

Lion Brewery (Ceylon) PLC

*Interim Condensed Financial Statements
for the Second Quarter ended
30th September 2016*

LION BREWERY (CEYLON) PLC

Review

As shareholders are aware, our brewery was badly affected by floods in May 2016. Work on plant recovery is now nearing completion and by the time this report is in shareholder hands, the brewery would have commenced commercial production.

Whilst the brewery was out of production, we continued to supply the market – albeit not 100% - through imports that came from four Carlsberg breweries in the Asian region. We placed our brewers in the locations that supplied us our own brands to ensure the quality and consistency consumers expect from us. Considering the circumstances – i.e. a natural disaster – the Government was kind enough to deem these imports as local production. Thus, for a specified quantity, taxes at the point of import were limited to the value of the local excise duty. Whilst we understand that other similarly affected businesses availed themselves of a similar facility, for our part we are deeply appreciative of this gesture on the part of the Government.

We are now in the process of finalizing claims with our insurers and we are confident that this process will conclude before the end of the on-going financial year. Pending the receipt of monies from insurers, we have depended on bank borrowings to fund the replacement of equipment. We are indeed indebted to these banks for the tremendous support they have extended.

Due to logistical reasons, the imports mentioned above were restricted to cans. Thus our major SKU, bottles, were not available in the market – other than for relatively smaller quantities of Carlsberg and Carlsberg Special Brew - whilst the brewery was not in production. As a result, sales were hampered and our results impacted.

During the 2nd quarter we recorded a turnover of Rs.4.4 billion compared to Rs.9.8 billion for the corresponding period last year, a reduction of 55%. Due to the drop in sales as well as higher costs incurred during the period of the shutdown, we recorded a pre-tax loss of Rs.288 million for this period compared to a pre-tax profit of Rs.1,041.2 million over the corresponding period of the previous year. For the 6 months ending 30th September, we recorded a turnover of Rs.10 billion and a pre-tax loss of Rs.604.7 million compared to Rs.18.9 billion & a pre-tax profit of Rs.1.8 billion respectively for the previous year.

LION BREWERY (CEYLON) PLC

Review

Subsequent to the conclusion of the quarter and effective 1st of November 2016, the alcohol industry has been included in the VAT net. This in itself is not objectionable. Indeed, it is rational. However, the manner in which it was done leaves much to be desired. This is because in October 2014 when the alcohol industry was made VAT exempt in a confounding move, it was done with revenue neutrality, i.e. excise taxes were increased to recover the loss from VAT. In this instance however, the inclusion in the VAT net has not been accompanied with revenue neutrality, i.e. the industry pays the higher excise duty plus the VAT.

The beer industry – to a degree greater than the others in the alcobev sector – has been at the receiving end of this type of ad-hoc and incomprehensible policy making for many years. With the advent of this government, we hoped things would change and that a more rational approach would prevail. Unfortunately, this has not been the case and today Sri Lankans consume a significantly greater amount of hard alcohol than they did two years ago. During this period the tax on beer increased by as much as 70% whilst that on spirits was increased by a significantly lower 25%. As a result, consumption of spirits has increased by 9%, whilst that of beer has reduced by 39%. It is the same with toddy; an unhealthy beverage, made in the most unhygienic conditions and no longer of coconut sap but made now of a chemical concoction. Whilst empirical evidence strongly indicates that there has been a very significant increase in the consumption of toddy, available records hide this fact since quantities manufactured are not accurately disclosed by producers. We hope however, that better sense will prevail sooner rather than later.

LION BREWERY (CEYLON) PLC

BOARD OF DIRECTORS AS AT 30TH SEPTEMBER 2016

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 (Resigned w.e.f. 20/08/2016)

Mr. D. A. Cabraal

Mr. Y. F. Lew

Mr. L. Lehmann (Appointed w.e.f. 20/08/2016)

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

<i>In Sri Lankan Rs. '000s</i>	Quarter Ended		Change %	Six months ended		Change %	Year ended 31.03.2016 (Audited)
	30.09.2016	30.09.2015		30.09.2016	30.09.2015		
Revenue	4,447,472	9,802,471	(55)	10,059,881	18,939,224	(47)	35,526,379
Cost of sales	(3,872,332)	(7,246,057)	(47)	(8,307,087)	(14,154,805)	(41)	(26,710,333)
Gross Profit	575,140	2,556,414	(78)	1,752,794	4,784,419	(63)	8,816,046
Other income	20,305	1,683	1106	24,341	4,045	502	17,315
	595,445	2,558,097	(77)	1,777,135	4,788,464	(63)	8,833,361
Distribution expenses	(595,041)	(926,996)	(36)	(1,178,095)	(1,787,653)	(34)	(3,505,996)
Administrative expenses	(255,188)	(248,540)	3	(501,073)	(491,088)	2	(1,094,109)
Other expenses	(40,225)	(81,733)	(51)	(72,973)	(151,014)	(52)	(312,518)
Operating Profit/ (Loss)	(295,009)	1,300,828	(123)	24,994	2,358,709	(99)	3,920,738
Flood related losses (Note 5)	(236)	-	-	(412,930)	-	-	-
Insurance receipts	300,000	-	-	300,000	-	-	-
Profit/(Loss) Before Finance Cost	4,755	1,300,828	(100)	(87,936)	2,358,709	(104)	3,920,738
Finance income	94,335	60,046	57	173,845	94,256	84	274,164
Finance costs	(382,116)	(315,470)	21	(677,316)	(610,068)	11	(1,193,276)
Net Finance (Costs)/Income	(287,781)	(255,424)	13	(503,471)	(515,812)	(2)	(919,112)
	(283,026)	1,045,404	(127)	(591,407)	1,842,897	(132)	3,001,626
Income tax expenses	(188,772)	(345,933)	(45)	(349,051)	(560,498)	(38)	(947,218)
Profit/(Loss) After Taxation	(471,798)	699,471	(167)	(940,458)	1,282,399	(173)	2,054,408
Other Comprehensive Income							
Items that will never be reclassified to profit or loss							
Remeasurement of employee benefit obligations	-	-	-	-	-	-	7,491
Deferred tax adjustment	-	-	-	-	-	-	(2,997)
Revaluation gain on land and building	-	-	-	-	-	-	484,982
Deferred tax adjustment	-	-	-	-	-	-	(70,164)
Total other comprehensive income/(loss) for the period net of tax	-	-	-	-	-	-	419,312
Total Comprehensive Income/(Loss) for the year	(471,798)	699,471	(167)	(940,458)	1,282,399	(173)	2,473,720
Earnings/(Loss) per ordinary share (Rs.)	(5.90)	8.74		(11.76)	16.03		25.68

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>	Quarter Ended		Change	Six months ended		Change	Year ended
	30.09.2016	30.09.2015	%	30.09.2016	30.09.2015	%	31.03.2016 (Audited)
Revenue	4,447,472	9,802,471	(55)	10,059,881	18,939,224	(47)	35,526,379
Cost of sales	(3,872,332)	(7,246,057)	(47)	(8,307,087)	(14,154,805)	(41)	(26,710,333)
Gross Profit	575,140	2,556,414	(78)	1,752,794	4,784,419	(63)	8,816,046
Other income	22,911	5,865	291	27,493	13,355	106	19,358
	598,051	2,562,279	(77)	1,780,287	4,797,774	(63)	8,835,404
Distribution expenses	(595,041)	(926,997)	(36)	(1,178,095)	(1,787,653)	(34)	(3,505,996)
Administrative expenses	(262,817)	(256,842)	2	(517,507)	(508,174)	2	(1,139,411)
Other expenses	(40,225)	(81,733)	(51)	(72,973)	(151,014)	(52)	(312,518)
Operating Profit/(Loss)	(300,032)	1,296,707	(123)	11,712	2,350,933	(100)	3,877,479
Flood related losses (Note 5)	(236)	-	-	(412,930)	-	-	-
Insurance receipts	300,000	-	-	300,000	-	-	-
Profit/(Loss) Before Finance Cost	(268)	1,296,707	(100)	(101,218)	2,350,933	(104)	3,877,479
Finance income	94,335	60,047	57	173,845	94,256	84	274,164
Finance costs	(382,115)	(315,471)	21	(677,323)	(610,073)	11	(1,193,286)
Net Finance (Costs)/Income	(287,780)	(255,424)	13	(503,478)	(515,817)	(2)	(919,122)
Profit/(Loss) Before Taxation	(288,048)	1,041,283	(128)	(604,696)	1,835,116	(133)	2,958,357
Income tax expenses	(189,176)	(345,933)	(45)	(349,527)	(560,498)	(38)	(877,812)
Profit/(Loss) After Taxation	(477,224)	695,350	(169)	(954,223)	1,274,618	(175)	2,080,545
Other Comprehensive Income							
Items that will never be reclassified to profit or loss							
Remeasurement of employee benefit obligations	-	-	-	-	-	-	7,491
Deferred tax adjustment	-	-	-	-	-	-	(2,997)
Revaluation gain on land and building	-	-	-	-	-	-	657,691
Deferred tax adjustment	-	-	-	-	-	-	(74,985)
Total other comprehensive income/(loss) for the year net of tax	-	-	-	-	-	-	587,200
Total Comprehensive Income/(loss) for the year	(477,224)	695,350	(169)	(954,223)	1,274,618	(175)	2,667,745
Earnings/(Loss) per ordinary share (Rs.)	(5.97)	8.69		(11.93)	15.93		26.01

The above figures are provisional and subject to audit.

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

<i>In Rs. '000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2015	2,537,801	719,411	4,272,578	7,529,790
Profit for the period	-	-	1,282,399	1,282,399
Other comprehensive income	-	-	-	-
Total Comprehensive income for the period	-	-	1,282,399	1,282,399

Transactions with owners, recorded directly in equity contribution by and distribution to owners

Ordinary dividends	-	-	(320,000)	-
Balance as at 30th September 2015	2,537,801	719,411	5,234,977	8,812,189

Balance as at 1st April 2015	2,537,801	719,411	4,272,578	7,529,790
Total Comprehensive income for the year	-	-	-	-
Profit for the period	-	-	2,054,408	2,054,408
Other comprehensive income	-	414,818	4,494	419,312
Total Comprehensive income for the year	-	414,818	2,058,902	2,473,720

Transactions with owners, recorded directly in equity contribution by and distribution to owners

Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2016	2,537,801	1,134,229	6,011,480	9,683,510

Balance as at 1st April 2016	2,537,801	1,134,229	6,011,480	9,683,510
Total Comprehensive income for the period	-	-	-	-
Loss for the period	-	-	(940,458)	(940,458)
Other comprehensive income	-	-	-	-
Total Comprehensive loss for the period	-	-	(940,458)	(940,458)

Transactions with owners, recorded directly in equity contribution by and distribution to owners

Ordinary dividends	-	-	(240,000)	(240,000)
Balance as at 30th September 2016	2,537,801	1,134,229	4,831,022	8,503,052

GROUP

<i>In Rs. '000s</i>	Stated Capital	Revaluation Reserve	Retained Earnings	Total Equity
Balance as at 1st April 2015	2,537,801	719,411	4,381,177	7,638,389
Total Comprehensive income for the period	-	-	-	-
Profit for the period	-	-	1,274,618	1,274,618
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

Ordinary dividends	-	-	(320,000)	-
Balance as at 30th September 2016	2,537,801	719,411	5,335,795	8,913,007

Balance as at 1st April 2015	2,537,801	719,411	4,381,177	7,638,389
Total Comprehensive income for the year	-	-	-	-
Profit for the year	-	-	2,080,545	2,080,545
Other comprehensive income	-	582,706	4,494	587,200
Total Comprehensive income for the year	-	582,706	2,085,039	2,667,745

Transactions with owners, recorded directly in equity contribution by and distribution to owners

Ordinary dividends	-	-	(320,000)	(320,000)
Balance as at 31st March 2016	2,537,801	1,302,117	6,146,216	9,986,134

Balance as at 1st April 2016	2,537,801	1,302,117	6,146,216	9,986,134
Total Comprehensive income for the period	-	-	-	-
Loss for the period	-	-	(954,223)	(954,223)
Other comprehensive income	-	-	-	-
Total Comprehensive loss for the period	-	-	(954,223)	(954,223)

Transactions with owners, recorded directly in equity contribution by and distribution to owners

Ordinary dividends	-	-	(240,000)	(240,000)
Balance as at 30th September 2016	2,537,801	1,302,117	4,951,993	8,791,911

LION BREWERY (CEYLON) PLC						
CASH FLOW STATEMENT						
Period ended In Rs.'000s	Company			Group		
	30-Sep-16	30-Sep-15	Year ended 31.03.2016 (Audited)	30-Sep-16	30-Sep-15	Year ended 31.03.2016 (Audited)
Cash Flows from Operating Activities						
Profit/(Loss) before taxation	(591,407)	1,842,897	3,001,626	(604,696)	1,835,116	2,958,357
Adjustments for:						
Finance costs	677,316	590,916	1,202,128	677,316	610,073	1,202,138
Depreciation on property, plant & equipment	536,660	489,538	987,450	552,486	499,724	1,022,306
Amortisation on Intangible assets	26,440	26,768	53,514	26,440	26,768	53,514
Net inventory provision/(reversal)	(15,500)	11,093	11,232	(15,500)	11,093	11,232
Provision for retirement benefit obligation	7,843	3,333	21,028	7,843	3,333	21,028
Impairment of property, plant & equipment	-	-	749	-	-	749
Loss /(gain) on disposal of property, plant & equipment	43,175	(3,598)	(7,859)	43,175	(12,756)	(8,941)
Exchange loss/ (gain) on revaluation of foreign currency term loans	(15,280)	34,448	(49,783)	(15,280)	34,448	(49,783)
Finance Income	(173,845)	94,256	(274,164)	(173,845)	94,256	(274,164)
Operating cash flow before working capital changes	495,402	3,089,651	4,945,921	497,939	3,102,055	4,936,436
(Increase) / decrease in inventories	(1,391,904)	1,158,244	706,872	(1,391,904)	1,158,244	706,872
(Increase) / decrease in trade and other receivables	(1,271,030)	110,638	184,993	(1,273,081)	114,213	188,272
(Increase)/ decrease in amounts due from related companies	(171,971)	(102,070)	75,410	(171,971)	(222,449)	(44,968)
Increase/(decrease) In Tax payable	(1,014,650)	(202,220)	20,757	(1,024,197)	(202,220)	30,149
Increase / (decrease) in trade and other payables	906,827	(157,074)	(115,855)	907,096	(158,674)	(116,828)
Increase in amounts due to related companies	276,015	75,442	17,916	275,383	75,442	17,916
Cash generated from/(used in) operations	(2,171,311)	3,972,611	5,836,014	(2,180,735)	3,866,611	5,717,849
Finance expenses paid	(654,762)	(551,259)	(1,174,014)	(654,762)	(570,416)	(1,174,024)
Retirement benefits paid	(7,077)	(1,958)	(6,590)	(7,077)	(1,958)	(6,590)
Tax paid	(49,682)	(57,000)	(107,415)	(50,158)	(57,000)	(107,258)
Super gains tax paid	-	-	(288,193)	-	-	(288,193)
Net cash generated from/(used in) operating activities	(2,882,832)	3,362,394	4,259,802	(2,892,732)	3,237,237	4,141,784
Cash Flows from investing activities						
Purchase and construction of property, plant & equipment	(811,769)	(857,034)	(1,451,728)	(811,793)	(858,585)	(1,451,729)
Borrowing cost capitalized	(63,302)	(68,119)	(136,650)	(63,302)	(68,119)	(136,650)
Purchase of intangible assets	(277)	(1,550)	(5,248)	(277)	-	(5,248)
Proceeds from sale of property, plant & equipment	1,000	11,072	15,361	22,287	20,247	17,299
Proceeds from sale of assets held for sale	-	58,660	58,660	-	123,418	178,576
Agent deposits received	823	49,346	126,805	823	49,346	126,805
Agent deposits refunded	-	(2,502)	(25,552)	-	(2,502)	(25,552)
Interest received	170,143	(94,256)	274,164	170,143	(94,256)	274,166
Net cash used in investing activities	(703,382)	(904,383)	(1,144,188)	(682,119)	(830,451)	(1,022,333)
Cash flows from financing activities						
Loans and borrowings received	7,550,000	2,150,000	2,000,000	7,550,000	2,150,000	2,000,000
Repayments of loans and borrowing	(2,979,032)	(621,001)	(2,894,924)	(2,979,032)	(621,001)	(2,894,924)
Repayments of debentures	(799,400)	(201,200)	(201,200)	(799,400)	(201,200)	(201,200)
Dividend paid net of tax	(215,680)	(288,015)	(288,159)	(215,680)	(288,015)	(288,159)
Net cash generated from financing activities	3,555,888	1,039,784	(1,384,283)	3,555,888	1,039,784	(1,384,283)
Net increase/(decrease) in cash & cash equivalents	(30,326)	3,497,795	1,731,331	(18,963)	3,446,570	1,735,168
Cash & cash equivalents at the beginning of the year	2,434,987	703,656	703,656	2,517,810	782,642	782,642
Cash & cash equivalents at the end of the year	2,404,661	4,201,451	2,434,987	2,498,847	4,229,212	2,517,810
Analysis of cash and cash equivalents						
Cash and cash equivalents	3,971,581	5,636,157	3,621,359	4,065,795	5,663,918	3,704,225
Bank overdraft	(1,566,920)	(1,434,706)	(1,186,372)	(1,566,948)	(1,434,706)	(1,186,415)
	2,404,661	4,201,451	2,434,987	2,498,847	4,229,212	2,517,810

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 2016 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 2016 amounts to Rs. 463,735,655/- (2015 - Rs. 219,989,952)

LION BREWERY (CEYLON) PLC

NOTES TO THE FINANCIAL STATEMENTS

3.2 Contingencies

(a) Contingent liabilities as at 30th September 2016 amount to Rs. 282,921,823/- (2015 -Rs. 28,749,804/-), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

(b) The 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 of 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.

(c) 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 deposit managed through an Escrow account has been provided by the previous owner Cargills Ltd to absolve the Millers Brewery Limited from any arising tax loss.

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****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)	402,400
Category 02 & 03 Debentures - Fixed Rate (Note 4.2)	<u>3,395,800</u>
	<u>3,798,200</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 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	402,400			

Category 01 -Type C debentures amounting to Rs. 201,200,000/- were redeemed on June 16, 2016.

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 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	3,395,800				

Category 02 -Type F debentures amounting to Rs. 598,200,000/- were redeemed on June 16, 2016.

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)	3,798,200
Debentures falling due within one year	(799,400)
Debentures falling due after one year	<u>2,998,800</u>

Classified Under Current Liabilities

Debentures falling due within one year	799,400
Interest payable	138,553
	<u>937,953</u>

4.4 Debenture trading information

	Quarter Ended - 30.09.2016			Quarter Ended - 30.06.2016		
	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/A	N/A	N/A	N/T	N/T	N/T
Type C - Floating Rate - 3 Year	N/A	N/A	N/A	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/A	N/A	N/A	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

Interest yield of last trade done (%)	Quarter Ended - 30.09.2016	Quarter Ended - 30.06.2016
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)		
Type F - Fixed Rate - 3 Year	N/A	N/T

Yield to maturity of last trade done (%)	Quarter Ended - 30.09.2016	Quarter Ended - 30.06.2016
Debentures issued on 17th Jun 2013 (Rs.1,000/- par value)		
Type F - Fixed Rate - 3 Year	N/A	N/T

LION BREWERY (CEYLON) PLC
NOTES TO THE FINANCIAL STATEMENTS

4 Debentures (Contd.)

4.5 Debenture trading Information

Interest rate of comparable government securities(%)	Date	Period Ended 30.09.2016
04 year treasury bonds	30.09.2016	10.61%
05 year treasury bonds	30.09.2016	11.76%

Debt related ratios - Company

Debt/equity ratio (times)	1.73
Quick asset ratio (%)	54%
Interest cover (times)	0.05

5 FLOOD RELATED LOSSES

A preliminary assessment has been done on the damage caused to the inventory and some fixed assets due to flooding. Accordingly an Interim claim was submitted for which an advance payment of Rs.300 million has been received during the period. As per SLFRS/LKAS a provision amounting to Rs.412.7 million has been made for the carrying values of the damaged inventory & some fixed assets included in the Interim Claim. Once further assessments are done additional interim claims will be submitted before the submission of the final insurance claim.

- 6 On 20th September 2016, Ven. Agulugalle Siri Jinananda Thero and 6 others filed a case against the Minister of Finance and 13 others, including Lion Brewery (Ceylon) PLC contesting the customs for extending relief for imported beer granted by the Department of Trade and Investment Policy, with the concurrence of the Minister of Finance. This relief was granted by the Government for Companies affected by the flood which occurred during the period 16th to 22nd May 2016.

The matter is coming up for Objections on 15th December 2016.

7 SEGMENTAL ANALYSIS

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

8 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).

9 EVENTS AFTER THE REPORTING PERIOD

There were no material events taken place since September 30, 2016 that require disclosure in these Financial Statements.

10 INVESTOR INFORMATION

Investor Information	Quarter Ended		Year Ended	
	30.09.2016	30.09.2015	31.03.2016	31.03.2015
1 Share Information				
Price as at the end of the period (Rs.)	380.00	620.00	459.00	600.00
Highest price (Rs.)	435.00	680.00	700.00	740.00
Lowest price (Rs.)	370.00	618.00	452.00	370.00
2 Trading Statistics				
No of Transactions	381.00	128.00	518.00	1,330.00
No of Shares traded	1,498,456	108,330	1,824,710	1,715,781
Value of all shares traded (Rs. Mn.)	569	69	1,073	1,038

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****11 TWENTY MAJOR SHAREHOLDERS AS AT 30TH SEPTEMBER 2016**

	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	CACEIS BANK LUXEMBOURG S/A BARCA GLOBAL MASTER FUND LP	1,473,118	1.84
5	CARSON CUMBERBATCH PLC A/C NO. 01	1,400,758	1.75
6	BUKIT DARAH PLC A/C NO 2	1,300,000	1.63
7	HSBC INTL NOM LTD-MSCO-ROUTE ONE OFFSHORE MASTER FUND L.P.	1,257,924	1.57
8	HSBC INTL NOM LTD-MSCO-ROUTE ONE FUND 1,L.P.	1,105,841	1.38
9	GF CAPITAL GLOBAL LIMITED	1,055,199	1.32
10	HSBC INTL NOM LTD - BBH - FIDELITY FUNDS	894,555	1.12
11	HSBC INTL NOM LTD-JPMCB NA-FIDELITY ASIAN VALUES PLC	629,844	0.79
12	NORTHERN TRUST GLOBAL SERVICES LONDON S/A VERDIPAPIRFONDET ODIN EMERGING MARKETS	575,000	0.72
13	SRI LANKA INSURANCE CORPORATION LTD-LIFE FUND	500,000	0.63
14	MELLON BANK N.A.-FLORIDA RETIREMENT SYSTEM	393,400	0.49
15	SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL	300,000	0.38
16	CB NY S/A WASATCH FRONTIER EMERGING SMALL COUNTRIES CIT FUND	250,185	0.31
17	HSBC INTL NOM LTD -SSBT -WASATCH FRONTIER EMERGING SMALL COUNTRIES FUND	221,357	0.28
18	HSBC INTL NOM LTD-SSBT- RUSSELL INSTITUTIONAL FUNDS PUBLIC LIMITED COMPANY	220,900	0.28
19	HSBC INTERNATIONAL NOMINEES LTD-MORGAN STANLEY AND CO INTL PLC-OWN A/C	200,000	0.25
20	HSBC INTL NOM LTD-BP2S SINGAPORE-BNP PARIBAS TRUST SERVICES (HONG KONG) LIMITED AS TRUSTEE FOR HARVEST FUNDS SERIES (HONG KONG) - ASIA FRONTIER EQUITY FUND	169,614	0.21

12 PUBLIC HOLDING AS AT 30TH SEPTEMBER 2016

Ordinary shares of the Company held by the public as at 30th September 2016;

Market Capitalization of the Public Holding	Rs.4.23 Billion
Percentage of ordinary shares held by the public	13.92%
Number of Public Shareholders	1,240

As at 31st March 2016, the Market Capitalization of the Company's Public Holding was Rs.5.11 Billion and the Company met the minimum Public Float requirement as per Rule 7.13.1(a).ii of the Listing Rules of the Colombo Stock Exchange.

On 17th May 2016, the share price of the Company decreased to Rs.442/-. A likely contributory factor for the decrease in the share price could be the Company factory premises in Biyagama being affected by the recent floods. Consequent, to the decrease in the share price, the Market Capitalization of the Company's Public Holding fell below Rs.5 Billion. The Company has since not been in compliance with the CSE Rule 7.13.1(a).ii and has made the requisite Announcements to the CSE with regard to non-compliance with the said Rule on the Company's Public Holding.

13 DIRECTOR'S SHAREHOLDINGS

As at 30 Sept 2016	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 (Resigned w.e.f. 20/08/2016)	-
Mr. D. A. Cabraal	-
Mr. Y. F. Lew	-
Mr. L. Lehmann (Appointed w.e.f. 20/08/2016)	-

14 STATED CAPITAL

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

LION BREWERY (CEYLON) PLC

NOTES TO THE FINANCIAL STATEMENTS

15 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 (Resigned w.e.f. 20/08/2016) Mr. L. Lehmann (Appointed w.e.f. 20/08/2016) 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. 27,165,484/- (2015 - Rs.78,962,848/-) as royalty during the period.
- (ii) No balance was receivable / payable to the Company from Ceylon Beverage Holdings PLC as at 30th September 2016 . (2015 - Nil)

(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. 57,751,529/- during the period. (2015 - Rs. 84,443,895/-)

- (i) An amount of Rs.1,502,741/- was paid by the Company to Pubs 'N Places (Private) Limited as trade rebates on beer purchases during the period. (2015- Rs. 1,666,892/-)
- (ii) No balance was receivable / payable to the Company by Pubs 'N Places (Private) Limited as at 30th September 2016 . (2015 - 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. 58,244,998/- (2015 - Rs. 94,946,012/-) during the period.

- (i) No balance was receivable / payable to the Company by Retail Spaces (Private) Limited as at 30th September 2016. (2015 - 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. 16,469,940/- (2015 - 5,124,517/-)

An amount of Rs. 301,309,569/- was receivable from Luxury Brands (Private) Limited to the Company as at 30th September 2016. (2015 - Rs.478,791,479/-)

(E) Transactions with Sub Subsidiary - Millers Brewery Limited

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

- (i) An amount of Rs. 6,309,000/- was charged as Rent fee for warehouse services provided by Millers Brewery Limited to the Company during the period. (2015 - Rs.4,560,000/-).
- (ii) Office furniture worth Rs.14,000/- was purchased from Millers Brewery Limited during the period.
- (iii) An amount of Rs.630,500/- remains payable to Millers Brewery Limited as at 30th September 2016 (2015 - Nil)

(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. 178,113,056/-(2015 - Rs. 163,218,632/-) was charged by Carsons Management Services (Private) Limited to the Company during the period, which included supporting services fees of Rs. 158,183,648/-(2015 - Rs. 145,563,255/-) and other reimbursable expenses incurred by Carsons Management Services (Private) Limited on behalf of the Company.

No balance was receivable / payable to Carsons Management Services (Private) Limited as at 30th September 2016 (2015 - Nil).

LION BREWERY (CEYLON) PLC**NOTES TO THE FINANCIAL STATEMENTS****(G) Transactions with other related entities**

(a) Messrs. H.J.Andersen (Resigned w.e.f. 20/08/2016), Mr. L. Lehmann (Appointed w.e.f. 20/08/2016), 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. 38,148,772/- (2015 - Rs. 75,442,023/-) was charged as royalty during the period by Carlsberg A/S.
- (ii) LBCPLC purchases part of its requirement of the raw material Aroma Hop oil from Carlsberg A/S. There were no purchases during the period. (2015 - Rs. 4,707,399/-).
- (iii) LBCPLC imported beer from the Carlsberg Group affiliated breweries as follows.

Rs.	30-Sep-16	30-Sep-15
Carlsberg Myanmar Co. Ltd	6,293,811	-
Cambrew Ltd	599,712,746	-
Carlsberg Marketing Sdn Bhd	374,588,313	-
Lao Brewery Company Limited	537,621,853	-
	<u>1,518,216,722</u>	<u>-</u>

(iv) The following table indicates the balance receivable and payable to the Carlsberg Group affiliated breweries as at 30th September 2016.

Rs.	30-Sep-16	30-Sep-15
Receivables		
Carlsberg Myanmar Co. Ltd	31,489,459	-
Cambrew Ltd	69,987,909	-
Carlsberg Marketing Sdn Bhd	70,494,319	-
	<u>171,971,687</u>	<u>-</u>
Payables		
Lao Brewery Company Limited	237,235,780	-
Carlsberg A/S	232,468,519	251,844,617
	<u>469,704,299</u>	<u>251,844,617</u>

(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. 24,577,670/- (2015 - Rs. 221,820,578/-). As at the reporting date an amount of Rs. 44,422,750/- (2015 - Rs. 73,208,933/-) 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 Equity Two PLC with which the Company entered into transactions.
- (i) An amount of Rs. 67,959/- has been charged as parking fees to Equity Two PLC. (2015 - Rs. 40,776/-)

(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

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 (Resigned w.e.f. 20/08/2016)
Mr. D. A. Cabraal
Mr. Y. F. Lew
Mr. L. Lehmann (Appointed w.e.f. 20/08/2016)

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

LEGAL ADVISERS

Messrs. F. J. & G. De Saram
216, De Saram Place
Colombo 10, Sri Lanka
Tel: +94 11 4718 200
Fax: +94 11 4718 220

AUDITORS

Messrs. KPMG
Chartered Accountants
No. 32A, Sir Mohamed Macan Markar Mawatha
Colombo 3, Sri Lanka
Tel: +94 11 5426 426
Fax: +94 11 2445 872

MANAGERS & SECRETARIES

Carsons Management Services (Private) Limited
No. 61, Janadhipathi Mawatha
Colombo 01, Sri Lanka
Tel : +94 11 2039 200
Fax: +94 11 2039 300

REGISTERED OFFICE

No. 61, Janadhipathi Mawatha
Colombo 01, Sri Lanka
Tel : +94 11 2039 200
Fax: +94 11 2039 300

CORPORATE OFFICE & BREWERY

254, Colombo Road, Biyagama, Sri Lanka
Tel : +94 11 2465 900 (10 Lines)
Fax : +94 11 2465 901

GROUP WEBSITE

www.carsoncumberbatch.com