



**THE
CEYLON BREWERY
LIMITED**

**Financial Report for the
Nine months ended
31st December 2006**

Board of Directors

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

Hari Selvanathan (**Deputy Chairman**)

Mano Selvanathan

Suresh K. Shah (**Chief Executive Officer**)

D.C.R. Gunawardena

P.C.P. Tissera

S.A. Nielsen (Resigned w.e.f 25th January 2007)

J.B. Madsen (Appointed w.e.f. 25th January 2007)

Alternate Directors

N. Ramaiah (*for Hari Selvanathan*)

Review of Operations

The performance of the beer industry continues to labour under numerous regulatory pressures. On 1st December, the National Alcohol & Tobacco Authority Act was implemented, effectively banning all types of advertising of beer products. Further, implementation of the Excise Ordinance has also been severely tightened thereby impacting sales. The Northern & Eastern parts of the country were closed for business as a result of which a significant volume has been lost. The decline in the arrival of tourists has also had a negative impact on the beer industry. However, the most compelling issue faced by the industry at the moment is the relative price between beer & arrack. The price of arrack in terms of alcohol content remains significantly cheaper than beer. As a result consumers have switched between the product categories in significant numbers the result of which is that the hard alcohol segment is growing apace whilst the soft alcohol industry is in decline. As a result Sri Lankan consumers have consumed significantly more alcohol this year than they did in the previous year. An ironic situation considering that the stated aim of policymakers is to reduce alcohol consumption in the country. In the meanwhile illicit alcohol continues to grow apace. Rising inflation will no doubt help the illicit alcohol industry further boost its sales since price conscious arrack consumers will shift to the lower cost product. With pricing between arrack & beer being what it is, we can expect a similar shift from the price conscious beer consumer as well. Inflation and the depreciation of the currency has burdened the Company with an increased cost base leading to lower margins. All these factors have contributed to the current results of the Group.

Whilst the Group's revenue and profits are not up to expectations, its market share continues to expand in the face of serious competition. This underlies the operating strengths of the Group including its brands, distribution, manufacturing and people. Thus, we are confident that given a level playing field, the Group will be back to its previous levels of profitability sooner rather than later.

In the meanwhile the Group's Indian joint venture with Carlsberg and other investors got off to a good start with the ground breaking ceremony of a greenfield brewery in Rajasthan. This brewery will commence commercial production in the 1st quarter of 2008. Further, the Indian company is also in the process of discussion to acquire a brewery in North India. Thus, the Group's Indian venture is progressing well.

Carsons Management Services (Pvt) Ltd.

12th February 2007

Income Statement - Company

In Sri Lankan Rs. '000s

	Unaudited quarter ended 31.12.2006	Unaudited quarter ended 31.12.2005	Change %	Unaudited nine months ended 31.12.2006	Unaudited nine months ended 31.12.2005	Change %	Audited year ended 31.03.2006
Revenue	27,457	26,622	3	157,822	156,883	1	182,759
Cost of sales	-	-		-	-		-
Gross profit	27,457	26,622	3	157,822	156,883	1	182,759
Other operating income	120	168	(29)	361	559	(35)	604
	27,577	26,790	3	158,183	157,442	-	183,363
Indirect Operating Expenses							
Distribution costs	-	-		-	-		-
Administrative expenses	(2,664)	(2,930)	(9)	(7,320)	(7,093)	3	(17,694)
Other operating expenses	-	-		-	-		-
Total indirect operating expenses	(2,664)	(2,930)	(9)	(7,320)	(7,093)	3	(17,694)
Profit from operations	24,913	23,860	4	150,863	150,349		165,669
Provision for the diminution in value of investment/advances	-	-		-	(89,357)	-	(89,357)
Finance costs	(7)	(6)	17	(107)	(93)	15	(110)
Profit before taxation	24,906	23,854	4	150,756	60,899	148	76,202
Taxation	(2,725)	(4,049)	(33)	(13,233)	(14,309)	(8)	(18,230)
Profit after taxation	22,181	19,805	12	137,523	46,590	195	57,972
Profit attributable to ordinary shareholders	22,181	19,805	12	137,523	46,590	195	57,972
Earnings per ordinary share (Rs.)	1.06	0.94		6.55	2.22		2.76
Dividends per ordinary share (Rs.)	-	-		4.00	3.00		3.00

Change % represents the percentage change in the current year results compared to the comparative period.

Figures in brackets indicate deductions/negative changes.

Income Statement - Group

<i>In Sri Lankan Rs. '000s</i>	Unaudited quarter ended 31.12.2006	Unaudited quarter ended 31.12.2005	Change %	Unaudited nine months ended 31.12.2006	Unaudited nine months ended 31.12.2005	Change %	Audited year ended 31.03.2006
Revenue	985,807	972,312	1	3,034,368	2,924,405	4	3,845,755
Cost of sales	(678,915)	(611,116)	11	(2,089,112)	(1,847,317)	13	(2,438,150)
Gross profit	306,892	361,196	(15)	945,256	1,077,088	(12)	1,407,605
Other operating income	2,372	4,283	(45)	7,976	7,860	1	9,909
	309,264	365,479	(15)	953,232	1,084,948	(12)	1,417,514
Indirect Operating Expenses							
Distribution costs	(179,718)	(147,397)	22	(549,096)	(407,624)	35	(629,750)
Administrative expenses	(75,760)	(64,659)	17	(197,212)	(171,653)	15	(243,934)
Other operating expenses	(21,042)	(25,249)	(17)	(62,015)	(90,815)	(32)	(119,332)
Total indirect operating expenses	(276,520)	(237,305)	17	(808,323)	(670,092)	21	(993,016)
Profit from operations	32,744	128,174	(74)	144,909	414,856	(65)	424,498
Provision for the diminution in value of investment/advances	-	-	-	-	(89,357)	-	(89,357)
Finance costs	(14,256)	(7,316)	95	(40,831)	(24,462)	67	(33,618)
Profit before taxation	18,488	120,858	(85)	104,078	301,037	(65)	301,523
Taxation	(3,791)	(2,366)	60	(74,136)	(8,066)	89	(17,983)
Profit after taxation	14,697	118,492	(88)	29,942	292,971	(90)	283,540
Profit/(Loss) attributable to							
Equity holders of the parent	18,408	69,553	(74)	45,793	133,170	(66)	134,060
Minority shareholders	(3,711)	48,939	(108)	(15,851)	159,801	(110)	149,480
Earnings per ordinary share (Rs.)	0.88	3.31		2.18	6.35		6.39
Dividends per ordinary share (Rs.)	-	-		4.00	3.00		3.00

Change % represents the percentage change in the current year results compared to the comparative period.

Figures in brackets indicate deductions/negative changes.

Balance Sheets

<i>In Sri Lankan Rs. '000s</i> <i>As at</i>	Company			Group		
	Unaudited 31.12.2006	Unaudited 31.12.2005	Audited 31.03.2006	Unaudited 31.12.2006	Unaudited 31.12.2005	Audited 31.03.2006
ASSETS						
Non-Current Assets						
Property, plant & equipment	18,677	22,742	18,966	2,338,629	2,102,583	2,315,165
Investment in subsidiary	854,362	854,362	854,362	-	-	-
Other investment	1,907	-	-	1,907	-	-
	<u>874,946</u>	<u>877,104</u>	<u>873,328</u>	<u>2,340,536</u>	<u>2,102,583</u>	<u>2,315,165</u>
Current Assets						
Inventories	-	-	-	422,041	363,690	362,670
Trade and other receivables	2,841	3,069	2,113	758,787	653,018	630,432
Amounts due from related companies	42,842	5,694	-	6,214	-	4,751
Short-term deposits	83,217	62,263	87,145	189,385	89,198	124,959
Cash at bank and in hand	35,154	14,341	6,441	63,277	42,019	65,302
	<u>164,054</u>	<u>85,367</u>	<u>95,699</u>	<u>1,439,704</u>	<u>1,147,925</u>	<u>1,188,114</u>
Total assets	<u>1,039,000</u>	<u>962,471</u>	<u>969,027</u>	<u>3,780,240</u>	<u>3,250,508</u>	<u>3,503,279</u>
EQUITY & LIABILITIES						
Share Capital & Reserves						
Share capital	209,881	209,881	209,881	209,881	209,881	209,881
Capital reserves	343,884	347,630	343,984	464,197	400,463	464,197
Revenue reserve	456,606	391,653	403,035	651,489	688,755	689,647
	<u>1,010,471</u>	<u>949,164</u>	<u>956,900</u>	<u>1,325,567</u>	<u>1,299,099</u>	<u>1,363,725</u>
Minority shareholders' interest	-	-	-	824,449	858,723	914,686
Total Equity	<u>1,010,471</u>	<u>949,164</u>	<u>956,900</u>	<u>2,150,016</u>	<u>2,157,822</u>	<u>2,278,411</u>
Non-Current Liabilities						
Payables due after one year	-	-	-	402,145	344,494	360,190
Retirement benefit obligation	-	-	-	20,470	17,303	18,768
Deferred tax liabilities	1,773	1,574	1,573	419,284	362,547	365,847
Long-term loan repayable after one year	-	-	-	93,063	-	-
	<u>1,773</u>	<u>1,574</u>	<u>1,573</u>	<u>934,962</u>	<u>724,344</u>	<u>744,805</u>
Current Liabilities						
Taxes payable	9,799	6,421	5,180	209,250	207,975	221,979
Trade & other payables	16,957	5,312	5,374	182,441	118,521	235,259
Amounts due to related companies	-	-	-	27,083	26,413	-
Long-term loans repayable within one year	-	-	-	53,879	-	-
Bank overdrafts	-	-	-	222,609	15,433	22,825
	<u>26,756</u>	<u>11,733</u>	<u>10,554</u>	<u>695,262</u>	<u>368,342</u>	<u>480,063</u>
Total equity & liabilities	<u>1,039,000</u>	<u>962,471</u>	<u>969,027</u>	<u>3,780,240</u>	<u>3,250,508</u>	<u>3,503,279</u>
Net assets per ordinary share (Rs.)	48.15	45.22	45.59	63.16	61.90	64.98

Approved and signed on behalf of the Managers,

D.C.R. Gunawardena
Director

Approved and signed on behalf of the Board,

M. Selvanathan
Director

S.K. Shah
Director

Statements of Changes in Equity

In Sri Lankan Rs. '000s

	Attributable to Equity Holders of the Parent					Minority Shareholders' Interest	Total Equity
	Share Capital	Capital Reserves	Revenue Reserve	Retained Profit	Total		
Company							
Balance as at 1st April 2005	209,881	347,630	184,174	223,853	965,538	-	965,538
Profit for the period	-	-	-	46,590	46,590	-	46,590
Dividend	-	-	-	(62,964)	(62,964)	-	(62,964)
Balance as at							
31st December 2005 (unaudited)	209,881	347,630	184,174	207,479	949,164	-	949,164
Balance as at 1st April 2005	209,881	347,630	184,174	223,853	965,538	-	965,538
Revaluation of property	-	(3,646)	-	-	(3,646)	-	(3,646)
Profit for the period	-	-	-	57,972	57,972	-	57,972
Dividend	-	-	-	(62,964)	(62,964)	-	(62,964)
Balance as at 31st March 2006 (audited)	209,881	343,984	184,174	218,861	956,900	-	956,900
Balance as at 1st April 2006	209,881	343,984	184,174	218,861	956,900	-	956,900
Profit for the period	-	-	-	137,523	137,523	-	137,523
Dividend	-	-	-	(83,952)	(83,952)	-	(83,952)
Balance as at							
31st December 2006 (unaudited)	209,881	343,984	184,174	272,432	1,010,471	-	1,010,471
Group							
Balance as at 1st April 2005	209,881	400,453	184,174	434,346	1,228,854	773,463	2,002,317
Profit for the period	-	-	-	133,170	133,170	159,801	292,971
Dividend	-	-	-	(62,964)	(62,964)	(74,400)	(137,364)
Changes in effective holding of subsidiary	-	10	-	67	77	(179)	(102)
Balance as at							
31st December 2005 (unaudited)	209,881	400,463	184,174	504,619	1,299,137	858,685	2,157,822
Balance as at 1st April 2005	209,881	400,453	184,174	434,346	1,228,854	773,463	2,002,317
Revaluation of property	-	63,734	-	-	63,734	66,283	130,017
Profit for the period	-	-	-	134,060	134,060	149,480	283,540
Dividend	-	-	-	(62,964)	(62,964)	(74,400)	(137,364)
Changes in effective holding of subsidiary	-	10	-	31	41	(140)	(99)
Balance as at 31st March 2006 (audited)	209,881	464,197	184,174	505,473	1,363,725	914,686	2,278,411
Balance as at 1st April 2006	209,881	464,197	184,174	505,473	1,363,725	914,686	2,278,411
Profit/(Loss) for the period	-	-	-	45,793	45,793	(15,851)	29,942
Dividend	-	-	-	(83,952)	(83,952)	(74,385)	(158,337)
Balance as at							
31st December 2006 (unaudited)	209,881	464,197	184,174	467,314	1,325,566	824,450	2,150,016

Cash Flow Statements

In Sri Lankan Rs. '000s

	Company			Group		
	Unaudited nine months ended 31.12.2006	Unaudited nine months ended 31.12.2005	Audited year ended 31.03.2006	Unaudited nine months ended 31.12.2006	Unaudited nine months ended 31.12.2005	Audited year ended 31.03.2006
Net cash generated from/(used in)						
operating activities	110,213	126,127	143,153	(69,658)	310,991	456,088
Net cash used in investing activities	(1,907)	(551)	(551)	(56,880)	(107,949)	(201,333)
Net cash used in financing activities	(83,521)	(62,804)	(62,848)	(10,845)	(137,118)	(137,179)
Net increase/(decrease) in cash & cash equivalents	24,785	62,772	79,754	(137,383)	65,924	117,576
Cash & cash equivalents at the beginning of the year	93,586	13,832	13,832	167,436	49,860	49,860
Cash & cash equivalents at the end of the year	118,371	76,604	93,586	30,053	115,784	167,436
Analysis of Cash & Cash Equivalents						
Cash at bank and in hand	35,154	14,341	6,441	63,277	42,019	65,302
Short-term deposits	83,217	62,263	87,145	189,385	89,198	124,959
	118,371	76,604	93,586	252,662	131,217	190,261
Bank overdrafts	-	-	-	(222,609)	(15,433)	(22,825)
	118,371	76,604	93,586	30,053	115,784	167,436

Notes to the Summarised Financial Report

1) Basis of Preparation of Summarised Financial Report

The Interim Financial Reports of the Company and the Group have been prepared on the basis of the same accounting policies and methods applied for the year ended 31st March 2006 and are in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.

2) 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 Summarised Financial Report.

3) Preference Dividend Income - Company

The revenue recognition policy on dividend income is that it is recognised as an income on its receipt. However, the preference shares of the subsidiary are cumulative preference shares. As such the dividend income arising from these preference shares have been accrued as dividend income.

4) Contingent Liabilities

The subsidiary's contingent liabilities as at 31st December 2006 on bank guarantees given to government bodies for operational purposes amount to Rs. 5.3 million.

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

5) Comparative Figures

Certain comparative figures have been restated to conform to the classifications and presentation as at 31st December 2006.

Investor Information

Share Valuation

For the nine months ended 31st December

	2006	2005
Market value per share (Rs.)	100.00	75.00
Highest traded (Rs.)	130.00	159.00
Lowest traded (Rs.)	72.00	75.00

Corporate Information

Name of Company

The Ceylon Brewery Limited
(A Carson Cumberbatch Company)

Legal Form

A public quoted company with limited liability,
incorporated in Sri Lanka in 1910

Subsidiary Company

The Lion Brewery Ceylon Limited

Parent Company

Carson Cumberbatch & Company Limited

Bankers

Commercial Bank
Citibank
Hatton National Bank Limited
HSBC
Nations Trust Bank
Standard Chartered Bank

Legal Advisers

Messrs. F.J. & G. De Saram
216, De Saram Place,
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Auditors

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Chartered Accountants
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Managers & Secretaries

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Company Website

www.lionbeer.com

Corporate Website

www.carsoncumberbatch.com

