

CEYLON GRAIN ELEVATORS PLC



INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

QUARTERLY REVIEW *for the third quarter ended 30 September 2018*

The Group's revenue for the third quarter of 2018 was Rs.4,857.7Mn, an increase of Rs.1,151.8Mn or 31%, when compared to Rs.3,705.9Mn during the same quarter of 2017. The Group's revenue for the nine months of 2018 was Rs.12,615.0Mn, an increase of Rs.1,233Mn or 11%, when compared to Rs.11,382.0Mn during the nine months of 2017.

During the quarter under review, the Group reported a total comprehensive income of Rs.324.8Mn, which was an increase of Rs.163.0Mn or 101%, in comparison to the total comprehensive income of Rs.161.8Mn reported during the same quarter of year 2017. The Group reported a total comprehensive income of Rs.876.6Mn for the nine months of 2018, which was an increase of Rs.255.0Mn or 41%, in comparison to the total comprehensive income of Rs.621.6Mn reported during the nine months of 2017.

Group's revenue and profitability improved due to increased demand for feed and chicken meat during the quarter under review. Growth in feed sales volume was driven by consistency in feed quality and maintaining strong partnerships with key chicken processors. Profitability of the group has been sustained by efficiency in the farms' operations and the continued success in optimising formulated feed costs.

The Group foresees a challenging market situation in the forthcoming quarter as cost of production will increase substantially due to increase in key raw material prices riding on the severe depreciation of LKR against USD. Also the Group anticipates lower demand with the declining consumer purchasing power as a result of price hikes on basic consumer staples and inclement weather.

The Company and the Group have throughout adhered to the Sri Lanka Financial Reporting Standards in the preparation of the interim financial statements for the period ended 30 September 2018.

There have been no other events subsequent to the interim period which require disclosure in the interim financial statements.

(Sgd.) Cheng Chih Kwong, Primus
Executive Director and Chief Executive Officer

(Sgd.) S S P Corporate Services (Private) Limited
Secretaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lankan Rupees thousands

For the three months ended 30 September	Group		Group Change	Company	
	2018	2017		2018	2017
Revenue	4,857,692	3,705,852	31%	4,737,899	3,663,949
Cost of sales	(4,351,045)	(3,421,823)	27%	(4,452,711)	(3,515,333)
Gross profit	506,647	284,029	78%	285,188	148,616
Other operating income / (expenses)	4,623	(8,179)	NM	86,427	15,418
Selling and distribution expenses	(59,595)	(56,705)	5%	(56,694)	(51,540)
Administrative expenses	(88,466)	(74,460)	19%	(85,491)	(70,924)
Operating profit	363,209	144,685	151%	229,430	41,570
Finance income	101,815	70,355	45%	41,644	42,858
Finance costs	(51,337)	546	NM	(53,307)	863
Share of profit of associate	777	-	NM	-	-
Profit before tax	414,464	215,586	92%	217,767	85,291
Taxation	(89,675)	(53,784)	67%	(50,060)	(18,300)
Profit for the period	324,789	161,802	101%	167,707	66,991
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	324,789	161,802	101%	167,707	66,991
Profit attributable to :					
Equity holders of the parent	233,256	115,684		167,707	66,991
Non-controlling interest	91,533	46,118		-	-
	324,789	161,802		167,707	66,991
Total comprehensive income attributable to :					
Equity holders of the parent	233,256	115,684		167,707	66,991
Non-controlling interest	91,533	46,118		-	-
	324,789	161,802		167,707	66,991
Basic earnings per share (Rs.)	3.89	1.93		2.80	1.12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

All amounts in Sri Lankan Rupees thousands

For the nine months ended 30 September	Group		Group Change	Company	
	2018	2017		2018	2017
Revenue	12,614,970	11,382,001	11%	12,237,942	11,159,157
Cost of sales	(11,205,751)	(10,377,326)	8%	(11,396,196)	(10,721,492)
Gross profit	1,409,219	1,004,675	40%	841,746	437,665
Other operating income	36,886	1,892	NM	227,281	89,265
Selling and distribution expenses	(177,855)	(167,139)	6%	(169,797)	(154,014)
Administrative expenses	(304,428)	(242,919)	25%	(293,916)	(232,778)
Operating profit	963,822	596,509	62%	605,314	140,138
Finance income	262,134	207,589	26%	106,622	123,173
Finance costs	(80,794)	(4,916)	NM	(86,347)	(5,587)
Share of profit of associate	7,407	-	NM	-	-
Profit before tax	1,152,569	799,182	44%	625,589	257,724
Taxation	(275,920)	(177,578)	55%	(146,401)	(59,489)
Profit for the period	876,649	621,604	41%	479,188	198,235
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	876,649	621,604	41%	479,188	198,235
Profit attributable to :					
Equity holders of the parent	649,846	424,091		479,188	198,235
Non-controlling interest	226,803	197,513		-	-
	876,649	621,604		479,188	198,235
Total comprehensive income attributable to :					
Equity holders of the parent	649,846	424,091		479,188	198,235
Non-controlling interest	226,803	197,513		-	-
	876,649	621,604		479,188	198,235
Basic earnings per share (Rs.)	10.83	7.07		7.99	3.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All amounts in Sri Lankan Rupees thousands

As at	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Assets				
Non-current assets				
Property, plant and equipment	2,579,531	2,591,272	889,171	805,714
Leasehold right over land and buildings	221,202	227,625	153,151	159,049
Intangible assets	27,726	39,445	27,726	39,445
Investment in associate company	39,358	31,951	33	33
Investment in subsidiary companies	-	-	301,625	330,920
Biological assets	522,739	501,110	-	-
Total non-current assets	3,390,556	3,391,403	1,371,706	1,335,161
Current assets				
Biological assets	25,919	27,649	-	-
Inventories	2,888,284	3,246,821	2,799,974	3,170,521
Trade and other receivables	914,211	619,059	792,911	545,026
Amount due from related companies	-	-	-	837
Current tax receivable	28,375	28,375	24,150	24,150
Cash and cash equivalents	4,198,826	2,857,444	1,996,809	1,160,125
Total current assets	8,055,615	6,779,348	5,613,844	4,900,659
Total assets	11,446,171	10,170,751	6,985,550	6,235,820
Equity and liabilities				
Equity				
Stated capital	1,017,996	1,017,996	1,017,996	1,017,996
Retained earnings	5,224,308	4,694,462	2,983,393	2,624,205
Total equity attributable to equity holders of the parent	6,242,304	5,712,458	4,001,389	3,642,201
Non-controlling interest	1,463,328	1,266,750	-	-
Total equity	7,705,632	6,979,208	4,001,389	3,642,201
Liabilities				
Non-current liabilities				
Deferred tax liabilities	368,652	358,781	73,732	59,354
Employee benefits	87,874	83,698	70,093	66,659
Total non-current liabilities	456,526	442,479	143,825	126,013
Current liabilities				
Trade and other payables	1,564,110	1,036,814	1,040,637	720,521
Amount due to related companies	1,680,304	1,712,250	1,771,545	1,747,085
Interest bearing borrowings	39,599	-	28,154	-
Total current liabilities	3,284,013	2,749,064	2,840,336	2,467,606
Total liabilities	3,740,539	3,191,543	2,984,161	2,593,619
Total equity and liabilities	11,446,171	10,170,751	6,985,550	6,235,820
Net assets per share (Rs.)	104.04	95.21	66.69	60.70

(Sgd.) K.A.R.S. Perera
General Manager

(Sgd.) Cheng Chih Kwong, Primus
Executive Director
and Chief Executive Officer

(Sgd.) Tan Beng Chuan
Executive Director
and Group General Manager

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in Sri Lankan Rupees thousands

Group	Attributable to equity holders of the parent			Non-controlling interest	Total equity
	Stated capital	Retained earnings	Total		
For the nine months ended 30 September					
Balance as at 1 January 2017	1,017,996	4,048,476	5,066,472	1,026,343	6,092,815
Profit for the period	-	424,091	424,091	197,513	621,604
Dividend paid	-	(150,000)	(150,000)	(40,300)	(190,300)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Balance as at 30 September 2017	1,017,996	4,322,567	5,340,563	1,183,556	6,524,119

Balance as at 1 January 2018	1,017,996	4,694,462	5,712,458	1,266,750	6,979,208
Profit for the period	-	649,846	649,846	226,803	876,649
Dividend paid	-	(120,000)	(120,000)	(30,225)	(150,225)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Balance as at 30 September 2018	1,017,996	5,224,308	6,242,304	1,463,328	7,705,632

Company	Stated capital	Retained earnings	Total equity
For the nine months ended 30 September			
Balance as at 1 January 2017	1,017,996	2,319,029	3,337,025
Profit for the period	-	198,235	198,235
Dividend paid	-	(150,000)	(150,000)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2017	1,017,996	2,367,264	3,385,260
Balance as at 1 January 2018	1,017,996	2,624,205	3,642,201
Profit for the period	-	479,188	479,188
Dividend paid	-	(120,000)	(120,000)
Other comprehensive income for the period, net of tax	-	-	-
Balance as at 30 September 2018	1,017,996	2,983,393	4,001,389

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in Sri Lankan Rupees thousands

For the nine months ended 30 September	Group		Company	
	2018	2017	2018	2017
Operating activities				
Profit before tax	1,152,569	799,182	625,589	257,724
Adjustments:				
Depreciation	176,699	166,410	87,459	73,866
Amortisation of leasehold right over land and buildings	6,423	6,175	5,898	5,654
Amortisation of intangible assets	11,719	10,038	11,719	10,038
Usage of biological assets	378,062	358,253	-	-
Loss / (profit) on disposal of property, plant and equipment	9,583	(44)	2,930	210
Impairment provision on investment in subsidiaries	-	-	29,295	-
Impairment reversal on amount due from related companies	-	-	(101,124)	-
Change in fair value less cost to sell on biological assets	(4,992)	19,942	-	-
Dividend income	-	-	(114,903)	(60,390)
Exchange loss	79,850	3,122	85,461	3,811
Interest income	(262,134)	(207,589)	(106,622)	(123,173)
Interest expense	944	1,794	886	1,776
Written-off of doubtful debts	17,794	-	17,794	-
Reversal of provision for doubtful debts	(17,794)	-	(17,794)	-
Share of profit of associate	(7,407)	-	-	-
Changes in working capital				
-Trade and other receivables	(295,152)	(207,605)	(247,885)	(175,275)
-Inventories	382,575	(27,056)	390,686	(3,863)
-Trade and other payables	378,558	619	199,384	9
-Amount due from related companies	-	-	101,961	38,293
-Amount due to related companies	(31,946)	9,398	24,460	583,237
Employee benefits	8,699	9,286	7,201	7,200
Cash generated from operations	1,984,050	941,925	1,002,395	619,117
Exchange loss	(79,850)	(3,122)	(85,461)	(3,811)
Interest received	231,950	190,240	95,331	107,091
Interest paid	(944)	(1,794)	(886)	(1,776)
Employee benefits paid	(4,523)	(7,379)	(3,767)	(3,919)
Tax paid	(87,127)	(39,783)	-	-
Net cash generated from operating activities	2,043,556	1,080,087	1,007,612	716,702
Investing activities				
Purchase of property, plant and equipment	(199,498)	(391,589)	(193,985)	(376,570)
Purchase of leasehold right over land and buildings	-	(58,733)	-	(58,733)
Purchase of intangible assets	-	(7,569)	-	(7,569)
Proceeds from dividend income	-	-	114,903	60,390
Proceeds from disposal of property, plant and equipment	919	367	-	-
Purchase of biological assets	(392,969)	(362,104)	-	-
Net cash used in investing activities	(591,548)	(819,628)	(79,082)	(382,482)
Financing activities				
Dividend paid	(150,225)	(190,300)	(120,000)	(150,000)
Net borrowings	39,599	8,554	28,154	4,304
Net cash used in financing activities	(110,626)	(181,746)	(91,846)	(145,696)
Increase in cash and cash equivalents	1,341,382	78,713	836,684	188,524
Movements in cash and cash equivalents				
At the beginning of the period	2,857,444	2,186,018	1,160,125	1,151,777
Increase for the period	1,341,382	78,713	836,684	188,524
Balance at the end of the period	4,198,826	2,264,731	1,996,809	1,340,301

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ceylon Grain Elevators PLC (the “Company”) is a “Quoted Public Company” with limited liability, incorporated and domiciled in Sri Lanka. The address of the Company’s registered office is No.15, Rock House Lane, Colombo - 15, Sri Lanka.

The principal businesses of the Group are manufacturing and selling of poultry feed and other animal feed, importing and selling of poultry equipment, drugs and vaccines, operating of poultry breeder farms, raising grandparent and parent stock and hatcheries, hatching and selling of Day Old Chicks, operation of commercial farms, poultry processing and distribution and provision of warehouse facilities.

The Company was listed in the Colombo Stock Exchange in Manufacturing Sector. Prima Limited, Singapore, holds 45.45% of the issued share capital of the Company.

2. APPROVAL OF FINANCIAL STATEMENTS

The interim financial statements of the Company and the Group for the nine months ended 30 September 2018 are unaudited and authorised for issue by the Board of Directors on 12 November 2018.

3. BASIS OF PREPARATION

The interim financial statements of the Company and the Group have been prepared in compliance with Sri Lanka Accounting Standard (LKAS) 34 - Interim Financial Reporting.

The interim financial statements have been prepared on a historical cost basis except for defined benefit obligation and biological assets.

4. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

5. CONTINGENT LIABILITIES

There has not been any significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31 December 2017.

6. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2018, there are no events which require adjustments to or disclosure in the financial statements.

7. COMPARATIVE INFORMATION

Comparative figures have been reported to be in line with published Audited Accounts as at 31 December 2017, which are prepared and presented in accordance with the Sri Lanka Financial Reporting Standards.

8. CHANGE IN DIRECTORATE

Mr. Sunil Karunanayake, Non-Executive Independent Director deceased unexpectedly on 27 May 2018. The Board of Directors of the Company resolved to appoint Dr. Prathap Ramanujam as a Non-Executive Independent Director w.e.f. 7 August 2018.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Contd.)

9. NEW STANDARD AND INTERPRETATIONS NOT YET ADOPTED

SLFRS 16 - LEASES

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17 - Leases.

This standard becomes effective for annual periods beginning on or after 1 January 2019 (early adoption is permitted).

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of this new standard.

10. NM – Change in percentage term is Not Meaningful.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Contd.)

All amounts in Sri Lankan Rupees thousands

11. SEGMENT INFORMATION

For the nine months ended 30 September 2018					
	Milling and Farming	Poultry Breeding and Commercial	Others	Elimination/adjustment	Consolidated
Sales to outsiders	11,578,183	1,027,635	9,152	-	12,614,970
Inter segmental sales	659,759	947,607	88,101	(1,695,467)	-
Total revenue	12,237,942	1,975,242	97,253	(1,695,467)	12,614,970
Operating income	605,314	500,703	44,537	(186,732)	963,822
Finance income	106,622	131,530	23,982	-	262,134
Finance costs	(86,347)	5,608	(55)	-	(80,794)
Share of profit of associate company	-	-	-	7,407	7,407
Profit before tax	625,589	637,841	68,464	(179,325)	1,152,569
Taxation	(146,401)	(107,803)	(21,716)	-	(275,920)
Profit for the period	479,188	530,038	46,748	(179,325)	876,649
Other comprehensive income					
Actuarial gain arising from defined benefit obligation, net of tax	-	-	-	-	-
Total comprehensive income for the period	479,188	530,038	46,748	(179,325)	876,649

For the nine months ended 30 September 2017

	Milling and Farming	Poultry Breeding and Commercial	Others	Elimination/adjustment	Consolidated
Sales to outsiders	10,484,004	874,392	23,605	-	11,382,001
Inter segment sales	675,153	913,178	84,721	(1,673,052)	-
Total revenue	11,159,157	1,787,570	108,326	(1,673,052)	11,382,001
Operating income	140,138	465,760	51,001	(60,390)	596,509
Finance income	123,173	75,972	8,444	-	207,589
Finance costs	(5,587)	700	(29)	-	(4,916)
Share of profit of associate company	-	-	-	-	-
Profit before tax	257,724	542,432	59,416	(60,390)	799,182
Taxation	(59,489)	(80,846)	(37,243)	-	(177,578)
Profit for the period	198,235	461,586	22,173	(60,390)	621,604
Other comprehensive income					
Actuarial gain arising from defined benefit obligation, net of tax	-	-	-	-	-
Total comprehensive income for the period	198,235	461,586	22,173	(60,390)	621,604

INVESTOR INFORMATION

(01) Market Price per Share

	As at 30.09.2018	As at 30.09.2017
Highest Market Price (Rs.)	70.00	75.70
Lowest Market Price (Rs.)	57.60	66.40
Closing Market Price (Rs.)	58.00	69.80

(02) Public Shareholding

	As at 30.09.2018	As at 30.09.2017
The percentage of shares held by the public	54.54%	54.54%
The number of shareholders representing the public holding	4,743	4,975

Float Adjusted Market Capitalisation

The float adjusted market capitalisation as at 30 September 2018 was Rs.1,898Mn, under Option 5 of Section 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

(03) List of 20 major shareholders based on their shareholding as at 30 September 2018

No.	Name	No of Shares	Percentage
1	Prima Limited, Singapore	27,270,800	45.45
2	Employees Provident Fund	5,350,549	8.92
3	Supra Limited, Hong Kong	5,179,797	8.63
4	Eka Limited	2,265,253	3.78
5	Laugfs Gas PLC	1,000,000	1.67
6	Mellon Bank N.A. -Commonwealth of Massachusetts	941,581	1.57
7	Bank of Ceylon No.1 Account	612,498	1.02
8	J.B. Cocoshell (Pvt) Ltd	572,139	0.95
9	Mellon Bank N.A - Acadian Frontier Markets Equity Fund	523,037	0.87
10	Commercial Bank of Ceylon PLC / Sithijaya Fund Limited	438,524	0.73
11	Timex Garments (Pvt) Ltd	400,000	0.67
12	E.W. Balasuriya & Co. (Pvt) Ltd	332,529	0.55
13	Mr. B.L. Jayaratne / Dr. Y.S. Liyanage	279,300	0.47
14	Seylan Bank PLC / C.N. Rajahmoney	267,354	0.45
15	Commercial Bank of Ceylon PLC A/C No. 04	250,000	0.42
16	Deutsche Bank AG as Trustee to Astrue Alpha Fund	236,451	0.39
17	Guardian Fund Management Limited / The Aitken Spence and Associated Companies Executive Staff Provident Fund	202,417	0.34
18	Mr. S.B.H. Wanduragala	194,673	0.32
19	Deutsche Bank AG as Trustee for Guardian Acquity Equity Fund	192,796	0.32
20	People's Leasing & Finance PLC / Mr. D.M.P. Dissanayake	182,500	0.30
	Total	46,692,198	77.82

CORPORATE INFORMATION

Company Name

Ceylon Grain Elevators PLC

Company Registration No.

PQ 161

Registered Office

No.15, Rock House Lane, Colombo 15, Sri Lanka.

Tel : +(94) (11) 2522556 or 8 / 2523580 /2526378 to 2526383

Fax : +(94) (11) 2524163

E-mail : info.cge@prima.com.lk

Stated Capital

Rs. 1,017,996,000

Number of Shares

60,000,000 Ordinary Shares

Subsidiary Companies

Three Acre Farms PLC

Millennium Multibreeder Farms (Private) Limited

Ceylon Pioneer Poultry Breeders Limited

Ceylon Livestock and Agrobusiness Services (Private) Limited

Ceylon Warehouse Complex (Private) Limited

Ceylon Aquatech (Private) Limited

Associate Company

Prima Management Services (Private) Limited

Name of Directors

Mr. Wickrema Senaka Weerasooria

Mr. Cheng Chih Kwong, Primus

Mr. Tan Beng Chuan

Mr. Cheng Koh Chuen, Bernard

Mr. Cheng Eng Loong

Dr. Prathap Ramanujam (Appointed w.e.f 7 August 2018)

Directors Shareholding

Mr. Wickrema Senaka Weerasooria

Mr. Cheng Chih Kwong, Primus

Mr. Tan Beng Chuan

Mr. Cheng Koh Chuen, Bernard

Mr. Cheng Eng Loong

Dr. Prathap Ramanujam (Appointed w.e.f 7 August 2018)

Lawyers

Varners Lanka Law office

D.L. & F. De Saram

Auditors

KPMG, Colombo, Sri Lanka.

Company Secretary

S S P Corporate Services (Private) Limited

No. 101, Inner Flower Road, Colombo 3.

Bankers

Hatton National Bank PLC

Nations Trust Bank PLC

National Development Bank PLC

Sampath Bank PLC

Union Bank of Colombo PLC

Bank of Ceylon

Commercial Bank of Ceylon PLC

Axis Bank Limited

DFCC Vardhana Bank PLC

Cargills Bank Limited

- Non-Executive Independent Chairman
- Executive Director and Chief Executive Officer
- Executive Director and Group General Manager
- Non-Executive Director
- Non-Executive Director
- Non-Executive Independent Director

- 2,800 Shares

- 397 Shares

- Nil

- Nil

- Nil

- Nil