

## **Ceylon Tobacco Company PLC**

### **Summary of Performance for the 6 months ended 30 June 2013**

Ceylon Tobacco Company contributed LKR 32.7 billion to government revenue which is a 5% increase compared to the same period last year. This was achieved despite a 7.3% volume drop, in the backdrop of challenging economic conditions especially in the first quarter.

The Company's Profit after Tax stood at LKR 4.3 Bn, driven by higher revenue, better product mix and higher net interest income stemming from change in the investment strategy made in 2012

While the total volume was down, Dunhill which represent niche premium segment grew by a 7% compared to the same period last year, fueled by its innovative variant Dunhill SWITCH. Export sales revenue increased by 13% to LKR 47.6 Mn. Company will continue its endeavor to improve export performance into the future.

The law enforcement agencies continued to effectively curtail the spread of unauthorized and illicit cigarettes.. In the first six months of 2013, a total of 492 raids carried out by the enforcement agencies resulted in the confiscation of 40.2 million illegal cigarettes at a market value of LKR 844 million whereas total number of cigarettes confiscated during the same period last year was 34 million sticks. This increase in illicit cigarettes poses a real threat to our volume which can adversely impact revenue streams for the company and the Government. It also increases the risk of sub-standard product reaching to the consumers.

CTC's flagship CSR initiative, SADP (Sustainable Agricultural Development Programme) in it's 6<sup>th</sup> year, is focusing on supporting 2,576 active farmers in the districts of Kilinochchi, Kandy, Matara & Hambantota in 2013. It also launched SADP Ultra to 4,100 tobacco farmers with an objective of introducing social responsibility in tobacco production (SRTP). SADP continues its voyage of alleviating poverty, supporting a total number of 16,164 families to date

CTC has challenged in Courts the Regulations published by Minister of Health to implement pictorial health warning covering 80% of the cigarette packs. The implementation of the Regulations has been deferred pursuant to an interim order made by the Supreme Court to maintain the status quo until the case is taken up for hearing of CTC's appeal for a stay order. Supreme Court has now fixed the hearing for 20 September 2013. In the interim, as directed by the Supreme Court, CTC will endeavor to reach a compromise with the Ministry of Health with regard to a mutually agreeable set of Regulations.

### **Dividend**

The Directors recommend a second interim dividend of Rs.15.00 per share to be paid by the 23rd August 2013

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Statements of financial position

(all amounts in Sri Lanka Rupees millions)

<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	
Intangible assets	
Investment in subsidiary	
Net surplus asset on retirement benefit plan	
Receivables	
<b>Total non-current assets</b>	
<b>Current assets</b>	
Inventories	
Trade and other receivables	
Cash and cash equivalents	
<b>Total current assets</b>	
<b>Total assets</b>	
<b>Equity and liabilities</b>	
<b>Equity</b>	
Stated capital	
Retained earnings	
<b>Total equity attributable to equity holders</b>	
<b>Non-current liabilities</b>	
Employee benefits	
Deferred tax liabilities	
<b>Total non-current liabilities</b>	
<b>Current liabilities</b>	
Trade and other payables	
Current taxation	
Dividends payable	
Unclaimed dividends	
Bank overdraft	
<b>Total current liabilities</b>	
<b>Total liabilities</b>	
<b>Total equity and liabilities</b>	
Net Asset Per Share	

As at 30 June 2013		As at 31 December 2012	
Group	Company	Group	Company
Unaudited	Unaudited	Audited	Audited
1,547	1,547	1,635	1,635
2	2	4	4
	1	-	1
70	70	70	70
178	178	135	135
<b>1,797</b>	<b>1,798</b>	<b>1,843</b>	<b>1,844</b>
-			
2,420	2,420	2,771	2,771
1,249	1,249	2,472	2,472
10,334	10,333	7,939	7,939
14,003	14,002	13,182	13,181
-			
<b>15,800</b>	<b>15,800</b>	<b>15,025</b>	<b>15,025</b>
1,873	1,873	1,873	1,873
3,168	3,168	1,542	1,542
<b>5,041</b>	<b>5,041</b>	<b>3,415</b>	<b>3,415</b>
2	2	2	2
335	335	281	281
<b>337</b>	<b>337</b>	<b>284</b>	<b>284</b>
6,321	6,321	6,903	6,903
4,005	4,005	3,521	3,521
-	-	805	805
95	95	97	97
-	-	-	-
<b>10,422</b>	<b>10,422</b>	<b>11,326</b>	<b>11,326</b>
<b>10,759</b>	<b>10,759</b>	<b>11,610</b>	<b>11,610</b>
<b>15,800</b>	<b>15,800</b>	<b>15,025</b>	<b>15,025</b>
<b>26.91</b>	<b>26.91</b>	<b>18.23</b>	<b>18.23</b>

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

Ariful Islam  
Finance Director

Date : 2 August 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:

Felicio Ferraz  
Managing Director  
Date : 2 August 2013

Ariful Islam  
Finance Director  
Date : 2 August 2013

## CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

### Statements of comprehensive income

(all amounts in Sri Lanka Rupees millions)

Note	Three months ended				Six months ended			
	30 June 2013		30 June 2012		30 June 2013		30 June 2012	
	Group	Company	Group	Company	Group	Company	Group	Company
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
<b>Gross Revenue</b>	23,071	23,071	20,772	20,772	42,825	42,825	40,562	40,562
<b>Government Levies</b>								
Excise special provision tax	(14,998)	(14,998)	(13,559)	(13,559)	(27,839)	(27,839)	(26,555)	(26,555)
Value added tax	(2,523)	(2,523)	(2,274)	(2,274)	(4,683)	(4,683)	(4,467)	(4,467)
Nation building levy	(121)	(121)	(108)	(108)	(224)	(224)	(210)	(210)
	(17,641)	(17,641)	(15,941)	(15,941)	(32,746)	(32,746)	(31,232)	(31,232)
<b>Net Revenue</b>	5,430	5,430	4,831	4,831	10,079	10,079	9,330	9,330
<b>Other operating income</b>	18	18	5	5	21	21	11	11
Raw material used	(717)	(717)	(662)	(662)	(1,304)	(1,304)	(1,284)	(1,284)
Employee benefit expense	(159)	(159)	(244)	(244)	(578)	(578)	(480)	(480)
Dep. & Amortisation expense	(49)	(49)	(47)	(47)	(99)	(99)	(94)	(94)
Other operating expenses	(138)	(138)	(64)	(64)	(1,373)	(1,373)	(1,256)	(1,256)
Net interest income	216	216	145	145	419	419	261	261
<b>Profit before income tax</b>	4,601	4,601	3,965	3,965	7,165	7,165	6,488	6,488
Income tax expense	(1,778)	(1,778)	(1,560)	(1,560)	(2,879)	(2,879)	(2,595)	(2,595)
<b>Total comprehensive (expense)/ income for the period</b>	2,823	2,823	2,405	2,405	4,286	4,286	3,893	3,893
<b>Earnings Per Share ( basic and diluted)</b>	15.07	15.07	12.84	12.84	22.88	22.88	20.78	20.78

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

Ariful Islam  
Finance Director

Date : 2 August 2013

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Cash flow statements

(all amounts in Sri Lanka Rupees millions)

	Six months ended 30 June 2013		Six months ended 30 June 2012	
	Group	Company	Group	Company
	Unaudited	Unaudited	Audited	Audited
<b>A. Cash Flows from Operating Activities</b>				
Cash generated from Operations	7,920	7,920	5,472	5,472
Interest paid	(0)	(0)	(2)	(2)
Interest received	253	253	266	266
Gratuity paid	-	-	-	-
Income Tax paid	(2,299)	(2,299)	(1,412)	(1,412)
<b>Net Cash from Operating Activities</b>	<b>5,874</b>	<b>5,874</b>	<b>4,325</b>	<b>4,325</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Property, Plant & Equipment	(28)	(28)	(30)	(30)
Proceeds from sale of Property, Plant & Equipment	14	14	0	0
<b>Net Cash used in Investing Activities</b>	<b>(14)</b>	<b>(14)</b>	<b>(30)</b>	<b>(30)</b>
<b>Cash Flows from Financing Activities</b>				
Dividends paid	(3,465)	(3,465)	(3,681)	(3,681)
Unclaimed dividends paid	-	-	(1)	(1)
<b>Net cash used in Financing Activities</b>	<b>(3,465)</b>	<b>(3,465)</b>	<b>(3,682)</b>	<b>(3,682)</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>	<b>2,394</b>	<b>2,394</b>	<b>613</b>	<b>613</b>
Cash & Cash Equivalents at the beginning of year	7,939	7,939	7,790	7,789
Increase				
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>10,334</b>	<b>10,333</b>	<b>8,403</b>	<b>8,403</b>
<b>B. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>				
Cash in hand & Bank balances	6,301	6,300	881	881
Short term investments	4,033	4,033	7,522	7,522
Bank overdraft	-	-	0	0
	<b>10,334</b>	<b>10,333</b>	<b>8,403</b>	<b>8,403</b>
<b>C. Cash generated from Operations</b>				
Profit before Tax	7,165	7,165	6,488	6,488
Depreciation & amortisation expense	99	99	94	94
Write back of debts	-	-	-	-
Interest expense	0	0	-	-
Interest income	(419)	(419)	(300)	(300)
Notional interest income	(1)	(1)	(1)	(1)
Amortisation of employee benefit expenses	2	2	-	-
Impairment on property, plant and equipment	-	-	-	-
Write off on property, plant & equipment	0	0	-	-
Write off of unclaimed dividend	-	-	-	-
Provision for obsolete Inventories/ Farmer Advances	10	10	(3)	(3)
Gain on disposal of property, plant and equipment	(2)	(2)	-	-
<b>Operating Profit before changes in Working Capital</b>	<b>6,854</b>	<b>6,854</b>	<b>6,279</b>	<b>6,279</b>
(Increase)/ Decrease in Inventories	341	341	177	177
(Increase)/ Decrease in Trade & Other Receivables	1,204	1,204	358	358
Increase/ (Decrease) in Trade & Other Payables	(479)	(479)	(1,344)	(1,344)
	<b>7,920</b>	<b>7,920</b>	<b>5,470</b>	<b>5,470</b>

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Statement of changes in equity

(all amounts in Sri Lanka Rupees millions)

### Group

	Stated capital	Shares in ESOS trust	Retained earnings	Total
<b>Balance at 1 January 2012</b>	1873		1,703	3,576
Total comprehensive income for the period	-	-	3,893	3,893
Dividends	-	-	(2,838)	(2,838)
<b>Balance at 30 June 2012</b>	<b>1,873</b>	<b>-</b>	<b>2,759</b>	<b>4,632</b>
<b>Balance at 1 January 2013</b>	1,873		1,542	3,415
Total comprehensive income for the period			4,286	4,286
Dividends			(2,660)	(2,660)
<b>Balance at 30 June 2013</b>	<b>1,873</b>	<b>-</b>	<b>3,168</b>	<b>5,041</b>

## Statement of changes in equity (Contd)

(all amounts in Sri Lanka Rupees millions)

### Company

	Stated capital	Shares in ESOS trust	Retained earnings	Total
<b>Balance at 1 January 2012</b>	1,873	-	1,705	3,578
Total comprehensive income for the period	-	-	3,893	3,893
Dividends	-	-	(2,838)	(2,838)
<b>Balance at 30 June 2012</b>	<b>1,873</b>	<b>-</b>	<b>2,761</b>	<b>4,634</b>
<b>Balance at 1 January 2013</b>	1,873		1,542	3,415
Total comprehensive income for the period			4,286	4,286
Dividends			(2,660)	(2,660)
<b>Balance at 30 June 2013</b>	<b>1,873</b>	<b>-</b>	<b>3,168</b>	<b>5,041</b>

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## 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 consolidated financial statements of the Company for the six months ended 30 June 2013 comprise of the Company and its subsidiaries (together referred to as the Group). 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 six months ended 30 June 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

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

### 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.

### 7 Market Price Per share

For the 6 months ended 30 June

	2013	2012
	Rs	Rs
Highest	1,019.00	730.00
Lowest	760.00	520.00
Last Traded	994.90	669.00

## 20 Largest Shareholders of the Company

Name of Shareholder	No. of Shares % Holding		No. of Shares % Holding	
	30 June 2013		31 March 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	748,042	0.40
HSBC INT NOM LTD - Coupland Cardiff Funds PLC	1,152,867	0.62	1,102,867	0.59
HSBC INTL NOM LTD-JPMCB	355,091	0.19	257,265	0.14
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
Aviva NDB Insurance PLC A/c No.7	257,125	0.14	300,000	0.16
Harnam Holdings SDN BHD	228,900	0.12	228,900	0.12
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
Belmont Agents Limited	150,000	0.08	300,000	0.16
RBC Investor Services Bank-BI SICAV	124,300	0.07	124,300	0.07
RBC Investor Services Bank-Julius Baer Multipartner	118,000	0.06	150,000	0.08
K Kandiapillai	97,549	0.05	97,549	0.05
Sub Total	180,249,539	96.22	179,892,775	96.03
Others	7,074,212	3.78	7,430,976	3.97
Total Shares	187,323,751	100.00	187,323,751	100.00

## Computation of % of Public Shareholding

	30 June 2013	31 March 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
	<hr/>	<hr/>
	157,590,931	157,590,931
<b><u>Directors shareholding (including spouses &amp; children)</u></b>		
Mr. S C Ratnayake	644.00	644.00
Mr. Felicio Ferraz	-	-
	<hr/>	<hr/>
	644.00	644.00
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
	<hr/>	<hr/>
	187,323,751	187,323,751
Public Holding as a % of Issued Share Capital	15.87%	15.87%