

## **Ceylon Tobacco Company PLC**

### **Summary of Performance for the 9 months ended 30 September 2013**

Ceylon Tobacco Company contributed LKR 48.5 Bn to government revenue in the first 9 months of 2013, which is 0.7 Bn higher than same period last year. This was achieved despite an 11% volume drop, in the backdrop of dampened consumer confidence.

The Company's Profit after Tax stood at LKR 6.6 Bn, driven by the marginally higher revenue, better mix and higher net interest income.

While the total volume was down, the premium brand Dunhill grew by 9% vs. same period last year, led by its innovative variant Dunhill SWITCH. Export sales revenue stood at LKR 47.6 Mn for the first 9 months of 2013.

The law enforcement agencies continued to effectively curtail the spread of unauthorized and illicit tobacco products. In the first nine months of 2013, a total of 709 raids have yielded 45.7 Mn illegal sticks at a market value of LKR 1.28 Bn.

CTC's flagship CSR initiative, SADP (Sustainable Agricultural Development Programme) focused on supporting 2,400 active farmers in the districts of Kilinochchi, Kandy, Anuradhapura, Matara & Hambantota Districts in the third quarter of 2013. 400 new farmer families were recruited in Balapitiya & Weligama during the quarter. CTC Distributor Association donated Rs 3.5 Mn to the SADP programme for sponsoring 100 families for two and a half years from the South. SADP continues its journey of alleviating poverty, supporting a total number of 16,364 families, totaling 62,442 beneficiaries in 16 districts in Sri Lanka.

CTC has challenged the Regulations published by Minister of Health to implement, among other things, pictorial health warning covering 80% of the cigarette packs. The implementation of the Regulations has been stayed pursuant to an interim order issued by the Supreme Court. Supreme Court has fixed the hearing of the appeal for 7 May 2014. Hearing of the CTC's substantive petition challenging the Regulations in the Court of Appeal has been fixed for 17 January 2014.

### **Dividend**

The Directors recommend a third interim dividend of Rs.12.40 per share to be paid by the 27th of November 2013

# CEYLON TOBACCO COMPANY PLC

## Statements of financial position

(all amounts in Sri Lanka Rupees millions)

	30th September 2013 Unaudited	31st December 2012 Audited
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,581	1,635
Intangible assets	1	4
Investment in subsidiary		1
Net surplus asset on retirement benefit plan	70	70
Receivables	130	135
<b>Total non-current assets</b>	<b>1,782</b>	<b>1,844</b>
<b>Current assets</b>		
Inventories	2,421	2,771
Trade and other receivables	2,554	2,472
Cash and cash equivalents	7,783	7,939
<b>Total current assets</b>	<b>12,758</b>	<b>13,181</b>
<b>Total assets</b>	<b>14,540</b>	<b>15,025</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Stated capital	1,873	1,873
Retained earnings	2,692	1,542
<b>Total equity attributable to equity holders</b>	<b>4,565</b>	<b>3,415</b>
<b>Non-current liabilities</b>		
Employee benefits	2	2
Deferred tax liabilities	315	281
<b>Total non-current liabilities</b>	<b>317</b>	<b>284</b>
<b>Current liabilities</b>		
Trade and other payables	6,473	6,903
Current taxation	3,090	3,521
Dividends payable	-	805
Unclaimed dividends	95	97
Bank overdraft	-	-
<b>Total current liabilities</b>	<b>9,658</b>	<b>11,326</b>
<b>Total liabilities</b>	<b>9,975</b>	<b>11,610</b>
<b>Total equity and liabilities</b>	<b>14,540</b>	<b>15,025</b>
Net Asset Per Share	24.37	18.23

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 : 8 November 2013

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 : 8 November 2013

# CEYLON TOBACCO COMPANY PLC

## Statements of comprehensive income

(all amounts in Sri Lanka Rupees millions)

Note	3 months ended 30 September		9 months ended 30 September	
	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	Unaudited
<b>Gross Revenue</b>	21,034	21,628	63,858	62,190
<b>Government Levies</b>				
Excise special provision tax	(13,389)	(14,139)	(41,228)	(40,694)
Value added tax	(2,295)	(2,367)	(6,977)	(6,835)
Nation building levy	(119)	(111)	(343)	(320)
	(15,803)	(16,617)	(48,549)	(47,849)
<b>Net Revenue</b>	5,231	5,011	15,310	14,341
<b>Other operating income</b>	18	24	39	35
Raw material used	(651)	(681)	(1,955)	(1,965)
Employee benefit expense	(179)	(232)	(757)	(712)
Depreciation & Amortisation expense	(48)	(48)	(147)	(142)
Other operating expenses	(607)	(442)	(1,980)	(1,699)
Net interest income	163	180	582	442
<b>Profit before income tax</b>	3,926	3,813	11,091	10,300
Income tax expense	(1,593)	(1,513)	(4,472)	(4,108)
<b>Total comprehensive income for the period</b>	2,333	2,300	6,619	6,192
<b>Earnings Per Share ( basic and diluted)</b>	12.46	12.28	35.34	33.06

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Ariful Islam  
**Finance Director**

Date : 8 November 2013

# CEYLON TOBACCO COMPANY PLC

## Cash flow statements

(all amounts in Sri Lanka Rupees millions)

	Nine months ended 30 September	
	2013	2012
	Unaudited	Unaudited
<b>A. Cash Flows from Operating Activities</b>		
Cash generated from Operations	10,378	12,039
Interest paid	(3)	(2)
Interest received	585	434
Income Tax paid	(4,763)	(4,070)
<b>Net Cash from Operating Activities</b>	<b>6,197</b>	<b>8,401</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(91)	(115)
Proceeds from sale of Property, Plant & Equipment	14	
<b>Net Cash used in Investing Activities</b>	<b>(77)</b>	<b>(115)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(6,275)	(6,078)
Unclaimed dividends paid		(2)
<b>Net cash used in Financing Activities</b>	<b>(6,275)</b>	<b>(6,080)</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>	<b>(156)</b>	<b>2,206</b>
Cash & Cash Equivalents at the beginning of year	7,939	<b>7,790</b>
Increase/ Decrease in cash		
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>7,783</b>	9,996
<b>B. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>		
Cash in hand & Bank balances	4,783	946
Short term investments	3,000	9,050
	<b>7,783</b>	<b>9,996</b>
<b>C. Cash generated from Operations</b>		
Profit before Tax	11,091	10,300
Depreciation & amortisation expense	147	142
Interest expense	3	2
Interest income	(585)	(444)
Notional interest income	(1)	
Amortisation of employee benefit expenses	2	-
Write off on property, plant & equipment	9	6
Provision for obsolete Inventories/ Farmer Advances	52	4
Gain on disposal of property, plant and equipment	2	-
<b>Operating Profit before changes in Working Capital</b>	<b>10,720</b>	<b>10,010</b>
(Increase)/ Decrease in Inventories	298	104
(Increase)/ Decrease in Trade & Other Receivables	(51)	619
Increase/ (Decrease) in Trade & Other Payables	(588)	1,306
	<b>10,378</b>	<b>12,039</b>

# CEYLON TOBACCO COMPANY PLC

## Statement of changes in equity

(all amounts in Sri Lanka Rupees millions)

	Stated capital	Capital Reserves	Retained earnings	Total
<b>Balance at 1 January 2012</b>	<b>1873</b>		<b>1,705</b>	<b>3,578</b>
Total comprehensive income for the period	-	-	6,192	<b>6,192</b>
Dividends	-	-	(5,235)	<b>(5,235)</b>
<b>Balance at 30 September 2012</b>	<b>1,873</b>	-	<b>2,662</b>	<b>4,536</b>
<b>Balance at 1 January 2013</b>	<b>1,873</b>		<b>1,542</b>	<b>3,415</b>
Total comprehensive income for the period	-	-	6,619	<b>6,619</b>
Dividends	-	-	(5,469)	<b>(5,469)</b>
<b>Balance at 30 September 2013</b>	<b>1,873</b>	-	<b>2,692</b>	<b>4,565</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. Prior to the 28th of August 2013, the consolidated financial statements of the Company comprised of the Company and its subsidiary, CTC Services Limited (together referred to as the Group). CTC Services Limited was liquidated on the 28th of August 2013 and thus only the financial statements of Ceylon Tobacco Company have been presented in the condensed interim financial statements.

The ultimate holding company of Ceylon Tobacco Company PLC is British American Tobacco PLC through British American Tobacco Holding (Sri Lanka) BV.

The principal operations of the company are manufacturing, marketing and selling cigarettes. The registered office of business is 178, Srimath Ramanathan Mawatha, Colombo 15.

### 2 Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the nine months ended 30 September 2013. 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

Except for the accounting policies described below, the accounting policies adopted are consistent with those of the previous financial year

#### 3.1 Consolidation

Since the subsidiary company has been liquidated on 28 August 2013, no consolidated financial statements are applicable from that date. However, due to the subsidiary having no operations of its own, for the purpose of better presentation, no consolidated financial statements have been presented incorporating the results of the subsidiary for the period up to 28 August 2013. If the consolidated financial statements are prepared, the consolidated statements of comprehensive income for the Group will be as follows.

	3 months ended 30 September		9 months ended 30 September	
	2013	2012	2013	2012
Gross Revenue	21,034	21,628	63,858	62,190
Government Levies	(15,803)	(16,617)	(48,549)	(47,849)
Net Revenue	5,231	5,011	15,310	14,341
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Profit Before Tax	3,926	3,813	11,091	10,300
Income Tax Expense	(1,593)	(1,513)	(4,472)	(4,108)
Total Comprehensive Income for the period	2,333	2,300	6,619	6,192
Earnings per share (Basic and diluted)	12.46	12.28	35.34	33.06

#### 3.2 Employee benefits

##### a) Defined benefit plan

LKAS 19, 'Employee benefits' was amended effective from 1 January 2013. The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The full impact will be assessed, post actuarial valuation of the plan assets and defined benefit liability which is currently in progress.

### 4 Subsequent Events

There are no material events subsequent to the interim period that will impact the financial statements for the interim period.

### 5 Comparatives

Comparatives are provided for the same period last year and the statement of financial position at the date of the last published annual report ( 31 December 2012)

### 6 Contingent Liabilities

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

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### 7 Market Price Per share

0

For the 9 months ended 30 September	2013	2012
	Rs	Rs
Highest	1,400.50	720.00
Lowest	950.00	650.10
Last Traded	1,050.00	698.00

8 20 Largest Shareholders of the Company

Name of Shareholder	No. of Shares % Holding		No. of Shares % Holding	
	30 September 2013		30 June 2013	
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.	1,684,700	0.90	1,684,700	0.90
HSBC INTL NOM Ltd - SSBT-Wasatch Frontier	1,181,855	0.63	1,181,855	0.63
HSBC INT NOM LTD - Coupland Cardiff Funds PLC	1,152,867	0.62	1,152,867	0.62
HSBC INTL NOM LTD-JPMCB	355,091	0.19	355,091	0.19
Mrs Jasbinderjit Kaur Piara Singh	309,900	0.17	309,900	0.17
National Development Bank / Channa Nalin Rajamoney	290,000	0.15	290,000	0.15
Miss Neesha Harnam	272,300	0.15	272,300	0.15
A I A Insurance Lanka PLC	257,125	0.14	257,125	0.14
Harnam Holdings SDN BHD	228,900	0.12	228,900	0.12
Deutsche Bank AG - London	215,331	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
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	144,615	0.08	124,300	0.07
Mellon Bank N A	107,000	0.06	-	0.00
K Kandiapillai	97,549	0.05	97,549	0.05
Sub Total	180,324,185	96.26	179,981,539	96.08
Others	6,999,566	3.74	7,342,212	3.92
Total Shares	187,323,751	100.00	187,323,751	100.00

9 Computation of % of Public Shareholding

	30 September 2013	30 June 2013
	No of Shares	No of Shares
<b><u>Parent Company</u></b>		
British American Tobacco Holdings (SL) BV	157,590,931	157,590,931
	<u>157,590,931</u>	<u>157,590,931</u>
<b><u>Directors shareholding (including spouses &amp; children)</u></b>		
Mr. S C Ratnayake	644	644
Mr. Felicio Ferraz	-	-
	<u>644</u>	<u>644</u>
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	29,514,741
	<u>187,323,751</u>	<u>187,323,751</u>
Public Holding as a % of Issued Share Capital	15.87%	15.87%