

Ceylon Tobacco Company PLC

Summary of performance for the 6 months ended 30th June 2017

The Company's Profit after Tax stood at Rs. 2.95bn for the quarter ended 30th June 2017, which is a 3% reduction compared to same period last year.

It is anticipated that the government tax increase will continue to impact volumes for the remainder of 2017. Despite the volume erosion, the Company is committed to delivering sustainable growth and has launched a line extension of John Player Gold Leaf to further strengthen the value proposition of CTC's mainstream brand. Significant expenditure has been incurred due to the increased levels of unlawful enforcements in the market which pose a greater challenge to the business.

Law enforcement agencies continued to work towards curtailing the spread of unauthorized and illicit tobacco products. A total of 1,190 raids were carried out and 40mn illicit cigarettes at a market value of LKR 1.9bn were seized during the first six months of 2017, a significant increase mainly due to the price hikes in the 4th quarter of last year. However, under-regulated and low taxed products such as "Beedi" remain a key threat to Government revenue from the tobacco industry due to widening price gap between the cheapest legally manufactured cigarette (Capstan) and Beedi.

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 families supported by the Company as at June 2017 stood at 19,264, comprising of 74,607 beneficiaries in 16 districts.

Dividends

The Directors recommend a first interim dividend of Rs. 16.00 per share to be paid by the 30th of August 2017.

CEYLON TOBACCO COMPANY PLC

Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	30 June 2017 Un-audited	31 December 2016 Audited
Assets		
Non-current assets		
Property, plant and equipment	2,184	2,269
Intangible assets	0	1
Employee benefit asset	759	652
Other receivables	121	142
Total non-current assets	3,064	3,064
Current assets		
Inventories	2,684	2,068
	1,738	2,372
Trade and other receivables		
Cash and cash equivalents	19,445	15,050
Asset held for sale	0	0
Total current assets	23,867	19,490
Total assets	26,931	22,554
Equity and Liabilities		
Equity		
Stated capital	1,873	1,873
Retained earnings	3,912	1,612
Total equity attributable to equity holders	5,785	3,485
Non-current liabilities		
Unfunded retirement benefit obligation	1	1
Deferred tax liabilities	549	447
Total non-current liabilities	550	448
Current liabilities		
Trade and other payables	15,348	11,992
Current taxation	5,067	4,094
Dividends payable	-	2,341
Unclaimed dividends	181	194
Total current liabilities	20,596	18,621
Total liabilities	21,146	19,069
Total equity and liabilities	26,931	22,554
Net Asset Per Share	30.88	18.60

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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Emma Ridley
Finance Director
Date : 14 August 2017

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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Michael Koest
Managing Director
Date : 14 August 2017

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Emma Ridley
Finance Director
Date : 14 August 2017

CEYLON TOBACCO COMPANY PLC

Statement of Profit & Loss and Other Comprehensive Income

(all amounts in Sri Lanka Rupees millions)

	3 months ended 30 June		6 months ended 30 June	
	2017 Un-audited	2016 Un-audited	2017 Un-audited	2016 Un-audited
Gross Revenue	36,334	30,071	67,202	59,643
Government Levies				
Excise special provision tax	(23,263)	(22,511)	(43,000)	(44,688)
Value added & other tax	(4,829)		(8,930)	-
	(28,092)	(22,511)	(51,930)	(44,688)
Net Revenue	8,242	7,560	15,272	14,955
Other operating income	3	9	7	22
Raw material used	(908)	(913)	(1,574)	(1,822)
Employee benefit expense	(251)	(285)	(527)	(553)
Depreciation & Amortisation expense	(61)	(55)	(114)	(110)
Other operating expenses	(1,403)	(1,368)	(2,207)	(2,374)
Interest income	411	186	676	324
Profit before income tax	6,033	5,134	11,533	10,442
Income tax expense	(3,076)	(2,084)	(5,381)	(4,336)
Profit for the period	2,957	3,050	6,152	6,106
Other Comprehensive Income				
Re-measurement of defined benefit obligation	43	128	83	128
Total comprehensive income for the period	3,000	3,178	6,235	6,234
Earnings Per Share (basic and diluted)	15.79	16.28	32.84	32.60

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Emma Ridley

Finance Director

Date : 14 August 2017

CEYLON TOBACCO COMPANY PLC

Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	30 June	
	2017 Un-audited	2016 Un-audited
A. Cash Flows from Operating Activities		
Cash generated from Operations	14,342	11,876
Interest paid	-	-
Interest received	676	324
Gratuity Paid	(0)	-
Income Tax paid	(4,306)	(3,650)
Net Cash from Operating Activities	10,712	8,550
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(29)	(192)
Proceeds from sale of Property, Plant & Equipment	-	22
Net Cash used in Investing Activities	(29)	(170)
Cash Flows from Financing Activities		
Dividends paid	(6,275)	(4,552)
Unclaimed dividends paid	(13)	(32)
Net cash used in Financing Activities	(6,288)	(4,584)
Net Increase in Cash & Cash equivalents	4,395	3,796
Cash & Cash Equivalents at the beginning of year	15,050	11,378
Increase/ (Decrease) in cash	4,395	3,796
Cash & Cash Equivalents at the end of the period	19,445	15,174
B. Analysis of Cash & Cash Equivalents at the end of the period		
Cash in hand & Bank balances	6,387	15,174
Short term investments	13,058	-
Total cash & cash equivalents	19,445	15,174
C. Cash generated from Operations		
Profit before Tax	11,533	10,442
Depreciation & amortisation expense	115	110
Interest income	(676)	(324)
Actuarial loss/(gain) on defined benefit obligation	(24)	(4)
Gain on disposal of property, plant and equipment	-	(19)
Write off on property, plant and equipment	(0)	-
Provision for obsolete Inventories and Doubtful Debts	13	3
Operating Profit before changes in Working Capital	10,961	10,208
Movement in Working Capital		
(Increase)/ Decrease in Inventories	(626)	1,431
(Increase)/ Decrease in Trade & Other Receivables	652	(508)
Increase/ (Decrease) in Trade & Other Payables	3,355	745
	14,342	11,876

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 2016	1,873	1,013	2,886
Profit for the period	-	6,106	6,106
Other comprehensive income	-	128	128
Total comprehensive income for the period		6,234	6,234
Transactions with owners of the Company, recognised directly in equity			
Write back of unclaimed dividends		-	-
Dividends	-	(3,615)	(3,615)
Total transactions with shareholders		(3,615)	(3,615)
Balance at 30 June 2016	1,873	3,632	5,505
Balance at 1 January 2017	1,873	1,612	3,485
Profit for the period	-	6,152	6,152
Other comprehensive income	-	83	83
Total comprehensive income for the period	-	6,235	6,235
Transactions with owners of the Company, recognised directly in equity			
Write back of unclaimed dividends	-	-	-
Dividends	-	(3,935)	(3,935)
Total transactions with shareholders	-	(3,935)	(3,935)
Balance at 30 June 2017	1,873	3,912	5,785

CEYLON TOBACCO COMPANY PLC

Notes to the interim financial statements

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 30 June 2017. 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 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 2016).

5 Contingent Liabilities

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

6 Market Price Per share

For the 6 months ended 30 June 2017

	2017	2016
	Rs	Rs
Highest	1,030.0	1,140.0
Lowest	865.0	1,000.0
Last Traded	990.0	1,050.0

7 20 Largest Shareholders of the Company

Name of Shareholder	30 June 2017		31 March 2017	
	No. of Shares	% Holding	No. of Shares	% Holding
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.	1,968,073	1.05	1,968,073	1.05
HSBC INTL NOM LTD - SSBT-BMO Incestments 11 (Ireland)	1,195,019	0.64	1,195,019	0.64
HSBC INTL NOM LTD-State Street London	1,092,645	0.58	1,063,268	0.57
RBC Investor Services Bank-COELI SICAV	511,910	0.27	442,453	0.24
HSBC INTL NOM LTD-JPMCB-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
Norththen Trust Company S/A - Coupland Cardiff Funds PLC	296,285	0.16	356,285	0.19
Miss Neesha Harnam	230,821	0.12	230,821	0.12
Harnam Holdings SDN BHD	225,043	0.12	230,043	0.12
HSBC INTL NOM LTD-JPMCB-Coronation Global Frontiers Master Fund	203,352	0.11	145,152	0.08
HSBC INTL NOM LTD-SSBT Frank Russel Trust Company	200,124	0.11	200,124	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank	195,600	0.10	195,600	0.10
PICTET and CIE (Europe) SA S/A Lloyd George Indian Ocean Master Fu	187,500	0.10	-	0.00
HSBC INTL NOM LTD-JPMCB-New Emeging Markets	150,615	0.08	150,615	0.08
HSBC INTL NOM LTD-SSBT Multipartner SICAV-WMP	150,000	0.08	150,000	0.08
Bank of Ceylon No 1 Account	143,178	0.08	194,178	0.10
HSBC INTL NOM Ltd-Parametric Emerging Markets	140,993	0.08	140,993	0.08
HSBC INTL NOM LTD-SSBT BMO LGM Fronyier Markets Equity Fund	135,730	0.07	-	0.00
Sub Total	180,855,360	96.55	180,491,096	96.35
Others	6,468,391	3.45	6,832,655	3.65
Total Shares	187,323,751	100	187,323,751	100.00

8 Computation of % of Public Shareholding

	30 June 2017	31 March 2017
	No of Shares	No of Shares
<u>Parent Company</u>		
British American Tobacco Holdings (SL) BV	157,590,931	157,590,931
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	157,590,931	157,590,931
<u>Directors shareholding (including spouses & children)</u>		
Mr. S C Ratnayake	644	644
Mr. M Koest	-	-
Ms. E Ridley	-	-
Mr. S J Iqbal	-	-
Mr. D Weerakkody	-	-
Ms. M P Perera	-	-
Mr. K Allen	-	-
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	644	644
Parent Company	157,590,931	157,590,931
Subsidiaries or Associate Companies of Parent	-	-
Subsidiaries or Associate Companies	-	-
10% or more holding	-	-
Directors shareholding (including spouses & children)	644	644
Public Holding	29,732,176	29,732,176
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	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	3,543	3,563
Market Capitalisation of Public Holding (Rs. Million)	29,434	25,893