

## **Ceylon Tobacco Company PLC**

### **Summary of Performance for the 6 months ended 30 June 2012**

Ceylon Tobacco Company contributed Rs. 31.2 billion to government revenue in the first half of 2012, up eight per cent over the same period last year despite a 2% drop in cigarette volumes.

The Company's profit after tax stood at Rs. 3.9 billion, driven largely by one-off improvements in Other Operating Expenses (OOE) and an aggressive cost savings drive. One off improvements in OOE included a gain on US dollar deposits, the lack of contribution to the gratuity fund vs SPLY due the recognised surplus in the fund, and different expenditure phasing for the Sustainable Agriculture Development Programme (SADP). The gap in OOE vs the corresponding period in the previous year will close though the second half as timing differences for expenditure will get adjusted.

While overall volume was down, the Company recorded a 56 per cent growth in the premium segment, driven by the launch of its innovative variant Dunhill SWITCH, which now accounts for nearly 48% of the Dunhill business. Export volume has increased by 78% vs SPLY off a small base, increasing export revenue from Rs 19 million to Rs 43 million.

The law enforcement agencies continue to effectively curtail the spread of unauthorised and illicit tobacco products, supporting the Company's performance. In the first half of 2012, a total of 435 raids have yielded 34 million illegal sticks at a market value of Rs. 748 million.

CTC's flagship CSR initiative, the Sustainable Agricultural Development Programme (SADP), continues to empower livelihoods of underprivileged families in rural Sri Lanka. The total number of beneficiaries in this programme has grown to 11,864 families or 44,309 persons across 13 districts, out of whom 7,871 families have graduated from the programme and are enjoying the benefits of reaching economic self-sufficiency in a sustainable manner. The Company aims to extend SADP to 1,800 families in 2012, out of which 1,600 families will be selected from the North.

#### **Dividend for 2<sup>nd</sup> Quarter**

The Directors recommend a second interim dividend of Rs.12.80 per share and will be paid on the 17th August 2012.

**CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES**

**Statements of financial position**

(all amounts in Sri Lankan Rupees millions)

|  | As at 30 June 2012 |               | As at 31 December 2011 |               | As at 1 January 2011 |               |
|--|--------------------|---------------|------------------------|---------------|----------------------|---------------|
|  | Group              | Company       | Group                  | Company       | Group                | Company       |
| <b>Assets</b>                                      |                    |               |                        |               |                      |               |
| <b>Non-current assets</b>                          |                    |               |                        |               |                      |               |
| Property, plant and equipment                      | 1,490              | 1,490         | 1,553                  | 1,553         | 1,565                | 1,565         |
| Intangible assets                                  | 5                  | 5             | 6                      | 6             | 12                   | 12            |
| Assets held for Sale                               | -                  | 1             | -                      | 1             | -                    | 1             |
| Net surplus asset on retirement benefit plan       | 105                | 105           | 105                    | 105           | -                    | -             |
| Receivables  | 160                | 160           | 169                    | 169           | 186                  | 186           |
| <b>Total non-current assets</b>                    | <b>1,760</b>       | <b>1,761</b>  | <b>1,833</b>           | <b>1,834</b>  | <b>1,763</b>         | <b>1,764</b>  |
| <b>Current assets</b>                              |                    |               |                        |               |                      |               |
| Inventories  | 2,027              | 2,027         | 2,202                  | 2,202         | 2,562                | 2,562         |
| Trade and other receivables                        | 1,574              | 1,575         | 1,948                  | 1,950         | 1,336                | 1,337         |
| Cash and cash equivalents                          | 8,403              | 8,403         | 7,790                  | 7,789         | 6,633                | 6,633         |
| <b>Total current assets</b>                        | <b>12,004</b>      | <b>12,005</b> | <b>11,940</b>          | <b>11,942</b> | <b>10,531</b>        | <b>10,532</b> |
| <b>Total assets</b>                                | <b>13,764</b>      | <b>13,766</b> | <b>13,773</b>          | <b>13,775</b> | <b>12,294</b>        | <b>12,296</b> |
| <b>Equity and liabilities</b>                      |                    |               |                        |               |                      |               |
| <b>Equity</b>                                      |                    |               |                        |               |                      |               |
| Stated capital                                     | 1,873              | 1,873         | 1,873                  | 1,873         | 1,873                | 1,873         |
| Capital reserves                                   | -                  | -             | -                      | -             | 15                   | 15            |
| Retained earnings                                  | 2,759              | 2,761         | 1,703                  | 1,705         | 1,775                | 1,777         |
| <b>Total equity attributable to equity holders</b> | <b>4,632</b>       | <b>4,634</b>  | <b>3,576</b>           | <b>3,578</b>  | <b>3,663</b>         | <b>3,665</b>  |
| <b>Non-current liabilities</b>                     |                    |               |                        |               |                      |               |
| Employee benefits                                  | 3                  | 3             | 3                      | 3             | 4                    | 4             |
| Deferred tax liabilities                           | 313                | 313           | 255                    | 255           | 200                  | 200           |
| <b>Total non-current liabilities</b>               | <b>316</b>         | <b>316</b>    | <b>258</b>             | <b>258</b>    | <b>204</b>           | <b>204</b>    |
| <b>Current liabilities</b>                         |                    |               |                        |               |                      |               |
| Trade and other payables                           | 4,372              | 4,372         | 5,710                  | 5,710         | 5,414                | 5,414         |
| Current taxation                                   | 4,371              | 4,371         | 3,334                  | 3,334         | 1,870                | 1,870         |
| Dividends payable                                  | -                  | -             | 843                    | 843           | 1,077                | 1,077         |
| Unclaimed dividends                                | 73                 | 73            | 53                     | 53            | 58                   | 58            |
| Bank overdraft                                     | -                  | -             | -                      | -             | 8                    | 8             |
| <b>Total current liabilities</b>                   | <b>8,816</b>       | <b>8,816</b>  | <b>9,939</b>           | <b>9,939</b>  | <b>8,427</b>         | <b>8,427</b>  |
| <b>Total liabilities</b>                           | <b>9,132</b>       | <b>9,132</b>  | <b>10,197</b>          | <b>10,197</b> | <b>8,631</b>         | <b>8,631</b>  |
| <b>Total equity and liabilities</b>                | <b>13,764</b>      | <b>13,766</b> | <b>13,773</b>          | <b>13,775</b> | <b>12,294</b>        | <b>12,296</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 : 27th July 2012

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:

.....  
**James Yamanaka**  
Managing Director and Chief Executive Officer  
Date : 27th July 2012

.....  
Ariful Islam  
**Finance Director**  
Date : 27th July 2012

**CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES**

**Statements of comprehensive income**

(all amounts in Sri Lankan Rupees millions)

|  | 3 months ended |          |              |          | Six months ended |          |              |          |
|--|----------------|----------|--------------|----------|------------------|----------|--------------|----------|
|  | 30 June 2012   |          | 30 June 2011 |          | 30 June 2012     |          | 30 June 2011 |          |
|  | Group          | Company  | Group        | Company  | Group            | Company  | Group        | Company  |
| <b>Gross Revenue</b>                                       | 20,772         | 20,772   | 19,081       | 19,081   | 40,562           | 40,562   | 37,143       | 37,143   |
| <b>Government Levies</b>                                   |                |          |              |          |                  |          |              |          |
| Excise special provision tax                               | (13,559)       | (13,559) | (12,610)     | (12,610) | (26,555)         | (26,555) | (24,549)     | (24,549) |
| Value added tax  | (2,274)        | (2,274)  | (2,114)      | (2,114)  | (4,467)          | (4,467)  | (4,111)      | (4,111)  |
| Nation building levy                                       | (108)          | (108)    | (96)         | (96)     | (210)            | (210)    | (188)        | (188)    |
|  | (15,941)       | (15,941) | (14,821)     | (14,821) | (31,232)         | (31,232) | (28,848)     | (28,848) |
| <b>Net Revenue</b>   | 4,831          | 4,831    | 4,260        | 4,260    | 9,330            | 9,330    | 8,295        | 8,295    |
| <b>Other operating income</b>                              | 5              | 5        | 4            | 4        | 11               | 11       | 32           | 32       |
| Raw material used  | (662)          | (662)    | (603)        | (603)    | (1,284)          | (1,284)  | (1,167)      | (1,167)  |
| Employee benefits expense                                  | (244)          | (244)    | (298)        | (298)    | (480)            | (480)    | (491)        | (491)    |
| Dep. & amortisation exp.                                   | (47)           | (47)     | (49)         | (49)     | (94)             | (94)     | (97)         | (97)     |
| Other operating expenses                                   | (64)           | (64)     | (318)        | (318)    | (1,256)          | (1,256)  | (2,260)      | (2,260)  |
| Net interest income  | 145            | 145      | 84           | 84       | 261              | 261      | 151          | 151      |
| <b>Profit before income tax</b>                            | 3,965          | 3,965    | 3,080        | 3,080    | 6,488            | 6,488    | 4,462        | 4,462    |
| Income tax expense   | (1,560)        | (1,560)  | (1,261)      | (1,261)  | (2,595)          | (2,595)  | (1,829)      | (1,829)  |
| <b>Total comprehensive (expense)/income for the period</b> | 2,405          | 2,405    | 1,819        | 1,819    | 3,893            | 3,893    | 2,633        | 2,633    |
| <b>Earnings Per Share</b>                                  | 12.84          | 12.84    | 9.71         | 9.71     | 20.78            | 20.78    | 14.06        | 14.06    |

## CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

### Cash flow statements

(all amounts in Sri Lankan Rupees millions)

|  | Six months ended<br>30 June 2012 |              | Six months ended<br>30 June 2011 |              |
|--|----------------------------------|--------------|----------------------------------|--------------|
|  | Group                            | Company      | Group                            | Company      |
| <b>A. Cash Flows from Operating Activities</b>                             |                                  |              |                                  |              |
| Cash generated from Operations (refer C)                                   | 5,472                            | 5,472        | 3,682                            | 3,682        |
| Interest paid  | (2)                              | (2)          | (0)                              | (0)          |
| Income Taxes paid  | (1,412)                          | (1,412)      | (408)                            | (408)        |
| Gratuity paid  | 0                                | 0            | 0                                | 0            |
| Net Cash from Operating Activities   | 4,059                            | 4,058        | 3,274                            | 3,273        |
| <b>Cash Flows from Investing Activities</b>                                |                                  |              |                                  |              |
| Purchase of Property, Plant & Equipment                                    | (30)                             | (30)         | (19)                             | (19)         |
| Purchase of Intangible assets  | 0                                | 0            | 0                                | 0            |
| Proceeds from sale of Property, Plant & Equipment                          | 0                                | 0            | 0                                | 0            |
| Interest received  | 266                              | 266          | 67                               | 67           |
| Net Cash used in Investing Activities                                      | 236                              | 236          | 49                               | 49           |
| <b>Cash Flows from Financing Activities</b>                                |                                  |              |                                  |              |
| Dividends paid   | (3,681)                          | (3,681)      | (1,077)                          | (1,077)      |
| Unclaimed Dividend Paid  | (1)                              | (1)          | 0                                | 0            |
| Net cash used in Financing Activities                                      | (3,681)                          | (3,681)      | (1,077)                          | (1,077)      |
| <b>Net Increase in Cash &amp; Cash equivalents</b>                         | <b>613</b>                       | <b>613</b>   | <b>2,245</b>                     | <b>2,245</b> |
| Cash & Cash Equivalents at the beginning of year                           | 7,790                            | 7,789        | 6,626                            | 6,625        |
| <b>Cash &amp; Cash Equivalents at the end of the period</b>                | <b>8,403</b>                     | <b>8,403</b> | <b>8,871</b>                     | <b>8,870</b> |
| <b>B. Analysis of Cash &amp; Cash Equivalents at the end of the period</b> |                                  |              |                                  |              |
| Cash in hand & Bank balances   | 881                              | 881          | 28                               | 27           |
| Short term investments   | 7,521                            | 7,521        | 9,261                            | 9,261        |
| Bank overdraft   | -                                | -            | (418)                            | (418)        |
|  | <b>8,403</b>                     | <b>8,403</b> | <b>8,871</b>                     | <b>8,870</b> |
| <b>C. Cash generated from Operations</b>                                   |                                  |              |                                  |              |
| Profit before Tax  | 6,488                            | 6,488        | 1,382                            | 1,382        |
| Depreciation & amortisation expense  | 94                               | 94           | 48                               | 48           |
| Interest income  | (300)                            | (300)        | (67)                             | (67)         |
| Interest expense   | 2                                | 2            | 0                                | 0            |
| Write off of Property, Plant & Equipment                                   | -                                | -            | -                                | -            |
| Provision for obsolete Inventories/ Farmer Advances                        | (3)                              | (3)          | -                                | -            |
| (Profit)/Loss -Property, Plant & Equipment Disposal                        | (0)                              | (0)          | -                                | -            |
| Operating Profit before Working Capital changes                            | 6,281                            | 6,281        | 1,363                            | 1,363        |
| (Increase)/Decrease in Inventories   | 177                              | 177          | 95                               | 95           |
| (Increase)/Decrease in Trade & Other Receivables                           | 358                              | 358          | 171                              | 171          |
| Increase/(Decrease) in Trade & Other Payables                              | (1,344)                          | (1,344)      | 2,054                            | 2,054        |
|  | 5,472                            | 5,472        | 3,682                            | 3,682        |

## CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

### Statement of changes in equity

(all amounts in Sri Lankan Rupees millions)

#### Group

|   | Stated capital | Shares in ESOS trust | Capital Reserve | Dividend reserve | Revaluation reserve | Retained earnings | Total   |
|---|----------------|----------------------|-----------------|------------------|---------------------|-------------------|---------|
| <b>Balance at 1 January 2011</b>          | 1,873          |                      | 15              |                  |                     | 1,775             | 3,663   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 2,633             | 2,633   |
| Dividend Paid                             |                |                      |                 |                  |                     | (2,139)           | (2,139) |
| <b>Balance as at 30 June 2011</b>         | 1,873          | -                    | 15              | -                | -                   | 2,269             | 4,157   |
| <b>Balance at 1 July 2011</b>             | 1,873          | -                    | 15              | -                | -                   | 2,269             | 4,157   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 3,939             | 3,939   |
| Net Surplus on retirement benefit plan    |                |                      |                 |                  |                     | 105               | 105     |
| Transferred to Retained Earnings          |                |                      | (15)            |                  |                     | 15                | -       |
| Write back of Unclaimed Dividends         |                |                      |                 |                  |                     | 2                 | 2       |
| Dividend Paid                             |                |                      |                 |                  |                     | (4,627)           | (4,627) |
| <b>Balance at 31 December 2011</b>        | 1,873          | -                    | -               | -                | -                   | 1,703             | 3,576   |
| <b>Balance at 1 January 2012</b>          | 1,873          | -                    | -               | -                | -                   | 1,703             | 3,576   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 3,893             | 3,893   |
| Dividend Paid                             |                |                      |                 |                  |                     | (2,838)           | (2,838) |
| <b>Balance at 30 June 2012</b>            | 1,873          | -                    | -               | -                | -                   | 2,759             | 4,632   |

### Statement of changes in equity (Contd)

(all amounts in Sri Lanka Rupees millions)  
Company

|   | Stated capital | Shares in ESOS trust | Capital Reserve | Dividend reserve | Revaluation reserve | Retained earnings | Total   |
|---|----------------|----------------------|-----------------|------------------|---------------------|-------------------|---------|
| <b>Balance at 1 January 2011</b>          | 1,873          |                      | 15              |                  |                     | 1,777             | 3,665   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 2,633             | 2,633   |
| Dividend Paid                             |                |                      |                 |                  |                     | (2,139)           | (2,139) |
| <b>Balance as at 30 June 2011</b>         | 1,873          | -                    | 15              | -                | -                   | 2,271             | 4,159   |
| <b>Balance at 1 July 2011</b>             | 1,873          | -                    | 15              | -                | -                   | 2,271             | 4,159   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 3,939             | 3,939   |
| Net Surplus on retirement benefit plan    |                |                      |                 |                  |                     | 105               | 105     |
| Transferred to Retained Earnings          |                |                      | (15)            |                  |                     | 15                | -       |
| Write back of Unclaimed Dividends         |                |                      |                 |                  |                     | 2                 | 2       |
| Dividend Paid                             |                |                      |                 |                  |                     | (4,627)           | (4,627) |
| <b>Balance at 31 December 2011</b>        | 1,873          | -                    | -               | -                | -                   | 1,705             | 3,578   |
| <b>Balance at 1 January 2012</b>          | 1,873          | -                    | -               | -                | -                   | 1,705             | 3,578   |
| Total comprehensive income for the period |                |                      |                 |                  |                     | 3,893             | 3,893   |
| Dividend Paid                             |                |                      |                 |                  |                     | (2,838)           | (2,838) |
| <b>Balance at 30 June 2012</b>            | 1,873          | -                    | -               | -                | -                   | 2,761             | 4,634   |

# 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 quoted company domiciled in Sri Lanka. The consolidated financial statements of the Company for the three months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the Group). The ultimate holding company is British American Tobacco PLC.

2 There were no significant changes in the nature of principal activities of the Company and the Group during the financial year under review

### Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the three months ended 30 June 2012. They have been prepared in accordance with LKAS 34, Interim Financial Reporting, and are covered by SLFRS 1, First-time Adoption of SLFRS, because they are part of the period covered by the Group's first SLFRS financial statements for the year ended 31 December 2012. 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.

Ceylon Tobacco Company PLCs' consolidated financial statements were prepared in accordance with Sri Lanka Accounting Standards (SLASs) until 31 March 2012. SLASs differs in some areas from SLFRS. In preparing Ceylon Tobacco Company PLCs' condensed interim financial statements, management has amended certain accounting, valuation and consolidation methods applied in the SLASs financial statements to comply with SLFRS. The comparative figures in respect of 2012 were restated to reflect these adjustments.

### 3 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

#### 3.1 Financial Instruments

As required by Sri Lanka Accounting Standard LKAS 39 *Financial Instruments, Recognition and Measurements*, trade receivables trade payables, bank borrowings and intercompany loans are recognized as financial instruments. The initial and subsequent measurement basis of the said financial instruments shall be the fair value and the amortized cost respectively. Provision for doubtful debtors is replaced with the impairments testing for trade receivables

### 4 Transition to SLFRS

#### 4.1 Basis of transition SLFRS

##### 4.1.1 Application of SLFRS 1

The Group's financial statements for the year ended 31 December 2012 will be the first annual financial statements that comply with SLFRS. These interim financial statements have been prepared as described in Note 2.1. The Group has applied SLFRS 1 in preparing these consolidated interim financial statements.

CEYLON TOBACCO COMPANY PLC PLCs' transition date is 1 January 2011. The Group prepared its opening SLFRS balance sheet at that date. The reporting date of these condensed interim financial statements is 30 June 2012. The Group's SLFRS adoption date is 1 April 2012.

In preparing these condensed interim consolidated financial statements in accordance with SLFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of SLFRS.

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Notes to the interim financial statements (Contd)

### 4.1.2 Exemptions from full retrospective application elected by the Group

#### *Optional exemptions which the Group has opted to apply*

(a) Fair value measurement of financial assets or financial liabilities at initial recognition

#### *Optional exemptions which the Group has opted not to apply*

(b) Fair value or revaluation as deemed cost

#### *Optional exemptions not applicable to the Group*

(c) Borrowing costs

(d) Share-based payments (SLFRS 2)

(e) Cumulative translation differences

(f) Investments in subsidiaries, jointly controlled entities and associates

(g) Insurance contracts (SLFRS 4), as this is not relevant to the Group's operations;

(h) Arrangements contains a lease (IFRIC 4), transfers of assets from customers (IFRIC 18), because the Group has not entered into these types of arrangements as at the date of transition to SLFRSs;

(i) Employee benefits (LKAS 19), as SLASs and the SLFRSs were already aligned as regards these transactions;

(j) Assets and liabilities of subsidiaries, associates and joint ventures, as the subsidiaries and the associate in the Group have transited from SLASs to SLFRSs simultaneously with the Company and the parent company does not prepare financial statements in accordance with SLFRSs;

(k) Designation of previously recognized financial instruments, because the Group has not designated any financial instrument either as available-for-sale or fair value through profit or loss before the Group's transition date;

(l) Decommissioning liabilities included in the cost of property, plant and equipment, as the accounting treatment applied by the Group for changes in existing decommissioning liabilities are aligned with IFRIC 1; and

(m) Financial assets or intangible assets accounted for under IFRIC 12, as the Group has not entered into agreement within the scope of IFRIC 12.

(n) Compound financial instruments and extinguishing financial liabilities with equity instruments (IFRIC 19), because the Group does not have these types of financial instruments as at the date of transition.

(o) Transfers of assets from customers

(p) Extinguishing financial liabilities with equity instruments

(q) Severe hyperinflation, as the Group does not operate in a hyperinflationary economy.

### 4.1.3 Exceptions from full retrospective application elected by the Group

#### *Mandatory exceptions applicable to the Group*

(a) Exception for estimates

SLFRS estimates as at 1 January 2011 are consistent with the estimates as at the same date made in conformity with SLASs.

#### *Mandatory exceptions not applicable to the Group*

(A) Derecognition of financial assets and financial liabilities.

(B) Hedge accounting

(C) Non-controlling interest

(D) Embedded derivatives

## 4.2 Reconciliations between SLAS and SLFRS

4.2.1 Reconciliation of equity

4.2.2 Reconciliation of other comprehensive income

4.2.3 Reconciliation of Cashflow Statement

There is no material differences between the Group statement of cash flows presented under SLFRSs and the statement of cash flows presented under SLASs.

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Notes to the interim financial statements (Contd)

### 4.3 Notes to the reconciliation of SLAS to SLFRS

#### a Other Receivables

Under the requirements of LKAS 39 receivables are classified as financial assets are initially recognized at fair value whereas under SLASs it was recognized at cost. The financial statements were adjusted to incorporate relevant changes with regard to loans given to employees. The impact of the fair valuation amounting to Rs 19 mn was debited to the income statement under finance cost and credited to the respective loan on 1 January 2011. The adjustment for subsequent accounting for amortized cost amounting to Rs 33 mn was credited to the retained earnings and debited to the respective loans on 1 January 2011. The impact on the receivable balances is as follows.

| Ref   | As at<br>31 December 2011 |         | As at<br>30 June 2011 |         | As at<br>31 January 2011 |         |
|---|---------------------------|---------|-----------------------|---------|--------------------------|---------|
|   | Group                     | Company | Group                 | Company | Group                    | Company |
| <b>Other Receivables</b>  | 159                       | 159     | 193                   | 193     | 178                      | 178     |
| Carrying Value  |                           |         |                       |         |                          |         |
| Impact from initial fair value recognition and subsequent recognition at amortised cost | a                         | 10      | 10                    | 8       | 8                        | 8       |
|   |                           | 169     | 169                   | 201     | 201                      | 186     |

| Ref   | As at<br>31 December 2011 |         | As at<br>30 June 2011 |         | As at<br>31 January 2011 |         |
|---|---------------------------|---------|-----------------------|---------|--------------------------|---------|
|   | Group                     | Company | Group                 | Company | Group                    | Company |
| <b>Trade and other Receivables</b>  | 1,946                     | 1,948   | 1,146                 | 1,148   | 1,335                    | 1,336   |
| Carrying Value  |                           |         |                       |         |                          |         |
| Impact from initial fair value recognition and subsequent recognition at amortised cost | b                         | 2       | 2                     | 1       | 1                        | 1       |
|   |                           | 1,948   | 1,950                 | 1,147   | 1,149                    | 1,336   |

The fair value of the loan given to employees was discounted using a range of rates, based on the loan period of between 15% -19% prevailing rates in the market as at 1 January 2011 and 19% fixed rate prevailing in the market during 2011.

#### (b) Retained earnings

The following is a summary of transition adjustments to the company's retained earnings from SLAS to IFRS:

| Ref                                       | As at<br>31 December 2011 |         | As at<br>30 June 2011 |         | As at<br>31 January 2011 |         |
|---|---------------------------|---------|-----------------------|---------|--------------------------|---------|
|   | Group                     | Company | Group                 | Company | Group                    | Company |
| Retained earnings as reported under SLAS  | 1,691                     | 1,693   | 2,260                 | 2,262   | 1,766                    | 1,768   |
| Other Receivables                         | c                         | 12      | 12                    | 9       | 9                        | 9       |
| Retained earnings as reported under SLFRS |                           | 1,703   | 1,705                 | 2,269   | 2,271                    | 1,775   |

## 5 Comparatives

There are no material adjustments between SLAS and the new SLFRS, hence no reconciliation has been provided for March 2012

## 6 Market Price Per share

| For the 6 months ended 30 June | 2012 | 2011 |
|--------------------------------|------|------|
|                                | Rs   | Rs   |
| Highest                        | 730  | 389  |
| Lowest                         | 520  | 352  |
| Last Traded                    | 669  | 354  |



## 20 Largest Shareholders of the Company

| Name of Shareholder                                 | No. of Shares % Holding |        | No. of Shares % Holding |        |
|---|-------------------------|--------|-------------------------|--------|
|   | 30 June 2012            |        | 31 March 2012           |        |
| 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   |
| Belmont Agents Limited                              | 900,000                 | 0.48   | 900,000                 | 0.48   |
| RBC Dexia Investor Services Bank S.A.-Vontobel Fund | 629,600                 | 0.34   | 629,600                 | 0.34   |
| HSBC INTL NOM LTD - Coupland Cardiff Funds PLC      | 536,619                 | 0.29   | 526,622                 | 0.28   |
| Aviva NDB Insurance PLC A/c No.7                    | 386,700                 | 0.21   | 386,700                 | 0.21   |
| Mrs Jasbinderjit Kaur Piara Singh                   | 313,600                 | 0.17   | 313,600                 | 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   |
| Harnam Holdings SDN BHD                             | 228,900                 | 0.12   | 228,900                 | 0.12   |
| HSBC INTL NOM Ltd - SSBT                            | 195,600                 | 0.10   | 195,600                 | 0.10   |
| Mr. Jayampathi Divale Bandaranayake                 | 183,344                 | 0.10   | 183,344                 | 0.10   |
| HSBC INTL NOM LTD-JPMCB                             | 182,971                 | 0.10   | 182,971                 | 0.10   |
| Aardwolf Limited                                    | 178,800                 | 0.10   | 178,800                 | 0.10   |
| DFCC Bank A/C NO.1                                  | 150,967                 | 0.08   | 150,967                 | 0.08   |
| COCO Lanka PLC                                      | 150,000                 | 0.08   | 150,000                 | 0.08   |
| HSBC INTL NOM Ltd - UBS AG - Singapore              | 150,000                 | 0.08   | 150,000                 | 0.08   |
| HSBC INTL NOM-BP2S Singapore                        | 135,800                 | 0.07   | 135,800                 | 0.07   |
| DBIL-BI SICAV-New Emerging Markets Equities         | 115,000                 | 0.06   | 115,000                 | 0.06   |
| Sub Total   | 179,861,742             | 96.02  | 179,851,745             | 96.01  |
| Others  | 7,462,009               | 3.98   | 7,472,006               | 3.99   |
| Total Shares  | 187,323,751             | 100.00 | 187,323,751             | 100.00 |

## CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Notes to the interim financial statements (Contd)

## 8 Computation of % of Public Shareholding

|   | 30 June 2012<br>No of Shares | 31 March 2012<br>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. J D Bandaranayake   | 217,435                      | 217,435                       |
| Mr.V P Malalasekera   | -                            | 7,564                         |
| Mr.S C Ratnayake  | 644                          | 644                           |
| Mr. J H Yamanaka (MD & CEO)   | -                            | -                             |
|   | <hr/>                        | <hr/>                         |
|   | 218,079                      | 225,643                       |
| <b>Parent Company</b>   |                              |                               |
| Subsidiaries or Associate Companies of Parent                           | 157,590,931                  | 157,590,931                   |
| Subsidiaries or Associate Companies                                     | 0                            | 0                             |
| 10% or more holding   | 0                            | 0                             |
| Directors shareholding (including spouses & children)                   | 218,079                      | 225,643                       |
| Public Holding  | <hr/>                        | <hr/>                         |
|   | 29,514,741                   | 29,507,177                    |
|   | <hr/>                        | <hr/>                         |
|   | 187,323,751                  | 187,323,751                   |
| Public Holding as a % of Issued Share Capital                           | 15.75%                       | 15.75%                        |

**CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES**

**Notes to the interim financial statements (Contd)**

**4.2 Reconciliations of SLAS to SLFRS**

**4.2.2 Reconciliation of comprehensive income  
(all amounts in Sri Lankan Rupees millions)**

**a) Group**

|                                      | Note | Under SLAS<br>31 December<br>2011 | Adjustments | Under SLFRS<br>31 December<br>2011 | Under SLAS<br>30 June 2011<br>(3 months) | Adjustments | Under SLFRS<br>30 June 2011 (3<br>months) | Under SLAS<br>30 June 2011 (6<br>months) | Adjustments | Under SLFRS<br>30 June 2011 (6<br>months) |
|--------------------------------------|------|-----------------------------------|-------------|------------------------------------|--|-------------|---|--|-------------|---|
| <b>Gross Revenue</b>                 |      | 76,151                            |             | 76,151                             | 19,081                                   |             | 19,081                                    | 37,143                                   |             | 37,143                                    |
| <b>Government Levies</b>             |      |                                   |             |                                    |  |             |   |  |             | -   |
| Excise special provision tax         |      | (50,301)                          |             | (50,301)                           | (12,610)                                 |             | (12,610)                                  | (24,549)                                 |             | (24,549)                                  |
| Value added tax                      |      | (8,440)                           |             | (8,440)                            | (2,114)                                  |             | (2,114)                                   | (4,111)                                  |             | (4,111)                                   |
| Nation building levy                 |      | (387)                             |             | (387)                              | (96)                                     |             | (96)                                      | (188)                                    |             | (188)                                     |
|                                      |      | (59,127)                          |             | (59,127)                           | (14,821)                                 |             | (14,821)                                  | (28,848)                                 |             | (28,848)                                  |
| <b>Net Revenue</b>                   |      | 17,023                            |             | 17,023                             | 4,260                                    |             | 4,260                                     | 8,295                                    |             | 8,295                                     |
| <b>Other operating income</b>        |      | 49                                |             | 49                                 | 4  |             | 4   | 32                                       |             | 32  |
| Raw material used                    |      | (2,405)                           |             | (2,405)                            | (603)                                    |             | (603)                                     | (1,167)                                  |             | (1,167)                                   |
| Employee benefits expense            |      | (1,187)                           | (28)        | (1,215)                            | (298)                                    | -           | (298)                                     | (491)                                    | -           | (491)                                     |
| Depreciation & amortisation expenses |      | (196)                             |             | (196)                              | (49)                                     |             | (49)                                      | (97)                                     |             | (97)                                      |
| Other operating expenses             |      | (2,552)                           |             | (2,552)                            | (318)                                    |             | (318)                                     | (2,260)                                  |             | (2,260)                                   |
| Net interest income                  |      | 380                               | 40          | 420                                | 84                                       | -           | 84  | 151                                      | -           | 151                                       |
| <b>Profit before income tax</b>      |      | 11,112                            | 12          | 11,124                             | 3,080                                    |             | 3,080                                     | 4,462                                    | -           | 4,462                                     |
| Income tax expense                   |      | (4,543)                           |             | (4,543)                            | (1,261)                                  |             | (1,261)                                   | (1,829)                                  |             | (1,829)                                   |
| <b>Profit after tax</b>              |      | 6,569                             | 12          | 6,581                              | 1,819                                    | -           | 1,819                                     | 2,633                                    | -           | 2,633                                     |

## COMPANY A PLC AND ITS SUBSIDIARIES

### Notes to the interim financial statements (Contd)

#### 4.2.2 Reconciliation of comprehensive income (all amounts in Sri Lankan Rupees millions)

##### b) Company

|                                      | Note | Under SLAS<br>31 December<br>2011 | Adjustments | Under SLFRS<br>31 December<br>2011 | Under SLAS<br>30 June 2011<br>(3 months) | Adjustments | Under SLFRS<br>30 June 2011 (3<br>months) | Under SLAS<br>30 June 2011 (6<br>months) | Adjustments | Under SLFRS<br>30 June 2011 (6<br>months) |
|--------------------------------------|------|-----------------------------------|-------------|------------------------------------|--|-------------|---|--|-------------|---|
| <b>Gross Revenue</b>                 |      | 76,151                            |             | 76,151                             | 19,081                                   |             | 19,081                                    | 37,143                                   |             | 37,143                                    |
| <b>Government Levies</b>             |      |                                   |             |                                    |  |             |   |  |             |   |
| Excise special provision tax         |      | (50,301)                          |             | (50,301)                           | (12,610)                                 |             | (12,610)                                  | (24,549)                                 |             | (24,549)                                  |
| Value added tax                      |      | (8,440)                           |             | (8,440)                            | (2,114)                                  |             | (2,114)                                   | (4,111)                                  |             | (4,111)                                   |
| Nation building levy                 |      | (387)                             |             | (387)                              | (96)                                     |             | (96)                                      | (188)                                    |             | (188)                                     |
|                                      |      | (59,127)                          |             | (59,127)                           | (14,821)                                 |             | (14,821)                                  | (28,848)                                 |             | (28,848)                                  |
| <b>Net Revenue</b>                   |      | 17,023                            |             | 17,023                             | 4,260                                    |             | 4,260                                     | 8,295                                    |             | 8,295                                     |
| <b>Other operating income</b>        |      | 49                                |             | 49                                 | 4  |             | 4   | 32                                       |             | 32  |
| Raw material used                    |      | (2,405)                           |             | (2,405)                            | (603)                                    |             | (603)                                     | (1,167)                                  |             | (1,167)                                   |
| Employee benefits expense            |      | (1,187)                           | (28)        | (1,215)                            | (298)                                    | -           | (298)                                     | (491)                                    | -           | (491)                                     |
| Depreciation & amortisation expenses |      | (196)                             |             | (196)                              | (49)                                     |             | (49)                                      | (97)                                     |             | (97)                                      |
| Other operating expenses             |      | (2,552)                           | -           | (2,552)                            | (318)                                    |             | (318)                                     | (2,260)                                  |             | (2,260)                                   |
| Net interest income                  |      | 380                               | 40          | 420                                | 84                                       | -           | 84  | 151                                      | -           | 151                                       |
| <b>Profit before income tax</b>      |      | 11,112                            | 12          | 11,124                             | 3,080                                    | -           | 3,080                                     | 4,462                                    | -           | 4,462                                     |
| Income tax expense                   |      | (4,543)                           |             | (4,543)                            | (1,261)                                  |             | (1,261)                                   | (1,829)                                  |             | (1,829)                                   |
| <b>Profit after tax</b>              |      | 6,569                             | 12          | 6,581                              | 1,819                                    | -           | 1,819                                     | 2,633                                    | -           | 2,633                                     |

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Notes to the interim financial statements (Contd)

### 4.2 Reconciliations of SLAS to SLFRS

#### 4.2.1 Reconciliation of shareholders equity (all amounts in Sri Lankan Rupees millions)

##### a) Group

| Note   | Under SLAS<br>31 December 2011 | Adjustments | Under SLFRS<br>31 December 2011 | Under SLAS<br>30 June 2011 | Adjustments | Under SLFRS<br>30 June 2011 | Under SLAS<br>1 January 2011 | Adjustments | Under SLFRS<br>1 January 2011 |
|--|--------------------------------|-------------|---------------------------------|----------------------------|-------------|-----------------------------|------------------------------|-------------|-------------------------------|
| <b>ASSETS</b>                                |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Non-current assets</b>                    |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 1,553                          |             | 1,553                           | 1,507                      |             | 1,507                       | 1,565                        |             | 1,565                         |
| Property, plant and equipment                |                                |             |                                 |                            |             |                             |                              |             |                               |
| Intangible assets                            | 6                              |             | 6                               | 9                          |             | 9                           | 12                           |             | 12                            |
| Assets held for sale                         | -                              |             | -                               | -                          |             | -                           | -                            |             | -                             |
| Retirement Plan                              | 105                            |             | 105                             | -                          |             | -                           | -                            |             | -                             |
| Other Receivables                            | 159                            | 10          | 169                             | 193                        | 8           | 201                         | 178                          | 8           | 186                           |
|  | 1,823                          | 10          | 1,833                           | 1,709                      | 8           | 1,717                       | 1,755                        | 8           | 1,763                         |
| <b>Current assets</b>                        |                                |             |                                 |                            |             |                             |                              |             |                               |
| Inventories                                  | 2,202                          |             | 2,202                           | 2,068                      |             | 2,068                       | 2,562                        |             | 2,562                         |
| Trade and other receivables                  | 1,946                          | 2           | 1,948                           | 1,146                      | 1           | 1,147                       | 1,335                        | 1           | 1,336                         |
| Cash and cash equivalents                    | 7,790                          |             | 7,790                           | 9,313                      |             | 9,313                       | 6,633                        |             | 6,633                         |
|  | 11,938                         | 2           | 11,940                          | 12,527                     | 1           | 12,528                      | 10,530                       | 1           | 10,531                        |
| <b>Total assets</b>                          | <b>13,761</b>                  | <b>12</b>   | <b>13,773</b>                   | <b>14,236</b>              | <b>9</b>    | <b>14,245</b>               | <b>12,285</b>                | <b>9</b>    | <b>12,294</b>                 |
| <b>EQUITY AND LIABILITIES</b>                |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Equity attributable to equity holders</b> |                                |             |                                 |                            |             |                             |                              |             |                               |
| Stated capital                               | 1,873                          |             | 1,873                           | 1,873                      |             | 1,873                       | 1,873                        |             | 1,873                         |
| Capital reserve                              | -                              |             | -                               | 15                         |             | 15                          | 15                           |             | 15                            |
| Retained earnings                            | 1,691                          | 12          | 1,703                           | 2,260                      | 9           | 2,269                       | 1,766                        | 9           | 1,775                         |
| <b>Total equity</b>                          | <b>3,564</b>                   | <b>12</b>   | <b>3,576</b>                    | <b>4,148</b>               | <b>9</b>    | <b>4,157</b>                | <b>3,654</b>                 | <b>9</b>    | <b>3,663</b>                  |
| <b>LIABILITIES</b>                           |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Non - current liabilities</b>             |                                |             |                                 |                            |             |                             |                              |             |                               |
| Deferred income tax liabilities              | 3                              |             | 3                               | 4                          |             | 4                           | 4                            |             | 4                             |
| Retirement benefit obligations               | 255                            |             | 255                             | 200                        |             | 200                         | 200                          |             | 200                           |
|  | 258                            |             | 258                             | 204                        |             | 204                         | 204                          |             | 204                           |
| <b>Current liabilities</b>                   |                                |             |                                 |                            |             |                             |                              |             |                               |
| Trade and other payables                     | 5,710                          |             | 5,710                           | 6,880                      |             | 6,880                       | 5,414                        |             | 5,414                         |
| Current taxation                             | 3,334                          |             | 3,334                           | 2,644                      |             | 2,644                       | 1,870                        |             | 1,870                         |
| Dividends payable                            | 843                            |             | 843                             | (0)                        |             | (0)                         | 1,077                        |             | 1,077                         |
| Unclaimed dividends                          | 53                             |             | 53                              | 57                         |             | 57                          | 58                           |             | 58                            |
| Bank overdraft                               | -                              |             | -                               | 303                        |             | 303                         | 8                            |             | 8                             |
|  | 9,939                          |             | 9,939                           | 9,883                      |             | 9,883                       | 8,427                        |             | 8,427                         |
| <b>Total liabilities</b>                     | <b>10,197</b>                  |             | <b>10,197</b>                   | <b>10,088</b>              |             | <b>10,088</b>               | <b>8,631</b>                 |             | <b>8,631</b>                  |
| <b>Total equity and liabilities</b>          | <b>13,761</b>                  | <b>12</b>   | <b>13,773</b>                   | <b>14,236</b>              | <b>9</b>    | <b>14,245</b>               | <b>12,285</b>                | <b>9</b>    | <b>12,294</b>                 |

# CEYLON TOBACCO COMPANY PLC AND ITS SUBSIDIARIES

## Notes to the interim financial statements (Contd)

### 4.2.1 Reconciliation of shareholders equity (all amounts in Sri Lankan Rupees millions)

#### b) Company

| Note   | Under SLAS<br>31 December 2011 | Adjustments | Under SLFRS<br>31 December 2011 | Under SLAS<br>30 June 2011 | Adjustments | Under SLFRS<br>30 June 2011 | Under SLAS<br>1 January 2011 | Adjustments | Under SLFRS<br>1 January 2011 |
|--|--------------------------------|-------------|---------------------------------|----------------------------|-------------|-----------------------------|------------------------------|-------------|-------------------------------|
| <b>ASSETS</b>                                |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Non-current assets</b>                    |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 1,553                          |             | 1,553                           | 1,507                      |             | 1,507                       | 1,565                        |             | 1,565                         |
| Property, plant and equipment                |                                |             |                                 |                            |             |                             |                              |             |                               |
| Intangible assets                            | 6                              |             | 6                               | 9                          |             | 9                           | 12                           |             | 12                            |
| Assets held for sale                         | 1                              |             | 1                               | -                          |             | -                           | 1                            |             | 1                             |
| Retirement Plan                              | 105                            |             | 105                             | -                          |             | -                           | -                            |             | -                             |
| Other Receivables                            | 159                            | 10          | 169                             | 193                        | 8           | 201                         | 178                          | 8           | 186                           |
|  | 1,824                          | 10          | 1,834                           | 1,709                      | 8           | 1,717                       | 1,756                        | 8           | 1,764                         |
| <b>Current assets</b>                        |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 2,202                          |             | 2,202                           | 2,069                      |             | 2,069                       | 2,562                        |             | 2,562                         |
| Inventories                                  |                                |             |                                 |                            |             |                             |                              |             |                               |
| Trade and other receivables                  | 1,948                          | 2           | 1,950                           | 1,148                      | 1           | 1,149                       | 1,336                        | 1           | 1,337                         |
| Cash and cash equivalents                    | 7,789                          |             | 7,789                           | 9,312                      |             | 9,312                       | 6,633                        |             | 6,633                         |
|  | 11,940                         | 2           | 11,942                          | 12,529                     | 1           | 12,530                      | 10,531                       | 1           | 10,532                        |
| <b>Total assets</b>                          | <b>13,763</b>                  | <b>12</b>   | <b>13,775</b>                   | <b>14,238</b>              | <b>9</b>    | <b>14,247</b>               | <b>12,287</b>                | <b>9</b>    | <b>12,296</b>                 |
| <b>EQUITY AND LIABILITIES</b>                |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Equity attributable to equity holders</b> |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 1,873                          |             | 1,873                           | 1,873                      |             | 1,873                       | 1,873                        |             | 1,873                         |
| Stated capital                               |                                |             |                                 |                            |             |                             |                              |             |                               |
| Capital reserve                              | -                              |             | -                               | 15                         |             | 15                          | 15                           |             | 15                            |
| Retained earnings                            | 1,693                          | 12          | 1,705                           | 2,262                      | 9           | 2,271                       | 1,768                        | 9           | 1,777                         |
| <b>Total equity</b>                          | <b>3,566</b>                   | <b>12</b>   | <b>3,578</b>                    | <b>4,150</b>               | <b>9</b>    | <b>4,159</b>                | <b>3,656</b>                 | <b>9</b>    | <b>3,665</b>                  |
| <b>LIABILITIES</b>                           |                                |             |                                 |                            |             |                             |                              |             |                               |
| <b>Non - current liabilities</b>             |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 3                              |             | 3                               | 4                          |             | 4                           | 4                            |             | 4                             |
| Deferred income tax liabilities              |                                |             |                                 |                            |             |                             |                              |             |                               |
| Retirement benefit obligations               | 255                            |             | 255                             | 200                        |             | 200                         | 200                          |             | 200                           |
|  | 258                            |             | 258                             | 204                        |             | 204                         | 204                          |             | 204                           |
| <b>Current liabilities</b>                   |                                |             |                                 |                            |             |                             |                              |             |                               |
|  | 5,710                          |             | 5,710                           | 6,880                      |             | 6,880                       | 5,414                        |             | 5,414                         |
| Trade and other payables                     |                                |             |                                 |                            |             |                             |                              |             |                               |
| Current taxation                             | 3,334                          |             | 3,334                           | 2,644                      |             | 2,644                       | 1,870                        |             | 1,870                         |
| Dividends payable                            | 843                            |             | 843                             | (0)                        |             | (0)                         | 1,077                        |             | 1,077                         |
| Unclaimed dividends                          | 53                             |             | 53                              | 57                         |             | 57                          | 58                           |             | 58                            |
| Bank overdraft                               | -                              |             | -                               | 303                        |             | 303                         | 8                            |             | 8                             |
|  | 9,939                          |             | 9,939                           | 9,883                      |             | 9,883                       | 8,427                        |             | 8,427                         |
| <b>Total liabilities</b>                     | <b>10,197</b>                  |             | <b>10,197</b>                   | <b>10,088</b>              |             | <b>10,088</b>               | <b>8,631</b>                 |             | <b>8,631</b>                  |
| <b>Total equity and liabilities</b>          | <b>13,763</b>                  | <b>12</b>   | <b>13,775</b>                   | <b>14,238</b>              | <b>9</b>    | <b>14,247</b>               | <b>12,287</b>                | <b>9</b>    | <b>12,296</b>                 |