

Lion Brewery (Ceylon) PLC

**Interim Condensed Financial Statements
for the Third Quarter ended
31st December 2015**

LION BREWERY (CEYLON) PLC

Review

Two significant events impacted the beer industry during the 3rd quarter of this financial year albeit, negatively. The first was in the first week of October when the tax on mild beer was increased by 27% & that of strong beer by 32%. The second was in the third week of November when strong beer taxes were increased by a further 29%. A relatively small reduction in the tax on mild beer was announced in November but was quickly reversed within a few days. Thus taken together, within a period of two months, the excise tax on strong beer was increased by 70% whilst that of mild beer was increased by 27%. These tax increases were ostensibly to increase Government revenue. If that was indeed the case, it has been an abject failure. Beer taxes, which stood at Rs 2.2 bn in September 2015 was down 18% to Rs 1.8 bn by December 2015, the first full month after the double tax increase on the industry. In the same month, when consumers first felt the full impact of the double tax increase, the Company experienced a significant drop in both volumes & profits. Thus policy makers at the Finance Ministry have successfully deprived the Government of revenue and undermined corporate & shareholder value of a public quoted company with – literally - two strokes of the pen. But that is not all.

The volume lost by the beer industry has been picked up by the toddy & arrack sectors.

Toddy is thought of as a poor man's drink which comes from coconut sap. It is certainly cheap since it is taxed at a mere Rs 30 per liter (strong beer which has approximately the same alcohol content attract a tax of Rs 315 a liter whilst mild beer with a lower alcohol content is taxed at Rs 190 per liter). However, the extent of coconut sap in commercially available bottled toddy is anybody's guess. Available information suggests that this so called toddy is made mostly of a chemical cocktail. To compound matters, most toddy industry players have a less than perfect reputation for meeting their tax obligations. Thus, the recent tax increase on beer has pushed a significant segment of consumers into a product that is – to put it mildly – unhygienic & into an industry that may not necessarily pay its taxes in full.

Arrack is the other sector that has gained from the beer industry's loss. Whilst the excise tax on strong beer was increased by 70%, the tax increase on arrack was very significantly lower at 24%. Since beer is acknowledged as the least harmful alcoholic beverage, the wide disparity in the tax increase between the two products and the preferential treatment meted out to a beverage with a higher alcohol content is both unusual & defies rationality. Post the recent excise duty adjustments, Sri Lanka is in a unique position; in this country, the tax per ml of alcohol is inversely proportionate to the alcohol content in the beverage! Thus in per ml of alcohol terms, mild beer attracts a higher tax than strong beer which in turn attracts a higher tax than arrack. In this modern day and age this is a shocking policy anomaly. This is not a result of a lack of knowledge; on two occasions – first prior to September and thereafter in November – policymakers at the Finance Ministry were briefed on global norms relating to the alcohol industry. On both occasions the Ministry was also briefed on the multiple concerns pertaining to the toddy industry. However, a home spun solution has found favor and the Ministry's message to consumers is clear; consume a beverage with a higher alcohol content. To make matters worse, some players in the arrack industry are perceived to walk a thin line in terms of their tax payments, much the same as with the toddy sector.

In summary, the recent excise duty amendments have led to greater consumption of products which are either unhygienic or of a higher alcohol content, has enhanced returns in two sectors where tax evasion is perceived to be widely prevalent, has reduced government revenue & has destroyed value in the beer sector. Thus in one fell swoop, consumer health, government revenue and industry profitability have all been compromised.

A number of initiatives have been put in place to re-structure the Company to suit the current operating environment. Thus whilst the results of the final 3 months of the year – and excise tax payments – are expected to be significantly lower than in the previous quarters, an improvement on the December results have already been realized.

LION BREWERY (CEYLON) PLC

BOARD OF DIRECTORS AS AT 31ST DECEMBER 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 31st December In Rs.'000s	Company		
	2015	2014	31.03.2015 (Audited)
ASSETS			
Non- Current Assets			
Property, plant & equipment	14,254,853	13,728,748	13,792,402
Intangible assets	4,170,502	4,217,565	4,205,582
Investments in subsidiaries	1,029,623	1,150,000	1,029,623
Total Non-Current Assets	19,454,978	19,096,313	19,027,607
Current Assets			
Inventories	2,590,648	3,211,194	2,798,064
Trade and other receivables	1,566,638	2,000,244	1,845,855
Amounts due from related companies	487,098	352,702	376,720
Assets held for sale	-	-	58,660
Cash and cash equivalents	4,599,212	2,055,461	2,232,530
Total Current Assets	9,243,596	7,619,601	7,311,829
Total Assets	28,698,574	26,715,914	26,339,436
EQUITY AND LIABILITIES			
Equity			
Stated capital	2,537,801	2,537,801	2,537,801
Capital reserves	719,411	719,411	719,411
Revenue reserves	5,696,179	4,897,195	4,560,771
Total Equity	8,953,391	8,154,407	7,817,983
Non- Current Liabilities			
Debentures (Note 4)	3,798,200	4,597,600	4,597,600
Loans and borrowings	1,818,752	3,169,851	2,874,862
Employee benefits	106,784	93,830	101,631
Deferred taxation	2,535,412	1,377,298	2,009,632
Total Non- Current Liabilities	8,259,148	9,238,579	9,583,725
Current Liabilities			
Trade and other payables	540,624	820,633	787,153
Amounts due to related companies	215,741	160,676	176,403
Refundable deposits	962,781	1,100,121	885,915
Current taxation	848,280	863,290	983,505
Debentures (Note 4)	920,245	295,489	331,964
Loans and borrowings	6,518,024	4,851,867	4,243,914
Bank overdrafts	1,480,340	1,230,852	1,528,874
Total Current Liabilities	11,486,035	9,322,928	8,937,728
Total Liabilities	19,745,183	18,561,507	18,521,453
Total Equity and Liabilities	28,698,574	26,715,914	26,339,436
Net assets per ordinary share (Rs.)	111.92	101.93	97.72

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

(Sgd.)

S.K. Shah

Director

(Sgd.)

C.T. Liyanage

Director

Carsons Management Services (Private) Limited

8th February 2016

LION BREWERY (CEYLON) PLC
CONDENSED STATEMENT OF FINANCIAL POSITION

	Group		
As at 31st December In Rs. '000s	2015	2014	31.03.2015 (Audited)

ASSETS

Non- Current Assets

Property, plant & equipment	15,030,469	15,064,838	14,583,827
Intangible assets	4,170,502	4,217,565	4,205,582
Investments in subsidiaries	-	-	-
Total Non-Current Assets	19,200,971	19,282,403	18,789,409

Current Assets

Inventories	2,590,648	3,211,194	2,798,064
Trade and other receivables	1,591,595	2,032,741	1,874,085
Amounts due from related companies	487,075	247,289	256,342
Assets held for sale	368,462	-	491,895
Cash and cash equivalents	4,636,450	2,057,788	2,311,518
Total Current Assets	9,674,230	7,549,012	7,731,904
Total Assets	28,875,201	26,831,415	26,521,313

EQUITY AND LIABILITIES

Equity

Stated capital	2,537,801	2,537,801	2,537,801
Capital reserves	719,411	719,411	719,411
Revenue reserves	5,788,665	4,928,422	4,669,370
Total Equity	9,045,877	8,185,634	7,926,582

Non- Current Liabilities

Debentures (Note 4)	3,798,200	4,597,600	4,597,600
Loans and borrowings	1,818,752	3,169,851	2,874,862
Employee benefits	106,784	93,830	101,631
Deferred taxation	2,600,150	1,451,766	2,074,371
Total Non- Current Liabilities	8,323,886	9,313,047	9,648,464

Current Liabilities

Trade and other payables	560,027	830,440	795,692
Amounts due to related companies	215,741	160,675	176,403
Refundable deposits	962,781	1,100,121	885,915
Current taxation	848,280	863,290	983,505
Debentures (Note 4)	920,245	295,489	331,964
Loans and borrowings	6,518,024	4,851,867	4,243,914
Bank overdrafts	1,480,340	1,230,852	1,528,874
Total Current Liabilities	11,505,438	9,332,734	8,946,267
Total Liabilities	19,829,324	18,645,781	18,594,731
Total Equity and Liabilities	28,875,201	26,831,415	26,521,313

Net assets per ordinary share (Rs.)	113.07	102.32	99.08
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The above figures are provisional and subject to audit.

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

<i>In Sri Lankan Rs. '000s</i> As at 31st December	Three months ended		Change %	Nine months ended		Change %	Year ended 31.03.2015 (Audited)
	31.12.2015	31.12.2014		31.12.2015	31.12.2014		
Revenue	8,229,209	8,558,680	(4)	27,168,433	22,877,269	19	32,350,375
Cost of sales	(6,013,800)	(6,343,149)	(5)	(20,168,605)	(16,884,538)	19	(24,217,959)
Gross Profit	2,215,409	2,215,531	(0)	6,999,828	5,992,731	17	8,132,416
Other income	10,756	4,119	161	14,801	9,201	61	234,749
	2,226,165	2,219,650	0	7,014,629	6,001,932	17	8,367,165
Distribution expenses	(822,746)	(938,274)	(12)	(2,610,398)	(2,541,083)	3	(3,670,066)
Administrative expenses	(315,648)	(217,148)	45	(806,736)	(623,384)	29	(885,649)
Other expenses	(99,901)	(28,109)	255	(250,914)	(105,261)	138	(199,311)
Loss / impairment on disposal of PPE	-	-	-	-	-	-	(274,514)
Profit From Operations Before Expenses Relating to New Investment	987,870	1,036,119	223	3,346,580	2,732,204	22	3,337,625
Expenses relating to new investment	-	-	-	-	-	-	(460,188)
Profit Before Finance Cost	987,870	1,036,119	(5)	3,346,580	2,732,204	22	2,877,437
Finance income	102,013	18,465	452	196,269	196,306	- 0	222,302
Finance costs	(292,244)	(191,751)	52	(902,312)	(601,557)	50	(820,350)
Net Finance (Costs)/Income	(190,231)	(173,286)	10	(706,043)	(405,251)	74	(598,048)
	797,639	862,833	(8)	2,640,537	2,326,953	13	2,279,389
Profit Before Taxation	797,639	862,833	(8)	2,640,537	2,326,953	13	2,279,389
Income tax expenses	(336,438)	(306,587)	10	(896,936)	(784,912)	14	(1,065,776)
Profit After Taxation	461,201	556,247	(17)	1,743,601	1,542,041	13	1,213,613
Remeasurement of employee benefit obligations		-	-	-	-	-	(7,996)
Total Comprehensive Income for the year	461,201	556,247	(17)	1,743,601	1,542,041	13	1,205,617
Earnings per ordinary share (Rs.)	5.77	6.95		21.80	19.28		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> As at 31st December	Three months	Nine months Ended		Change %	Year ended
	Ended 31.12.2015	31.12.2015	31.12.2014		31.03.2015 (Audited)
Revenue	8,229,209	27,168,433	22,877,269	19	32,350,375
Cost of sales	(6,013,800)	(20,168,605)	(16,884,538)	19	(24,217,959)
Gross Profit	2,215,409	6,999,828	5,992,731	17	8,132,416
Negative Goodwill	-	-	153,892		153,892
Other income	10,347	23,702	10,372	129	239,193
	2,225,756	7,023,530	6,156,996	14	8,525,501
Distribution expenses	(822,745)	(2,610,398)	(2,541,083)	3	(3,680,025)
Administrative expenses	(323,567)	(831,741)	(739,113)	13	(1,019,148)
Other expenses	(99,900)	(250,914)	(105,261)	138	(199,311)
Loss / impairment on disposal of PPE	-	-	-	0	(302,786)
Profit From Operations Before Expenses Relating to New Investment	979,544	3,330,477	2,771,538	20	3,324,231
Expenses relating to new investment	-	-	-		(339,811)
Profit Before Finance Cost	979,544	3,330,477	2,771,538		2,984,420
Finance income	102,013	196,269	196,306	(0)	222,302
Finance costs	(292,246)	(902,319)	(601,557)	50	(820,355)
Net Finance (Costs)/Income	(190,233)	(706,050)	(405,251)	74	(598,053)
Profit Before Taxation	789,311	2,624,427	2,366,287	11	2,386,367
Income tax expenses	(336,438)	(896,936)	(784,911)	14	(1,056,047)
Profit After Taxation	452,873	1,727,491	1,581,376	9	1,330,320
Remeasurement of employee benefit obligations	-	-	-	-	(7,996)
Total Comprehensive Income for the period	452,873	1,727,491	1,581,376	9	1,322,324
Earnings per ordinary share (Rs.)	5.66	21.59	19.77		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 31st December				
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	-	-	1,542,041	1,542,041
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	1,542,041	1,542,041
Transactions with owners, recorded directly in equity contribution by				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st December 2014	2,537,801	719,411	4,897,195	8,154,407
Balance as at 1st April 2014				
Total Comprehensive income for the year	2,537,801	719,411	3,675,154	6,932,366
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
Super gains Tax - Adjustment to retained earnings				
	-	-	(288,193)	-
Balance as at 1st April 2015	2,537,801	719,411	4,272,578	6,932,366
Total Comprehensive income for the period				
Profit for the period	-	-	1,743,601	1,743,601
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	6,016,179	6,016,179
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st December 2015	2,537,801	719,411	5,696,179	8,953,391
GROUP				
On consolidation	2,537,801	719,411	3,675,154	6,932,366
Total Comprehensive income for the period				
Profit for the period	-	-	1,581,376	1,581,376
Total other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	1,581,376	1,581,376
Share issue costs	-	-	(8,108)	(8,108)
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Ordinary dividends	-	-	(320,000)	(320,000)
Preference dividends	-	-	-	-
Balance as at 31st December 2014	2,537,801	719,411	4,928,422	8,185,634
On consolidation				
Total Comprehensive Income	2,537,801	719,411	3,675,154	6,932,366
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
Super gains Tax - Adjustment to retained earnings				
	-	-	(288,193)	-
Balance as at 1st April 2015	2,537,801	719,411	4,381,177	7,926,582
Total Comprehensive Income				
Profit for the period	-	-	1,727,491	1,727,491
Other comprehensive loss for the period	-	-	-	-
Total Comprehensive income for the period	-	-	1,727,491	1,727,491
Transactions with owners, recorded directly in equity contribution by and distribution to owners				
Dividends	-	-	(320,000)	(320,000)
Balance as at 31st December 2015	2,537,801	719,411	5,788,665	9,045,877

LION BREWERY (CEYLON) PLC**CASH FLOW STATEMENT**

As at 31st December In Rs.'000s	Company		Group	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Cash Flows from Operating Activities				
Profit before taxation	2,640,537	2,326,953	2,624,427	2,366,287
Adjustments for:				
Finance expenses	906,431	601,557	902,319	601,557
Net inventory provision	4,678	-	4,678	-
Depreciation on property, plant & equipment	731,006	510,350	746,038	525,320
Amortisation on Intangible Assets	40,207	39,769	40,207	39,769
Provision for retirement benefit obligation	7,335	2,849	7,335	2,849
Impairment of PPE	635	-	635	-
Loss / (gain) on disposal of property, plant & equipment	(3,572)	7,929	(12,744)	7,929
Exchange loss/ (gain) on revaluation of foreign currency term	36,940	-	36,940	-
Finance income	(196,269)	-	(196,269)	-
Operating cash flow before working capital changes	4,167,929	3,489,407	4,153,566	3,543,711
(Increase) / decrease in inventories	202,738	(516,173)	202,738	(516,173)
(Increase) / decrease in trade and other receivables	279,217	384,480	282,490	351,986
Increase in amounts due from related companies	(110,378)	(138,631)	(230,733)	(33,218)
Increase in amounts due to related companies	39,338	93,275	39,338	93,274
Increase / (decrease) in trade and other payables	(246,514)	46,160	(235,650)	55,965
Decrease In Tax payable	(430,966)	(320,897)	(430,966)	(246,429)
Cash generated from operations	3,901,364	3,037,621	3,780,783	3,249,117
Finance expenses paid	(900,749)	(601,557)	(896,637)	(601,557)
Tax paid	(107,415)	(345,990)	(107,415)	(345,991)
Super gains tax paid	(288,193)	-	(288,193)	-
Retirement benefits paid	(2,183)	(2,309)	(2,183)	(2,309)
Net cash generated from operating activities	2,602,824	2,087,766	2,486,355	2,299,261
Cash Flows from investing activities				
Purchase and construction of property , plant & equipment	(1,092,568)	(2,200,689)	(1,092,568)	(3,556,265)
Borrowing cost capitalized	(109,025)	(385,472)	(109,025)	(385,472)
Purchase of intangible assets	(5,129)	(4,000,129)	(5,129)	(4,000,129)
Proceeds from sale of property, plant & equipment	11,072	5,299	21,019	9,820
Proceeds from sale of assets held for sale	58,660	-	123,433	-
Investments in Subsidiary	-	(1,150,000)	-	-
Agent deposits received	96,958	55,998	96,958	55,998
Agent deposits refunded	(20,092)	-	(20,092)	-
Interest received	196,269	-	196,269	-
Net cash used in investing activities	(863,854)	(7,674,993)	(789,134)	(7,876,048)
Cash flows from financing activities				
Loans and borrowings received	2,150,000	2,440,000	2,150,000	2,440,000
Proceeds from debentures	-	2,000,000	-	2,000,000
Repayments of loans and borrowing	(984,540)	(3,595,036)	(984,540)	(3,595,036)
Repayments of debentures	(201,200)	(201,200)	(201,200)	(201,200)
Share issue costs	-	-	-	(8,110)
Dividend paid net of tax	(288,015)	(288,026)	(288,015)	(288,029)
Net cash generated from financing activities	676,245	355,738	676,245	347,625
Net increase in cash & cash equivalents	2,415,215	(5,231,489)	2,373,466	(5,229,162)
Cash & cash equivalents at the beginning of the year	703,656	6,056,098	782,644	6,056,098
Cash & cash equivalents at the end of the year	3,118,872	824,609	3,156,110	826,936
Analysis of Cash and cash Equivalents				
Cash and cash equivalents	4,599,212	2,055,461	4,636,450	2,057,788
Bank overdraft	(1,480,340)	(1,230,852)	(1,480,340)	(1,230,852)
	3,118,872	824,609	3,156,110	826,936

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 31st December 2015 amounts to Rs. 186,552,199/- (2014 - Rs. 346,622,085/-)

3.2 Contingencies

(a) Contingent liabilities as at 31st December 2015 amount to Rs. 3,649,536/- (2014 -Rs. 19,177,952/-), 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	(799,400)
Debentures falling due after one year	<u>3,798,200</u>

Classified Under Current Liabilities

Debentures falling due within one year	799,400
Interest payable	120,845
	<u>920,245</u>

4.4 Debenture trading information

	Quarter Ended - 31.12.2015			Quarter Ended - 30.09.2015		
	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	N/T	N/T	N/T
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 - 31.12.2015	Quarter Ended - 30.09.2015
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	N/T

	Quarter Ended - 31.12.2015	Quarter Ended - 30.09.2015
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	N/T

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

Interest rate of comparable government securities(%)	Date	Period Ended 31.12.2015
03 year treasury bonds	No data	N/A
04 year treasury bonds	04.12.2015	8.91%
05 year treasury bonds	30.12.2015	9.79%

Debt related ratios - Company

Debt/equity ratio (times)	1.46
Quick asset ratio (%)	58%
Interest cover (times)	4.74

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

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements.

8 INVESTOR INFORMATION

Investor Information	Quarter Ended		Nine months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
1 Share Information				
Price as at the end of the period (Rs.)	630.00	654.60	630.00	654.60
Highest price (Rs.)	660.00	657.00	700.00	740.00
Lowest price (Rs.)	590.00	600.00	590.00	370.00
2 Trading Statistics				
No of Transactions	98	257	337	1,218
No of Shares traded	1,088,133	1,475,805	1,257,930	1,649,821
Value of all shares traded (Rs. Mn.)	681	898	789	997

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****9 TWENTY MAJOR SHAREHOLDERS AS AT 31st December 2015**

	Name of Shareholder	No. of Shares	%
1	CEYLON BEVERAGE HOLDINGS PLC	41,798,788	52.25
2	CARLSBERG BREWERY MALAYSIA BERHAD	20,000,686	25.00
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	2,120,243	2.65
5	CACEIS BANK LUXEMBOURG S/A BARCA GLOBAL MASTER FUND LP	1,473,118	1.84
6	CARSON CUMBERBATCH PLC A/C NO. 01	1,400,758	1.75
7	BUKIT DARAH PLC A/C NO 2	1,300,000	1.63
8	HSBC INTL NOM LTD-MSCO-ROUTE ONE OFFSHORE MASTER FUND L.P.	1,254,414	1.57
9	GF CAPITAL GLOBAL LIMITED	1,205,199	1.51
10	HSBC INTL NOM LTD-MSCO-ROUTE ONE FUND 1,L.P.	1,148,572	1.44
11	NORTHERN TRUST GLOBAL SERVICES LONDON S/A VERDIPAPIRFONDET ODIN EMERGING MARKE	500,000	0.63
12	CB NY S/A WASATCH FRONTIER EMERGING SMALL COUNTRIES CIT FUND	410,139	0.51
13	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
14	SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	300,000	0.38
15	MELLON BANK N.A.-FLORIDA RETIREMENT SYSTEM	212,700	0.27
16	HSBC INTERNATIONAL NOMINEES LTD-MORGAN STANLEY AND CO INTL PLC - OWN A/C	200,000	0.25
17	MELLON BANK N.A.-COMMONWEALTH PEN PUB SCHOOL	166,193	0.21
18	PORTELET LIMITED	161,920	0.20
19	TRANZ DOMINION,L.L.C.	129,251	0.16
20	HSBC INTL NOM LTD-SSBT- RUSSELL INSTITUTIONAL FUNDS PUBLIC LIMITED COMPANY	119,000	0.15

10 PUBLIC HOLDING

Ordinary Shares of the Company held by the public as at 31st December 2015 are as follows;

Number of Public Shareholders	1,103
Percentage of Public holding	13.92%

11 DIRECTOR'S SHAREHOLDINGS

As at 31 st December 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. 89,428,999/- (2014 - Rs. 108,298,308/-) as royalty during the period.
- (ii) A dividend of Rs. 150,475,636/- was paid by the Company to Ceylon Beverage Holdings PLC during the period. (2014 - Rs. 150,475,636/-)
- (iii) A balance of Rs. 3,824,225/- remains receivable to the Company from Ceylon Beverage Holdings PLC as at 31st December 2015. (Payable 2014 - 17,707,602/-)

(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. 125,891,242/- during the period. (2014 - Rs. 138,389,090/-)

- (i) An amount of Rs. 7,065,040/- was paid by the Company to Pubs 'N Places (Private) Limited as trade rebates on beer purchases during the period. (2014 - Rs. 4,449,373/-)
- (ii) No balance was receivable / payable to the Company by Pubs 'N Places (Private) Limited as at 31st December 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. 138,839,311/- (2014 - Rs. 122,611,864/-) during the period.

- (i) No balance was receivable / payable to the Company by Retail Spaces (Private) Limited as at 31st December 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. 23,942,596/-. (2014 - 9,742,261/-)

(i) The excise licence for the import and distribution of imported spirits and imported beer was transferred to Luxury Brands (Pvt) Ltd during the 2nd quarter. 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.

- (ii) An amount of Rs. 483,250,402/- was receivable from Luxury Brands (Private) Limited to the Company as at 31st December 2015. (2014 - Rs. 247,285,511/-)

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	17,962,451	17,962,451
Bottles (625ML)	26,784,000	26,784,000
Kegs	20,751,000	20,751,000
Computer Equipment	25,666	25,666
Total	65,523,117	65,523,117

(ii) An amount of Rs. 6,720,000/- was charged as Rent fee for warehouse services provided by Millers Brewery Limited to the Company during the period. (2014 - Nil).

(iii) An amount of Rs. 22,930/- was receivable to the Company from Millers Brewery Limited as at 31st December 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. 268,845,589/-(2014 - Rs. 220,169,023/-) was charged by Carsons Management Services (Private) Limited to the Company during the period ,which included supporting services fees of Rs. 258,943,493/-(2014 - Rs. 162,132,537/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

A balance of Rs. 46,900,258/- remains payable to Carsons Management Services (Private) Limited as at 31st December 2015 (2014 -Rs. 13,565,528/-).

(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. 104,055,324/- (2014 - Rs. 90,097,188/-) 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. 6,577,999/- (2014 - Rs. 5,922,747/-).

(iii) An amount of Rs. 168,840,837 /- remains payable to Carlsberg A/S as at 31st December 2015 (2014 - Rs. 142,969,040/-).

(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. 296,616,703/- (2014 - Rs. 236,267,745/-). As at the reporting date an amount of Rs. 28,207,641/- (2014 - Rs. 49,419,257/-) 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 by Equity Two PLC . (2014 - Rs. 30,857/-)

(ii) No transactions were carried out with Equity One PLC during the period. (2014- Rental fee Rs. 27,086/-)

(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. 6,561,503/- for its services during the period. (2014 - 15,736,321/-).

(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
Standard Chartered Bank
Sampath Bank
Peoples' Bank

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Chartered Accountants
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MANAGERS & SECRETARIES

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