



SINCE 1844

CARGILLS (CEYLON) PLC

A Member of C.T Holdings Group



**Provisional Financial Statements
Three Months ended 30 June 2014**

Operational Review

Cargills (Ceylon) PLC, a C T Holdings Company, hereby reports its financial performance for the quarter ended 30th June 2014. These results are provisional and subject to audit.

Operations

The Group's operations showed volume growth in all sectors with topline growing to Rs 16 Bn, 8.0% over the corresponding quarter of last year. The strategy of the Group of promoting the value proposition in the core retail sector continues to produce good results across the various locations and regions. Further, the Group continues to drive internal efficiencies to support the value intention and maintain margins.

The Dairy operations of the Group showed growth both in turnover and profitability over the corresponding period. Consequently, turnover and profitability of the FMCG sector (excluding the brewery operations) grew by Rs 410.5 Mn (24.4%) and Rs 64.2 Mn (103.3%) over the previous year. We look to the dairy sector for further increase in volumes and profitability.

The profitability of the Retail sector continues to be affected by the 25% VAT cap imposed as a fiscal measure commencing from the start of 2014. Accordingly, the sector is compelled to pay VAT on 75% of its turnover although the VAT liable turnover amounts to only about 60%. The VAT on the difference is a cost to the sector and amounts to Rs 190 Mn for the period under review. Items which are not liable to VAT include locally produced fruit and vegetable, in which the Group handles about 4% of national production. We believe that the VAT cap should be evaluated on a macro perspective while taking into consideration the positive impact that modern retailing has had on local primary production by the development of markets for such local produce. The retail sector recorded an operating profit of Rs 330.2 Mn which is below the previous year by Rs 281.9 (46.1%).

The profitability of the restaurant sector was affected by the closure of three restaurants for refurbishment, during what is usually a lean period for the sector. The closure would only impact the results for the first half of the current year. Despite the adverse results for the quarter the restaurant sector remains on course to achieve the targets for turnover and profitability for the current year.

Exceptional items

As reported in its Annual Report for the year ended 31st March 2014, the Group embarked on a restructuring process during the concluded financial year with the aim of establishing business specific companies, strengthening of the management and optimization of resources which would enhance opportunities for value creation, including attracting direct capital to the Group. The transfer of property, plant and equipment results in one-off finance and tax costs, part of which are recouped on a Group level over a period of time. The results of the current quarter included a charge of Rs 101 Mn, being impact of taxation on such transfer of fixed assets. This constitutes a one-off charge at the Cargills (Ceylon) PLC level. We are confident that the benefits of the strategy being implemented would be evident in the financial results of the second half of the year 2014/15 and beyond.

As reported in the Annual Report for the year 2013/14, the Group decided to exit the soft alcohol sector and consequently, entered into an agreement with Lion Brewery (Ceylon) PLC and its subsidiary, Pearl Springs (Private) Limited, to dispose of the shareholding including trademark of the subsidiary Millers Brewery Limited. Consequent to this agreement, the operations were scaled back during the period resulting in a loss of Rs 116 Mn being booked in the quarter. Most of the investment cost and accumulated losses from this sector would be recovered upon the conclusion of the disposal of this investment.

Group Results

The Group recorded a loss of Rs 144.2 Mn for the current quarter compared to the first quarter profit of Rs 123.4 Mn, generated last financial year.

Conclusion

The financial results for the current quarter contain the items as mentioned above. The overall strategy for the Group, however, has been well planned and is being implemented in stages, to be concluded during this year. The costs associated with the re-structuring process are necessary to ensure the long term growth and profitability of the Group. As such the results for this quarter should be judged within the overall context of the operational performance for the entire financial year, which we are persuaded, would be in line with our targets for the year.

18 August 2014

Statement of Comprehensive Income

For the quarter ended 30 June	Group			Company		
	2014 Rs.' 000	2013 Rs.' 000	Variance %	2014 Rs.' 000	2013 Rs.' 000	Variance %
Revenue	15,906,401	14,727,167	8.01	14,691	11,690,431	(99.87)
Cost of sales	(14,472,726)	(13,192,728)	(9.70)	(12,503)	(10,963,052)	99.89
Gross profit	1,433,675	1,534,439	(6.57)	2,188	727,379	(99.70)
Other income	336,292	283,039	18.81	317,337	251,904	25.98
Distribution expenses	(544,365)	(500,072)	(8.86)	(3,883)	(71,254)	94.55
Administrative expenses	(719,156)	(614,798)	(16.97)	(126,134)	(349,288)	63.89
Other expenses	(92,633)	(77,137)	(20.09)	(144,995)	(10,826)	(1,239.32)
Operating profit	413,813	625,471	(33.84)	44,513	547,915	(91.88)
Other indirect income	-	-	-	616,348	-	-
Net finance costs	(326,738)	(374,730)	12.81	(223,813)	(303,880)	26.35
Share of loss of equity accounted investees	(2,665)	(7,900)	66.27	-	-	-
Profit/(Loss) before taxation	84,410	242,841	(65.24)	437,048	244,035	79.09
Income tax expense	(228,576)	(119,439)	(91.37)	(101,262)	(63,446)	(59.60)
Profit/(Loss) for the period	(144,166)	123,402	(216.83)	335,786	180,589	85.94
Other comprehensive income						
Net gain/(loss) on available-for-sale investments	1,270	579		1,270	579	
Tax on other comprehensive Income	-	-		-	-	
Other comprehensive income for the period, net of tax	1,270	579		1,270	579	
Total comprehensive income for the period	(142,896)	123,981		337,056	181,168	
Profit/(Loss) attributable to :						
Equity shareholders of the parent	(145,333)	121,362		335,786	180,589	
Non controlling interest	1,167	2,039		-	-	
Profit/(Loss) for the period	(144,166)	123,402		335,786	180,589	
Total comprehensive income attributable to:						
Equity shareholders of the parent	(144,063)	121,941		337,056	181,168	
Non controlling interest	1,167	2,039		-	-	
Total comprehensive income for the period	(142,896)	123,981		337,056	181,168	
Earnings/(Loss) per share (Rs.)	(0.65)	0.54		1.50	0.81	

Statement of Financial Position

As at	Group		Company	
	30 June	31 March	30 June	31 March
	2014	2014	2014	2014
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
		Audited		Audited
ASSETS				
Non-current assets				
Property, plant and equipment	21,864,553	22,120,791	3,305,822	3,314,204
Investment property	3,350,095	3,350,095	4,633,250	4,633,250
Intangible assets	1,706,409	1,707,992	-	-
Investment in subsidiaries	-	-	3,678,553	3,678,553
Investment in associates	364,908	367,573	216,075	216,075
Other long term investments	660,000	660,000	660,000	660,000
Prepayment on leasehold land and buildings	26,031	26,250	-	-
Deferred tax assets	369,743	349,202	-	-
	28,341,739	28,581,903	12,493,700	12,502,082
Current assets				
Inventories	5,507,626	6,117,432	15,271	16,143
Trade and other receivables	3,593,444	3,348,618	1,111,227	629,604
Amount due from related companies	955,518	157,449	8,995,307	5,525,064
Other financial assets	604,568	537,420	35,174	33,904
Cash and cash equivalents	726,693	602,057	92,226	99,398
Assets held for sale	-	-	3,194,941	6,380,352
	11,387,849	10,762,976	13,444,146	12,684,465
Total assets	39,729,588	39,344,879	25,937,846	25,186,547
EQUITY				
Stated capital	130,723	130,723	130,723	130,723
Reserves	7,585,615	7,584,345	6,327,893	6,326,623
Retained earnings	4,397,356	4,548,548	3,401,977	3,066,191
Total equity attributable to equity holders of the company	12,113,694	12,263,616	9,860,593	9,523,537
Non controlling interest	42,293	45,946	-	-
Total equity	12,155,987	12,309,562	9,860,593	9,523,537
LIABILITIES				
Non-current liabilities				
Borrowings	1,162,545	1,289,319	1,088,800	1,201,400
Deferred tax liability	727,704	1,129,706	148,428	553,812
Deferred income	104,956	106,134	-	-
Employee benefits	527,170	416,222	372,068	305,732
	2,522,375	2,941,381	1,609,296	2,060,944
Current liabilities				
Trade and other payables	7,128,832	8,103,540	344,533	510,026
Current tax liability	1,112,287	465,706	506,646	-
Amount due to related companies	38,231	20,429	79,856	979,455
Dividend payable	22,389	22,956	22,020	22,587
Borrowings	16,749,487	15,481,305	13,514,902	12,089,998
	25,051,226	24,093,936	14,467,957	13,602,066
Total liabilities	27,573,601	27,035,317	16,077,253	15,663,010
Total equity and liabilities	39,729,588	39,344,879	25,937,846	25,186,547
<i>Net Assets value per share (Rs.)</i>	54.08	54.75	44.02	42.52

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 18 August 2014

Signed on behalf of the Board

Signed. V R Page (Deputy Chairman / CEO)

Signed. M I Abdul Wahid (Managing Director / Deputy CEO)

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 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	123,402
Other comprehensive income	-	-	-	-	579	-	-	579
Total comprehensive income	-	-	-	-	579	121,362	2,039	123,981
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
Balance as at 1 April 2014	130,723	7,928	7,107,668	485,500	(16,751)	4,548,548	45,946	12,309,562
Net profit for the period	-	-	-	-	-	(145,333)	1,167	(144,166)
Other comprehensive income	-	-	-	-	1,270	-	-	1,270
Total comprehensive income	-	-	-	-	1,270	(145,333)	1,167	(142,896)
Transactions with owners of the company, recognized directly in equity								
Adjustment resulted in increase of subsidiary shareholding	-	-	-	-	-	(5,859)	(4,820)	(10,679)
Balance as at 30 June 2014	130,723	7,928	7,107,668	485,500	(15,481)	4,397,356	42,293	12,155,987

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 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	-	-	-	579	180,589	181,168
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
Balance as at 1 April 2014	130,723	5,857,818	485,500	(16,695)	3,066,191	9,523,537
Net profit for the period	-	-	-	-	335,786	335,786
Other comprehensive income	-	-	-	1,270	-	1,270
Total comprehensive income	-	-	-	1,270	335,786	337,056
Transactions with owners of the company, recognized directly in equity						
Balance as at 30 June 2014	130,723	5,857,818	485,500	(15,425)	3,401,977	9,860,593

Cash flow statements

For the quarter ended 30 June	Group		Company	
	2014 Rs.' 000	2013 Rs.' 000	2014 Rs.' 000	2013 Rs.' 000
Cash flows from operating activities				
Profit before taxation	84,410	242,841	437,048	244,035
Adjustments for:				
Depreciation	526,637	415,881	144,995	231,282
Employee benefits	114,555	42,476	69,504	36,552
Amortisation of intangible assets	4,891	3,327	-	-
Amortisation of prepayment on leasehold land and building	219	219	-	-
Amortisation of deferred income	(3,569)	(32)	-	-
Profit on sale of property, plant and equipment	(1,725)	-	(617,348)	-
Provision for/(reversal of provision for) inventories	6,489	(7,225)	-	2,402
Provision for/(reversal of provision for) doubtful debtors	(9,889)	43,915	-	-
Net finance costs	326,738	374,730	223,813	303,880
Share of associate results	2,665	7,900	-	-
Operating profit before working capital changes	1,051,421	1,124,031	258,012	818,151
Changes in working capital				
- (Increase) / decrease in inventories	603,317	240,477	871	435,169
- (Increase) / decrease in trade and other receivables	(234,937)	(235,382)	(448,846)	(194,517)
- (Increase) / decrease in related company receivables	(798,069)	(219,121)	196,925	(629,289)
- Increase / (decrease) in trade and other payables	(941,931)	(213,267)	(165,494)	(408,534)
- Increase / (decrease) in related company payables	17,802	(14,988)	(899,599)	(20,388)
Cash generated from operations	(302,397)	681,750	(1,058,131)	592
Taxes paid	(37,314)	(69,769)	(32,777)	(17,581)
Interest paid	(326,738)	(401,921)	(276,169)	(400,879)
Gratuity paid	(3,608)	(4,416)	(3,168)	(4,130)
Net cash generated from/(used in) operating activities	(670,057)	205,644	(1,370,245)	(421,998)
Cash flows from investing activities				
Addition to property, plant and equipment	(274,792)	(665,675)	(2,021)	(390,986)
Addition to intangible assets	(3,308)	-	-	-
Finance income received	-	27,191	52,356	96,999
Receipt of grant	2,391	-	-	-
Acquisition of non controlling interest in subsidiary	(10,679)	(92,465)	-	-
Proceeds from disposal of property, plant and equipment	6,118	-	1,000	-
Addition to other financial assets	(65,878)	-	-	-
Net cash generated from/(used in) investing activities	(346,148)	(730,949)	51,335	(293,987)
Cash flows from financing activities				
Net proceeds from/(repayment of) short term borrowings	939,685	2,110,226	1,080,000	2,164,799
Net proceeds from/(repayment of) long term borrowings	(126,774)	(37,306)	(112,600)	-
Dividend paid	(567)	(334)	(567)	(334)
Net cash generated from/(used in) financing activities	812,344	2,072,586	966,833	2,164,465
Increase / (decrease) in cash and cash equivalents	(203,861)	1,547,281	(352,077)	1,448,480
Movement in cash and cash equivalents				
At the beginning of the period	(1,588,129)	(3,756,501)	(1,221,600)	(2,991,587)
Movement during the period	(203,861)	1,547,281	(352,077)	1,448,480
At the end of the period	(1,791,990)	(2,209,219)	(1,573,677)	(1,543,107)

Explanatory notes are given on page 8

Segment Information

For the quarter ended 30 June	Retail & Wholesale Distribution		Fast Moving Consumer Goods		Restaurant		Investment		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Revenue	13,231,556	12,130,413	3,338,389	3,128,374	543,964	516,006	-	-	17,113,909	15,774,793
Intra segment revenue	(108,558)	(94,086)	(63,827)	(8,115)	-	-	-	-	(172,385)	(102,201)
Inter segment revenue	(7,745)	-	(1,027,378)	(945,425)	-	-	-	-	(1,035,123)	(945,425)
	13,115,253	12,036,327	2,247,184	2,174,834	543,964	516,006	-	-	15,906,401	14,727,167
Segment operating profit	330,229	612,114	67,073	(31,671)	(25,035)	39,036	41,546	5,992	413,813	625,471



Explanatory Notes

- 1 The result for the quarter ended 30th June 2014 and the Statement of Financial Position as at 30th June 2014 are provisional and subject to audit.
- 2 The provisional financial statements of the Group and the 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 2014.
- 3 Where appropriate, the previous year's presentation has been amended to conform to the current classification.
- 4 There have been no significant change in the nature and the value of the contingencies and other commitments, which were disclosed in the annual report for the year ended 31st March 2014.
- 5 Retail operation and the related assets and liabilities, excluding property plant and equipment (PPE) were transferred to the Company's wholly owned subsidiary, Cargills Foods Company (Private) Limited (CFC) during the financial year 2013/14. The property plant and equipment associated with the retail operations of the Company, excluding land and buildings have been transferred to CFC during the quarter under review. Gain on disposal of the PPE to the value of Rs. 616 Mn has been recognised as other indirect income in the Company's statement of comprehensive income.
- 6 Changes have been made to reporting segments to be in line with new Group structure. Accordingly comparative figures for the last financial year have also been reclassified.
- 7 On 30 May 2014, the Company together with its wholly owned subsidiary Millers Brewery Limited (MBL) entered into a sale and purchase agreement (SPA) with Lion Brewery (Ceylon) PLC (LION) and Pearl Springs (Private) Limited (PSPL- a wholly owned subsidiary of LION) to dispose of the shareholding including trademark of the Millers Brewery Limited for a consideration of Rs. 5.15 Bn.

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

	2014 Rs	2013 Rs
Highest	160.00	184.90
Lowest	136.00	150.50
Last traded price	149.20	169.90

Top 20 shareholders

The holdings of the top 20 shareholders as at

	30 June 2014		30 June 2013	
	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	7,341,966	3.28	7,304,276	3.26
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	4,525,700	2.02
HSBC Intl Nom Ltd - SSBT- National Westminster Bank PLC as Depository of First State Indian Subcontinent	3,927,600	1.75	3,398,100	1.52
Ms. M M Page	3,404,603	1.52	3,299,555	1.47
BNY-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	2,912,056	1.30	2,912,056	1.30
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	1,500,000	0.67
Mellon Bank N.A. - Florida Retirement System	1,301,800	0.58	908,600	0.41
HINL - JPMCB - Butterfield Trust (Bermuda) Limited	1,297,500	0.58	1,297,500	0.58
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
HSBC Intl Nom Ltd-SSBT-Russell Institutional Funds Public Limited Company	791,300	0.35	478,800	0.21
Banque Pictet & Cie SA	630,362	0.28	693,200	0.31
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-State Street Munich C/o SSBT-Universal- Investment	531,200	0.24	-	-
Total	209,275,927	93.43	207,429,627	92.60

Public holding

The percentage of shares held by the public as at 30 June 2014 is 20.48% (30 June 2013 - 20.48%)

Directors' shareholdings

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

	2014	2013
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	276,157
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)
P.S. Mathavan
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

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E-mail : ccl@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
Cargills Bank Limited

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 Foods Company (Private) Limited
C.P.C. Lanka Limited
Dawson Office Complex (Private) Limited
Millers Brewery Limited
Millers 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
Cargills Frozen Products (Private) Limited



SINCE 1844

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