

INTERIM FINANCIAL
STATEMENTS

2018

FOR THE PERIOD ENDED 31 MARCH 2018



Cargills Bank Limited
Income Statement

	Bank		
	For the quarter ended		
	31-Mar-18	31-Mar-17	Change
	Rs. '000	Rs. '000	%
Interest income	876,862	578,943	51
Interest expenses	(415,253)	(250,750)	(66)
Net interest income	461,609	328,193	41
Fees and commission income	47,175	37,228	27
Fees and commission expenses	(13,897)	(8,206)	(69)
Net fees and commission income	33,278	29,022	15
Net gains / (losses) from trading	(816)	3,804	(121)
Net gains/(losses) from financial instruments at fair value through profit & loss	-	-	-
Net gains / (losses) from financial investments	18,151	1,535	1,082
Other income	26,217	27,986	(6)
Total other income	43,552	33,325	31
Total operating income	538,439	390,540	38
Impairment for loans and other losses			
Individual impairment	(54,291)	(14,950)	(263)
Collective impairment	(24,908)	3,104	(902)
Others	-	3,833	(100)
Total impairment for loans and other losses	(79,199)	(8,013)	(888)
Net operating income	459,240	382,527	20
Personnel expenses	(169,151)	(126,598)	(34)
Depreciation and amortisation	(52,450)	(33,651)	(56)
Other operating expenses	(154,820)	(129,734)	(19)
Total operating Expenses	(376,421)	(289,983)	(30)
Operating profit before Value Added Tax (VAT) and Nation Building Tax (NBT)	82,819	92,544	(11)
VAT and NBT on financial services	(36,650)	(25,327)	(45)
Profit before tax	46,169	67,217	(31)
Tax expenses	(27,885)	(25,096)	(11)
Profit for the period	18,284	42,121	(57)
Earnings per share (Rs.)	0.02	0.05	(59)

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

	Bank		
	For the quarter ended		
	31-Mar-18	31-Mar-17	Change
	Rs. '000	Rs. '000	%
Profit for the year	18,284	42,121	(57)
Other comprehensive income, net of tax			
Items that will never be reclassified to profit & loss			
Net actuarial gains on defined benefit obligation	-	-	-
Deferred tax asset on net actuarial gains 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			
Sri Lanka government securities	(33,332)	(4,710)	(608)
Deferred tax asset on available for sale reserve	9,333	1,319	608
	(23,999)	(3,391)	(608)
Other comprehensive income for the year, net of tax	(23,999)	(3,391)	(608)
Total comprehensive income for the year, net of tax	(5,715)	38,730	(115)

Cargills Bank Limited
Statement of Financial Position

As at	Bank	
	31-Mar-18 Rs. '000	31-Dec-17 (Audited) Rs. '000
Assets		
Cash and cash equivalents	539,485	685,652
Balances with Central Bank	843,858	925,719
Placements with banks	3,320,417	4,035,671
Securities purchased under resale agreements	-	-
Derivative financial instruments	584	1,272
Other investments	288,834	-
Loans and receivables to banks	-	44,131
Loans and receivables to other customers	24,031,740	20,797,560
Financial investments available for sale	5,044,257	4,751,412
Held to maturity financial investments	314,857	-
Property, plant & equipment	374,495	347,234
Intangible assets	413,729	340,493
Deferred tax assets	141,614	139,752
Other assets	388,421	443,815
Total assets	35,702,291	32,512,711
Liabilities and equity		
Due to banks	1,201,826	961,253
Derivative financial instruments	2,100	1,397
Due to other customers	20,614,083	18,808,432
Securities sold under repurchase agreements	1,517,927	742,994
Other liabilities	1,177,739	804,304
Total liabilities	24,513,675	21,318,380
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	26,246	26,246
Other reserves	(13,453)	10,546
Accumulated loss	(218,598)	(236,882)
Total equity	11,188,616	11,194,331
Total liabilities and equity	35,702,291	32,512,711
Contingent liabilities & commitments	19,150,476	18,751,069
Net assets value per ordinary share (Rs.)	12.67	12.68
Memorandum information:		
No. of employees	475	451
No. of branches	18	17

Certification:

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

N Thamilchelvan

Head of Financial Reporting

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.

R Theagarajah

Managing Director/ Chief Executive Officer

24-May-2018

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 01.01.2017-Audited	11,394,421	603	(16,098)	(725,747)	10,653,179
Total comprehensive income for the three months ended 31.03.2017					
Profit for the period	-	-	-	42,121	42,121
Other comprehensive income, net of tax	-	-	(3,391)	-	(3,391)
Total comprehensive income for the period	-	-	(3,391)	42,121	38,730
Balance as at 31.03.2017	11,394,421	603	(19,489)	(683,626)	10,691,909
Total comprehensive income for the period 01.04.2017 to 31.12.2017					
Profit for the period	-	-	-	470,738	470,738
Other comprehensive income/ (loss) net of tax	-	-	30,035	1,649	31,684
Total comprehensive income for the period	-	-	30,035	472,387	502,422
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	25,643	-	(25,643)	-
Total Contributions and distributions	-	25,643	-	(25,643)	-
Balance as at 01.01.2018-Audited	11,394,421	26,246	10,546	(236,882)	11,194,331
Total comprehensive income for the three months ended 31.03.2018					
Profit for the period	-	-	-	18,284	18,284
Other comprehensive income, net of tax	-	-	(23,999)	-	(23,999)
Total comprehensive income for the period	-	-	(23,999)	18,284	(5,715)
Transactions with owners of the bank					
Contributions and distributions					
Transfer to statutory reserve	-	-	-	-	-
Total Contributions and distributions	-	-	-	-	-
Balance as at 31.03.2018	11,394,421	26,246	(13,453)	(218,598)	11,188,616

Cargills Bank Limited
Statement of Cash Flows

	Bank	
	31-Mar-18 Rs. '000	31-Mar-17 Rs. '000
<i>Cash flows from operating activities</i>		
Profit before tax	46,169	67,217
<i>Adjustments for:</i>		
Non-cash items included in profit before tax	133,149	42,522
Change in operating assets	(3,345,919)	(670,396)
Change in operating liabilities	2,400,136	805,743
Benefits paid on defined benefit plans	(1,687)	(1,932)
Net cash from/ (used in) operating activities	(768,152)	243,154
<i>Cash flows from investing activities</i>		
Net purchase of property, plant and equipment	(55,523)	(73,364)
Net purchase of intangible assets	(97,424)	(1,954)
Net cash from/ (used in) investing activities	(152,947)	(75,318)
<i>Cash flows from financing activities</i>		
Change in securities sold under repurchase agreements	774,932	(101,593)
Net cash from/ (used in) financing activities	774,932	(101,593)
Net increase (decrease) in cash and cash equivalents	(146,167)	66,243
Cash and cash equivalents at the beginning of the period	685,652	618,120
Cash and cash equivalents at the end of the period	539,485	684,363

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 31.03.2018					
Financial assets					
Cash and cash equivalents	-	539,485	-	-	539,485
Balance with Central Bank	-	843,858	-	-	843,858
Placements with banks	-	3,320,417	-	-	3,320,417
Derivative financial instruments	584	-	-	-	584
Other investments	-	288,834	-	-	288,834
Loans and receivables to banks	-	-	-	-	-
Loans and receivables to other customers	-	24,031,740	-	-	24,031,740
Financial investments available for sale	-	-	5,044,257	-	5,044,257
Held to maturity	-	-	-	314,857	314,857
Other assets	-	-	-	94,026	94,026
Total financial assets	584	29,024,334	5,044,257	408,883	34,478,058
Financial liabilities					
Due to banks	-	-	-	1,201,826	1,201,826
Derivative financial instruments	2,100	-	-	-	2,100
Due to other customers	-	-	-	20,614,083	20,614,083
Securities sold under repurchase agreements	-	-	-	1,517,927	1,517,927
Other liabilities	-	-	-	476,446	476,446
Total financial liabilities	2,100	-	-	23,810,282	23,812,382
As at 31.12.2017-Audited					
Financial assets					
Cash and cash equivalents	-	685,652	-	-	685,652
Balance with Central Bank	-	925,719	-	-	925,719
Placements with banks	-	4,035,671	-	-	4,035,671
Derivative financial instruments	1,272	-	-	-	1,272
Loans and receivables to banks	-	44,131	-	-	44,131
Loans and receivables to other customers	-	20,797,560	-	-	20,797,560
Financial investments available for sale	-	-	4,751,412	-	4,751,412
Other assets	-	139,172	-	-	139,172
Total financial assets	1,272	26,627,905	4,751,412	-	31,380,589
Financial liabilities					
Due to banks	-	-	-	961,253	961,253
Derivative financial instruments	1,397	-	-	-	1,397
Due to other customers	-	-	-	18,808,432	18,808,432
Securities sold under repurchase agreements	-	-	-	742,994	742,994
Other liabilities	-	-	-	391,406	391,406
Total financial liabilities	1,397	-	-	20,904,085	20,905,482

Cargills Bank Limited
Selected Performance Indicators

As at	Bank	
	31-Mar-2018	31-Dec-2017
Regulatory Capital (LKR'000)		
Common Equity Tier 1	10,631,831	10,714,086
Tier 1 Capital	10,631,831	10,714,086
Total Capital	10,737,379	10,828,381
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio (Minimum Requirement - 5.75%)	31.66	34.39
Tier 1 capital Ratio (Minimum Requirement - 7.25%)	31.66	34.39
Total Capital Ratio (Minimum Requirement - 11.25%)	31.97	34.76
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	3.01	3.55
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	2.58	3.46
Profitability		
Interest Margin,%	5.74	5.53
Return on Assets (before Tax),%	0.57	2.32
Return on Equity,%	0.65	4.69
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	7,417,313	8,263,439
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	36.20	43.99
Off-Shore Banking Unit, %	668.18	4,150
Liquidity coverage Ratio, % (Minimum requirement,80%)		
Rupee, %	228.38	200.20
All currency, %	273.36	228.81

Explanatory Notes

1). The Financial Statements of the Bank, have 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 arising from tax losses and tax credits amounted to Rs. 1,146 Mn resulting in a deferred tax asset of Rs. 321 Mn as at 31 March 2018. Based on internal assessments carried out by the Board of Directors, the recognition of the deferred tax asset has been limited to Rs. 192 Mn. The unrecognized deferred tax asset as at 31 March 2018 was Rs 129 Mn.

3). There was no pending litigation of a material nature against the bank.

4) All known expenses have been provided in these Interim Financial Statements.

5). Sri Lanka Accounting Standard- SLFRS 9 on "Financial Statements"

The Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments" which replaces the existing Standard LKAS 39 on "Financial Instruments: Recognition and Measurement" has become effective for annual reporting periods beginning or after January 01, 2018. SLFRS 09 replaces the "Incurred Loss Model" in LKAS 39 with the forward looking "Expected Loss Credit Model (ECL)" which requires considerable judgement over how changes in economic factors affect ECL, which in turn has to be determined on a probability weighted basis. SLFRS 09 also contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed based on their cash flow characteristics.

Based on the "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements" issued by The Institute of Chartered Accountants of Sri Lanka, entities are granted the option of preparing Interim Financial Statements continuing application of LKAS 39, with disclosures of the impact on the Income Statement and Statement of Profit or Loss and Other Comprehensive Income for the period if SLFRS 09 had been applied.

The Bank has completed the initial assessment of the impact on its Financial Statements for the year ended December 31, 2016, resulting from the application of SLFRS 9 with the assistance of an external consultant. Based on the assessments undertaken to date which are yet to be audited, the total estimated additional loan loss provision on the Financial Statements as at December 31, 2016 on adoption of SLFRS 9 is expected to be in the range of 35%-45% of the total impairment provision as per the previously applicable LKAS 39.

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	
	31-Mar-2018 Rs. '000	31-Dec-2017 Rs. '000
1) Loans and receivables to other customers		
Gross loans and receivables	24,381,096	21,067,586
(Less): Individual impairment	210,022	155,731
(Less): Collective impairment	139,334	114,295
Net loans and receivables	24,031,740	20,797,560
2) Loans and receivables to other customers - By product		
By product - Domestic Currency		
Loans and advances		
Overdrafts	6,375,963	4,574,378
Trade finance	2,124,213	2,065,947
Staff Loans	116,639	143,811
Housing loans	952,734	708,152
personal loans	3,604,560	3,267,366
Term loans	5,120,805	5,230,098
Agriculture loans	605,851	530,880
Vehicle loans	28,093	32,867
Loans against Property	514,375	165,126
Money market loans	3,191,808	3,101,583
Bills receivable	6,929	7,894
Margin trading	193	-
Others	-	-
Sub total	22,642,163	19,828,102
By product - Foreign Currency		
Trade finance	557,479	636,050
Housing loans	33,403	-
Money market loans	127,424	180,758
Term loans	995,553	415,004
Overdrafts	7,855	7,672
Bills receivable	17,219	-
Sub total	1,738,933	1,239,484
Total Gross Loans & Advances	24,381,096	21,067,586
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	155,731	68,949
Charge/(Write back) to income statement	54,291	86,782
Net write-off (recoveries) during the period	-	-
Closing balance	210,022	155,731
Movement in allowance for collective impairment		
Opening balance	114,295	68,189
Charge/(Write back) to income statement	24,908	46,081
Exchange rate variance on foreign currency provisions	131	25
Closing balance	139,334	114,295
Total impairment	349,356	270,026
4) Due to other customers - By product		
By product - Domestic Currency		
Current account deposits	757,725	478,628
Savings deposits	1,846,949	2,049,397
Time deposits	11,144,780	10,983,365
Certificate of deposits	806,450	764,467
Margin deposits	15,224	16,249
Sub total	14,571,128	14,292,106
By product - Foreign Currency		
Current account deposits	80,235	16,198
Savings deposits	3,483,277	1,525,102
Time deposits	2,479,443	2,975,026
Sub total	6,042,955	4,516,326
Total deposits	20,614,083	18,808,432

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 31 March 2018		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	Softlogic Life Insurance PLC	26,600,000	3.01
7	MAS Amaliya (Pvt) Ltd	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 Barathanickam	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.