

Ceylon Tobacco Company PLC

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

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)
Revenue	8,586	8,675	16,877	16,704
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
Profit before income tax	7,590	7,230	14,404	13,458
Income tax expense	(2,906)	(2,874)	(5,659)	(5,365)
Profit for the period	4,684	4,356	8,745	8,093
Other Comprehensive Income				
Re-measurement of defined benefit obligation	(34)	(9)	(45)	1
Total comprehensive income for the period	4,650	4,347	8,700	8,094
Earnings Per Share (basic and diluted)	25.00	23.25	46.68	43.20

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 2019 Un-audited	31 December 2018 Audited
Assets		
Non-current assets		
Property, plant and equipment	3,833	3,082
Intangible assets	-	-
Employee benefit asset	234	276
Other receivables	113	122
Total non-current assets	4,180	3,480
Current assets		
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
Total current assets	23,517	24,729
Total assets	27,697	28,209
Equity and Liabilities		
Equity		
Stated capital	1,873	1,873
Retained earnings	5,673	3,486
Total equity attributable to equity holders	7,546	5,359
Non-current liabilities		
Unfunded retirement benefit obligation	0	0
Deferred tax liabilities	549	563
Lease liabilities	169	-
Total non-current liabilities	718	563
Current liabilities		
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
Total current liabilities	19,433	22,287
Total liabilities	20,151	22,850
Total equity and liabilities	27,697	28,209
Net Asset Per Share	40.28	28.61

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)

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

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
A. Cash Flows from Operating Activities		
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)
Net Cash from Operating Activities	9,141	13,508
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(898)	(65)
Net Cash used in Investing Activities	(898)	(65)
Cash Flows from Financing Activities		
Dividends paid	(9,352)	(8,860)
Unclaimed dividends paid	(2)	(2)
New finance leases	314	-
Payment of finance lease liabilities	(46)	-
Net cash used in Financing Activities	(9,086)	(8,862)
Net Increase in Cash & Cash equivalents	(843)	4,581
Cash & Cash Equivalents at the beginning of year	20,153	17,424
(Decrease)/ Increase in cash	(843)	4,581
Cash & Cash Equivalents at the end of the period	19,310	22,005
B. Analysis of Cash & Cash Equivalents at the end of the period		
Cash in hand & Bank balances	9,310	14,005
Short term investments	10,000	8,000
Total cash & cash equivalents	19,310	22,005
C. Cash generated from Operations		
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
Operating Profit before changes in Working Capital	13,728	12,799
Movement in Working Capital		
Inventories	160	453
Trade & Other Receivables	174	(103)
Trade & Other Payables	(807)	3,023
	13,255	16,172

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

	2019	'2018
	Rs	Rs
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
Sub Total	181,748,391	97.02	181,721,889	97.01
Others	5,575,360	2.98	5,601,862	2.99
Total Shares	187,323,751	100.00	187,323,751	100.00

9 Computation of % of Public Shareholding

	30 June 2019	31 March 2019
	No of Shares	No of Shares
<u>Parent Company</u>		
British American Tobacco International (Holdings) BV	157,590,931	157,590,931
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	157,590,931	157,590,931
<u>Directors shareholding (including spouses & children)</u>		
N L Salem	-	-
S J Iqbal	-	-
Y Kanagasabai	-	-
A Tittawella	-	-
A Mustafiz	-	-
U Zahur	-	-
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	-	-
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.