



SINCE 1844

CARGILLS (CEYLON) PLC

A Member of C.T Holdings Group



Provisional Financial Statements

Three months ended 30th June 2013

Group profitability down on increased operating and finance costs; however, retail shows Quarter-on-Quarter recovery

Cargills (Ceylon) PLC, a member of the C T Holdings Group, is pleased to present to you the Provisional Financial Statements for the first quarter of the financial year 2013/14.

The business environment during the quarter exhibited a recovery, especially in the Retail segment where Revenue reached Rs 11.7 Bn on a growth of 3% over the corresponding period. This was despite the VAT overhang and a decline in consumption growth evident during the quarter. Nevertheless, operating profit rose 10% over the corresponding quarter, largely due to the efforts taken by the Retail team to adapt to the changing environment. The management team has made concerted efforts to ensure that further cost burdens are not passed on to consumers despite the escalating operational expenditure.

The FMCG business saw a revenue growth of 9% over the corresponding period, although performance has been hampered by curtailed orders on its national and imported brands, and adverse weather patterns impacting demand for dairy and Kist products. Operating profit meanwhile declined 84% over the corresponding period to Rs 19 Mn. This is largely on account of increased sales and distribution costs that have led to a substantial erosion of margins. Higher depreciation charges following significant expansion has also contributed to the decline in profitability.

Transaction growth remains flat in the Restaurants segment due to high price-points dictated by the rising input costs and higher electricity tariffs. Steps taken to maintain the KFC brand proposition amidst escalating costs have yielded success, with revenue growth registering at 24% over the previous period; however, margins were sacrificed during the quarter, resulting in a 15% decline in operating profit.

The Group reported a marginally higher Revenue of Rs 14.7 Bn for the quarter ended 30th June 2013, up 4% compared to the same period last year. However, Operating Profit declined by 8% to Rs 625 Mn, while net profit for the period is down by 50% to Rs 123 Mn. Group results were impacted by a sharp increase in operating and finance costs following an aggressive capex program over the past three years.

Although the overall results of the Group are below expectation, management has put in place steps to adapt to the changing business environment. Progress of each business sector is being closely reviewed against a stringent set of KPI's, and the year in progress will be one of consolidation and assessment. The Group strongly believes the consumption story in Sri Lanka is yet at a nascent stage, and would continue to remain true to its business legacy of investment for the long-haul to create long term sustainable value for all stakeholders.

15 August 2013

Statement of Comprehensive Income

For the quarter ended 30 June	Group			Company		
	2013 Rs.' 000	2012 Rs.' 000	Variance %	2013 Rs.' 000	2012 Rs.' 000	Variance %
Revenue	14,727,167	14,108,719	4.38	11,690,431	11,396,188	2.58
Cost of sales	(13,192,728)	(12,655,424)	(4.25)	(10,963,052)	(10,677,220)	(2.68)
Gross profit	1,534,439	1,453,295	5.58	727,379	718,968	1.17
Other income	283,039	233,039	21.46	251,904	235,019	7.18
Distribution expenses	(500,072)	(368,016)	(35.88)	(71,254)	(66,306)	(7.46)
Administrative expenses	(614,798)	(577,512)	(6.46)	(349,288)	(355,800)	1.83
Other expenses	(77,137)	(59,366)	(29.93)	(10,826)	(15,986)	32.28
Operating profit	625,471	681,440	(8.21)	547,915	515,895	6.21
Net finance costs	(374,730)	(269,609)	(38.99)	(303,880)	(234,822)	(29.41)
Share of loss of equity accounted investees	(7,900)	(11,215)	29.55	-	-	-
Profit before taxation	242,841	400,616	(39.38)	244,035	281,073	(13.18)
Income tax expense	(119,439)	(155,618)	23.25	(63,446)	(79,417)	20.11
Net profit for the period	123,402	244,998	(49.63)	180,589	201,656	(10.45)
Other comprehensive income						
Net gain/loss on available-for-sale investments	579	(1,888)		579	(1,853)	
Tax on other comprehensive Income	-	-		-	-	
Other comprehensive income for the year, net of tax	579	(1,888)		579	(1,853)	
Total comprehensive income for the year	123,981	243,110		181,168	199,803	
Profit attributable to :						
Equity shareholders of the parent	121,362	240,908		180,589	201,656	
Non controlling interest	2,039	4,090		-	-	
Profit for the year	123,401	244,998		180,589	201,656	
Total comprehensive income attributable to:						
Equity shareholders of the parent	121,941	239,020		181,168	199,803	
Non controlling interest	2,039	4,090		-	-	
Total comprehensive income for the year	123,981	243,110		181,168	199,803	
Earnings per share (Rs.)	0.54	1.08		0.81	0.90	

Explanatory notes are given on page 8

Statement of Financial Position

As at	Group			Company		
	30 June 2013 Rs.' 000	30 June 2012 Rs.' 000	31 March 2013 Rs.' 000 Unaudited	30 June 2013 Rs.' 000	30 June 2012 Rs.' 000	31 March 2013 Rs.' 000 Unaudited
ASSETS						
Non-current assets						
Property, plant and equipment	20,887,830	15,098,083	20,638,036	11,595,597	8,818,729	11,435,893
Investment Property	2,650,500	-	2,650,500	2,650,500	-	2,650,500
Intangible assets	1,668,008	1,731,001	1,664,681	-	-	-
Investment in subsidiaries	-	-	-	3,678,553	2,673,554	3,678,553
Investment in associates	81,868	92,404	89,768	216,075	216,075	216,075
Other Investments	660,000	-	660,000	660,000	-	660,000
Prepayment on leasehold land and buildings	26,906	27,781	27,125	-	-	-
Deferred tax assets	246,746	84,119	251,039	-	-	-
	26,221,858	17,033,388	25,981,149	18,800,725	11,708,358	18,641,021
Current assets						
Inventories	4,729,183	4,702,732	4,962,435	3,063,938	2,953,312	3,501,509
Trade and other receivables	2,775,637	3,299,582	2,540,255	1,079,461	1,784,341	884,944
Amount due from related companies	1,056,933	243,160	837,812	6,394,399	4,156,266	5,765,110
Short term investments	379,761	74,678	362,182	36,673	32,153	36,094
Cash and cash equivalents	806,914	540,581	887,482	678,949	440,167	771,555
	9,748,428	8,860,733	9,590,166	11,253,420	9,366,239	10,959,212
Total assets	35,970,286	25,894,121	35,571,315	30,054,145	21,074,597	29,600,233
EQUITY						
Capital and reserves						
Stated capital	130,723	130,723	130,723	130,723	130,723	130,723
Reserves	7,176,763	3,974,793	7,176,184	6,329,392	4,085,160	6,328,813
Retained earnings	4,700,875	3,627,972	4,631,729	2,927,254	1,374,760	2,746,665
Shareholders' fund	12,008,361	7,733,488	11,938,636	9,387,369	5,590,643	9,206,201
Non controlling interest	62,808	89,196	101,018	-	-	-
Total equity	12,071,169	7,822,684	12,039,654	9,387,369	5,590,643	9,206,201
LIABILITIES						
Non-current liabilities						
Borrowings	1,835,989	215,392	1,850,164	1,700,400	-	1,700,400
Deferred tax liability	878,022	393,525	877,567	477,319	339,391	493,836
Deferred income	58,339	25,147	58,371	-	-	-
Retirement benefit obligation	323,214	282,990	285,152	279,037	243,803	246,615
	3,095,564	917,054	3,071,254	2,456,756	583,194	2,440,851
Current liabilities						
Trade and other payables	7,637,898	5,993,743	7,851,165	5,742,421	4,661,228	6,150,955
Current tax liability	378,372	519,507	284,784	127,326	308,538	64,944
Amount due to related companies	12,997	1,829,849	27,985	679,153	2,514,984	699,541
Dividend payable	19,663	17,621	19,997	19,475	17,431	19,809
Borrowings	12,754,623	8,793,663	12,276,476	11,641,645	7,398,579	11,017,932
	20,803,553	17,154,383	20,460,407	18,210,020	14,900,760	17,953,181
Total liabilities	23,899,117	18,071,437	23,531,661	20,666,776	15,483,954	20,394,032
Total equity and liabilities	35,970,286	25,894,121	35,571,315	30,054,145	21,074,597	29,600,233
<i>Net Assets value per share (Rs.)</i>	53.61	34.52	53.30	41.91	24.96	41.10

Explanatory notes are given on page 8

I certify that these provisional financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

Signed. A Vageesan (Group Financial Controller)

The Board of Directors is responsible for the preparation and presentation of these financial statements.
 These financial statements have been approved by the Board on 15 August 2013

Signed on behalf of the Board

Signed. V R Page (Deputy Chairman / CEO)

Signed. P S Mathavan (Executive Director)

Statements of changes in equity

Group	Stated capital Rs.' 000	Capital reserve Rs.' 000	Revaluation reserve Rs.' 000	General reserve Rs.' 000	Available for sale reserve Rs.' 000	Retained earnings Rs.' 000	Non controlling interest Rs.' 000	Total Rs.' 000
Balance as at 1 April 2012	130,723	7,928	3,499,847	485,500	(16,581)	3,387,792	85,914	7,581,123
Net profit for the period	-	-	-	-	-	240,908	4,090	244,998
Other comprehensive income	-	-	-	-	(1,888)	-	-	(1,888)
Total comprehensive income	130,723	7,928	3,499,847	485,500	(18,469)	3,628,700	90,004	7,824,233
Transactions with owners of the company, recognized directly in equity								
Deferred tax on revaluation	-	-	(13)	-	-	-	-	(13)
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	-	(728)	(808)	(1,536)
Balance as at 30 June 2012	130,723	7,928	3,499,834	485,500	(18,469)	3,627,972	89,196	7,822,684
Balance as at 1 April 2013	130,723	7,928	6,697,293	485,500	(14,537)	4,631,729	101,018	12,039,654
Net profit for the period	-	-	-	-	-	121,362	2,039	123,401
Other comprehensive income	-	-	-	-	579	-	-	579
Total comprehensive income	130,723	7,928	6,697,293	485,500	(13,958)	4,753,091	103,057	12,163,634
Transactions with owners of the company, recognized directly in equity								
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	-	(52,216)	(40,249)	(92,465)
Balance as at 30 June 2013	130,723	7,928	6,697,293	485,500	(13,958)	4,700,875	62,808	12,071,169

Company	Stated capital Rs.' 000	Revaluation reserve Rs.' 000	General reserve Rs.' 000	Available for sale reserve Rs.' 000	Retained earnings Rs.' 000	Total Rs.' 000
Balance as at 1 April 2012	130,723	3,618,106	485,500	(16,593)	1,173,104	5,390,840
Net profit for the period	-	-	-	-	201,656	201,656
Other comprehensive income	-	-	-	(1,853)	-	(1,853)
Total comprehensive income	130,723	3,618,106	485,500	(18,446)	1,374,760	5,590,643
Transactions with owners of the company, recognized directly in equity						
Balance as at 30 June 2012	130,723	3,618,106	485,500	(18,446)	1,374,760	5,590,643
Balance as at 1 April 2013	130,723	5,857,818	485,500	(14,505)	2,746,665	9,206,201
Net profit for the period	-	-	-	-	180,589	180,589
Other comprehensive income	-	-	-	579	-	579
Total comprehensive income	130,723	5,857,818	485,500	(13,926)	2,927,254	9,387,369
Transactions with owners of the company, recognized directly in equity						
Balance as at 30 June 2013	130,723	5,857,818	485,500	(13,926)	2,927,254	9,387,369

Explanatory notes are given on page 8

Cash flow statements

For the quarter ended 30 June	Group		Company	
	2013 Rs.' 000	2012 Rs.' 000	2013 Rs.' 000	2012 Rs.' 000
Cash flows from operating activities				
Profit before taxation	242,841	400,616	244,035	281,073
Adjustments for:				
Depreciation	415,881	316,457	231,282	185,451
Retirement benefit obligation	42,476	35,936	36,552	29,436
Amortisation of intangible assets	3,327	2,227	-	-
Amortisation of prepayment on leasehold land and building	219	219	-	-
Amortisation of deferred income	(32)	(511)	-	-
Profit on sale of property, plant and equipment	-	(12,030)	-	-
Provision for inventories	(7,225)	10,297	2,402	(102)
Provision for doubtful debtors	43,915	2,893	-	187
Net finance costs	374,730	269,609	303,880	234,822
Share of associate results	7,900	11,215	-	-
Operating profit before working capital changes	1,124,031	1,036,928	818,151	730,867
Changes in working capital				
- (Increase) / decrease in inventories	240,477	328,697	435,169	516,608
- (Increase) / decrease in trade and other receivables	(235,382)	(379,173)	(194,517)	(277,270)
- (Increase) / decrease in related company receivables	(219,121)	(82,272)	(629,289)	(648,839)
- Increase / (decrease) in trade and other payables	(213,267)	(761,905)	(408,534)	(523,500)
- Increase / (decrease) in related company payables	(14,988)	10,585	(20,388)	104,931
Cash generated from operations	681,750	152,860	592	(97,203)
Taxes paid	(69,769)	(65,622)	(17,581)	(53,350)
Interest paid	(401,921)	(269,609)	(400,879)	(234,822)
Gratuity paid	(4,416)	(3,150)	(4,130)	(2,229)
Net cash generated from operating activities	205,644	(185,521)	(421,998)	(387,604)
Cash flows from investing activities				
Addition to property, plant and equipment	(665,675)	(1,256,957)	(390,986)	(627,446)
Addition to intangible assets	-	(2,124)	-	-
Interest income received	27,191	-	96,999	-
Acquisition of non controlling interest in subsidiary	(92,465)	(1,536)	-	-
Proceeds from disposal of property, plant and equipment	-	12,030	-	-
Short term investments	-	63,024	-	-
Net cash used in investing activities	(730,949)	(1,185,563)	(293,987)	(627,446)
Cash flows from financing activities				
Net proceeds from short term borrowings	2,110,226	2,100,040	2,164,799	2,049,995
Repayments of long term borrowings	(37,306)	(30,619)	-	-
Dividend paid	(334)	(3,194)	(334)	(3,194)
Net cash generated from financing activities	2,072,586	2,066,227	2,164,465	2,046,801
Increase / (decrease) in cash and cash equivalents	1,547,281	695,143	1,448,480	1,031,751
Movement in cash and cash equivalents				
At the beginning of the period	(3,756,501)	(3,976,133)	(2,991,587)	(3,210,229)
Movement during the period	1,547,281	695,143	1,448,480	1,031,751
At the end of the period	(2,209,219)	(3,280,990)	(1,543,107)	(2,178,478)

Explanatory notes are given on page 8



Segment Information

For the quarter ended 30 June	Retail		Fast Moving Consumer Goods		Restaurant		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Revenue	11,690,431	11,396,188	3,568,356	3,481,935	516,006	416,529	15,774,793	15,294,652
Intra segment revenue	-	-	(9,300)	(304,078)	-	-	(9,300)	(304,078)
Intersegment revenue	-	(8,456)	(1,038,326)	(873,399)	-	-	(1,038,326)	(881,855)
	11,690,431	11,387,732	2,520,730	2,304,458	516,006	416,529	14,727,167	14,108,719
Segment operating profit	567,344	516,241	19,090	119,483	39,036	45,716	625,470	681,440
Finance costs	(304,764)	(236,330)	(68,848)	(32,208)	(1,118)	(1,071)	(374,730)	(269,609)
Share of associate results	(7,900)	(11,215)	-	-	-	-	(7,900)	(11,215)
Profit before taxation	254,679	268,696	(49,757)	87,275	37,918	44,645	242,840	400,616
Income tax expense	(63,446)	(79,417)	(52,656)	(69,682)	(3,337)	(6,519)	(119,439)	(155,618)
Profit for the year	191,233	189,279	(102,413)	17,593	34,581	38,126	123,401	244,998
Attributable to:								
Equity shareholders of the parent	191,233	189,279	(104,452)	13,503	34,581	38,126	121,362	240,908
Non controlling interest	-	-	2,039	4,090	-	-	2,039	4,090
	191,233	189,279	(102,413)	17,593	34,581	38,126	123,401	244,998

Explanatory Notes

- 1 The result for the quarter ended 30 June 2013 and the balance sheet as at 30 June 2013 are provisional and subject to audit.
- 2 The provisional financial statements of the Group and Company have been prepared in accordance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting. These provisional financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2013. Annual report for the year ended 31st March 2013 is not yet released and accordingly the balance sheet as at 31st March 2013 is subject to audit.
- 3 Where appropriate, the previous year's presentation has been amended to conform to the current classification.
- 4 There are no material events subsequent to the balance sheet date that require disclosure or adjustments in the financial statements.

5 Contingent liabilities

Income tax

The Department of Inland Revenue is contesting the income tax exemptions claimed under the Inland Revenue Act No. 10 of 2006. The contingent liability on potential income tax payment is as follows;

Cargills Agrifoods Limited - Rs. 80.49 Mn, Cargills Quality Dairies (Private) Limited - Rs. 189.43 Mn, Cargills Quality Foods Limited - Rs. 16.56 Mn, Kotmale Dairy Products (Private) Limited - Rs. 40.03 Mn and Kotmale Milk Products Limited - Rs. 8.04 Mn.

Having sought professional advice, management is confident that the tax exemption sought are applicable and as such no liability would arise. Accordingly, no provision has been made in the financial statements.

There are no other contingent liabilities as at the balance sheet date.

- 6 All known expenditure items have been provided for.
- 7 No events other than disclosed above, have accrued since the balance sheet date which would require any adjustment or disclosure in the provisional financial statements.

Investor relations supplement
General

Stated capital	Rs. 130,723,000
Issued shares	224,000,000
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

Stock exchange listing

The issued ordinary shares of Cargills (Ceylon) PLC are listed in the Colombo Stock Exchange.

Share valuation

The market price per share recorded during the quarter ended 30 June	2013 Rs	2012 Rs
Highest	184.90	180.00
Lowest	150.50	125.00
Last traded price	169.90	140.00

Top 20 shareholders

The holdings of the top 20 shareholders as at	30 June 2013		30 June 2012	
	Number of Shares	%	Number of Shares	%
C T Holdings PLC	156,799,240	70.00	156,799,240	70.00
Mr. V R Page	14,403,900	6.43	14,403,900	6.43
Employees' Provident Fund	7,304,276	3.26	7,213,985	3.22
Odeon Holdings (Ceylon) (Private) Limited	4,622,920	2.06	4,622,920	2.06
Ceylon Guardian Investment Trust PLC - A/C No.1	4,525,700	2.02	6,558,700	2.93
HSBC Intl Nom Ltd - SSBT- National Westminster Bank PLC as Depository of First State Indian Subcontinent	3,398,100	1.52	-	-
Ms. M M Page	3,299,555	1.47	2,655,900	1.19
BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,912,056	1.30	1,500,000	0.67
Mr. J C Page	1,705,500	0.76	1,705,500	0.76
HSBC Intl Nom Ltd - SSBT- Wasatch Frontier Emerging Small Countries Fund	1,500,000	0.67	-	-
HSBC Intl Nom Ltd-BBH- Prusik Asian Smaller Companies	1,438,822	0.64	-	-
HINL - JPMCB - Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
Mellon Bank N.A. - Florida Retirement System	908,600	0.41	-	-
GF Capital Global Limited	864,000	0.39	864,000	0.39
Bank of Ceylon - A/C No. 1	809,600	0.36	809,600	0.36
The Associated Newspapers of Ceylon Limited	799,840	0.36	799,840	0.36
Pictet & Cie	693,200	0.31	500,000	0.22
Sir Chittampalam A Gardiner Trust	563,040	0.25	563,040	0.25
National Saving Bank	543,800	0.24	543,800	0.24
HSBC Intl Nom Ltd-SSBT-Russell Institutional Funds Public Limited Company	478,800	0.21	-	-
Total	208,868,449	93.24	200,837,925	89.66

Public holding

The percentage of shares held by the public as at 30 June 2013 is 20.48% (30 June 2012 - 18.35%)

Directors' shareholdings

The Directors' shareholdings in the Company were as follows as at 30 June:

	2013	2012
Mr. L R Page	36,760	36,760
Mr. V R Page	14,403,900	14,403,900
Mr. M I Abdul Wahid	4,000	4,000
Mr. S V Kodikara	124,000	124,000
Mr. P S Mathavan	500	500
Mr. Jayantha Dhanapala	-	-
Mr. A T P Edirisinghe	50,000	50,000
Mr. S E C Gardiner	20,000	20,000
Mr. Sunil Mendis	20,000	20,000
Mr. Anthony A Page	276,157	5,050,000
Mr. J C Page	1,705,500	1,705,500
Mr. E A D Perera	10,000	10,000

Name of company

Cargills (Ceylon) PLC

Company Registration No.

PQ 130

Legal form

Quoted public company with limited liability, incorporated in Sri Lanka on 1 March 1946.

Board of Directors

L R Page (Chairman)

V R Page (Deputy Chairman / CEO)

M I Abdul Wahid (Managing Director / Deputy CEO)

S V Kodikara (Executive Director / COO)

P S Mathavan (Executive Director)

Jayantha Dhanapala

A T P Edirisinghe

S E C Gardiner

Sunil Mendis

Anthony A Page

J C Page

E A D Perera

Company Secretary

S L W Dissanayake

Remuneration Committee

Sunil Mendis (Chairman)

A T P Edirisinghe

Jayantha Dhanapala

Audit Committee

A T P Edirisinghe (Chairman)

Sunil Mendis

E A D Perera

Stock exchange listing

Colombo Stock Exchange

Registered office

40, York Street, Colombo 1, Sri Lanka

Telephone : 2427777, 2427500

Telefax : 2338704

E-mail : ccf@cargillsceylon.com

Postal address

P.O. Box 23, Colombo 1

Auditors

KPMG

Chartered Accountants

Legal consultants

Dissanayake Amaratunga Associates

Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

Deutsche Bank

DFCC Bank

HSBC

MCB

Nations Trust Bank

Sampath Bank

Seylan Bank

Standard Chartered Bank

Peoples Bank

Habib Bank Limited

State Bank of India

Hatton National Bank PLC

Pan Asia Banking Corporation PLC

Subsidiary companies

Cargills Agrifoods Limited

Cargills Distributors (Private) Limited

Cargills Food Processors (Private) Limited

Cargills Food Services (Private) Limited

Cargills Quality Confectionaries (Private) Limited

Cargills Quality Dairies (Private) Limited

Cargills Quality Foods Limited

Cargills Retail (Private) Limited

C P C Lanka Limited

Dawson Office Complex (Private) Limited

Millers Brewery Limited

Millers I Limited

Kotmale Dairy Products (Private) Limited

Kotmale Holdings PLC

Kotmale Kiri (Private) Limited

Kotmale Marketing (Private) Limited

Kotmale Milk Foods Limited

Kotmale Milk Products Limited

Kotmale Products Limited

Associate company

CT Properties Limited



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