

Ceylon Beverage Holdings PLC

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

CEYLON BEVERAGE HOLDINGS 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 group turnover of Rs.4.7 billion compared Rs.10 billion for the corresponding period last year, a reduction of 53%. Due to the drop in sales as well as higher costs incurred during the period of the shut down, we recorded a group pre-tax loss of Rs.312 million for this period compared to a pre-tax profit of Rs.1,064 million over the corresponding period of the previous year. For the 6 months ending 30th September, we recorded a group turnover of Rs.10.7 billion and a pre-tax loss of Rs.874.8 million compared to Rs.19.2 billion & a pre-tax profit of Rs.1.8 billion respectively for the previous year.

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.

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| CEYLON BEVERAGE HOLDINGS PLC BOARD OF DIRECTORS AS AT 30TH SEPTEMBER 2016 |
|--|

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

Mr. H. Selvanathan (Deputy Chairman)

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

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

Mr. 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)

| STATEMENTS OF FINANCIAL POSITION | | | | | | |
|---|------------------|------------------|-------------------------|-------------------|-------------------|-------------------------|
| As at 30th September In Rs. '000s | Company | | | Group | | |
| | 2016 | 2015 | 31.03.2016 (Audited) | 2016 | 2015 | 31.03.2016 (Audited) |
| ASSETS | | | | | | |
| Non-Current Assets | | | | | | |
| Property, plant & equipment | 332,054 | 123,728 | 332,343 | 16,748,316 | 15,281,897 | 16,497,850 |
| Intangible assets | - | - | - | 4,166,414 | 4,214,884 | 4,193,336 |
| Deferred taxation | - | - | - | 8,838 | - | - |
| Investments in subsidiaries | 1,710,083 | 1,660,083 | 1,660,084 | - | - | - |
| Loan to operators | - | - | - | - | - | 53,817 |
| Total Non-Current Assets | 2,042,137 | 1,783,811 | 1,992,427 | 20,923,568 | 19,496,781 | 20,745,003 |
| Current Assets | | | | | | |
| Inventories | - | - | - | 3,731,437 | 2,145,466 | 2,676,146 |
| Trade & other receivables | 15,738 | 21,883 | 13,656 | 3,806,560 | 2,405,113 | 2,362,980 |
| Amounts due from related companies | 249,719 | 247,675 | 251,957 | 171,972 | 307,221 | - |
| Assets held for sale | - | - | - | 5,200 | 368,477 | 5,200 |
| Cash and cash equivalents | 85 | 1,134 | 2,141 | 4,122,413 | 5,756,617 | 3,767,618 |
| Total Current Assets | 265,542 | 270,692 | 267,754 | 11,837,582 | 10,982,894 | 8,811,944 |
| Total Assets | 2,307,680 | 2,054,503 | 2,260,181 | 32,761,150 | 30,479,675 | 29,556,947 |
| EQUITY AND LIABILITIES | | | | | | |
| Equity | | | | | | |
| Stated capital | 533,384 | 533,384 | 533,384 | 533,384 | 533,384 | 533,384 |
| Capital reserves | 334,690 | 126,414 | 334,690 | 1,005,356 | 492,331 | 1,005,356 |
| Revenue reserves | 981,738 | 936,127 | 938,698 | 2,838,856 | 3,270,043 | 3,690,596 |
| Equity Attributable To Equity Holders of the Company | 1,849,812 | 1,595,925 | 1,806,772 | 4,377,596 | 4,295,758 | 5,229,336 |
| Non controlling interest | - | - | - | 4,197,848 | 4,240,768 | 4,768,089 |
| Total Equity | 1,849,812 | 1,595,925 | 1,806,772 | 8,575,444 | 8,536,526 | 9,997,425 |
| Non Current Liabilities | | | | | | |
| Debentures | - | - | - | 2,998,800 | 4,396,400 | 3,798,200 |
| Loans and borrowings | 143,100 | 242,700 | 192,900 | 2,795,453 | 2,416,035 | 3,396,470 |
| Employee benefits | - | - | - | 110,764 | 104,167 | 109,811 |
| Deferred tax liabilities | 597 | - | 597 | 3,212,459 | 2,400,361 | 2,885,536 |
| Total Non- Current Liabilities | 143,697 | 242,700 | 193,497 | 9,117,476 | 9,316,963 | 10,190,017 |
| Current Liabilities | | | | | | |
| Trade and other payables | 10,727 | 8,850 | 11,374 | 1,706,116 | 1,090,205 | 872,684 |
| Amounts due to related companies | - | - | - | 469,704 | 251,845 | 194,291 |
| Refundable deposits | - | - | - | 987,991 | 932,759 | 987,168 |
| Tax liabilities | 2,043 | 27,701 | 13,679 | 83,425 | 1,035,311 | 1,116,997 |
| Debentures | - | - | - | 937,953 | 361,263 | 958,699 |
| Loans and borrowings | 101,691 | 101,358 | 101,465 | 8,218,273 | 6,620,603 | 3,071,542 |
| Bank overdraft | 199,710 | 77,969 | 133,394 | 2,664,768 | 2,334,200 | 2,168,124 |
| Total Current Liabilities | 314,171 | 215,878 | 259,912 | 15,068,230 | 12,626,186 | 9,369,505 |
| Total Liabilities | 457,868 | 458,578 | 453,409 | 24,185,706 | 21,943,149 | 19,559,522 |
| Total Equity and Liabilities | 2,307,680 | 2,054,503 | 2,260,181 | 32,761,150 | 30,479,675 | 29,556,947 |
| Net assets per ordinary share (Rs.) | 88.14 | 76.04 | 86.09 | 208.58 | 204.68 | 249.16 |

The above figures are provisional and subject to audit.

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

(Sgd.)

D.R.P. Goonetilleke

Head of Finance

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

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

(Sgd.)

A. Weeratunge

Director

Carsons Management Services (Private) Ltd.

07th November 2016

(Sgd.)

M.Selvanathan

Director

(Sgd.)

S.K. Shah

Director

CEYLON BEVERAGE HOLDINGS PLC
CONDENSED INCOME STATEMENT - COMPANY

| In Rs. '000s | Quater Ended | | | Six months Ended | | | 31.03.2016 (Audited) |
|--|-----------------|----------------|-------------|------------------|-----------------|-------------|-------------------------|
| | 30.09.2016 | 30.09.2015 | Change % | 30.09.2016 | 30.09.2015 | Change % | |
| Revenue | 124,340 | 187,036 | (34) | 138,261 | 221,613 | (38) | 268,364 |
| Cost of Sales | - | - | - | - | - | - | - |
| Gross Profit | 124,340 | 187,036 | (34) | 138,261 | 221,613 | | 268,364 |
| Administrative Expenses | (4,410) | (3,582) | 23 | (8,185) | (8,084) | 1 | (17,553) |
| Profit from Operations | 119,930 | 183,454 | (35) | 130,076 | 213,529 | | 250,811 |
| Finance Costs | (12,035) | (8,661) | 39 | (22,887) | (17,506) | 31 | (36,107) |
| Net Finance Costs | (12,035) | (8,661) | 39 | (22,887) | (17,506) | 31 | (36,107) |
| Profit Before Taxation | 107,895 | 174,793 | (38) | 107,189 | 196,023 | (45) | 214,704 |
| Income Tax | - | (8,069) | (100) | (1,184) | (14,699) | (92) | (22,138) |
| Profit/(loss) After Taxation | 107,895 | 166,724 | (35) | 106,005 | 181,324 | (42) | 192,566 |
| Other Comprehensive Income | | | | | | | |
| Revaluation Gain on Land & Buildings | - | - | - | - | - | - | 208,873 |
| Deferred tax adjustment | - | - | - | - | - | - | (597) |
| Total Other Comprehensive Income | - | - | - | - | - | - | 208,276 |
| Total Comprehensive Income/(Expenses) | 107,895 | 166,724 | (35) | 106,005 | 181,324 | (42) | 400,842 |
| Earnings per Ordinary Share (Rs.) | 5.14 | 7.94 | | 5.05 | 8.64 | | 9.18 |
| Dividend per Ordinary Share (Rs.) | - | - | | - | - | | 3.00 |

The above figures are provisional and subject to audit.
Figures in brackets indicate deductions.

STATEMENTS OF CHANGES IN EQUITY

| In Rs. '000s | Attributable to Equity Holders of the Parent | | | | | Non-Controlling Interests | Total Equity |
|---|--|---------------------|-------------------------|------------------|------------------|---------------------------|--------------------|
| | Stated Capital | Revaluation Reserve | General Capital Reserve | Retained Profits | Total | | |
| COMPANY | | | | | | | |
| Balance as at 1st April 2015 | 533,384 | 120,638 | 5,776 | 914,039 | 1,573,837 | - | 1,573,837 |
| Total Comprehensive Income | | | | | | | |
| Profit for the period | - | - | - | 181,324 | 181,324 | - | 181,324 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | - | 181,324 | 181,324 | - | 181,324 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (167,905) | (167,905) | - | (167,905) |
| Balance as at 30th September 2015 | 533,384 | 120,638 | 5,776 | 936,127 | 1,595,925 | - | 1,595,925 |
| COMPANY | | | | | | | |
| Balance as at 1st April 2015 | 533,384 | 120,638 | 5,776 | 914,039 | 1,573,837 | - | 1,573,837 |
| Total Comprehensive Income | | | | | | | |
| Profit for the period | - | - | - | 192,566 | 192,566 | - | 192,566 |
| Other comprehensive income for the period | - | 208,276 | - | - | 208,276 | - | 208,276 |
| Total Comprehensive income for the period | - | 208,276 | - | 192,566 | 400,842 | - | 400,842 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (167,905) | (167,905) | - | (167,905) |
| Balance as at 31st March 2016 | 533,384 | 328,914 | 5,776 | 938,698 | 1,806,772 | - | 1,806,772 |
| COMPANY | | | | | | | |
| Balance as at 1st April 2016 | 533,384 | 328,914 | 5,776 | 938,698 | 1,806,772 | - | 1,806,772 |
| Total Comprehensive Income | | | | | | | |
| Profit for the period | - | - | - | 106,005 | 106,005 | - | 106,005 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | - | 106,005 | 106,005 | - | 106,005 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (62,964) | (62,964) | - | (62,964) |
| Balance as at 30th September 2016 | 533,384 | 328,914 | 5,776 | 981,738 | 1,849,812 | - | 1,849,812 |
| GROUP | | | | | | | |
| Balance as at 1st April 2015 | 533,384 | 486,555 | 5,776 | 2,767,052 | 3,953,154 | 3,784,938 | 7,738,092 |
| Total Comprehensive Income | | | | | | | |
| Profit for the period | - | - | - | 670,896 | 670,896 | 608,630 | 1,279,526 |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | - | 670,896 | 670,896 | 608,630 | 1,279,526 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (167,905) | (167,905) | (152,800) | (320,705) |
| Balance as at 30th September 2015 | 533,384 | 486,555 | 5,776 | 3,270,043 | 4,456,145 | 4,240,768 | 8,696,913 |
| GROUP | | | | | | | |
| Balance as at 1st April 2015 | 533,384 | 486,555 | 5,776 | 2,767,052 | 3,953,154 | 3,784,938 | 7,738,092 |
| Total Comprehensive Income | | | | | | | |
| Profit for the period | - | - | - | 1,089,101 | 1,089,101 | 993,460 | 2,082,561 |
| Other comprehensive profit for the period | - | 513,025 | - | 2,348 | 515,373 | 280,103 | 795,476 |
| Total Comprehensive income for the period | - | 513,025 | - | 1,091,449 | 1,604,474 | 1,273,563 | 2,878,037 |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (167,905) | (167,905) | (152,800) | (320,705) |
| Balance as at 31st March 2016 | 533,384 | 999,580 | 5,776 | 3,690,596 | 5,229,336 | 4,768,089 | 9,997,425 |
| GROUP | | | | | | | |
| Balance as at 1st April 2016 | 533,384 | 999,580 | 5,776 | 3,690,596 | 5,229,336 | 4,768,089 | 9,997,425 |
| Total Comprehensive Income | | | | | | | |
| Loss for the period | - | - | - | (788,776) | (788,776) | (455,641) | (1,244,417) |
| Other comprehensive income for the period | - | - | - | - | - | - | - |
| Total Comprehensive income for the period | - | - | - | (788,776) | (788,776) | (455,641) | (1,244,417) |
| Transactions with owners, recorded directly in equity contribution by and distribution to owners | | | | | | | |
| Dividends | - | - | - | (62,964) | (62,964) | (114,600) | (177,564) |
| Balance as at 30th September 2016 | 533,384 | 999,580 | 5,776 | 2,838,856 | 4,377,596 | 4,197,848 | 8,575,444 |

CEYLON BEVERAGE HOLDINGS PLC
CONDENSED INCOME STATEMENT - GROUP

| In Rs. '000s | Quater Ended | | | Six Months Ended | | |
|---|------------------|------------------|--------------|--------------------|------------------|----------------------|
| | 30.09.2016 | 30.09.2015 | Change % | 30.09.2016 | 30.09.2015 | 31.03.2016 (Audited) |
| Revenue | 4,743,248 | 10,007,776 | (53) | 10,680,567 | 19,263,868 | 36,690,489 |
| Cost of Sales | (4,102,308) | (7,370,398) | (44) | (8,747,449) | (14,340,243) | (27,561,679) |
| Gross Profit | 640,940 | 2,637,378 | (76) | 1,933,118 | 4,923,625 | 9,128,810 |
| Other Income | 13,576 | (3,257) | (517) | 11,023 | 4,343 | 21,432 |
| | 654,516 | 2,634,121 | (75) | 1,944,141 | 4,927,968 | 9,150,242 |
| Distribution Expenses | (589,750) | (922,698) | (36) | (1,200,834) | (1,787,487) | (3,526,170) |
| Administrative Expenses | (295,335) | (290,044) | 2 | (588,692) | (566,659) | (1,304,590) |
| Other Expenses | (56,051) | (81,733) | (31) | (88,799) | (151,014) | (312,518) |
| Loss on disposal and impairment of Property Plant & Equipment | - | - | - | - | - | - |
| Profit/(Loss) from Operations | (286,620) | 1,339,646 | (121) | 65,816 | 2,422,808 | 4,006,964 |
| Flood related losses | (236) | - | - | (714,906) | - | - |
| Insurance receipts | 300,000 | - | - | 350,000 | - | - |
| Profit/(Loss) Before Finance Cost | 13,144 | 1,339,646 | (99) | (299,090) | 2,422,808 | 4,006,964 |
| Finance Income | 94,335 | 60,047 | 57 | 173,845 | 94,256 | 274,164 |
| Finance Costs | (419,930) | (335,582) | 25 | (749,533) | (640,170) | (1,270,362) |
| Net Finance Income/(Costs) | (325,595) | (275,535) | 18 | (575,688) | (545,914) | (996,198) |
| Profit/(Loss) Before Taxation | (312,451) | 1,064,111 | (129) | (874,778) | 1,876,894 | 3,010,766 |
| Income Tax | (202,736) | (374,491) | (46) | (369,639) | (597,368) | (928,205) |
| Profit/(Loss) After Taxation | (515,187) | 689,620 | (175) | (1,244,417) | 1,279,526 | 2,082,561 |
| Other Comprehensive Income | | | | | | |
| Items that will never be reclassified to profit or loss | - | - | - | - | - | - |
| Remeasurement of employee benefit obligation | - | - | - | - | - | 7,491 |
| Deferred tax adjustment | - | - | - | - | - | (2,997) |
| Change in Revaluation of Property Plant & Equipment | - | - | - | - | - | 866,564 |
| Deferred tax adjustment | - | - | - | - | - | (75,582) |
| Total Other Comprehensive Income for the year | - | - | - | - | - | 795,476 |
| Total Comprehensive Income/(Expenses) | (515,187) | 689,620 | (175) | (1,244,417) | 1,279,526 | 2,878,037 |
| Profit Attributable to | | | | | | |
| - Equity Holders of the Company | (287,313) | 360,326 | (180) | (788,776) | 670,896 | 1,089,101 |
| - Minority Shareholders | (227,874) | 329,294 | (169) | (455,641) | 608,630 | 993,460 |
| Profit/(Loss) Available for Appropriation | (515,187) | 689,620 | (175) | (1,244,417) | 1,279,526 | 2,082,561 |
| Total Comprehensive Income Attributable to | | | | | | |
| - Equity Holders of the Company | (287,313) | 360,326 | (180) | (788,776) | 670,896 | 1,604,474 |
| - Minority Shareholders | (227,874) | 329,294 | (169) | (455,641) | 608,630 | 1,273,563 |
| Profit/(Loss) Available for Appropriation | (515,187) | 689,620 | (175) | (1,244,417) | 1,279,526 | 2,878,037 |
| Earnings/(Loss) per Ordinary Share (Rs.) | (13.69) | 17.17 | | (37.58) | 31.97 | 51.89 |
| Dividend per Ordinary Share (Rs.) | - | - | | - | - | 3.00 |

The above figures are provisional and subject to audit.
 Figures in brackets indicate deductions.

CASH FLOW STATEMENT

| For the period ended In Rs. '000s | Company | | | Group | | |
|---|------------------|------------------|-------------------------|--------------------|------------------|-------------------------|
| | 30.09.2016 | 30.09.2015 | 31.03.2016 (Audited) | 30.09.2016 | 30.09.2015 | 31.03.2016 (Audited) |
| Cash Flows From Operating Activities | | | | | | |
| Profit/(Loss) before taxation | 107,189 | 196,023 | 214,704 | (874,778) | 1,876,894 | 3,010,766 |
| Adjustments for: | | | | | | |
| Finance expenses | 22,887 | 17,506 | 36,107 | 749,533 | 545,914 | 1,284,736 |
| Depreciation on property, plant & equipment | 289 | 263 | 519 | 557,189 | 513,158 | 1,044,067 |
| Amortisation of intangible assets | - | - | - | 29,424 | 31,629 | 58,880 |
| Net Inventory provisions /(reversal) | - | - | - | (15,500) | - | 11,232 |
| Provision for retirement benefit obligations | - | - | - | 8,030 | 3,481 | 21,250 |
| Impairment Of property plant & equipment | - | - | - | - | - | 749 |
| Finance income | - | - | - | (173,845) | (12,756) | (274,164) |
| (Profit)/Loss on disposal of property, plant & equipment | - | - | - | 43,175 | - | (7,108) |
| Unrealised exchange loss/(gain) on foreign currency term Loan | - | - | - | (15,280) | 34,448 | (49,783) |
| Deposit liability write back | - | - | - | - | (2,502) | - |
| Operating cash flow before working capital changes | 130,365 | 213,792 | 251,330 | 307,947 | 2,990,266 | 5,100,625 |
| (Increase)/decrease in inventories | - | - | - | (1,039,791) | 652,598 | 110,686 |
| (Increase)/decrease in trade & other receivables | (2,083) | (7,549) | 679 | (1,382,767) | (299,805) | (168,487) |
| (Increase)/decrease in amounts due from related companies | 2,238 | (27) | (4,309) | (171,972) | (307,221) | - |
| Increase/(decrease) in amounts due to related companies | - | (167) | (24) | 275,413 | (199,415) | 17,888 |
| Increase/(decrease) in tax payables | (491) | (24) | (612) | (1,024,831) | 75,442 | 41,283 |
| Increase/(decrease) in trade & other payables | (647) | (7,954) | 547 | 846,922 | 76,767 | 25,695 |
| Cash generated from/(used in) operations | 129,382 | 198,071 | 247,611 | (2,189,078) | 2,988,632 | 5,127,690 |
| Finance expenses | (22,887) | (17,506) | (36,460) | (745,960) | (506,257) | (1,256,976) |
| Tax paid | (12,330) | - | (26,821) | (71,754) | (57,395) | (164,740) |
| Super gain taxes paid | - | - | (8,671) | - | - | (297,999) |
| Economic service charge paid | - | - | - | (631) | (479) | (945) |
| Retirement benefits paid | - | - | - | (7,077) | (1,958) | (6,596) |
| Net cash generated from/(used in) operating activities | 94,165 | 180,565 | 175,659 | (3,014,500) | 2,422,543 | 3,400,446 |
| Cash Flows from Investing Activities | | | | | | |
| Purchase and construction of property, plant & equipment | - | - | - | (813,066) | (805,266) | (1,453,354) |
| Borrowing cost capitalized | - | - | - | (63,302) | (68,119) | (136,650) |
| Purchase of intangible assets | - | - | - | (278) | - | (7,253) |
| Proceeds from sale of property, plant & equipment | - | - | - | 22,287 | 143,662 | 17,455 |
| Proceeds from sale of assets held for sale | - | - | - | - | 49,346 | 178,576 |
| Agent deposits received | - | - | - | 823 | - | 126,804 |
| Agent deposits refunded | - | - | - | - | - | (25,551) |
| Interest received | - | - | - | 170,143 | - | 274,164 |
| Investment in subsidiaries | (50,000) | - | - | - | - | - |
| Net cash used in investing activities | (50,000) | - | - | (683,393) | (680,377) | (1,025,809) |
| Cash Flows from Financing Activities | | | | | | |
| Proceeds from loans & borrowings | - | - | - | 7,550,000 | 2,150,000 | 2,000,000 |
| Repayment of loans & borrowings | (49,574) | (50,261) | (99,600) | (3,028,606) | (872,462) | (2,994,524) |
| Repayment of debentures | - | - | - | (799,400) | - | (201,200) |
| Dividends paid net of tax | (62,963) | (166,494) | (166,668) | (165,950) | (305,424) | (287,557) |
| Net cash generated from/(used in) financing activities | (112,537) | (216,755) | (266,268) | 3,556,044 | 972,114 | (1,483,281) |
| Net increase/(decrease) in cash & cash equivalents | (68,372) | (36,190) | (90,609) | (141,849) | 2,714,280 | 891,356 |
| Cash & cash equivalents at the beginning of the year | (131,253) | (40,645) | (40,645) | 1,599,494 | 708,137 | 708,137 |
| Cash & cash equivalents at the end of the year | (199,625) | (76,835) | (131,253) | 1,457,645 | 3,422,417 | 1,599,494 |
| Analysis of Cash and Cash Equivalents | | | | | | |
| Cash and cash equivalents | 85 | 1,134 | 2,141 | 4,122,413 | 5,756,617 | 3,767,618 |
| Bank overdraft | (199,710) | (77,969) | (133,394) | (2,664,768) | (2,334,200) | (2,168,124) |
| | (199,625) | (76,835) | (131,253) | 1,457,645 | 3,422,417 | 1,599,494 |

Figures in brackets indicate deductions.

CEYLON BEVERAGE HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Ceylon Beverage Holdings PLC is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The parent company is Carson Cumberbatch PLC (CCPLC). The 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 |
|----------------------------------|----------------------|------------------------------------|
| Lion Brewery (Ceylon) PLC | 52.25% | "LBCPLC" |
| Pubs 'N Places (Private) Limited | 99.9% | |
| Retail Spaces (Private) Limited | 100% | |
| Luxury Brands (Private) Limited | 100% | |
| Vee Waruna (Private) Limited | 100% | |
| Pearl Springs (Private) Limited | 52.25% | "PSPL" , 100% Subsidiary of LBCPLC |
| Millers Brewery Limited | 52.25% | 100% Subsidiary of PSPL |

The principal activities of the Group is brewing and marketing of high quality beers for both local & export markets and retailing of beer & alcohol products through its owned/managed wine shops & pubs. The Group is also engaged in the import & marketing of globally renowned high quality beer and spirits brands.

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.

CEYLON BEVERAGE HOLDINGS PLC

NOTES TO THE INTERIM FINANCIAL STATEMENTS

3 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Financial Commitments

Lion Brewery (Ceylon) PLC

Document credits established for foreign purchases of the Group as at 30th September 2016 amounts to Rs. 467,913,204/- (2015 - Rs. 219,989,952/-)

3.2 Contingencies

Following legal matters are outstanding against the Group and no provision has been made in the Financial Statements in this regard.

(i) Company

In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Company and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs.23,062,080/43 being the amount of Excise (Special Provision) Duty (the 'duty') purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs.25,059,553/86 as its penalty. The Company and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty and obtained a Stay Order in respect of the proceedings of the Fort MC Case. A sum of Rs. 23,062,080/43 being the duty amount in dispute was paid to Sri Lanka Customs by the Company as required before submitting its appeal. Subsequently the CA Application was dismissed and the Company appealed against the Order to the Supreme Court and was granted Special Leave to Appeal by the Court. The Court also ordered the staying of all further proceedings in the MC Case until final hearing and determination of the Appeal. No provision has been made for the payment of penalty amounting to Rs.25,059,553/86, pending the Judgment from the Supreme Court in the said Leave to Appeal matter. Currently this matter is in the Arguments stage and will be heard in the Supreme Court.

(ii) The Group

The Customs Department instituted a prosecution in the Magistrate's Court of Kaduwela in Case No. 11303/Customs against the LBCPLC 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.

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

(iv) 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.

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

CEYLON BEVERAGE HOLDINGS PLC**NOTES TO THE INTERIM FINANCIAL STATEMENTS****4 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).

5 FLOOD RELATED LOSSES

A preliminary assessment has been done on the damage caused to the inventory and some fixed assets of Lion Brewery Ceylon PLC & Luxury Brands (Pvt) Ltd. due to flooding. Accordingly an Interim claim was submitted for which an advance payment of Rs.350 million has been received during the period. As per SLFRS/LKAS a provision amounting to Rs.714.9 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 STATED CAPITAL

The Company's stated capital consists of 20,988,090 ordinary shares.

8 SEGMENTAL ANALYSIS

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

9 INVESTOR INFORMATION

| Investor Information | Quarter Ended | | Six months Ended | | Year ended |
|---|---------------|------------|------------------|------------|-----------------|
| | 30.09.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 | 31.03.2016 |
| Share Information | | | | | |
| Price as at the end of the period (Rs.) | 648.00 | 860.10 | 648.00 | 860.10 | 580.00 |
| Highest price (Rs.) | 650.00 | 1,000.00 | 799.90 | 1,000.00 | 1,000.00 |
| Lowest price (Rs.) | 564.00 | 825.00 | 564.00 | 750.00 | 485.00 |
| Trading Statistics | | | | | |
| No of Transactions | 11 | 56 | 43 | 112.00 | 190 |
| No of Shares traded | 3453 | 68166 | 12,142 | 70,999.00 | 81350 |
| Value of all shares traded (Rs. Mn.) | 2.22 | 58.58 | 7.88 | 60.98 | 68.59 |

CEYLON BEVERAGE HOLDINGS PLC
NOTES TO THE INTERIM FINANCIAL STATEMENTS

10 DIRECTORS' SHAREHOLDINGS

| As at 30th September 2016 | No. of Shares |
|--|---------------|
| Mr. L.C.R. de C Wijetunge (Chairman) | - |
| Mr. H. Selvanathan (Deputy Chairman) | 690 |
| Mr. M. Selvanathan (Director / Alternate Director to Mr. H. Selvanathan) | 690 |
| Mr. S. K. Shah (Chief Executive Officer) | 2,632 |
| Mr. D.C.R. Gunawardena | 15 |
| Mr. D. A. Cabraal | 1,500 |
| Mr. H. J. Andersen (Resigned w.e.f. 20/08/2016) | - |
| Mr. L. Lehmann (Appointed w.e.f. 20/08/2016) | - |

11 TWENTY MAJOR SHAREHOLDERS AS AT 30TH SEPTEMBER 2016

| # | Name | Total Shares | % |
|----|--|--------------|-------|
| 1 | CARSON CUMBERBATCH PLC A/C NO.2 | 15,726,912 | 74.93 |
| 2 | CARLSBERG A/S | 1,676,440 | 7.99 |
| 3 | GF CAPITAL GLOBAL LIMITED | 1,557,587 | 7.42 |
| 4 | HINL-JPMCB-BUTTERFIELD TRUST (BERMUDA) LIMITED | 800,000 | 3.81 |
| 5 | CACEIS BANK LUXEMBOURG S/A BARCA GLOBAL MASTER FUND LP | 332,411 | 1.58 |
| 6 | HSBC INTERNATIONAL NOMINEES LTD-SSBT-DEUSTCHE BANK AG SINGAPORE A/C 01 | 135,000 | 0.64 |
| 7 | CARSON CUMBERBATCH PLC A/C NO. 01 | 91,655 | 0.44 |
| 8 | TRANZ DOMINION,L.L.C. | 74,677 | 0.36 |
| 9 | MR. H.W.M. WOODWARD | 40,065 | 0.19 |
| 10 | MRS. J.K.P. SINGH | 37,400 | 0.18 |
| 11 | GUINNESS MORISON INTERNATIONAL LIMITED | 20,953 | 0.10 |
| 12 | MR. H.A. VAN STARREX | 16,346 | 0.08 |
| 13 | MR. H.A. PIERIS | 15,000 | 0.07 |
| 14 | SAMPATH BANK PLC/MRS.PRIYANI DHARSHINI RATNAGOPAL | 13,650 | 0.07 |
| 15 | MR. N.J. GAMADIA | 8,786 | 0.04 |
| 16 | THE CEYLON DESICCATED COCONUT AND OIL COMPANY PVT LTD | 8,276 | 0.04 |
| 17 | MR. R. MAHESWARAN | 8,134 | 0.04 |
| 18 | MISS M.P. RADHAKRISHNAN | 8,133 | 0.04 |
| 19 | MISS A. RADHAKRISHNAN | 8,133 | 0.04 |
| 20 | MRS. M.S.K. WELIKALA | 7,856 | 0.04 |

12 PUBLIC HOLDING

Ordinary Shares of the Company held by the public as at 30th September 2016 are as follows;

| | |
|-------------------------------|--------|
| Number of Public Shareholders | 954 |
| Percentage of Public holding | 16.61% |

13 EVENTS AFTER THE REPORTING PERIOD

There were no circumstances have arisen which required adjustment to or disclosure in the Financial Statements.

Notes to the Financial Statements(Contd.)**14 RELATED PARTY DISCLOSURES****14.1 Parent and ultimate controlling party**

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.

14.2 Transactions with key management personnel (KMP)

(I) 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.

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

14.3 Other related party transactions**14.3.1 Transactions with subsidiary companies**

Messrs. L.C.R.de C. Wijetunge, H.Selvanathan, S.K.Shah, D.C.R.Gunawardena, D.A. Cabraal, Mr. H.J.Andersen (Resigned w.e.f. 20/08/2016) Mr. L. Lehmann (Appointed w.e.f. 20/08/2016), are also Directors of Lion Brewery (Ceylon) PLC, with which the following contracts/ transactions have been entered into during the period by the Company in the normal course of business.

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

(i) Was charged Rs. 27,165,484/- (2015 - Rs. 78,962,848/-) as royalty in accordance with the licensed brewing agreement with the Company.

(ii) No balance was receivable or payable to the Company at 30th September 2016. (2015 - Nil)

(b) Pubs 'N Places (Private) Limited

(i) Mr. S.K. Shah Director of the Company is also a Director of Pubs 'N Places (Private) Limited, which as at 30th September 2016 balance receivable from Pubs 'N Places (Private) Limited to the Company was Rs. 249,718,982/-. (2015 - Rs. 247,568,270/-).

(c) Retail Spaces (Pvt) Limited

(i) Mr. S.K. Shah Director of the Company is also a Directors of Retail Spaces (Private) Limited, which as at 30th September 2016 no balance was receivable or payable to the Company . (2015 -Receivable Rs. 106,433/-)

14.3.2 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. 525,125/-(2015 -Rs. 353,346/-) was charged by Carsons Management Services (Private) Limited to the Company and Group Rs.178,892,248/-(2015-Rs. 163,681,461) 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 Group.

14.3.3. 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> |

CEYLON BEVERAGE HOLDINGS PLC
Corporate Information

NAME OF THE COMPANY

Ceylon Beverage Holdings PLC
(A Carson Cumberbatch Company)

COMPANY REGISTRATION NUMBER

PQ 35

LEGAL FORM

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka in 1910.
The Company was transferred from the Main Board to the Diri Savi Board w.e.f. 19 January 2016.

SUBSIDIARY COMPANIES

Lion Brewery (Ceylon) PLC
Pubs 'N Places (Private) Limited
Retail Spaces (Private) Limited
Luxury Brands (Private) Limited
Pearl Springs (Private) Limited
Millers Brewery Limited
Vee Waruna (Private) Limited

PARENT AND CONTROLLING ENTITY

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. M. Selvanathan (Director / Alternate Director to H. Selvanathan)
Mr. S. K. Shah (Chief Executive Officer)
Mr. 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)

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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Fax: + 94 11 4718220

AUDITORS

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Chartered Accountants
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Sri Lanka
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Fax: +94 11 2445872

MANAGERS & SECRETARIES

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REGISTERED OFFICE

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GROUP WEBSITE

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