

## **Ceylon Tobacco Company PLC**

### **Summary of Performance for the 6 months ended 30 June 2014**

In the first six months of 2014 Ceylon Tobacco Company contributed LKR 36.9 billion to government revenue, a 13% increase over same period last year. This was achieved despite a 10.7 % volume drop in the domestic sales, driven pre-dominantly by challenging market conditions especially in the first quarter. Export volumes grew by 90 million cigarettes during the same period

Sri Lanka Customs statistics indicate that Beedi volumes have grown by almost 200% over the past six years. The growth in Beedi significantly contributed to the decline in cigarettes volumes as cigarette smokers are switching to Beedi. This growing preference can be attributed to Beedi remaining a cheap substitute to the cigarette smokers in Sri Lanka.

The law enforcement agencies continue to effectively curtail the spread of unauthorized and illicit tobacco products. In the first six months of 2014, a total of 469 raids have yielded 20 million illegal cigarettes at a market value of LKR 510 million.

The Company's Profit after Tax stood at LKR 4.5 Bn, driven by higher revenue and a better product mix.

Although volumes in totality were lower than the same period last year, the recently revived brand Bristol, made a significant contribution in the Value for Money category. Export sales revenue increased by LKR 179.78 Mn. The Company will continue its endeavor to improve export performance into the future.

CTC's flagship CSR initiative, the Sustainable Agricultural Development Programme (SADP) continued to focus on alleviating poverty and empowering the livelihoods of families in rural Sri Lanka. The total number of active families as at Q2 2014 stood at 6700 with the main focus being on the families selected from the districts of Killinochchi, Kandy, Anuradhapura, Matara, Galle and Hambantota.

When the two Fundamental Rights Applications filed by CTC and its Distributors challenging the amended Graphic Health Warning Regulations were taken up before the Supreme Court on the 11<sup>th</sup> June 2014, Court terminated all litigation subject to allowing CTC further time until 1 January 2015 to comply with the Regulations. Supreme Court also allowed additional one month's time until 31 January 2015 for the distributors/trade to sell existing stocks without graphic health warnings. The Company will ensure that all cigarette packs that will be manufactured and issued to the market from 1 January 2015 will be compliant with the Regulations.

#### **Dividend**

The Directors recommend a second interim dividend of Rs.13.20 per share to be paid by the 21st of August 2014.

# CEYLON TOBACCO COMPANY PLC

## Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	30 June	31 December
	2014	2013
	Un Audited	Audited
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,521	1,599
Intangible assets	23	28
Net surplus asset on retirement benefit plan	611	594
Receivables	118	97
<b>Total non-current assets</b>	<b>2,273</b>	<b>2,318</b>
<b>Current assets</b>		
Inventories	2,126	2,962
Trade and other receivables	4,186	1,636
Cash and cash equivalents	8,633	8,251
<b>Total current assets</b>	<b>14,944</b>	<b>12,849</b>
<b>Total assets</b>	<b>17,217</b>	<b>15,167</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital	1,873	1,873
Retained earnings	3,355	2,442
<b>Total equity attributable to equity holders</b>	<b>5,228</b>	<b>4,315</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	377	295
<b>Total non-current liabilities</b>	<b>377</b>	<b>295</b>
<b>Current liabilities</b>		
Trade and other payables	7,979	6,224
Current taxation	3,511	3,254
Dividends payable	-	955
Unclaimed dividends	122	123
<b>Total current liabilities</b>	<b>11,612</b>	<b>10,556</b>
<b>Total liabilities</b>	<b>11,989</b>	<b>10,851</b>
<b>Total equity and liabilities</b>	<b>17,217</b>	<b>15,167</b>
Net Asset Per Share	<b>27.91</b>	<b>23.03</b>

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

.....  
Stephan Matthiesen  
**Finance Director**

Date : 1 August 2014

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board of Directors:

.....  
Felicio Ferraz  
**Managing Director**  
Date : 1 August 2014

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Stephan Matthiesen  
**Finance Director**  
Date : 1 August 2014

# CEYLON TOBACCO COMPANY PLC

## Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees millions)

Note	3 months ended 30 June		6 months ended 30 June	
	2014	2013	2014	2013
	Un Audited	Un Audited	Un Audited	Un Audited
<b>Gross Revenue</b>	22,490	23,071	43,690	42,825
<b>Government Levies</b>				
Excise special provision tax	(14,327)	(14,998)	(27,857)	(27,839)
Value added tax	(2,448)	(2,523)	(4,761)	(4,683)
Nation building levy	(122)	(121)	(237)	(224)
	(16,897)	(17,641)	(32,854)	(32,746)
<b>Net Revenue</b>	5,593	5,430	10,836	10,079
<b>Other operating income</b>	3	18	3	21
Raw material used	(680)	(717)	(1,277)	(1,304)
Employee benefit expense	(210)	(159)	(558)	(578)
Depreciation & Amortisation expense	(53)	(49)	(107)	(99)
Other operating expenses	(522)	(138)	(1,452)	(1,373)
Net interest income	89	216	199	419
<b>Profit before income tax</b>	4,219	4,601	7,644	7,165
Income tax expense	(1,709)	(1,778)	(3,107)	(2,879)
	-	-	-	-
<b>Profit for the year</b>	2,511	2,823	4,537	4,286
<b>Other Comprehensive Income</b>				
Remeasurement of defined benefit obligation	-	-	-	-
Notional income on IFRS adjustment	-	-	-	-
<b>Total comprehensive income for the period</b>	2,511	2,823	4,537	4,286
<b>Earnings Per Share ( basic and diluted)</b>	<b>13.40</b>	<b>15.07</b>	<b>24.22</b>	<b>22.88</b>

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Stephan Matthiesen  
Finance Director

Date : 1 August 2014

# CEYLON TOBACCO COMPANY PLC

## Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	30 June	31 December
	2014	2013
<b>A. Cash Flows from Operating Activities</b>		
Cash generated from Operations	7,572	14,749
Interest paid	(0)	(2)
Interest received	161	662
Income Tax paid	(2,748)	(6,265)
<b>Net Cash from Operating Activities</b>	<b>4,985</b>	<b>9,143</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(22)	(288)
Proceeds from sale of Property, Plant & Equipment	-	24
Return on Investment in subsidiary	-	1
<b>Net Cash used in Investing Activities</b>	<b>(22)</b>	<b>(264)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(4,580)	(8,565)
Unclaimed dividends paid	-	(2)
<b>Net cash used in Financing Activities</b>	<b>(4,580)</b>	<b>(8,567)</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>	<b>382</b>	<b>312</b>
Cash & Cash Equivalents at the beginning of year	8,251	7,939
Increase/ Decrease in cash	382	312
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>8,633</b>	<b>8,251</b>
<b>B. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>		
<b>Cash in hand &amp; Bank balances</b>	<b>8,598</b>	<b>7,751</b>
<b>Short term investments</b>	<b>34</b>	<b>500</b>
<b>Total Cash</b>	<b>8,633</b>	<b>8,251</b>
<b>C. Cash generated from Operations</b>		
Profit before Tax	7,644	15,244
Depreciation & amortisation expense	107	304
Provision for doubtful debts	-	-
Write off of fixed assets	-	22
Interest expense	0	2
Interest income	(199)	(737)
Notional interest income	-	(4)
Amortisation of employee benefit expenses	-	3
Actuarial Gain on defined benefit obligation	-	(24)
Provision for obsolete Inventories/ Farmer Advances	-	68
Gain on disposal of property, plant and equipment	-	(9)
<b>Operating Profit before changes in Working Capital</b>	<b>7,552</b>	<b>14,869</b>
<b>Movement in Working Capital</b>		
(Increase)/ Decrease in Inventories	836	(192)
(Increase)/ Decrease in Trade & Other Receivables	(2,571)	744
Increase/ (Decrease) in Trade & Other Payables	1,754	(672)
	<b>7,572</b>	<b>14,749</b>

# CEYLON TOBACCO COMPANY PLC

## Statement of Changes in Equity

(all amounts in Sri Lanka Rupees millions)

	Stated capital	Retained earnings	Total
<b>Balance at 1 January 2013</b>	<b>1,873</b>	<b>1,922</b>	<b>3,795</b>
Profit for the year		4,286	4,286
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,286</b>	<b>4,286</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends		(2,660)	(2,660)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>(2,660)</b>	<b>(2,660)</b>
<b>Balance at 30 June 2013</b>	<b>1,873</b>	<b>3,548</b>	<b>5,421</b>
<b>Balance at 1 January 2014</b>	<b>1,873</b>	<b>2,442</b>	<b>4,315</b>
Profit for the year		4,537	4,537
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>4,537</b>	<b>4,537</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends		(3,624)	(3,624)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>(3,624)</b>	<b>(3,624)</b>
<b>Balance at 30 June 2014</b>	<b>1,873</b>	<b>3,355</b>	<b>5,228</b>

# CEYLON TOBACCO COMPANY PLC

## Notes to the interim financial statements

(In the notes all amounts are shown in Sri Lanka Rupees millions unless otherwise stated)

### 1 General information

Ceylon Tobacco Company PLC is a Public Limited Company domiciled in Sri Lanka. The principal operations of the Company are manufacturing, marketing and selling cigarettes. The registered office of business is 178, Srimath Ramanathan Mawatha, Colombo 15. The ultimate holding company of Ceylon Tobacco Company PLC is British American Tobacco PLC through British American Tobacco Holding (Sri Lanka) BV.

### 2 Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the six months ended 30 June 2014. They have been prepared in accordance with LKAS 34, Interim Financial Reporting. These interim financial statements have been prepared in accordance with the SLFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements. The condensed interim financial statements do not include all of the information required for full annual financial statements and have not been audited.

### 3 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

### 4 Events after the Reporting Period

No material events have occurred since the end of the Interim reporting date which would require adjustment to, or disclosure in the financial statements.

### 5 Comparatives

Comparatives are provided for the same period last year and for the statement of financial position at the date of the last published annual report (31 December 2013).

### 6 Contingent Liabilities

There have been no material changes to the contingent assets or contingent liabilities since the last annual reporting period.

### 7 Market Price Per share

For the 6 months ended 30 June

	2014	2013
	Rs	Rs
Highest	1,130.00	1,019.00
Lowest	960.00	760.00
Last Traded	1,063.90	994.90

8 20 Largest Shareholders of the Company

Name of Shareholder	No. of Shares % Holding		No. of Shares % Holding	
	30 June 2014		31 March 2014	
British American Tobacco Holdings(Sri Lanka) BV	157,590,931	84.13	157,590,931	84.13
FTR Holdings SA	15,585,910	8.32	15,585,910	8.32
Pershing LLL SA Averbach Grauson & Co.	1,654,700	0.88	1,802,900	0.96
HSBC INT NOM LTD - Coupland Cardiff Funds PLC	1,299,978	0.69	1,213,947	0.65
HSBC INTL NOM Ltd - SSBT-Wasatch Frontier	1,217,442	0.65	1,217,442	0.65
HSBC INTL NOM LTD-JPMCB	388,866	0.21	388,866	0.21
Mrs Jasbinderjit Kaur Piara Singh	309,740	0.17	309,740	0.17
Miss Neesha Harnam	271,783	0.15	271,783	0.15
A I A Insurance Lanka PLC	247,125	0.13	257,125	0.14
Harnam Holdings SDN BHD	231,651	0.12	231,651	0.12
Pan Asia Banking Corporation / Channa Nalin Rajamoney	200,300	0.11	200,300	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank	195,600	0.10	195,600	0.10
Mr Jayampathi Divale Bandaranayake	183,344	0.10	183,344	0.10
Wemby Spirit Limited	170,200	0.09	170,200	0.09
CB NY S/A Wasatch Frontier	154,220	0.08	154,220	0.08
DFCC Bank A/C NO.1	150,967	0.08	150,967	0.08
HSBC INTL NOM Ltd - UBS AG - Singapore	150,000	0.08	150,000	0.08
HSBC INTL NOM Ltd -BPMCB - Morgan Stanley	123,584	0.07	-	0.00
RBC Investor Services Bank-BI SICAV	121,615	0.06	121,615	0.06
HSBC INTL NOM Ltd -BPMCB - J P Morgan Clearing	108,000	0.06	108,000	0.06
Sub Total	180,355,956	96.28	180,304,541	96.25
Others	6,967,795	3.72	7,019,210	3.75
Total Shares	187,323,751	100.00	187,323,751	100.00

9 Computation of % of Public Shareholding

	30 June 2014	31 March 2014
	No of Shares	No of Shares
<b><u>Parent Company</u></b>		
British American Tobacco Holdings (SL) BV	157,590,931	157,590,931
	<hr/>	<hr/>
	157,590,931	157,590,931
<b><u>Directors shareholding (including spouses &amp; children)</u></b>		
Mr. S C Ratnayake	644	644
Mr. Felicio Ferraz	-	-
Mr. A Islam	-	-
Mr. S J Iqbal	-	-
Mr. A Hewage	-	-
Ms. M P Perera	-	-
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	644	644
Parent Company	157,590,931	157,590,931
Subsidiaries or Associate Companies of Parent	-	-
Subsidiaries or Associate Companies	-	-
10% or more holding	-	-
Directors shareholding (including spouses & children)	644	644
Public Holding	29,732,176	29,732,176
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	187,323,751	187,323,751
Public Holding as a % of Issued Share Capital	15.87%	15.87%