

INTERIM FINANCIAL
STATEMENTS

2017

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017



Cargills Bank Limited
Income Statement

	Bank			Bank		
	For the nine months ended			For the quarter ended		
	30-Sep-17	30-Sep-16	Change	30-Sep-17	30-Sep-16	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Interest income	1,999,590	1,005,642	99	766,447	442,214	73
Interest expenses	(949,650)	(381,293)	(149)	(402,378)	(154,935)	(160)
Net interest income	1,049,940	624,349	68	364,069	287,279	27
Fees and commission income	113,305	63,284	79	44,102	24,343	81
Fees and commission expenses	(32,896)	(17,909)	(84)	(15,235)	(7,470)	(104)
Net fees and commission income	80,409	45,375	77	28,867	16,873	71
Net gains / (losses) from trading	3,214	3,886	(17)	10	5,868	(100)
'Net gains / (losses) from financial instruments at fair value through profit & loss	-	-	-	-	-	-
Net gains / (losses) from financial investments	17,871	7,734	131	11,899	4,829	146
Gain from disposal of subsidiary	480,657	-	-	480,657	-	-
Other income	69,126	25,641	170	15,760	7,245	118
Total other income	570,868	37,261	1,432	508,326	17,942	2,733
Total operating income	1,701,217	706,985	141	901,262	322,094	180
Impairment for loans and other losses						
Individual impairment	(31,589)	(1,812)	(1,643)	(2,754)	(640)	(330)
Collective impairment	(47,960)	(39,402)	(22)	(32,780)	(22,993)	(43)
Others	6,226	-	-	3,733	-	-
Total impairment for loans and other losses	(73,323)	(41,214)	(78)	(31,801)	(23,633)	(35)
Net operating income	1,627,894	665,771	145	869,461	298,461	191
Personnel expenses	(387,787)	(312,646)	(24)	(133,736)	(104,809)	(28)
Depreciation and amortisation	(114,034)	(108,630)	(5)	(45,804)	(34,971)	(31)
Other operating expenses	(452,498)	(318,682)	(42)	(176,995)	(115,384)	(53)
Total operating Expenses	(954,319)	(739,958)	(29)	(356,535)	(255,164)	(40)
Operating profit/ (loss) before Value Added Tax (VAT) and Nation Building Tax (NBT)	673,575	(74,187)	1,008	512,926	43,297	1,085
VAT and NBT on financial services	(80,918)	(25,672)	(215)	(26,589)	(16,896)	(57)
Profit/ (loss) before tax	592,657	(99,859)	693	486,337	26,401	1,742
Tax expenses	(66,048)	-	-	(21,504)	-	-
Profit/(loss) for the period	526,609	(99,859)	627	464,833	26,401	1,661
Earnings/ (loss) per share (Rs.)	0.60	(0.15)	498	0.53	0.05	953

Cargills Bank Limited
Statement of Profit or Loss and Other Comprehensive Income

	Bank			Bank		
	For the nine months ended			For the quarter ended		
	30-Sep-17	30-Sep-16	Change	30-Sep-17	30-Sep-16	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Profit/ (loss) for the period	526,609	(99,859)	627	464,833	26,401	1,661
Other comprehensive income, net of tax						
Items that will never be reclassified to profit & loss						
Net actuarial gains/(losses) on defined benefit obligation	-	-	-	-	-	-
Deferred tax asset/ (liability) on net actuarial gains/ (losses) on defined benefit plans	-	-	-	-	-	-
	-	-	-	-	-	-
Items that are or may be reclassified to profit & loss						
Net gains / (losses) on re-measuring available for sale financial assets						
Treasury Bills	319	(1,384)	123	1,714	7,528	(77)
Treasury Bonds	23,395	711	3,190	10,676	12,227	(13)
Sri Lanka government securities	23,714	(673)	3,624	12,390	19,755	(37)
Deferred tax asset on available for sale reserve	(6,640)	188	(3,632)	(3,469)	(5,532)	37
	17,074	(485)	3,620	8,921	14,223	(37)
Other comprehensive income for the period, net of tax	17,074	(485)	3,620	8,921	14,223	(37)
Total comprehensive income for the period, net of tax	543,683	(100,344)	642	473,753	40,624	1,066

Cargills Bank Limited
Statement of Financial Position

As at	Bank	
	30-Sep-17 Rs. '000	31-Dec-16 (Audited) Rs. '000
Assets		
Cash and cash equivalents	881,348	618,120
Balances with Central Bank	864,638	417,161
Placements with banks	4,752,803	2,118,462
Securities purchased under resale agreements	2,701,496	1,350,759
Derivative financial instruments	65	-
Other financial instruments held for trading	-	-
Loans and receivables to banks	173,955	158,367
Loans and receivables to other customers	17,805,294	13,424,038
Financial investments available for sale	3,901,139	1,569,722
Financial investments held to maturity	-	-
Investment in subsidiary	-	566,917
Property, plant & equipment	329,902	213,253
Intangible assets	292,573	166,728
Deferred tax assets	163,417	200,360
Other assets	251,395	185,411
Total assets	32,118,026	20,989,298
Liabilities and equity		
Due to banks	1,280,602	282,533
Derivative financial instruments	13	2,915
Due to other customers	18,519,426	9,435,089
Securities sold under repurchase agreements	379,652	340,702
Deferred tax liabilities	-	-
Other liabilities	741,471	274,880
Total liabilities	20,921,164	10,336,119
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	603	603
Other reserves	976	(16,098)
Accumulated loss	(199,138)	(725,747)
Total equity	11,196,862	10,653,179
Total liabilities and equity	32,118,026	20,989,298
Contingent liabilities & commitments	18,708,384	10,619,325
Net assets value per ordinary share (Rs.)	12.68	12.06
Memorandum information:		
No. of employees	419	430
No. of branches	15	15

Certification:

These Financial Statements have been prepared in compliance with requirements of the Companies Act No. 07 of 2007.

A R M I Sanjeewanie

Head of Finance

We, the undersigned, being the Managing Director and the Senior Director of Cargills Bank Limited, certify jointly that-

(A) the above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka,

(B) the information contained in these statements have been extracted from the unaudited financial statements of the the Bank, unless indicated as audited.

P S Mathavan

Managing Director/ Chief Executive Officer

31-Oct-2017

Colombo

E M M Boyagoda

Senior Director

Cargills Bank Limited
Statement of Changes in Equity

	Bank				Total Rs. '000
	Stated capital	Statutory reserve	Available-for-sale reserve	Accumulated loss	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
Balance as at 01.01.2016-Audited	5,592,350	-	(11,402)	(737,703)	4,843,245
Total comprehensive income for the nine months ended 30.09.2016					
Loss for the period	-	-	-	(99,859)	(99,859)
Other comprehensive income/ (loss) net of tax	-	-	(485)	-	(485)
Total comprehensive income for the period	-	-	(485)	(99,859)	(100,344)
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	5,802,071	-	-	-	5,802,071
Total Contributions and distributions	5,802,071	-	-	-	5,802,071
Balance as at 30.09.2016	11,394,421	-	(11,887)	(837,562)	10,544,972
Total comprehensive income for the period 01.10.2016 to 31.12.2016					
Profit for the period	-	-	-	111,926	111,926
Other comprehensive income/ (loss) net of tax	-	-	(4,211)	492	(3,719)
Total comprehensive income for the period	-	-	(4,211)	112,418	108,207
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserve	-	603	-	(603)	-
Total Contributions and distributions	-	603	-	(603)	-
Balance as at 01.01.2017-Audited	11,394,421	603	(16,098)	(725,747)	10,653,179
Total comprehensive income for the nine months ended 30.09.2017					
Profit for the period	-	-	-	526,609	526,609
Other comprehensive income/ (loss) net of tax	-	-	17,074	-	17,074
Total comprehensive income for the period	-	-	17,074	526,609	543,683
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 30.09.2017	11,394,421	603	976	(199,138)	11,196,862

Cargills Bank Limited
Statement of Cash Flows

	Bank		Bank	
	For the nine months ended 30-Sep-17 Rs. '000	30-Sep-16 Rs. '000	For the quarter ended 30-Sep-17 Rs. '000	30-Sep-16 Rs. '000
Cash flows from operating activities				
Profit/ loss before tax	592,657	(99,859)	486,337	26,401
Adjustments for:				
Non-cash items included in profit/ loss before tax	(310,033)	157,380	(418,072)	61,269
Change in operating assets	(11,277,893)	(4,899,988)	(7,856,839)	(246,936)
Change in operating liabilities	10,509,659	1,057,310	7,032,452	521,416
Dividend income	(600)	(100)	(600)	-
Benefits paid on defined benefit plans	(2,930)	-	(588)	-
Net cash from/ (used in) operating activities	(489,140)	(3,785,257)	(757,310)	362,150
Cash flows from investing activities				
Sale proceeds from the disposal of investment in subsidiary	1,065,573	-	1,065,573	-
Net purchase of property, plant and equipment	(185,853)	(42,982)	(91,762)	(6,556)
Proceeds from sale of property, plant and equipment	3,750	-	-	-
Investment in subsidiary right issue	-	(115,717)	-	-
Net purchase of intangible assets	(170,654)	(17,494)	(126,787)	(4,896)
Dividend received	600	100	600	-
Net cash from/ (used in) investing activities	713,416	(176,093)	847,624	(11,452)
Cash flows from financing activities				
Proceeds from issue of shares	-	5,802,071	-	-
Change in securities sold under repurchase agreements	38,951	(1,648,858)	172,157	(174,818)
Net cash from/ (used in) financing activities	38,951	4,153,213	172,157	(174,818)
Net increase (decrease) in cash and cash equivalents	263,228	191,863	262,471	175,880
Cash and cash equivalents at the beginning of the period	618,120	174,129	618,877	190,112
Cash and cash equivalents at the end of the period	881,348	365,992	881,348	365,992

Cargills Bank Limited
Classification of Financial Assets and Financial Liabilities

	Bank				Total Rs. '000
	Held for trading Rs. '000	Loans and receivables Rs. '000	Available for sale Rs. '000	Other amortized cost Rs. '000	
As at 30.09.2017					
Financial assets					
Cash and cash equivalents	-	881,348	-	-	881,348
Balance with Central Bank	-	864,638	-	-	864,638
Placements with banks	-	4,752,803	-	-	4,752,803
Securities purchased under resale agreements	-	2,701,496	-	-	2,701,496
Derivative financial instruments	65	-	-	-	65
Loans and receivables to banks	-	173,955	-	-	173,955
Loans and receivables to other customers	-	17,805,294	-	-	17,805,294
Financial investments available for sale	-	-	3,901,139	-	3,901,139
Other assets	-	37,750	-	-	37,750
Total financial assets	65	27,217,284	3,901,139	-	31,118,488
Financial liabilities					
Due to banks	-	-	-	1,280,602	1,280,602
Derivative financial instruments	13	-	-	-	13
Due to other customers	-	-	-	18,519,426	18,519,426
Securities sold under repurchase agreements	-	-	-	379,652	379,652
Other liabilities	-	-	-	420,714	420,714
Total financial liabilities	13	-	-	20,600,394	20,600,407
As at 31.12.2016-Audited					
Financial assets					
Cash and cash equivalents	-	618,120	-	-	618,120
Balance with Central Bank	-	417,161	-	-	417,161
Placements with banks	-	2,118,462	-	-	2,118,462
Securities purchased under resale agreements	-	1,350,759	-	-	1,350,759
Loans and receivables to banks	-	158,367	-	-	158,367
Loans and receivables to other customers	-	13,424,038	-	-	13,424,038
Financial investments available for sale	-	-	1,569,722	-	1,569,722
Financial investments held to maturity	-	-	-	-	-
Other assets	-	31,226	-	-	31,226
Total financial assets	-	18,118,133	1,569,722	-	19,687,855
Financial liabilities					
Due to banks	-	-	-	282,533	282,533
Derivative financial instruments	2,915	-	-	-	2,915
Due to other customers	-	-	-	9,435,089	9,435,089
Securities sold under repurchase agreements	-	-	-	340,702	340,702
Other liabilities	-	-	-	106,391	106,391
Total financial liabilities	2,915	-	-	10,164,715	10,167,630

Cargills Bank Limited
Selected Performance Indicators

As at	Bank	
	30-Sep-2017	31-Dec-2016 (Audited)
	Basel III	Basel II
Regulatory Capital (LKR'000)		
Common Equity Tier 1	10,197,189	N/A
Tier 1 Capital	10,197,189	10,669,277
Total Capital	10,285,902	9,802,653
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 5.75%)	36.42	N/A
Tier 1 capital Ratio (Minimum Requirement - 7.25%)	36.42	51.93%
Total Capital Ratio (Minimum Requirement - 11.25%)	36.74	50.81%
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	2.65%	0.94%
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	2.56%	0.89%
Profitability		
Interest Margin,%	6.55%	6.47%
Return on Assets (before Tax),%	0.75%	(0.34%)
Return on Equity,%	0.83%	0.15%
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	10,161,133	4,793,804
Statutory Liquid Assets Ratio, % (Minimum requirement,20%) Domestic Banking Unit	67.12%	55.98%

Explanatory Notes

1). The Financial Statements of the Bank, has been prepared and presented in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 7 of 2007 and the Banking Act No. 30 of 1988 and amendments thereto. These Financial Statements, except for information on Cash Flows have been prepared following the accrual basis of accounting.

The formats used in the preparation of the Financial Statements and the Disclosures made therein also comply with the specified format prescribed by CBSL for the preparation, presentation and publication of Annual Audited Financial Statements of Licensed Commercial Banks.

2). The total temporary differences including the differences arising from tax losses and tax credits amounted to Rs. 1,042 Mn resulting in a net deferred tax asset of Rs. 291 Mn as at 30 September 2017. Based on the 5 years forecast prepared by the management and internal assessment carried out by the Board of directors, the recognition of deferred tax asset has been limited to Rs. 163 Mn. The unrecognized deferred tax asset as at 30 September 2017 was Rs 128 Mn.

3). The Bank had entered into repo borrowings transactions with Entrust securities PLC. The carrying value of borrowings as at 31 December 2016 amounted to Rs. 305Mn and the market value of securities pledged to Entrust securities PLC as collateral was Rs. 338Mn as at that date. Entrust securities failed to return these securities when borrowings were matured in 2016 and accordingly a provision of Rs. 4.8Mn was made in the financial statements as at 31 December 2016.

However, During the period the Entrust securities PLC was able to settle all the respective transactions at the book value except for one transaction which was settled at the discounted market value resulting in a trading loss of Rs. 5.3Mn . The provisions made against securities pledged to entrust securities were reversed during the period as appropriate.

4). The bank disposed its investment in subsidiary (Colombo Trust Finance PLC) on 12th September 2017, for a consideration of Rs.1072Mn. Accordingly, a gain of Rs. 480Mn was recognized in the financial statements with respect to disposal.

Considering the company had only one subsidiary and it was disposed during the current reporting period, the consolidated financial statements are no longer presented as the entity is not a parent as at the reporting date.

5). There were no pending litigation of a material nature against the bank.

6). No circumstances have arisen since the reporting date which would require adjustment to or disclosure in the financial statements.

Cargills Bank Limited
Additional Disclosures

As at	Bank	
	30-Sep-2017 Rs. '000	31-Dec-2016 Rs. '000
1) Loans and receivables to other customers		
Gross loans and receivables	18,022,011	13,561,176
(Less): Individual impairment	100,538	68,949
(Less): Collective impairment	116,178	68,189
Net loans and receivables	17,805,295	13,424,038
2) Loans and receivables to other customers - By product		
By product - Domestic Currency		
Loans and advances		
Overdrafts	3,646,070	2,953,568
Trade finance	2,180,209	1,984,091
Lease rentals receivable	-	-
Hire purchase	-	-
Staff Loans	142,078	134,581
Housing loans	647,554	428,407
personal loans	2,867,007	1,702,903
Term loans	4,860,933	3,289,172
Agriculture loans	365,610	71,027
Vehicle loans	34,307	40,124
Loans against Property	109,046	-
Money market loans	2,063,960	2,666,208
Bills receivable	6,213	15,225
Margin trading	-	-
Others	-	-
Sub total	16,922,987	13,285,306
By product - Foreign Currency		
Trade finance	591,732	275,769.15
Money market loans	186,704	101
Term loans	312,916	
Overdrafts	7,672	
Sub total	1,099,024	275,870
Total Gross Loans & Advances	18,022,011	13,561,176
3) Movement in individual and collective impairment during the period for loans and receivables to other customers		
Movement in allowance for individual impairment		
Opening balance	68,949	9,209
Charge/(Write back) to income statement	31,589	59,740
Net write-off (recoveries) during the period	-	-
Closing balance	100,538	68,949
Movement in allowance for collective impairment		
Opening balance	68,189	22,618
Charge/(Write back) to income statement	47,960	45,516
Exchange rate variance on foreign currency provisions	29	55
Closing balance	116,178	68,189
Total impairment	216,716	137,138
4) Due to other customers - By product		
By product - Domestic Currency		
Current account deposits	518,746	1,344,859
Savings deposits	1,430,323	788,265
Time deposits	11,809,401	5,420,128
Certificate of deposits	796,308	750,482
Margin deposits	20,327	30,656
Sub total	14,575,105	8,334,390
By product - Foreign Currency		
Current account deposits	8,622	18,392
Savings deposits	536,279	415,436
Time deposits	3,399,420	666,871
Sub total	3,944,321	1,100,699
Total deposits	18,519,426	9,435,089

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 30 September 2017		No. of shares	%
1	Cargills (Ceylon) PLC	350,696,905	39.71 *
2	CT Holdings PLC	223,345,953	25.29 *
3	Monetary Board of Sri Lanka - On Behalf of EPF	44,000,000	4.98
4	Mulitex Investment Limited	30,800,000	3.49
5	MJF Foundation Investments (Pvt) Ltd	28,000,000	3.17
6	Asian Alliance Insurance PLC	26,600,000	3.01
7	MAS Capital (Private) Limited	22,000,000	2.49
8	Rosewood (Pvt) Ltd	16,000,000	1.81
9	Phoenix Ventures Limited	13,200,000	1.49
10	Aindri Holdings Pte Ltd	11,000,000	1.25
11	A I A Holdings Lanka (Pvt) Ltd	11,000,000	1.25
12	Softlogic Holdings PLC	10,000,000	1.13
13	Gardiya Lokuge Harris Premaratne	9,089,000	1.03
14	Merrill Joseph Fernando	7,800,000	0.88
15	Softlogic Finance PLC	7,400,000	0.84
16	GF Capital Global Limited	6,100,000	0.69
17	Periyasamipillai Barathakumar	4,400,000	0.50
18	Periyasamipillai Muruganandhan	4,400,000	0.50
19	Periyasamipillai Anandarajah	4,400,000	0.50
20	Periyasamipillai Devaraj	4,400,000	0.50
21	Periyasamipillai Barathanamickam	4,400,000	0.50
22	Rajah Mahinda Nanayakkara	4,400,000	0.50
23	Lalan Rubber Holdings (Pvt) Ltd	4,400,000	0.50
Sub total		847,831,858	96
Other Shareholders		35,311,000	4
Total		883,142,858	100

* No voting rights will be exercised by Cargills (Ceylon) PLC and CT Holdings PLC on any shares held in excess of 30% of the issued capital of the bank carrying voting rights.