

Ceylon Tobacco Company PLC
Summary of Performance for the 3 months ended 31 March 2014

Ceylon Tobacco Company contributed LKR 15.9 Bn to government revenue in the 1st Quarter, 0.8 Bn higher than the same period last year. This was achieved despite a 3.6 % volume drop.

The Company's Total Comprehensive Income for the Period was LKR 2.03 Bn, driven by higher revenue and lower Employment & Operating expenses driven by cost saving initiatives across the Company. Export volume increased by 31 Mn and export revenue by LKR 48 Mn vs. the same period last year due to our relentless effort to increase export earnings year on year.

The law enforcement agencies continue to effectively curtail the spread of unauthorised and illicit tobacco products.. In the first three months of 2014, a total of 236 raids have yielded 13 Mn illegal cigarettes at a market value of over Rs.332 Mn.

The Company's flagship CSR initiative, the Sustainable Agricultural Development Programme (SADP), continues to alleviate poverty and empower livelihoods of underprivileged families in rural Sri Lanka. The main focus during the 1st quarter was supporting 2,600 active farmers in the districts of Killinochi, Galle, Kandy, Anuradhapura, Matara and Hambantota Districts.

CTC has challenged the Regulations published by the Minister of Health to implement, among other things, Pictorial Health Warnings covering 80% of the cigarette packs. Court of Appeal has concluded the hearing of the substantive petition challenging the Regulations. Court of Appeal is due to deliver the final order on 12 May 2014. The implementation of the Regulations has been stayed pursuant to an interim order made by the Supreme Court. Supreme Court has extended the interim order until 27 May 2014.

Dividend

The Directors approved a first interim dividend of Rs. 10.80 per share and will be paid by the 28th May 2014

CEYLON TOBACCO COMPANY PLC

Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	31 March	31 December
	2014	2013
	Un Audited	Audited
Assets		
Non-current assets		
Property, plant and equipment	1,563	1,599
Intangible assets	25	28
Net surplus asset on retirement benefit plan	594	594
Receivables	160	97
Total non-current assets	2,343	2,318
Current assets		
Inventories	3,271	2,962
Trade and other receivables	3,462	1,636
Cash and cash equivalents	9,791	8,251
Total current assets	16,524	12,849
Total assets	18,866	15,167
Equity and liabilities		
Equity		
Stated capital	1,873	1,873
Retained earnings	4,469	2,442
Total equity attributable to equity holders	6,342	4,315
Non-current liabilities		
Deferred tax liabilities	299	295
Total non-current liabilities	299	295
Current liabilities		
Trade and other payables	8,808	6,224
Current taxation	3,293	3,254
Dividends payable	-	955
Unclaimed dividends	124	123
Total current liabilities	12,226	10,556
Total liabilities	12,524	10,851
Total equity and liabilities	18,866	15,167
Net Asset Per Share	33.86	23.03

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

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Ariful Islam
Finance Director

Date : 9 May 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:

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Felicio Ferraz
Managing Director
Date : 9 May 2014

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Ariful Islam
Finance Director
Date : 9 May 2014

CEYLON TOBACCO COMPANY PLC

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees millions)

Note	3 months ended 31 March	
	2014	2013
	Un Audited	Un Audited
Gross Revenue	21,200	19,754
Government Levies		
Excise special provision tax	(13,529)	(12,841)
Value added tax	(2,313)	(2,160)
Nation building levy	(114)	(103)
	(15,957)	(15,104)
Net Revenue	5,243	4,649
Other operating income	0	3
Raw material used	(597)	(587)
Employee benefit expense	(348)	(419)
Depreciation & Amortisation expense	(55)	(50)
Other operating expenses	(929)	(1,236)
Net interest income	110	203
Profit before income tax	3,425	2,564
Income tax expense	(1,399)	(1,101)
Profit for the year	2,026	1,463
Other Comprehensive Income		
Reclassification of defined benefit obligation in equity of the prior year	-	-
Total comprehensive income for the period	2,026	1,463
Earnings Per Share (basic and diluted)	10.82	7.81

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Ariful Islam
Finance Director

Date : 9 May 2014

CEYLON TOBACCO COMPANY PLC

Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	31 March 2014	31 December 2013
A. Cash Flows from Operating Activities		
Cash generated from Operations	3,761	14,749
Interest paid	(0)	(2)
Interest received	97	662
Income Tax paid	(1,345)	(6,265)
Net Cash from Operating Activities	<u>2,513</u>	<u>9,143</u>
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(16)	(288)
Proceeds from sale of Property, Plant & Equipment	-	24
Return of Investment in subsidiary	-	1
Net Cash used in Investing Activities	<u>(16)</u>	<u>(264)</u>
Cash Flows from Financing Activities		
Dividends paid	(955)	(8,565)
Unclaimed dividends paid	-	(2)
Net cash used in Financing Activities	<u>(955)</u>	<u>(8,567)</u>
Net Increase in Cash & Cash equivalents	<u>1,541</u>	<u>312</u>
Cash & Cash Equivalents at the beginning of year	8,251	7,939
Increase/ Decrease in cash	1,541	312
Cash & Cash Equivalents at the end of the period	9,791	8,251
B. Analysis of Cash & Cash Equivalents at the end of the period		
Cash in hand & Bank balances	9,791	7,751
Short term investments	0	500
	<u>9,791</u>	<u>8,251</u>
C. Cash generated from Operations		
Profit before Tax	3,425	15,244
Depreciation & amortisation expense	55	304
Provision for doubtful debts	2	-
Write off during the year	-	22
Interest expense	0	2
Interest income	(110)	(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)
Operating Profit before changes in Working Capital	<u>3,371</u>	<u>14,869</u>
(Increase)/ Decrease in Inventories	(308)	(192)
(Increase)/ Decrease in Trade & Other Receivables	(1,888)	744
Increase/ (Decrease) in Trade & Other Payables	2,585	(672)
	<u>3,761</u>	<u>14,749</u>

CEYLON TOBACCO COMPANY PLC

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees millions)

	Stated capital	Retained earnings	Total
Balance at 1 January 2013	1,873	1,922	3,795
Profit for the year		1,463	1,463
Other comprehensive income		-	-
Total comprehensive income for the year	-	1,463	1,463
Transactions with owners of the Company, recognised directly in equity			
Dividends		(1,218)	(1,218)
Total transactions with shareholders	-	(1,218)	(1,218)
Balance at 31 March 2013	1,873	2,167	4,040
Balance at 1 January 2014	1,873	2,442	4,315
Profit for the year		2,026	2,026
Other comprehensive income			-
Total comprehensive income for the year	-	2,026	2,026
Transactions with owners of the Company, recognised directly in equity			
Dividends		-	-
Total transactions with shareholders	-	-	-
Balance at 31 March 2014	1,873	4,468	6,342

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 three months ended 31 March 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 except for the following: A proposed final dividend of LKR 8.55 per share, amounting to LKR 1,601 million, for the year ended 31st December 2013 was approved at the AGM held on the 2nd of April, 2014 and was paid on the 11th of April 2014. In accordance with Sri Lanka Accounting Standard No.10 (LKAS-10) "Events after the Reporting Period", this proposed dividend has not been recognised as a liability as at 31st March 2014.

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 3 months ended 31 March

	2014	2013
	Rs	Rs
Highest	1,349.00	830.00
Lowest	1,021.00	730.00
Last Traded	1,056.00	780.70

8 20 Largest Shareholders of the Company

Name of Shareholder	31 March 2014		31 December 2013	
	No. of Shares	% Holding	No. of Shares	% Holding
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.	1,802,900	0.96	1,731,856	0.92
HSBC INTL NOM Ltd - SSBT-Wasatch Frontier	1,217,442	0.65	1,217,442	0.65
HSBC INT NOM LTD - Coupland Cardiff Funds PLC	1,213,947	0.65	1,213,947	0.65
HSBC INTL NOM LTD-JPMCB	388,866	0.21	365,866	0.20
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	257,125	0.14	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	-	0.00
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
Wembly Spirit Limited	170,200	0.09	170,200	0.09
CB NY S/A Wasatch Frontier	154,220	0.08	-	0.00
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
RBC Investor Services Bank-BI SICAV	121,615	0.06	144,615	0.08
HSBC INTL NOM -BPMCB - Morgan Clearing	108,000	0.06	-	0.00
Mellon Bank N A	107,000	0.06	107,000	0.06
Sub Total	180,411,541	96.31	179,877,977	96.03
Others	6,912,210	3.69	7,445,774	3.97
Total Shares	187,323,751	100.00	187,323,751	100.00

9 Computation of % of Public Shareholding

	31 March 2014	31 December 2013
	No of Shares	No of Shares
<u>Parent Company</u>		
British American Tobacco Holdings (SL) BV	157,590,931	157,590,931
	<hr/>	<hr/>
	157,590,931	157,590,931
<u>Directors shareholding (including spouses & children)</u>		
Mr. S C Ratnayake	644	644
Mr. Felicio Ferraz	-	-
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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%