

Ceylon Tobacco Company PLC

Summary of Performance for the 3 months ended 31 March 2015

In the first quarter of 2015, Ceylon Tobacco Company contributed LKR 21.3 billion to the Government, an increase of 20% in comparison to the same period last year primarily driven by an excise led price increase experienced in October 2014 and higher volumes. The increase in domestic volumes of 11% during the quarter could be attributed to a higher level of consumer confidence and an increase in disposable income.

During the first quarter we continued to see a volume growth in the Beedi segment. The volume growth in unregulated low priced products such as Beedi remains a key risk to government revenue contribution from the regulated cigarette industry.

The law enforcement agencies continued to effectively curtail the spread of unauthorized and illicit tobacco products. In the first three months of 2015, a total of 249 raids have yielded 6 million illegal cigarettes at a market value of LKR 180 million.

The Company's Profit after Tax stood at LKR 2.5 billion for the first Quarter.

The Company complied with 60% Pictorial Health Warning from 1st of January 2015 as required by the Regulations. As a manufacturer, the Company also complied with the subsequent change to the law requiring 80% Pictorial Health Warning, whilst the law has provided a grace period for to exhaust existing stocks until 1st of June 2015. The total cost of implementing GHW for Q1 is LKR 118 million.

CTC remains committed to invest into our key brands and predominantly to infuse value in our main-stream brand John Player Gold Leaf. Export sales revenue increased by LKR 35.4 million for the quarter and the Company will continue its endeavour to improve export performance into the future.

CTC's flagship CSR initiative, the Sustainable Agricultural Development Programme (SADP) continued to focus on alleviating poverty and empowering the livelihoods of families in rural Sri Lanka. The total number of active families supported by the Company as at March 2015 stood at 17,464, comprising of 67,307 beneficiaries in 16 districts.

The Company's estimated liability of the Super Gain Tax as proposed in the interim budget is 3.8 billion calculated at 25% of the taxable income for the year of assessment 2013/2014. However, the Bill to impose the tax is still pending parliamentary approval.

Dividend

The Directors recommend a first interim dividend of Rs. 3.45 per share to be paid by the 28th May 2015.

CEYLON TOBACCO COMPANY PLC

Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	31 March	31 December
	2015	2014
	UnAudited	Audited
Assets		
Non-current assets		
Property, plant and equipment	1,685	1,708
Intangible assets	16	18
Net surplus asset on retirement benefit plan	484	588
Receivables (Staff Loans)	131	134
Total non-current assets	2,316	2,448
Current assets		
Inventories	3,158	3,065
Trade and other receivables	2,270	955
Cash and cash equivalents	12,736	9,010
Total current assets	18,164	13,030
Total assets	20,480	15,478
Equity and liabilities		
Equity		
Stated capital	1,873	1,873
Retained earnings	4,460	2,025
Total equity attributable to equity holders	6,333	3,898
Non-current liabilities		
Non Current Payables	-	-
Deferred tax liabilities	424	348
Total non-current liabilities	424	348
Current liabilities		
Trade and other payables	10,169	7,124
Current taxation	3,392	3,126
Dividends payable	-	824
Unclaimed dividends	162	157
Total current liabilities	13,723	11,231
Total liabilities	14,147	11,579
Total equity and liabilities	20,480	15,478
Net Asset Per Share	33.81	20.81

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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Stephan Matthiesen
Finance Director

Date : 8 May 2015

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 May 2015

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Stephan Matthiesen
Finance Director
Date : 8 May 2015

CEYLON TOBACCO COMPANY PLC

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees millions)

Note	3 months ended 31 March	
	2015	2014
	Un Audited	Un Audited
Gross Revenue	25,916	21,200
Government Levies		
Excise special provision tax	(19,563)	(13,529)
Value added tax	-	(2,313)
Nation building levy	-	(114)
	(19,563)	(15,957)
Net Revenue	6,353	5,243
Other operating income	-	-
Raw material used	(780)	(597)
Employee benefit expense	(299)	(348)
Depreciation & Amortisation expense	(50)	(55)
Other operating expenses	(1,012)	(929)
Net interest income	106	110
Profit before income tax	4,318	3,424
Income tax expense	(1,828)	(1,399)
Profit for the year	2,490	2,025
Other Comprehensive Income		
Remeasurement of defined benefit obligation	(54)	-
Total comprehensive income for the period	2,436	2,025
Earnings Per Share (basic and diluted)	13.29	10.82

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Stephan Matthiesen
Finance Director

Date : 8 May 2015

CEYLON TOBACCO COMPANY PLC

Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	31 March	
	2015	2014
	Un Audited	Un Audited
A. Cash Flows from Operating Activities		
Cash generated from Operations	5,954	3,761
Interest paid	-	-
Interest received	106	97
Income Tax paid	(1,487)	(1,345)
Net Cash from Operating Activities	4,573	2,513
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(28)	(16)
Net Cash used in Investing Activities	(28)	(16)
Cash Flows from Financing Activities		
Dividends paid	(814)	(955)
Unclaimed dividends paid	(5)	-
Net cash used in Financing Activities	(819)	(955)
Net Increase in Cash & Cash equivalents	3,726	1,542
Cash & Cash Equivalents at the beginning of year	9,010	8,251
Increase/ Decrease in cash	3,726	1,542
Cash & Cash Equivalents at the end of the period	12,736	9,793
B. Analysis of Cash & Cash Equivalents at the end of the period		
Cash in hand & Bank balances	12,736	9,793
Short term investments	0	0
Bank overdraft	-	-
Total Cash	12,736	9,793
C. Cash generated from Operations		
Profit before Tax	4,316	3,425
Depreciation & amortisation expense	50	55
Interest expense	-	-
Interest income	(106)	(110)
Actuarial loss/(gain) on defined benefit obligation	49	-
Provision for obsolete Inventories and Doubtful Debts	2	2
Operating Profit before changes in Working Capital	4,311	3,372
Movement in Working Capital		
(Increase)/ Decrease in Inventories	(93)	(308)
(Increase)/ Decrease in Trade & Other Receivables	(1,313)	(1,888)
Increase/ (Decrease) in Trade & Other Payables	3,049	2,585
	5,954	3,761

CEYLON TOBACCO COMPANY PLC

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees millions)

	Stated capital	Retained earnings	Total
Balance at 1 January 2014	1,873	2,442	4,315
Profit for the year	-	2,026	2,026
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	2,026	2,026
Transactions with owners of the Company, recognised directly in equity			
Dividends	-	-	-
Total transactions with shareholders			
Balance at 31 March 2014	1,873	4,468	6,341
Balance at 1 January 2015	1,873	2,024	3,897
Profit for the year	-	2,490	2,490
Other comprehensive income	-	(54)	(54)
Total comprehensive income for the year	-	2,436	2,436
Transactions with owners of the Company, recognised directly in equity			
Write back of unclaimed dividends	-	-	-
Dividends	-	-	-
Total transactions with shareholders	-	-	-
Balance at 31 March 2015	1,873	4,460	6,333

CEYLON TOBACCO COMPANY PLC

Notes to the interim financial statements

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

1 General information

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

2 Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the three months ended 31 March 2015. 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 Super Gains Tax

The Government of Sri Lanka by virtue of the interim budget presented on the 29th January 2015 and provision as included in the Bill to amend the Finance Act issued on the 30th March 2015 proposed the imposition of a one-off "Super Gain Tax" on certain persons. In the case of Ceylon Tobacco Company PLC in terms of provisions of the said Bill, the tax should be computed at 25% of the taxable income for the year of assessment 2013/2014. The estimated Super Gain Tax liability of the Company on this basis is Rs. 3.8 billion. The Bill is however still pending legislative enactment in Parliament & hence no provision for this has been made in the accounts.

5 Comparatives

Comparatives are provided for the same period last year and for the statement of financial position at the date of the last published annual report (31 December 2014).

6 Contingent Liabilities

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

7 Market Price Per share

For the 3 months ended 31 March 2015	2015	2014
	Rs	Rs
Highest	1,124.0	1,349.0
Lowest	990.0	1,021.0
Last Traded	999.5	1,056.0

8 20 Largest Shareholders of the Company

Name of Shareholder	No. of Shares % Holding		No. of Shares % Holding	
	31 March 2015		31 December 2014	
British American Tobacco Holdings(Sri Lanka) BV	157,590,931	84.13	157,590,931	84.13
FTR Holdings SA	15,585,910	8.32	15,585,910	8.32
Pershing LLL SA Averbach Grauson & Co.	1,654,700	0.88	1,654,700	0.88
HSBC INTL NOM Ltd - SSBT-Wasatch Frontier	1,217,442	0.65	1,217,442	0.65
HSBC INTL NOM LTD - Coupland Cardiff Funds PLC	1,019,978	0.54	1,019,978	0.54
RBC Investor Services Bank-COELI SICAV	345,137	0.18	345,137	0.18
HSBC INTL NOM LTD-State Street London	335,672	0.18	335,672	0.18
Mrs Jasbinderjit Kaur Piara Singh	317,063	0.17	317,063	0.17
HSBC INTL NOM LTD-JPMCB	315,966	0.17	315,966	0.17
Miss Neesha Harnam	271,783	0.15	271,783	0.15
Seylan Bank PLC / Channa Nalin Rajamoney	254,100	0.14	254,100	0.14
Harnam Holdings SDN BHD	232,495	0.12	232,495	0.12
A I A Insurance Lanka PLC	207,125	0.11	207,125	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank	195,600	0.10	195,600	0.10
CB NY S/A Wasatch Frontier	183,590	0.10	183,590	0.10
Wemby Spirit Limited	170,200	0.09	170,200	0.09
HSBC INTL NOM Ltd - SSBT-Julius Baer	150,000	0.08	150,000	0.08
HSBC INTL NOM Ltd - UBS AG - Singapore	150,000	0.08	150,000	0.08
Mellon Bank NA	107,000	0.06	107,000	0.06
HSBC International Nominees Ltd-Morgan Stanley & Co Intl PLC	104,054	0.06	-	0.00
Sub Total	180,408,746	96.31	180,304,692	96.25
Others	6,915,005	3.69	7,019,059	3.75
Total Shares	187,323,751	100.00	187,323,751	100.00

9 Computation of % of Public Shareholding

	31 March 2015	31 December 2014
	No of Shares	No of Shares
Parent Company		
British American Tobacco Holdings (SL) BV	157,590,931	157,590,931
	<u>157,590,931</u>	<u>157,590,931</u>
Directors shareholding (including spouses & children)		
Mr. S C Ratnayake	644	644
Mr. Felicio Ferraz	-	-
Mr.S Matthiesen	-	-
Mr. S J Iqbal	-	-
Mr D Weerakkody	-	-
Ms. M P Perera	-	-
Mr. K Allen	-	-
	<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	<u>29,732,176</u>	<u>29,732,176</u>
	<u>187,323,751</u>	<u>187,323,751</u>
Public Holding as a % of Issued Share Capital	15.87%	15.87%
Number of shareholders holding the Public Holding	3,601	3,625