 of this Report.

Annual Report of the Board of Directors
on the affairs of the Company Contd.**Directors' Meeting Attendance**

6 Board Meetings were convened during the financial year and the attendance of the Directors were as follows.

Director	Meetings attended (out of 6)
L.C.R. de C. Wijetunge (Chairman)	6
H. Selvanathan (Deputy Chairman)	4
M. Selvanathan	6
S. K. Shah	6
D.C.R. Gunawardena	4
S. Hansen	3
G. Brockett (Alternate to S.Hansen)	1

Dividend

Subject to the approval of the shareholders at the Annual General Meeting, a first and final dividend of Rs. 4/- per share is recommended by the Directors for the year ended 31st March 2011. 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 15 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 Ford, Rhodes, Thornton & Company, Chartered Accountants have issued a Certificate of Solvency confirming the same.

Corporate Donations

No donations were made by the Company and its subsidiary during the year. (2010 - Nil)

Stated Capital

The Stated Capital of the Company as at 31st March 2011 was Rs. 533,384,288/- consisting of 20,988,090 Ordinary shares. There was no change in the Stated Capital of the Company during the year.

Events Occurring After the Balance Sheet Date

Subsequent to the Balance Sheet date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements except for the events disclosed in Notes 15 and 19(b).

Share Information

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

Annual Report of the Board of Directors
on the affairs of the Company Contd.**TWENTY MAJOR SHAREHOLDERS WITH COMPARATIVES**

As at 31st March	2011		2010	
	No.of Shares	%	No.of Shares	%
Carson Cumberbatch PLC A/C No. 01	15,726,912	74.93	13,984,012	66.63
Carlsberg A/S	1,676,440	7.99	1,676,440	7.99
The Gilpin Fund Limited	1,537,220	7.32	1,537,220	7.32
HINL-JPMCB-Butterfield Trust (Bermuda) Limited	800,000	3.81	800,000	3.81
Sri Lanka Insurance Corporation Ltd-Life Fund	283,400	1.35	283,400	1.35
HSBC International Nominees Ltd- SSBT - Deutsche Bank AG - Singapore A/C No. 01	135,000	0.64	135,000	0.64
Tranz Dominion,L.L.C.	66,000	0.31	45,000	0.21
Mr. H.A. Van Starrex	53,800	0.26	17	0.00
Mr. H.W.M. Woodward	40,065	0.19	40,065	0.19
Mrs. J.K.P. Singh	37,400	0.18	37,400	0.18
Mr. M. Radhakrishnan	24,400	0.12	24,400	0.12
Guinness Morison International Limited	20,953	0.10	20,953	0.10
Mr. H.A. Pieris	19,500	0.09	24,500	0.12
Secretarial Services Limited	12,100	0.06	12,100	0.06
Mrs. L.A.S. Moldrich	9,900	0.05	9,900	0.05
Bartleet Finance Limited/Hans Anton Van Starrex	9,300	0.04	-	-
Mr. N.J. Gamadia	8,786	0.04	8,786	0.04
Seylan Bank Limited/Priyani Dharshini Ratnagopal	8,650	0.04	8,650	0.04
The Cey.Desiccated Coconut & Oil Co. Ltd	8,276	0.04	8,276	0.04
Mr. R.N.K. Fernando	8,000	0.04	-	-

ANNUAL REPORT

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

ANNUAL GENERAL MEETING

The 100th Annual General Meeting of the Company will be held on Friday, the 24th day of June 2011 at 11.30 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1, Sri Lanka.

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

Signed on behalf of the Board,

(Sgd.)
M. Selvanthan
Director

(Sgd.)
Suresh K. Shah
Director

Colombo
26th May 2011

Audit Committee Report

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

The members of the Audit Committee are as follows :

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

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

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

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

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

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

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

CCPLC - Audit Committee held 06 Meetings during the financial year to discuss matters relating to the Company and the attendance of the Members of the Audit Committee was as follows :

Audit Committee Members	Meetings attended (out of six)
Mr. V.P. Malalasekera	06
Mr. D.C.R. Gunawardena	06
Mr. F. Mohideen	06

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

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

The interim financial statements of Ceylon Brewery PLC have been reviewed by the Audit Committee Members at Audit Committee Meetings. The draft financial statements of Ceylon Brewery PLC for the year ended 31st March 2011 have also been reviewed at a Meeting of the Audit Committee, together with the External Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Company, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by the Director/CEO and Head of Finance of the

Audit Committee Report Contd.

Company that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

The Audit Committee has determined that Messrs. KPMG Ford, Rhodes, Thornton & Company, Auditors are independent on the basis that they do not carry out any management related functions of the Company.

The Audit Committee has concurred to recommend to the Board of Directors the re - appointment of Messrs. KPMG Ford, Rhodes, Thornton & Company as Auditors for the financial year ending 31st March 2012, subject to the approval of the shareholders of Ceylon Brewery PLC at the Annual General Meeting.

The purpose of the Audit Committee of CCPLC, the Audit Committee of Ceylon Brewery PLC is as follows :

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the process for monitoring compliance with Company policies and procedures, laws and regulations and the code of conduct and the identification of and management of risks that would impact on the Company/Group's business objectives.

(sgd.)

V.P. Malalasekera

Chairman – Audit Committee

Carson Cumberbatch PLC

Colombo

26th May 2011

Financial Reports

Financial calendar Financial statements 2010/2011

Financial year 31st March 2011

Announcement of results

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

Meetings

99th Annual General Meeting	11th June 2010
100th Annual General Meeting	24th June 2011





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Independent Auditors' Report



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 (Chartered Accountants)
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 Sri Lanka.

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TO THE SHAREHOLDERS OF CEYLON BREWERY PLC Report on the Financial Statements

We have audited the accompanying financial statements of Ceylon Brewery PLC (the "Company"), the consolidated financial statements of the Company and its subsidiaries as at 31st March 2011 which comprise the balance sheet as at 31st March 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 30 to 58 of this Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31st March 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS

Colombo
 26th May 2011

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

A.N. Fernando FCA
 P.Y.S. Perera FCA
 W.W.J.C. Perera FCA
 W.K.D.C. Abeyratne ACA

M.R. Mihular FCA
 C.P. Jayatilake FCA
 Ms. S. Joseph FCA
 S.T.D.L. Perera FCA

Ms. M. P. Perera FCA
 T.J.S. Rajakarier FCA
 Ms. S.M.B. Jayasekara ACA
 G.A.U. Karunaratne ACA

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

Income Statements

For the year ended 31st March In Rs.'000s	Note	Company		Group	
		2011	2010	2011	2010
Revenue	9	244,319	114,918	11,583,356	8,155,266
Cost of sales		-	-	(7,797,614)	(5,482,618)
Gross profit		244,319	114,918	3,785,742	2,672,648
Other income	10	-	-	16,652	4,325
		244,319	114,918	3,802,394	2,676,973
Distribution expenses		-	-	(1,389,153)	(1,176,423)
Administrative expenses		(8,030)	(8,546)	(437,916)	(379,973)
Other expenses		-	-	(151,764)	(198,616)
Profit from operations	11	236,289	106,372	1,823,561	921,961
Finance expenses	12	(43,278)	(30,244)	(203,040)	(262,484)
Profit before taxation		193,011	76,128	1,620,521	659,477
Income tax expenses	13	(12,342)	(14,330)	(598,922)	(6,522)
Profit for the year		180,669	61,798	1,021,599	652,955
Profit attributable to					
- Equity holders of the company		180,669	61,798	541,593	357,025
- Minority shareholders		-	-	480,006	295,930
Profit for the year		180,669	61,798	1,021,599	652,955
Earnings per ordinary share (Rs.)	16	8.61	2.94	25.80	17.01
Dividend per ordinary share (Rs.)		3.00	3.00	3.00	3.00

The Notes to the Financial Statements from pages 34 to 58 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheets

As at 31st March In Rs.'000s	Note	Company		Group	
		2011	2010	2011	2010
ASSETS					
Non-Current Assets					
Property, plant & equipment	17	126,048	7,530	3,679,043	2,404,234
Intangible assets	18	-	-	41,409	44,032
Investments in subsidiaries	19 (a)	1,570,693	1,471,294	-	-
Long term investments	19 (b)	-	-	2,187,086	1,447,415
Total Non-Current Assets		1,696,741	1,478,824	5,907,538	3,895,681
Current Assets					
Inventories	20	-	-	1,015,645	870,835
Trade & other receivables	21	132	630	1,449,343	1,254,520
Amounts due from related companies	22	91,982	72,890	-	5,627
Cash and cash equivalents		6,338	4,202	1,106,216	164,839
Total Current Assets		98,452	77,722	3,571,204	2,295,821
Total Assets		1,795,193	1,556,546	9,478,742	6,191,502
EQUITY AND LIABILITIES					
Equity					
Stated capital	23	533,384	533,384	533,384	533,384
Capital reserves	24	126,414	8,959	563,905	126,226
Revenue reserves	25	616,763	499,058	1,491,020	1,087,096
Equity Attributable To Equity Holders		1,276,561	1,041,401	2,588,309	1,746,706
Minority interest		-	-	2,442,843	1,799,206
Total Equity		1,276,561	1,041,401	5,031,152	3,545,912
Non Current Liabilities					
Payables due after one year	26	75,000	105,000	1,996,054	755,101
Retirement benefit obligations	27	-	-	51,648	34,851
Deferred taxation	28	465	1,546	470,321	400,021
Total Non- Current Liabilities		75,465	106,546	2,518,023	1,189,973
Current Liabilities					
Trade and other payables	29	6,403	8,180	261,538	230,022
Amounts due to related companies	30	2,228	25,979	19,656	33,183
Current taxation	31	2,871	3,031	999,543	478,642
Long term loans repayable within one year	26	30,000	30,000	85,322	40,687
Bank overdrafts		401,665	341,409	563,508	673,083
Total Current Liabilities		443,167	408,599	1,929,567	1,455,617
Total Liabilities		518,632	515,145	4,447,590	2,645,590
Total Equity and Liabilities		1,795,193	1,556,546	9,478,742	6,191,502
Net assets per ordinary share (Rs.)		60.82	49.62	123.32	83.22

The Notes to the Financial Statements from pages 34 to 58 form an integral part of these Financial Statements.

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

(Sgd.)

D.R.P. Goonetilleke
Head of Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

A. Weeratunge
Director
Carsons Management Services (Private) Ltd.
Colombo
26th May 2011

(Sgd.)

M. Selvanathan
Director

(Sgd.)

Suresh K. Shah
Director

Statements of Changes in Equity

Attributable to Equity Holders of the Parent

In Rs. '000s	Stated Capital	Revaluation Reserve	Capital Redemption Reserve	General Capital Reserve	Revenue Reserve	Retained Profits	Total Shareholders' Interest	Total Equity
Company								
Balance as at 1st April 2009	533,384	3,151	-	5,776	184,174	316,050	1,042,535	1,042,535
Adjustment for deferred tax liability	-	32	-	-	-	-	32	32
Profit for the year	-	-	-	-	-	61,798	61,798	61,798
Dividend	-	-	-	-	-	(62,964)	(62,964)	(62,964)
Balance as at 31st March 2010	533,384	3,183	-	5,776	184,174	314,884	1,041,401	1,041,401
Revaluation during the year	-	116,385	-	-	-	-	116,385	116,385
Adjustment for deferred tax liability	-	1,070	-	-	-	-	1,070	1,070
Profit for the year	-	-	-	-	-	180,669	180,669	180,669
Dividend	-	-	-	-	-	(62,964)	(62,964)	(62,964)
Balance as at 31st March 2011	533,384	120,638	-	5,776	184,174	432,589	1,276,561	1,276,561
Group								
Balance as at 1st April 2009	533,384	85,056	35,287	5,776	184,174	608,870	1,452,547	2,360,678
Right issue	-	-	-	-	-	-	-	595,080
Adjustment for deferred tax liability	-	107	-	-	-	-	107	74
Profit for the year	-	-	-	-	-	357,025	357,025	295,930
Dividend	-	-	-	-	-	(62,964)	(62,964)	(62,964)
Inter-Company unrealised profit	-	-	-	-	-	(9)	(9)	(9)
Balance as at 31st March 2010	533,384	85,163	35,287	5,776	184,174	902,922	1,746,706	3,545,912
Revaluation during the year	-	433,631	-	-	-	-	433,631	304,805
Adjustment for deferred tax liability	-	4,048	-	-	-	-	4,048	2,862
Profit for the year	-	-	-	-	-	541,593	541,593	480,006
Dividend	-	-	-	-	-	(62,964)	(62,964)	(119,016)
Share of loss of holding	-	-	-	-	-	-	-	(24,855)
Cost of increase in holding *	-	-	-	-	-	(74,539)	(74,539)	(74,539)
Inter company unrealized profit	-	-	-	-	-	(166)	(166)	(165)
Balance as at 31st March 2011	533,384	522,842	35,287	5,776	184,174	1,306,846	2,588,309	5,031,152

* Ceylon Brewery PLC acquired further controlling interest (0.59%) of Lion Brewery (Ceylon) PLC investing Rs. 99,398,619/- on which Goodwill amounted to Rs. 74,539,751/- was recognised as excess of the purchase price over Net Assets acquired and which has been set - off against the cumulative reserves.

The Notes to the Financial Statements from pages 34 to 58 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March In Rs.'000s	Note	Company		Group	
		2011	2010	2011	2010
Cash Flows From Operating Activities					
Profit before Taxation		193,011	76,128	1,620,521	659,477
Adjustments for:					
Finance expenses	12	43,278	30,244	203,040	262,484
Depreciation on property, plant & equipment	17	186	109	134,371	126,353
Amortisation of intangible assets	18	-	-	15,461	15,343
Interest cost capitalised		-	-	(537)	(5,587)
Gratuity provision	27	-	-	17,723	7,123
Net inventory provisions and write offs		-	-	385	56,435
Interest income	10	-	-	(9,510)	(1,606)
Profit on disposal of property, plant & equipment		-	-	(543)	(926)
Exchange loss on foreign currency term loans	26.1	-	-	2,484	-
Adjustments made for property, plant and equipment		-	-	-	4,524
Operating cash flow before working capital changes		236,475	106,481	1,983,395	1,123,620
Increase in inventories		-	-	(145,667)	(4,135)
Decrease / (Increase) in trade & other receivables		498	1,898	(245,005)	(214,920)
Decrease / (Increase) in amounts due from related companies		(19,092)	(57,818)	5,627	(5,627)
(Decrease)/ Increase in amounts due to related companies		(23,751)	25,979	(13,527)	(59,548)
(Decrease)/ Increase in trade & other payables		(2,020)	634	274,313	194,966
Cash generated from operations		192,110	77,174	1,859,136	1,034,356
Finance expenses paid		(43,278)	(30,244)	(203,040)	(262,484)
Income tax paid		(10,922)	(16,758)	(115,873)	(16,745)
Economic service charge paid		(1,793)	-	(77,985)	(20,128)
Gratuity paid	27	-	-	(926)	(1,177)
Net cash generated from operating activities		136,117	30,172	1,461,312	733,822
Cash Flows from Investing Activities					
Purchase and construction of property, plant & equipment	17	(2,319)	-	(689,731)	(122,669)
Proceeds from sale of property, plant & equipment		-	-	7,224	1,044
Agent deposits received	26.3	-	-	117,558	59,931
Agent deposits refunded	26.3	-	-	(1,069)	(25,966)
Interest received		-	-	9,510	1,606
Investment in subsidiary	19.a	(99,399)	(604,932)	(99,399)	-
Long term investment	19.b	-	-	(739,671)	(355,738)
Net cash (used in) / generated from investing activities		(101,718)	604,932	(1,395,578)	(441,792)
Cash Flows from Financing Activities					
Proceeds from rights issue of shares		-	-	-	595,068
Proceeds from long term borrowings	26.1	-	150,000	1,244,821	150,000
Repayment of long term borrowings	26.1	(30,000)	(15,000)	(78,205)	(52,448)
Dividends paid to ordinary shareholders		(62,519)	(62,567)	(62,519)	(62,710)
Dividend paid to minority shareholders		-	-	(118,879)	-
Net cash (used in) / generated from financing activities		(92,519)	72,433	985,218	629,910
Net (decrease) / increase in cash & cash equivalents		(58,120)	(502,327)	1,050,952	921,940
Cash & cash equivalents at the beginning of the year		(337,207)	165,120	(508,244)	(1,430,184)
Cash & cash equivalents at the end of the year		(395,327)	(337,207)	542,708	(508,244)
Analysis of Cash and Cash Equivalents					
Cash and cash equivalents		6,338	4,202	1,106,216	164,839
		6,338	4,202	1,106,216	164,839
Bank overdrafts		(401,665)	(341,409)	(563,508)	(673,083)
		(395,327)	(337,207)	542,708	(508,244)

The Notes to the Financial Statements from pages 34 to 58 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Notes to the Financial Statements

1 CORPORATE INFORMATION

1.1 Reporting Entity

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

The Consolidated Financial Statements for the year ended 31st March 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually Group entities), as set out in Note 3.1.

The principal activity of the Group continues to be brewing and selling of high quality beers for the local and export markets. The Company operates as an investment holding entity.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

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 Group Consolidated Financial Statements were approved by the Board of Directors on 26th May 2011.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of Ceylon Brewery PLC, and its subsidiaries (Group) comprise the Balance Sheets, Income Statements, Statements of Changes in Equity, Cash Flow Statements, 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.

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on a 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 subsequently at revalued amounts, which are the fair values at the date of revaluation less accumulated depreciation and impairment losses, if any.
- Defined Benefit Obligation is recognized as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised 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 have been reclassified wherever necessary with the current year's figures in order to provide a better presentation.

2.5 Use of Estimates and Judgments

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

- Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
- Information about significant areas of estimation and uncertainty that have the most significant effect on the amounts recognised in the Financial Statements are described below.

Notes to the Financial Statements Contd.

2.5.1 Assessment of Impairment

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

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

2.5.2 Employee Retirement Benefits

The liability as at Balance Sheet date was actuarially valued based on the assumptions set out in Note No 27 in the Financial Statements.

2.5.3 Value of Unquoted Investments

The unquoted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence are subject to uncertainty.

2.5.4 Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgment is required to determine the amount of assets that can be recognised, based upon the level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation**(i) Subsidiaries**

Subsidiaries are entities that are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights, that presently are exercisable are taken in to account. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

During the year the Company has held the following subsidiaries:

Subsidiary	Controlling interest
Lion Brewery (Ceylon) PLC	51%
CBL Retailers (Private) Limited	100%

(ii) Minority Interest

The Minority Interest is presented in the Consolidated Balance Sheet within Equity, separated from the equity attributable to the Equity Holders to the Company. Minority Interest in the profit or loss of the Group is disclosed separately in the Consolidated Income Statement.

(iii) Financial Period

The Consolidated Financial Statements are prepared to common financial year ended 31st March 2011. The accounting policies of subsidiaries have been changed where ever necessary to align them with the policies adopted by the Group.

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

The carrying amount of the investment at the date that such entity ceases to be a Subsidiary would be regarded as the cost of initial measurement of a financial asset in accordance with Sri Lanka Accounting Standard 22 "Accounting for Investments".

(iv) Intra-Group Transactions

Intra-Group Balances, Intra-Group transactions and resulting unrealised profits are eliminated in full in the Consolidated Financial Statements. Unrealised losses resulting from Intra-Group transactions are eliminated unless the cost can not be recovered.

(v) Goodwill

Goodwill reflects the excess of the purchase price over the fair value of the net assets as at the date of purchase.

Upon transition to revised SLAS 25 "Business Combinations" goodwill will be tested for impairment annually and assessed for that any indication of impaired at each Balance Sheet date, to ensure it's carrying amount does not exceed it's recoverable amount. If an impairment loss is identified, it will be recognised immediately in the Income Statement.

(vi) Consolidation of Subsidiaries in the Pre-Production Stage

The Financial Statements of the subsidiaries in its pre-production stage is not consolidated with the Group and will be recognised as a subsidiary for consolidation only on commencement of commercial operations.

3.2 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**3.3 Classification**

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.

3.4 Property, Plant & Equipment***(i) Valuation***

Valuation of property, plant & equipment is at cost or valuation less accumulated depreciation and accumulated impairment loss, if any, provided on the basis stated in below (iii).

The Group applies the revaluation model for freehold land and buildings while cost model is applied for other property, plant and equipment.

(ii) Cost

Cost of capital assets is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

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 is treated as capital expenditure.

Notes to the Financial Statements Contd.

(iii) Depreciation

Depreciation is provided for on a straightline basis over 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:

	Ceylon Brewery PLC per annum(%)	Lion Brewery (Ceylon) PLC per annum(%)	CBL Retailers (Private) Limited per annum(%)
Freehold buildings	2.5	2	-
Plant & machinery	10	5-10	-
Furniture & fittings	10	10	20
Office equipment	25	10 - 33 .33	20
Computer equipment	25	33.33	33.33
Motor vehicles	20-25	20 - 25	-
Laboratory equipment	-	25	-

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is derecognised or whichever comes first.

No depreciation is provided on freehold land.

(iv) Revaluation of Land and Buildings

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

(v) 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 Group and the cost of the item can be measured reliably. All other expenditure is recognised in the Income Statement as and when expense is incurred.

(vi) Capital work-in-progress

The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a usable 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 subsidiary capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The subsidiary has capitalised borrowing costs with respect to capital work in progress.

(vii) Impairment of Property, Plant and Equipment

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

Notes to the Financial Statements Contd.

3.5 Intangible Assets

All software licenses and liquor licenses for use by the Group are included in the Balance Sheet under the category Intangible Assets and carried at cost less accumulated amortization and accumulated impairment losses, if any.

The initial acquisition cost comprises fee paid at the inception, non-refundable taxes and levies, professional charges and other directly attributable expenditure in preparing the asset for its intended use. In the case of software, cost of customising to meet the specific requirements of the Group is also recognised as an initial cost.

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

The cost is amortised using the straight-line method commencing from the date the asset 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.

Amortisation rates are as follows:

	Ceylon Brewery PLC	Lion Brewery (Ceylon) PLC	CBL Retailers (Private) Limited
	per annum(%)	per annum(%)	per annum(%)
Computer equipment-software	25	20	20
Liquor licenses	-	-	10

3.6 Investments*(i) Classification*

Long term investments and investments in subsidiaries of the Group are classified as non-current investments, which are stated in the Balance Sheet at cost.

(ii) Valuation

All non-current investments are stated in the Balance Sheet at cost less any amounts written off to reflect any permanent diminution in the value of such investments.

(iii) Cost

Cost of investments is the cost of acquisitions inclusive of brokerage, commission and fees.

3.7 Inventories

Inventories are recognised at cost or net realisable value whichever is lower after making due allowance for obsolete and slow moving items. Actual breakages of bottles are removed from inventory and charged against revenue.

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

Raw material and containers	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.

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

Net realisable value is the estimated selling price in the ordinary course of business, less any estimated costs of completion and selling expenses.

Notes to the Financial Statements Contd.

3.8 Trade and other Receivables

Trade and other receivables are stated at the amounts estimated to be realised. Where necessary, provisioning has been made for bad and doubtful debts.

3.9 Cash & Cash Equivalents

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

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise of cash in hand and deposits at banks, net of bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition, are also treated as cash equivalents.

The Cash Flow Statement has been prepared using "Indirect Method."

3.10 Impairment of Assets

Identifiable assets of the Group 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 to Income Statement.

LIABILITIES AND PROVISIONS**3.11 Classification**

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 are accounted for in preparing the Financial Statements.

3.12 Agent Deposits

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

3.13 Retirement Benefits***Defined Benefit Plan - Gratuity***

The Company and its subsidiaries are liable to pay gratuity in terms of the Payment of Gratuity Act. No. 12 of 1983

Gratuity Provision for employees has been made on the basis of an actuarial valuation as at 31st March 2011 as recommended by the related 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 expenses 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 27 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 relevant contribution funds in line with the respective statutes. Contributions to the defined contribution plans are recognised as an expense in the Statements of Income when incurred.

3.14 Capital Commitments and Contingent Liabilities

All material capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the Note 34 to the Financial Statements.

Notes to the Financial Statements Contd.

3.15 Trade and Other Payables

Trade and other payables are stated at their cost.

3.16 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.

INCOME STATEMENT**3.17.1 Revenue**

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

- Royalty

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

- Dividend

Income is recognised upon its receipt.

- Interest

Income is recognised on an accrual basis.

3.17.2 Revenue Recognition

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

(i) Sale of Goods

Revenue from sale are recognised upon delivery 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.

*(ii) Other Income**Gains or loss on disposal of property, plant & equipment.*

Net gains and losses of a revenue nature resulting from disposal of property, plant & equipment are accounted as Other Income in the Income Statement.

Where the gain is on immovable property, such gain is appropriated to Capital Accretion Reserve.

3.18 Expenditure Recognition*(i) Operating Expenses*

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provisioning has been made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

(ii) Finance expenses

Interest expenses are recognised on an accrual basis.

(iii) Borrowing Costs

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

Notes to the Financial Statements Contd.

3.19 Income Tax expenses

Income tax expense comprises current and deferred taxation.

(a) Current Taxation

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

(b) Deferred Taxation

Deferred taxation is provided on the 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 purpose 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.

4. DIVIDEND DISTRIBUTION

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

5. RELATED PARTY TRANSACTIONS

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

6. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

All material events occurring after the Balance Sheet date are considered and where necessary adjustments and / or disclosures are made to the Financial Statements.

7. SEGMENTAL 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.

8. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AT THE REPORTING DATE

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

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

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

Notes to the Financial Statements Contd.

For the year ended 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
9 REVENUE				
(A) Dividend income	164,736	43,750	-	-
Royalty income	79,583	61,949	-	-
Interest income	-	9,219	-	-
Brewery	-	-	11,250,330	7,919,292
Retail Trade	-	-	370,661	259,556
Less: Intra group transactions	-	-	(37,635)	(23,582)
	244,319	114,918	11,583,356	8,155,266
(B) Local / Export Revenue				
Local revenue	244,319	114,918	11,443,805	7,997,925
Export revenue	-	-	139,551	157,341
	244,319	114,918	11,583,356	8,155,266
10 OTHER INCOME				
Interest income - FCBU deposits	-	-	289	160
Interest income - Others	-	-	9,221	1,446
Profit on disposal of property, plant & equipment	-	-	543	926
Other income	-	-	6,599	1,793
	-	-	16,652	4,325
11 PROFIT FROM OPERATIONS				
Profit from operations is stated after charging all expenses including the following;				
Directors' fees and emoluments	412	190	34,350	24,507
Auditors' remuneration - Audit services	525	495	1,410	1,315
- Audit related services	40	40	100	80
Internal audit fee	-	-	5,000	4,972
Audit committee fees	-	-	200	200
Depreciation (Note 17)	186	109	134,371	126,353
Amortisation (Note 18)	-	-	15,461	15,343
Management & secretarial fees	-	-	157,770	108,770
Research & development	-	-	17,487	6,357
Breakages - bottles and crates	-	-	98,008	106,123
Personnel expenses (Note 11.1)	-	-	464,937	380,388
11.1 Personnel expenses				
Salaries, wages and other related expenses	-	-	427,125	356,622
Defined benefit plan costs - gratuity	-	-	17,723	7,267
Defined contribution plan costs - EPF & ETF	-	-	20,089	16,449
	-	-	464,937	380,388

Notes to the Financial Statements Contd.

For the year ended 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
12 FINANCE EXPENSES				
Interest expenses	43,278	30,244	203,040	262,484
	43,278	30,244	203,040	262,484
13 INCOME TAX EXPENSES				
Current tax expense (Note 13.1)	12,353	14,081	521,712	15,119
Economic service charge	-	-	-	2,634
Net deferred tax expense/(income) (Note 28.1 & 28.2)	(11)	249	77,210	(11,231)
	12,342	14,330	598,922	6,522
13.1 Reconciliation of the Accounting Profits and Tax Expenses				
Accounting profits before taxation	193,011	76,128	1,620,521	659,477
Aggregate of disallowable expenses	6,670	7,257	504,885	432,748
Aggregate of allowable claims	(164,736)	(43,750)	(345,807)	(127,224)
Tax adjusted profit	34,945	39,635	1,779,599	965,001
Add :Unutilised tax loss (Note 13.2 k)	-	-	13,717	6,820
Less: Exempt operational profit (Note 13.2 d)	-	-	(317,735)	(930,572)
Exempt interest income (Note 13.2 e)	-	-	(289)	(160)
Utilisation of tax loss (Note 13.2 h)	-	-	(8,842)	(509)
Royalty	-	-	(143,646)	
Taxable income	34,945	39,635	1,322,804	40,580
Current tax (Note 13.2 a/13.2 e)	12,414	13,873	514,246	14,204
(Over)/Under provision in respect of prior years	(61)	-	(61)	702
Total income tax expense	12,353	13,873	514,185	14,906
Social responsibility levy	-	208	7,527	213
Total income tax expense	12,353	14,081	521,712	15,119

13.2 Income Tax**Company**

(a) Income tax provision of Ceylon Brewery PLC, has been calculated on its adjusted profit at 35% in terms of Inland Revenue Act No.10 of 2006 and amendments thereto.

(b) Social Responsibility Levy of 1.5% is payable on the income tax liability of the Company (2010 - 1.5%), as per the Finance Act No 11 of 2006.

(c) During the year the Company paid Economic Service Charge (ESC) amounting to Rs.1,207,665/- (2010 - Rs.821,063/-). Payment made hereunder is available as income tax credit.

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

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

Notes to the Financial Statements Contd.

(e) Accordingly, in terms of the Inland Revenue Act No. 10 of 2006, the profits & income from operating profits of local operations are liable to income tax at the rate of 35% (2010 - exempt) and profits attributable to export turnover are liable at 15% (2010 - exempt).

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

(g) LBCPLC is liable to pay 1.5% of income tax as a Social Responsibility Levy (2010 - 1.5%).

(h) LBCPLC has a tax loss of Rs.8,842,341/- as at 31st March 2010 which was fully utilised during the period ended 31st March 2011. Utilisation of same is restricted to 35% of the statutory income of the year. Any part of loss that cannot be deducted, can be carried forward indefinitely.

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

CBL Retailers (Private) Limited (CBLR)

(j) In terms of the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto, CBLR is liable to income tax at the rate of 35% (2010 - 35%).

(k) CBLR has a tax loss of Rs.7,504,983/- as at 31st March 2011 (2010 - Rs.6,197,921/-).

(l) CBLR is liable to pay 1.5% of income tax as a Social Responsibility Levy (2010 - 1.5%).

(m) During the year, CBLR paid Economic Service Charge amounting to Rs. 3,835,329/- (2010 - Rs.2,725,698/-). Payment made hereunder is available as income tax credit for a period of 5 years.

14 DIVIDEND - PREFERENCE

A dividend of 12.5% per annum amounting to Rs.43,750,000/- (2010 - Rs.43,750,000/-) was received by the Company for the year from Lion Brewery (Ceylon) PLC on the investment of Rs.350,000,000/- in preference shares.

15 DIVIDEND - ORDINARY

For the year ended 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
First and final Rs 3/- per share (2010- Rs 3/- per share)	62,964	62,964	62,964	62,964
	62,964	62,964	62,964	62,964

An ordinary dividend of Rs.3/- per share amounting to Rs.62,964,270/-, which was declared at the last Annual General Meeting, was paid during the year. This dividend was paid out of tax free profits received from Lion Brewery (Ceylon) PLC. Directors have recommended the payment of a first and final ordinary dividend of Rs.4/- per share amounting to Rs. 83,952,360/- for the year ended 31st March 2011, which will be declared at the Annual General Meeting subject to approval by shareholders. This dividend is to be paid out of tax free profits received from Lion Brewery (Ceylon) PLC. In accordance with Sri Lanka Accounting Standard No.12 (Revised), "Events after the Balance Sheet Date", this proposed final dividend has not been recognised as a liability as at 31st March 2011.

Notes to the Financial Statements Contd.

16 EARNINGS PER ORDINARY SHARE

The calculation of Group Earnings Per Ordinary Share of Rs. 25.80 (Company - Rs.8.61) is based on profit for the year attributable to the ordinary shareholders divided by the number of ordinary shares outstanding during the year.

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

For the year ended 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Profit after taxation	180,669	61,798	1,021,599	652,955
Minority interest	-	-	(480,006)	(295,930)
Net Profit Attributable to equity holders of the Company - (as Numerator)	180,669	61,798	541,593	357,025
Number of ordinary shares used (as denominator in 000's)	20,988	20,988	20,988	20,988
Earnings per ordinary share (Rs.)	8.61	2.94	25.80	17.01

17 PROPERTY, PLANT & EQUIPMENT*(a) Company*

In Rs. 000's	Freehold Land	Freehold Buildings	Office Equipment	31st March 2011	31st March 2010
Cost / Valuation					
Beginning of the year	4,076	4,355	-	8,431	8,431
Revaluation	108,388	6,987	-	115,375	-
Additions	-	-	2,319	2,319	-
End of the year	112,464	11,342	2,319	126,125	8,431
Depreciation					
Beginning of the year	-	901	-	901	792
Charge for the year	-	109	77	186	109
Transfers to Revaluation	-	(1,010)	-	(1,010)	-
End of the year	-	-	77	77	901
Net Book Value					
As at 31st March 2011	112,464	11,342	2,242	126,048	-
As at 31st March 2010	4,076	3,454	-	-	7,530

Notes to the Financial Statements Contd.

(b) Group

In Rs.000's	Freehold Land	Freehold Buildings	Plant & Machinery	Furniture & Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Laboratory Equipment	Capital Work-in-Progress	31st March 2011	31st March 2010
Cost / Valuation											
Beginning of the year	454,222	586,881	1,977,010	18,133	10,555	46,901	34,534	28,061	227,450	3,383,747	3,265,627
Revaluation	552,672	119,385	-	-	-	-	-	-	-	672,057	-
Additions	-	-	988	9,070	7,946	3,835	16,953	-	646,651	685,443	120,631
Transfers	13,435	33,730	465,037	3,644	94	19,025	-	-	(543,514)	(8,549)	-
Disposals	-	(863)	(13,894)	(1,032)	-	(2,396)	(6,917)	-	-	(25,102)	(3,574)
Interest Capitalised	-	-	-	-	-	-	-	-	537	537	5,587
Adjustments	-	-	-	-	-	-	-	-	-	-	(4,524)
End of the year	1,020,329	739,133	2,429,141	29,815	18,595	67,365	44,570	28,061	331,124	4,708,133	3,383,747
Depreciation											
Beginning of the year	-	53,073	821,864	12,006	8,752	37,257	19,249	27,312	-	979,513	856,616
Charge for the year	-	13,402	102,505	2,936	1,873	6,674	6,232	749	-	134,371	126,353
Transfers to Revaluation	-	(66,374)	-	-	-	-	-	-	-	(66,374)	-
Disposals	-	(101)	(8,047)	(998)	-	(2,357)	(6,917)	-	-	(18,420)	(3,456)
End of the year	-	-	916,322	13,944	10,625	41,574	18,564	28,061	-	1,029,090	979,513
Net Book Value											
As at 31st March 2011	1,020,329	739,133	1,512,819	15,871	7,970	25,791	26,006	-	331,124	3,679,043	-
As at 31st March 2010	454,222	533,808	1,155,146	6,127	1,803	9,644	15,285	749	227,450	-	2,404,234

Notes to the Financial Statements Contd.

(c) Freehold properties of the Group were revalued and incorporated in the books to conform to the market values as at 31st March 2011 which were assessed on a going concern basis by Messers K. Arthur Perera, A.M.I.V. (Sri Lanka) a independent Valuer & Consultant, and the resultant surplus arising therefrom has been transferred to the Revaluation Reserve in the Statements of Changes in Equity.

(h) Carrying value of the revalued assets of the Group as at 31st March 2011, if carried at cost are given below:

In Rs.'000s	Company		Group	
	Land	Buildings	Land	Buildings
Cost - as at 1st April 2010	141	4,066	324,965	615,963
Additions during the year	-	-	13,435	33,730
Disposals during the year	-	-	-	(863)
Accumulated depreciation	-	(451)	-	(139,179)
Carrying value of revalued assets if carried at cost				
- as at 31st March 2011	141	3,615	338,400	509,651
Appreciation due to revaluation				
Revaluation amount	112,323	7,276	681,929	90,304
Accumulated depreciation on cost as at revaluation	-	451	-	136,529
Revaluation surplus	112,323	7,727	681,929	226,833
Accumulated depreciation on revaluation amount	-	-	-	2,649
Net appreciation	112,323	7,727	681,929	229,482
Carrying amount	112,464	11,342	1,020,329	739,133

18 INTANGIBLE ASSETS - GROUP

In Rs.'000s	Computer Software	Excise Licenses	2011	2010
At 31st March				
Cost				
Beginning of the year	78,260	22,098	100,358	98,320
Transfers during the year	-	8,549	8,549	-
Additions for the year	427	3,862	4,289	2,038
End of the year	78,687	34,509	113,196	100,358
Amortisation				
Beginning of the year	53,201	3,125	56,326	40,983
Amortisation for the year	12,854	2,607	15,461	15,343
End of the year	66,055	5,732	71,787	56,326
Net Book Value	-	12,632	41,409	44,032

Notes to the Financial Statements Contd.

19 INVESTMENTS**(A) Investment In Subsidiaries**

<i>In Rs.'000s</i>	No. of Shares '000	% holding	Cost as at 31st March 2011	Market Value/ Directors Value as at 31st March 2011	No. of Shares '000	% holding	Cost as at 31st March 2010	Market Value/ Directors Value as at 31st March 2010
Lion Brewery (Ceylon) PLC								
Ordinary shares	40,799	51.00	1,208,693	8,159,800	40,329	50.41	1,109,294	3,488,459
Preference shares	35,000	100.00	350,000	-	35,000	100.00	350,000	350,000
CBL Retailers (Private) Limited								
Ordinary shares	1,200	100.00	12,000	12,000	1,200	100.00	12,000	12,000
			1,570,693	8,171,800			1,471,294	3,850,459

During the year ended 31st March 2011 Company invested Rs. 99,398,620/- (2010 - Nil) in ordinary shares of Lion Brewery (Ceylon) PLC.

The preference shares of Lion Brewery (Ceylon) PLC and ordinary shares of CBL Retailers (Private) Limited are unquoted, and hence valued at cost.

(B) Long Term Investments

In Rs.'000s	No. of shares '000'	% Holding	Cost as at 31st March 2011	Directors' Value as at 31st March 2011	No. of shares '000'	% Holding	Cost as at 31st March 2010	Directors' Value as at 31st March 2010
South Asian Breweries Pte Ltd		22.5	2,187,086	2,187,086		22.5	1,447,415	1,447,415
International Grocers Alliance (Private) Limited	6,120	18.0	61,200	61,200	6,120	18.0	61,200	61,200
Provision for the diminution in value of investment			(61,200)	(61,200)			(61,200)	(61,200)
			2,187,086	2,187,086			1,447,415	1,447,415

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

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

Notes to the Financial Statements Contd.

20 INVENTORIES

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Raw and packing materials	-	-	146,781	151,339
Work in progress	-	-	59,534	40,210
Finished goods	-	-	318,382	143,928
Bottles and crates	-	-	361,400	402,791
Maintenance spares	-	-	107,301	99,767
Others	-	-	113,395	123,563
			1,106,793	961,598
Provision for slow moving items (Note 20.1)	-	-	(91,148)	(90,763)
	-	-	1,015,645	870,835
20.1 Provision for slow moving items				
Balance as at beginning of the year			90,763	34,328
Provisions during the year	-	-	9,737	83,115
Write offs / reversals during the year			(9,352)	(26,680)
Balance as at end of the year	-	-	91,148	90,763
21 TRADE AND OTHER RECEIVABLES				
Trade receivables	-	-	320,625	303,930
Provision for doubtful debts (Note 21.1)	-	-	(13,632)	(14,538)
Containers with Agents	-	-	864,945	716,122
Advances, prepayments & other receivables	132	630	277,405	249,006
	132	630	1,449,343	1,254,520
21.1 Provision for doubtful debts				
Balance as at beginning of the year	-	-	14,538	2,689
Provisions during the year	-	-	595	11,849
Write-offs during the year	-	-	(1,501)	-
Balance as at end of the year	-	-	13,632	14,538
21.2 Loans to Company Employees				
Balance as at the beginning of the year	-	-	-	40
Recovered during the year	-	-	-	(40)
Balance as at end of the year	-	-	-	-
22 AMOUNTS DUE FROM RELATED COMPANIES				
CBL Retailers (Pvt) Limited	91,982	72,890	-	-
Carsons Management Services (Pvt) Limited	-	-	-	5,627
International Grocers Alliance (Pvt) Limited	28,157	28,157	28,157	28,157
Provision for doubtful debts	(28,157)	(28,157)	(28,157)	(28,157)
	91,982	72,890	-	5,627

Notes to the Financial Statements Contd.

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
23 STATED CAPITAL				
20,988,090 ordinary shares	533,384	533,384	533,384	533,384

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

24 CAPITAL RESERVES

Balance as at beginning of the year	8,959	8,927	126,226	126,119
Deferred tax on revaluation of property	2,080	32	5,058	107
Revaluation of property	115,375		432,621	
Balance as at end of the year	126,414	8,959	563,905	126,226
Represented by				
Revaluation reserve (Note 24a)	120,638	3,183	522,842	85,163
General capital reserve (Note 24b)	5,776	5,776	5,776	5,776
Capital redemption reserve (Note 24c)	-	35,287	35,287	35,287
	126,414	8,959	563,905	126,226

- 24 (a) The Revaluation Reserve relates to revaluation of land and buildings and comprises of the increase in the fair value of land and buildings at the date of revaluation.
- 24 (b) General Capital Reserve consists of such amounts that have been transferred from time to time from Retained earnings.
- 24 (c) The Capital Redemption Reserve is for the purpose of redeeming the non- voting 12.5% Redeemable Cumulative Preference Shares of the Lion Brewery (Ceylon) PLC.

25 REVENUE RESERVES

Revenue Reserve				
Balance as at the beginning of the year	184,174	184,174	184,174	184,174
Appropriations	-	-	-	-
Balance as at the end of the year	184,174	184,174	184,174	184,174
Retained profits				
Balance as at the end of the year	432,589	314,884	1,306,846	902,922
Total revenue reserves	616,763	499,058	1,491,020	1,087,096
Represented by				
General reserve	184,174	184,174	184,174	184,174
Retained profits - Company	432,589	314,884	432,589	314,884
- Subsidiaries	-	-	874,467	588,082
Intercompany unrealised profits	-	-	(210)	(44)
	616,763	499,058	1,491,020	1,087,096

Notes to the Financial Statements Contd.

26 PAYABLES DUE AFTER ONE YEAR

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Long term loans repayable after one year (Note 26.1)	75,000	105,000	1,251,727	127,262
Agent deposits (Note 26.3)	-	-	744,327	627,839
	75,000	105,000	1,996,054	755,101
26.1 Long Term Loans repayable after one year				
Balance as at the beginning of the year	135,000	-	167,949	70,397
Loan obtained during the year	-	150,000	1,244,821	150,000
Repayments during the year	(30,000)	(15,000)	(78,205)	(52,448)
Exchange loss on foreign currency loans	-	-	2,484	-
Balance as at the end of the year (Note 26.2)	105,000	135,000	1,337,049	167,949
Less:				
Repayable within one year	30,000	30,000	85,322	40,687
Repayable after one year	75,000	105,000	1,251,727	127,262

Notes to the Financial Statements Contd.

26.2 Details of Long Term Borrowings - Group

Name of the Lender	Loan Amount	Interest Rate Per Annum	31st March 2011 In Rs.000's	31st March 2010 In Rs.000's	Repayment Terms	Security Offered
Company						
Hatton National Bank	RS. 150 Mn	AWPLR + 1.25%	105,000	135,000	Payable in 24 equal monthly installments commencing from October 2009	Unsecured
			105,000	135,000		
Lion Brewery (Ceylon) PLC						
DFCC Bank	Rs. 50 Mn.	10.50%	22,264	32,949	Payable in 57 equal monthly installments commencing from June 2008	Unsecured
HSBC	USD 1.1 Mn.	1 month LIBOR + 3.87%	96,485		Payable in equal monthly installments of USD 33,333/33 commencing from July 2010	Unsecured
HSBC	USD 7.0 Mn.	3 month LIBOR + 3.17%	779,310		Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
HSBC	USD 3.0 Mn.	3 month LIBOR + 3.17%	333,990		Payable in 20 equal quarterly installments commencing from March 2012	Unsecured
			1,337,049	167,949		

26.3 Agent Deposits

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Balance as at the beginning of the year	-	-	627,839	593,874
Deposits received during the year	-	-	117,557	59,931
Deposits refunded during the year	-	-	(1,069)	(25,966)
Balance as at the end of the year	-	-	744,327	627,839

Refundable deposits are taken from agents as a security against the Containers with them.

Notes to the Financial Statements Contd.

27 RETIREMENT BENEFIT OBLIGATIONS

The amounts recognised in the Balance Sheet are as follows:

	Company		Group	
	2011	2010	2011	2010
As at 31st March				
In Rs.'000s				
Present value of unfunded obligation			51,648	34,851
Liability in the balance sheet	-	-	51,648	34,851
The movement in the defined benefit obligation over the year is as follows:				
At at 1st April	-	-	34,851	28,905
Interest cost	-	-	4,166	3,459
Current service cost	-	-	5,864	4,080
Actuarial loss /(Gain)	-	-	7,693	(416)
Benefits paid	-	-	(926)	(1,177)
As at 31st March	-	-	51,648	34,851
The amounts recognised in the income Statement are as follows:				
Interest cost	-	-	4,166	3,459
Current service cost	-	-	5,864	4,080
Actuarial loss /(gain)	-	-	7,693	(416)
Total included under staff cost	-	-	17,723	7,123

27.1 The requirement for the Company to provide for gratuity payments does not arise as it had no employees on its payroll as at the Balance Sheet date.

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

The valuation method used and principle 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 going concern.

27.3 The Gratuity Liability of CBL Retailers (Pvt) Limited as at 31st March 2011 amounting to Rs.246,338/- (2010 - Rs.135,555/-) has been computed using formula method in accordance with SLAS 16 " Employment Benefits" (Revised 2005).

27.4 The above provisions are not externally funded.

Notes to the Financial Statements Contd.

28 DEFERRED TAXATION

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Deferred tax liability (Note 28.1)	465	1,546	470,321	403,110
Deferred tax asset (Note 28.2)	-	-	-	(3,089)
Balance as at the end of the year	465	1,546	470,321	400,021
28.1 Deferred tax liability				
Balance as at the beginning of the year	1,546	1,329	403,110	414,700
Provision made/(released) during the year	105	249	15,505	(11,409)
Impact on revaluation of property	(1,070)	(32)	(6,910)	(181)
Effect on tax rate change	(116)	-	58,616	-
Balance as at the end of the year	465	1,546	470,321	403,110
28.2 Deferred tax asset				
Balance as at the beginning of the year	-	-	3,089	3,267
Reversal during the year	-	-	(3,089)	(178)
Balance as at the end of the year	-	-	-	3,089

28.3 Unused tax losses

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

28.4 Unrecognised deferred tax asset

As at the Balance Sheet date the deferred tax liability of CBL Retailers (Pvt) Limited arising from temporary differences amounted to Rs. 655,605/- (2010 - Rs. 848,245/-). The deferred tax asset arising from un utilised tax losses as at Balance Sheet date amounting to Rs. 7,552,671/- (2010 - Rs. 4,991,077/-). In compliance with the applicable provisions of Sri Lanka Accounting Standards No 14 "Income Taxes", the deferred tax asset has been recognised only up to the amount of the deferred tax liability as at the Balance Sheet date as it is not probable that future taxable profits will be available to utilise the un utilised tax losses of Rs. 21,579,059/- (2010 - Rs. 14,260,220/-). Accordingly the unrecognised deferred tax asset as at 31st March 2011 was Rs.6,897,065/- (2010 - Rs. 4,142,832/-).

28.5 Impact due to corporate income tax change

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

(a) As per the ammended Inland Revenue Act Number 22 of 2011, the Corporate Income Tax rate applicable to the Company would be reduced to 28% (from the currently enacted 35%) with effect from 1 April 2011 and accordingly, deferred tax asset and liability have been computed based on such reduced Corporate Tax rate.

(b) Corporate Income Tax rate of Lion Brewery (Ceylon) PLC would be increased to 40% (from the currently enacted 35%) with effect from 1 April 2011 and accordingly, deferred tax asset and liability have been computed based on such increased Corporate Tax rate.

Notes to the Financial Statements Contd.

29 TRADE AND OTHER PAYABLES

As at 31st March In Rs.'000s	Company		Group	
	2011	2010	2011	2010
Trade payables	-	-	73,816	51,370
Others, including accrued expenses	2,898	5,120	187,369	175,358
Unclaimed dividends	3,505	3,060	353	3,294
	6,403	8,180	261,538	230,022
30 AMOUNTS DUE TO RELATED COMPANIES				
Lion Brewery (Ceylon) PLC	2,228	25,979	-	-
Carlsberg A/S	-	-	14,083	33,183
Carsons Management Services (Pvt) Limited	-	-	5,573	-
	2,228	25,979	19,656	33,183
31 CURRENT TAXATION				
Excise Duty	-	-	580,474	306,192
Value Added Tax	1,014	815	117,103	139,095
Income Tax	1,854	2,216	280,098	2,552
Social Responsibility Levy	-	-	-	4,593
Withholding Tax	3	-	3	-
Nation Building Tax	-	-	21,865	26,210
	2,871	3,031	999,543	478,642

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date, no circumstances have arisen which required adjustments to or disclosure in these Financial Statements, other than those disclosed in Notes 15 and 19(b) these Financial Statements.

33 COMPARATIVE FIGURES

Previous year's figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

34 CONTINGENCIES AND COMMITMENTS**34.1 Contingencies****(a) Company**

In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Company and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs.23,062,080/43 being the amount of Excise (Special Provision) duty purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs.25,059,553/86 as its penalty. The Company and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty to recover the said sum and thereby obtained a Stay Order in respect of the proceedings of the Fort MC Case. Pending the conclusion of the CA case the CA ordered the payment of Rs. 23,062,080/43 to Sri Lanka Customs which was the duty amount in dispute which has been paid by the Company. However, no provision has been made for the penalty of Rs.25,059,553/86 since the CA case is still on going.

Notes to the Financial Statements Contd.

(b) Lion Brewery (Ceylon) PLC

(i) Contingent liabilities as at 31st March 2011 amounts to Rs.184,186,442/- (2010 - Rs.37,138,035/-) being bank guarantees given to government bodies for operational purposes.

(ii) The Following legal matters are outstanding against the company and no provision has been made in the Financial Statements to this regard.

-The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the Company and its Directors to recover Excise Duty amounting to Rs. 58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs. 29,376,791/47. The company and the Directors have 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.

-There are 14 cases filed in the District Court of Balapitiya against the company (Case numbers 2816/M to 2819/M, 2682/MR, 3031/M to 3038/M and 3058/M) claiming damages for injuries and deaths caused due to a road accident which occurred at Induruwa, Balapitiya on 10th April 2007 involving a truck transporting products of the company and a passenger bus. The aggregate of all the claims of said 14 cases amounts to Rs. 46,000,000/-. All the cases are currently pending.

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

34. 2 Finance Commitments**Lion Brewery (Ceylon) PLC**

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

35 CONTRACTS FOR CAPITAL EXPENDITURE

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

36 RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard No 30 "Related Party Disclosure (revised 2006)", the details of which are reported below.

36.1 Transactions with subsidiary companies

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

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

(i) was charged Rs. 79,582,472/- (2010 - Rs.61,949,353/-) as royalty in accordance with the licensed brewing agreement with the Company.

(ii) paid the dividend of 12.5% per annum amounting to Rs.43,750,000/- on redeemable cumulative preference shares (2010 - Rs.43,750,000/-).

(iii) An amount of Rs 2,228,319/- was payable to Lion Brewery (Ceylon) PLC by Ceylon Brewery PLC as at 31st March 2011 (2010- Rs. 25,979,172/-).

Notes to the Financial Statements Contd.

(b) CBL Retailers (Pvt) Limited

(i) S.K. Shah, Director of the LBCPLC is also a Director of CBL Retailers (Private) Limited, to which the LBCPLC sold beer for a total value of Rs. 37,635,441/- (2010 - Rs. 23,582,349/-) during the year.

(ii) An amount of Rs 91,982,240/- was receivable from CBL Retailers (Pvt) Limited as at 31st March 2011. (2010 - Rs. 72,890,478/-)

36.2 Transactions with group entities

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

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

36.3 Transactions with other related entities

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

(i) As per the licensed brewing agreement, a sum of Rs. 64,063,828/- (2010 - Rs. 117,443,332/-) was paid by LBCPLC as royalty during the year to Carlsberg A/S.

(ii) Lion Brewery (Ceylon) PLC purchased Carlsberg beer cans from Carlsberg Brewery Malaysia Berhad for the purpose of resale, for a total value of Rs. 115,642,345 /- (2010 -Rs.1,559,400/-).

(iii) An amount of Rs. 14,085,517/- is payable to Carlsberg A/S by LBCPLC as at 31st March 2011 (2010 - Rs.33,183,403/-).

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

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

36.4 Transactions with Key Management Personnel (KMP)

(a) 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.

(b) The compensation paid to KMP as short-term employment benefits is disclosed in aggregate in Note 11 to the Financial Statements. No other payments such as post-employment benefits, termination benefits and share based payments have been paid to key management personnel during the year.

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

Notes to the Financial Statements Contd.

37 SEGMENTAL ANALYSIS

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

38 FOREIGN CURRENCY TRANSACTIONS

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

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

39 DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors takes 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.

Value Added Statement - Group

For the year ended 31st March In Rs.'000s	2011	2010
Revenue	11,583,356	8,155,266
Other income	16,652	4,325
Value Added Tax	1,916,608	1,592,918
	13,516,616	9,752,509
Cost of material and services bought from outside	(4,188,382)	(3,439,742)
Value Added	9,328,234	6,312,767

DISTRIBUTED AS FOLLOWS:		%		%
To Employees as remuneration and other employee costs	464,937	4.98	380,338	6.03
To Government				
as Excise Duty	4,551,302	48.79	2,918,917	46.24
as Value Added Tax	1,916,608	20.55	1,592,918	25.23
as Income Tax	521,712	5.59	15,119	0.21
as Economic Service Charge	102,742	1.10	20,128	0.32
as Social Responsibility Levy	39,575	0.42	45,025	0.71
as Nation Building Tax	293,922	3.15	221,901	3.52
To Providers' of Capital				
as Dividends to shareholders	62,964	0.67	62,964	1.00
as Finance expenses	203,040	2.18	262,484	4.16
Retained in the Business				
as Depreciation/amortisation	149,832	1.61	141,696	2.24
as Minority interest	480,006	5.15	295,930	4.69
as Profit for the year	541,593	5.81	357,025	5.66
	9,328,234	100.00	6,312,767	100.00

Notes:

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

In Rs.'000s	2011	2010
Value Added Tax (paid but not included under Net Revenue)	1,916,608	1,592,918
Excise Duty (included under Net Revenue)	4,551,302	2,918,917
Income Tax	521,712	13,390
Social Responsibility Levy	39,575	45,025
Economic Service Charge	102,742	21,961
Nation Building Tax	293,922	221,901
Total Taxes paid to the Government	7,425,861	4,814,112

Five Year Summary

Year ended 31st March In Rs.'000s	2011	2010	2009	2008	2007
OPERATING RESULTS					
Net revenue	11,583,356	8,155,266	6,240,851	5,235,701	4,374,362
Other income	16,652	4,325	2,228	5,510	33,204
	11,600,008	8,159,591	6,243,079	5,241,211	4,407,566
Total expenditure	(9,776,447)	(7,237,630)	(5,734,042)	(4,824,968)	(4,205,958)
Profit from operating activities before finance cost	1,823,561	921,960	509,036	416,243	201,608
Finance expenses	(203,040)	(262,484)	(378,158)	(219,512)	(58,345)
Profit from ordinary activities before tax	1,620,521	659,477	130,879	196,731	143,263
Income tax (expenses) / releases	(598,922)	(6,522)	(15,345)	1,594	(91,598)
Profit for the year	1,021,599	652,955	115,534	198,325	51,665
Dividends - Ordinary	62,964	62,964	62,964	62,964	83,952

As at 31st March In Rs.'000s	2011	2010	2009	2008	2007
BALANCE SHEET					
Stated capital	533,384	533,384	533,384	533,384	533,384
Capital reserve	563,905	126,226	126,119	126,012	125,905
Revenue reserve	1,491,020	1,087,096	793,044	762,847	694,266
	2,588,309	1,746,706	1,452,547	1,422,243	1,353,555
Minority interest	2,442,843	1,799,206	908,131	885,736	818,900
	5,031,152	3,545,912	2,360,678	2,307,979	2,172,455
Long term loans repayable after one year	1,251,727	127,263	32,951	27,893	78,369
Capital Employed	6,282,879	3,673,175	2,393,629	2,335,872	2,250,824
Represented by:					
Non-current assets	5,907,538	3,895,681	3,558,025	3,104,135	2,630,452
Current assets	3,571,204	2,295,821	2,185,449	2,020,136	1,492,672
Current liabilities	(1,929,567)	(1,455,617)	(2,315,635)	(1,913,533)	(1,009,224)
Agent deposits	(744,327)	(627,838)	(593,874)	(436,736)	(415,285)
Retirement benefit obligations	(51,648)	(34,851)	(28,905)	(19,505)	(21,730)
Deferred tax liabilities	(470,321)	(400,021)	(411,433)	(418,624)	(426,061)
	6,282,879	3,673,175	2,393,629	2,335,872	2,250,824
Cash Flow Statistics					
Net cash inflows/ (outflows) from operating activities	1,461,312	733,822	60,521	(134,908)	43,320
Net cash outflows from investing activities	(1,395,578)	(441,792)	(415,885)	(578,885)	(359,088)
Net cash inflows/ (outflows) from financing activities	985,218	629,910	(99,256)	(92,850)	(20,589)
Net cash movement for the year	1,050,953	921,940	(454,620)	(806,643)	(336,357)

Five Year Summary - Group Contd.

Year ended 31st March In Rs.'000s	2011	2010	2009	2008	2007
Operational Ratios					
Return on shareholders' funds (%)	39.47	37.38	7.95	13.94	3.82
Assets turnover (times)	1.22	1.32	1.09	1.02	1.06
Equity to total assets (%)	366.21	354.47	395.41	360.30	304.61
Debt equity (%)	73.43	48.15	119.79	100.47	51.59
Gearing ratio (%)	42.34	32.50	54.50	50.12	32.09
Interest cover (times)	8.98	3.51	1.35	1.90	3.46
Borrowings to total assets (%)	20.05	13.58	30.30	27.89	15.51
Current ratio (times)	1.85	1.58	0.94	1.06	1.48
Quick ratio (times)	1.32	0.98	0.55	0.74	0.97
Earnings per share (Rs.)	25.80	17.01	4.44	6.27	3.33
Price earnings ratio (times)	14.34	10.58	11.49	10.69	25.50
Earnings yield (%)	6.97	9.45	8.71	9.36	3.92
Market price per share (Rs.)	370.00	180.00	51.00	67.00	85.00
Dividends per share (Rs.)	3.00	3.00	3.00	3.00	4.00
Dividend cover (times)	8.60	5.67	1.48	2.09	0.83
Net assets per share (Rs.)	123.32	83.22	69.21	67.76	64.49
Market capitalisation (Rs. '000)	7,765,593	3,777,856	1,070,393	1,406,202	1,783,988

US\$ FINANCIALS

PREPARATION OF US DOLLAR FINANCIALS

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

Income Statements

For the year ended 31st March US\$ '000s	Note	Company		Group	
		2011	2010	2011	2010
Revenue	2	2,162	991	102,517	70,334
Cost of sales		-	-	(69,012)	(47,284)
Gross profit		2,162	991	33,505	23,050
Other income		-	-	147	37
		2,162	991	33,652	23,087
Distribution expenses		-	-	(12,294)	(10,146)
Administrative expenses		(71)	(74)	(3,876)	(3,277)
Other expenses		-	-	(1,343)	(1,713)
Profit from operations		2,091	917	16,139	7,951
Finance expenses		(383)	(261)	(1,797)	(2,264)
Profit before taxation		1,708	656	14,342	5,687
Income tax expense		(109)	(124)	(5,301)	(56)
Profit for the year		1,599	532	9,041	5,631
Profit attributable to					
- Equity holders of the company		1,599	532	6,422	5,438
- Minority shareholders		-	-	2,619	193
Profit available for appropriation		1,599	532	9,041	5,631

Balance Sheets

As at 31st March US\$ '000s	Company		Group	
	2011	2010	2011	2010
ASSETS				
Non-Current Assets				
Property, plant & equipment	1,132	65	33,046	20,936
Intangible assets	-	-	372	383
Investment in subsidiary	14,108	12,812	-	-
Other investments	-	-	19,645	12,604
Total Non-Current Assets	15,241	12,877	53,063	33,923
Current Assets				
Inventories	-	-	9,123	7,583
Trade & other receivables	1	5	13,018	10,924
Amounts due from related companies	826	635	-	49
Cash and cash equivalents	57	37	9,936	1,435
Total Current Assets	884	677	32,078	19,991
Total Assets	16,125	13,554	85,141	53,914
EQUITY AND LIABILITIES				
Equity				
Share capital	9,198	9,198	9,198	9,198
Capital reserves	1,135	78	5,065	1,099
Currency fluctuations	(4,407)	(4,553)	(4,407)	(4,553)
Revenue reserves	5,540	4,346	13,393	9,466
Equity Attributable To Equity Holders of the Company	11,466	9,069	23,249	15,210
Minority interest	-	-	21,942	15,667
Total Equity	11,466	9,069	45,191	30,877
Non- Current Liabilities				
Payables due after one year	674	914	17,929	6,575
Retirement benefit obligations	-	-	464	303
Deferred taxation	4	13	4,225	3,483
Total Non- Current Liabilities	678	927	22,618	10,361
Current Liabilities				
Trade and other payables	58	72	2,349	2,004
Amounts due to related companies	20	226	177	289
Current taxation	26	26	8,978	4,168
Long term loans repayable within one year	269	261	766	354
Bank overdrafts (unsecured)	3,608	2,973	5,062	5,861
Total Current Liabilities	3,981	3,558	17,332	12,676
Total Liabilities	4,659	4,485	39,950	23,037
Total Equity and Liabilities	16,125	13,554	85,141	53,914

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 Financial Statements.

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

		2011	2010
Income statement	Average rate	112.99	115.95
Monetary assets and liabilities	Closing rate	111.33	114.84
Non-current assets and liabilities	Closing rate	111.33	114.84
Ordinary share capital	Historical rate	57.99	57.99

	Company		Group	
	2011	2010	2011	2010
For the year ended 31st March 2011				
US\$ `000s				
2 REVENUE				
(A) Dividend income	1,458	377	-	-
Royalty income	704	534	-	-
Interest income	-	80	-	-
Brewery	-	-	99,569	68,299
Retail trade	-	-	3,280	2,239
Less: Intra group transactions	-	-	(333)	(204)
	2,162	991	102,517	70,334
(B) Local / Export Revenue				
Local revenue	2,162	991	101,282	68,977
Export revenue	-	-	1,235	1,357
	2,162	991	102,517	70,334

Five Year Summary - Group

Year ended 31st March US\$ '000s	2011	2010	2009	2008	2007
Operating Results					
Revenue	102,517	70,334	56,163	47,113	41,408
Other income	147	37	20	50	314
	102,664	70,371	56,183	47,163	41,723
Total expenditure	(86,525)	(62,420)	(51,602)	(43,417)	(39,814)
Profit from operating activities before finance cost	16,139	7,951	4,581	3,746	1,908
Finance costs	(1,797)	(2,264)	(3,403)	(1,975)	(552)
Profit from ordinary activities before tax	14,342	5,687	1,178	1,770	1,356
Taxation	(5,301)	(56)	(138)	14	(867)
Profit for the year	9,041	5,631	1,040	1,785	489
Dividends - Ordinary	557	543	567	567	795
As at 31st March US\$ '000s					
Balance Sheet					
Share capitals	9,198	9,198	9,198	9,198	9,198
Capital reserves	5,065	1,099	1,084	1,159	1,144
Currency fluctuations	(4,407)	(4,553)	(4,610)	(4,291)	(4,349)
Revenue reserves	13,393	9,466	6,820	7,018	6,311
	23,249	15,210	12,492	13,084	12,304
Minority interest	21,942	15,667	7,810	8,148	7,444
	45,191	30,877	20,302	21,232	19,748
Long term loans repayable after one year	11,243	1,108	283	257	712
Capital Employed	56,435	31,985	20,585	21,489	20,460
Represented by:					
Non-current assets	53,063	33,923	30,599	28,556	23,912
Current assets	32,078	19,991	18,795	18,585	13,568
Current liabilities	(17,332)	(12,676)	(19,914)	(17,605)	(9,174)
Customer deposits	(6,686)	(5,467)	(5,107)	(4,017)	(3,775)
Retirement benefit obligations	(464)	(303)	(249)	(179)	(198)
Deferred tax liabilities	(4,225)	(3,483)	(3,538)	(3,851)	(3,873)
	56,435	31,985	20,585	21,489	20,460

Information to Shareholders and Investors

1 STOCK EXCHANGE LISTING

Ceylon Brewery PLC is a Public listed Company, the Ordinary Shares of which are listed on the main board of the Colombo Stock Exchange

2 SHARE VALUATION

The market price of the Company's share as at 31st March 2011 was Rs. 370/- per share. (2010 - Rs180/-)

3 ORDINARY SHAREHOLDERS

As at 31st March	2011	2010
Number of shareholders	995	1,022

(a) Distribution of Shareholdings as at 31st March 2011

Distribution of Shares	Residents			Non - Residents			Total		
	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	777	137,952	0.66	66	17,057	0.08	843	155,009	0.74
1,001 - 10,000	106	312,380	1.49	32	87,511	0.42	138	399,891	1.91
10,001 - 100,000	4	109,800	0.52	4	164,418	0.78	8	274,218	1.30
100,001 - 1,000,000	1	283,400	1.35	2	935,000	4.46	3	1,218,400	5.81
Above 1,000,000	1	15,726,912	74.93	2	3,213,660	15.31	3	18,940,572	90.24
Total	889	16,570,444	78.95	106	4,417,646	21.05	995	20,988,090	100.00

Categories of Shareholders	No. of Share holders	No. of Shares	%
Individuals	934	663,870	3.16
Institutions	61	20,324,220	96.84
Total	995	20,988,090	100.00

(b) The number of shares held by non - residents as at 31st March 2011 was 4,417,646 (2010 - 4,408,346) which amounts to 21.05% (2010 - 21.00%).

(c) Public holding percentage i.e. the percentage of shares held by the public, as at 31st March 2011 was 17.06% (2010 - 25.04%).

4 MARKET PERFORMANCE - ORDINARY SHARES

For The year ended 31st March	2011	2010
Highest (Rs.)	420.00	180.50
Lowest (Rs.)	180.00	52.00
Value of shares traded (Rs.'000)	78,398	121,314

5 MARKET CAPITALISATION

The market capitalisation of the Company, which is the number of ordinary shares in issue multiplied by the market value of a share, was Rs. 7,765,593,300/- as at 31st March 2011 (2010 - Rs.3,777,856,200/-).

6 DIVIDENDS

An ordinary dividend of Rs.3/- per share for the year ended 31st March 2010, which was declared at the last Annual General Meeting, was paid during the year. The Directors have recommended the payment of a First and final ordinary dividend of Rs. 4/- per share for the year ended 31st March 2011, which will be declared at the Annual General Meeting subject to approval by shareholders. The details are shown in Note 15 to the Financial Statements.

7 NUMBER OF EMPLOYEES

There were no employees as at the Balance Sheet date.

Glossary of Financial Terms

APPROPRIATIONS

Apportioning of earnings as dividends, capital and revenue reserves

GEARING

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

CAPITAL RESERVES

Reserves identified for specified purposes and considered not available for distribution

INTEREST COVER

Profits before tax and interest charges divided by interest charges

CASH EQUIVALENTS

Liquid investments with original maturities of six months or less

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

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

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

CURRENT RATIO

Current assets divided by current liabilities

PRICE EARNINGS RATIO - (P/ E)

Market price of a share divided by earnings per share

DEBT

Total interest bearing capital and borrowings

RELATED PARTIES

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

DIVIDEND COVER

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

REVENUE RESERVES

Reserves considered as being available for future distribution and appropriations

DIVIDEND PER ORDINARY SHARE

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

VALUE ADDITION

The quantum of wealth generated by the activities of the Company

EARNINGS PER ORDINARY SHARE

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

WORKING CAPITAL

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

EQUITY

Ordinary share capital plus reserves

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the One Hundredth Annual General Meeting of CEYLON BREWERY PLC will be held on Friday the 24th day of June 2011 at 11.30 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No. 48, Janadhipathi Mawatha, Colombo 1 for the following purposes :

1.	To receive and adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2011, together with the Report of the Independent Auditors thereon.
2.	To 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-appoint Messrs KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Independent Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.

By Order of the Board
 CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED
 Secretaries
 Colombo,
 26th May 2011

Notes

1.	A member is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy accompanies this notice.
2.	The completed Form of Proxy must be deposited at the Registered Office, No.61, Janadhipathi Mawatha, Colombo 1, not later than 11.30 a. m. on 22nd June 2011.
3.	A person representing a Corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.
4.	The transfer books of the Company will remain open.
5.	Security Check

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

Form of Proxy of Meeting

* I/We.....
of.....
being *a Member/Members of CEYLON BREWERY PLC
hereby appoint
ofbearing NIC
No./Passport No..... or failing him/her.

LIONEL CUTHBERT READ DE CABRAAL WIJETUNGE	Or failing him,
HARIHARAN SELVANATHAN	Or failing him,
MANOHARAN SELVANATHAN	Or failing him,
SURESH KUMAR SHAH	Or failing him,
DON CHANDIMA RAJAKARUNA GUNAWARDENA	Or failing him,
SOREN HANSEN	

As *my/our proxy to attend at the One Hundredth Annual General Meeting of the Company to be held on Friday the 24th day of June 2011 at 11.30 a.m. at the 'Saphire Ballroom', Ceylon Continental Hotel, No.48, Janadhipathi Mawatha, Colombo 1 and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To adopt the Report of the Directors and the Financial Statements for the year ended 31st March 2011, together with the Report of the Independent Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare Rs. 4/- per share as a First & Final dividend for the financial year ended 31st March 2011 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-appoint M/s KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act No. 7 of 2007 and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day ofTwo Thousand and Eleven

.....
Signature/s

Notes

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

INSTRUCTIONS AS TO COMPLETION

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

The instrument appointing a proxy shall be in writing and;

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

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

A proxy need not be a member of the Company.

4. In 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 11.30 a.m., on 22nd June 2011.

Please fill in the following details:

Name :

Address :

Jointly with

Share folio No. :

Corporate Information

NAME OF THE COMPANY

Ceylon Brewery PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NUMBER

PQ 35

LEGAL FORM

A public Quoted Company with Limited Liability
Incorporated in Sri Lanka in 1910

SUBSIDIARY COMPANIES

Lion Brewery (Ceylon) PLC
CBL Retailers (Private) Limited

PARENT COMPANY

Carson Cumberbatch PLC

DIRECTORS

L.C.R. de C. Wijetunge (Chairman)
Hari Selvanathan (Deputy Chairman)
Mano Selvanathan
Suresh K. Shah (Chief Executive Officer)
D.C.R.Gunawardena
S.Hansen
G.Brockett (Alternate Director to S.Hansen)

BANKERS

Bank of Ceylon
Citi Bank
Commercial Bank
Deutsche Bank
Hatton National Bank
HSBC
Nations Trust Bank
Peoples 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

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

MANAGERS & SECRETARIES

Carsons Management Services (Private) Ltd
No: 61, Janadhipathi Mawatha
Colombo 1
Sri Lanka
Tel: + 94 11 2337665, +94 11 4739200
Fax:+ 94 11 2337685, +94 11 4739300

REGISTERED OFFICE

No: 61, Janadhipathi Mawatha
Colombo 1
Sri Lanka
Tel: + 94 11 2337665, +94 11 4739200
Fax:+ 94 11 2337685, +94 11 4739300

CORPORATE OFFICE & BREWERY

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

CORPORATE WEBSITE

www.lionbeer.com

GROUP WEBSITE

www.carsoncumberbatch.com

