

Ceylon Tobacco Company PLC

Summary of performance for the 3 months ended 30th September 2018

The Government increased the Excise duty on cigarettes effective from 1st August 2018, leading to a price increase of legal cigarettes. As a result, the Ceylon Tobacco Company's total sales volume for the third quarter ended 30th September 2018 reduced by 14.2% and the net turnover for the period also reduced by 7.8%. Correspondingly, the Company's contribution to the Government revenue through Excise and other levies also reduced by 8.8%, which is a LKR 2.4bn drop in comparison to the same period last year.

The growth in the low taxed products such as Beedi and smuggled illicit cigarettes remained as a key threat to Government revenue contribution from the regulated tobacco industry. The smuggled illicit cigarette market is estimated to be over 500 million illicit cigarettes per annum with an estimated loss of LKR 20 billion to the Government revenue. The trend is expected to grow due to widened gap between the prices of legal cigarettes, beedi and illicit cigarettes available in the market due to current macroeconomic factors impacting consumer spending power.

The Company's continuous efforts in managing cost base while focusing on right investments contributed positively to offset the drop on the net turn over for the period. CTC remains committed to create value for the local economy and government revenue. The primary investment focus remains on CTC's main stream offer John Player Gold Leaf.

The Company's profit after tax stood at LKR 3.64 billion for the quarter ended 30th September 2018.

CTC's flagship Corporate Social Responsibility 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 30th September 2018 stood at 19,664, comprising of 76,396 beneficiaries in 16 districts.

Dividends

The Directors recommend a third interim dividend of LKR 19.00 per share to be paid on 29th November 2018.

CEYLON TOBACCO COMPANY PLC

Statement of Profit or Loss and Other Comprehensive Income

(all amounts in Sri Lanka Rupees millions)

	3 months ended 30 September		9 months ended 30 September	
	2018 Un-audited	2017 Un-audited	2018 Un-audited	2017 Un-audited
Gross Revenue	33,062	36,192	107,486	103,394
Government Levies	(25,506)	(27,994)	(83,227)	(79,923)
Net Revenue	7,556	8,198	24,259	23,471
Other operating income	0	6	5	13
Raw material used	(601)	(856)	(1,947)	(2,430)
Employee benefit expense	(253)	(317)	(818)	(844)
Depreciation & amortisation expense	(43)	(62)	(129)	(176)
Other operating expenses	(821)	(984)	(2,817)	(3,191)
Interest income	455	400	1,198	1,076
Profit before income tax	6,293	6,385	19,751	17,919
Income tax expense	(2,647)	(2,448)	(8,012)	(7,829)
Profit for the period	3,646	3,937	11,739	10,090
Other Comprehensive Income				
Re-measurement of defined benefit obligation	5	(119)	6	(36)
Total comprehensive income for the period	3,651	3,818	11,745	10,054
Earnings Per Share (basic and diluted)	19.46	21.02	62.67	53.86

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

.....
 Emma Ridley
Finance Director
 Date : 09 November 2018

CEYLON TOBACCO COMPANY PLC

Statement of Financial Position

(all amounts in Sri Lanka Rupees millions)

	30 September	31 December
	2018	2017
	Un-audited	Audited
Assets		
Non-current assets		
Property, plant and equipment	2,180	2,258
Intangible assets	-	-
Employee benefit asset	252	673
Other receivables	124	126
Total non-current assets	2,556	3,057
Current assets		
Inventories	1,750	2,589
Trade and other receivables	1,823	1,747
Cash and cash equivalents	23,740	17,424
Asset held for sale	0	0
Total current assets	27,313	21,760
Total assets	29,869	24,817
Equity and Liabilities		
Equity		
Stated capital	1,873	1,873
Retained earnings	5,301	2,697
Total equity attributable to equity holders	7,174	4,570
Non-current liabilities		
Unfunded retirement benefit obligation	(0)	1
Deferred tax liabilities	546	507
Total non-current liabilities	546	508
Current liabilities		
Trade and other payables	16,355	12,355
Current taxation	5,586	3,896
Dividends payable	-	3,278
Unclaimed dividends	208	210
Total current liabilities	22,149	19,739
Total liabilities	22,695	20,247
Total equity and liabilities	29,869	24,817
Net Asset Per Share	38.30	24.40

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 : 09 November 2018

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 : 09 November 2018

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 Emma Ridley
Finance Director
 Date : 09 November 2018

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 2017 (Audited)	1,873	1,612	3,485
Profit for the period	-	10,090	10,090
Other comprehensive income	-	(36)	(36)
Total comprehensive income for the period		10,054	10,054
Transactions with owners of the Company, recognised directly in equity			
Dividends	-	(6,932)	(6,932)
Total transactions with shareholders		(6,932)	(6,932)
Balance at 30 September 2017 (Unaudited)	1,873	4,734	6,607
Balance at 1 January 2018 (Audited)	1,873	2,697	4,570
Profit for the period	-	11,739	11,739
Other comprehensive income	-	6	6
Total comprehensive income for the period	-	11,745	11,745
Transactions with owners of the Company, recognised directly in equity			
Write back of unclaimed dividends	-	-	-
Dividends	-	(9,141)	(9,141)
Total transactions with shareholders	-	(9,141)	(9,141)
Balance at 30 September 2018 (Unaudited)	1,873	5,301	7,174

CEYLON TOBACCO COMPANY PLC

Statement of Cash Flows

(all amounts in Sri Lanka Rupees millions)

	30 September	
	2018 Un-audited	2017 Un-audited
A. Cash Flows from Operating Activities		
Cash generated from Operations	23,426	21,885
Interest paid	-	-
Interest received	1,198	1,076
Gratuity paid & settlement from plan asset	450	(0)
Income Tax paid	(6,287)	(7,054)
Net Cash from Operating Activities	18,787	15,907
Cash Flows from Investing Activities		
Purchase of Property, Plant & Equipment	(51)	(90)
Proceeds from sale of Property, Plant & Equipment	-	-
Net Cash used in Investing Activities	(51)	(90)
Cash Flows from Financing Activities		
Dividends paid	(12,418)	(9,273)
Unclaimed dividends paid	(2)	(14)
Net cash used in Financing Activities	(12,420)	(9,287)
Net Increase in Cash & Cash equivalents	6,316	6,530
Cash & Cash Equivalents at the beginning of year	17,424	15,050
Increase in cash	6,316	6,530
Cash & Cash Equivalents at the end of the period	23,740	21,580
B. Analysis of Cash & Cash Equivalents at the end of the period		
Cash in hand & Bank balances	7,740	4,554
Short term investments	16,000	17,026
Total cash & cash equivalents	23,740	21,580
C. Cash generated from Operations		
Profit before Tax	19,751	17,919
Depreciation & amortisation expense	129	176
Interest income	(1,198)	(1,076)
Actuarial gain on defined benefit obligation	(23)	(35)
Gain on disposal of property, plant and equipment	-	-
Write off on property, plant and equipment	-	(0)
Provision for obsolete Inventories and Doubtful Debts	21	21
Operating Profit before changes in Working Capital	18,680	17,005
Movement in Working Capital		
Inventories	836	(135)
Trade & Other Receivables	(92)	663
Trade & Other Payables	4,002	4,352
	23,426	21,885

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 International (Holdings) BV.

2 Basis of preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the three months ended 30 September 2018. 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 standards SLFRS 15 - Revenue from Contracts with Customers and SLFRS 9 - Financial Instruments have been adopted in the financial statements effective of 1 January 2018.

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 2017).

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 09 months ended 30 September 2018

	2018	2017
	Rs	Rs
Highest	1,385.0	1,005.0
Lowest	1,100.0	949.0
Last Traded	1,358.0	971.0

7 20 Largest Shareholders of the Company

Name of Shareholder	No. of Shares % Holding		No. of Shares % Holding	
	30 September 2018		30 June 2018	
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.	1,936,731	1.03	1,936,731	1.03
SSBT-BMO Investments 11 (Ireland) Public Limited Company	1,303,520	0.70	1,324,202	0.71
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	749,471	0.40	749,471	0.40
HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	379,231	0.20	379,231	0.20
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
Northern Trust Company S/A - Coupland Cardiff Funds PLC	276,285	0.15	276,285	0.15
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
HSBC INTL NOM LTD-SSBT Frank Russel Trust Company	200,124	0.11	200,124	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank AG Singapore A/C 01	175,600	0.09	195,600	0.10
PICTET and CIE (Europe) SA S/A Lloyd George Indian Ocean Master Fund	160,000	0.09	160,000	0.09
Mr Prabhash Subasinghe	153,310	0.08	-	0.00
Harnam Holdings SDN BHD	150,000	0.08	198,732	0.11
Mellon Bank N.A-Eaton Vance Trust Co.Collective Inv.	148,901	0.08	148,901	0.08
Bank of Ceylon No 1 Account	143,178	0.08	143,178	0.08
HSBC INTL NOM LTD-SSBT Parametric Emerging Markets Fund	140,993	0.08	140,993	0.08
HSBC INTL NOM LTD - JPMCB- Coronation Global Frontiers Master Fund			186,230	0.10
	181,308,669	96.79	181,431,003	96.85
Others	6,015,082	3.21	5,892,748	3.15
Total Shares	187,323,751	100.00	187,323,751	100.00

8 Computation of % of Public Shareholding

	30 September 2018	30 June 2018
	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>		
Mr. S C Ratnayake	-	644
Mr. M Koest	-	-
Ms. E Ridley	-	-
Mr. S J Iqbal	-	-
Mr. D Weerakkody	-	-
Mr. K Allen	-	-
Mr. Y Kanagasabai	-	-
Mr. A Tittawella	-	-
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	-	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
Public Holding	29,732,820	29,732,176
	<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	3,306	3,335
Market Capitalisation of Public Holding (Rs. Million)	29,732	29,732