

FINANCIAL STATEMENTS

2019

FOR THE YEAR ENDED 31 DECEMBER 2019



Cargills Bank Limited Income Statement

For the year ended	2019 (Audited) Rs. '000	2018 (Audited) Rs. '000	Change %
Interest income	4,390,508	3,903,955	12
Interest expenses	(2,346,857)	(1,874,648)	(25)
Net interest income	2,043,651	2,029,307	1
Fees and commission income	384,008	225,672	70
Fees and commission expenses	(160,082)	(67,614)	(137)
Net fees and commission income	223,926	158,058	42
Net gains / (losses) from trading	13,662	(14,148)	197
Net gains from derecognition of financial assets	81,003	17,934	352
Net other operating income	90,072	166,830	(46)
Total other income	184,737	170,616	8
Total operating income	2,452,314	2,357,981	4
Impairment losses on financial instruments and other assets			
Loans and advances to customers	(1,049,637)	(298,382)	(252)
Financial assets	(65,273)	(4,804)	(1,259)
Others	(33,389)	(10,750)	(211)
Total Impairment losses on financial instruments and other assets	(1,148,299)	(313,937)	(255)
Net operating income	1,304,015	2,044,044	(35)
Personnel expenses	(873,427)	(744,081)	(17)
Depreciation and amortization	(416,271)	(246,583)	(69)
Other operating expenses	(902,236)	(716,794)	(31)
Total operating Expenses	(2,191,934)	(1,707,458)	(30)
Operating (loss) / profit before taxes on financial services	(887,919)	336,586	(364)
Reversal /(Taxes) on financial services	505	(175,142)	100
(Loss) / Profit before tax	(887,414)	161,444	(650)
Income tax reversal / (expense)	220,814	(38,639)	671
(Loss)/ Profit for the period	(666,600)	122,805	(643)
(Loss)/earnings per share (Rs.)	(0.75)	0.14	(639)

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

For the year ended	2019 (Audited) Rs. '000	2018 (Audited) Rs. '000	Change %
(Loss) / profit for the year	(666,600)	122,805	(643)
Other comprehensive (expense)/ income, net of tax			
Items that will never be reclassified to profit & loss			
Net actuarial gains/(loss) on defined benefit obligation	18,265	(7,340)	349
Fair valuation of Equity instruments	1,550	1,052	47
Deferred tax related to the above	(5,919)	2,593	(328)
	13,896	(3,695)	476
Items that are or may be reclassified to profit & loss			
Net gains / (losses) on re-measuring in financial assets measured at fair value through other comprehensive income			
Government securities	87,349	(59,881)	246
Deferred tax related to the above	(26,142)	16,767	(256)
	61,207	(43,114)	242
Other comprehensive income/ (expense) for the year, net of tax	75,103	(46,809)	260
Total comprehensive (expense)/ income for the year, net of tax	(591,497)	75,996	(878)

Cargills Bank Limited Statement of Financial Position

As at	31-Dec-19 (Audited) Rs. '000	31-Dec-18 (Audited) Rs. '000
Assets		
Cash and cash equivalents	993,133	1,231,655
Balances with Central Bank	1,040,397	994,405
Placements with banks	689,336	-
Derivative financial instruments	386	24
Financial assets at amortized costs - Loans & Advances to other customers	27,013,673	23,917,397
Financial assets at Amortized costs - Debt and other Instruments	477,663	524,002
Financial assets measured at fair value through other comprehensive income	6,667,681	5,548,169
Property, plant & equipment	858,304	488,148
Intangible assets	457,570	474,374
Deferred tax assets	366,648	168,776
Other assets	573,743	456,170
Total assets	39,138,534	33,803,120
Liabilities and equity		
Due to banks	1,517,942	1,364,712
Derivative financial instruments	2,281	15,004
Financial liabilities at amortized cost - Due to depositors	25,042,562	19,902,741
Financial liabilities at amortized cost - Due to other borrowers	948,298	662,523
Retirement benefit obligation	43,577	51,233
Lease Liability	444,214	-
Other liabilities	707,195	782,945
Total liabilities	28,706,069	22,779,158
Equity		
Stated capital	11,394,421	11,394,421
Statutory reserves	32,386	32,386
Other reserves	35,770	(28,237)
Accumulated loss	(1,030,112)	(374,608)
Total equity attributable to equity holders of the bank	10,432,465	11,023,962
Total liabilities and equity	39,138,534	33,803,120
Contingent liabilities & commitments	11,638,569	17,891,677
Net assets value per ordinary share (Rs.)	11.81	12.48
Memorandum information:		
No. of employees	650	586
No. of branches	20	19

Certification:

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

Sgd.

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 audited financial statements of the the Bank.

Sgd.

R. Theagarajah

Managing Director

Sgd.

E M M Boyagoda

Senior Director

March 25, 2020

Colombo

Cargills Bank Limited
Statement of Changes in Equity

	Stated capital	Statutory reserve	Other Reserves (FVOCI Reserve)	Retained loss	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01.01.2018 - Audited	11,394,421	26,246	10,546	(236,882)	11,194,331
Adjustment of initial application of SLFRS 09, net of tax	-	-	3,572	(249,937)	(246,365)
Restated Balance as at 1 January 2018	11,394,421	26,246	14,118	(486,819)	10,947,966
Total comprehensive income for the year 2018					
Profit for the year	-	-	-	122,805	122,805
Other comprehensive income, net of tax	-	-	(42,356)	(4,454)	(46,809)
Total comprehensive income for the year	-	-	(42,356)	118,351	75,996
Transactions with owners of the bank					
Contributions and distributions					
Issue of shares	-	-	-	-	-
Transfer to statutory reserves	-	6,140	-	(6,140)	-
Total Contributions and distributions	-	6,140	-	(6,140)	-
Balance as at 31.12.2018 - Audited	11,394,421	32,386	(28,237)	(374,608)	11,023,962
Total comprehensive income/ (expense) for the year 2019					
Loss for the year	-	-	-	(666,600)	(666,600)
Other comprehensive income, net of tax	-	-	64,007	11,096	75,103
Total comprehensive income/ (expense) for the year	-	-	64,007	(655,504)	(591,497)
Balance as at 31.12.2019 - Audited	11,394,421	32,386	35,770	(1,030,112)	10,432,465

Cargills Bank Limited
Statement of Cash Flows

	Year ended	
	31-Dec-2019 (Audited) Rs. '000	31-Dec-2018 (Audited) Rs. '000
Cash flows from operating activities		
(Loss) / Profit before tax	(887,414)	161,444
Adjustments for:		
Non-cash items included in profit/ (loss) before tax	1,634,923	564,881
Gains/ (losses) on sale of property, plant & equipment and other assets	(7,953)	(249)
Dividend income	(935)	(770)
Interest paid on lease liability	(57,300)	-
Benefits paid on defined benefit plans	(1,202)	(4,415)
Operating profits before changes in operating assets and liabilities	680,119	720,891
Increase in operating assets	(5,333,921)	(4,294,785)
Increase in operating liabilities	5,131,306	1,478,882
Cash generated from/(used in) operating activities before income tax	477,504	(2,094,972)
Income taxes paid	-	-
Net cash generated from/(used in) operating activities	477,504	(2,094,972)
Cash flows from investing activities		
Net purchase of property, plant and equipment	(124,301)	(306,285)
Proceeds from sale of property, plant and equipment	8,533	1,598
Net purchase of intangible assets	(110,416)	(243,241)
Dividends received	935	770
Net cash generated from (used in) investing activities	(225,249)	(547,158)
Cash flows from financing activities		
Payment of lease liability	(85,107)	-
Change in securities sold under repurchase agreements	285,775	(80,471)
Net cash generated from (used in) financing activities	200,668	(80,471)
Net increase (decrease) in cash and cash equivalents	452,923	(2,722,601)
Cash and cash equivalents at the beginning of the period	1,234,721	3,957,322
Cash and cash equivalents at the end of the period	1,687,644	1,234,721
Reconciliation of cash & cash equivalents		
Cash & cash equivalents (Before impairment)	994,853	1,234,721
Placements with Banks (Before impairment)	692,791	-
	1,687,644	1,234,721

Cargills Bank Limited
Classification of Financial Assets and Financial Liabilities

	Fair value through P/L Rs. '000	Fair Value through OCI Rs. '000	Amortized Cost Rs. '000	Total Rs. '000
As at 31.12.2019 (Audited)				
Financial assets				
Cash and cash equivalents	-	-	993,133	993,133
Balances with Central Bank of Sri Lanka	-	-	1,040,397	1,040,397
Placements with Banks	-	-	689,336	689,336
Derivative financial instruments	386	-	-	386
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	27,013,673	27,013,673
Financial assets at Amortized costs - Debt and other Instruments	-	-	477,663	477,663
Financial assets at fair value through other comprehensive income - Government Securities	-	6,652,235	-	6,652,235
Financial assets at fair value through other comprehensive income - Equity Securities	-	13,446	-	13,446
Other assets*	-	-	327,094	327,094
Total financial assets	386	6,665,681	30,541,296	37,207,363
Financial liabilities				
Due to banks	-	-	1,517,942	1,517,942
Derivative financial instruments	2,281	-	-	2,281
Financial liabilities at amortized cost - Due to depositors	-	-	25,042,562	25,042,562
Financial liabilities at amortized cost - Due to other borrowers	-	-	948,298	948,298
Lease liability	-	-	444,214	444,214
Other liabilities**	-	-	403,844	403,844
Total financial liabilities	2,281	-	28,356,860	28,359,141
As at 31.12.2018 (Audited)				
Financial assets				
Cash and cash equivalents	-	-	1,231,655	1,231,655
Balances with Central Bank of Sri Lanka	-	-	994,405	994,405
Derivative financial instruments	24	-	-	24
Financial assets at Amortized costs- Loans & Advances to other customers	-	-	23,917,397	23,917,397
Financial assets at Amortized costs - Debt and other Instruments	-	-	524,002	524,002
Financial assets at fair value through other comprehensive income - Government Securities	-	5,536,273	-	5,536,273
Financial assets at fair value through other comprehensive income - Equity Securities	-	11,896	-	11,896
Other assets*	-	-	121,287	121,287
Total financial assets	24	5,548,169	26,788,746	32,336,939
Financial liabilities				
Due to banks	-	-	1,364,712	1,364,712
Derivative financial instruments	15,004	-	-	15,004
Financial liabilities at amortized cost - Due to depositors	-	-	19,902,741	19,902,741
Financial liabilities at amortized cost - Due to other borrowers	-	-	662,523	662,523
Other liabilities**	-	-	521,289	521,289
Total financial liabilities	15,004	-	22,451,265	22,466,269

* Other assets only includes other receivables

** Other liabilities excludes accrued expenditure and impairment on commitments and contingencies

Cargills Bank Limited
Selected Performance Indicators

As at	31-Dec-2019	31-Dec-2018
Regulatory Capital (LKR'000)		
Common Equity Tier 1	9,593,939	10,380,812
Tier 1 Capital	9,593,939	10,380,812
Total Capital	9,777,217	10,865,272
Regulatory Capital Ratios (%)		
Common Equity Tier 1 Capital Ratio - Minimum Requirement - 7% (2018- 6.375%)	26.37	31.28
Tier 1 capital Ratio - Minimum Requirement - 8.5% (2018 - 7.875%)	26.37	31.28
Total Capital Ratio - Minimum Requirement - 12.5% (2018 - 11.875%)	26.87	32.74
Leverage Ratio - Minimum Requirement- 3%	23.57	
Regulatory Liquidity		
Statutory Liquid Assets, Rs. '000	8,413,619	5,692,324
Statutory Liquid Assets Ratio, % (Minimum requirement,20%)		
Domestic Banking Unit, %	32.65	23.34
Off-Shore Banking Unit, %	1115.25	54.61
Total Stock of High-Quality Liquid Assets (LKR Million)	7,034,760	5,637,324
Liquidity coverage Ratio, % - Minimum requirement - 100% (2018 - 90%)		
Rupee, %	281	195.01
All currency, %	203.59	151.04
Net Stable Funding Ratio (%) - Minimum Requirement - 90%	120	
Assets Quality (Quality of Loan Portfolio)		
Gross non-Performing Advances Ratio,% (net of interest in suspense)	12.74	6.04
Net non-Performing Advances Ratio,% (net of interest in suspense and provision)	10.01	4.73
Profitability		
Interest Margin,%	5.55	5.88
Return on Assets (before Tax),%	-2.41	0.47
Return on Equity,%	-5.96	1.09

Explanatory Notes

- 1) These Financial Statements are 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.

There were no changes to Accounting Policies and methods of computation since the publication of the Annual Report for the year ended December 31, 2018, except for Accounting Policies and methods of computation adopted to be compliant with requirements of Sri Lanka Accounting Standard SLFRS - 16 on Leases, which became effective for annual financial periods from January 01, 2019.

- 2) The total temporary differences arising from tax losses and tax credits amounted to Rs. 811 Mn. resulting in a deferred tax asset of Rs. 227 Mn. as at 31 December 2019, out of which, based on an internal assessment carried out by the Board of Directors, the recognition of deferred tax asset has been limited to Rs. 177 Mn. The unrecognized deferred tax asset as at 31 December 2019 was Rs 50 Mn, as the bank may not have sufficient taxable profits to utilize the tax credits, based on their budget forecasts.

- 3) Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments" which replaced the Standard LKAS 39 on "Financial Instruments: Recognition and Measurement" became effective for annual reporting periods beginning on or after January 1, 2018.

As permitted by a Statement of Alternative Treatment allowed by CA Sri Lanka, the Bank prepared its interim Financial Statements up to quarter 3 ended 30 September 2018 based on LKAS 39. The entire impact on adoption of SLFRS 9 was recorded in the last quarter of 2018.

The operation of the Bank commenced during the year ended 31st December 2014 and it had limited historical default data for the majority of its products at the date of transition to SLFRS 9. In order to address the consequent limitations in the Bank's impairment model, the Bank made a management overlay adjustment (maturity adjustment) to the ECL model using the average provisioning cover of three peer banks with mature portfolios. Such adjustment resulted in recognition of an additional ECL of Rs. 222 Mn at the date of transition. In the absence of observable proxy indicators of default of peer banks, such approach was expected to address the requirement of circular No. 4 of 2018 issued by the Central Bank of Sri Lanka.

At 31 December 2018, a post-model adjustment was made to the maturity adjustment recognized effective 31 December 2017 to reflect the loss experience relative to the increase in portfolio maturity between 31 December 2017 and 31 December 2018.

The remainder of the maturity adjustment carried forward from 31st December 2018 was reversed in the quarter ending 30 June 2019.

- 4) The Bank has applied SLFRS 16 with an initial application date of 1 January 2019. As a result, the Bank has changed its accounting policy for lease contracts. The Bank has applied SLFRS 16 using the modified retrospective approach, under which the ROU asset has been measured at an amount equal to the lease liability. Therefore there will be no impact on retained earnings. Additionally, the disclosures requirements in SLFRS 16 have not generally been applied to comparative information.

- 5) The Commissioner General of Inland Revenue (CGIR) issued a Notice of Assessment claiming Rs. 120 Mn for the Year of Assessment 2013/2014, disallowing some expenses and capital allowances claimed by the Bank, on the basis that it was not in commercial operation at the time and could not therefore make these deductions in arriving at Taxable Income for that Year of Assessment.

The Bank did not agree with the determination issued by the CGIR and therefore appealed to the Tax Appeals Commission. The Bank awaits the hearing of this appeal.

Having sought professional advice, the Bank is confident that the expenses and allowances claimed in arriving at Taxable income as per Inland Revenue Act No. 24 of 2006 and amendments thereto and accordingly can be sustained.

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

- 7) All known expenses have been provided in these Financial Statements.

- 8) On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries now affected. Due to its potential impact on Sri Lankan businesses the government is discussing several options to provide relief to businesses and delay repayment of loans. Such deferrals may have an impact on the future provisions for impairment, in addition to businesses being negatively impacted due to the overall negative economic conditions caused by the pandemic. Directors are unable to estimate the potential impact the outbreak would have on the Banks' financial position, as of date. Other than the above, no circumstances have arisen since the reporting date which would require adjustments to or disclosure in the financial statements.

Cargills Bank Limited Additional Disclosures

As at	31-Dec-2019 Rs. '000	31-Dec-2018 Rs. '000
Loans and receivables to other customers		
Gross loans and receivables		
Stage 1	19,963,595	18,458,332
Stage 2	4,676,233	4,644,834
Stage 3	4,230,787	1,621,535
Total Gross loans and receivables	28,870,614	24,724,701
Less: Stage-wise Impairment		
Stage 1	90,054	172,103
Stage 2	186,450	226,003
Stage 3	1,580,437	409,198
Total impairment for loans and advances	1,856,941	807,304
Net loans and receivables	27,013,673	23,917,397
Product wise Gross Loans and receivables to other customers		
By product - Domestic Currency		
Overdrafts	6,099,114	4,606,331
Trade finance	1,623,345	1,897,007
Staff Loans	199,215	168,882
Housing loans	965,768	991,799
Personal loans	3,587,429	3,639,919
Term loans	6,739,401	5,563,554
Agriculture loans	445,312	517,022
Vehicle loans	64,915	53,065
Loans against Property	1,463,448	1,140,647
Money market loans	4,008,163	3,626,488
Bills receivable	-	226
Credit Card	860,228	136,931
Micro Finance	59,719	39,115
Sub total	26,116,058	22,380,986
By product - Foreign Currency		
Overdrafts	9,684	9,090
Trade finance	1,019,967	670,821
Housing loans	68,119	96,694
Term loans	1,656,787	1,480,054
Money market loans	-	87,056
Sub total	2,754,556	2,343,715
Total Gross Loans & Receivables	28,870,614	24,724,701

Movement in impairment during the period for loans and receivables to other customers- 2019

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2019	172,103	226,003	409,198	807,304
Charge/ (write back) to income statement	(82,049)	(39,553)	1,171,239	1,049,637
Closing balance as at 31 December 2019	90,054	186,450	1,580,437	1,856,941

Movement in impairment during the period for loans and receivables to other customers - 2018

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2018	-	-	-	-
Adjustment on initial application of SLFRS 09	246,339	78,530	184,053	508,922
Adjusted balance as at 01 January 2018	246,339	78,530	184,053	508,922
Charge/ (write back) to income statement	(74,236)	147,473	225,145	298,382
Closing balance as at 31 December 2018	172,103	226,003	409,198	807,304

Cargills Bank Limited Additional Disclosures

As at	31-Dec-2019 Rs. '000	31-Dec-2018 Rs. '000		
Product wise Commitments and Contingencies				
By product - Domestic Currency				
Guarantees	4,913,771	5,417,050		
Letters of credit	201,410	895,826		
Forward exchange Purchase	698,876	721,340		
Spot exchange Purchase	108,938	91,485		
Bills For Collection	139,053	217,311		
Undrawn credit lines	4,069,628	10,164,901		
Other commitments	64,628	52,135		
Sub total	10,196,304	17,560,048		
By product - Foreign Currency				
Guarantees	159,303	197,395		
Letters of credit	859,886	2,174		
Bills For Collection	116,945	98,357		
Forward exchange Purchase	299,460	32,770		
Spot exchange Purchase	6,671	933		
Sub total	1,442,265	331,629		
Total Commitments and Contingencies	11,638,569	17,891,677		
Movement in impairment during the period for Commitments and Contingencies				
	Stage 1	Stage 2	Stage 3	Total
Opening balance as at 01 January 2019	2,990	1,037	23,547	27,574
Charge/ (write back) to income statement	21,721	51,146	(9,476)	63,391
Closing balance as at 31 December 2019	24,711	52,183	14,070	90,965
Due to other customers				
By product - Domestic Currency				
Current account deposits	966,935	941,674		
Savings deposits	2,352,414	1,875,499		
Call Deposits	242,486	-		
Time deposits	18,083,929	14,932,254		
Certificate of deposits	1,388,621	860,905		
Margin deposits	16,182	130,939		
Sub total	23,050,567	18,741,271		
By product - Foreign Currency				
Current account deposits	153,975	49,185		
Savings deposits	590,972	423,721		
Time deposits	1,247,048	688,564		
Certificate of deposits	-	-		
Sub total	1,991,995	1,161,470		
Total deposits	25,042,562	19,902,741		

Cargills Bank Limited
Shareholders' Information

Twenty three largest shareholders as at 31 December 2019		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 Capital 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	Ishara Chinthaka 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.