

Lion Brewery (Ceylon) PLC

**Interim Condensed Financial Statements
for the Second Quarter ended
30th September 2015**

LION BREWERY (CEYLON) PLC

Review

A turnover of Rs.18.93 billion was recorded for the 6 months ended 30th September 2015 an improvement of 32% on the same period of the previous year. This increase was driven by two excise duty revisions that came into play in October 2014. Of these, the 2nd revision was to enable the government to re-coup VAT from which the alcohol industry was “exempted”. Although not stated, the reason behind this so called “exemption” was to prevent the industry from claiming input credit. Thus in practical terms this “exemption” translated into a further tax on the industry, the impact of which, during this first 6 months, was approx. Rs 418 Mn.

As at 30th September when the quarter closed, it seemed that the beer industry was stifled in every possible way from a tax perspective. Excise duties were unreasonably high in comparison to spirits, input VAT credit was not available and corporate tax was at 40%, a 43% premium over other types of businesses. But on 2nd October in a shocking policy move, the Government increased the Excise Duty on mild and strong beer by 27% & 32% respectively whilst subjecting the arrack industry to a relatively minor 7% adjustment. This is a clear indication that the relevant authorities prefer to drive the consumption of spirits over milder varieties of alcohol notwithstanding the impact it will have on the consumer’s health. Sri Lanka now has the unique distinction of being the only country in the world where the tax on beer exceeds that of spirits when calculated on the basis of per ml of alcohol.

It is common sense that alcohol policy must find a suitable balance between the revenue needs of government and the social & health needs of the people. Depending on the needs of the day, the balance may tilt marginally in favor of one over the other. But never must it tilt excessively to either side. For many years, Sri Lankan policy makers have favored a significant tilt towards the revenue end, cynically ignoring its negative impact on the population at large. With the advent of a new government it was hoped that a more equitable balance will be found. Unfortunately for Sri Lanka – and more so for Sri Lankans – the balance has now tilted decisively – and even more cynically - towards revenue generation.

Alcohol consumption habits in Sri Lanka have been shaped by the policies followed by successive governments. For reasons best known to them, global best practices & benchmarks have been consistently ignored when formulating alcohol policy. However, it is not too late to begin the shift towards a policy that helps minimize harm from alcohol consumption whilst addressing the revenue needs of government. The win-win is to achieve an increase in revenue whilst simultaneously reducing the consumption of pure alcohol in the Country. This can be done and we have provided the authorities with the methodology. It now remains to be seen if the authorities have sufficient empathy towards consumers to make the necessary changes.

We had no option but to pass on to consumers the sharp increase in Excise Duty referred to above. However, some in the spirits industry absorbed the additional cost. This is notwithstanding the remarkably thin margins some of them maintain within their brand portfolios. Indeed, in some instances, it appears that margins are negative giving credence to the widely held perception that some in the spirits industry refrain from paying their taxes in full. If the authorities are serious about widening the tax net, here is a good – and easy - place to start.

Notwithstanding the difficult operating conditions, due to a relentless focus on driving performance across the supply chain, profit before tax for the 6 months ended 30th September 2015 improved by 26% to Rs.1.8 billion. However, the sustainability of similar profit growth during the remainder of the year is in some doubt after the significant excise duty revisions referred to above. In October, the month in which excise duties were revised, we recorded a 27 % drop in sales volumes when compared to September, the month immediately preceding. Whilst it is likely that some of that volume will return in the months ahead, it is at this moment not possible to determine how much and profitability during the remaining period will depend very significantly thereon.

LION BREWERY (CEYLON) PLC

BOARD OF DIRECTORS AS AT 30TH SEPTEMBER 2015

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

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

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

Mr. D.C.R.Gunawardena

Mr. C.T. Liyanage

Mr. D. R. P. Goonetilleke

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

Mrs. S.J.F.Evans

Mr. H.J.Andersen

Mr. D. A. Cabraal

Mr. Y.F.Lew

LION BREWERY (CEYLON) PLC
CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30th September In Rs. '000s	Company			Group	
	2015	2014	31.03.2015 (Audited)	2015	31.03.2015 (Audited)
ASSETS					
Non- Current Assets					
Property, plant & equipment	14,220,544	13,061,126	13,792,402	15,001,768	14,583,827
Intangible assets	4,180,363	4,230,752	4,205,582	4,180,363	4,205,582
Investments in subsidiaries	1,029,623	-	1,029,623	-	-
Total Non-Current Assets	19,430,530	17,291,878	19,027,607	19,182,131	18,789,409
Current Assets					
Inventories	1,628,727	2,264,317	2,798,064	1,628,727	2,798,064
Trade and other receivables	1,735,217	2,682,398	1,845,855	1,759,872	1,874,085
Amounts due from related companies	478,791	234,818	376,720	478,791	256,342
Assets held for sale	-	-	58,660	368,477	491,895
Cash and cash equivalents	5,636,157	1,227,709	2,232,530	5,663,918	2,311,518
Total Current Assets	9,478,892	6,409,242	7,311,829	9,899,785	7,731,904
Total Assets	28,909,422	23,701,120	26,339,436	29,081,916	26,521,313
EQUITY AND LIABILITIES					
Equity					
Stated capital	2,537,801	2,537,801	2,537,801	2,537,801	2,537,801
Capital reserves	719,411	719,411	719,411	719,411	719,411
Revenue reserves	5,523,170	4,340,949	4,560,771	5,623,988	4,669,370
Total Equity	8,780,382	7,598,161	7,817,983	8,881,200	7,926,582
Non- Current Liabilities					
Debentures (Note 4)	4,396,400	2,597,600	4,597,600	4,396,400	4,597,600
Loans and borrowings	2,173,335	3,512,941	2,874,862	2,173,335	2,874,862
Employee benefits	103,007	93,935	101,631	103,007	101,631
Deferred taxation	2,335,614	1,308,825	2,009,632	2,400,353	2,074,371
Total Non- Current Liabilities	9,008,356	7,513,301	9,583,725	9,073,095	9,648,464
Current Liabilities					
Trade and other payables	630,066	716,639	787,153	637,003	795,692
Amounts due to related companies	251,845	166,137	176,403	251,845	176,403
Refundable deposits	932,759	1,085,928	885,915	932,759	885,915
Current taxation	990,800	581,787	983,505	990,800	983,505
Debentures (Note 4)	361,263	287,949	331,964	361,263	331,964
Loans and borrowings	6,519,245	5,235,286	4,243,914	6,519,245	4,243,914
Bank overdrafts	1,434,706	515,932	1,528,874	1,434,706	1,528,874
Total Current Liabilities	11,120,684	8,589,658	8,937,728	11,127,621	8,946,267
Total Liabilities	20,129,040	16,102,959	18,521,453	20,200,716	18,594,731
Total Equity and Liabilities	28,909,422	23,701,120	26,339,436	29,081,916	26,521,313
Net assets per ordinary share (Rs.)	109.75	94.98	97.72	111.02	99.08

The above figures are provisional and subject to audit.

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

(Sgd.)

D.R.P. Goonetilleke

Director - Finance

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

Approved and signed on behalf of the Managers

(Sgd.)

A. Weeratunge

Director

Carsons Management Services (Private) Limited

6th November 2015

(Sgd.)

S.K. Shah

Director

(Sgd.)

C.T. Liyanage

Director

LION BREWERY (CEYLON) PLC									
CONDENSED STATEMENT OF COMPREHENSIVE INCOME - COMPANY									
<i>In Sri Lankan Rs. '000s</i>	Three months ended			Change	Six Months Ended			Change	Year ended
3th September	30.09.2015	30.09.2014	%		30.09.2015	30.09.2014	%		31.03.2015
									(Audited)
Revenue	9,802,471	7,423,323	32		18,939,224	14,318,589	32		32,350,375
Cost of sales	(7,246,057)	(5,443,911)	33		(14,154,805)	(10,541,389)	34		(24,217,959)
Gross Profit	2,556,414	1,979,412	29		4,784,419	3,777,200	27		8,132,416
Other income	1,683	2,958	(43)		4,045	5,082	(20)		234,749
	2,558,097	1,982,370	29		4,788,463	3,782,282	27		8,367,165
Distribution expenses	(926,996)	(825,439)	12		(1,787,653)	(1,602,809)	12		(3,670,066)
Administrative expenses	(248,540)	(241,612)	3		(491,088)	(406,236)	21		(885,649)
Other expenses	(81,733)	(34,245)	139		(151,014)	(77,152)	96		(199,311)
Loss / impairment on disposal of PPE	-	-	-		-	-	-		(274,514)
Profit From Operations Before Expenses Relating to New Investment	1,300,828	881,074	168		2,358,709	1,696,085	(100)		3,337,625
Expenses relating to new investment	-	-	-		-	0	-		(460,188)
Profit Before Finance Cost	1,300,828	881,074	48		2,358,709	1,696,085	39		2,877,437
Finance income	60,046	54,683	10		94,256	177,841	(47)		222,302
Finance costs	(315,470)	(213,626)	48		(610,068)	(409,806)	49		(820,350)
Net Finance (Costs)/Income	(255,424)	(158,943)	61		(515,812)	(231,965)	122		(598,048)
Profit Before Taxation	1,045,404	722,131	45		1,842,897	1,464,120	26		2,279,389
Income tax expenses	(345,933)	(224,214)	54		(560,498)	(478,325)	17		(1,065,776)
Profit After Taxation	699,471	497,917	40		1,282,399	985,795	30		1,213,613
Remeasurement of employee benefit obligations	-	-	-		-	-	-		(7,996)
Total Comprehensive Income for the year	699,471	497,917	40		1,282,399	985,795	30		1,205,617
Earnings per ordinary share (Rs.)	8.74	6.22			16.03	12.32			15.17

The above figures are provisional and subject to audit.

LION BREWERY (CEYLON) PLC
CONDENSED STATEMENT OF COMPREHENSIVE INCOME - GROUP

<i>In Sri Lankan Rs. '000s</i>	Three months Ended	Six months Ended	Year ended
As at 30th September	30.09.2015	30.09.2015	31.03.2015 (Audited)
Revenue	9,802,471	18,939,224	32,350,375
Cost of sales	(7,246,057)	(14,154,805)	(24,217,959)
Gross Profit	2,556,414	4,784,419	8,132,416
Negative Goodwill	-	-	153,892
Other income	5,865	13,355	239,193
	2,562,279	4,797,774	8,525,501
Distribution expenses	(926,997)	(1,787,653)	(3,680,025)
Administrative expenses	(256,842)	(508,174)	(1,019,148)
Other expenses	(81,733)	(151,014)	(199,311)
Loss / impairment on disposal of PPE	-	-	(302,786)
Profit From Operations Before Expenses Relating to New Investment	1,296,707	2,350,933	3,324,231
Expenses relating to new investment	-	-	(339,811)
Profit Before Finance Cost	1,296,707	2,350,933	2,984,420
Finance income	60,047	94,256	222,302
Finance costs	(315,471)	(610,073)	(820,355)
Net Finance (Costs)/Income	(255,424)	(515,817)	(598,053)
Profit Before Taxation	1,041,283	1,835,116	2,386,367
Income tax expenses	(345,933)	(560,498)	(1,056,047)
Profit After Taxation	695,350	1,274,618	1,330,320
Remeasurement of employee benefit obligations	-	-	(7,996)
Total Comprehensive Income for the period	695,350	1,274,618	1,322,324
Earnings per ordinary share (Rs.)	8.69	15.93	16.63

The above figures are provisional and subject to audit.

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

<i>In Rs.'000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
As at 30th September				
Balance as at 1st April 2014	2,537,801	719,411	3,675,154	6,932,366
Total Comprehensive income for the period				
Profit for the period	-	-	985,795	985,795
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	985,795	985,795
Transactions with owners, recorded directly in equity contribution by				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 30th September 2014	2,537,801	719,411	4,340,949	7,598,161
Balance as at 1st April 2014				
	2,537,801	719,411	3,675,154	6,932,366
Total Comprehensive income for the year				
Profit for the year	-	-	1,213,613	1,213,613
Total other comprehensive loss	-	-	(7,996)	(7,996)
Total Comprehensive income for the year	-	-	1,205,617	1,205,617
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2015	2,537,801	719,411	4,560,771	7,817,983
Balance as at 1st April 2015				
	2,537,801	719,411	4,560,771	6,932,366
Total Comprehensive income for the period				
Profit for the period	-	-	1,282,399	1,282,399
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	5,843,170	5,843,170
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 30th September 2015	2,537,801	719,411	5,523,170	8,780,382
GROUP				
On consolidation	2,537,801	719,411	3,675,154	6,932,366
Total Comprehensive Income				
Profit for the year	-	-	1,330,320	1,330,320
Other comprehensive loss for the year	-	-	(7,996)	(7,996)
Total Comprehensive income for the year	-	-	1,322,324	1,322,324
Share issue costs			(8,108)	(8,108)
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2015	2,537,801	719,411	4,669,370	7,926,582
Balance as at 1st April 2015				
	2,537,801	719,411	4,669,370	7,926,582
Total Comprehensive Income				
Profit for the period	-	-	1,274,618	1,274,618
Other comprehensive loss for the period	-	-	-	-
Total Comprehensive income for the period	-	-	1,274,618	1,274,618
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends	-	-	(320,000)	(320,000)
Balance as at 30th September 2015	2,537,801	719,411	5,623,988	8,881,200

LION BREWERY (CEYLON) PLC
CASH FLOW STATEMENT

As at 30th September In Rs.'000s	Company			Group	
	30.09.2015	30.09.2014	31.03.2015 (Audited)	30.09.2015	31.03.2015 (Audited)
Cash Flows from Operating Activities					
Profit before taxation	1,842,897	1,464,120	2,279,389	1,835,116	2,386,367
Adjustments for:					
Finance expenses	590,916	399,483	791,417	610,073	791,422
Net inventory provision	11,093	-	24,112	11,093	24,112
Depreciation on property, plant & equipment	489,538	337,307	710,886	499,724	722,647
Amortisation on Intangible Assets	26,768	26,508	53,053	26,768	53,053
Provision for retirement benefit obligation	3,333	2,849	19,770	3,333	19,770
Impairment of assets held for sale	-	-	89,641	-	117,913
Impairment of Investment	-	-	120,377	-	-
Loss / (gain) on disposal of property, plant & equipment	(3,598)	(290)	154,963	(12,756)	153,804
Provision for irrecoverable VAT	-	-	339,811	-	339,811
Exchange loss/ (gain) on revaluation of foreign currency term	34,448	-	(1,927)	34,448	(1,927)
Deposit liability write back	-	-	(253,590)	-	(253,590)
Finance income	94,256	177,841	(222,302)	94,256	(222,302)
Operating cash flow before working capital changes	3,089,651	2,407,818	4,105,600	3,102,055	4,131,080
(Increase) / decrease in inventories	1,158,244	430,704	(127,155)	1,158,244	(127,155)
(Increase) / decrease in trade and other receivables	110,638	(297,671)	537,092	114,213	508,863
Increase in amounts due from related companies	(102,071)	(20,747)	(162,649)	(222,449)	(42,271)
Increase in amounts due to related companies	75,442	98,736	110,782	75,442	110,782
Increase / (decrease) in trade and other payables	(157,074)	(57,843)	12,704	(158,674)	21,244
Decrease In Tax payable	(202,220)	(475,164)	(121,918)	(202,220)	(47,451)
Cash generated from operations	3,972,610	2,085,834	4,354,456	3,866,611	4,555,092
Finance expenses paid	(551,259)	(399,483)	(768,197)	(570,416)	(768,202)
Tax paid	(57,000)	(235,114)	(407,766)	(57,000)	(24,779)
Retirement benefits paid	(1,958)	(2,226)	(24,779)	(1,958)	(407,766)
Net cash generated from operating activities	3,362,394	1,449,010	3,153,714	3,237,237	3,354,345
Cash Flows from investing activities					
Purchase and construction of property, plant & equipment	(857,034)	(1,477,518)	(2,700,903)	(858,585)	(4,052,989)
Borrowing cost capitalized	(68,119)	(263,515)	(505,697)	(68,119)	(505,697)
Purchase of intangible assets	(1,551)	(4,000,129)	(4,001,502)	-	(4,001,502)
Proceeds from sale of property, plant & equipment	11,072	1,200	58,358	20,244	146,909
Proceeds from sale of assets held for sale	58,660	-	-	123,418	-
Investments in Subsidiary	-	-	(1,150,000)	-	-
Agent deposits received	49,346	41,805	98,292	49,346	98,292
Agent deposits refunded	(2,502)	-	(2,910)	(2,502)	(2,910)
Interest received	(94,256)	(177,841)	222,302	(94,256)	222,302
Net cash used in investing activities	(904,384)	(5,875,998)	(7,982,060)	(830,454)	(8,095,595)
Cash flows from financing activities					
Loans and borrowings received	2,150,000	2,440,000	2,000,000	2,150,000	2,000,000
Proceeds from debentures	-	-	2,000,000	-	2,000,000
Repayments of loans and borrowing	(621,001)	(2,868,107)	(4,034,867)	(621,001)	(4,034,867)
Repayments of debentures	(201,200)	(201,200)	(201,200)	(201,200)	(201,200)
Share issue costs	-	-	-	-	(8,108)
Dividend paid net of tax	(288,015)	(288,026)	(288,029)	(288,015)	(288,029)
Net cash generated from financing activities	1,039,784	(917,333)	(524,096)	1,039,784	(532,204)
Net increase in cash & cash equivalents	3,497,794	(5,344,321)	(5,352,442)	3,446,568	(5,273,454)
Cash & cash equivalents at the beginning of the year	703,656	6,056,098	6,056,098	782,644	6,056,098
Cash & cash equivalents at the end of the year	4,201,451	711,777	703,656	4,229,212	782,644
Analysis of Cash and cash Equivalents					
Cash and cash equivalents	5,636,157	1,227,709	2,232,530	5,663,918	2,311,518
Bank overdraft	(1,434,706)	(515,932)	(1,528,874)	(1,434,706)	(1,528,874)
	4,201,451	711,777	703,656	4,229,212	782,644

LION BREWERY (CEYLON) PLC

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Lion Brewery (Ceylon) PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and is listed on the Colombo Stock Exchange. The parent company is Ceylon Beverage Holdings PLC and the ultimate parent company is Bukit Darah PLC. The registered office of the Company is situated at No 61, Janadhipathi Mawatha, Colombo 01 and the principal place of business is situated at No 254, Colombo Road, Biyagama.

The Interim Consolidated Financial Statements comprise of the Company and its subsidiaries (together referred to as the "Group" and individually Group entities). The subsidiaries of the Company are set out below.

Subsidiary	Controlling interest	Note
Pearl Springs (Private) Limited	100%	"PSPL"
Millers Brewery Limited	100%	100% Subsidiary of PSPL

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The condensed Interim Financial Statements of the Company and Group have been prepared in accordance with Sri Lanka Accounting Standard - LKAS 34 – Interim Financial Reporting. This Interim Financial Statement should be read in conjunction with the Annual Financial Statements for the year ended 31st March 2015 including the changes to accounting policies as a result of adapting to Sri Lanka Financial Reporting Standards, (" SLFRSs/LKASs ")

2.2 Basis of measurement

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

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

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

2.3 Functional Currency and Presentation Currency

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

3 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Finance Commitments

Document credits established for foreign purchases of the Company as at 30th September 2015 amounts to Rs. 219,989,952/- (2014 - Rs. 210,769,865/-)

3.2 Contingencies

(a) Contingent liabilities as at 30th September 2015 amount to Rs. 28,749,804/- (2014 -Rs. 11,243,535/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

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

The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the company and its directors to recover Excise Duty amounting to Rs. 58,753,582/94 comprising of the disputed Excise Duty of Rs. 29,376,791/47 and its penalty of Rs. 29,376,791/47. The Company and the directors have 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 made an order against the Company refusing the writ of certiorari prayed for and the Company has now preferred an appeal against the said order to the Supreme Court. Matter is currently at the stage of arguments.

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****3.2 Contingencies**

(b) An assessment has been received for Rs. 74,676,206/- from the Department of Inland Revenue to Millers Brewery Limited for income tax for the financial year 2011/12. As this pertains to the period when Millers Brewery was owned by Cargills Ltd, a bank guarantee has been provided by the previous owner Cargills Ltd to absolve the Millers Brewery Limited from any tax loss.

4 Debentures

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

The Company further issued 20,000,000 rated Unsecured Redeemable Debentures (Category 3 - Type I) at a face value of Rs. 100/- each to raise Rs. 2,000,000,000/- on 8th December 2014. The interest is paid on 30th September and 31st March for a period of 5 years.

The categories of Debentures and its proportion of the different types of debentures in each category are as follows.

	Rs. 000's
Category 01 Debentures - Floating Rate (Note 4.1)	603,600
Category 02 & 03 Debentures - Fixed Rate (Note 4.2)	<u>3,994,000</u>
	<u>4,597,600</u>

4.1 Category 01 Debentures - Floating Rate

Debentures Category	Amount Rs. ('000)	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum)	Redemption From the Date of Allotment
Category 01 -Type C	201,200	20%	AWPLR + 0.60%	36 Months (3 Years)
Category 01 -Type D	201,200	20%	AWPLR + 0.80%	48 Months (4 Years)
Category 01 -Type E	201,200	20%	AWPLR + 1.10%	60 Months (5 Years)
Total	603,600			

Category 01 -Type B debentures amounting to Rs. 201,200,000/- were redeemed on June 16, 2015.

4.2 Category 02 & 03 Debentures - Fixed Rate

Debentures Category	Amount Rs. ('000)	Proportion (From and out of the Category 02 Debentures issued)	Interest Rate (per annum)	AER (per annum)	Redemption From the Date of Allotment
Category 02 - Type F	598,200	30%	13.50%	14.20%	36 Months (3 Years)
Category 02 - Type G	598,200	30%	13.75%	14.48%	48 Month (4 Years)
Category 02 - Type H	797,600	40%	14.00%	14.75%	60 Months (5 Years)
Category 03 - Type I	2,000,000	N/A	7.85%	8.00%	60 Months (5 Years)
Total	3,994,000				

LION BREWERY (CEYLON) PLC

NOTES TO THE FINANCIAL STATEMENTS

4 Debentures (Contd.)

4.3 Composition of Debentures and Interest Payable

Rs. ('000)

Classified Under Non Current Liabilities

Total debentures on issue (Category 1, 2 & 3)	4,597,600
Debentures falling due within one year/Category Type B	(201,200)
Debentures falling due after one year	<u>4,396,400</u>

Classified Under Current Liabilities

Debentures falling due within one year/Category Type B	201,200
Interest payable	160,063
	<u>361,263</u>

4.4 Debenture trading information

	Quarter Ended - 30.09.2015			Quarter Ended - 30.06.2015		
	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)	Highest price (Rs.)	Lowest price (Rs.)	Last Traded Price (Rs.)
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)						
Type B - Floating Rate - 2 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type C - Floating Rate - 3 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type D - Floating Rate - 4 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type E - Floating Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type F - Fixed Rate - 3 Year	N/T	N/T	N/T	1,057	1,057	1,057
Type G - Fixed Rate - 4 Year	N/T	N/T	N/T	N/T	N/T	N/T
Type H - Fixed Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T
Debentures issued on 11th Dec 2014 (Rs.100/- par value)						
Type I - Fixed Rate - 5 Year	N/T	N/T	N/T	N/T	N/T	N/T

N/T - Not traded during the quarter.

Debenture Trading Information

	Quarter Ended - 30.09.2015	Quarter Ended - 30.06.2015
Interest yield of last trade done (%)		
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)		
Type F - Fixed Rate - 3 Year	N/T	12.77%

	Quarter Ended - 30.09.2015	Quarter Ended - 30.06.2015
Yield to maturity of last trade done (%)		
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)		
Type F - Fixed Rate - 3 Year	N/T	7.77%

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****4 Debentures (Contd.)****4.4 Debenture trading Information**

Interest rate of comparable government securities(%)	As at - 30.09.2015
03 year treasury bonds	9.24%
04 year treasury bonds	9.50%
05 year treasury bonds	9.58%

Debt related ratios - Company	Period Ended 30.09.2015
Debt/equity ratio (times)	1.53
Quick asset ratio (%)	71%
Interest cover (times)	4.57

5 SEGMENTAL ANALYSIS

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

6 COMPARATIVE FIGURES

Comparative figures/information have been restated/reclassified where necessary in line with the changes to the new Sri Lanka Accounting Standards (SLFRS/LKAS).

7 EVENTS AFTER THE REPORTING PERIOD

(a)The interim budget presented by the Honorable Minister of Finance on 29th January 2015, proposed an additional one off tax of 25% on entities /Groups that earned a profit before income tax in excess of Rs 2,000 Mn during the year of assessment 2013/14. The Finance Bill incorporating this proposal was presented to parliament on 22nd September 2015 and passed on 20th October 2015.

The consolidated profit before tax of the Company exceeds the above threshold of Rs. 2,000Mn. Accordingly, as per the provisions of the bill presented to the Parliament and enacted on 30 October 2015 the Company's liability is calculated at Rs. 288.2 Mn

This liability has not been adjusted in these interim financial statements as the bill was not enacted as at the Reporting Date.

Except for above no material events took place since September 30, 2015 that require disclosure in these Financial Statements.

8 INVESTOR INFORMATION

Investor Information	Period Ended		Year Ended
	30.09.2015	30.09.2014	31.03.2015
1 Share Information			
Price as at the end of the period (Rs.)	620.00	639.00	600.00
Highest price (Rs.)	680.00	740.00	740.00
Lowest price (Rs.)	618.00	450.00	370.00
2 Trading Statistics			
No of Transactions	128	691	1,330
No of Shares traded	108,330	129,470	1,715,781
Value of all shares traded (Rs. Mn.)	69	80	1,038

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****9 TWENTY MAJOR SHAREHOLDERS AS AT 30th SEPTEMBER 2015**

	Name of Shareholder	No.of Shares	%
1	CEYLON BEVERAGE HOLDINGS PLC	41,798,788	52.25
2	CARLSBERG BREWERY MALAYSIA BERHAD	19,979,686	24.97
3	CARSON CUMBERBATCH PLC A/C NO.2	4,107,793	5.13
4	HSBC INTL NOM LTD -SSBT -WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	2,256,243	2.82
5	HSBC INTL NOM LTD-MSCO-ROUTE ONE OFFSHORE MASTER FUND, LP	1,635,774	2.04
6	HSBC INTL NOM LTD-MSCO-ROUTE ONE FUND 1,L.P.	1,558,802	1.95
7	CACEIS BANK LUXEMBOURG S/A BARCA GLOBAL MASTER FUND LP	1,473,118	1.84
8	CARSON CUMBERBATCH PLC A/C NO. 01	1,400,758	1.75
9	BUKIT DARAH PLC A/C NO 2	1,300,000	1.63
10	GF CAPITAL GLOBAL LIMITED	1,205,199	1.51
11	CB NY S/A WASATCH FRONTIER EMERGING SMALL COUNTRIES CIT FUND	410,139	0.51
12	HSBC INTL NOM LTD-BP2S SINGAPORE-BNP PARIBAS BANK AND TRUST CAYMAN LIMITED AS TRUSTEE FOR HARVEST FUNDS (CAYMAN) - ASIA FRONTIER EQUITY FUND	322,394	0.40
13	SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	300,000	0.38
14	HSBC INTERNATIONAL NOMINEES LTD-MORGAN STANLEY AND CO INTL PLC - OWN A/C	200,000	0.25
15	MELLON BANK N.A.-COMMONWEALTH PEN PUB SCHOOL	166,193	0.21
16	PORTELET LIMITED	161,920	0.20
17	TRANZ DOMINION,L.L.C.	129,251	0.16
18	NEWGREENS LIMITED	83,200	0.10
19	UNION ASSURANCE PLC/ACCOUNT NO. 05 (UNIT-LINKED LIFE INSURANCE FUND - EQUITY TRACKER FUND)	71,527	0.09
20	FERN HOLDINGS (PRIVATE) LIMITED	56,590	0.07

10 PUBLIC HOLDING

Ordinary Shares of the Company held by the public as at 30th September 2015 are as follows;

Number of Public Shareholders	1,117
Percentage of Public holding	13.95%

11 DIRECTOR'S SHAREHOLDINGS

As at 30th September 2015	No. of Shares
Mr. L.C.R. de C. Wijetunge (Chairman)	-
Mr. H. Selvanathan (Deputy Chairman)	1,579
Mr. S. K. Shah (Chief Executive Officer)	6,016
Mr. D.C.R. Gunawardena	34
Mr. C. T. Liyanage	2,500
Mr. D. R. P. Goonetilleke	-
Mr. K. Selvanathan (Director / Alternate Director to H. Selvanathan)	-
Mrs. S.J.F. Evans	-
Mr. H.J.Andersen	-
Mr. D. A. Cabraal	-
Mr. Y.F.Lew	-

12 STATED CAPITAL

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

LION BREWERY (CEYLON) PLC

NOTES TO THE FINANCIAL STATEMENTS

13 RELATED PARTY TRANSACTIONS

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - 'Related Party Disclosures', the details of which are reported below.

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

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

- (i) As per the licensed brewing agreement with Ceylon Beverage Holdings PLC, the Company was charged Rs. 78,962,848/- (2014 -Rs. 70,074,746/-) as royalty during the period.
- (ii) No balance was receivable / payable to the Company from Ceylon Beverage Holdings PLC as at 30th September 2015 . (Payable 2014 - Rs. 11,634,410/-)

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Pubs 'N Places (Private) Limited, to which the Company sold beer for a total value of Rs. 84,443,895/- during the period. (2014 - 94,004,043/-)

- (i) An amount of Rs. 1,666,892/- was paid by the Company to Pubs 'N Places (Private) Limited as trade rebates on beer purchases during the period. (2014- Nil)
- (ii) No balance was receivable / payable to the Company by Pubs 'N Places (Private) Limited as at 30th September 2015 . (2014 - Nil)

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Retail Spaces (Private) Limited, to which the Company sold beer for a total value of Rs. 94,946,012/- (2014 - Rs. 77,188,310/-) during the period.

No balance was receivable / payable to the Company by Retail Spaces (Private) Limited as at 30th September 2015 . (2014 - Nil)

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

Messrs. S.K. Shah and D.R.P. Goonetilleke, Directors of the Company are also Directors of Luxury Brands (Private) Limited, for which the Company provided management services for a management fee amounting to Rs. 5,124,517/- . (2014 - 5,128,977/-)

(i) The excise licence for the import and distribution of imported spirits and imported beer was transferred to Luxury Brands (Pvt) Ltd during the period. As a result the import and sale of imported spirits and imported beer will be carried out by Luxury Brands (Pvt) Ltd in future. The Company transferred a stock of imported spirits and imported beer amounting to Rs. 859,624,886/- at cost to Luxury Brands during the period.

An amount of Rs. 478,791,479/- was receivable from Luxury Brands (Private) Limited to the Company as at 30th September 2015 . (2014 - Rs. 232,600,143/)

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****13 RELATED PARTY TRANSACTIONS (Contd.)****(E) Transactions with Sub Subsidiary - Millers Brewery Limited**

Messrs. D.R.P. Goonetilleke & C.T Liyanage, Directors of the Company are also Directors of Millers Brewery Limited.

(i) During the period the company purchased the following assets from Millers Brewery Limited

Asset Class	Carrying value (Rs.)	Purchase Cost (Rs.)
Plant & machinery	17,242,585	17,242,585
Bottles (625ML)	26,784,000	26,784,000
Kegs	20,751,000	20,751,000
Total	64,777,585	64,777,585

(ii) An amount of Rs. 4,560,000/- was charged as Rent fee for warehouse services provided by Millers Brewery Limited to the Company during the period. (2014 - Nil).

(iii) No balance was receivable / payable to the Company by Millers Brewery Limited as at 30th September 2015. (2014 - N/A)

(F) Transactions with Group entities

Messrs. H.Selvanathan, S.K.Shah and K. Selvanathan, Directors of the Company, are also Directors of Carsons Management Services (Private) Ltd., which provides supporting services to the Company. An amount of Rs. 163,218,632/-(2014 - Rs. 133,770,093/-) was charged by Carsons Management Services (Private) Limited to the Company during the period ,which included supporting services fees of Rs.145,563,255/- (2014 - 132,611,269/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

No balance remains receivable/ payable to Carsons Management Services (Private) Limited as at 30th September 2015 . (2014 - nil).

(G) Transactions with other related entities

(a) Messrs. H.J.Andersen, Y.F Lew Directors of the Company represents the Carlsberg Group with which the following contracts / transactions have been entered into during the period by the Company in the normal course of business.

(i) As per the licensed brewing agreement, a sum of Rs. 75,442,023/- (2014 - Rs. 60,046,940/-) was charged as royalty during the period by Carlsberg A/S.

(ii) During the period the Company purchased a part of its requirement of the raw material Aroma Hops from Carlsberg A/S amounting to Rs. 4,707,399/- (2014 - Rs. 4,028,473/-).

(iii) An amount of Rs. 251,844,617/-remains payable to Carlsberg A/S as at 30th September 2015 (2014 - Rs. 114,698,718/-).

(b) The Company purchases a part of its requirement of the raw material rice from Ran Sahal (Private) Limited. The entire production of Ran Sahal (Private) Limited is exclusively sold to the Company. Towards this the Company advances funds to Ran Sahal (Private) Limited from time to time against future purchases. During the period the Company purchased rice for an amount of Rs. 221,820,578/- (2014 - Rs.167,550,525/-). As at the reporting date an amount of Rs. 73,208,933/- (2014 - Rs. 73,222,434/-) has been advanced to Ran sahal (Private) Limited which remains to be settled against future purchases.

(c) Messrs D.C.R. Gunawardena, Director of the Company, is also a Director of following companies with which the Company entered into transactions.

(i) An amount of Rs. 40,776/- has been charged as parking fees to Equity Two PLC . (2014 - Rs. 20,571/-)

(ii) No transactions were carried out with Equity One PLC during the period. (2014- Rental fee Rs. 27,085/-)

(d) Messrs D.C.R. Gunawardene and Mr. H. Selvanathan , Directors of the Company, are also Directors of following companies with which the Company entered into transactions.

(i) No transactions were carried out with Carsons Air Line Services (Private) Limited during the period (2014 - Air tickets purchase 43,400/-).

(ii) No transactions were carried out with Pegasus Hotels of Ceylon PLC during the period (2014 - Hotel services Rs. 46,111/-).

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****13 RELATED PARTY TRANSACTIONS (Contd)**

- (e) Mr. L.C.R. de C. Wijetunge, director of the Company, is also a director of Janashakthi Insurance PLC for which the Company has paid Rs. 5,679,043/- for its services during the period. (2014 - 15,157,992/-).

(H) Transactions with key management personnel (KMP)

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

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

LION BREWERY (CEYLON) PLC

Corporate Information

NAME OF COMPANY

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

COMPANY REGISTRATION NUMBER

PQ 57

LEGAL FORM

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

SUBSIDIARY COMPANIES

Pearl Springs (Private) Limited
Millers Brewery Limited

PARENT AND CONTROLLING ENTITY

Ceylon Beverage Holdings PLC is the immediate Parent Company of Lion Brewery (Ceylon) PLC. In the opinion of the Directors, Carson Cumberbatch PLC is the Parent Company of Ceylon Beverage Holdings PLC and Bukit Darah PLC is the Ultimate Parent and Controlling Entity of Ceylon Beverage Holdings PLC.

DIRECTORS

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

BANKERS

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

LEGAL ADVISERS

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AUDITORS

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Chartered Accountants
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Colombo 3, Sri Lanka
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MANAGERS & SECRETARIES

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