

## **Ceylon Tobacco Company PLC**

### **Summary of performance for the 3 months ended 30th June 2019**

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The Government increase of Excise duty on cigarettes during August 2018 and March 2019, resulted in price increases of legally manufactured cigarettes, which impacted the Ceylon Tobacco Company's sales volumes of the second quarter ended 30th June 2019. This was further aggravated by the slowdown in economic activities post the Easter Sunday terrorist attacks. Two excise led price increases in a span of eight months period, led to a drop-in sales volume by 21.5% in comparison to the same period last year. As a result, CTC's Turnover and contribution to the Government revenue through Excise and other levies, both reduced by LKR 2.6bn and LKR 2.5bn respectively in comparison to the same period last year.

The growth in the low taxed products such as Beedi and illegal smuggled cigarettes remains a key threat to the turnover of the legal industry and its contribution to the Government revenue. The smuggled illegal cigarette consumption in Sri Lanka is estimated to exceed 500mn sticks annually and is well poised to grow exponentially due to the ever-widening price gap between legal and smuggled cigarettes with regular price hikes targeting the legal product.

It is anticipated that the Government's tax led price increase will continue to impact legal industry volumes for the remainder of the year together with lower consumer spending power stemming from current macroeconomic factors. Despite the volume erosion, the Company is committed to further strengthen the value proposition of CTC's brands to deliver sustainable results for the Government and its shareholders.

The Company's profit after tax stood at LKR 4.68bn for the three months ended 30th June 2019, due to the continuous efforts in managing the cost base while focusing on right investments for sustainability.

#### **Dividends**

The Directors recommend a second interim dividend of Rs. 20.00 per share to be paid by the 29th of August 2019.

**CEYLON TOBACCO COMPANY PLC**  
**Statement of Profit or Loss and Other Comprehensive Income**  
(all amounts in Sri Lanka Rupees millions)

	3 months ended 30 June		6 months ended 30 June	
	2019 Un-audited	2018 Un-audited	2019 Un-audited	2018 Un-audited
Turnover	36,216	38,854	70,496	74,425
Government Levies	(27,630)	(30,179)	(53,619)	(57,721)
<b>Revenue</b>	<b>8,586</b>	<b>8,675</b>	<b>16,877</b>	<b>16,704</b>
Other operating income	15	4	24	6
Raw material used	(389)	(671)	(973)	(1,346)
Employee benefit expense	(372)	(248)	(605)	(566)
Depreciation & amortisation expense	(70)	(45)	(146)	(86)
Other operating expenses	(589)	(858)	(1,635)	(1,997)
Interest income	409	373	862	743
<b>Profit before income tax</b>	<b>7,590</b>	<b>7,230</b>	<b>14,404</b>	<b>13,458</b>
Income tax expense	(2,906)	(2,874)	(5,659)	(5,365)
<b>Profit for the period</b>	<b>4,684</b>	<b>4,356</b>	<b>8,745</b>	<b>8,093</b>
<b>Other Comprehensive Income</b>				
Re-measurement of defined benefit obligation	(34)	(9)	(45)	1
<b>Total comprehensive income for the period</b>	<b>4,650</b>	<b>4,347</b>	<b>8,700</b>	<b>8,094</b>
<b>Earnings Per Share (basic and diluted)</b>	<b>25.00</b>	<b>23.25</b>	<b>46.68</b>	<b>43.20</b>

The Notes form an integral part of these Interim Financial Statements.

# CEYLON TOBACCO COMPANY PLC

## Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	30 June	31 December
	2019	2018
	Un-audited	Audited
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3,833	3,082
Intangible assets	-	-
Employee benefit asset	234	276
Other receivables	113	122
<b>Total non-current assets</b>	<b>4,180</b>	<b>3,480</b>
<b>Current assets</b>		
Inventories	2,173	2,334
Trade and other receivables	2,034	2,242
Cash and cash equivalents	19,310	20,153
Asset held for sale	0	0
<b>Total current assets</b>	<b>23,517</b>	<b>24,729</b>
<b>Total assets</b>	<b>27,697</b>	<b>28,209</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
Stated capital	1,873	1,873
Retained earnings	5,673	3,486
<b>Total equity attributable to equity holders</b>	<b>7,546</b>	<b>5,359</b>
<b>Non-current liabilities</b>		
Unfunded retirement benefit obligation	0	0
Deferred tax liabilities	549	563
Lease liabilities	169	-
<b>Total non-current liabilities</b>	<b>718</b>	<b>563</b>
<b>Current liabilities</b>		
Trade and other payables	11,830	12,638
Lease liabilities	99	-
Current taxation	6,246	5,550
Dividends payable	975	3,814
Unclaimed dividends	283	285
<b>Total current liabilities</b>	<b>19,433</b>	<b>22,287</b>
<b>Total liabilities</b>	<b>20,151</b>	<b>22,850</b>
<b>Total equity and liabilities</b>	<b>27,697</b>	<b>28,209</b>
Net Asset Per Share	<b>40.28</b>	<b>28.61</b>

The Notes form an integral part of these Interim Financial Statements.

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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Amun Mustafiz  
**Finance Director**  
Date : 8 August 2019

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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Nedal Salem  
**Managing Director**  
Date : 8 August 2019

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Amun Mustafiz  
**Finance Director**  
Date : 8 August 2019

**CEYLON TOBACCO COMPANY PLC**  
**Statement of Changes in Equity**  
(all amounts in Sri Lanka Rupees millions)

	<b>Stated capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2018</b>	<b>1,873</b>	<b>2,697</b>	<b>4,570</b>
Profit for the period	-	8,093	8,093
Other comprehensive income	-	1	1
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,094</b>	<b>8,094</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends	-	(5,582)	(5,582)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>(5,582)</b>	<b>(5,582)</b>
<b>Balance at 30 June 2018 (Unaudited)</b>	<b>1,873</b>	<b>5,209</b>	<b>7,082</b>
Profit for the period	-	8,911	8,911
Other comprehensive income	-	20	20
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,931</b>	<b>8,931</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Write back of unclaimed dividends	-	23	23
Dividends	-	(10,677)	(10,677)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>(10,654)</b>	<b>(10,654)</b>
<b>Balance at 31 December 2018 (Audited)</b>	<b>1,873</b>	<b>3,486</b>	<b>5,359</b>
<b>Balance at 1 January 2019</b>	<b>1,873</b>	<b>3,486</b>	<b>5,359</b>
Profit for the period	-	8,745	8,745
Other comprehensive income	-	(45)	(45)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,700</b>	<b>8,700</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>			
Dividends	-	(6,513)	(6,513)
<b>Total transactions with shareholders</b>	<b>-</b>	<b>(6,513)</b>	<b>(6,513)</b>
<b>Balance at 30 June 2019 (Unaudited)</b>	<b>1,873</b>	<b>5,673</b>	<b>7,546</b>

# CEYLON TOBACCO COMPANY PLC

## Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	6 months ended 30 June	
	2019 Un-audited	2018 Un-audited
<b>A. Cash Flows from Operating Activities</b>		
Cash generated from operations	13,255	16,172
Interest received	880	743
Interest paid	(18)	-
Surplus paid by Plan Asset	-	450
Gratuity Paid - Unfunded scheme	(0)	(0)
Income Tax paid	(4,976)	(3,857)
<b>Net Cash from Operating Activities</b>	<b>9,141</b>	<b>13,508</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant & Equipment	(898)	(65)
<b>Net Cash used in Investing Activities</b>	<b>(898)</b>	<b>(65)</b>
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(9,352)	(8,860)
Unclaimed dividends paid	(2)	(2)
New finance leases	314	-
Payment of finance lease liabilities	(46)	-
<b>Net cash used in Financing Activities</b>	<b>(9,086)</b>	<b>(8,862)</b>
<b>Net Increase in Cash &amp; Cash equivalents</b>	<b>(843)</b>	<b>4,581</b>
Cash & Cash Equivalents at the beginning of year	20,153	17,424
(Decrease)/ Increase in cash	(843)	4,581
<b>Cash &amp; Cash Equivalents at the end of the period</b>	<b>19,310</b>	<b>22,005</b>
<b>B. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>		
Cash in hand & Bank balances	9,310	14,005
Short term investments	10,000	8,000
<b>Total cash &amp; cash equivalents</b>	<b>19,310</b>	<b>22,005</b>
<b>C. Cash generated from Operations</b>		
Profit before Tax	14,404	13,458
Depreciation & amortisation expense	140	86
Interest expense	18	-
Interest income	(880)	(743)
Impairment of property, plant & equipment	6	-
Net interest on retirement benefit obligations	(3)	(16)
Write off on property, plant and equipment	0	-
Provision for obsolete Inventories and Doubtful Debts	43	14
<b>Operating Profit before changes in Working Capital</b>	<b>13,728</b>	<b>12,799</b>
<b>Movement in Working Capital</b>		
Inventories	160	453
Trade & Other Receivables	174	(103)
Trade & Other Payables	(807)	3,023
	<b>13,255</b>	<b>16,172</b>

## CEYLON TOBACCO COMPANY PLC

### Notes to the interim financial statements

#### 1 General information

Ceylon Tobacco Company PLC is a public limited liability 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 International (Holdings) BV.

#### 2 Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the six months ended 30 June 2019. 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. Further, new accounting standard SLFRS 16 - Leases has been adopted in the financial statements effective from 1 January 2019.

#### 4 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 2018). Where necessary comparative figures have been reclassified to conform with the current year's presentation.

#### 5 Contingent Liabilities

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

#### 6 Events Occurring after the reporting period

There were no material events that occurred after the reporting date that require adjustments or disclosure to the Financial Statements.

#### 7 Market Price Per share

For the 6 months ended 30 June

	<b>2019</b>	<b>'2018</b>
	<b>Rs</b>	<b>Rs</b>
Highest	1,339.00	1,130.00
Lowest	1,250.00	1,030.00
Last Traded	1,280.00	1,121.70

8 20 Largest Shareholders of the Company

Name of Shareholder	30 June 2019		31 March 2019	
	No. of Shares	% Holding	No. of Shares	% Holding
British American Tobacco International Holdings BV	157,590,931	84.13	157,590,931	84.13
Philip Morris Brand SARL	15,585,910	8.32	15,585,910	8.32
Pershing LLC S/A Averbach Grauson & Co.	1,605,009	0.86	1,603,009	0.86
SSBT-BMO Investments 11 (Ireland) Public Limited Company	1,238,777	0.66	1,295,275	0.69
Northern Trust Company S/A - Fundsmith Emerging Equities Trust PLC	1,092,645	0.58	1,092,645	0.58
RBC Investor Services Bank-COELI SICAV	878,756	0.47	878,756	0.47
CB NY S/A Allan Gray Frontier Markets Equity Fund Limited	667,342	0.36	586,342	0.31
SSBT-AL Mehwar Commercial Investments L L C	493,258	0.26	493,258	0.26
HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	361,292	0.19	361,292	0.19
JPMBL SA-Kapitalforeningen Emerging Markets Long Term Economic Investment Fund	339,568	0.18	339,568	0.18
Mrs Jasbinderjit Kaur Piara Singh	312,063	0.17	312,063	0.17
HSBC INTL NOM Ltd - SSBT-BMO-LGM Frontier Markets Equity Fund	244,387	0.13	244,387	0.13
Miss Neesha Harnam	225,821	0.12	225,821	0.12
SSBT-Frank Russel Trust Company Comingled Benefit Fund Trust GNA	200,124	0.11	200,124	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank AG Singapore A/C 01	175,600	0.09	175,600	0.09
PICTET and CIE (Europe) SA S/A Lloyd George Indian Ocean Master Fund	160,000	0.09	160,000	0.09
Harnam Holdings SDN BHD	150,000	0.08	150,000	0.08
Mellon Bank N.A-Eaton Vance Trust Co.Collective Inv.	148,901	0.08	148,901	0.08
Bank of Ceylon No 1 Account	143,176	0.08	143,176	0.08
Deutsche Bank AG AS Trustee For JB vantage Value Equity Fund	134,831	0.07	134,831	0.07
<b>Sub Total</b>	<b>181,748,391</b>	<b>97.02</b>	<b>181,721,889</b>	<b>97.01</b>
Others	5,575,360	2.98	5,601,862	2.99
<b>Total Shares</b>	<b>187,323,751</b>	<b>100.00</b>	<b>187,323,751</b>	<b>100.00</b>

9 Computation of % of Public Shareholding

	30 June 2019	31 March 2019
	No of Shares	No of Shares
<b><u>Parent Company</u></b>		
British American Tobacco International (Holdings) BV	157,590,931	157,590,931
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	157,590,931	157,590,931
<b><u>Directors shareholding (including spouses &amp; children)</u></b>		
N L Salem	-	-
S J Iqbal	-	-
Y Kanagasabai	-	-
A Tittawella	-	-
A Mustafiz	-	-
U Zahur	-	-
	<hr/>	<hr/>
	-	-
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)	-	-
Public Holding	29,732,820	29,732,820
	<hr/>	<hr/>
	187,323,751	187,323,751
Public Holding as a % of Issued Share Capital	15.87%	15.87%
Number of shareholders holding the Public Holding	3,264	3,253
Market Capitalisation of Public Holding (Rs. Million)	38,058	39,839

The Company complies with option 1 of the Listing Rules 7.13.1(a) - Float Adjusted Market Capitalisation of Rs. 10.0Bn which requires no minimum public holding percentage.