

alibrating





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By 2020 we will be poised for continuous growth. Our strategy over the next three years will be to recalibrate our business in line with our growth strategy for the future. We will refocus, reshape and sharpen our business sectors, a calibration process that is sustained and result-oriented. In 2017/18, we have refocused, giving greater definition to our business sectors and re-aligning them to meet future requirements of global commerce. We are shaping our future.



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Who **we** are

Chemical Industries (Colombo) Limited (initially a part of Imperial Chemical Industries-UK), was incorporated in 1964 as a supplier of high-quality chemical products for the local market. We are now known as CIC Holdings PLC, one of Sri Lanka's leading conglomerates, and over the years have become a household name through our ventures.

We were at the beginning a company that marketed paints and agriculture pipes. Our business expansions have taken us into several key industries in the country. While a large part of these are in the Agri Produce and Crop Solutions sectors, we also have a presence in the Health & Personal Care, Livestock Solutions and Industrial Solution sectors.

Our success owes itself to our drive to innovate and this has enabled us to re-align and re-position ourselves in sectors that show high growth. This has led us to venture into export markets, being a supplier of Agri Produce such as rice, bananas, and fresh vegetables and some Industrial and Crop solution products.

Our Vision

To be the most respected and admired corporate for the positive impact we make on society by nurturing the lives of those we touch.

Our Mission

Harnessing science and modern technology, we will provide solutions of superior quality which are efficient and safe. We will build rewarding and lasting relationships with our stakeholders and be a significant entity in every sector we operate.

Values

OWNERSHIP & ACCOUNTABILITY

This is my business and I take responsibility for my promises and actions

TEAMWORK & TRUST

We rely on each other to unleash the power of working together

INTEGRITY & RESPECT

Honesty and truth are paramount; we respect the law and each other

ENTREPRENEURIAL & INNOVATIVE

We will constantly challenge boundaries seeking new horizons.

CUSTOMER FOCUS & QUALITY

The customer comes first; we will not compromise on the standards of our products and services

BIAS FOR ACTION AND WINNING SPIRIT

No stone will be left unturned in the pursuit of our goals

Strategic Business Units

“The ‘starburst’ symbol depicts both the convergence of CIC’s various business entities towards one common purpose, which is ‘Nurturing Life’, and divergent positive impact of these businesses in their respective sectors.”



- Agri produce retail chain
- Agri resort
- Dairy
- Farms
- Fruits and vegetables
- Grains
- High tech agriculture
- Rice



- Feeds
- Poultry
- Vetcare
- Dairy breeding



- Herbal care
- Medical devices
- Personal care
- Pharmaceuticals



- Construction material
- Industrial raw material
- Packaging



- Lawn and garden
- Plant nutrition
- Plant protection
- Seeds

Financial & Operational Highlights

For the year ended 31st March	Group	
	2018	2017

EARNING HIGHLIGHTS AND RATIOS

Group revenue	Rs. '000	32,044,493	32,210,546
Group profit before interest and tax	Rs. '000	1,822,495	2,767,519
Income tax expense	Rs. '000	(488,619)	(384,066)
Profit for the year from continuing operations	Rs. '000	191,917	1,114,033
Profit/(loss) for the year from discontinued operations	Rs. '000	(569,810)	(227,116)
Other comprehensive income	Rs. '000	91,018	(800)
Total comprehensive income	Rs. '000	(286,873)	886,117
Profit attributable to equity holders of the Company	Rs. '000	(413,075)	553,498
Dividend	Rs. '000	94,770	189,540
Basic/Diluted earnings per share (EPS)	Rs.	(4.36)	5.84
Interest cover	Number of times	1.48	1.93
Return on equity (ROE)	%	-5	6
Return on assets (ROA)	%	-1	3
Pre-tax return on capital employed (ROCE)	%	8	12

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS AND RATIOS

Total assets	Rs. '000	34,987,279	31,797,295
Total equity	Rs. '000	10,712,655	11,415,548
Total debts	Rs. '000	14,371,568	13,836,820
Equity attributable to equity holders of the Company	Rs. '000	8,537,930	9,061,232
Number of shares in issue	Number	94,770,000	94,770,000
Net assets per share	Rs.	90.09	95.61
Debt/Equity	%	134.16	121.21
Debt/Total assets	%	40.52	43.52

MARKET/SHAREHOLDER INFORMATION

Market price per share as at 31st March			
Ordinary	Rs.	58.90	80.10
Non-Voting (Class X)	Rs.	40.50	62.40
Dividend per share			
Interim paid	Rs.	1.00	1.00
Final proposed	Rs.	-	1.00
Market capitalisation	Rs. million	5,180	7,204
Price earnings ratio			
Ordinary	Number of times	-	13.71
Non-Voting (Class X)	Number of times	-	10.68

OTHER INFORMATION

Total employees	Number	2,254	2,249
Revenue per employee	Rs. '000	14,217	14,322
Total value addition to employees	Rs. '000	2,398,041	2,070,623
Value addition to lenders of the capital	Rs. '000	1,733,484	1,886,918
Total taxes paid to Government	Rs. '000	1,420,791	1,041,625

Chairman's Statement

“Our simplified operating structure will enable us to work more efficiently and with a lower cost base, in turn enhancing our competitive position in the long-term.”

Group Revenue (Rs.)

32.0 Bn

Group Operating Profit (Rs.)

1.8 Bn

Dear Shareholder

It was an extremely challenging year for the CIC Group amidst tough economic conditions, which saw Sri Lanka's GDP growth slowed to 3.1% in 2017.

The country's agriculture sector remained in distress due to persistent adverse weather for the second consecutive year. The spillover effects of bad weather impacted other sectors of the economy as well, most notably the industry and services sectors, where growth indicators for 2017 remained more or less static compared to the previous year.

Inflation remained high as did interest rates. Meanwhile the decision by the government to allow the free float of the Rupee saw the currency begin

to depreciate from about September 2017, bringing severe pressure on many companies within the CIC Group due to their heavy reliance on raw material imports.

ADJUSTING TO CHANGE

Before I proceed to review the performance for the year, let me briefly recap some key events in the recent past that have a significant bearing on results for the 2017/18 financial year.

As you may recall the CIC Group underwent a fairly significant restructuring a few years ago, to be precise in 2013/14 where as a result the Group reported a significant loss of Rs. 1.1 Bn at the end of that year. However stemming from this effort, the Group made a turnaround and succeeded



Chairman's Statement

in delivering an outstanding performance in the years that followed, tabling PBIT of Rs. 2.1 Bn in 2014/15 and an even better result of Rs. 2.7 Bn in 2015/16.

Not to be complacent and more importantly to overcome the deteriorating market conditions in 2017, we looked to further refine our 2014 restructuring effort in order to shape up for the future. With deteriorating market conditions continuing to affect the prospects of many of our businesses, we felt it is imperative that the Group is structured to respond more effectively to the changing market dynamics and embarked on "CIC re-strategizing 2020", a re-calibrating exercise aimed at creating a more efficient and fluid organisation.

Following much introspection we began the task of de-layering our operations to enhance our competitive position in each of our chosen industries. Given our intention to right size the business, we were compelled to take on serious losses as we made some tough but necessary decisions to re-scale certain businesses, while exiting from yet others that did not demonstrate the potential to generate a sustainable return in the future. The re-strategizing exercise was also accompanied by a Group-wide VRS scheme, which proved to be a further draw-down on the Group profits for the year under review. Consequently, the losses incurred as a result of the re-strategizing and the VRS together saw the Group's PBIT decline to Rs. 1.3 Bn in 2017/18.

Nonetheless, I remain confident that the savings generated as a result of the VRS and the closure of the loss making businesses would go on to enhance GP margins in the near-term and in turn contribute towards a consistent improvement in the bottom line, going forward.

"We continued to focus diligently on advancing our governance frameworks to ensure proper oversight for the planned execution of our strategy."

STRENGTHENING GOVERNANCE

I am pleased to note that while early progress against our strategy has been encouraging, we continued to focus diligently on advancing our governance frameworks to ensure proper oversight for the planned execution of our strategy.

Throughout the year the Board and its various committees engaged with executive teams to keep the momentum in implementing the "CIC re-strategizing 2020" initiative. This included strengthening the strategy review process, with a strong emphasis on effective execution, reviewing the allocation and need for resources and supporting the management to deliver on our promises to stakeholders.

I firmly believe that these efforts too will produce more focused businesses that will help the Group to secure leadership in these respective industries.

PARTNERING FOR INNOVATION

Innovation has been the cornerstone of the Group's success. Since the inception, CIC has been credited with numerous firsts and even today remains unchallenged in many spheres. I must acknowledge that our ability to stay on top of the innovation spectrum has largely been

pivoted on our strategic partnerships with the relevant government authorities and our relationships with long-standing principals, all of who are top multinationals and leaders in their respective fields.

As we look to accelerate our new strategic journey, we remain focused on deepening these ties with existing business partners and also actively sourcing new relationships to give us access to more compelling and innovative products that would transform the lives and businesses of our customers.

MOVING FORWARD

While the country forecast for the coming year remains uncertain, given the tough decisions that were taken during the year, I am confident that the CIC Group is on track to achieve significant profits in the years ahead. As the "CIC re-strategizing 2020" continues to play out, our simplified operating structure will enable us to work more efficiently and with a lower cost base, in turn enhancing our competitive position in the long-term.

Hence I look forward to the future with a great deal of enthusiasm for I believe the Group is now well placed to continue to grow in 2018 and beyond.

Sector review and the strategic direction of the Group are discussed in detail in Managing Director's Review and management discussion analysis section.

BOARD CHANGES

In line with the re-strategizing effort and the subsequent re-alignment of businesses, it was felt that the Group would be better served by a smaller Board. The move also forms part of a broader cost containment effort to ensure the Group migrates towards a leaner and more agile management model.


In that light Mr R N Asirwatham, Mr K B Kotagama, Prof P W M B B Marambe, Dr R C W M R D Nugawela, Mr A V P Silva and Mr D S Weerakkody, who have all rendered a yeomen service to the Group, submitted their resignations from the CIC Board.

I take this opportunity to thank them all for their invaluable contribution to the Group and their unstinted support towards executing the "CIC re-strategizing 2020" initiative.

APPRECIATIONS

In what is perhaps one of the most challenging years in the Group's 54 year history, I would like to acknowledge the respective management teams and CIC employees for their tireless efforts to ensure the Group continues to succeed. My sincere appreciation goes out to you.

Thank you also to our customers for remaining with us, and our shareholders for the trust and confidence placed in the Group. I look forward to your continued support in the years ahead as well.



S.H. Amarasekera

Chairman/Independent Non-Executive
Director

24th May 2018

Managing Director/CEO's Review

“CIC Group is now fully capable of realising the objectives set out under the “CIC re-strategizing 2020” initiative. Hence we enter the new financial year with a strong sense of optimism that comes with the knowledge that we have a solid platform from which to scale up.”

Group Operating Profit (Rs.)

1.8Bn

Group Operating Cash Flow (Rs.)

2.4Bn

Dear Shareholder

Presenting to you the Annual Report and Financial Statements for the year ending 31st March 2018, I must admit it was a defining moment for the CIC Group, where we were compelled to look beyond the obvious to refine our strategies and adapt to the future. Nonetheless, I am pleased to report that our overarching commitment to create sustainable businesses enabled the Group to withstand the year under difficult operating conditions.

The performance comes amidst ongoing efforts to extend and defend existing businesses, wherein lie our core competencies, while at the same time taking bold action to rationalise certain operations that were found to be a drawdown on the Group's prospects.

To fully appreciate what inspired our actions, let me give you a brief contextual understanding of the operating environment for the year.

SECTOR REVIEWS

FY 2016/17 was a moderately successful year and we entered FY 2017/18 with much expectation. However in the face of the country's economic downturn, failure of the agricultural sector and the weakening Rupee, many of the Group's businesses came under margin pressure.

Challenges were faced by several businesses within the segment, the performance of the Agri Produce sector fell below expectations with revenues, down by 8% compared to the previous year. The Rice and Grains business in particular, having to face the brunt of the weather-



Managing Director/CEO's Review

related disruptions experienced a serious shortfall in crops. While it is encouraging that health conscious consumption habits are fuelling the demand for our "Golden Crop" brand of health rice, it is disappointing to see that we were unable to fully capitalise on the demand due to the shortage in the Rice crop.

On a more positive note, our experimental high-tech agriculture project, launched as part of a broader effort to minimise the Group's vulnerability to the impacts of climate change, continued to show good progress in the year under review. With the structures nearing completion, the commercial produce is due to start at the end of the first quarter.

Similarly the Crop Solutions sector too, plagued by adverse weather underperformed for the second consecutive year. However I am encouraged to see that the Plant Protection and Plant Nutrition segments both appear to be on track to make a full recovery after showing signs of a definite pick up in the second half of the current financial year. The sector continues to retain its market dominance and remains the cash cow of the Group.

In what is perhaps the most challenging year in its 16-year history, the performance of the livestock sector fell below expectations, with revenue declining to Rs. 6.8 Bn and operating profits reaching negative territory for the first time. The Feeds segment saw a sharp drop in demand for its core product, mainly as a result of severe flooding in May / June 2017 causing small-scale farmers to withdraw from the market. The DOC (Day-old-Chicks) breeder operation also came under stress amidst certain policy decisions by the authorities affecting our ability to source high quality parent birds on time. This had a cascading effect on our poultry business as well, where faced with high mortality rates and low weight we

"Right-sizing the business in order to derive a more competitive cost base that will allow the Group to strengthen its leverage in captive markets."

took the decision to rest the poultry farm for a period of two months. The situation was further aggravated by the higher tax regime on Poultry Businesses.

Commendably the Industrial Solutions sector reported healthy topline results with turnover recording a 5% increase over the previous year, pivoted on a strong contribution from the Industrial Raw Material segment. Further it is gratifying to see that despite severe competitive pressure, the Group remains the market leader in the supply of binders for paint, and raw material for the manufacture of paint and ink products. The sector is the greatest beneficiary of re-strategizing exercise carried out by the Group with the right-sizing of Chemanex Group for higher profitability and release of capital.

The Health and Personal Care sector also delivered satisfactory results for the year under review, despite some regulatory challenges. Our investment in pharmaceutical manufacturing is also proving to be a timely move that gives the Group a considerable edge in the market. Meanwhile to increase our penetration in the healthcare value chain, the Group entered into a strategic partnership with the AO Foundation, a Swiss-based non-

profit medical educational institute to begin setting up a healthcare education facility that would offer specialised support for post-graduate studies mainly in the fields of Orthopedics, Nuro and Spine Surgery and Cranio Maxillofacial. Seen as an important milestone in our contribution to the national health care system, we also expect to position the institute as a fully accredited regional training centre.

Link Natural continued its strong performance with the rapid commercialisation of research based Herbal Health & Personal care and Ayurveda products.

STRATEGY AND FOCUS

As I mentioned at the start of my review, it was a defining moment for the Group. Having been in the process of a provisional restructure since 2015, we realised the need for greater clarity to underpin our transition towards a more resilient business paradigm. Understanding the need for a more innovative and fluid strategy that would spearhead value creation and maintain growth in an uncertain business climate, we embarked on an ambitious initiative that we refer to internally as "CIC re-strategizing 2020".

The effort is primarily aimed at right-sizing the business in order to derive a more competitive cost base that will allow the Group to strengthen its leverage in captive markets. With the assistance of external consultants, we commissioned a detailed study of all individual business models with the intention of focusing on core competencies and determining non-core areas that may require rationalising. The exercise also looked to provide a broader understanding of the sector-wise cost structures, processes, people and resource allocation models.

The business pillars under each sector were carefully scrutinised, with a decision being made to retain only core operations, with businesses that offer little or no synergy being phased out. At the same time business structures were simplified and many job roles amalgamated in order to make operations leaner and more efficient.

And to improve our readiness to capitalise on new opportunities and achieve growth objectives over the next three to five years, the sector breakup was re-assigned, with five core areas emerging; namely, Crop Solutions, Healthcare, Industrial Solutions, Livestock and Agri Produce.

Sectors such as Consumer and export of Industrial Chemicals were discontinued to release capital yielding below par.

Accordingly, under the Crop Solutions we are focusing on agriculture inputs by leveraging on advanced technology solutions offered by our global principals to secure first-mover advantage. To drive the effort, the Group invested in Unipower (Private) Limited (UPL), with the exclusive rights to market their "Yara", the world's leading granular fertilizer producer. This agency will support the new agricultural initiatives where new technologies are needed.

Meanwhile in the Healthcare sector, the immediate priority is to secure market leadership in both the manufacturing and trading models and then leverage on these synergies to expand our reach across the healthcare value chain. Here too we expect to scale up operations through the introduction of ground-breaking new technology and research driven healthcare solutions.

The Industrial Solutions sector will focus mainly on strengthening capacity at the new blending facility in Godagama. We are also working on various technology transfer arrangements that will enable access to the best global technologies for the benefit of the local consumer.

Having been subject to some serious challenges in the recent past, I expect the Livestock sector would also benefit from the leaner and more efficient management structures that have resulted from the "CIC re-strategizing 2020" initiative. In particular, the agility and increased efficiency will certainly create a scalable platform from which to grow the business.

FOCUS ON SUSTAINABILITY

Sustainability remains an integral part of our growth journey. As we progress towards our goal of transforming into the best in-class conglomerate in Sri Lanka at the forefront of our chosen industries, we remain committed to grow sustainably. In fact "CIC re-strategizing 2020" initiative seeks to achieve just that. Our efforts to sharpen our business model and simplify our corporate structure confirm our intention to foster innovation, promote synergies across the business and ensure our investments generate positive value for our stakeholders, society and the environment.

MOVING FORWARD

Going forward, I foresee an exciting time for the Group. With a firm grip on where we stand, I believe the CIC Group is now

fully capable of realising the objectives set out under the "CIC re-strategizing 2020" initiative. Hence we enter the new financial year with a strong sense of optimism that comes with the knowledge that we have a solid platform from which to scale up.

Our priority would be to continuously improve the Group's competitive positioning and strive for sustained market leadership in our chosen business domains. I believe that a consistent track record of excellence will undoubtedly strengthen brand equity and enable the Group to be perceived as a key strategic partner in Sri Lanka as well as across the wider Asian sub-continent in 2020 and beyond.

APPRECIATIONS

I must admit, 2017/18 was one of the most challenging years in the Group's recent history that required a deep and unwavering commitment to the CIC vision. I would like to thank the board for the support and wise counsel I have received from them during these challenging times.

I also wish to express my grateful thanks to the respective management teams for their unwavering dedication to the growth of our businesses and the creation of value for our stakeholders.

I also wish to thank our principals who have continued to place their trust in the Group over the years. A special word of thanks also to our customers, bankers, shareholders and other stakeholders - I thank you for your support and look forward to your continued patronage to take the Group forward to a new era of progress.



S.P.S. Ranatunga
Managing Director/CEO

24th May 2018

Board of Directors



S.H. AMARASEKERA

Independent Non-Executive Director / Chairman



S.P.S. RANATUNGA

Managing Director / CEO



S. FERNANDO

Group Finance Director / Company Secretary



M.P. JAYAWARDENA

Independent Non-Executive Director



R.S. CAPTAIN

Non-Independent Non-Executive Director



S.M. ENDERBY

Independent Non-Executive Director



P.R. SALDIN

Non-Independent Non-Executive Director

Board of Directors

S.H. AMARASEKERA

Independent Non-Executive Director / Chairman

Appointed to the Board of CIC on 28th October 2005 and appointed as Acting Chairman on 1st January 2014 and as Chairman on 23rd May 2014, Mr. Harsha Amarasekera, President's Counsel is a leading lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Court, specialising in Commercial Law, Business law, Securities Law, Banking law and Intellectual Property law. He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange, including Vallibel One PLC, Royal Ceramics PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Taprobane Holdings PLC, Amana Bank PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC.

He also serves as a Director in several unlisted companies including some companies within the Group.

S.P.S. RANATUNGA

Managing Director / CEO

Joined the Board of CIC on 21st May 2002, appointed Chief Operating Officer in February 2005 and appointed Managing Director/CEO in April 2009. Holds a degree from the University of Delhi and a Masters in Business Administration, UK. Non Executive Director of a number of unlisted companies in the CIC Group including Akzo Nobel Paints Lanka (Pvt) Limited and an Independent Director of Seylan Bank, PLC. He is also a Non- Executive Director of Chemanex PLC. He is the immediate past Chairman of the Ceylon Chamber of Commerce and has led Sri Lanka Chamber of Commerce delegations to various countries.

In addition, he had been a pioneer in coordinating and setting up of CIC Agribusinesses which is the premier agricultural company in Sri Lanka. He has helped in developing the seed to shelf concept where 20,000 farmer families are helped to bring produce to end consumers. He has also studied the agricultural measurement and productivity systems in many countries.

R.S. CAPTAIN

Non-Independent Non-Executive Director

Appointed to the Board on 10th March 2008. Mr. Captain is an entrepreneur and investor in Sri Lankan corporate sector, bringing with him a wealth of knowledge and over 15 years of business experience in a range of manufacturing sectors. His current business interests range from paints, garments, industrial gloves, cutting and polishing diamonds, plastics and other packing material. He is the co-founder of Asia Stock Brokers, Asia Capital, Dutch Lanka Trailers, Asia Siyaka and Asian Alliance. He is also a Non-Executive Director of Hatton National Bank PLC and many other unlisted companies. Mr. Captain was educated at the University of Miami, Florida, USA.

S.M. ENDERBY

Independent Non-Executive Director

Mr. Steven Enderby joined CIC Board on 11th April 2013. He has had a successful track record in the private equity space with Actis, a leading global emerging markets fund until his retirement in 2011 as an Actis Partner. He has led many of the most successful private equity transactions in Sri Lanka.

Mr Enderby joined Hemas Holdings PLC in March 2013 to head the Group's efforts in Merges and Acquisitions. He took up the office of Deputy CEO and Director of Hemas Holdings PLC in November 2013 and was appointed the Chief Executive Officer of the company on 1st April 2014. He is also a Director of Serendib Hotels PLC and Morisons PLC.

He is the Non-Executive Chairman of Ironwood Capital Partners, Sri Lanka's leading private equity fund. He has also served on the Boards of many leading companies in Sri Lanka and India. He is a fellow member of the Chartered Institute of Management Accountants and holds a Degree in Economics and Accounting from Queen's University, Belfast and a Masters Degree in Development Studies from the University of Melbourne.

S. FERNANDO

Group Finance Director / Company Secretary

Mr. Sermal Fernando was first appointed to the Board on 04th November 2005 and held the position of Group Finance Director/Company Secretary till November 2010. He holds a B.Sc. Degree in Physical Science from the University of Colombo and is a Fellow Member of Chartered Institute of Management Accountants UK with over 25 years of experience in Finance, General Management & Operations. Has spent over 18 years of his professional career with CIC.

He re-joined the Company as Group Finance Director/Company Secretary in July 2017. Also serves as the CEO of Chemanex PLC and as Non-Executive Director on the Boards of several unlisted companies of the Group.

M.P. JAYAWARDENA***Independent Non-Executive Director***

Appointed alternate Director to ICI Nominee Director on 21st May 2002, thereafter as a Director on 25th October 2008. He is the Deputy Chairman of Commercial Bank of Ceylon PLC. He is a fellow member of The Institute of Chartered Accountants of Sri Lanka. He is also the Chairman of Commercial Insurance Brokers (Pvt) Ltd and few other subsidiaries of Chemanex PLC. He also serves on the Boards of many other private companies. Prior to joining Chemanex PLC, he Served in Zambia Consolidated Copper Mines in Africa for over 13 years in various senior positions including Head of Treasury, managing a loan portfolio in excess of US\$ 2 Bn. He is the Chairman of The Sri Lanka Institute of Directors.

holding Company of CIC Holdings PLC and Director/Chief Executive Officer of Polypak Secco Ltd. He was re-appointed to the Board of CIC Holdings PLC on 1st July 2016 and subsequently to the Board of Chemanex PLC on 8th February 2017. He was appointed Chairman of Chemanex PLC on 9th April 2018.

Rimoe Saldin is a Fellow of The Institute of Chartered Accountants of Sri Lanka. He is also a Fellow of the Chartered Institute of Management Accountants in the United Kingdom and a Certified Management Accountant, Australia. He is an alumni of the Asian Institute of Management, Manila. With over 20 years of top management level experience, he has a career spanning in the areas of Finance, Human Resource Development, General Management and Operations.

P.R. SALDIN***Non-Independent Non-Executive Director***

Mr. Saldin was first appointed to the Board of Directors in 1995 and served as Commercial Director and Group Finance Director till 2005. During this period he also served on the Board of Directors in many of the subsidiaries and Associate Companies within the Group. On leaving the CIC Group he functioned as Country Controller and Group Finance Director for Shell Sri Lanka and subsequently as Group Chief Operating Officer of Browns Group of Companies and Managing Director of Browns Investment PLC. While serving as Managing Director of Browns Investments PLC he served as Director of Agstar PLC, Sierra Cables PLC, Free Lanka Capital Holdings PLC.

He is currently employed as Director of Paints & General Industries Ltd., the

Corporate Governance

The Board of Directors of CIC Holdings PLC is committed to uphold the principles of corporate governance as directed by the rules of Colombo Stock Exchange.

BOARD OF DIRECTORS

Board is responsible for setting the financial and operational policies, reviewing and approving the strategic plans and annual budgets, monitoring of performance, approving financial statements and major transactions other than the transactions specified in section 185 (1) of the Companies Act. It also monitors risk profile of the Group and the effectiveness of financial controls and compliance.

The Board of Directors consists of seven (7) members, of which five (5) members

are Non-Executive Directors. Of the Non- Executive Directors three (3) are Independent, determined according to the guidelines issued to listed companies.

Section 710.4 of listing rules requires the Board to make a determination annually, as to the independence or non-independence of each Non-Executive Director, based on declarations made by the Non-Executive Directors and other information available to the Board.

On Perusal of the declarations the Board noted that -

- Mr S M Enderby is an Independent Director.
- The specified criteria categorise the following Directors as Non-Independent Directors:

Name of Director	Specific criteria, with the application of which, the Director shall not be considered independent
Mr. S H Amarasekera	Served on the Board for a period exceeding 9 years
Mr. R.S. Captain	Director of another company which has a significant shareholding in the Company
Mr. M.P. Jayawardena	Served on the Board for a period exceeding 9 years
Mr. P R Saldin	Director of another company which has a significant shareholding in the Company

According to Rule 710.3 (b), in the event a Director does not qualify as 'Independent' against any of the criteria, but if the Board, taking into account all the circumstances, is of the opinion that the Director is nevertheless 'Independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.

When applying 710.4 the Board considered all related issues and the contribution made by such Directors, including the application of the following tests, to determine whether the directors, whose names are given in (b) above could be considered independent.

The simple meaning of the word 'Independent' is "not depending on authority or control", "self-governance".

- Whether a director uses his position (eg. Long standing position or other influential position) to influence the Board to take decisions
 - to his benefit or
 - according to his wishes or
 - against the wishes of the majority of the other directors or
 - against the interests of the Company.
- Whether he uses his position to prevent the other directors from

expressing their views and opinions at Board Meetings or at any other discussions.

- Whether the views of the others (directors, professionals etc) are disregarded or ignored.
- Whether the matters are only referred to such director for a decision, generally or as a practice, without referring these matters to other directors.
- Whether the other directors feel that their presence and their contribution is immaterial.
- Whether the directors are not given an opportunity to assess the performance of the Board, which includes the performance of every single director.
- One reason for non-existence of team spirit is undue influence of one or more directors. The test to be used is whether there is adequate team spirit in the Board.
- Whether there is a practice to refer matters, which can be dealt with at a lower level, to such director.
- Whether third parties deal with such director on matters which can be easily finalised by any other party at a lower level.

On this basis, the Board determined that Mr S H Amarasekera & Mr M P Jayawardena could be considered Independent.

Appointment of Non-Executive directors is based on the collective decision of the Board.

As per Article 25(6) of the Articles of Association, one-third of the directors of the Board must retire by rotation at every Annual General Meeting. The Managing Director is not subject to retirement by rotation, nor shall be taken into account

in determining the Directors to retire. The person who has served for the longest period shall retire but is eligible for re-appointment.

The Board met five times during 2017/18 and the attendance is given below in Table 01.

Table 01

Name	Directorate	Board Meetings	Audit Committee	Nominations Committee	RPT Review Committee
Mr S H Amarasekera	NED / ID	5/5		1/1 *	
Mr S P S Ranatunga	ED	5/5			4/4
Mr R N Asirwatham (Resigned w.e.f 10.11.2017)	NED / ID	3/4	6/6	1/1	3/3
Mr R S Captain	NED	3/5		1/1	
Mr S M Enderby	NED / ID	3/5	7/9		2/4
Mr S Fernando (Appointed w.e.f 14.08.2017)	ED	4/4			
Mr M P Jayawardena	NED / ID	4/5	3/3		1/1 *
Mr K B Kotagama (Resigned w.e.f 20.10.2017)	NED	3/3			
Prof P W M B B Marambe (Resigned w.e.f 30.11.2017)	NED / ID	3/4			
Dr R C W M R D Nugawela (Resigned w.e.f 15.11.2017)	NED	2/4			
Mr P R Saldin	NED	5/5	9/9 *		
Mr A V P Silva (Resigned w.e.f 06.11.2017)	NED	2/4			
Mr D S Weerakkody (Resigned w.e.f 30.11.2017)	NED / ID	1/4			1/3

NED - Non-Executive Director

ED - Executive Director

ID - Independent Director

*Chairman of Respective Committee

AUDIT COMMITTEE

Audit Committee consists of three (03) Non-Executive Directors, two (02) of whom are Independent. The Chairman of the Company, Managing Director and Group Finance Director attended meetings by invitation.

The Committee reviews the financial information which is provided to shareholders, the financial controls, compliance with laws, regulations and ethics, risk management, performance guidelines, qualifications and independence of the external auditors and the performance of the internal audit reviews. Both the internal auditors and external auditors have direct access to the Audit Committee.

The Audit Committee met nine times during 2017/18 and the attendance is given above in Table 01.

Audit Committee Report is given in page 24.

REMUNERATION COMMITTEE/ HUMAN CAPITAL & COMPENSATION COMMITTEE

The Remuneration Committee consists of four (4) Non-Executive directors, two (2) of whom are independent, reviews the salary and benefits programs of executive employees, including the Executive Directors.

Directors' Remuneration

Total remuneration paid to Executive and Non-Executive directors is given in page 88 and the Report of the Remuneration Committee is given in page 26.

The Remuneration Committee met once during 2017/18 and the attendance is given above in Table 01.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee consists of two (2) Non-Executive Independent Directors and the Managing Director.

The scope of the Committee is to provide independent review, approval and oversight of related party transactions on the terms set forth in greater detail in the Committee Charter.

The Committee met four times during the year and the attendance is given above in Table 01.

Related Party Transactions Review Committee Report is given in page 28.

Corporate Governance

COMPLIANCE WITH THE RULES OF THE COLOMBO STOCK EXCHANGE ON CORPORATE GOVERNANCE AND RELATED PARTY TRANSACTIONS

Section	Subject	Description	Status	Details
7.10.1 (a)	Non-Executive Directors	At least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of the total number of Directors, whichever is higher	Compliant	Out of total of Seven (7) Directors, Five (5) are Non-Executive Directors
7.10.2 (a)	Independent Directors	Where the Board includes only two Non-Executive Directors, both shall be Independent. In all other instances two or one third of Non-Executive Directors, whichever is higher	Compliant	Out of total of Five (5) Non-Executive Directors, Three (3) are Independent Directors
7.10.2 (b)	Independent Directors	Each Non-Executive Director to submit a signed and dated declaration annually of his/her Independence or Non-Independence	Compliant	Refer page 20 for, Corporate Governance Report
7.10.3 (a)	Disclosure Relating to Directors	The Board shall make a determination annually as to the independence or non- independence of Non-Executive Directors.	Compliant	Regular evaluation is made against the criteria set out in section 7.10.4
7.10.3 (b)	Disclosure relating to Directors	In the event a Director does not qualify as "independent" but if the Board is of the opinion that the Director is "Independent", the Board shall specify the criteria not met and the basis for its determination.	Compliant	Two (2) of Three (3) Independent Directors qualify according to section 7.10.3 (b)
7.10.3 (c)	Disclosure relating to Directors	The Board shall publish in its Annual Report a brief resume of each Director	Compliant	Refer Page 18 for the profile of Board Members
7.10.3 (d)	Disclosure relating to Directors	Upon the appointment of new Directors, the entity shall forthwith provide the Exchange a brief resume of such Director	Compliant	Made regular information to the Exchange upon the appointment of new directors.
7.10.5 (a)	Remuneration Committee	The Remuneration Committee shall comprise of minimum of two independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever is higher.	Compliant	Out of Four (4) Non-Executive Directors, Two (2) are Independent
7.10.5 (b)	Remuneration Committee	Functions of Remuneration Committee	Compliant	Refer page 26 for Remuneration Committee Report
7.10.5 (c)	Remuneration Committee	Disclosure in the Annual Report about the name of Directors comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors	Compliant	Refer page 26 for the Remuneration Committee Report

Section	Subject	Description	Status	Details
7.10.6 (a)	Composition of the Audit Committee	<p>Minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee.</p> <p>The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee meetings.</p> <p>The Chairman or one member of the committee should be a Member of a recognised professional accounting body.</p>	Compliant	<p>The Audit Committee comprises three Non-Executive Directors, two of whom are Independent.</p> <p>The Chairman of the Audit Committee is a Non-Executive Director.</p> <p>The Chairman, Chief Executive Officer and Group Finance Director attend Audit Committee meetings by invitation.</p> <p>Chairman of the Audit Committee is a Fellow member of The Institute of Chartered Accountants of Sri Lanka.</p>
7.10.6 (b)	Audit Committee	Functions of the Audit Committee	Compliant.	Refer page 24 for the Audit Committee Report
7.10.6 (c)	Audit Committee	Disclosure in the Annual Report	Compliant	Refer page 24 for the Audit Committee Report
9.2.1	Related Party Transactions Review Committee	All Related Party Transactions should be reviewed by the "Related Party Transactions Review Committee".	Compliant.	Refer page 28 for the Related Party Transactions Review Committee Report
9.2.2	Composition of Related Party Transactions Review Committee	<p>The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition may also include Executive Directors.</p> <p>One Independent Non-Executive Director shall be appointed as Chairman of the Committee.</p>	Compliant	<p>The Committee comprises of Two (2) Independent Non-Executive Directors, and One (1) Executive Director</p> <p>Chairman is a Non-Executive Independent Director</p>
9.2.4	Frequency of Meetings and Minutes	<p>The Committee shall meet at least once a calendar quarter.</p> <p>The Committee shall ensure that the minutes of the meeting are properly documented and communicated to the Board of Directors.</p>	Compliant	Refer page 28 for the, Related Party Transactions Review Committee Report
9.3.2 (c)	Disclosure in the Annual Report	Requirements Listed in section 9.3.2 (c)	Compliant	Refer page 28 for the Report of the Related Party Transactions Review Committee
9.3.2 (d)	Disclosure in the Annual Report	A declaration by the Board of Directors in the Annual Report as an affirmative / negative statement of the compliance with the Rules pertaining to Related Party Transactions.	Compliant	Refer page 28 for the Report of the Related Party Transactions Review Committee

Audit Committee Report

COMPOSITION OF THE COMMITTEE

In accordance with the Corporate Governance Guidelines, the Board appointed Audit Committee comprises of three Non-Executive Directors, namely, Messrs. P. R. Saldin, who functions in the capacity of Chairman, S.M. Enderby and M. P. Jayawardena. The Chairman, Mr. S. H. Amarasekera, Managing Director/ CEO, Mr. S.P.S. Ranatunga and Group Finance Director, Mr S. Fernando attended meetings by invitation. The financial knowledge and the business acumen and the independence of the members are brought to bear on the deliberations and judgements on matters that come within their purview.

ROLE OF THE COMMITTEE

The role and the responsibility of the Committee is defined in the Audit Committee Charter, which is reviewed annually to ensure that new developments and other issues are properly addressed. The Committee among other functions reviews the operation and effectiveness of Internal Control Systems, ensuring that a good financial reporting system is in place, is well-managed and oversees the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Companies Act and other relevant financial reporting regulations. The Committee monitors the internal and external audit functions. The internal controls within the Company are designed to provide reasonable but not absolute assurance to the Directors and assist them to monitor the financial position of the Group.

The Audit Committee is empowered to review any activity within the Company. The Committee defines the responsibility for the internal audit function, monitors

the internal audit programme and results of the internal audit process, considers recommendations made by the Internal and External Auditors, reviews their reports and takes necessary action. The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

MEETINGS

The Committee held 9 meetings during the year. The attendance of the Committee members is given on page 21. The Internal Auditors, Messrs. PricewaterhouseCoopers attend meetings when required and the Audit Committee makes inquiries from any officer of the Company as deemed necessary. In April 2018, the Committee rationalised the Internal Audit Services of the Group and in the process appointed Messrs. BDO Partners to carry out Internal Audit Services of the Company from 2018/19 onwards.

ACTIVITIES

During the year, the Committee reviewed 3 internal audit reports and 2 special audit reports forwarded by the Internal Auditors & the Auditors appointed for special audits. The reports are submitted on a quarterly basis as they carry out the audits according to a scheduled programme. In addition, they carry out special audits if the need arises. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded. The Company's procedures are in place to ensure compliance with statutory requirements. The compliances are monitored through the quarterly 'Statutory Compliance Report'. During the year the Company

underwent a realignment process and the Audit Committee reviewed the impact of realignment on the financial status of the Company.

The committee had a meeting with the External Auditors in relation to the annual audit to ensure the independence in their approach and methodology. The Committee reviewed the Group Management Letter submitted by the External Auditors, Messrs. KPMG, along with the management response. These recommendations are implemented by the management and the Audit Committee follows up on the implementation of these recommendations. The Committee also reviewed the Audited Financial Statements with the External Auditors and the Quarterly Financial Statements were reviewed prior to publication.

The Company's Code of Ethics educates and encourages staff at all levels to pave the way for Good Corporate Governance and encourages to resort to whistle-blowing, when they suspect wrong doing by other employees.

The Audit Committee has recommended to the Board of Directors, that Messrs. KPMG, be re-appointed as Auditors for the financial year ending 31st March 2019 subject to the approval of shareholders at the Annual General Meeting to be held on 29th June 2018.

CONCLUSION

The Audit Committee is satisfied that the Group's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

Finally, I would like to thank my colleagues in the Committee, Steven Enderby and Preethi Jayawardena for their valuable contribution with their vast commercial experience and professional expertise, also the Chairman, Managing Director and GFD of the Company and the Secretary to the Committee for their contribution. I also take this opportunity to thank Mr. R N Asirwatham, who ceased to be the Chairman of the Committee due to his resignation from the Board of Directors of the Company, for the leadership and service rendered as Chairman of the Committee



P.R. Saldin
Chairman
Audit Committee

24th May, 2018

Report of the Human Capital & Compensation Committee

COMPOSITION

The Human Capital & Compensation Committee consists of Non-Executive Directors half of whom are Independent. The Committee consists of Mr. P R Saldin – Chairman, Mr. S. H. Amarasekera, Mr. R. S. Captain and Mr. S. M. Enderby.

FUNCTIONS

The Human Capital & Compensation Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of the Group. The Committee recommends to the Board and its subsidiaries the remuneration to be paid to Key Management Personnel. The Committee reviews HR policies and the policies pertaining to remuneration and perquisites of the executives of the Company annually. The Committee will also review the Human Resource Strategies of the Company.

MEETINGS

The Committee will have meetings on need basis. The Chairman of the Committee can convene a special meeting in the event a requirement arises, provided all members are given sufficient notice of such special meeting. The quorum for a meeting is two members. The CEO is invited to participate at the sittings of the Committee meetings as and when required by the Chairman considering the topics for deliberation at such meetings. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

REMUNERATION

The Committee believes that the Company's remuneration strategy is paramount to differentiate us from the competitors and to retain our top performers. Therefore, our remuneration philosophy is anchored on a total rewards approach. The remuneration strategy has

been designed to enable the company to develop, motivate and retain our internal talent pipeline; and when necessary to attract key talent externally to sustain the performance of the group. With the re-strategizing process the Company has carefully evaluated the various jobs and positions and taken steps to rationalise the structure. The Committee has reviewed this structure and is now in the process of reviewing the Company's Remuneration Policy.

SUCCESSION PLANNING

Succession planning within our Group is an ongoing process for responding to change, so that our Group operations would go on with as little disruption as possible. The Committee review the succession planning process in place to ensure that our best talent is in line for future leadership and critical roles and to mitigate the risk of future talent shortages and also to retain and develop critical knowledge capital.

The aggregate remuneration paid to Executive & Non-Executive Directors is given on page 88.

Finally, I would like to thank my colleagues in the Committee for their valuable contribution towards the progress of the Committee. Also, I take this opportunity to thank Mr D S Weerakkody, who ceased to be the Chairman of the Committee due to his resignation from the Board of Directors of the Company, for the leadership and service rendered as Chairman of the Committee.



P.R. Saldin
Chairman
*Human Capital & Compensation
Committee*

24th May 2018

Nominations Committee Report

The Nominations Committee consisted of the Non-Executive Chairman, Mr. S H Amarasekera, and two Non-Executive Directors, namely, Messrs. R.S. Captain and P.R. Saldin. The Managing Director, Mr. S.P.S. Ranatunga attended the meetings by invitation.

The role and responsibilities of the Committee are,

- To recommend to the Board the process of selecting the Chairman and CEO
- To identify suitable persons who could be considered for appointment to the Board as Executive and Non-Executive Directors
- To make recommendations on matters referred to it by the Board
- To review the composition of the Board
- To evaluate the independence and effectiveness of the Non- Executive Directors.
- To identify suitable persons for appointment to the Board of subsidiaries and ratify the appointment of any Director selected by them in order to ensure that required competencies are available in such companies.

The Committee is satisfied that the combined knowledge and experience of the Board matches the requirements of the Company.



S.H. Amarasekera
Chairman
Nominations Committee

24th May 2018

Related Party Transaction Review Committee

COMPOSITION OF THE COMMITTEE

In accordance with the Listing Rules by the Colombo Stock Exchange, the Board appointed Related Party Transaction Review Committee comprises of two Independent Non-Executive Directors and an Executive Director, namely, Messrs. M. P. Jayawardena, who functions in the capacity of Chairman, S.M. Enderby and S.P.S. Ranatunga.

TERMS OF REFERENCE OF THE COMMITTEE

Related Party Transaction Review Committee was formed by the Board during the year ended 31st March 2015 to assist the Board in reviewing all related party transactions of the Group.

Committee is responsible for,

- Developing and recommending the RPT policy consistent with guidelines of CSE for adoption by the Board of Directors of the Company and its subsidiaries.
- Making immediate market disclosures on applicable RPT as required by section 9 of the Listing Rules of the CSE.
- Providing information to the Board of Directors on the RPT of each of the Group Companies.
- Making appropriate disclosures on RPT in the Annual Report of the company as required by the continuing listing requirement of CSE.

The committee holds meetings on a quarterly basis to review and report to the Board on matters involving RPT falling under its terms of reference.

Any member of the committee who has an interest in a RPT under discussion shall refrain from participating in the review discussion. Upon completion of its review of the transaction the committee

may determine to permit or prohibit on the RPT. RPT entered into without pre-approval of the committee shall not be deemed to violate this policy or be invalid or unenforceable so long as the transaction is brought to the committee within a reasonable and practical time period. Thereafter it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy. As such all RPT other than the exempted transactions will be reviewed either prior to the transaction being entered into or if the transaction is expressed to be conditional on such review prior to the completion of the transaction.

METHODOLOGY ADOPTED BY THE COMMITTEE

Monitoring systems are in place to obtain declarations from all Directors (at the time of joining the Board and annually thereafter) informing the Company Secretary, the primary contact point for Directors, of any existing or potential RPTs carried out by them or their Close Family Members (CFMs) or any changes to the position already disclosed.

Monitoring systems are in place to obtain confirmations on any new appointments accepted by Directors of the Company in other entities and from other Key Management Personnel (KMPs) to identify and capture such transactions carried out by the Group with such entities which need to be disclosed under 'Directors Interest in Contracts' in the Annual Report.

The Committee relies on the integrity of periodically reportable Related Party Transactions data sourced via a comprehensive list of Related Parties based on latest available declarations, signed off by the responsible Directors/ KMPs, which in turn is further reviewed by the Secretary. This review is carried out by comparing Related Party Transactions with benchmarked criteria applicable

for comparable Non-Related Party Transactions, to determine that Related Parties have not received any favourable nor preferential consideration. Further the Committee has the right of access as well as the power to call for clarification and explanation from Management & Auditors (External & Internal).

ACTIVITIES DURING THE YEAR

Quarterly meetings were held during the year to scrutinise all Related Party Transactions with Directors, Key Management Personnel (KMPs), substantial shareholders, Subsidiaries and Associate Companies of the Company and such other related parties as defined in the Code with a view to determining that they have not received any favourable nor preferential consideration vis a vis the other shareholders, suppliers and customers of the Company as well as to ascertain that their transactions and dealings are in strict conformity with Statutory and Regulatory requirements which the Company is obliged to adhere to.



M.P. Jayawardena
Chairman
Related Party Transaction Review Committee

24th May 2018

MANAGEMENT DISCUSSION AND ANALYSIS



Agri Produce

“On a broader scale, the Agi-produce operation would also seek to extend its outgrower model to promote inclusive development across Sri Lanka.”

Agri Produce

Revenue (Rs.)

1.9Bn

Long Term Investments (Rs.)

2.0Bn

OPERATING CONTEXT

The agriculture sector remains a key artery in Sri Lanka's economy, with a vast majority of the population depending on the agriculture value chain for their livelihoods.

Heavily dependent on the weather, the country's agriculture output declined drastically in 2017, on the back of unfavourable weather conditions, particularly during the first nine months of the year. However a slight recovery was seen during the last quarter of the year.

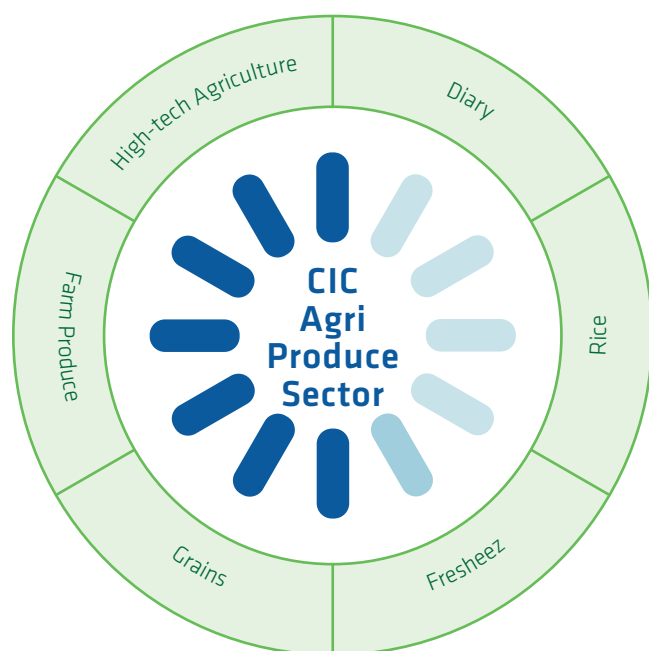
The agriculture production index, which measures the output of agriculture and Fisheries sectors, recorded a decline of 10.9% in 2017, marked by notably lower outputs of paddy, coconut and other crops (fruits, vegetables and other field crops).

Affected by unfavourable weather conditions for the second consecutive year, the country's Paddy output fell by a staggering 46.1% to 2.4 Mn metric tons in 2017, the lowest recorded in over a decade. Stressed by the ban on the use of Glyphosate, Paddy production in both the 2016/17 Maha season and the 2017 Yala season declined by 49.2% and 40.1 % respectively, prompting authorities to import rice to meet the shortfall in the country's total requirement.

However despite imports, open market paddy prices remained relatively high due to limited supplies entering the market, which led the government to impose a maximum retail price for local and imported rice varieties, with effect from 17th February 2017. The decision was subsequently removed on 16th August 2017 but re-introduced for certain varieties of Rice on 26th December 2017.

Source: CBSL

BUSINESS AND OPERATIONAL PERFORMANCE



Strengths

- Presence over the full value chain ranging from agri inputs to output
- Well-defined product propositions in each segment
- CIC brand strength
- Wider market Reach
- State-of-the-art infrastructure for advanced agriculture
- Strong outgrower network

Opportunities

- Promotion of healthy food habits
- Increasing concerns of food safety and security
- Demand for less weather dependent, less labour incentive and highly productive agriculture practices

Weaknesses

- Requirement to increase synergies and digitisation in supply chain and logistic activities

Threats

- Inconsistent policy changes
- Erratic weather patterns
- Shortage of labour and productive crop solutions and machinery

“High-tech agriculture farm consists of 6 hectares of state-of-the-art green houses and 1 hectare of poly tunnels, where selected vegetables are grown in a controlled environment using hydroponic production techniques.”

SECTOR PERFORMANCE

Amidst severe challenges facing a majority of businesses within the segment, the performance of the Agri Produce sector reported a revenue decline by 8% year-on-year basis.

Diary Production

The largest contributor to the Agri Produce sector was the Diary Production business, accounting for nearly 38% to the sector revenue which is now classified under asset held-for-sale. The Diary production segment, which operates mainly in the fermented Diary market, reported a consistent performance with revenue and GP margin for the year showing no material change from the previous year, and volume-based market share holding firm at 14% amidst stiff competition.

Challenged by growing competitive pressures, the main strategic thrust for the year for the Diary operation was to grow

market share. Steps taken in this regard were aimed at strengthening the distribution network, which saw a 13% increase in the island-wide retail network. This was coupled with aggressive below the line marketing activities to improve product availability in the market, particularly at a rural level.

In parallel to these market development activities, the procurement model was also strengthened to ensure greater supply chain security. A total of 5 Mn kilos of raw milk was procured in the year under review.

Meanwhile the Company's production facility continues to be SLS, ISO 22000:2005 certified.

Rice

The Rice business, offering different varieties of health and specialty rice under the “Golden Crop” brand label, succeeded in maintaining its 25% contribution to the Agri-produce sector revenue. Despite lower paddy crops, the business's production

volumes marginally increased by 2%, while revenue increased by 9%. The shortage of Rice also meant, the Company could not fully capitalise on the high demand for the segment's products reported in both the modern trade as well as the HORECA channel, fuelled by the growing trend favouring health conscious consumption habits. Export volumes too were affected due to lower crops.

To control the short supply situation as much as possible, a conscious effort was made to encourage greater supplier integration by offering extension services to outgrowers.

Being the only private sector organisation equipped with R & D facility to engage in rice breeding, the Company expedited its Rice breeding programme to develop new varieties of health rice. The new White Basmathi Rice developed over the past few years under this same programme, was fully commercialised in the year under review.

Additionally, steps were taken to redesign the packaging material for all products on the “Golden Crop” line in tandem with global standards, forming part of broader long term strategy to expand the brand's global and local presence.

Grains

The Grains business contributed approximately 20% to the overall revenue of the Agri-produce sector in the year under review, down from 33% in the previous year. Revenue in the Grains business also declined by 48% year-on-year due to severe drought conditions in the key growing areas in the Anuradhapura and Moneragala districts, prompting renewed efforts to strengthen the outgrower support programme in these areas. As part of this effort, the Company also negotiated a special credit line to enable growers to access financial assistance at concessionary rates.

Agri Produce

Specific initiatives to upgrade the Silo Storage and drying process at both Grain Manufacturing plants were also carried out in order to build capacity for the future.

Farm Produce

The Farm Produce unit contributed 9% to the Agri-produce sector revenue, led by improved results recorded by its core product - the Cavendish Banana. Despite low-yields caused by the drought, the stringent focus on quality enabled the Company to secure a market premium, which saw revenues grow by a record 18% over the previous year. Meanwhile given the emphasis on quality, ongoing improvements were made to the cold chain facility with the aim of minimising the wastage.

High-tech Agriculture

The high-tech agriculture business, which produces special high-yielding bell peppers, lettuce and herbs for the export market is the sectors' newest venture. An iconic project initiated by the Group to minimise the vulnerability and mitigate the impact of climate change, the high-tech agriculture farm consists of 6 hectares of state-of-the-art green houses and 1 hectare of poly tunnels, where selected vegetables are grown in a controlled environment using hydroponic production techniques.

OUTLOOK AND PROSPECTS

With uncertainty now becoming a hallmark of the local agriculture sector, going forward, the key priority for the Agri-produce segment is to enhance the sustainability of its business model in order to be able to engage pre-emptive rather than reactive action. As a priority, this would mean re-strategizing the entire operational architecture to improve its fluidity to safeguard against external shocks.

On a broader scale, the Agi-produce operation would also seek to extend its outgrower model to promote inclusive development across Sri Lanka, with the ultimate goal of contributing towards uplifting living standards of rural farmer community and achieving national food security.



Livestock Solutions

“Most challenging year in its 16 year history, the performance of the livestock sector fell below expectations.”

Livestock Solutions

Revenue (Rs.)

6.8Bn

Long Term Investments (Rs.)

4.6Bn

OPERATING CONTEXT

Reporting year-on-year growth over the past decade, the Livestock sector, which has seen the emergence of large numbers of small-scale rural farmers aiming to capitalise on the country's rapidly expanding consumption demand now plays an increasingly important role in the country's economy.

The sector comprises of a number of segments, key among them being chicken, eggs, poultry-breeder and chicken based products.

The production of eggs increased to its highest level in five years, supported by higher imports of layer parents. However, due to the lack of a proper supply mechanism to accommodate this large increase in production, a certain degree

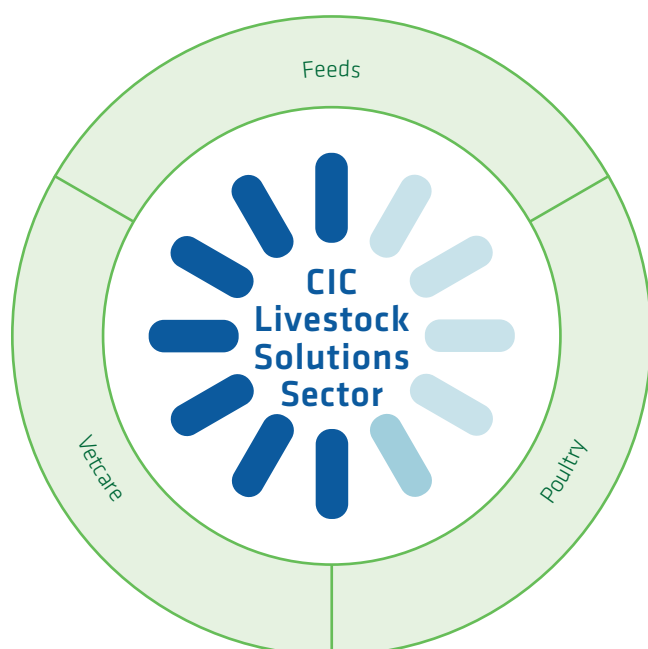
of price instability was observed in the market throughout 2017.

Although the chicken production increased in 2017, the market was unable to cope with the sudden increase, which disturbed the equilibrium in the supply demand curve, resulting in producers resorting to sales at low prices even at the expense of sustaining losses.

Supportive measures by the government included the removal of the ceiling price of Rs. 420.00 per kilogram imposed for broiler chicken and the allowing of maize imports to Sri Lanka in mid-2017. However, chicken is still on the essential items list, making pricing subject to approval from Government authorities.

Source: CBSL

BUSINESS AND OPERATIONAL PERFORMANCE



Strengths

- Synergies due to the fully integrated structure and presence in the complete value chain
- CIC/Besto brand strength
- Wider market reach
- State-of-the-art infrastructure
- Globally accepted best practices and international quality and safety standards

Opportunities

- Increasing per capita income
- Promotion of healthy food habits
- Increasing concerns of food safety and security
- Increasing tourist arrivals

Weaknesses

- Synergising supply chain and logistic operations with in the sector
- Improve the scale of the business to sweat the capital investment

Threats

- Inconsistent policy changes
- Increasing competitive pressures from substandard products
- Higher raw material prices caused by erratic weather conditions

“Supportive measures by the government included the removal of the ceiling price imposed for broiler chicken and the allowing of maize imports to Sri Lanka in mid-2017.”

SECTOR PERFORMANCE

In what is perhaps the most challenging year in its 16 year history, the performance of the livestock sector fell below expectations, with revenue declining by 2% and operating profits reaching negative territory for the first time.

Moreover, the sector's bottom line was compromised by cumulative effect of the deferred tax adjustment caused by the revision in the corporate tax applicable to all businesses within the segment.

Feeds

Operating in a highly competitive environment, the Feeds segment maintains a market share of 10%. Experiencing a tough year, the Feeds segment saw a drop in demand for its core product, mainly due to the effects of the severe flooding in May / June 2017, causing small-scale farmers to withdraw from the market. The closure of the segments' own broiler farm, for 1 ½ to 2 months also had an impact on Feed volumes. With Feed sales volumes declining by 5.3% year-on-year, a corresponding decline in revenue resulted. The revenue contribution to the sector stands at 71%.

Meanwhile, cost of production remained high throughout the year, as severe supply-side pressures pushed up the price of locally sourced raw materials. The price of locally sourced essential raw materials such as corn, the main ingredient in the manufacture of feeds, as well as filler materials such as rice polish and wheat bran remained high as the country's agricultural output declined sharply on the back of persistent adverse weather over the last two years. The failure of the corn crop in particular was a severe blow to the business with many middlemen seeking high prices in the background of the Government delaying the issue of permits to import. This together with the fluctuating international prices of most imported raw materials including soya, fishmeal and vitamins coupled with the weakening currency, added to the cost burden of the Feed segment.

Also coming under the Feeds segment is the DOC (Day-old-Chicks) breeder operation, where the performance remained consistent with the previous year with market share holding steady at 11%.

The DOC operation did however face some notable challenges during the year. Most notable among them being the cascading effect of the October 2016 decision by the regulatory authorities to rightly restrict the importation of parent stock from France, Poland and the USA, due to these countries being on a bird flu watch list. Unfortunately these are the parent stock source countries patronised by us. Stemming from this the segment was compelled to rely on existing parent stock, and with some batches nearing the maturity of their fertility cycle meant having to contend with a lower lay percentage, low egg fertility and lower hatchability ratio, all resulting in higher costs.

Moreover, amidst an unusually low demand for chicken in the country, the demand for DOC's also experienced a decline in the year under review, prompting the segment to review its pricing in order to safeguard market share, which together with the high cost of production impacted adversely on the segment profitability.

Encouragingly however with the authorities lifting the restriction on the importation of parent stock from key source markets in November 2017, the prospects are good for the DOC operation to recover next year, as the first batch of parent birds will reach optimum productivity by June 2018. Meanwhile, to increase the readiness for the future, investments were made to expand the capacity of the DOC operation, with the input of the two new breeder cages in March 2017.

Poultry

The poultry operation faced an extremely challenging year due to the weak demand for chicken through much of 2017, as a result of depressed consumer spending and the availability of cheaper alternatives. As the market stagnated, the segment's volumes and prices of live

Livestock Solutions

sales declined sharply. Although sales volumes of processed chicken increased due to its high hygienic quality parameters and increasing acceptance, total volumes of live and processed chicken dropped by 4.3% year-on-year, with total revenues also declining by 3.6% over the previous year. The government imposed controlled price on chicken, although removed, the upward price changes still remain in the hands of the Government authorities as chicken is listed as an essential item. This is another key concern, particularly given the escalating cost of production. The revenue contribution to the sector stands at 20%.

With large quantities of processed chicken building up among all producers, competitors began lowering prices to unsustainable levels. We thought it opportune to therefore to strategically rest our farms for the recommended two months, with operations recommencing in mid-January 2018.

Vetcare

The Vetcare segment succeeded in overcoming competitive pressures to deliver a strong performance in the year under review. Thanks to a concerted effort to secure timely bulk orders, the segment's revenue grew by 9.7%. However, despite the improvement in revenue, due to the weakening Rupee, segment margins declined by 5.1% over the previous year. The revenue contribution to the sector stands at 9%.

Nonetheless, strict cost containment strategies to control manageable expenses enabled the achievement of expected profit targets for the year under review.

OUTLOOK AND PROSPECTS

With all segments facing intense competition, the key focus moving forward would be to continue to evolve in order to stay ahead of peers.

In the feeds business, where the availability of raw material continues to be challenged by climate change, the emphasis would be to ensure supply chain security by broad-basing the supplier network and reducing the dependence on local suppliers. Meanwhile, the arrival of new batches of parent bird stock will spearhead the DOC segment's ability to increase market share in the coming year.

Growing the poultry segment is also another priority. Being a niche market offering, the main growth strategy for the segment would be to capitalise on the emerging trend for healthy consumption habits.



Health & Personal Care

“With the prospect of the healthcare industry set to grow in the years to come, CIC focus on healthcare as the ‘Star’ segment in its portfolio.”

Health & Personal Care

Revenue (Rs.)

8.2Bn

Long Term Investments (Rs.)

1.7Bn

OPERATING CONTEXT

The country's healthcare system remains among the best in the region thanks to the active participation of both the state and the private sector to continuously uplift the standards of healthcare in the country.

The government continues to spend heavily on the development of the country's healthcare system, with the aim of improving the quality and equitable access to such services. Continuing with its efforts to improve facilities available to the general public, the government made several investments in 2017, to strengthen healthcare infrastructure across the country. More recently added emphasis has also been placed on addressing the issues stemming from an ageing population and changing disease patterns.

In 2017, Sri Lanka experienced outbreaks of several communicable diseases, including record levels of incidence and deaths related to the dengue epidemic. Due mainly to the heavy monsoon rains during the month of May, expansion of potential breeding grounds and improper garbage disposal, dengue prevalence increased by 237.4 % in 2017 compared to the previous year.

The MOH also continued with its initiatives to prevent and control acute and chronic Non-Communicable Diseases (NCDS), amidst the considerably high prevalence of NCDS in the country. In particular, Chronic Kidney Disease (CKD) continued to receive attention due to its adverse

socio- economic impact, especially on low-income households.

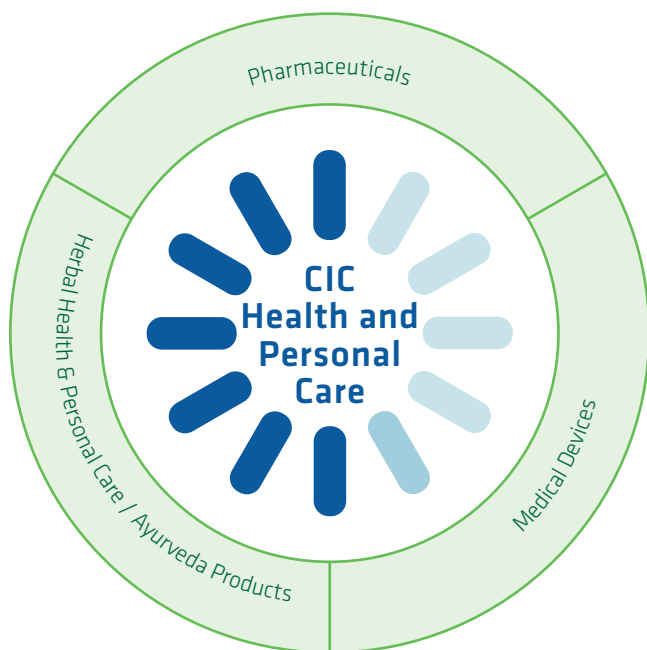
The private sector too continues to play a major role in providing healthcare services, with an ever-increasing proportion of the population seeking private healthcare services. Source: CBSL

The healthcare sector remains heavily dependent on imported pharmaceuticals leaving importers subject to the negative consequences of the weak rupee. Moreover many pharmaceutical products remain strictly price controlled, with price increases on others also heavily regulated. However offering some relief to importers the government sanctioned a 5% price increase on 48 essential drugs with effect from December 2017.

Meanwhile, with the country currently importing close to LKR 80 Bn worth of pharmaceutical products annually, the government has in recent years taken steps to encourage the private sector investment to manufacture pharmaceutical products locally. In January 2018 the government announced its intention to collaborate with a foreign strategic partner to build the first ever-exclusive pharmaceutical manufacturing zone of Sri Lanka in Welipenna Area of Kalutara district on order to achieve 60% of the country's pharmaceutical requirement by 2020, which is expected provide the common facilities needed for pharmaceutical manufacturing at a reasonable cost.

Source: CBSL

BUSINESS AND OPERATIONAL PERFORMANCE



SECTOR PERFORMANCE

The sector tabled an impressive performance for the year under review, with all key performance indicators showing year-on-year improvements compared to the previous year. Revenue grew by a robust 23% year-on-year, while profits remained static mainly due to negative the impact of the currency depreciation, increased product registration fees and other one off costs pertaining to the re-strategizing exercise.

Pharmaceuticals

The Pharmaceutical segment comprises of the core pharma operation as well as the nutraceuticals that include a range of nutrition enhancers and special dietary supplements.

The pharma operation recorded steady growth ending the year with a 24% increase in volumes compared to the

previous year. Revenue also improved, although profits came under pressure. On a more positive note the government sanctioned price increase, although causing a temporary dip in volumes, did offer some relief to the bottom line. At the same time, stricter controls over the registration of new and existing pharma products brought fresh worries, causing a nearly four-fold increase in the cost of the annual registration of pharmaceutical products. Nonetheless, following

necessary approvals a new Derma Cosmeceutical product was introduced in the latter part of the year.

Meanwhile, in the pharma-manufacturing arm, planned capacity expansion will be operationalised in collaboration with global partners during FY 2018/19. This will remain a strategic focus of the Group, along with the operationalisation of Government's plan to achieve 60% of the country's pharmaceutical requirement

Strengths

- Strategic Partnerships with leading global suppliers that provide first-to-market advantage
- CIC & Link Natural brand strength
- Wider market Reach
- First mover advantage for pharmaceutical manufacturing
- Strong research & development & commercialisation expertise in Herbal Health & Personal Care Products & Ayurveda Products

Opportunities

- Increasing per capita income, coupled with increased purchasing power for advanced medical solutions
- Increasing awareness on the availability of healthcare solutions
- Rising elderly population, over 17% of population
- Increasing trend of NCDs
- Commitment of the Government to improve the healthcare standards

Weaknesses

- Requirement to synergise & digitise supply chain and logistic functions across the sector

Threats

- Inconsistent policy changes
- Competitive pressure from generics
- Limited local supply of ingredients to Herbal Health & Personal Care Products & Ayurveda Products

Health & Personal Care

by 2020. We are cautious about the fact that pharmaceutical products should be affordable to the general public and any investments not supported by the minimum efficient scales will endanger the existence of local manufacturing.

We are increasingly witnessing the signs for consolidation in the market before industry profit pools getting eroded due to unproductive cost structures and capital investments. We believe this is a fact, the industry chambers and Government need to take in to account in formulating their Long Term Road Map to the healthcare industry.

Pharmaceuticals accounts for 40% of sector revenue.

Medical Devices

The Medical Devices segment represents a number of leading US and European brands in the disciplines of orthopedic support & sports medicine, bone care & bone closure, diagnostics as well as other medical equipment. All segments continued to maintain market leadership in their respective domains, reporting strong volume and revenue growth for the year under review. Here too given the heavy dependency on imports, the currency depreciation brought pressure on margins from about September 2017.

Nonetheless, continuing with its main thrust to ensure better clinical outcomes, improve patient satisfaction and facilitate greater affordability, a range of new products were launched to enhance the offerings under each discipline, among them the hemostasis nerve glue under bone care, advanced wound care solutions and the rib-fixing system under orthopedic support.

“LNP known for its R&D and commercialisation capabilities. “Samahan”, “Sudantha” and “Kesha” remained key products in the portfolio along with essential oils and range of research based products in the pipe line.”

Meanwhile to further expand the reach across the healthcare value chain, the segment initiated talks with the AO Foundation, a Swiss-based non-profit medical educational institute to begin the groundwork to set up a healthcare education facility that would offer specialised support for post-graduate studies mainly in the fields of Orthopedic, Neuro and Spine Surgery and Cranio Maxillofacial.

Medicel devices accounts for 24% of sector revenue.

Link Natural (LNP)

This is Herbal Health & Personal Care and Ayurveda Product range of the Group, which is known for its R&D and commercialisation capabilities. “Samahan”, “Sudantha” and “Kesha” remained key products in the portfolio along with essential oils and range of research based products in the pipe line. LNP accounts for 36% of sector revenue.

OUTLOOK AND PROSPECTS

With the prospect of the healthcare industry set to grow in the years to come, CIC focus on healthcare as the “Star” segment in its portfolio. However, with the challenging economic environment, we focus on getting our business strengthened in order to capitalise on the highly profitable segments of the industry.



Industrial Solutions

“The sector benefited from the re-strategizing exercise where certain non-core product lines were discontinued in order to release the capital, which has been yielding low returns.”

Industrial Solutions

Revenue (Rs.)

4.3Bn

Long Term Investments (Rs.)

1.3Bn

OPERATING CONTEXT

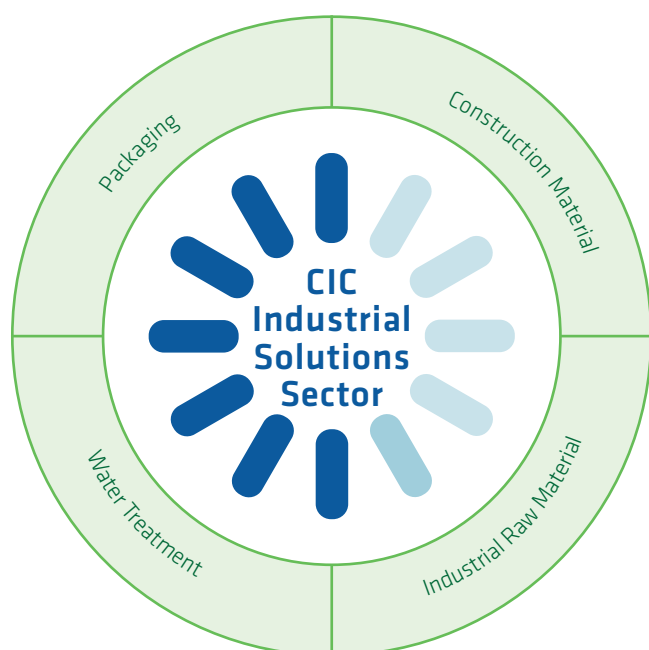
Growth in the country's industry sector slowed to a modest 3.9% in 2017, compared to 5.8% growth in 2016. The growth during 2017 was driven by the expansion in manufacturing activities, mainly textile, apparel and leather related products, which grew by 5.7% in 2017 compared to 1.8% growth in 2016. The favourable impact of the reinstatement of GSP+ stimulated is believed to be the main reason for the expansion in the

manufacture of textiles, apparel and leather related products, particularly during the second half of the year.

Meanwhile according to the IIP (Index of Industrial Production), manufacturing of food products, registered an increase of 3.3% during 2017, compared to the 1.7% expansion recorded in 2016.

Source: CBSL

BUSINESS AND OPERATIONAL PERFORMANCE



Strengths	Opportunities
<ul style="list-style-type: none"> Backed by long-standing strategic partnerships with leading global brands Diversified product range CIC brand strength Market Leadership in most product categories Wider market Reach Access to the latest technological knowledge and expertise of principals 	<ul style="list-style-type: none"> Leverage on connections with principals to benefit from the release of first-to-market products to respond to changing needs of the industry Favourable government policies to improve the health and safety aspects of consumer and industrial goods
Weaknesses	Threats
<ul style="list-style-type: none"> Increasing the business scales further in order to sweat the capital investments further 	<ul style="list-style-type: none"> Lack of Long Term Industry Road Map backed by the Government Cheap substitutes offered by competitors Increasing imported raw material prices

“Higher demand for dyes from the **Textile-manufacturing industry** enabled the cluster to increase market share comparative to the previous year.”

SECTOR PERFORMANCE

In what was one of the most challenging years in recent times the Industrial Solutions segment succeeded in recording Turnover of Rs. 2,059Mn, an increase of 25% from the Rs. 1,651 Mn registered in the previous year. However, profits declined year-on-year from Rs. 81.46 Mn in 2016/17 to Rs. 46.56Mn in the year under review, denoting a drop of 43%.

The sector benefited from the re-strategising exercise where certain non-core product lines were discontinued in order to release the capital, which has been yielding low returns.

Construction Material

In a tough year marked by flat growth, the sectors' Construction Material business came under severe pressure. Both volumes and turnover in the cluster's main activity – the supply of binders for paint, and raw material for the manufacture of paint and ink products, showed no material change from the previous year.

However the steep upward movement in the price of imported raw material following the Rupee depreciation in about September 2017 and disturbance in global

supply chains affected margins for the year. The revenue contribution to the sector stands at 14%.

Efforts to relive margin pressure were spearheaded by a campaign to penetrate new market segments for binders along with ongoing process enhancements to improve efficiency and productivity. The R & D programme was also expedited, with foreign technical assistance being sought to support the development of a line of specialised binders for the coating industry.

Industrial Raw Material

The Industrial Raw Material cluster provides essential raw materials to key segments of the Sri Lanka's economy. Through long-standing strategic partnerships with leading global manufacturers, the cluster has the ability to offer high-quality world-class products to manufacturers of Food, Rubber products, Plastics and Textiles.

Overall 2017/18 was a good year for the cluster. In the Food segment volumes increased compared to the previous year, despite a drop in demand for traditional products such as jelling agents and

fortifiers. Higher volumes were the result of a strong demand for sweeteners, originating mainly from the local beverage industry on the back of a growing consumer preference for healthier food choices.

In yet another notable development, the cluster witnessed a significantly higher demand for its products that cater to the value-added Rubber manufacturing and Plastics industries, with both segments reporting significantly higher volumes over the previous year.

Higher demand for dyes from the Textile-manufacturing industry enabled the cluster to increase market share comparative to the previous year. To further capitalise on the demand from the Textile-manufacturing industry, the cluster leveraged on existing partnerships with the principal to expand the product basket with a range of new dye varieties being launched to the market, a move that was an instant success.

Meanwhile to further diversify its activities, the cluster successfully negotiated with global principals, to secure the agency to supply polyurethane material to the local footwear and related manufacturing industries while exploring market opportunities for insulation solutions.

The packaging material supplies, which provides solvent-based adhesives for the flexible packaging industry in Sri Lanka, remained the market leader with a dominant share of the total market. No material volume growth was seen in the year under review, as the demand from the flexible packaging industry for solvent-based adhesives stayed more or less flat throughout the year.

The need for flexible packaging is largely derived from the FMCG industry, and with the local FMCG industry going through

Industrial Solutions

a rough patch in 2017, the demand for flexible packaging too was stagnant.

Given the limited growth opportunities for growth in solvent-based adhesives, steps were taken to introduce technologically advanced solvent-free adhesives to the market. To encourage customers to migrate to the new solvent-free alternatives, a team of technical experts was brought down to work with customers and assist them in using the new products.

The revenue contribution to the sector stands at 47%.

Water Treatment

The main services offered under the cluster's Water Treatment arm are; water purification solutions, total water management in boilers and cooling water systems, effluent treatment solutions to industries, the supply of chemicals to major power stations, water treatment services for large-scale water projects and multi-national manufacturing units. The key focus for the year was to drive growth in the institutional segment. The revenue contribution to the sector stands at 9%.

Packaging

CISCO Specialty Packaging is a leading supplier of PET containers and bottles is focusing on Pharmaceutical, Juice, Agro, Cosmetics and Water. Imposition of sugar tax became a hindrance on soft drink and juices industry growth.

The company is looking at additional blow moulding capacity to meet the industry demand.

The revenue contribution to the sector stands at 30%.

OUTLOOK AND PROSPECTS

Going forward the strategy for the Industrial Solution sector would be to improve scalability of all business clusters. In the Construction Material cluster the focus would be on scaling up the binder operation with particular emphasis on developing specialised binders. In the Industrial Raw Material cluster the focus would be to develop new markets for the sugar-substitute as well as to expand the product basket offered to the textile industry, both of which would help to capitalise on the current social trends and economic developments in the country. The main priority for Packaging cluster meanwhile would be to strengthen the market presence in the solvent-free adhesives.



Crop Solutions

“Despite the challenges posed by the macro variables, CIC is confident to maintain the market leadership and Crop Solutions be the ‘Cash Cow’ of CIC portfolio.”

Crop Solutions

Revenue (Rs.)

10.7Bn

Long Term Investments (Rs.)

1.2Bn

OPERATING CONTEXT

The success of Sri Lanka's agriculture sector has long been anchored to the application of effective Crop Solutions.

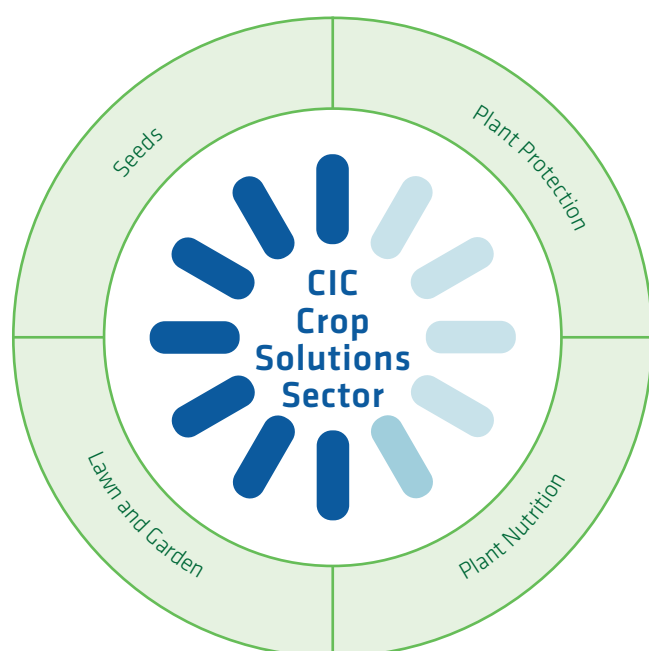
The growth in the agriculture sector over the past two decades has seen a strong demand for Crop Solutions coming from the Paddy cultivation sector, mainly in the form of plant protection solutions used during the two main cropping seasons. Of the two cropping seasons, it has been observed that the use of plant nutrition appears to be

higher during the Maha season (November / December), with a more moderate use during the Yala (May/June) season.

Plant nutrition, which also accounts for a substantial part of the Crop Solution basket is in high demand from sectors such as Tea, Rubber Coconut, and Oil Palm etc.

The negative impact of erratic weather, regulatory restrictions and removal of subsidy compelled the industry to remain stagnant.

BUSINESS AND OPERATIONAL PERFORMANCE



Strengths

- Strategic Partnerships with leading global suppliers that provide technologically advanced solutions to the farmer
- Strong presence of CIC in the agriculture value chain
- CIC brand strength
- Advanced R & D capabilities

Opportunities

- Greater demand for technology-driven agriculture
- Revision of some parts Government Policy Framework to address the practical needs of agriculture.

Weaknesses

- Time taken to develop technologically advanced solutions to the farmer

Threats

- Lengthy processes of revising Government Policy Framework
- Pressure from generic competitors

“During the year, CIC acquired 70% of Unipower (Private) Limited, the leader in speciality fertilizer market.”

SECTOR PERFORMANCE

Hit by prolonged adverse weather, regulatory restrictions and cessation of fertilizer subsidy, the Crop Solutions sector underperformed for the second consecutive year, with revenue falling by 2% year-on-year.

Plant Protection

Plant Protection, consisting of herbicides, insecticides and fungicides remains one of the key contributors to the sector revenue. In the year under review, the segment reported satisfactory results with a 20% contribution to sector revenue. However, CIC retained the long standing market leadership in the segment.

Herbicide volumes declined in the year under review partly due to weak demand from maize growers who were stymied by the second consecutive year of crop failure. The continuing regulatory restrictions on several varieties of herbicides also had a negative impact on volumes, prompting renewed efforts to source alternative molecules.

Meanwhile having been under pressure due to the failure of three consecutive paddy cropping seasons, the insecticides segment showed signs of recovery on the back of a strong pick up in the 2017 Maha

season. Consequently a strong increase in insecticide volumes was observed in the latter half of the financial year.

In the fungicide segment, which caters mainly to the vegetable cultivation, volumes were marginally higher compared to the previous year.

Despite these volume movements, strong penetration in their respective domains enabled each segment to maintain stable market share throughout the year. Efforts to further consolidate market presence saw a new dealer management team being deployed to reinforce the existing distribution model and promote the door-to-door delivery proposition.

Plant Nutrition

The performance of the two main areas under the Plant Nutrition segment; liquid fertilizer and bulk fertilizer was consistent with expectations for the year.

During the year, CIC acquired 70% of Unipower (Private) Limited, the leader in speciality fertilizer market.

The liquid fertilizer operation being the mainstay of the Plant Nutrition segment is represented by a range of top global brands. Strong market penetration has helped the liquid fertilizer operation to

secure a market share of 20.5% despite stiff market competition. Affected by climatic changes and inconsistent weather patterns, sales volumes of liquid fertilizer remained static in the year under review, with revenues also showing no material change compared to the previous year. Meanwhile being entirely dependent on imports, the segment's bottom line came under stress following the depreciation of the Rupee in the final quarter of the financial year.

Offering both straight (straights) fertilizers in pure form as well as value-added (blended) alternatives, CIC remains the market leader in bulk fertilizer segment as well. Nonetheless the segment did encounter a fair share of challenges in the year under review. With the control price for straight fertilizer in force throughout the year, the segment was forced to take action to stem the impact on margins, particularly as a drawdown in global supply drove up international prices for bulk fertilizer. Shifting focus to reorient the product mix to promote blended alternatives, a number of new blends were developed and launched to the market, among them a new blend that has the first-mover-advantage in the Oil Palm industry. Higher volumes of other blends too were produced at both the Colombo and Kurunegala plants. Fuelled by a strong market uptake, blend volumes grew year-on-year. And with higher blended volumes making up for the shortfall in the straights. Plant nutrition contribution to sector revenue stands at 65%.

Lawn and Garden (L&G)

Offering a range of pest control products, including rodenticides, vector control products for anti-malaria and Dengue etc., the Lawn and Garden segment tabled a satisfactory performance in the year under review. With all products reporting growth, the segment continued to retain its customary market share.

Crop Solutions

Efforts to further deepen market penetration were led by a new range of rodenticides. L&G revenue contribution to sector stands at 2%.

Seeds

It was a tough year for the Seeds segment, which handles the bulk sales of rice, corn, vegetable and other seed varieties, as both sales volumes and revenues not reaching expected levels. With Paddy cultivation struck by erratic weather for the second consecutive year, the low demand for rice seeds continued during the FY2017/18. Consequently, a marginal increase in sales volumes was recorded in the year under review compared to the previous year.

Affected by bad weather, the performance of the segment's seed farm also fell below expectations with yields dropping to its lowest level and pushing up cost of production to an all-time high.

The shortfall in the rice segment however was made good thanks to the robust sales in corn and vegetable seeds, where volumes increased year-on-year.

However being an import, the margins of the Corn seed product was affected by the Rupee depreciation in the second half of the year.

The Seeds segment also embarked on a new initiative to develop and produce hybrid varieties of chili seeds under a controlled environment. A large scale undertaking to research, develop and produce high-value chili seeds, the effort is a Public-Private-Partnership. Seeds contribute 13% of sector revenue.

OUTLOOK AND PROSPECTS

The main priority for the Crop Solutions sector, going forward would be to ensure product availability to support the country's goal to increase its agricultural output. Achieving this would mean working with strategic partners to bring in new advanced scientific and safer molecules to enhance productivity of key crops.

At the same time, the introduction of the new fertilizer import control policy by the government calls for a rethink of the current business model to ensure sustained growth momentum will continue to be maintained in the years ahead.

Despite the challenges posed by the macro variables, CIC is confident to maintain the market leadership and Crop Solutions be the cash cow of CIC portfolio.

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Financial Calendar

1st Quarter Financial Results	Released on 14/08/2018
2nd Quarter Financial Results	Released on 09/11/2018
3rd Quarter Financial Results	Released on 12/02/2018
4th Quarter Financial Results	Released on 31/05/2018

2016/17 Interim Dividend Paid	23/12/2016
2016/17 Final Dividend Paid	06/08/2017
2017/18 Interim Dividend Paid	29/03/2018
55th Annual General Meeting	29/06/2018

Annual Report of the Directors on the Affairs of the Company

The Directors have pleasure in presenting to members the 55th Annual Report together with the Audited Financial Statements for the year ended 31st March 2018 of CIC Holdings PLC, a public limited liability Company.

GENERAL

CIC Holdings PLC (formerly known as Chemical Industries (Colombo) PLC) was incorporated on 12th May 1964 under the Companies Ordinance No. 51 of 1938 quoted in the Colombo Brokers Association (now Colombo Stock Exchange) from 1964 and re-registered as per the Companies Act No. 7 of 2007 on 21st November 2007. The name of the Company was changed to CIC Holdings PLC from 14th January 2011.

The registered office of the Company is at 199, Kew Road, Colombo 02, at which the Company's head office is situated.

REVIEW OF THE YEAR

The Financial Statements were approved by the Board of Directors on 24th May 2018. The Chairman's Statement, Managing Director's Statement and Review of the Business set out the state of affairs and performance of the Company during the year and incorporate events subsequent to the reporting date of the Balance Sheet.

PRINCIPAL ACTIVITIES

The Company carries on the business of merchandising and manufacturing as its principal activities. There were no significant changes in the activities of the Company during the year under review except discontinuation of its consumer business. During the same period, the subsidiary Chemanex PLC rationalised its business activities and ceased its export business. Accordingly, two of its subsidiaries primarily engaged in export business are now in the process of divesting or winding up. Other than that there has been no changes

in subsidiary companies which include Chemanex PLC and its Subsidiaries, CIC Agri Businesses (Private) Limited and its Subsidiaries, CISCO Speciality Packaging (Private) Limited, CIC Feeds (Private) Limited and its Subsidiaries, Link Natural Products (Private) Limited, CIC CropGuard (Private) Limited, Crop Management Services (Private) Limited, Colombo Industrial Agencies Limited, CIC Lifesciences Limited, CIC Properties (Private) Limited, Cropwiz (Private) Limited, and Precision Agricultural Technologies (Private) Limited. and Unipower (Private) Limited.

ULTIMATE PARENT

The ultimate holding company is Paints & General Industries Limited.

SUBSIDIARIES

CIC Agri Businesses (Private) Limited and its subsidiaries blend and market fertilizer, seed, planting material, fruit, vegetable, animal based farm produce and grains, namely, Rice and Corn. Subsidiary companies of CIC Agri Businesses (Private) Limited are:

- CIC Seeds (Private) Limited, Wayamba Agro Fertilizers Company Limited, CIC Agri Biotech (Private) Limited, CIC Agri Produce Exports (Private) Limited, CIC Dairies (Private) Limited and CIC Grains (Private) Limited. CIC Dairy Breeding & Management (Private) Limited and CIC Agri Produce Marketing (Private) Limited are subsidiaries of CIC Seeds (Private) Limited.
- CIC Feeds (Private) Limited markets animal feed and day old chicks, while its subsidiaries market Veterinary Medicines and produce and process Poultry products. The subsidiary companies of CIC Feeds (Private) Limited are: CIC Vetcare (Private) Limited, CIC Poultry Farms Limited and CIC Bio Security Breeder Farms Limited.

- Chemanex PLC carries on the business of merchandising and manufacturing as its principal activity. The subsidiary companies of Chemanex PLC are: CAL Exports Lanka (Private) Limited now an asset held for sale, Chemanex Exports (Private) Limited and Chemcel (Private) Limited now are assets held for distribution. Subsidiary company Yasui Lanka (Private) Limited is under liquidation. The associate companies are Commercial Insurance Brokers (Private) Limited and Rainforest Eco Lodge (Private) Limited.
- CISCO Speciality Packaging (Private) Limited manufactures speciality plastic packaging.
- Link Natural Products (Private) Limited manufactures and markets Herbal Pharmaceuticals, Herbal Healthcare products and essential oils.
- Colombo Industrial Agencies Limited owns and manages a Store Complex at Ekala.
- Crop Management Services (Private) Limited remains as an investment company since losing the management contract of Maturata Plantations Limited.
- CIC CropGuard (Private) Limited markets a range of Pesticides from principals other than Syngenta.
- CIC Lifesciences Limited manufactures and markets Pharmaceuticals.
- CIC Properties (Private) Limited owns properties for the Group.
- Cropwiz (Private) Limited grows and exports vegetables.
- Precision Agricultural Technologies (Private) Limited promotes advanced agricultural technology.
- Unipower (Private) Limited imports, blends and markets of specialised fertilizer.

Annual Report of the Directors on the Affairs of the Company

Principal Activities of the Equity Accounted Investees

Akzo Nobel Paints Lanka (Private) Limited markets Surface Coatings, Automotive Paints and ancillaries.

CORPORATE DONATIONS

Donations made during the year amounted to Rs. 638,000/- (2017 – Rs. 638,000/-).

FUTURE DEVELOPMENTS

Group of companies looks to further market access for fresh fruit & vegetables, processed food and manufactured pharmaceuticals and to develop export markets for speciality rice, adhesives, and speciality chemicals.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group which are duly certified by the General Manager - Finance and approved by the Board of Directors and signed by CEO together with the Group Finance Director/Company Secretary in compliance with the requirements of the Sections 151, 152 and 168 of the Companies Act No 07 of 2007 are given on pages 64 to 134 of the Annual Report.

PROFITS AND APPROPRIATIONS

For the year ended 31st March 2018	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Profit/(loss) for the year after depreciation	(103,930)	471,672	680,536	1,498,099
From which a deduction is made for taxation and for discontinued operations	198,834	(6,305)	(488,619)	(384,066)
	(477,477)	(285,832)	(569,810)	(227,116)
	(382,573)	179,535	(377,893)	886,917
From which a deduction is made for non-controlling interest	-	-	(35,182)	333,419
	(382,573)	179,535	(413,075)	553,498
To which must be added other comprehensive income	(7,117)	36,302	(27,170)	45,994
	(389,690)	215,837	(440,245)	599,492
To which must be added the unappropriated profit brought forward from the previous year and	1,424,136	1,159,123	5,426,737	4,697,825
Change in non- controlling interest on account of acquisition of subsidiary	-	-	(113,043)	42,235
added realisation of revaluation reserve	-	428,256	129,716	466,265
Making available for appropriation amount of	1,034,446	1,374,960	5,003,165	5,377,561
Out of which and dividend of Rs.2.00 per share was paid	(189,540)	(379,080)	(189,540)	(379,080)
So that the unappropriated profit carried forward will be	844,906	1,424,136	4,813,625	5,426,737

DIVIDENDS

For the year ended 31st March 2018, Company paid a dividend of Rs. 1 per share amounting to Rs. 94.77 Mn on Ordinary & Non-Voting (Class X) shares.

As required by Section 56 (2) and 56 (3) of the Companies Act No. 7 of 2007, the Board of Directors signed a certificate stating that in their opinion that the Company, based on the information available as at present, satisfies the solvency test immediately

after distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors.

INDEPENDENT AUDITOR'S REPORT

The Company's Auditors Messrs. KPMG, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st March 2018 and the Independent Auditor's Report on the Financial Statements is given on pages 61 to 63 of the Annual Report as required by Section 168(1) (c) of the Companies Act No 07 of 2007.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The Company and the Group prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS). The significant Accounting Policies adopted in the Financial Statement is given on pages 70 to 83 of the Annual Report as required by the Section 168 (1) (d) of the Companies Act No. 7 of 2007, the Board of Directors wish to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year

INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No. 7 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the said Act. The related entries were made in the Interests Register during the year under review.

The share ownership of the Directors is indicated on page 56 of the Annual Report.

Directors interest in contracts and remuneration paid to Directors, etc., have been included in the Interests Register which is made available for inspection

under the Companies Act No. 7 of 2007 under reference. The details are given on pages 88 and 125 of this Annual Report.

DIRECTORS

The qualifications and experience of the Directors is provided on pages 18 and 19. The following persons were Directors of the Company at the end of the financial year.

S.H. Amarasekera – Chairman

S.P.S. Ranatunga – Managing Director / Chief Executive Officer

R.S. Captain

S.M. Enderby

S. Fernando – Group Finance Director / Company Secretary

M.P. Jayawardena

P. R. Saldin

APPOINTMENTS & RESIGNATIONS

During the year Mr. S. Fernando was appointed to the Board of Directors of the Company.

During the year Messrs. R.N. Asirwatham, K.B. Kotagama, Prof P.W.M.B.B. Marambe Dr. R.C.W.M.R.D. Nugawela, A.V.P. Silva and D.S. Weerakkody resigned from the Board of Directors of the Company.

RETIREMENT BY ROTATION AND RE-ELECTION

Mr S. Fernando retires in terms of Article 25 (2) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

Mr. R.S. Captain retires in terms of Article 25 (6) of the Articles of Association of

the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

Mr M P Jayawardena retires in terms of Article 25 (6) of the Articles of Association of the Company and being eligible, offers himself for re- election with the unanimous support of the Board.

DIRECTORS' REMUNERATION

Directors' Remuneration in respect of the Group and the Company, for the financial year ended 31st March 2018 are given in Note 11 of the Financial Statements on page 88 of this Annual Report.

LIST OF DIRECTORS OF SUBSIDIARIES AND ASSOCIATES OF THE COMPANY

Names of Directors of all Subsidiaries and Associates of the Company are given on pages 140 and 141 of this Annual Report.

RELATED PARTY TRANSACTIONS

Related Party Transactions have been declared at meetings of the Directors and are detailed in Note 42 to the Financial Statements.

EMPLOYEE SHARE OPTION PLAN (ESOP)

ESOP of the Company was approved by the shareholders of the Company on 30th June 2016. Under this plan the company was authorised to issue up to 20% of Non-Voting share capital. The option granted under this plan has to be exercised within 5 years of such grant. No employees have been provided with any financial assistance to exercise the option.

Annual Report of the Directors on the Affairs of the Company

DIRECTORS' SHAREHOLDING

The Directors together with their close family members' shareholdings in the Company are as follows:

As at 31st March	2018		2017	
	Voting	Non-Voting	Voting	Non-Voting
S.H. Amarasekera	-	-	-	-
S.P.S. Ranatunga	-	22,950	-	22,950
R N Asirwatham (resigned w.e.f. 10.11.2017)	-	-	-	-
R.S. Captain	80	139	80	139
S.M. Enderby	-	-	-	-
S Fernando (appointed w.e.f. 14.08.2017)	-	36,210	N/A	N/A
M.P. Jayawardena	-	16,200	-	16,200
K.B. Kotagama (resigned w.e.f. 20.10.2017)	-	17,100	-	17,100
Prof P W M B B Marambe (resigned w.e.f. 30.11.2017)	-	-	-	-
R. C. W. M. R. D. Nugawela (resigned w.e.f. 15.11.2017)	-	-	-	-
P R Saldin	-	-	-	-
A.V.P. Silva (resigned w.e.f. 06.11.2017)	-	13,500	-	13,500
D.S. Weerakkody (resigned w.e.f. 30.11.2017)	-	-	-	-

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of affairs. The Directors' Responsibility in relation to the Financial Statements is detailed on page 59.

AUDIT COMMITTEE

The following Non-Executive Directors of the Board are members of the Audit Committee.

Mr. P. R. Saldin (Chairman), Mr. S. M. Enderby and Mr. M. P. Jayawardena.

Mr. S. H. Amarasekera, Mr. S.P.S. Ranatunga and Mr S Fernando attended meetings by invitation. Details of the Audit Committee are given on page 24.

HUMAN CAPITAL & COMPENSATION COMMITTEE (REMUNERATION COMMITTEE)

The following Non-Executive Directors of the Board are members of the Remuneration Committee.

Mr. P R Saldin (Chairman), Mr. S.H. Amarasekera, Mr. R. S. Captain and Mr. S. M. Enderby.

Mr. S.P.S. Ranatunga attended the Meetings by invitation.

NOMINATIONS COMMITTEE

The following Non-Executive Directors of the Board and the Chairman of the Company are members of the Nominations Committee.

Mr S.H. Amarasekera (Chairman), Mr R.S. Captain and Mr P. R. Saldin.

Mr. S.P.S. Ranatunga attended the Meetings by invitation.

RELATED PARTY REVIEW COMMITTEE

The following Non-Executive Directors of the Board and the Executive Director are members of the Related Party Review Committee.

Mr. M. P. Jayawardena (Chairman), Mr. S.M. Enderby and Mr. S.P.S. Ranatunga.

ENTERPRISE GOVERNANCE

Systems and procedures which are in place as good Enterprise Governance is an essential component in today's corporate culture.

The practices in this regard are given in Enterprise Governance of this Annual Report on pages 20 to 23.

VISION, MISSION AND CORPORATE CONDUCT

The Company's Vision and Mission are given on page 4 of this Annual Report. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission. The Company issues a copy of its code of ethics to each and every employee who are required to abide by the Company's code of conduct.

EQUITABLE TREATMENT TO SHAREHOLDERS

The Company has made all endeavours to ensure equitable treatment to all shareholders.

SYSTEMS AND INTERNAL CONTROLS

The Directors acknowledge their responsibility for the Group's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable but not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board having reviewed the system of internal control, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.

INCOME TAX EXPENSES

Income Tax Expenses have been computed at the rates given in Note 12 to the Financial Statements. The Group has also provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standards – LKAS 12 on "Income Taxes"

REVENUE

The revenue of the Group was Rs. 32 Bn (2017 – Rs 32.2 Bn). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 5 to the Financial Statements.

CAPITAL EXPENDITURE

Details of property, plant and equipment and their movements during the year are listed in Note 16 to the Financial Statements. Capital Expenditure approved and contracted for are given page 123.

MARKET VALUE OF FREEHOLD PROPERTIES

All freehold land of the Group Companies were re-valued by professionally qualified independent valuers as at 31st, March 2016 and brought into Financial Statements. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties. Details of revaluations are listed in Note 16 to the Financial Statements. During the year the company revalued lands which are classified as "held for sale". Details are provided in the Note 16 to the Financial Statements.

INVESTMENTS

Details of investments and their movements during the year are listed in Notes 22,23 and 24 to the Financial Statements.

RESERVES

Total reserves of the Group stood at Rs. 7.5 Bn as at 31st March 2018 (Rs. 8.0 Bn as at 31st March 2017) details of which are given in the Statement of Changes in Equity.

STATED CAPITAL

The Stated Capital is the total of all amounts received by the Company in

respect of the issue of shares. The Stated Capital of the Company amounts to Rs. 1,008,450,000/- comprising of 72,900,000 Ordinary Shares and 21,870,000 Non-Voting (Class X) Shares.

SHARE INFORMATION

Information relating to earnings, dividends, net assets per share, market value of a share and information on share trading are stated under Shareholder and Investor Information.

SHAREHOLDING

A list of top 20 shareholders for both Voting and Non-Voting is given on pages 136 and 137 of the Annual Report.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given under Sustainability Report on Company website.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity against the prevailing laws and regulations. Compliances with provisions in laws and regulations are confirmed to the Board of Directors at all Board Meetings.

STATUTORY PAYMENTS

The Directors are satisfied that all Statutory Payments to the Government and other Statutory Institutions including employee related payments have been made on time to the best of their knowledge and belief.

HUMAN RESOURCE

The Company's Human Resource Management Policies and Practices are designed to improve efficiency,

Annual Report of the Directors on the Affairs of the Company

effectiveness and productivity and also nurture collaborative teams that enrich the work and learning environment of all our staff.

Information relating to Human Resource & Employment Policies is given under Sustainability Report on Company website.

CORPORATE SOCIAL RESPONSIBILITY

All activities embarked by the Company in this regard are given under Sustainability Report on Company website.

GOING CONCERN

After considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the Corporate Governance Code, the Directors have reasonable expectation that the Company possesses adequate resources to continue to be in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

EVENTS AFTER THE REPORTING DATE

No material events have taken place after the reporting date which require an adjustment to or a disclosure in the Financial Statements.

AUDITORS' REMUNERATION AND INTEREST IN CONTRACTS WITH THE COMPANY

The Company's Auditors during the period under review were Messrs. KPMG, Chartered Accountants.

A sum of Rs. 8.20 Mn was paid to respective Auditors of the Group as consolidated audit fees during the year under review (Company- Rs. 2.01 Mn) and a sum of Rs. 1.07 Mn was paid by

the Company for tax and other related services.

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company or its subsidiaries other than those disclosed in the above paragraph.

RE-APPOINTMENT OF AUDITORS

The retiring auditors Messrs. KPMG have intimated their willingness to continue in office and a resolution to re-appoint them as auditors and authorising the Directors to fix their remuneration will be proposed at the upcoming Annual General Meeting.

NOTICE OF MEETING

Notice of Meeting of the Fifty Fifth Annual General Meeting is enclosed herewith.

As required by the Section 168 (1) (k) of the Companies Act No 07 of 2007, the Board of Directors does acknowledge the contents of this Annual Report.


By Order of the Board



S.H. Amarasekera
Chairman



S.P.S. Ranatunga
Managing Director/CEO



S. Fernando
Group Finance Director/Company Secretary

24th May 2018

Directors' Responsibility for Financial Reporting

The Directors' responsibility in relation to the Financial Statements is detailed below. The Report of the Auditors sets out their responsibility in relation to the Financial Statements.

The Companies Act No. 07 of 2007 requires that the Directors prepare the Financial Statements for each financial year, which reflect a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and the profit/ loss for that financial year. In preparation of these statements, the Directors are required to ensure that,

1. Appropriate accounting policies have been selected and applied based on the new financial reporting framework on a consistent basis while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected. Material departures, if any, are disclosed and explained. The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.
2. Financial Statements prepared and presented in this Annual Report have been prepared based on new Sri Lanka Accounting Standards (SLFRS/LKAS) which came to effect from 1st January 2012 and are in agreement with the underlying books of account and in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.
3. The Company keeps sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and that

of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act No. 07 of 2007. Also, reasonable steps are taken to safeguard the assets of the Company and to establish appropriate systems of internal controls, which provide reasonable though not absolute assurance to the Directors that assets are safeguarded and internal controls are in place with a view to the prevention and detection of frauds and errors.

4. As required by Sections 56 (2) and 56 (3) of the Companies Act No. 07 of 2007, the Board of Directors signed a certificate stating that in their opinion the Company, based on the information available as at present, satisfies the solvency test immediately after distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to dividend distribution.
5. The Directors are required to prepare the Financial Statements and with the Company's External Auditors, Messrs. KPMG who were appointed in terms of the Section 158 of the Companies Act No. 7 of 2007 and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors of the Company together with all the financial records, related data and Minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 61 to 63.
6. As required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time

and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

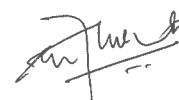
7. The Company and its quoted subsidiaries, have met all the requirements under Section 7 on the Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange, wherever applicable.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Group companies, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its Group companies, and all other known statutory dues as were due and payable by the Company and its Group companies as at the reporting date have been paid or where relevant provided for.

By Order of the Board,



S. Fernando
Company Secretary

24th May 2018

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements of CIC Holdings PLC and the Consolidated Financial Statements of the Group are prepared in conformity with requirements of the

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka,
- Companies Act No. 07 of 2007,
- Sri Lanka Accounting & Auditing Standards Act No 15 of 1995,
- Listing Rules of the Colombo Stock Exchange

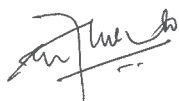
The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Messrs. KPMG, Chartered Accountants, the Independent Auditors.

The Audit Committee of our Company meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these auditors are performing their responsibilities, and to discuss auditing, internal control and reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.



S.P.S. Ranatunga
Managing Director/CEO



S. Fernando
Group Finance Director

24th May 2018

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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+94 - 11 244 6058
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Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF CIC HOLDINGS PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of CIC Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2018, and the income statement, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 64 to 134.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka

(Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of provision for obsolete and slow-moving inventories

Refer note 25 to the consolidated financial statements

Nature and area of focus	Our response
As disclosed in Note 25 to the financial statements, the Group has recorded inventories of Rs. 8,843 Mn as at 31st March 2018.	<ul style="list-style-type: none"> We examined the basis of the methodology for assessing the slow moving inventory provisions and the appropriateness of the provisioning amounts applicable to individual categories of inventory.
Inventory is a significant balance for the Group and there are number of judgmental areas including obsolescence.	<ul style="list-style-type: none"> We reviewed, recalculated and assessed the inventory ageing and provisioning for reasonableness, including challenging the appropriateness of provisioning with reference to both historical and post year end performance and reviewed sales forecast to identify possible slow-moving or obsolete inventory due to holding of excess inventory.
The Company has undertaken a program to re-strategizing its operations and accordingly, some of the business units have been discontinued during the year. The risk of provision for slow moving and obsolete inventories has increased due to the discontinuation of the some of the SBUs and changes to business model.	<ul style="list-style-type: none"> We compared, on a sample basis, the actual selling prices achieved during the current year with the estimated selling prices of the respective inventories at the end of the previous financial year to assess the historical accuracy of management's estimating process
We identified this as a key audit matter because of the significant judgments and estimates involved in estimating the provision for slow-moving and obsolete inventories.	<ul style="list-style-type: none"> We have also considered the impact on the business model due to re-strategizing and other specific known areas of overstock on the required provisioning calculation. We evaluated and challenged the management's forecasts and plans on disposing of inventories of the discontinued SBU's.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Kanusaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyaratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

Independent Auditor's Report



Provision for impairment of subsidiaries and equity accounted investees

Refer note 23 to the consolidated financial statements

Nature and area of focus	Our response
<p>As disclosed in Note 22 and 23 to the financial statements, the Company has recorded Rs. 1,576 Mn as investments in subsidiaries and Rs. 161 Mn as equity accounted investees as at 31st March 2018.</p> <p>The determination of the impairment provision for investment in subsidiaries and equity accounted investees involve highly subjective judgments and management involvement.</p> <p>The Group has undertaken a re-strategizing program and accordingly, some of the business units have been discontinued during the year. The risk of provision for impairment of investments in subsidiaries and associates is increased due to the discontinuation of the some of the SBUs and changes to the business model.</p> <p>We have identified the impairment of investments in subsidiaries and equity accounted investees as a key audit matter since that is based on forecasting and discounting cash flows, which are inherently judgmental.</p>	<ul style="list-style-type: none"> We examined the indications of possible impairment of investments in subsidiaries and associates. Inquired from the Management and corroborated the reasonableness of the carrying value with the evidences such as business plan, order books and cash flow forecast. We obtained the forecasted cash flows of the subsidiaries and associates with impairment indicators and reviewed the reasonableness of assumptions used and the appropriateness of the valuation technique applied. We have also considered the impact of changes in the business model due to the re-strategizing program and other specific matters known to us relating to the impairment of subsidiaries and associates.

Assets held for sale and discontinued operations

Refer note 13 to the consolidated financial statements

Nature and area of focus	Our response
<p>As disclosed in Note 13 to the financial statements, the Group has recorded a loss from discontinued operations of Rs. 570 Mn for the year ended 31st March 2018 and recorded assets held for sale of Rs. 1,977 Mn as at 31st March 2018.</p> <p>The Group has undertaken re-strategizing program and accordingly, some of the business units have been discontinued during the year.</p> <p>Accordingly, the classification of these businesses as discontinued operations must be carefully considered in line with the relevant accounting standard and the appropriate disclosures should be made in the financial statements.</p> <p>We identified this as a key audit matter due to the complexities and high level of judgment involved in determining discontinued operation and classification of assets held for sale and due to the complex disclosure requirements.</p>	<ul style="list-style-type: none"> We obtained a detail understanding of the proposed changes to the operations and business model of the Group due to re-strategizing program and evaluated the operational areas that met the SLFRS 5 criteria for discontinued operations and asset held for sale. We evaluated whether the management has committed to an active plan for disposing of the assets that have been classified as held for sale. We checked the appropriateness and the accuracy of the amount transferred to asset held for sale, immediately prior to the transfer of respective assets and liabilities. We reviewed the appropriateness of the disclosures made in the financial statements for the discontinued operations and assets held for sale.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

Chartered Accountants

Colombo, Sri Lanka
24th May 2018

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Continuing operations					
Revenue	6	9,116,255	7,999,044	32,044,493	32,210,546
Cost of sales		(6,946,484)	(5,981,545)	(25,553,869)	(24,885,401)
Gross profit		2,169,771	2,017,499	6,490,624	7,325,145
Other income	7	401,238	667,239	672,790	311,298
Distribution expenses		(1,239,298)	(1,103,234)	(3,201,492)	(2,960,799)
Administrative expenses		(636,469)	(649,890)	(2,133,108)	(1,858,202)
Other expenses	8	(271,530)	-	(6,319)	(49,923)
Results from operating activities		423,712	931,614	1,822,495	2,767,519
Finance cost (net)	9	(527,642)	(459,942)	(1,409,012)	(1,604,148)
Share of profit of equity accounted investees (net of tax)	10	-	-	267,053	334,728
Profit/(loss) before tax	11	(103,930)	471,672	680,536	1,498,099
Income tax expense	12	198,834	(6,305)	(488,619)	(384,066)
Profit from continuing operations		94,904	465,367	191,917	1,114,033
Discontinued operations					
Loss from discontinued operations (net of tax)	13	(477,477)	(285,832)	(569,810)	(227,116)
Profit/(loss) for the year		(382,573)	179,535	(377,893)	886,917
Other comprehensive income/(expenses)					
Items that will never be reclassified to profit or loss					
Actuarial gain/(losses) on retirement benefit obligations		(9,885)	50,419	(52,845)	73,859
Actuarial losses on retirement benefit obligations-discontinued operations		-	-	(1,093)	-
Deferred tax charge on revaluation of surplus		(146,662)	-	(498,741)	-
Surplus on revaluation of land classified as held for sale		639,889	-	639,889	-
Income tax on other comprehensive income		2,768	(14,117)	14,674	(19,170)
Items that are or may be reclassified to profit or loss					
Fair value loss on available for sale financial assets		(13,462)	(57,337)	(10,864)	(55,489)
Other comprehensive income/(expenses) for the year		472,648	(21,035)	91,018	(800)
Total comprehensive income/(expenses) for the year		90,075	158,500	(286,873)	886,117
Profit/(losses) attributable to :					
Equity holders of the Company		(382,573)	179,535	(413,075)	553,498
Non- controlling interests		-	-	35,182	333,419
Profit/(losses) for the year		(382,573)	179,535	(377,893)	886,917
Total comprehensive income/(expenses) attributable to :					
Equity holders of the Company		90,075	158,500	(220,293)	542,979
Non- controlling interests		-	-	(66,580)	343,138
Total comprehensive income/(expenses) for the year		90,075	158,500	(286,873)	886,117
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share (Rs.)	14	(4.04)	1.89	(4.36)	5.84
Earnings/(loss) per share-continuing operations					
Basic/diluted earnings/(loss) per share (Rs.)		1.00	4.91	1.18	8.54

Notes from pages 70 to 134 form an integral part of the Financial Statements.
Figures in brackets indicate deductions.

Statements of Financial Position

As at 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
ASSETS					
Non- current assets					
Property, plant and equipment	16	1,959,392	2,457,525	12,275,229	12,645,808
Investment property	17	-	-	13,900	54,147
Capital work-in-progress	18	-	96,325	382,247	301,036
Biological assets	19	-	-	181,028	248,508
Intangible assets	20	40,103	20,959	391,938	168,809
Deferred tax assets	21	-	-	198,595	171,357
Investment in subsidiaries	22	1,576,208	1,092,636	-	-
Equity accounted investees	23	161,109	424,240	1,014,167	972,697
Other non-current financial assets	24	352,179	356,937	362,492	367,261
		4,088,991	4,448,622	14,819,596	14,929,623
Current assets					
Inventories	25	2,402,569	2,916,525	8,843,024	8,497,865
Trade receivables	26	2,402,737	2,148,286	5,299,221	4,906,082
Other receivables	27	722,900	833,273	1,869,810	1,996,384
Other current financial assets	28	46,539	36,855	442,510	79,539
Cash in hand and at bank	29	220,169	170,134	1,567,229	1,291,446
		5,794,914	6,105,073	18,021,794	16,771,316
Assets classified as held for sale	13.2	1,208,473	-	1,976,725	3,776
Assets classified as held for distribution	13.5	197	197	169,164	92,580
		7,003,584	6,105,270	20,167,683	16,867,672
Total assets		11,092,575	10,553,892	34,987,279	31,797,295
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Stated capital	30	1,008,450	1,008,450	1,008,450	1,008,450
Capital reserves	31	1,327,907	834,680	1,917,975	1,815,568
Revenue reserves	32	1,555,588	2,148,280	5,611,505	6,237,214
		3,891,945	3,991,410	8,537,930	9,061,232
Non controlling Interests		-	-	2,174,725	2,354,316
Total equity		3,891,945	3,991,410	10,712,655	11,415,548
Non-current liabilities					
Loans and borrowings	33	-	-	1,172,397	1,184,858
Retirement benefit obligations	34	179,965	165,893	661,269	590,288
Grants	35	-	-	8,953	11,826
Deferred tax liabilities	21	30,394	53,223	1,479,003	602,937
		210,359	219,116	3,321,622	2,389,909
Current Liabilities					
Trade payables	36	1,069,322	1,074,773	5,831,393	4,020,460
Income tax payable	37	-	-	88,052	141,576
Accruals and other payables		495,652	394,070	1,445,854	1,162,724
Loans and borrowings	33	5,425,297	4,863,417	13,199,171	12,651,962
		6,990,271	6,332,260	20,564,470	17,976,722
Liabilities classified as held for sale	13.2	-	11,106	380,599	13,718
Liabilities classified as held for distribution	13.5	-	-	7,933	1,398
		6,990,271	6,343,366	20,953,002	17,991,838
Total liabilities		7,200,630	6,562,482	24,274,624	20,381,747
Total equity and liabilities		11,092,575	10,553,892	34,987,279	31,797,295
Net assets per share		41.07	42.12	90.09	95.61

Notes from pages 70 to 134 form an integral part of the Financial Statements.

It is certified that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No 07 of 2007.



G.P.S. Samarakoon

General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,



S.P.S. Ranatunga

Managing Director/CEO



S. Fernando

Group Finance Director/ Company Secretary

24th May 2018, Colombo

Statements of Changes in Equity

Company In Rs.'000	Stated Capital	Revaluation Reserve	General Reserves	Available For Sale Reserve	Retained Earnings	Total
As at 01st April 2016	1,008,450	1,262,936	782,604	(1,123)	1,159,123	4,211,990
Profit for the year	-	-	-	-	179,535	179,535
Realisation of revaluation reserve	-	(428,256)	-	-	428,256	-
Other comprehensive income	-	-	-	(57,337)	36,302	(21,035)
Total comprehensive income	1,008,450	834,680	782,604	(58,460)	1,803,216	4,370,490
Dividends (Note 15)	-	-	-	-	(379,080)	(379,080)
Total contributions by and distribution to the owners of the Company	-	-	-	-	(379,080)	(379,080)
As at 31st March 2017	1,008,450	834,680	782,604	(58,460)	1,424,136	3,991,410
Profit for the year	-	-	-	-	(382,573)	(382,573)
Other comprehensive income	-	-	-	(13,462)	(7,117)	(20,579)
Surplus on revaluation	-	639,889	-	-	-	639,889
Deferred tax on revaluation of land	-	(146,662)	-	-	-	(146,662)
Total comprehensive income	-	493,227	-	(13,462)	(389,690)	90,075
Dividends (Note 15)	-	-	-	-	(189,540)	(189,540)
Total contributions by and distribution to the owners of the Company	-	-	-	-	(189,540)	(189,540)
As at 31st March 2018	1,008,450	1,327,907	782,604	(71,922)	844,906	3,891,945

Notes from pages 70 to 134 form an integral part of the Financial Statements.
Figures in brackets indicate deductions.

Group In Rs.'000	Attributable to the equity holders of the Company						Non- Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Available For Sale Reserve	General Reserves	Retained Earnings	Total		
As at 01st April 2016	1,008,450	2,281,833	5,392	861,598	4,697,825	8,855,098	2,029,199	10,884,297
Profit for the year	-	-	-	-	553,498	553,498	333,419	886,917
Realisation of capital reserve on account of disposal of assets		(466,265)			466,265			
Other comprehensive income	-	-	(56,513)	-	45,994	(10,519)	9,719	(800)
Total comprehensive income for the year	-	(466,265)	(56,513)	-	1,065,757	542,979	343,138	886,117
Transactions with shareholders								
Dividend paid to equity holders of the parent (Note15)	-	-	-	-	(379,080)	(379,080)	-	(379,080)
Change in NCI on account of restructuring of subsidiary	-	-	-	-	42,235	42,235	(42,235)	-
Subsidiary dividend to non controlling- interest	-	-	-	-	-	-	(89,111)	(89,111)
NCI on acquisition of subsidiary	-	-	-	-	-	-	113,325	113,325
Transaction with owners of the Company	-	-	-	-	(336,845)	(336,845)	(18,021)	(354,866)
As at 31st March 2017	1,008,450	1,815,568	(51,121)	861,598	5,426,737	9,061,232	2,354,316	11,415,548
Profit for the year	-	-	-	-	(413,075)	(413,075)	35,182	(377,893)
Other comprehensive income	-	(407,343)	(12,597)	-	(27,170)	(447,110)	(101,762)	(548,872)
Realisation of capital reserve on account of disposal of assets	-	(129,716)	-	-	129,716	-	-	-
Surplus on revaluation of lands classified as held for sale		639,889				639,889		639,889
Loss on revaluation of land		(423)				(423)	(287)	(710)
Total comprehensive income for the year	-	102,407	(12,597)	-	(310,529)	(220,719)	(66,867)	(287,586)
Transactions with shareholders								
Dividend paid to equity holders of the parent (Note15)	-	-	-	-	(189,540)	(189,540)	-	(189,540)
Subsidiary dividend to non controlling- interest							(44,796)	(44,796)
Acquisition of subsidiary	-	-	-	-	-	-	12,855	12,855
Incorporation of subsidiary							6,670	6,670
Change in the effective holding of the subsidiary	-	-	-	-	(113,043)	(113,043)	(87,453)	(200,496)
Transaction with owners of the Company	-	-	-	-	(302,583)	(302,583)	(112,724)	(415,307)
As at 31st March 2018	1,008,450	1,917,975	(63,718)	861,598	4,813,625	8,537,930	2,174,725	10,712,655

Notes from pages 70 to 134 form an integral part of the Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statements

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Cash flow from operating activities				
Cash generated from / (used for) operations (Note A)	701,618	(924,994)	4,265,487	1,873,958
Interest paid (net)	(562,743)	(501,634)	(1,483,426)	(1,641,032)
Retirement benefits paid	(34,669)	(28,687)	(140,753)	(53,195)
Income tax paid	(62,404)	(50,432)	(404,844)	(312,272)
Net cash inflow/(outflow) from operating activities	41,802	(1,505,747)	2,236,464	(132,541)
Cash flow from investing activities				
Additions to property, plant & equipment	(141,781)	(331,368)	(607,112)	(962,603)
Additions to capital work-in-progress	(25,116)	(96,325)	(1,475,598)	(568,788)
Additions to intangible assets	(24,070)	(10,110)	(34,546)	(43,874)
Additions to biological assets	-	-	(149,734)	(270,954)
Addition to other long-term investments	(12,093)	(418,774)	(12,856)	(418,890)
Proceeds from disposal of property, plant & equipment	25,529	137,441	308,845	247,448
Proceeds from disposal of assets held for sale	-	445,000	-	445,000
Proceeds from disposal of assets held for distribution	-	179,116	-	596,671
Proceeds from disposal of investment property	-	-	90,000	65,000
Proceeds from disposal of Investments	-	-	-	25,221
Proceeds from sale of biological assets	-	-	220,330	236,881
Commission paid on property, plant & equipment disposal	-	-	(4,609)	-
Short term investments	(6,295)	-	(370,933)	(15,423)
Dividend received from subsidiaries	87,985	150,123	-	-
Dividend received from equity accounted investees	199,800	267,300	203,400	267,300
Dividend received from other financial assets	23,906	6,255	35,304	19,466
Investment in subsidiaries and equity accounted investees (net of cash)	(491,972)	(247,689)	(525,795)	113,325
Investment in assets held for distribution	-	(149)	-	-
Subsidiary dividends to non-controlling interest	-	-	(44,796)	(89,111)
Net cash inflow/(outflow) from investing activities	(364,107)	80,820	(2,368,100)	(353,331)
Net cash outflow before financing activities	(322,305)	(1,424,928)	(131,636)	(485,872)
Cash flow from financing activities				
Dividends paid to equity holders of the parent	(189,540)	(379,080)	(189,540)	(379,080)
Capital payment on finance leases	-	(1,255)	(9,276)	(12,190)
Repayment of long-term borrowings	(62,265)	(76,500)	(500,801)	(1,473,424)
Long-term borrowings obtained	-	-	401,981	1,617,855
Net cash outflow from financing activities	(251,805)	(456,835)	(297,636)	(246,839)
Net decrease in cash & cash equivalents during the period	(574,110)	(1,881,763)	(429,272)	(732,711)
Cash & cash equivalents at the beginning of the period	(4,631,018)	(2,749,255)	(10,642,836)	(9,910,125)
Cash & cash equivalents at the end of the period (Note B)	(5,205,128)	(4,631,018)	(11,072,108)	(10,642,836)

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Note A - Cash generated from/(used for) operations				
Profit before interest and tax from continuing businesses	423,712	931,614	1,822,495	2,767,519
Profit before interest and tax from discontinued businesses	(442,376)	(244,140)	(486,922)	(190,236)
Adjustments for:				
Depreciation on property, plant & equipment	185,870	157,473	897,900	816,413
Loss on property, plant and equipment due to flood and write off	-	-	-	1,439
Impairment of property, plant & equipment	-	-	158,054	18,752
Impairment of intangible assets	-	-	4,876	-
Write off of property, plant and equipment	-	-	1,479	-
Adjustment due to disposal of subsidiary property, plant and equipment disposal	-	-	(5,622)	-
(Gain) /loss on disposal of property, plant & equipment	(18,627)	(63,824)	(411,295)	(136,861)
Gain on disposal of assets held for sale	-	(4,342)	-	(4,342)
Gain on disposal of investment property	-	-	(49,753)	(27,500)
Gain on disposal of subsidiary and equity accounted investees	-	-	-	(535)
Gain on disposal of investments	-	-	-	(1,029)
Loss on disposal of assets classified as distribution	-	(59,163)	-	9,244
Provision for retirement benefit	38,855	38,810	160,772	113,517
Provision/(reversal of provision) for impairment of investment against subsidiaries and equity accounted investees	271,531	(39,850)	-	-
Amortisation of intangible assets	4,926	2,329	18,512	12,205
Provision for impairment of trade receivables	48,591	48,168	38,349	132,905
Provision for write-down of inventories	372,707	204,029	493,539	272,334
Gain from changes in fair value - biological assets	-	-	(3,116)	11,947
Grants amortised	-	-	(1,154)	(1,878)
Dividend income	(311,691)	(423,678)	(35,304)	(19,466)
Operating profit before working capital changes	573,498	547,426	2,602,810	3,774,428
(Increase)/decrease in trade and other receivables	(98,155)	(418,211)	333,883	(442,661)
(Increase)/decrease in inventories	141,249	(714,356)	(799,582)	593,596
Increase/(decrease) in trade and other payables	85,026	(339,853)	2,128,376	(2,051,405)
Cash generated from/(used for) operations	701,618	(924,994)	4,265,487	1,873,958
Note B - Analysis of cash & cash equivalents at the end of the year				
Cash in hand and at bank	220,169	170,134	1,743,349	1,295,952
Interest bearing short-term borrowings	(5,425,297)	(4,801,152)	(12,815,457)	(11,938,788)
	(5,205,128)	(4,631,018)	(11,072,108)	(10,642,836)

Notes from pages 70 to 134 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

CIC Holdings PLC (formerly known as Chemical Industries (Colombo) PLC) is a limited liability Company incorporated and domiciled in Sri Lanka. The address of the Company's registered office and the principal place of business is 199, Kew Road, Colombo 2.

The consolidated financial statements of CIC Holdings PLC, as at and for the year ended 31st March 2018 comprise of Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity accounted investees. Descriptions of the nature of the operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 140.

Ultimate Parent Company of CIC is Paints & General Industries Limited, a Company domiciled in Sri Lanka.

The financial statements of all Companies in the Group as mentioned in Notes 22 and 23 to the financial statements are prepared for a common financial year, which ends on 31st March, other than Commercial Insurance Brokers (Private) Limited which has been prepared up to 31st December as per their reporting requirements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (Here in after referred to as SLFRS/LKAS), issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and the requirements of the Companies Act No. 7 of 2007.

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements. The consolidated financial statements

were authorised for issue by the Directors on 24th May 2018.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except that land and short-term investments are measured at fair value and the retirement benefit obligations are measured at the present value of the defined benefit plans as explained in the respective Notes to the financial statements.

2.3 Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless stated otherwise.

2.4 Use of Estimates and Judgments and Assumptions.

The preparation of Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised in any future periods effected.

2.4.1 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

- Note 7 – commission income: whether the group acts as an agent in the transaction rather as a principal;
- Note 33 – leases: whether an arrangement contains a lease;
- Note 23 – consolidation: whether the group has control over an investee; and
- Note 33 – lease classification

2.4.2 Assumptions and estimation uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 31st March 2018 is included in the following notes.

- Note 34 – measuring of defined benefit obligations: key actuarial assumptions;
- Note 21 – recognition of deferred tax liability
- Note 2.4.4 – impairment test: key assumptions underlying recoverable amounts;
- Note 39 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude; and
- Note 22 – acquisition of subsidiary: fair value measured on a provisional basis.

2.4.3 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Financial Director.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.4.4 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets.

Impairments losses are recognised in the profit or loss.

Impairment losses recognised in respect of cash generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

An impairment loss in respect of goodwill is not reserved. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

2.4.5 Retirement Benefits

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases,

mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the weighted average cost of capital. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on expected future inflation rates for the respective country.

2.4.6 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position can't be derived from the active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the reported fair value of financial instruments.

2.4.7 Development Costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of cost is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

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2.4.8 Recognition of Deferred Tax Assets

Management applies significant judgement on the extent to which deferred tax assets can be recognised based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, unless otherwise indicated. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not intend either to liquidate or cease trading.

3.1. Basis of Consolidation

3.1.1 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3.1.2 Non-Controlling Interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

The acquisition of an additional ownership interest or a disposal of ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent. No adjustment is made to goodwill as a result of such transactions.

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; The contractual arrangement with the other vote holders of the investee, Rights arising from other contractual arrangements and The Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Summarised financial Information in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the group) are disclosed separately when applicable.

3.1.4 Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Associates and Joint Venture

An associate is an entity in which the Group has significant influence, but no control over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not have the control or joint control over those policies.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group determines significant influence or joint control by taking into account similar considerations necessary to determine control over subsidiaries.

The Group's investment in associate and joint venture are accounted for using

the equity method and are recognised initially at cost which includes the transaction cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate

or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate or joint control over the joint venture and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

Details of the associates within the Group are provided in Note 23 to the financial statements and the details of the joint venture are provided in Note 23 to the Financial Statements.

3.1.6 Intra-group transactions

Pricing policies of all intra-group sales are identical to those adopted for normal trading transactions, which are at market prices.

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3.1.7 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary

items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.2.2 Group Companies

On consolidation the assets and liabilities of foreign operations are translated into Sri Lankan rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

3.3.1 Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the sale of goods is recognised

when the significant risks and rewards of ownership of the goods have been transferred to the customer, usually on delivery of the goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

3.3.2 Rendering of Services

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

3.3.3 Interest Income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method.

3.3.4 Dividend Income

Dividend Income is recognised when the Group's right to receive the payment is established.

3.3.5 Rental Income

Rental income arising from operating leases on investment properties or renting out of premises are recognised as revenue on a straight-line basis over the term of the lease or agreement.

3.3.6 Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

3.3.7 Others

Other income is recognised on an accrual basis.

Net gains and losses on the disposal of Property, Plant & Equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds

on disposal, the carrying amount of the assets and related selling expenses.

3.4 Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

3.5 Tax

3.5.1 Current Income Tax

Current tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns

with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.5.2 Deferred Tax

Deferred tax is recognised in respect of the temporary differences between the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences, except for:

- Temporarily differences on the initial recognition of asset or liability in a transaction that is not a business combination and, at the time of the transaction, that affects neither the accounting profit nor taxable profit or loss;
- Temporary differences associated with investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates (and tax laws) enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside

profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.6 Discontinued Operations and Assets Held for Sale/ Distribution

3.6.1 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

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- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

3.6.2 Assets held for sale

Before the classification as held for sale, non-current assets and liabilities in the disposal group are measured in accordance with relevant SLFRSs. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for distribution when the Company/Group committed to distribute the assets or disposal group to its owners.

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

3.7 Property, Plant and Equipment

3.7.1 Initial Recognition and Measurement

Items of property, plant and equipment are measured at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes expenditure that is directly attributable to the acquisition of the asset and includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3.7.2 Subsequent Costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant

accounting judgements, estimates and assumptions (Note 2.4) and Provisions (Note 3.16) for further information about the recorded decommissioning provision.

3.7.3 Revaluation

Land are measured at fair value. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss, in which case, the increase is recognised in the profit or loss. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

3.7.4 Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the each component.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- Buildings 10 to 40 years
- Plant and equipment 5 to 50 years
- Computers and allied equipment 3-8 years
- Motor Vehicles 3-30 years
- Furniture & Fittings 5-20 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.7.5 De-recognition

An item of property, plant and equipment is de recognised upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on de-recognition of assets are determined by comparing the proceeds from the disposal with the carrying amount of property, plant & equipment and are recognised net within "Other Income" in profit or loss.

3.8 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the

shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are not recognised in the Group's statement of financial position and recognised as an operating expense in the income statement on a straight-line basis over the lease term.

3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.10 Investment properties

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The Group adopts cost model to measure investment. Investment properties are measured initially at cost. Subsequently to initial recognition investment property is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are derecognised when either they have been disposed

of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure on internally generated intangible assets, excluding capitalised development costs, is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Except for goodwill, intangible assets with finite lives are amortised on a straight-line basis in profit or loss over the useful economic life and assessed for impairment whenever there is an indication that the

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intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.11.1 ERP Implementation cost

The initial cost incurred for ERP implementation has been capitalised and amortised over a period of 10 years.

3.11.2 Research and development costs

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale

- The intention to complete and the ability to use or sell the asset
- Probability of generating future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.12 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down

to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The

reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

3.12.1 Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.12.2 Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 March either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.13 Financial instruments

3.13.1 Financial Assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss as finance income. The losses arising from impairment are recognised in profit or loss.

Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Available-For-Sale Financial Investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to profit or loss as finance costs. Interest earned whilst holding available-for-sale financial investment is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

Notes to the Financial Statements

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

De-recognition of Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - The Group has transferred substantially all the risks and rewards of the asset, or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's

continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that

no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available For Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument

increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

3.13.2 Non-derivative Financial Liabilities

Initial Recognition and Measurement

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term and are recognised initially on the trade date, which is the

date that the Group becomes a party to the contractual provisions of the instrument at fair value less any directly attributable transaction costs.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss as finance costs.

De-recognition of Financial Liabilities

A financial liability is derecognised when its contractual obligations under the liability are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

3.13.3 Off-setting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

Notes to the Financial Statements

- There is a currently enforceable legal right to offset the recognised amounts

And

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

3.13.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in an active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask prices for short term positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include;

- Using recent arm's length market transactions;
- Reference to the current fair value of the instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 43.

3.14 Biological assets

The Group's biological assets consist of poultry, teak and livestock. Except for parent birds, biological assets are measured at fair value less cost to sell, with any change therein recognised in profit or loss. Parent birds are valued at cost less accumulated amortisation as the fair value cannot be measured reliably.

3.15 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate

share of production overheads, based on normal operating capacity. In the case of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision for obsolete and slow moving inventory

Specific provision are made giving considerations to the condition of inventory held by the Company/Group.

3.16 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that an outflow of economic benefits will be required to settle the obligations.

3.17 Employment benefits

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Group recognises all actuarial gains and losses arising from defined benefit

plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

Defined Contribution Plan - Employees' Provident Fund/ Mercantile Services Provident Society and Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no further legal or constructive obligation to pay further amounts. The Group contributes 12%, 12% and 3% of gross emoluments of employees to the Employees' Provident Fund, Mercantile Services Provident Society and the Employees' Trust Fund respectively. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.18 Share-based payment transactions - ESOS

Shareholders of the Company resolved on 30th June 2016 the issue of Four Million Three Hundred Seventy Four Thousand Non-Voting (Class X), Ordinary Shares (constituting approximately 20% of the issued Non-Voting (Class X) shares as at 24th May 2016) to all executive officers in the level premier managers and above in CIC Group under and Employee Share Option Scheme (ESOS). Options were granted for no consideration. The shares would be issued to employees during a period of 5 years commencing from 2017. The shares under ESOS were priced at average of volume weighted average market price of the Company's shares for thirty (30) market days immediately preceding the grant date.

There will be no financial assistance granted to employees with regard to the ESOS.

“Group” for the purpose of ESOS will consist of CIC Holdings PLC, CIC Agri Businesses Group, CIC Crop Guard (Private) Limited and CIC Feeds (Private) Limited and its subsidiaries.

The cost of equity – settled transactions is recognised, together with a corresponding increase in other capital reserves in equity if management intends that the eligible employees will exercise the option right in foreseeable future.

During the year, no options were granted/ exercised under ESOS.

3.19 Earnings Per Share

The Group presents basic Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted number of ordinary shares outstanding during the period.

3.20 Cash Flow Statement

The cash flow statement has been prepared using the indirect method.

3.21 Segment Reporting

The Group has the following five strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

A summary describing the operations of each reportable segment is given in pages 140 and 141.

Segment results that are reported to the Group's CEO (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise mainly corporate assets (primarily the Company's head office), head office expenses and tax assets and liabilities.

3.22 Events Occurring after the Reporting Date

All material events occurring after the reporting date have been considered and where appropriate adjustment or disclosures have been made in these Financial Statements.

4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards and the Group intends to adopt these standards, if applicable when they come into effect.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
SLFRS 9 Financial Instruments	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.	The Group and the Company are in the process of identifying the impact on its Financial Statements resulting from the application of SLFRS 9.
SLFRS 15 Revenue from Contracts with Customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.	The Group and the Company are in the process of identifying the impact on its Financial Statements resulting from the application of SLFRS 15.
SLFRS 16 Leases	SLFRS 16 requires lessees to recognise all leases on their Statement of Financial Position as lease liabilities with the corresponding right of use assets. The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in Profit or Loss. SLFRS 16 is effective for annual reporting periods beginning on or after 1st January 2019	The Group and the Company are in the process of identifying the impact on its Financial Statements resulting from the application of SLFRS 16.

Notes to the Financial Statements

5 SEGMENTAL INFORMATION

For the year ended 31st March	Crop Solutions		Agri Produce	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Profit or Loss				
Continuing Operations				
Revenue	11,352,711	11,526,613	1,997,114	2,467,845
Inter segmental Revenue	(643,100)	(331,448)	(21,600)	(19,800)
Total revenue to external customers	10,709,611	11,195,165	1,975,514	2,448,045
Segmental results	766,542	1,099,365	(550,023)	(173,378)
Impairment loss on Property, Plant and equipment	-	-	-	-
Finance cost (net)	(400,791)	(430,314)	(246,232)	(290,361)
Share of profit of equity accounted investees	-	-	-	-
Profit/(loss) before tax	365,751	669,051	(796,255)	(463,739)
Income Tax	(4,601)	(121,545)	(4,926)	23,740
Profit/(loss) after tax	361,150	547,506	(801,181)	(439,999)
Discontinued Operations				
Profit/(loss) from discontinued operations	564	309	5,313	31,250
Profit/(loss) for the year	361,714	547,815	(795,868)	(408,749)
Attributable to :				
Equity Holders of the company	598,197	647,549	(889,701)	(564,492)
Non-Controlling Interests	(236,483)	(99,734)	93,833	155,743
Profit /(loss) for the year	361,714	547,815	(795,868)	(408,749)
Assets and Liabilities				
Non-current assets				
Property, Plant and equipment	1,250,300	956,365	2,063,449	1,915,436
Unallocated property, plant and equipment	-	-	-	-
Other non-current assets	82,173	150,080	274,054	110,610
Total non-current assets	1,332,473	1,106,445	2,337,503	2,026,046
Current assets	6,724,130	4,938,096	2,309,110	1,966,941
Total assets	8,056,603	6,044,541	4,646,613	3,992,987
Non-current liabilities	275,837	230,123	915,167	948,862
Current Liabilities	9,344,592	5,943,107	1,464,927	1,423,270
Total Liabilities	9,620,429	6,173,230	2,380,094	2,372,132

Inter segment pricing on the basis of arm's length transactions.

Secondary geographical segmentation is not given since the dispersion of the group operations does not construe an objective segmentation.

Lives Stock Solutions		Industrial Solutions		Health & Personal Care		Group	
2018	2017	2018	2017	2018	2017	2018	2017
Rs.'000	Rs. 000	Rs.'000	Rs. 000	Rs.'000	Rs. 000	Rs.'000	Rs. 000
6,813,420	6,950,356	4,439,790	4,213,199	8,274,417	7,618,629	32,877,452	32,776,642
(7,473)	(48,849)	(98,903)	(85,299)	(61,883)	(80,700)	(832,959)	(566,096)
6,805,947	6,901,507	4,340,887	4,127,900	8,212,534	7,537,929	32,044,493	32,210,546
220,763	548,017	634,391	407,480	750,822	886,035	1,822,495	2,767,519
-	-	-	-	-	-	-	-
(377,901)	(348,904)	(92,915)	(194,160)	(291,173)	(340,409)	(1,409,012)	(1,604,148)
-	-	267,053	334,728	-	-	267,053	334,728
(157,138)	199,113	808,529	548,048	459,649	545,626	680,536	1,498,099
(483,187)	(65,194)	(1,147)	(78,160)	5,242	(142,907)	(488,619)	(384,066)
(640,325)	133,919	807,382	469,888	464,891	402,719	191,917	1,114,033
-	-	(419,326)	(262,073)	(156,361)	3,398	(569,810)	(227,116)
(640,325)	133,919	388,056	207,815	308,530	406,117	(377,893)	886,917
(515,678)	126,122	239,387	100,824	154,720	243,495	(413,075)	553,498
(124,647)	7,797	148,669	106,991	153,810	162,622	35,182	333,419
(640,325)	133,919	388,056	207,815	308,530	406,117	(377,893)	886,917
4,673,922	4,767,646	1,356,848	1,685,836	1,739,593	1,424,112	11,084,112	10,749,395
-	-	-	-	-	-	1,191,117	1,896,413
386,288	374,487	1,691,753	1,374,566	110,099	274,072	2,544,367	2,283,815
5,060,210	5,142,133	3,048,601	3,060,402	1,849,692	1,698,184	14,819,596	14,929,623
1,911,204	1,775,895	3,762,661	3,106,359	5,460,578	5,080,381	20,167,683	16,867,672
6,971,414	6,918,028	6,811,262	6,166,761	7,310,270	6,778,565	34,987,279	31,797,295
1,045,850	437,674	415,080	411,679	669,688	361,571	3,321,622	2,389,909
3,691,765	3,428,083	1,802,490	1,904,870	4,649,228	5,292,508	20,953,002	17,991,838
4,737,615	3,865,757	2,217,570	2,316,549	5,318,916	5,654,079	24,274,624	20,381,747

Notes to the Financial Statements

6 REVENUE

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Revenue	9,116,255	7,999,044	32,044,493	32,210,546
Net Revenue				
Local	9,116,255	7,999,044	31,794,516	31,996,752
Exports	-	-	249,977	213,794
Total	9,116,255	7,999,044	32,044,493	32,210,546

7 OTHER INCOME

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Rent	14,695	14,206	14,695	14,206
Dividend Income				
Quoted	38,911	29,001	31,627	7,447
Unquoted	272,780	394,677	3,677	11,338
Net gain on disposal of property, plant and equipment	18,627	63,824	411,295	136,883
Net gain on disposal of assets held for sale	-	4,342	-	4,342
Net gain on disposal of investment property	-	-	49,753	-
Gain on disposal of assets held for distribution	-	59,163	-	-
Reversal of provision for impairment of investment in subsidiary	-	39,850	-	-
Direct sales commission	41,095	59,984	76,845	67,366
Grants amortised	-	-	662	1,611
Change in fair value of biological assets	-	-	3,735	-
Gain on disposal of other financial assets	-	-	-	1,029
Gain on disposal of investment	-	-	-	535
Sundry Income	15,130	2,192	80,501	66,541
Total	401,238	667,239	672,790	311,298

8 OTHER EXPENSES

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Impairment loss on property, plant and equipment	-	-	4,840	18,826
Expenses incurred on held for sale assets	-	-	-	1,969
Net loss due to flood damage	-	-	-	27,250
Loss from disposal of equity accounted investee	-	-	-	1,878
Provision for impairment of investment in CIC Grains (Private) Limited	263,130	-	-	-
Provision for impairment of investment in Precision Agricultural Technologies (Private) Limited	8,400	-	-	-
Write-off of property plant and equipments	-	-	1,479	-
Total	271,530	-	6,319	49,923

9 FINANCE COST (NET)

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Finance costs				
Long-term loans	3,414	11,758	111,862	163,170
Finance leases	-	76	407	1,677
Short-term loans and overdrafts	547,849	447,853	1,511,620	1,360,439
Staff loans	-	2,438	5,808	7,620
Foreign exchange loss	-	573	36,402	110,897
	551,263	462,698	1,666,099	1,643,803
Finance income				
Staff loans	391	687	8,794	7,510
Foreign exchange gain	21,293	-	40,695	10,516
Interest on treasury bills	-	-	3,437	-
Deposits	1,937	2,069	204,161	21,629
	23,621	2,756	257,087	39,655
Finance costs (Net)	527,642	459,942	1,409,012	1,604,148

10 SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEEES (NET OF TAX)

For the year ended 31st March	Group	
	2018 Rs.'000	2017 Rs. 000
Commercial Insurance Brokers (Private) Limited	13,000	10,747
Akzo Nobel Paints Lanka (Private) Limited	253,960	325,119
Rainforest Ecolodge (Private) Limited	93	-
Chemcel (Private) Limited	-	(1,138)
Total	267,053	334,728

Notes to the Financial Statements

11 PROFIT/(LOSS) BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Directors' emoluments and retirement benefits	46,306	34,110	120,130	176,959
Depreciation of property, plant and equipment	172,171	140,308	844,475	754,696
Directors' fees	30,567	22,566	57,910	33,762
Donations	1,287	1,004	2,489	2,252
Staff training and development	1,465	3,822	3,325	22,421
Legal fees	265	1,100	1,967	5,527
Auditors' remuneration				
Statutory audit fees	2,010	1,860	7,996	9,617
Audit related fees	333	1,516	2,106	8,524
Non-audit fees	2,033	1,203	2,814	2,482
Professional fees	42,358	42,978	61,056	59,071
Provision/(reversal of provision) for impairment of trade receivables	(15,200)	(14,089)	18,432	62,494
Provision for obsolete and slow moving inventories	161,446	102,003	351,116	163,599
Personnel costs * (Note 11.1)	552,154	515,940	2,378,846	2,070,623

11.1 Personnel Costs

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Salaries	358,523	347,983	1,534,947	1,476,803
EPF/MSPS - Defined contribution plan	39,263	38,732	153,626	142,002
ETF- defined contribution plan	9,817	9,652	38,682	35,895
Bonus	27,384	82,073	183,452	305,740
Provision for retirement benefits	36,155	37,500	173,878	110,183
Voluntary retirement scheme	81,012	-	294,261	-
Total	552,154	515,940	2,378,846	2,070,623
Number of employees at 31st March	427	538	2,254	2,249

12 INCOME TAX EXPENSE

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Current tax expenses on ordinary activities for the year				
Current tax expenses on profit for the year (Note 12.2)				
Continued operations	353	32,840	126,259	303,448
Over provision in respect of previous years	(32,464)	(42,922)	(32,476)	(42,733)
Irrecoverable ESC written off	-	-	4,347	15,375
Tax on divided income	-	-	32,843	48,600
	(32,111)	(10,082)	130,973	324,690
Deferred Tax expense/(reversals)				
Origination of temporary differences (Note 12.1)				
Continued operations	(166,723)	16,387	357,646	59,376
	(166,723)	16,387	357,646	59,376
Total	(198,834)	6,305	488,619	384,066

12.1 Deferred Tax Expense

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Income statements				
Deferred tax expense arising from :				
Property, plant and equipment	53,235	1,538	623,751	109,317
Intangible assets	-	-	(794)	(491)
Biological assets	-	-	3,938	6,184
Provision for impairment of trade receivables	-	-	(14,997)	(23,194)
Provision for obsolete and slow moving inventories	(5,514)	-	(5,514)	-
Tax losses	(213,272)	17,684	(217,685)	(16,406)
Employee benefits	(1,172)	(2,835)	(31,053)	(16,034)
	(166,723)	16,387	357,646	59,376
Other comprehensive income				
Deferred tax expense arising from :				
Actuarial losses/(gain) on defined benefit obligations	(2,768)	14,117	(14,674)	19,170
Revaluation of property, plant and equipment to fair value	146,662	-	498,741	-
	143,896	14,117	484,067	19,170
Total	(22,829)	30,504	841,713	78,546

The Company has considered the lands as capital and investment assets in terms of requirements of Inland Revenue Act No. 24 of 2017, which is effective from 01st April 2018. Accordingly, the deferred tax liability has been recognised on the revaluation surplus.

Notes to the Financial Statements

12 INCOME TAX EXPENSE (CONTD.)

12.2 Reconciliation of the Accounting Profit/(Loss) and Taxable Profit

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Profit/(loss) before tax-continuing operations	(103,930)	471,672	680,536	1,498,099
Profit/(loss) before tax-discontinued operations	(477,477)	(285,832)	(561,336)	(218,449)
Intra - group adjustments	-	-	(295,992)	707,493
	(581,407)	185,840	(176,792)	1,987,143
Share of profit of equity accounted investee	-	-	(267,053)	(334,728)
Other sources of income	(1,937)	-	(304,781)	132,048
Disallowable expenses	1,273,491	1,053,276	3,615,745	2,762,257
Tax deductible expenses	(572,881)	(563,793)	(3,649,063)	(2,944,311)
Tax exempt income	(309,754)	(494,882)	(176,394)	(833,086)
Tax loss for the year	194,425	-	1,501,387	610,038
Tax Loss utilised during the year	(678)	(63,154)	(66,251)	(244,849)
Taxable profit	1,259	117,286	476,757	1,134,512
Income tax @ 10%	-	-	1,650	-
Income tax @ 12%	-	-	6,001	4,162
Income tax @ 28%	353	32,840	128,536	307,953
Current tax expense on continued operations	353	32,840	126,259	303,448
Current tax expense on discontinued operations	-	-	9,928	8,667
Accumulated tax losses				
Tax Loss brought forward	822,377	885,531	3,250,497	2,885,308
Adjustment to brought forward tax losses	-	-	(98,681)	-
Tax Loss for the year	194,425	-	1,501,347	610,038
Tax Loss utilised during the year	(678)	(63,154)	(66,251)	(244,849)
Tax loss carried forward	1,016,124	822,377	4,586,911	3,250,497
Effective tax rate	-	18%	-	25%

12.3 Group's tax expense is based on the taxable profit of each Company in the Group. At present the tax laws of Sri Lanka do not provide for Group Taxation.

12.4 Irrecoverable Economic Service Charge (ESC) has been charged to the Profit or Loss.

12.5 Details of the Current Tax Computation

As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, CIC Holdings PLC and all other companies within the Group, excluding those which enjoy a tax holiday or concessionary rate of taxation as referred to below are liable to income tax at 28% of the adjusted taxable profits for the year.

The profit and income of CIC Feeds (Private) Limited is liable for income tax at the rate 12% for the feeds operation and 10% applicable for the poultry operation in terms of the Provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.

In terms of the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto, the profits and income of CIC Poultry Farms Limited is taxed at the rate of 10% and Other income is liable for Income tax at the rate of 28% CIC Vetcare (Private) Limited and CIC Bio Security Breeder Farms Limited are taxed at the rate of 28%.

The profits of Yasui Lanka (Private) Limited, are taxable at a concessionary rate of 15% up to and including the year of assessment 2016/17, in terms of the Agreement entered into with the Board of Investment. However, in accordance with the Inland Revenue (Amendment) Act No. 18 of 2013, the profits of the Company, is liable for Income Tax only at 12% effective from 1st April 2013, irrespective of the terms stated in the BOI Agreement.

The profits of CAL Exports Lanka (Private) Limited, enjoyed a five year tax holiday period up to and including the year of assessment 2008/09, and a concessionary rate at 10% for two years thereafter, in terms of the agreement entered into with the Board of Investment. In accordance with the Inland Revenue (Amendment) Act No. 18 of 2013, the profits of the Company is liable for Income Tax only at 12% effective from 1st April 2013.

13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

Discontinued operations include CIC Agri Biotech (Private) Limited, CIC Dairies (Private) Limited, Yasui Lanka (Private) Limited, Chemanex Exports (Private) Limited, CAL Exports (Private) Limited, Chemcel Private Limited and consumer product lines of CIC Holdings PLC. Previously these businesses were categorised under “agri produce”, “industrial solutions” and “health and personal care” segments. Yasui Lanka (Private) Limited is under liquidation and the final negotiations for the disposal of other discontinued assets and liabilities are in progress and is due to be completed by 31st March 2019.

13.1 Profit/(Loss) after tax From Discontinued Operations

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Revenue	632,604	1,117,642	1,938,797	2,665,175
Cost of sales	(606,593)	(879,157)	(1,527,922)	(2,006,538)
Gross Profit	26,011	238,485	410,875	658,637
Other income	(2,165)	356	305	(5,033)
Administrative expenses	(30,082)	(27,749)	(443,820)	(128,532)
Distribution expenses	(436,113)	(455,232)	(454,282)	(852,927)
Finance cost (net)	(35,101)	(41,692)	(74,414)	(28,213)
Loss before tax from a discontinued operations	(477,477)	(285,832)	(561,336)	(218,449)
Tax expense				
Current tax	-	-	(9,928)	(8,667)
Deferred tax	-	-	1,454	-
Loss for the year from discontinued operations	(477,477)	(285,832)	(569,810)	(227,116)

Notes to the Financial Statements

13.2 Major Classes of Assets and Liabilities Classified as held for sale

The Group has classified its investment in CIC Dairies (Private) Limited and CAL Exports Lanka (Private) Limited as held for sale since the Board of Directors has decided to proceed with selling the assets of the companies.

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Assets				
Property, plant and equipment	1,208,473	-	1,681,027	-
Intangible assets	-	-	11,267	-
Deferred tax assets	-	-	4,222	-
Trade receivables	-	-	88,806	-
Investments	-	-	7,361	-
Other receivables	-	-	28,618	700
Inventories	-	-	64,517	-
Cash in hand and at bank	-	-	90,907	3,076
Assets classified as held for sale	1,208,473	-	1,976,725	3,776
Liabilities				
Retirement benefit obligations	-	-	9,169	-
Government grants	-	-	1,719	-
Deferred tax liability	-	-	126	-
Trade and other payables	-	11,106	127,831	13,718
Interest bearing borrowings	-	-	222,917	-
Bank overdraft	-	-	18,837	-
Liabilities directly associated with assets classified as held for sale	-	11,106	380,599	13,718
Net assets directly associated with disposal group	1,208,473	(11,106)	1,596,126	(9,942)

13.3 Cash Flows Generated From/(Used in) Discontinued Operations

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Net cash generated from / (used in) operating activities	88,031	(51,258)	333,748	197,658
Net cash used for investing activities	-	-	(32,048)	(318)
Net cash used for financing activities	(35,101)	(41,692)	(126,350)	(1,800,841)
Net cash inflow/ (outflow)	52,930	(92,950)	175,350	(1,603,501)

13.4 Earnings/(Loss) per Share:

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Basic / diluted earnings / (loss) per share for the year, from discontinued operations (Rs.)	(5.04)	(3.02)	(6.02)	2.40

13.5 Assets Classified as held for distribution

Management has decided to cease its operation in CIC Agri Biotech (Private) Limited, Yasui Lanka (Private) Limited, Chemanex Exports (Private) Limited and Chemcel (Private) Limited. Accordingly its' assets and liabilities have been classified under "assets and liabilities held for distribution".

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Major classes of assets and liabilities classified as held for distribution				
Assets				
Property, plant and equipment	-	-	73,375	73,375
Other receivables	-	-	3,215	17,775
Investments	197	197	7,361	
Cash in hand and at bank	-	-	85,213	1,430
Assets classified as held for distribution	197	197	169,164	92,580
Liabilities				
Trade and other payables	-	-	7,933	1,398
Liabilities directly associated with assets classified as held for distribution	-	-	7,933	1,398

14 EARNINGS/(LOSS) PER SHARE

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Profit/(loss) attributable to equity holders of the Company	(382,573)	179,535	(413,075)	553,498
The share capital is as follows :				
Ordinary shares				
Weighted average number of shares	72,900,000	72,900,000	72,900,000	72,900,000
Non-Voting (Class X) shares				
Weighted average number of shares	21,870,000	21,870,000	21,870,000	21,870,000
Total weighted average number of shares	94,770,000	94,770,000	94,770,000	94,770,000
Basic/Diluted earnings/(loss) per share (Rs.)	(4.04)	1.89	(4.36)	5.84

Basic Earnings/(Loss) per Share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary shareholders and the weighted average number of shares outstanding during the year.

Diluted Earnings/(Loss) per Share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary shares outstanding after adjustment for the effect of all potentially dilutive ordinary shares.

There were no potentially dilutive ordinary shares at any time during the year/previous year.

Notes to the Financial Statements

15 GROSS DIVIDENDS

For the year ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Interim dividend				
Interim dividend paid per share Rs. 1.00 (2016/17 - Rs.1.00, 2015/16 Rs. 1.00 per share)				
72,900,000 Ordinary shares	72,900	145,800	72,900	145,800
21,870,000 Non-Voting (Class X) shares	21,870	43,740	21,870	43,740
	94,770	189,540	94,770	189,540
Final dividend				
Final dividend proposed and paid Rs. 1.00 per share (2015/16- Rs.2.00)				
72,900,000 Ordinary shares	72,900	145,800	72,900	145,800
21,870,000 Non-Voting (Class X) shares	21,870	43,740	21,870	43,740
	94,770	189,540	94,770	189,540
Total	189,540	379,080	189,540	379,080

The dividend of Rs. 1.00 per share for 2017/2018 (2016/2017 -Rs. 2.00) distributed to shareholders are paid out of dividends received from Companies within the Group on which 10% withholding tax has been paid.

16 PROPERTY, PLANT AND EQUIPMENT

A. Company

For the year ended 31st March	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2018	Total 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold									
Cost/Valuation									
At the beginning of the year	1,035,463	1,171,277	277,147	471,145	134,837	48,897	43,655	3,182,421	2,978,287
Additions	-	751	12,009	120,573	6,519	1,929	-	141,781	216,364
Revaluation surplus	639,889	-	-	-	-	-	-	639,889	-
Disposals	-	-	(48,280)	(20,539)	-	(4,494)	(2,047)	(75,360)	(123,924)
Transferred from capital work in - progress	-	119,798	-	1,643	-	-	-	121,441	115,004
Transfer to assets classified as held for sale	(1,018,550)	(253,252)	(68,102)	(62,591)	(690)	(1,243)	-	(1,404,428)	-
Re-classifications	-	-	-	-	-	-	-	-	(3,310)
At the end of the year	656,802	1,038,574	172,774	510,231	140,666	45,089	41,608	2,605,744	3,182,421
Depreciation/Impairment									
At the beginning of the year	-	201,013	165,629	242,701	77,890	22,630	15,033	724,896	622,356
Depreciation	-	62,125	21,417	68,647	21,134	5,137	7,410	185,870	154,911
On disposals	-	-	(46,371)	(19,707)	-	(2,049)	(332)	(68,459)	(50,314)
Transfer to assets classified as held for sale	-	(76,617)	(68,102)	(49,760)	(613)	(863)	-	(195,955)	-
Re-classifications	-	-	-	-	-	-	-	-	(2,057)
At the end of the year	-	186,521	72,573	241,881	98,411	24,855	22,111	646,352	724,896
Leasehold									
Cost/Valuation									
At the beginning of the year	-	-	-	-	-	-	-	-	53,890
Disposal	-	-	-	-	-	-	-	-	(53,890)
At the end of the year	-	-	-	-	-	-	-	-	-
Depreciation/Impairment									
At the beginning of the year	-	-	-	-	-	-	-	-	51,320
Depreciation	-	-	-	-	-	-	-	-	2,562
On disposals	-	-	-	-	-	-	-	-	(53,882)
At the end of the year	-	-	-	-	-	-	-	-	-
Carrying value as at 31st March 2018	656,802	852,053	100,201	268,350	42,255	20,234	19,497	1,959,392	-
Carrying value as at 31st March 2017	1,035,463	970,264	111,518	228,444	56,947	26,267	28,622	-	2,457,525

Carrying amount of property, plant and equipment is not pledged as securities for bank facilities obtained. (2017 - Rs. 62.25 Mn).

Revaluation surplus during the year represents the revaluation gain of the assets classified as held for sale immediately before classifying as held for sale.

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

B Group

For the year ended 31st March	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2018	Total 2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold									
Cost/valuation									
At the beginning of the year	3,257,618	4,980,355	4,955,987	1,633,128	319,467	172,026	651,523	15,970,104	14,945,648
Additions	1,067	69,462	174,618	222,880	47,705	14,862	55,313	585,907	927,933
Revaluation surplus	639,889	-	-	-	-	-	-	639,889	-
Revaluation loss	-	-	-	-	-	-	-	-	(27,762)
Disposals	(241,875)	(61,511)	(93,191)	(30,721)	(1,832)	(6,818)	(76,470)	(512,418)	(218,259)
Transferred from capital work in-progress	1,964	1,195,546	69,172	110,253	1,891	969	-	1,379,795	356,645
Transfer to assets classified as held for sale	(1,018,550)	(253,252)	(528,652)	(141,987)	(6,258)	(5,491)	(8,157)	(1,962,347)	(5,915)
Write off / Impairment	-	-	(11,623)	-	-	-	-	(11,623)	(3,584)
On acquisition of subsidiary	12,375	17,009	-	4,910	5,402	1,952	14,023	55,671	-
Re-classifications	-	-	-	-	-	-	11,812	11,812	(4,602)
At the end of the year	2,652,488	5,947,609	4,566,311	1,798,463	366,375	177,500	648,044	16,156,790	15,970,104
Depreciation/impairment									
At the beginning of the year	-	826,594	1,625,673	830,584	227,390	89,814	463,019	4,063,074	3,441,879
Depreciation	-	209,881	329,137	198,426	45,118	25,470	55,911	863,943	772,491
Impairment	8,700	32,326	(2,245)	11,645	148	171	669	51,414	(9,010)
On disposals	-	(53,077)	(72,409)	(29,210)	(2,490)	(4,307)	(59,168)	(220,661)	(132,171)
Transfer to assets held for sale	-	(76,617)	(198,286)	(106,797)	(4,927)	(2,782)	(7,378)	(396,787)	(5,915)
On acquisition of subsidiary	-	7,373	-	2,981	4,576	1,710	10,222	26,862	-
Write off	-	-	-	-	-	-	-	-	(2,145)
Re-classifications	-	-	-	-	-	-	10,502	10,502	(2,055)
At the end of the year	8,700	946,480	1,681,870	907,629	269,815	110,076	473,777	4,398,347	4,063,074
Leasehold									
Cost/valuation									
At the beginning of the year	233,378	809,213	-	-	-	-	63,917	1,106,508	1,197,077
Addition	-	22,947	-	-	-	-	-	22,947	34,670
Transferred from capital work in-progress	-	-	-	-	-	-	-	-	1,294
Transferred to freehold	-	-	-	-	-	-	-	-	-
Transfer to assets classified as held for sale	-	(157,341)	-	-	-	-	-	(157,341)	-
Disposals	-	(27,000)	-	-	-	-	-	(27,000)	(126,533)
Re-classifications	-	-	-	-	-	-	(11,812)	(11,812)	-
On acquisition of subsidiary	-	-	-	-	-	-	23,512	23,512	-
At the end of the year	233,378	647,819	-	-	-	-	75,617	956,814	1,106,508
Depreciation/impairment									
At the beginning of the year	37,073	266,746	-	-	-	-	63,911	367,730	425,842
Depreciation	2,971	30,251	-	-	-	-	2,475	35,697	43,922
Impairment	8,247	82,356	-	-	-	-	-	90,603	-
On disposals	-	-	-	-	-	-	-	-	(102,034)
Re-classifications	-	-	-	-	-	-	(10,502)	(10,502)	-
On acquisition of subsidiary	-	-	-	-	-	13,211	-	13,211	-
On disposal of subsidiary	-	-	-	-	-	-	(19,249)	(19,249)	-
Transfer to assets classified as held for sale	-	(37,462)	-	-	-	-	-	(37,462)	-
At the end of the year	48,291	341,891	-	-	-	13,211	36,635	440,028	367,730
Carrying value as at 31st March 2018	2,828,875	5,307,057	2,884,441	890,834	96,560	54,213	213,249	12,275,229	
Carrying value as at 31st March 2017	3,453,923	4,696,228	3,330,314	802,544	92,077	82,212	188,510		12,645,808

- i Carrying amount of property, plant and equipment pledged as securities for bank facilities obtained amounted to Rs 1,495.58 Mn. (2017 - Rs. 963.44 Mn)
- ii During the year Group capitalised borrowing cost of Rs 32.2 Mn (2017 - Rs. 0 Mn)
- iii Unexpired lease period of land belonging to CIC Agri Businesses (Private) Limited is 73 years

C. Carrying Value

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At Cost	1,340,243	1,425,910	9,579,548	8,640,603
At Valuation	619,149	1,031,615	2,178,894	3,266,425
On Finance Lease			516,787	738,780
Total	1,959,392	2,457,525	12,275,229	12,645,808

D The Values of the lands if it had been carried under cost model

As at 31st March	Company		Group	
	2018 Rs. Mn	2017 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Land	133.00	206.85	1,025.32	1,138.85
Total	133.00	206.85	1,025.32	1,138.85

E Value of land and ownership

Company	Location	Land Extent in Acres/Perches/Roods	Number of buildings	Carrying Value Rs. Mn
CIC Holdings PLC	Kew Road, Colombo 02	1 rood and 30.25 perches	1	527.00
	Lenagala Estate, Dedigamuwa	12 acres, 6 roods and 73.5 perches	20	129.80
CIC Agri Businesses (Private) Limited	Mahiella, Kurunegala	2 acres, 3 roods and 31.25 perches	4	47.00
	Aluwihare, Matale	3 acres, 1 rood and 38 perches	1	15.00
	Dutugemunu Road, Peliyagoda	1 acre, 1 rood and 2.2 perches	1	202.50
Wayamba Agro Fertilizer Company Limited	Maho	16 acres and 30.8 perches	15	103.63
CIC Grains (Private) Limited	Siyambalanduwa	3 acres, 3 roods and 24 perches	3	11.34
CIC Properties (Private) Limited	Katuwahanawatta, Walpita, Waradala	50 acres, 1 rood	-	156.38
CISCO Speciality Packaging (Private) Limited	Pellanwatta, Pannipitiya	2 acres, 3 roods and 18.07 perches	10	88.00
CIC Vetcare (Private) Limited	Galla Estate, Ekala	3 roods and 1 perch	3	22.85
	Madampalle Estate, Madampalle	15 acres	-	45.00
CIC Poultry Farms Limited	Molahena Estate, Badalgama	25 acres and 29.95 perches	31	75.50
	Iswetiya Elies, Horakandawila, Dunagaha	17 acres and 16.8 perches	17	83.90
	Amunuwela Estate, Kuliyaipitiya	47 acres, 3 roods and 29 perches	25	145.07
CIC Bio Security Breeder Farms Limited	Molahena Estate, Badalgama	27 acres, 1 rood and 57.6 perches	-	84.75
CIC Feeds (Private) Limited	Galla Estate, Ekala	6 acres and 33.4 perches	17	151.50
	Heeralugedara, Kotadeniyawa	18 acres and 2 roods	17	55.50
	Madampalle Estate, Madampalle	25 acres	25	75.00
	Nabirithankadawara, Welipennagahamulla, Pannala	50 acres, 1 rood and 32.5 perches	18	143.50
Colombo Industrial Agencies Limited	Temple Lane, Ekala	3 acres, 2 roods, 7.62 perches	4	194.30

Notes to the Financial Statements

16 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

E Value of land and ownership

Company	Location	Land Extent in Acres/Perches/Roods	Number of buildings	Carrying Value Rs. Mn
Link Natural Products (Private) Limited	Malinda, Kapugoda	11 acres, 6 roods and 62.15 perches	38	209.50
	Kapugoda, Giridara	39.1 perches	-	5.27
	Dambukanda	20 acres, 5 roods and 64 perches	1	64.50
	Parakaduwa	23 acres, 2 roods and 5.8 perches	-	7.00
				2,643.79

The last revaluation of lands has been as follows;

Company	Date of revaluation	Significant unobservable inputs estimated price	Revalued amount Rs. Mn	Sensitivity of fair value to unobservable inputs
CIC Holdings PLC	31st March 2016	Rs.15,000-Rs.7,500,000	619.14	Positively correlated sensitivity
CIC Agri Businesses (Private) Limited	31st March 2016	Rs.42,500-Rs.1,100,000	273.20	Positively correlated sensitivity
Wayamba Agro Fertilizer Company Limited	31st March 2016	Rs.40,000	103.63	Positively correlated sensitivity
CIC Grains (Private) Limited	31st March 2016	Rs.13,300-Rs.30,000	11.34	Positively correlated sensitivity
CISCO Speciality Packaging (Private) Limited	31st March 2016	per perch Rs.192,500	88.00	Positively correlated sensitivity
CIC Vetcare (Private) Limited	31st March 2016	per perch Rs.185,000	67.85	Positively correlated sensitivity
CIC Poultry Farms Limited	31st March 2016	per perch Rs.30,000- Rs52,500	303.40	Positively correlated sensitivity
CIC Bio Security Breeder Farms Limited	31st March 2016	per acre Rs.2,800,000	84.75	Positively correlated sensitivity
CIC Feeds (Private) Limited and Subsidiaries	31st March 2016	per perch Rs.27,500- Rs.187,500	425.50	Positively correlated sensitivity
Link Natural Products (Private) Limited	31st March 2016	per perch Rs.102,500	280.50	Positively correlated sensitivity
Colombo Industrial Agencies Limited	31st March 2016	per perch Rs.342,306	194.30	Positively correlated sensitivity

All above revaluations are based on market value and were carried out by Perera Sivaskantha & Company, an incorporated valuer.

The revalued figures were incorporated in these Financial Statements.

Market Comparable Method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

The revalued figures were incorporated in these Financial Statements.

F Depreciation has been provided on a straight-line basis at the following rates:

Company	Buildings Years	Plant & Machinery Years	Equipment Years	Computers Years	Furniture & Fittings Years	Motor Vehicles Years
CIC Holdings PLC	20	8,15,30,40	4,5,8,10,15,30	3	5,10	5
Chemane PLC	10-20	6	3	3	4	4
CISCO Speciality Packaging (Private) Limited	20	20,12,10,5	20	3	20	5
CIC Agri Businesses (Private) Limited and Subsidiaries*	20,30	5,15	3,8	3,8	5,10	3,5
Colombo Industrial Agencies Limited	20	-	-	-	-	-
CIC Feeds (Private) Limited and Subsidiaries	40	20	12,50	5	8	4,5
Link Natural Products (Private) Limited	40,25	10,15,20,40	10,8,5	2,3	10	4,8,10,20,25,30
CIC CropGuard (Private) Limited	-	-	5	5	10	5
CIC Lifesciences Limited	-	8	4	4	4	-
Cropwiz (Private) Ltd	20-30	5-15	3-8	3-8	5-10	3-5
Unipower (Private) Limited	20	-	5	4	5	7
CIC Precision Agricultural Technologies (Private) Limited	-	-	3,8	3,8	-	-

* Land development cost is depreciated over 30 years.

G Cost of fully depreciated property, plant and equipment still in use at the reporting date as follows:

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Buildings	2,398	1,404	168,494	34,709
Plant & machinery	14,787	57,759	336,699	291,007
Equipment	140,998	151,335	773,808	482,320
Computers	48,213	44,207	241,148	164,609
Furniture & fittings	3,956	3,200	57,425	43,201
Motor vehicles	5,900	5,701	455,159	238,883
Total	216,252	263,606	2,032,733	1,254,729

H. Lands Transferred to held for sale

Company	Location	Land Extent in Acres/ Perches/Roods	Date of Revaluation	Significant unobservable inputs Estimated price	Revalued amount Rs. million	Sensitivity of fair value to unobservable inputs
CIC Holdings PLC	Sri Sasanajothi	4 acres, 2 roods	30th September 2017	Rs.227,500 -	812.00	Positively correlated sensitivity
	Mawatha, Ratmalana	and 18.30 perches		Rs.1,100,000		
	Pellanwatta, Piliyandala	5 acres, and 36.53 perches	30th September 2017	Rs.227,500 - Rs.1,100,000	206.55	Positively correlated sensitivity

Immediately before the initial classification of the above two lands as "asset held for sale", a revaluation was carried out by Messrs Perera Sivaskantha & Company, an incorporated valuer. Details are given above.

Notes to the Financial Statements

17 INVESTMENT PROPERTY

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Cost	-	-	54,147	51,400
Re-classified from assets classified as held for sale	-	-	-	40,247
Disposals	-	-	(40,247)	(37,500)
Carrying value	-	-	13,900	54,147

A Details of Investment Property

Group					
As at 31st March	Location	Land extent	Market value 2018 Rs. '000	Carrying value 2018 Rs. '000	2017 Rs. '000
Ownership					
CIC Agri Businesses (Private) Limited	Pagoda, Nugegoda	15.5 perches	11,500	11,500	11,500
	Bogahapitiya Estate, Kengalle	12.0 perches, 2 roods	3,000	2,400	2,400
Chemanex PLC	Nugape, Pillagasowita	8 acres, 1 rood and 15 perches	-	-	40,247
Total			14,500	13,900	54,147

B. During the year, Chemanex PLC has disposed its investment property for Rs. 90 Mn, by generating a disposal gain of Rs. 49.75 Mn. Further Chemanex PLC has incurred Rs. 1.3 Mn expense relating to the above investment property which is included in administrative expenses.

18 CAPITAL WORK-IN-PROGRESS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	96,325	-	301,036	72,153
Expenditure incurred	25,116	211,329	1,475,596	585,528
Amount capitalised in property, plant and equipment	(121,441)	(115,004)	(1,379,794)	(356,645)
Amount capitalised in intangible assets	-	-	(14,591)	-
At the end of the year	-	96,325	382,247	301,036

19 BIOLOGICAL ASSETS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	-	-	248,508	226,382
Additions	-	-	149,734	270,954
Gain/(loss) from changes in fair value	-	-	3,116	(11,947)
Disposals	-	-	(220,330)	(236,881)
At the end of the year	-	-	181,028	248,508

19.1 Measurement of Fair Values

a) Fair Value Hierarchy

The fair value measurements of the standing biological assets have been categorised under Level 3 fair value hierarchy.

b) Level 3 Fair Values

The break down of the total gains/(losses) in respect of Level 3 fair values is shown below

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Gains included in other income				
Change in fair value (realised)	-	-	-	-
Change in fair value (unrealised)	-	-	3,116	-
Losses included in other operating expense				
Change in fair value (realised)	-	-	-	(11,947)

19.2 Biological Assets

	Buffaloes	Poultry	Cattle	Highland Crops	Teak	Total
Matured (Rs.'000)	13,508	51,146	16,677	11,763	-	93,094
Immatured (Rs.'000)	135	72,817	-	-	14,982	87,934
Total	13,643	123,963	16,677	11,763	14,982	181,028

19.3 Nature of Group's Biological Assets

The Group has biological assets comprising poultry for producing eggs, cattle for raw milk and teak for timber.

19.4 Non-Financial Measures of Biological Assets

Quantities	Buffaloes No. of animals	Poultry No of birds	Cattle No. of animals	Teak cubic meters
At the end of the period				
2018	148	450,890	128	1,717
2017	499	476,513	585	1,717

Quantities	Poultry No of Kg	Buffaloes No. of animals	Poultry No. of eggs	Cattle No. of animals
Produced during the year				
2018	3,688,875	46	5,609,731	123
2017	4,086,430	101	6,121,632	145

Notes to the Financial Statements

19 BIOLOGICAL ASSETS (CONTD.)

19.5 Valuation of biological assets

CIC Agri Businesses (Private) Limited and CIC Feeds (Private) Limited uses the following valuation techniques to measure their biological assets

Description	Market price	Valuation Technique
Poultry	Discounted cashflow Market price	No of produce
Cattle	Discounted cashflow	Weight in relation to the category
Teak	Discounted cashflow	Annual marginal increase of timber content (0.55-1.5cm per year for a tree of diameter girth over 10cm)

Discount rate 13%-15%

CIC Feeds (Private) Limited uses the following valuation techniques to measure their biological assets.

These consumables biological assets represent growing birds (Broilers) which are usually processed and sold within 40 to 42 days. Age group of 1 to 28 days are valued at cost. Birds aging from 29 to 42 days are valued based on fair value which is determined based on the market value prevailing as at the reporting date. The valuation basis and the significant unobservable data used for the valuations are given below.

Type	Valuation Techniques	Significant Unobservable Data Significant Unobservable Data Inter-relationship between key unobservable inputs and fair value measurements	Inter-relationship between key unobservable inputs and fair value measurements
Consumable biological assets - Growing birds (Broilers)	The Company has identified six aging categories such as 1-7,8-14, 15-21, 22-28, 29-35, 36-42 days and depending on the aging the standard weight per bird is identified. Average cost is calculated for each category according to the age by analysing the Feed, DOC, Drug Vaccine and other overhead usages. Fair Value is calculated by using the prevailing market price per bird and cost to sell includes commission expenditure made for marketing representatives. However, the market prices for the first four age categories are not available and therefore those age categories are measured at cost. Further, a positive yield can be determined only for the last two categories that is 29-35 and 36-42 days and therefore those age categories are measured at fair value.	DOC yield	The fair value will; Increase when DOC yield increases Decrease when DOC yield decreases
		Selling price	Increase when selling price increases Decrease when selling price decreases
		Mortality	Increase when mortality rate decreases Decrease when mortality rate increases

19.6 Sensitivity Analysis

Sensitivity variation on selling price values as appearing in the Statement of Financial Position are sensitive to sales price changes with regard to the average price applied. Simulations made for livestock show that an increase or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets.

Group	-10%	2018	10%
As at 31st March	Rs. '000	Rs. '000	Rs. '000
Biological Assets- Poultry	19,866	31,375	38,391
	19,866	31,375	38,391

Sensitivity Variation on Average Animal Weight Values as appearing in the statement of Financial Position are sensitive to average animal weight changes. Simulations made for Livestock show that an increase or a decrease by 10kg of average animal weight has the following effect on the net present value of Biological Assets.

Group	-10%	2018	10%
As at 31st March	Rs. '000	Rs. '000	Rs. '000
Biological Assets- Poultry	17,425	19,421	21,418
Biological Assets- (Cattle & Buffaloes)	27,289	30,185	33,310
	44,714	49,606	54,728

20 INTANGIBLE ASSETS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Goodwill				
Gross amount	-	-	167,293	167,293
On acquisition of subsidiary	-	-	208,079	-
Provision for impairment	-	-	(139,610)	(139,610)
Net Goodwill (i)	-	-	235,762	27,683
Software cost capitalised (ii)	20,959	13,178	141,126	109,457
During the year additions	24,070	10,110	34,546	43,874
Transferred from capital work-in-progress	-	-	14,591	-
On Acquisition of subsidiary	-	-	568	-
Amortisation for the year	(4,926)	(2,329)	(18,512)	(12,205)
Transferred to held for sale	-	-	(11,267)	-
Impairment	-	-	(4,876)	-
Net cost of software capitalised	40,103	20,959	156,176	141,126
Total	40,103	20,959	391,938	168,809

(i) During the year, the Company recognised a goodwill of Rs. 208.08 Mn in the Statement of Financial Position from acquisitions of Unipower (Private) Limited. Aggregate carrying amounts of goodwill allocated to each unit are as follows;

As at 31st March	2018 Rs. Mn	2017 Rs. Mn
CIC Holdings PLC	219.14	11.06
CIC Feeds (Private) Limited	16.62	16.62
	235.76	27.68

(ii) The Company / Group capitalised the ERP implementation cost, which is impaired over 10 years.

Notes to the Financial Statements

21 DEFERRED TAX

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	53,223	22,719	431,580	353,034
On acquisition of subsidiary	-	-	(1,171)	-
Amount origination/(reversal) of temporary differences				
Recognised in profit or loss	(166,723)	16,387	361,836	59,376
Recognised in other comprehensive income	143,894	14,117	484,067	19,170
	30,394	53,223	1,276,312	431,580
Transferred to assets held for sale	-	-	4,096	-
At the end of the year	30,394	53,223	1,280,408	431,580
Deferred tax assets	-	-	198,595	171,357
Deferred tax liabilities	30,394	53,223	1,479,003	602,937
Net liability	30,394	53,223	1,280,408	431,580

The Group recognised deferred tax asset of Rs. 198.59 Mn (2017 - Rs. 171.36 Mn) as at the reporting date, since the management is of the view that the sufficient taxable profits will be available to utilise the benefit of tax losses.

A. Movement in Deferred Tax (Assets)/Liabilities

The analysis of deferred tax assets and deferred tax liabilities is as follows;

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Deferred tax assets				
Deferred tax assets to be recovered after more than 12 months	-	-	198,595	171,357
	-	-	198,595	171,357
Deferred tax liabilities				
Deferred tax liabilities to be recovered after more than 12 months	30,394	53,223	1,479,003	602,937
	30,394	53,223	1,479,003	602,937
Net deferred tax liabilities	30,394	53,223	1,280,408	431,580

B Movements in Deferred Tax Balances

Company	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI	Balance at 31 March		
				Net	Deferred tax assets	Deferred tax liabilities
2018	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	170,924	53,235	-	224,159	-	224,159
Revaluation reserves	-	-	146,662	146,662	-	146,662
Provision for obsolete and slow moving Inventories	-	(5,514)	-	(5,514)	(5,514)	-
Tax losses	(71,251)	(213,272)	-	(284,523)	(284,523)	-
Retirement benefit obligation	(46,450)	(1,172)	(2,768)	(50,390)	(50,390)	-
Tax liabilities/(assets) before set-off	53,223	(166,723)	143,894	30,394	(340,427)	370,821
Net liability/(assets)	53,223	(166,723)	143,894	30,394	(340,427)	370,821

Company	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI	Balance at 31 March		
				Net	Deferred tax assets	Deferred tax liabilities
2017	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	169,386	1,538	-	170,924	-	170,924
Tax losses	(88,935)	17,684	-	(71,251)	(71,251)	-
Retirement benefit obligation	(57,732)	(2,835)	14,117	(46,450)	(46,450)	-
Tax liabilities/(assets) before set-off	22,719	16,387	14,117	53,223	(117,701)	170,924
Net liability/(assets)	22,719	16,387	14,117	53,223	(117,701)	170,924

Notes to the Financial Statements

21 DEFERRED TAX (CONTD.)

Movements in Deferred Tax Balances

Group	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI	Acquired in business combinations	Transferred to Assets Held For Sales	Balance at 31 March		
						Net	Deferred tax assets	Deferred tax liabilities
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	810,667	627,941	-	563	4,096	1,443,267	-	1,443,267
Revaluation reserves	-	-	498,741	-	-	498,741	-	498,741
Intangible assets	3,313	(794)	-	-	-	2,519	-	2,519
Biological assets	32,863	3,938	-	-	-	36,801	-	36,801
Provision for impairment of trade receivables	(23,194)	(14,997)	-	-	-	(38,191)	(38,191)	-
Provision for obsolete and slow moving Inventories	-	(5,514)	-	-	-	(5,514)	(5,514)	-
Tax losses	(255,256)	(217,685)	-	-	-	(472,941)	(472,941)	-
Retirement benefit obligation	(136,813)	(31,053)	(14,674)	(1,734)	-	(184,274)	(184,274)	-
Tax liabilities/(assets) before set-off	431,580	361,836	484,067	(1,171)	4,096	1,280,408	(700,920)	1,981,328
Net liability/(assets)	431,580	361,836	484,067	(1,171)	4,096	1,280,408	(700,920)	1,981,328

Group	Net balances at 1-Apr	Recognised in Profit or loss	Recognised in OCI	Balance at 31 March		
				Net	Deferred tax assets	Deferred tax liabilities
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant and equipment	701,350	109,317	-	810,667	-	810,667
Intangible assets	3,804	(491)	-	3,313	-	3,313
Biological assets	26,679	6,184	-	32,863	-	32,863
Provision for impairment of trade receivables	-	(23,194)	-	(23,194)	(23,194)	-
Tax losses	(238,850)	(16,406)	-	(255,256)	(255,256)	-
Retirement benefit obligation	(139,948)	(16,035)	19,170	(136,813)	(136,813)	-
Tax liabilities/(assets) before set-off	353,034	59,376	19,170	431,580	(415,263)	846,843
Net liability/(assets)	353,034	59,376	19,170	431,580	(415,263)	846,843

C Deferred Tax Effect of Temporary Differences

Company	2018		2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	800,565	224,159	610,441	170,924
Revaluation reserve	523,794	146,662	-	-
Provision for obsolete and slow moving Inventories	(19,720)	(5,514)	-	-
Tax losses	(1,016,124)	(284,523)	(254,467)	(71,251)
Retirement benefit obligation	(179,964)	(50,390)	(165,893)	(46,450)
Tax liabilities/(assets) before set-off	-	30,394	-	53,223
Net tax liability/(assets)	-	30,394	-	53,223

Group	2018		2017	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, plant and equipment	5,191,616	1,443,267	3,768,678	810,667
Revaluation reserve	1,711,320	498,741	-	-
Intangible assets	8,997	2,519	13,260	3,313
Biological assets	131,429	36,801	117,368	32,863
Provision for impairment of trade receivables	(136,396)	(38,191)	(82,835)	(23,194)
Provision for obsolete and slow moving Inventories	(19,720)	(5,514)	-	-
Tax losses	(1,626,544)	(472,941)	(1,537,403)	(255,256)
Retirement benefit obligation	(424,423)	(184,274)	(545,054)	(136,813)
Tax liabilities/(assets) before set-off	-	1,280,408	-	431,580
Net tax liability/(assets)	-	1,280,408	-	431,580

D Unrecognised Deferred Tax Assets

As at 31st March	2018	Expiry date	2017	Expiry date
	Rs. '000		Rs. '000	
Accumulated tax losses				
Expire	2,960,263	31/03/2024	1,062,077	31/03/2024

Notes to the Financial Statements

22 INVESTMENT IN SUBSIDIARIES

A	Market Value Rs. '000	Holding %	2018		2017	
			No. of shares	Cost Rs. '000	No. of shares	Cost Rs. '000
Company						
Quoted						
Chemanex PLC	504,150	50.41	7,939,373	136,683	7,939,373	136,683
	504,150		7,939,373	136,683	7,939,373	136,683
Unquoted - Subsidiaries						
Crop Management Services (Private) Limited		100.00	780,000	202,144	780,000	202,144
CISCO Speciality Packaging (Private) Limited		50.00	5,525,005	55,250	5,525,005	55,250
CIC Agri Businesses (Private) Limited		50.76	8,040,000	62,800	8,040,000	62,800
Colombo Industrial Agencies Limited		83.06	830,598	9,130	830,598	9,130
CIC Feeds (Private) Limited		82.44	3,710,000	217,434	3,710,000	217,434
Link Natural Products (Private) Limited		70.21	5,570,858	512,487	5,170,858	311,990
CIC CropGuard (Private) Limited		100.00	500,000	5,000	500,000	5,000
CIC Lifesciences Limited		99.89	132,645,415	191,205	132,645,415	191,205
Unipower (Private) Limited		70.00	376,600	238,075	-	-
CIC Properties (Private) Limited		100.00	4,500,000	45,000	-	-
Precision Agricultural Technologies (Private) Limited		60.00	840,000	8,400	-	-
				1,683,608		1,191,636
Provision for impairment of subsidiaries				(107,400)		(99,000)
Total				1,576,208		1,092,636

- During the year, the Company made a provision of Rs. 8.4 Mn on the investment of Precision Agricultural Technologies (Private) Limited due to the re-assignment of promotion of latest agricultural technologies to the respective entities of CIC Agri Businesses group.
- The subsidiaries of the Company are incorporated in Sri Lanka.
- The Company has neither contingent liabilities nor capital commitment in respect of subsidiaries.
- The main activities of the subsidiary companies are given in pages 140 and 141.

B Investment in Subsidiaries

For the year ended 31st March

	2018		2017	
	No of shares	Cost Rs. '000	No of shares	Cost Rs. '000
Link Natural Products (Private) Limited	400,000	200,496	-	-
Unipower (Private) Limited	376,600	238,075	-	-
CIC Properties (Private) Limited	4,500,000	45,000	-	-
Precision Agricultural Technologies (Private) Limited	840,000	8,400	-	-
CIC Lifesciences Limited	-	-	12,070,497	60,350
		491,971		60,350

During the year, the Company invested Rs. 200.50 Mn in Link Natural Products (Private) Limited to increase the ownership from 65.17% to 70.21%.

C Acquisitions of Unipower (Private) Limited

On 16th October 2017, Company invested Rs. 238.07 Mn on acquisition of 70% stake in Unipower (Private) Limited which provides speciality fertilizers in Sri Lanka. The following table summarises the major classes of assets acquired and liabilities assumed as of the acquisition date, accordingly a goodwill of Rs. 208.08 Mn is recognised in the statement of Financial Position

	Amount Rs. '000
Assets acquired	246,419
Liabilities acquired	(203,568)
Total identifiable net assets	42,851
Non controlling interest measured at fair value	12,855
Total purchase consideration	238,075
Goodwill on acquisition	208,079
Bank overdraft acquired	(93,893)

D Inter Company Shareholdings

As at 31st March

Investor	Investee	2018		2017	
		% Holding	Number of Shares	% Holding	Number of Shares
Chemanex PLC	CIC Agri Businesses (Private) Limited	16.92	2,680,001	16.92	2,680,001
	CIC Feeds (Private) Limited	11.11	500,000	11.11	500,000
CIC Agri Businesses (Private) Limited	Chemanex PLC	2.84	444,604	2.84	444,604
Crop Management Services (Private) Limited	CIC Feeds (Private) Limited	6.44	290,100	6.44	290,100

E The Group has assessed each subsidiary that has non-controlling interests based on contributions made to the Group revenue, Group profit, total assets and net assets and have determined that such non-controlling interests are not material to the Group.

Notes to the Financial Statements

23 EQUITY ACCOUNTED INVESTEEES

As at 31st March

		2018		2017	
	Holding %	No. of shares	Cost Rs. '000	No. of shares	Cost Rs. '000
Company					
Unquoted					
Akzo Nobel Paints Lanka (Private) Limited					
Ordinary Shares	49.37	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	100.00	1,260,000	12,600	1,260,000	12,600
CIC Grains (Private) Limited.	49.00	26,313,000	263,131	26,313,000	263,131
Cropwiz (Private) Limited.	40.00	86,880	125,109	86,880	125,109
Provision for impairment of Equity accounted investees			(263,131)		-
Total			161,109		424,240
Group					
Unquoted					
Akzo Nobel Paints Lanka (Private) Limited					
Ordinary Shares	49.37	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	100.00	1,260,000	12,600	1,260,000	12,600
Group share of net assets on deemed disposal			280,922		280,922
Rainforest Ecolodge (Private) Limited.	40.00	9,950,968	99,510	9,950,968	99,510
Commercial Insurance Brokers (Private) Limited.	40.00	239,999	200	239,999	200
Rahimafrooz CIC Agro Limited	49.00	212,928	32,573	212,928	32,573
			449,205		449,205
Share of equity accounted investees' retained earnings			580,427		538,957
Share of equity accounted investees' other reserves			14,875		14,875
Share of losses absorbed -Rahimafrooz CIC Agro Limited			(32,573)		(32,573)
Deemed disposal profit of Rainforest Ecolodge (Private) Limited			2,233		2,233
Total			1,014,167		972,697

The Group's interest in equity accounted investees relates to CIC Agri Businesses (Private) Limited's 49% interest in equity shareholding of Rahimafrooz CIC Agro Limited, an entity established in 2011/12 in Bangladesh. In adopting SLFRS 11- Joint Arrangements, the Group was required to recognise its interest in a joint venture using the equity method in accordance with LKAS 28- Investment in Associates and Joint Ventures. When changing from proportionate consolidation to the equity method, the Group recognised its investment in the joint venture as at the beginning of the immediately preceding period. Such was measured at the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated. The opening balance of the investment determined is regarded as the deemed cost of the investment at initial recognition. As the total of proportionately consolidated assets and liabilities resulted in negative net assets, CIC Agri Businesses (Private) Limited assessed whether it has legal or constructive obligations in relation to the negative net assets. The consolidated financial statements have disclosed the cumulative unrecognised share of losses of its joint ventures as at 31st March 2015 and other required disclosures in these Financial Statements. Distribution transactions of Chemcel (Private) Limited was completed in 2016/17 and accordingly it appears as a subsidiary held for distribution under respective company accounts.

- (1) Except for Rahimafrooz CIC Agro Limited incorporated in Bangladesh, all the other equity accounted investees are incorporated in Sri Lanka.
- (2) Though the group continues to hold 49% of Rahimafrooz CIC Agro Limited, management has decided to withdraw from the operations carried out by the investee. In having withdrawn from the joint venture, the group has been unable to obtain the information pertaining to the losses incurred by Rahimafrooz CIC Agro Limited as well as information pertaining to assets/ liabilities as at the reporting date and for the previous year, amounts relating to the year 2015 have been disclosed herein.
- (3) The main activities of the equity accounted investees are given in page 140.
- (4) The Group has neither contingent liabilities nor capital commitments in respect of equity accounted investees.
- (5) CIC Grains (Private) Limited made losses which reduced its net assets to Rs. (170.85) Mn. Therefore the Directors of CIC Holdings PLC and CIC Agri Businesses (Private) Limited decided to fully impair the investment made in the respective entities i.e. Rs. 263.13 Mn and Rs. 273.87 Mn respectively.
- (6) Summarised financial information of equity accounted investees and joint ventures are as follows.

For the year ended 31st March	2018 Rs.'000	2017 Rs.'000
Revenue	6,271,207	6,436,537
Expenses	(5,814,994)	(5,873,055)
Profit after tax	456,213	563,482
Non- current assets	738,712	730,827
Current assets	3,091,199	2,921,544
Total assets	3,829,911	3,652,371
Non- current liabilities	249,306	261,601
Current liabilities	1,831,108	1,722,363
Total liabilities	2,080,414	1,983,964
Net assets	1,749,497	1,668,407

24 OTHER NON CURRENT FINANCIAL ASSETS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Carrying value at the beginning of the year	356,937	-	367,261	10,248
Additions	12,093	418,774	12,856	418,890
Fair value gain/(loss)	(16,851)	(61,837)	(17,625)	(61,877)
Carrying value at the end of the year	352,179	356,937	362,492	367,261

As at 31st March	2018		2017	
	No. of Shares	Fair value Rs. '000	No. of Shares	Fair value Rs. '000
Company				
Quoted				
National Development Bank PLC	2,655,970	430,867	2,566,849	418,774
Fair value loss during the year		(78,688)		(61,837)
		352,179		356,937
Unquoted				
Yasui Lanka (Private) Limited.	660,000	6,600	660,000	6,600
Provision for impairment		(6,600)		(6,600)
		-		-
Total		352,179		356,937

The Company made a full provision against its investment in Yasui Lanka (Private) Limited of Rs. 6.6 Mn.

Notes to the Financial Statements

24 OTHER NON CURRENT FINANCIAL ASSETS (CONTD.)

As at 31st March	2018		2017	
	No. of Shares	Fair value Rs. '000	No. of Shares	Fair value Rs. '000
Group				
Quoted				
National Development Bank PLC	2,655,970	352,179	2,566,849	356,937
Commercial bank of Ceylon PLC				
Non Voting	48,827	5,078	43,700	4,505
Voting	23,567	3,200	21,159	2,759
Muller & Phipps (Ceylon) PLC	300	-	300	-
Chevron Lubricants Lanka PLC	16,000	1,672	16,000	2,720
Dipped Products PLC	2,500	213	2,500	190
		362,342		367,111
Unquoted				
Equity Investments (Lanka)Limited	15,000	150	15,000	150
Roma Cosmetics (Private) Limited	200,000	2,000	200,000	2,000
NTS Interlining (Private) Limited	650,000	6,500	650,000	6,500
		8,650		8,650
Provision for impairment		(8,500)		(8,500)
Total		362,492		367,261

The Group has made a full provision for NTS interlining (Private) Limited and Roma Cosmetics (private) Limited.

The fair value of financial instruments traded in active markets is based on quoted market prices as at reporting date. The disclosures relating to fair value measurement are given in the note 2.4.3 in Notes to the Financial Statements.

25 INVENTORIES

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Raw materials and consumables	455,196	715,909	4,242,655	4,088,401
Work-in-progress	94,552	127,830	392,584	268,353
Finished goods	2,195,498	2,313,999	4,231,619	4,104,042
Biological assets	-	-	221,304	261,762
Goods-in-transit	137,630	-	638,409	99,213
	2,882,876	3,157,738	9,726,571	8,821,771
Inventories classified as held for sale	-	-	(91,687)	-
Transferred to assets held for distribution	-	-	(3,336)	-
Provision for obsolete and slow moving inventories (Note 25.1)	(480,307)	(241,213)	(788,524)	(323,906)
Total	2,402,569	2,916,525	8,843,024	8,497,865

Inventories are stated at cost or net realisable value, whichever is lower. The breakup of the carrying value on inventories are as follows:

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At Cost	2,402,569	2,916,525	8,843,024	8,497,865
At Net Realisable Value	-	-	-	-
Total	2,402,569	2,916,525	8,843,024	8,497,865

25.1 Provision for obsolete and slow moving Inventories

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	241,213	63,997	323,906	111,965
Acquisition of subsidiaries	-	-	1,585	-
Provision made during the year	372,707	204,029	708,330	257,662
Write off during the year	(133,613)	(26,813)	(214,791)	(45,721)
At the end of the year	480,307	241,213	819,030	323,906
Provision relating to inventories classified as held for sale	-	-	(27,170)	-
Provision relating to inventories classified as held for distribution	-	-	(3,336)	-
Provision relating to continuing operations	480,307	241,213	788,524	323,906

Bank facilities have been obtained on negative pledge on inventories other than CIC Grains (Private) Limited which pledged its inventories to an amount of Rs. 300.00 Mn.

26 TRADE RECEIVABLES

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Trade receivables from Group Companies (Note 26.1)	5,732	7,682	-	-
Other trade receivables	2,687,928	2,451,988	5,990,014	5,456,386
Bills receivables	-	-	28,968	42,127
Total	2,693,660	2,459,670	6,018,982	5,498,513
Less: Provision for impairment for trade receivables (Note 26.2)	(290,923)	(311,384)	(591,912)	(592,431)
Transferred to Held for Sale	-	-	(127,849)	-
Total	2,402,737	2,148,286	5,299,221	4,906,082

Bank facilities have been obtained on negative pledge of trade receivables.

Notes to the Financial Statements

26 TRADE RECEIVABLES (CONTD.)

26.1 Trade Receivable from Group Companies

As at 31st March	Company	
	2018 Rs.'000	2017 Rs. 000
CIC Agri Businesses (Private)Limited	1,199	-
CIC Feeds (Private)Limited	90	111
CIC Agri Produce Exports (Private)Limited	-	61
CIC Grains (Private)Limited	-	7,414
CIC Dairies (Private)Limited	547	96
CIC Lifesciences Limited	2,783	-
Cropwiz (Private) Limited	606	-
CISCO Speciality Packaging (Private)Limited	507	-
	5,732	7,682

26.2 Provision for impairment for trade receivables

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	311,384	263,216	592,431	535,272
On the acquisition of the subsidiaries	-	-	174	-
Provision made during the year	(19,083)	51,199	87,157	131,523
Write off during the year	(1,378)	(3,031)	(48,808)	(74,364)
At the end of the year	290,923	311,384	630,955	592,431
Less: Provision relating to trade receivables classified as held for sale	-	-	(39,043)	-
	290,923	311,384	591,912	592,431

26.3 Trade Receivables Currency-wise

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Sri Lankan Rupees	2,402,737	2,148,286	5,288,330	4,886,891
US Dollars	-	-	10,891	19,191
Total	2,402,737	2,148,286	5,299,221	4,906,082

27 OTHER RECEIVABLES

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Non Trade Receivables from Group companies (Note 27.1)	153,802	165,642	-	-
Other non trade receivables (Net)	466,138	493,571	1,426,728	1,409,608
Short term loans granted to subsidiaries (Note A)	67,260	156,000	-	-
Subsidiary receivables	-	-	53,943	307,499
VAT receivables	-	5,046	25,315	31,710
Income tax receivables (Note 37)	139,650	45,134	401,912	178,384
Advance given to a Director for machinery relocation	-	-	11,992	-
Loans to employees	7,974	10,576	75,905	87,651
Pre-paid staff cost	2,451	4,005	19,428	28,233
	837,275	879,974	2,015,223	2,043,085
Less: Provision for impairment of other receivables	(114,375)	(46,701)	(117,590)	(46,701)
Transferred to assets held for sale	-	-	(24,608)	-
Transferred to assets held for distribution	-	-	(3,215)	-
Total	722,900	833,273	1,869,810	1,996,384

A Short term loans granted to subsidiaries include Rs. 67.26 Mn of CIC Properties (Private) Limited at an interest rate of 12.26%

27.1 Non Trade Receivable from Group Companies

As at 31st March	Company	
	2018 Rs.'000	2017 Rs. 000
CISCO Speciality Packaging (Private) Limited	10,611	-
CIC Feeds (Private) Limited	40,686	31,798
Colombo Industrial Agencies Limited	-	4,611
CIC CropGuard (Private) Limited	7,180	27,180
Crop Management Services (Private) Limited	297	142
CIC Lifesciences Limited	34,207	18,424
CIC Agri Produce Export (Private) Limited	146	712
CIC Agri Produce Marketing (Private) Limited	61	29
CIC Grains (Private) Limited	2,683	4,443
CIC Seeds (Private) Limited	420	6,353
CIC Dairies (Private) limited	1,023	5,273
CIC Dairy Breeding & Management (Private) Limited	682	-
CIC Properties (Private) Limited	63,272	73,317
Cropwiz (Private) Limited	22	848
	161,290	173,130
Less: Provision for impairment	(7,488)	(7,488)
Total	153,802	165,642

Notes to the Financial Statements

28 OTHER CURRENT FINANCIAL ASSETS

As at 31st March	2018		2017	
	No. of Shares	Fair value Rs. 000	No. of Shares	Fair value Rs. 000
Company				
Quoted				
Ceylon Hospitals PLC	5,628	446	5,628	507
Renuka Agri Foods PLC	153,200	352	153,200	429
Hatton National Bank PLC - Voting	175,300	42,408	147,141	33,151
Hatton National Bank PLC - Non Voting	17,899	3,333	14,964	2,768
Total		46,539		36,855

As at 31st March	2018		2017	
	No. of Shares	Fair value Rs. 000	No. of Shares	Fair value Rs. 000
Group				
Quoted				
Ceylon Hospitals PLC	5,628	446	5,628	507
Renuka Agri Foods PLC	153,200	352	153,200	429
Hatton National Bank PLC - Voting	1,382,256	338,112	275,711	62,118
Hatton National Bank PLC - Non Voting	17,899	3,333	14,964	2,768
John Keels Hotels PLC	450,000	71,820	-	-
National Development Bank PLC	96,714	12,873	93,457	13,046
Lanka Orix Leasing Company PLC	11,000	1,298	11,000	671
Sampath Bank PLC	47,586	14,276	-	-
Total		442,510		79,539

29 CASH AND CASH EQUIVALENTS

As at 31st March	Company		Group	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
29.1 Favourable cash and cash equivalents				
Cash and bank balances	220,169	170,134	1,277,979	1,231,140
Short term deposits	-	-	289,250	60,306
	220,169	170,134	1,567,229	1,291,446
29.2 Unfavourable cash and cash equivalents				
Bank overdrafts	(1,604,647)	(1,451,502)	(3,492,206)	(2,634,840)
Short term bank loans	(3,820,650)	(3,349,650)	(9,304,414)	(9,303,948)
	(5,425,297)	(4,801,152)	(12,796,620)	(11,938,788)
Cash and cash equivalents classified as assets held for sale	-	-	72,070	3,076
Cash and cash equivalents classified as assets held for distribution	-	-	85,213	1,430
Cash and cash equivalents for the purpose of cash flow statements	(5,205,128)	(4,631,018)	(11,072,108)	(10,642,836)

30 STATED CAPITAL

As at 31st March	Company/Group 2018		Company/Group 2017	
	No. of Shares	Rs.	No. of Shares	Rs.
Ordinary Shares				
As at the beginning of the year	72,900,000	789,750,000	72,900,000	789,750,000
As at the end of the year	72,900,000	789,750,000	72,900,000	789,750,000
Non - Voting (Class X) Shares				
As at the beginning of the year	21,870,000	218,700,000	21,870,000	218,700,000
As at the end of the year	21,870,000	218,700,000	21,870,000	218,700,000
Total	94,770,000	1,008,450,000	94,770,000	1,008,450,000

The holders of Ordinary shares (Voting) are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company.

31 CAPITAL RESERVES

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	834,680	1,262,936	1,815,568	2,281,833
Surplus on revaluation	639,889	-	639,889	-
Realisation of capital reserves	-	(428,256)	(129,716)	(466,265)
Deferred tax on revaluation of land	(146,662)	-	(407,343)	-
Loss on revaluation of land	-	-	(423)	-
Total	1,327,907	834,680	1,917,975	1,815,568

Capital reserves consist of revaluation reserves and reserves on scrip issue.

Revaluation reserves relates to revaluation of lands and represents the increase in the fair value of the lands.

Reserves on scrip issue is originated from post-acquisition scrip issues made by the subsidiaries.

32 REVENUE RESERVES

Revenue reserves comprise of retained earnings, general reserves and available for sale reserves.

General reserve is the amount appropriated by the Board of Directors.

The available for sale reserve arises on the fair value change of available for sale financial assets recognised in the other comprehensive income.

33 LOANS AND BORROWINGS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
33.1 Loans and borrowings repayable after one year				
Bank loans	-	-	1,171,508	1,182,962
Finance lease obligations	-	-	889	1,896
	-	-	1,172,397	1,184,858

Notes to the Financial Statements

33 LOANS AND BORROWINGS (CONTD.)

33.2 Bank Loans

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	62,265	138,765	1,894,805	1,750,374
Obtained during the year	-	-	401,981	1,617,855
Transferred to held for sale	-	-	(222,917)	-
Repayments during the year	(62,265)	(76,500)	(500,804)	(1,473,424)
At the end of year	-	62,265	1,573,065	1,894,805
Less: repayable within one year	-	(62,265)	(401,557)	(711,843)
Repayable after one year	-	-	1,171,508	1,182,962
Finance lease obligations repayable after one year	-	-	889	1,896
Total	-	-	1,172,397	1,184,858

There are no bank loans payable after five years in the Company or Group.

33.3 Finance lease obligations

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	-	1,255	3,227	15,417
Acquisition of subsidiaries	-	-	7,931	-
Repayments during the year	-	(1,255)	(9,275)	(12,190)
At the end of the year	-	-	1,883	3,227
Less: Repayable within one year	-	-	(994)	(1,331)
Repayable after one year	-	-	889	1,896

33.4 Analysis of Finance lease obligations by year of repayment

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Finance lease obligations repayable within 1 year				
Gross liability	-	-	1,106	1,536
Finance charges unamortised	-	-	(112)	(205)
Net lease obligations	-	-	994	1,331
Finance lease obligations repayable between 1 to 5 years from the year end				
Gross liability	-	-	921	2,027
Finance charges unamortised	-	-	(32)	(131)
Net lease obligations	-	-	889	1,896

There are no lease liabilities payable after five years in the Company or Group.

33.5 Loans and borrowings repayable within one year from the year end

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Bank loans	-	62,265	401,557	711,843
Finance lease obligations	-	-	994	1,331
Bank overdrafts	1,604,647	1,451,502	3,492,206	2,634,840
Short term loans	3,820,650	3,349,650	9,304,414	9,303,948
Total	5,425,297	4,863,417	13,199,171	12,651,962

E. Analysis of loans and borrowings payable after one year

Company	Lender	Interest Rate	Currency	2018 Rs. Mn	2017 Rs. Mn	Security
CISCO Speciality Packaging (Private) Limited	Union Bank PLC	9.50%	LKR	54.78	94.80	Plant Machinery
	Commercial Bank Of Ceylon PLC	AWPLR	LKR	56.99	52.00	Project Machinery
	Commercial Bank Of Ceylon PLC	AWPLR + 1%	LKR	15.00	31.92	Land & Building
CIC Agri Businesses (Private) Limited	Commercial Bank of Ceylon PLC	8.00%	LKR	0.83	12.08	
	DFCC Bank	AWPLR + 0.75%	LKR	-	216.16	
	Lanka Puthra Bank	8.00%	LKR	-	0.42	Primary Mortgage over Land
	Hatton National Bank PLC	AWPLR + 1%	LKR	321.00	365.00	Mortgage over Land
Link Natural Products (Private) Limited	State Bank of India	AWPLR+0.5%	LKR	143.01	-	Mortgage over Land & Buildings
	Hatton National Bank PLC	AWPLR	LKR	-	22.18	Primary mortgage over the land
	Commercial Bank Of Ceylon PLC	AWPLR	LKR	-	1.70	Mortgage over Machinery
	Commercial Bank Of Ceylon PLC	AWPLR+1.5%	LKR	-	39.70	Negative pledge over stock, debtors and project related assets
CIC Feeds (Private) Limited	People's Bank	AWPLR + 1%	LKR	37.71	-	Mortgage over Machinery
	Seylan Bank PLC	AWPLR + 1%	LKR	3.64	12.40	Mortgage over Machinery
Cropwiz (Private) Limited	Hatton National Bank PLC	LIBOR+4.25%	LKR	538.54	334.60	Mortgage over Project Machinery
				1,171.50	1,182.96	

Finance Lease Obligations

CIC Agri Businesses (Private) Limited	Central Finance Company PLC	LKR	0.89	1.90
			0.89	1.90

Notes to the Financial Statements

34 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Present value of the gratuity				
At the beginning of the year	165,893	206,188	590,288	603,825
Acquisition of subsidiaries	-	-	6,193	-
Current service cost	18,948	18,247	90,672	53,702
Benefits paid by the plan	(34,669)	(28,687)	(140,753)	(53,195)
Interest cost	19,908	20,564	70,100	59,815
Actuarial (gains) / losses	9,885	(50,419)	53,938	(73,859)
At the end of the year	179,965	165,893	670,438	590,288
Less : Transferred to held for sale	-	-	(9,169)	-
Total	179,965	165,893	661,269	590,288

A Retirement benefit cost is recognised in the following line items in the Statements of Profit or Loss and Other Comprehensive Income.

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Cost of sales	1,885	1,665	22,432	16,458
Distribution expenses	20,533	17,787	32,760	31,958
Administrative expenses	16,438	19,359	105,580	65,101
	38,856	38,811	160,772	113,517
Other comprehensive income	9,885	(50,419)	53,938	(73,859)
Total	48,740	(11,608)	214,710	39,658

The gratuity liability of the Company, and the Group is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The liability is not externally funded.

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefits that employees have earned in return for their service in the current and prior periods and discount that benefit using projected unit credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

Rate of discount	11% (2017-12%)
Salary increase	10% (2017-10%)
Retirement age	Management Staff - 55 years Clerical Staff - 60 Years

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by Institute of Actuaries, London.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from the services and retirement on medical grounds.

C Sensitivity of Assumptions Used

A change in discount rate and in salary increase would change in the present value of the retirement benefit obligations as follows:

As at 31st March	Increase by 1%		Decrease by 1%	
	Discount Rate	Future Salary Growth	Discount Rate	Future Salary Growth
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company - the present value change in retirement benefit obligations	(170,821)	190,473	(190,107)	170,344
Group - the present value change in retirement benefit obligations	(631,197)	696,086	(694,580)	629,258

35 GOVERNMENT GRANTS

As at 31st March	Group	
	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	11,826	13,704
Amortised during the year	(1,154)	(1,878)
Transferred to Held for Sale	(1,719)	-
At the end of the year	8,953	11,826

Grants are amortised over the useful life of the asset. Details of grants are as follows;

Beneficiary	Purpose	Grantor	Amount Received Rs. '000	Carrying value 2018 Rs. '000	2017 Rs. '000
CIC Agri Businesses (Private) Limited	Dairy development in the Eastern province	Land O' Lakes, Inc	33,600	8816	11,618
Link Natural Products (Private) Limited	Out grower medicinal crops cultivation and processing project in Monaragala and Ampara.	Connecting Regional Economies (USAID / CORE)	655	137	208
				8,953	11,826

36 TRADE PAYABLES

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Trade payables to Group Companies (Note 36.1)	6,867	32,279	-	-
Bills payable	714,566	608,831	4,781,998	2,925,776
Other trade payables	347,889	433,663	1,049,707	1,094,684
Total	1,069,322	1,074,773	5,831,705	4,020,460
Transferred to liabilities classified as held for sale	-	-	(312)	-
Total	1,069,322	1,074,773	5,831,393	4,020,460

Notes to the Financial Statements

36 TRADE PAYABLES (CONTD.)

36.1 Trade Payables to Group Companies

As at 31st March	Company	
	2018 Rs.'000	2017 Rs. 000
CISCO Speciality Packaging (Private) Limited	6,867	2,162
CIC Agri Businesses (Private Limited)	-	14,947
CIC Lifesciences Limited	-	14,081
Chemane PLC	-	1,089
	6,867	32,279

36.2 Currency - wise Trade Payables

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
US Dollars	3,113	4,341	124,713	110,035
Euros	332	54	11,486	16,681
Sterling Pounds	13	19	13	1,011
Singapore Dollars	77	91	78	-
Sri Lankan Rupees	1,065,787	1,070,268	5,695,103	3,892,733
	1,069,322	1,074,773	5,831,393	4,020,460

37 INCOME TAX PAYABLE/ (RECEIVABLE)

As at 31st March	Company		Group	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
At the beginning of the year	(45,134)	15,380	(36,808)	(28,192)
Provision made during the year				
- continuing operations	353	32,840	159,102	352,047
- discontinued operations	-	-	9,928	8,607
Over Provisions in respect of previous year	(32,464)	(42,922)	(32,476)	(42,733)
Irrecoverable ESC written off	-	-	4,347	15,375
Tax on dividends received from associates	-	-	(22,200)	(29,700)
On acquisition of subsidiary	-	-	9,091	-
Payments made during the year	(62,404)	(50,432)	(404,844)	(312,272)
At the end of the year	(139,650)	(45,134)	(313,860)	(36,808)
Income tax payables	-	-	88,052	141,576
Income tax receivables	139,650	45,134	401,912	178,384
Total	(139,650)	(45,134)	(313,860)	(36,808)

38 CAPITAL COMMITMENTS

Following material capital commitments were existed at the reporting date

Company	Amount	Reason
Link Natural Products (Private) Limited	Rs 150 Mn	Equipment installation of research and development centre
CISCO Speciality Packaging (Private) Limited	Rs 20 Mn	Construction of steel warehouse

Other than the above, there are no material capital commitments as at the reporting date.

39 CONTINGENT LIABILITIES

In 2016/17 the Group has received a claim of USD 668,154 on the alleged premise that a product supplied did not conform to technical specifications. The Group having sought legal advice has refuted the claim and no provision for any related liability has been made in these financial statements.

CIC Feeds (Private) Limited provided a Corporate Guarantee of Rs. 600 Mn to Bank of Ceylon on behalf of its subsidiary, CIC Poultry Farms Limited.

There are no any other material contingent liabilities as at the reporting date, which require adjustment and/or disclosure in the Financial Statement.

40 EVENTS AFTER THE REPORTING DATE

No material events have taken place after the reporting date which requires adjustments to or disclosure in the Financial Statements.

41 RECONCILIATION OF RE-CLASSIFICATION RELATING TO DISCONTINUED OPERATIONS

41.1 Reconciliation:- Statement of Comprehensive Income

Re-classification relating to discontinued operations specified in Note 13 of the Company and the Group are summarised below.

Re-classifications other than the discontinued operations, are mentioned in the respective notes.

As at 31st March	Company			Group		
	As disclosed in 2017 Rs. 000	Adjustment Rs. 000	Re-classified for 2017 Rs. 000	As disclosed in 2017 Rs. 000	Adjustment Rs. 000	Re-classified for 2017 Rs. 000
Continuing operations						
Revenue	9,116,686	(1,117,642)	7,999,044	34,875,611	(2,665,065)	32,210,546
Cost of sales	(6,860,702)	879,157	(5,981,545)	(26,891,939)	2,006,538	(24,885,401)
Gross profit	2,255,984	(238,485)	2,017,499	7,983,672	(658,527)	7,325,145
Other income	667,595	(356)	667,239	306,265	5,033	311,298
Distribution expenses	(1,558,466)	455,232	(1,103,234)	(3,672,519)	711,720	(2,960,799)
Administrative expenses	(677,639)	27,750	(649,890)	(1,986,735)	128,533	(1,858,202)
Other expenses	-	-	-	(49,849)	(74)	(49,923)
Results from operating activities	687,474	244,141	931,614	2,580,834	186,685	2,767,519
Finance cost (net)	(501,634)	41,692	(459,942)	(1,641,032)	36,884	(1,604,148)
Share of profit of equity accounted investees (net of tax)	-	-	-	334,728	-	334,728
Profit before tax	185,840	285,833	471,672	1,274,530	223,569	1,498,099
Income tax expense	(6,305)	-	(6,305)	(392,731)	8,665	(384,066)
Profit from continuing operations	179,535	285,833	465,367	881,799	232,234	1,114,033
Discontinued operations						
Profit/(loss) from discontinued operations (net of tax)	-	(285,833)	(285,832)	5,118	(232,234)	(227,116)
Profit for the year	179,535	-	179,535	886,917	-	886,917

Notes to the Financial Statements

41 RECONCILIATION (CONTD.)

41.2 Reconciliation:- Statement of Financial Position

As at 31st March	Group		
	As disclosed in 2017 Rs.'000	Adjustment Rs. 000	Re-classified for 2017 Rs. 000
ASSETS			
Non- current assets			
Property, plant & equipment	12,645,808	-	12,645,808
Investment property	54,147	-	54,147
Capital work-in-progress	301,036	-	301,036
Biological assets	248,508	-	248,508
Intangible assets	168,809	-	168,809
Deferred tax assets	171,357	-	171,357
Investment in subsidiaries	-	-	-
Equity accounted investees	972,697	-	972,697
Other non-current financial Assets	367,261	-	367,261
	14,929,623	-	14,929,623
Current assets			
Inventories	8,497,865	-	8,497,865
Trade receivables	4,906,082	-	4,906,082
Other receivables	1,996,384	-	1,996,384
Other current financial assets	79,539	-	79,539
Cash in hand and at bank	1,291,446	-	1,291,446
	16,771,316	-	16,771,316
Assets classified as held for sale	96,356	(92,580)	3,776
Assets classified as held for distribution	-	92,580	92,580
	16,867,672	-	16,867,672
Total assets	31,797,295	-	31,797,295
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company			
Stated capital	1,008,450	-	1,008,450
Capital reserves	1,815,568	-	1,815,568
Revenue reserves	6,237,214	-	6,237,214
	9,061,232	-	9,061,232
Non controlling Interests	2,354,316	-	2,354,316
Total Equity	11,415,548	-	11,415,548
Non-current liabilities			
Loans and borrowings	1,184,858	-	1,184,858
Retirement benefit obligations	590,288	-	590,288
Grants	11,826	-	11,826
Deferred tax liabilities	602,937	-	602,937
	2,389,909	-	2,389,909
Current Liabilities			
Trade payables	4,020,460	-	4,020,460
Income tax payable	141,576	-	141,576
Accruals and other payables	1,162,724	-	1,162,724
Loans and borrowings	12,651,962	-	12,651,962
	17,976,722	-	17,976,722
Liabilities classified as held for sale	15,116	(1,398)	13,718
Liabilities classified as held for distribution	-	1,398	1,398
	17,991,838	-	17,991,838
Total Liabilities	20,381,747	-	20,381,747
Total equity and liabilities	31,797,295	-	31,797,295

A subsidiary Company of the Group has classified its assets and liabilities classified under held for sale to the held for distribution.

42 RELATED PARTY DISCLOSURE

The Company carried out transactions in the ordinary course of the business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates.

42.1 Parent and Ultimate Controlling Party

Ultimate Parent Company of the Company is Paints and General Industries Limited.

As at 31st March	2018 Rs. Mn	2017 Rs. Mn
Dividend paid	79.17	158.35
Sale of goods	203.47	309.27
Trade receivable	92.29	94.14

42.2 Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including Executive and Non-Executive) of the Company have been classified as KMP of the Company.

KMP of the Group

The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Group. The officers who are only Directors of subsidiaries and not of the company have been classified as KMP for that subsidiary.

42.2.1 Transactions with KMP

Advanced given to Directors

A subsidiary company of Chemanex PLC has granted an advance of Rs. 11.99 Mn to one of its' Directors to relocate the machinery of the business.

Key Management Personnel Compensation

The details of compensation are given in note 11 to the Financial Statements.

Other Transactions with Key Management Personnel

(a) The names of Directors of CIC Holdings PLC, who are also Directors of subsidiaries, sub-subsidiaries and the equity accounted investees, are as follows:

Mr. S.H. Amarasekera
Mr. S.P.S. Ranatunga
Mr. R.S. Captain
Mr.P.R.Saldin
Mr. M.P. Jayawardena

(b) Details of Directors and their spouses' shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 56.

Notes to the Financial Statements

42 RELATED PARTY DISCLOSURE (CONTD.)

42.2 Key Management Personnel (KMP) (Contd.)

42.2.1 Recurring Transactions (Contd.)

(c) Transactions in the ordinary course of the business with the entities where Board of Directors of the Company and the Holding Company and their close family members have substantial holdings/ influence.

Company	Name of the Director	Nature of the Transaction	2018 Rs. Mn	2017 Rs. Mn
Polypak Secco Limited	R.S. Captain/P.R. Saldin	Payments for purchases of goods	7.39	23.43
CEI Plastics (Private) Limited	R.S. Captain/P.R. Saldin	Sale of Goods	0.83	1.42

Transactions with Subsidiaries and Equity Accounted Investees

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) Company provides office space to some of its subsidiaries and equity accounted investees and charges rent, in addition, the Company provides certain shared services such as data processing and administration functions. The related costs are allocated to subsidiaries and equity accounted investees.

42.3.1 Recurring Transactions

Company	Relationship	Nature of the Transaction	2018 Rs. Mn	2017 Rs. Mn
Chemanex PLC	Subsidiary	Dividend received	15.01	22.75
		Rent paid	1.72	1.71
		Purchase of goods	2.03	27.60
		Secretarial fees paid	1.34	1.34
		Payables -Trade	-	0.63
		Payables - Non Trade	0.62	0.46
CIC Agri Businesses (Private) Limited	Subsidiary	Sale of goods	1.90	0.07
		Dividend received	-	21.76
		Rent paid	6.23	5.88
		Purchase of goods	0.01	0.18
		Staff cost received	27.09	15.98
		Payables -Trade	24.53	-
		Payables - Non Trade	-	14.95
		Receivables - Trade	1.20	-
CISCO Speciality Packaging (Private) Limited	Subsidiary	Sale of goods	3.19	1.27
		Dividend received	22.50	22.50
		Purchase of goods	16.24	27.60
		Staff cost paid	14.12	14.07
		Network charges received	0.42	0.42
		Payables -Trade	6.87	1.56
		Payables - Non Trade	-	1.26
		Receivables - Trade	0.51	0.67
		Receivables - Non Trade	10.61	-
CIC Crop Guard (Private) Limited	Subsidiary	Sale of goods	10.82	0.01
		Dividend received	2.25	4.95
		Staff cost paid	32.83	31.46
		Handling commission & service chargers	49.12	52.49
		Receivables - Non Trade	7.18	27.18

Company	Relationship	Nature of the Transaction	2018 Rs. Mn	2017 Rs. Mn
CIC Feeds (Private) Limited	Subsidiary	Sale of goods	0.28	0.58
		Dividend received	48.23	49.47
		Receivables - Trade	0.09	0.11
		Receivables - Non Trade	40.69	31.82
CIC Lifesciences Limited	Subsidiary	Rent received	0.80	-
		Purchase of goods	59.10	79.48
		Staff cost paid	20.13	4.05
		Payables -Trade	-	14.08
		Receivables - Trade	2.78	-
		Receivables - Non Trade	34.21	18.42
		Receivables short term loan	-	56.00
Link Natural Products (Private) Limited	Subsidiary	Sale of goods	0.06	-
		Dividend received	-	27.92
		Rent received	-	0.02
		Receivables - Non Trade	-	-
Colombo Industrial Agencies Limited	Subsidiary	Rent paid	9.11	8.51
		Royalty	0.03	0.98
		Payables - Non Trade	2.74	-
		Receivables - Non Trade	-	4.61
Crop Management Services (Private) Limited	Subsidiary	Dividend received	-	0.78
		Receivables - Non Trade	0.30	0.14
CIC Properties (Private) Limited	Subsidiary	Receivables - Non Trade	52.02	73.32
		Receivables short term loan	78.51	100.00
Unipower (Private) Limited	Subsidiary	Sale of goods	0.16	-
CIC Agri Produce Exports (Private) Limited	Sub-Subsidiary	Sale of goods	-	0.42
		Receivables - Trade	-	0.06
		Receivables - Non Trade	0.15	0.71
CIC Agri Produce Marketing (Private) Limited	Sub-Subsidiary	Sale of goods	-	0.02
		Receivables - Non Trade	0.06	0.03
CIC Seeds (Private) Limited	Sub-Subsidiary	Sale of goods	0.24	0.51
		Receivables - Non Trade	0.42	6.35
CIC Poultry Farms Limited	Sub-Subsidiary	Sale of goods	0.41	0.30
CIC Dairies (Private) Limited	Sub-Subsidiary	Sale of goods	1.48	1.52
		Receivables - Trade	0.55	0.10
		Receivables - Non Trade	1.02	5.27
CIC Dairy Breeding & Management (Private) Limited	Sub-Subsidiary	Receivables - Non Trade	0.68	-
Akzo Nobel Paints Lanka (Private) Limited	Equity accounted investee	Sale of goods	-	0.13
		Dividend received	199.80	267.30
		Rent received	13.50	13.02
		Purchase of goods	0.18	-
		Handling commission & service chargers	10.34	8.28
		Receivables - Non Trade	7.23	7.46
Cropwiz (Private) Limited	Equity accounted investee	Sale of goods	0.74	-
		Receivables - Trade	0.61	-
		Receivables - Non Trade	0.02	0.85
CIC Grains (Private) Limited	Equity accounted investee	Sale of goods	(7.57)	102.28
		Payables -Trade	2.11	-
		Receivables - Trade	-	7.41
		Receivables - Non Trade	2.68	4.44

Notes to the Financial Statements

43 FINANCIAL INSTRUMENTS

Risk Management

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds available for sale investments. Therefore, the Group is exposed to market risk, credit risk and liquidity risk.

Risk Management Framework

The Group's senior management oversees the management of these risks. The Group's senior management is supported by the Audit Committee that advises on financial risks and appropriate financial risk governance framework for the Group. The Audit Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by the appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and Group risk appetite. The Board of Directors review and agree policies for managing each of these risks which are summarised below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

As at 31st March	Company	
	2018 Rs.'000	2017 Rs. 000
Exposure to credit risk		
Trade receivable	2,693,660	2,459,670
Other receivable	837,275	879,974
Total	3,530,935	3,339,644

As at 31st March	Group	
	2018 Rs.'000	2017 Rs. 000
Trade receivable	6,018,982	5,498,513
Other receivable	2,015,223	2,043,085
Total	8,034,205	7,541,598

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and area in which customers operate, as these factors may have an influence on credit risk.

The Audit Committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Audit Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark credit worthiness may transact with the company only on a prepayment basis.

A significant percentage of the Group's customers are transacting with the Group for more than four years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are government or non-government, whether they are wholesale, retail or end-customer, their geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as 'high risk' are placed on a restricted customer list and monitored by the Group Management Committee, and future sales are made on a prepayment basis.

The Group is closely monitoring the economic environment in the country and is taking actions to limit its exposure to customers in the country experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for Group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those receivables.

The Group is engaged in different business industries in order to mitigate its business risk so that the credit risk from the trade and other receivables varies widely. Therefore the credit is analysed based on domestic and foreign basis.

The Group is closely monitoring the economic environment in the country and is taking necessary measures to limit its exposure to customers experiencing particular economic volatility.

As at 31st March	Group	
	2018 Rs.'000	2017 Rs. 000
Domestic	5,288,330	4,886,891
Foreign	10,891	19,191
Total	5,299,221	4,906,082

Impairment losses

All trade receivables that are past due, have been considered for impairment as at 31 March 2018.

The movement in the allowance for impairment of trade receivables is disclosed in Note No. 26.2.

Debt securities

The Group limits its exposure to credit risk by investing only in liquid debt securities.

The Group did not have any debt securities that were past due but not impaired at 31 March 2018. (2017 - nil).

Notes to the Financial Statements

43 FINANCIAL INSTRUMENTS (CONTD.)

Cash and cash equivalents

The company held cash and cash equivalents of Rs.220Mn as at 31 March 2018, (2017: Rs, 170Mn), Group held Rs.1.5 Bn as at 31st March 2018 (2017 - Rs. 1.3Bn) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counter parties, which are rated AA to AA+, based on rating agency ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

The Audit Committee sets so as to limit the net financial liabilities to a pre-approved amount, on need basis. The Group maintains the net financial liabilities to these specified upper limits and any deviation to these upper limits require prior approval.

The Company and the Group held the following short term financial liabilities as at 31st March 2018; (Refer Note 33 for maturity analysis of non current financial liabilities).

As at 31st March		Company	
		2018 Rs.'000	2017 Rs. 000
Trade payables	Less than 90 days	1,069,322	1,074,773
Accruals and other payables	0-30 days	495,652	394,070
Loans and borrowings payable within one year	On demand	-	62,265
Short-term loans	0-90 days	3,820,650	3,349,650
Bank overdraft	On demand	1,604,647	1,451,502

As at 31st March		Group	
		2018 Rs.'000	2017 Rs. 000
Trade payables	Less than 90 days	5,831,393	4,020,460
Accruals and other payables	0-30 days	1,445,854	1,162,724
Loans and borrowings payable within one year	On demand	401,559	711,843
Short-term loans	0-90 days	9,304,415	9,303,948
Bank overdraft	On demand	3,492,206	2,634,840

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of entities. The currencies in which these transactions primarily are denominated are Euro, USD and Sterling Pound.

Effects of currency rate fluctuations of imported materials and finished goods are transferred in a reasonable manner keeping in line with the prices in the market.

Subsidiary Companies of the Group settle majority of their import bills and the financial liabilities denominated in a currency other than functional currency, out of foreign currency receipts from their overseas customers.

Following are the exchange rate used for the translation of transaction denominated in foreign currencies.

As at 31st March	2018			2017		
	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate
US Dollar	157.49	153.72	155.97	153.91	150.06	152.50
Euro	195.17	188.31	192.22	165.43	159.28	170.56
Sterling Pound	222.58	215.56	219.54	193.18	186.73	198.13

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. For this purpose, adjusted net debt is defined as total liabilities(which includes interest bearing loans and borrowings and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Company's and Group's adjusted net debt to equity ratio at the end of the reporting period was as follows

As at 31st March	Company	
	2018 Rs.'000	2017 Rs. 000
Total Debts	7,200,630	6,562,482
Less: cash and cash equivalents	(220,169)	(170,134)
Net debt	6,980,461	6,392,348
Total equity	3,891,945	3,991,410
Adjusted equity	3,891,945	3,991,410
Net debt to adjusted equity ratio at 31 March (Times)	1.79	1.60

Notes to the Financial Statements

43 FINANCIAL INSTRUMENTS (CONTD.)

As at 31st March	Group	
	2018 Rs.'000	2017 Rs. 000
Total Debts	24,274,624	20,381,747
Less: cash and cash equivalents	(1,567,229)	(1,291,446)
Net debt	22,707,395	19,090,301
Total equity	10,712,655	11,415,548
Adjusted equity	10,712,655	11,415,548
Net debt to adjusted equity ratio at 31 March(Times)	2.12	1.67

Accounting classifications and fair value

The value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position as follows:

Company	Fair value through profit or loss Rs'000	Held to maturity Rs'000	Loans and receivables Rs'000	Available for sale Rs'000	Other financial liabilities Rs'000	Total Carrying amount Rs'000	Fair Value Rs'000
As at 31/03/2018							
Cash and cash equivalents	-	-	220,169	-	-	220,169	220,169
Trade receivables	-	-	2,402,737	-	-	2,402,737	2,402,737
Other receivables	-	-	722,900	-	-	722,900	722,900
Other current financial assets- available for sale	-	-	-	46,539	-	46,539	46,539
Equity securities-available for sale	-	-	-	352,179	-	352,179	352,179
	-	-	3,345,806	398,718	-	3,744,524	3,744,524
Secured bank loans	-	-	-	-	(3,820,650)	(3,820,650)	(3,820,650)
Trade payables	-	-	-	-	(1,069,322)	(1,069,322)	(1,069,322)
Bank overdraft	-	-	-	-	(1,604,647)	(1,604,647)	(1,604,647)
	-	-	-	-	(6,494,619)	(6,494,619)	(6,494,619)
As at 31/03/2017							
Cash and cash equivalents	-	-	170,134	-	-	170,134	170,134
Trade receivables	-	-	2,148,286	-	-	2,148,286	2,148,286
Other receivables	-	-	833,273	-	-	833,273	833,273
Other current financial assets- available for sale	-	-	-	36,855	-	36,855	36,855
Equity securities-available for sale	-	-	-	356,937	-	356,937	356,937
	-	-	3,151,693	393,792	-	3,545,485	3,545,485
Secured bank loans	-	-	-	-	(3,411,915)	(3,411,915)	(3,411,915)
Trade payables	-	-	-	-	(1,074,733)	(1,074,733)	(1,074,733)
Bank overdraft	-	-	-	-	(1,451,502)	(1,451,502)	(1,451,502)
	-	-	-	-	(5,938,150)	(5,938,150)	(5,938,150)

Group	Fair value through profit or loss Rs'000	Held to maturity Rs'000	Loans and receivables Rs'000	Available for sale Rs'000	Other financial liabilities Rs'000	Total carrying amount Rs'000	Fair Value Rs'000
As at 31/03/2018							
Cash and cash equivalents	-	-	1,567,229	-	-	1,567,229	1,567,229
Trade receivables	-	-	5,299,221	-	-	5,299,221	5,299,221
Other receivables	-	-	1,869,810	-	-	1,869,810	1,869,810
Other current financial assets- available for sale	-	-	-	442,510	-	442,510	442,510
Equity securities-available for sale	-	-	-	362,492	-	362,492	362,492
	-	-	8,736,260	805,002	-	9,541,262	9,541,262
Secured bank loans	-	-	-	-	(10,877,479)	(10,877,479)	(10,877,479)
Finance leases	-	-	-	-	(889)	(889)	(889)
Trade payables	-	-	-	-	(5,831,393)	(5,831,393)	(5,831,393)
Bank overdraft	-	-	-	-	(3,492,206)	(3,492,206)	(3,492,206)
	-	-	-	-	(20,201,967)	(20,201,967)	(20,201,967)
As at 31/03/2017							
Cash and cash equivalents			1,291,446			1,291,446	1,291,446
Trade receivables			4,906,082			4,906,082	4,906,082
Other receivables			1,996,384			1,996,384	1,996,384
Other current financial assets- available for sale	-	-	-	79,539	-	79,539	79,539
Equity securities-available for sale	-	-	-	367,261	-	367,261	367,261
	-	-	8,193,912	446,800	-	8,640,712	8,640,712
Secured bank loans					(11,198,753)	(11,198,753)	(11,198,753)
Finance leases					(1,896)	(1,896)	(1,896)
Trade payables					(4,020,460)	(4,020,460)	(4,020,460)
Bank overdraft					(2,634,840)	(2,634,840)	(2,634,840)
	-	-	-	-	(17,855,949)	(17,855,949)	(17,855,949)

Notes to the Financial Statements

43 FINANCIAL INSTRUMENTS (CONTD.)

Fair value measurement hierarchy

As at 31st March	Level 01		Level 02		Level 03	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Company						
Recurring fair value measurements-						
Assets measured at fair value						
Freehold land	-	-	-	-	656,802	1,035,463
Available For Sale financial assets	352,179	356,937	-	-	-	-
Other current financial assets	46,539	36,855	-	-	-	-
	398,718	393,792	-	-	656,802	1,035,463

Non - recurring fair value measurements-

Net asset classified as held for sale

As at 31st March	Level 01		Level 02		Level 03	
	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000	2018 Rs.'000	2017 Rs. 000
Group						
Recurring fair value measurements-						
Assets measured at fair value						
Freehold land	-	-	-	-	2,643,788	3,257,618
Biological Assets	-	-	-	-	181,028	248,508
Available For Sale financial assets	362,492	367,261	-	-	-	-
Other current financial assets	442,510	79,539	-	-	-	-
	805,002	446,800	-	-	2,824,816	3,506,126
Assets for which fair values are disclosed:						
Investment property	-	-	-	-	13,900	54,147
Non-recurring fair value measurements						
Net asset classified as held for sale and distribution	-	-	-	-	1,757,357	81,240

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Shareholders & Investors Information

1 STOCK EXCHANGE LISTING

CIC Holdings PLC is a Public Quoted Company. The issued share capital of the Company consists of 72,900,000 (2017 - 72,900,000) Ordinary Shares and 21,870,000 (2017 - 21,870,000) Non-Voting (Class X) Shares listed in the Colombo Stock Exchange.

2 SHAREHOLDERS

There were 2,359 (2017 - 2,317) Ordinary shareholders and 2,616 (2017 - 2,603) Non-Voting (Class X) shareholders as at 31st March 2018, distributed into different categories as follows:

Ordinary Shares

Shares held	2018			2017		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,529	420,266	0.57	1,481	408,656	0.56
1001 - 10000	594	2,284,325	3.13	600	2,263,237	3.10
10001 - 100000	189	6,034,232	8.29	186	6,041,689	8.29
100001 - 1000000	42	9,724,540	13.34	45	9,877,049	13.55
Over - 1000000	5	54,436,637	74.67	5	54,309,369	74.50
	2,359	72,900,000	100.00	2,317	72,900,000	100.00

Shares held	2018			2017		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,321	72,318,957	99.20	2,273	72,282,315	99.15
Non-Resident	38	581,043	0.80	44	617,685	0.85
	2,359	72,900,000	100.00	2,317	72,900,000	100.00

Percentage of shares held by public - 33.14%

Percentage of shares held by the Directors together with the members of their families - 0.0001%

Percentage of shares held by the Parent Company - 53.31%

Percentage of shares held by Employees' Provident Fund - 9.06%

Non-Voting (Class X) Shares

Shares held	2018			2017		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,580	498,580	2.28	1,576	500,350	2.29
1001 - 10000	771	2,951,305	13.50	765	2,889,280	13.21
10001 - 100000	236	7,316,547	33.45	231	7,162,500	32.75
100001 - 1000000	27	6,779,074	31.00	29	6,993,376	31.98
Over - 1000000	2	4,324,494	19.77	2	4,324,494	19.77
	2,616	21,870,000	100.00	2,603	21,870,000	100.00

Shareholders & Investors Information

Shares held	2018			2017		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,542	20,370,096	93.14	2,529	20,453,884	93.52
Non-Resident	74	1,499,904	6.86	74	1,416,116	6.48
	2,616	21,870,000	100.00	2,603	21,870,000	100.00

Percentage of shares held by public - 76.43%

Percentage of shares held by the Directors together with the members of their families - 0.49%

Percentage of shares held by the Parent Company - 3.32%

Percentage of shares held by Employees' Provident Fund - 12.70%

3 TWENTY LARGEST SHAREHOLDERS - ORDINARY SHARES

Name	2018		2017	
	No. of shares	%	No. of shares	%
1 Paints & General Industries Limited	38,860,349	53.31	38,860,349	53.31
2 Employees' Provident Fund	6,604,473	9.06	6,604,473	9.06
3 Chacra Capital Holdings (Pvt) Limited	3,276,240	4.49	3,276,240	4.49
4 Associated Electrical Corporation (Pvt) Limited	3,034,886	4.16	2,909,508	4.00
5 Hotel International (Private) Limited	2,660,689	3.65	2,658,799	3.65
6 Bank of Ceylon No. 1 Account	770,657	1.06	770,657	1.06
7 Dr. H.R. & Mr. V.K.Wickremasinghe - Custodian Trustees Martin Wickremasinghe Trust Fund	610,491	0.84	610,491	0.84
8 Hatton National Bank PLC A/C No. 05 (Trading)	556,396	0.76	556,396	0.76
9 Star Packaging (Private) Limited	550,000	0.75	331,000	0.45
10 The Ceylon Chamber of Commerce A/C No. 02	486,531	0.67	486,531	0.67
11 Mrs. L.K. Goonewardena	422,557	0.58	422,557	0.58
12 Mr. N.K.A. De Silva	391,257	0.54	202,332	0.28
13 S.K. Wickremesinghe Trust (Gurantee) Ltd	340,000	0.47	220,000	0.30
14 Commercial Bank of Ceylon/ Colombo Fort Investments PLC	300,000	0.41	300,000	0.41
15 Miss. N.K.R.H. De Silva	283,925	0.39	95,000	0.13
16 DFCC Bank PLC A/C 01	247,900	0.34	247,900	0.34
17 Mrs. R.M.W. Rodrigo	244,486	0.34	243,486	0.33
18 Bank of Ceylon A/C Ceybank Century Growth Fund	237,329	0.33	233,084	0.32
19 National Development Bank PLC / Sakuvi Investment Trust	236,000	0.32	236,000	0.32
20 People's Leasing & Finance PLC / High-line Trading	232,546	0.32	-	-
	60,346,712	82.79	59,264,803	81.30

4 TWENTY LARGEST SHAREHOLDERS - NON VOTING (X CLASS) SHARES

Name	2018		2017	
	No. of shares	%	No. of shares	%
1 Employees Provident Fund	2,778,424	12.70	2,778,424	12.70
2 Chacra Capital Holdings (Private) Limited	1,546,070	7.07	1,546,070	7.07
3 Deutsche Bank AG as Trustee for Vantage Value Equity Fund	798,956	3.65	798,956	3.65
4 Paints & General Industries Limited	726,301	3.32	726,301	3.32
5 E.W. Balasuriya & Co. (Private) Limited	672,600	3.08	672,600	3.08
6 Bank of Ceylon No. 1 Account	416,189	1.90	416,189	1.90
7 Mrs. M.S.E.V.E.A.U. Von Stumm	399,219	1.83	399,219	1.83
8 DFCC Bank A/C No.01	389,400	1.78	389,400	1.78
9 Mrs. C. Jayawardena	261,713	1.20	261,713	1.20
10 Life Insurance Corporation (Lanka) Ltd.	260,000	1.19	39,824	0.18
11 Ceylinco Life Insurance Limited Account No. 1	240,000	1.10	240,000	1.10
12 Genesiis Software (Private) Limited	201,868	0.92	201,868	0.92
13 Aruna Equity Care (Private) Limited	188,942	0.86	188,942	0.86
14 Mr. K.C. Vignarajah	181,207	0.83	181,207	0.83
15 Mr. V.T.De Zoysa	176,200	0.81	176,200	0.81
16 Mr. M.J. Fernando	163,500	0.75	163,500	0.75
17 Commercial Bank of Ceylon PLC A/C No. 04	161,400	0.74	161,400	0.74
18 Perera & Sons (Bakers) Limited	150,000	0.69	150,000	0.69
19 Mr. D.A. Cabraal	150,000	0.69	150,000	0.69
20 Hotel International (Private) Limited	147,946	0.68	147,946	0.68
	10,009,935	45.79	9,789,759	44.78

5 MARKET VALUE SHARE

	Ordinary Shares		Non-voting Shares	
	2018	2017	2018	2017
Share price (Rs.)				
As at the end of the year	58.90	80.10	40.50	62.40
Highest price traded	90.00	105.00	72.00	81.90
Lowest price traded	55.00	80.00	40.00	60.00

6 SHARE TRADING

	Ordinary Shares		Non-voting Shares	
	2018	2017	2018	2017
No. of shares traded	1,517,861	2,200,314	1,786,071	1,703,164
No. of transactions	1,410	926	1,886	1,573
Value of shares traded (Rs.)	104,707,368	210,200,837	92,155,525	127,989,542

Movement in Issued Capital and Dividend Distribution

Year to 31st March	Proportion	Bonus Issue (No. of Shares)		Share Capital (No. of Shares)		Dividend Rs.
		Voting	Non-Voting	Voting	Non-Voting	
1965 (Initial issue)				50,000		
1966				50,000		2.00
1967				50,000		2.00
1968	1:1	50,000		100,000		2.00
1969				100,000		2.00
1970	1:2	50,000		150,000		2.00
1971				150,000		1.75
1972				150,000		2.00
1973				150,000		2.00
1974				150,000		2.00
1975	1:3	50,000		200,000		2.00
1976	1:2	100,000		300,000		2.00
1977				300,000		2.00
1978				300,000		2.00
1979	1:2	150,000		450,000		2.00
1980	7:9	350,000		800,000		2.00
1981				800,000		2.00
1982				800,000		2.00
1983				800,000		2.00
1984				800,000		2.00
1985	1:2	400,000		1,200,000		2.00
1986	1:2	600,000		1,800,000		2.50
1987	1:1	1,800,000		3,600,000		2.50
1988				3,600,000		2.75
1989				3,600,000		2.50
1990	1:2	1,800,000		5,400,000		3.00
1991				5,400,000		3.25
1992				5,400,000		4.00
1993	3 N-V:10 V (Rights)		1,620,000	5,400,000	1,620,000	3.50
1994				5,400,000	1,620,000	4.00
1995				5,400,000	1,620,000	4.00
1996				5,400,000	1,620,000	4.00
1997				5,400,000	1,620,000	4.00
1998				5,400,000	1,620,000	2.50
1999				5,400,000	1,620,000	3.50
2000	1:6	900,000	270,000	6,300,000	1,890,000	3.75
2001				6,300,000	1,890,000	4.00
2002				6,300,000	1,890,000	4.00
2003	1:7	900,000	270,000	7,200,000	2,160,000	4.25
2004				7,200,000	2,160,000	4.75

Year to 31st March	Proportion	Bonus Issue (No. of Shares)		Share Capital (No. of Shares)		Dividend Rs.
		Voting	Non-Voting	Voting	Non-Voting	
2005	1:8	900,000	270,000	8,100,000	2,430,000	4.75
2006				8,100,000	2,430,000	4.75
2007	1:1 (Rights)	8,100,000	2,430,000	16,200,000	4,860,000	1.44*
	3:2 (Bonus)	24,300,000	7,290,000	40,500,000	12,150,000	-
2008	4:5 (Bonus)	32,400,000	9,720,000	72,900,000	21,870,000	1.50
2009				72,900,000	21,870,000	1.50
2010				72,900,000	21,870,000	1.85
2011				72,900,000	21,870,000	2.75
2012				72,900,000	21,870,000	3.20
2013				72,900,000	21,870,000	1.63
2014				72,900,000	21,870,000	-
2015				72,900,000	21,870,000	3.00
2016				72,900,000	21,870,000	4.00
2017				72,900,000	21,870,000	2.00
2018				72,900,000	21,870,000	1.00

*Effective rate (Rs. 1.44 per share)

Subsidiaries and Equity Accounted Investees

Company	Directors	Principal Activity	Segment	Stated Capital Rs. Mn
ChemaneX PLC	P R Saldin - Chairman E M M Boyagoda Dr. S A B Ekanayake S P S Ranatunga	Manufacturing and Marketing of value added speciality compounds and intermediates	Industrial Solutions	126.25
CIC Agri Businesses (Private) Limited	S H Amarasekera - Chairman S Fernando W P Madawanaarachchi J D Pieris S P S Ranatunga J M Swaminathan	Importing, Blending and Marketing of Fertilizers	Crop Solutions	205.50
CIC Feeds (Private) Limited	D A Cabraal - Chairman A V P Silva - Managing Director S Fernando S P S Ranatunga	Manufacturing of Animal Feeds and Hatchery	Livestock Solutions	450.50
Link Natural Products (Private) Limited	Dr. D Nugawela - Chairman S H Amarasekera R S Captain Prof. T De Silva Dr. S A B Ekanayake S Fernando S P S Ranatunga K Shakthidasan	Manufacturing of Natural Healthcare Products, Ayurvedic, Pharmaceuticals Herbal Cosmetics and Neutraceuticals	Health & Personal Care	102.67
CISCO Speciality Packaging (Private) Limited	S P S Ranatunga - Chairman R S Captain Ms. L A Captain L De Mel P R Saldin S De Silva D P G C P Wegiriya	Manufacturing of Polyethylene Terephthalate Containers for Domestic and Export Markets	Industrial Solutions	110.50
CIC CropGuard (Private) Limited	W A Assiriyage - Managing Director S Fernando R Ganesalingam D K C Perera R P L Weerasinghe	Importing, Repacking and Marketing of Agro Chemicals	Crop Solutions	5.00
Crop Management Services (Private) Limited	A V P Silva W P Madawanaarachchi R P L Weerasinghe	Investment Company	Agri Produce	199.20
Colombo Industrial Agencies Limited	Ms. L I Fernando - Chairperson S De Silva	Owning a store complex at Ekala	Health & Personal Care	10.57

Company	Directors	Principal Activity	Segment	Stated Capital Rs. Mn
CIC Lifesciences Limited	S P S Ranatunga S Fernando	Manufacturing and Importing of Pharmaceuticals	Health & Personal Care	196.36
CIC Properties (Private) Limited	S Fernando W A Assiriyage	Renting properties to Group Companies	Agri Produce	45.00
Akzo Nobel Paints Lanka (Private) Limited	B R L Fernando - Chairman H A W Heenatigala S P S Ranatunga J P Rowe S F Teng	Trading Paints and Surface Coatings	Industrial Solutions	88.80
Cropwiz (Private) Limited	S P S Ranatunga - Chairman S Fernando K A V Manatunga D P Senadheera E Shaked I Teiblum	Cultivating and Exporting of Vegetables and Herbs	Agri Produce	312.74
CIC Precision Agricultural Technologies (Private) Limited	S P S Ranatunga M S Goonewardena A Hettiarachchi Prof. P W M B B Marambe K A Rutnam	Agri Technologies	Agri Produce	8.40
Unipower (Private) Limited	K J M De A Rajapakse - Chairman W A Assiriyage S Fernando S P S Ranatunga	Importing, Blending and Marketing of Specialised Fertilizer	Crop Solutions	5.38

Ten Year Group Performance

	2018 SLFRS Rs'000	2017 SLFRS Rs'000	2016 SLFRS Rs'000
Income Statement			
Turnover	32,044,493	32,210,546	26,666,284
Operating profit after interest	(259,307)	852,073	1,117,701
Other income	672,790	311,298	534,705
Share of profit of equity accounted investees	267,053	334,728	362,478
Profit before tax	680,536	1,498,099	2,014,884
Taxation	(488,619)	(384,066)	(366,777)
Profit for the year from continuing operations	191,917	1,114,033	1,648,107
Profit/(loss) for the year from discontinued operations	(569,810)	(227,116)	(14,273)
Non-controlling interest	35,182	333,419	(279,542)
Profit attributable to equity holders of the company	(413,075)	553,498	1,354,292
Balance Sheet			
Stated capital	1,008,450	1,008,450	1,008,450
Capital reserves	1,917,975	1,815,568	2,281,833
Revenue reserves	5,611,505	6,237,214	5,564,815
Non-controlling interest	2,174,725	2,354,316	2,029,199
Total equity	10,712,655	11,415,548	10,884,297
Property, plant and equipment	12,275,229	12,645,808	12,275,004
Investment property	13,900	54,147	51,400
Biological assets	181,028	248,508	226,382
Deposit on leasehold property	-	-	-
Capital work-in-progress	382,247	301,036	72,153
Intangible assets	391,938	168,809	137,140
Investments	1,376,659	1,339,958	945,217
Net current assets	(785,319)	(1,124,166)	(1,929,784)
	13,835,683	13,634,100	11,777,512
Deferred liabilities	(1,280,408)	(431,580)	105,275
Long-term liabilities	(1,842,620)	(1,786,972)	(998,490)
	10,072,655	11,415,548	10,884,297
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities	2,271,768	(132,541)	(451,359)
Net cash inflow/(outflow) from investing activities	(2,403,404)	(353,331)	(1,436,441)
Net cash inflow/(outflow) from financing activities	(297,636)	(246,839)	(2,473,931)
Other Information			
Earning per share(Rs.)	(4.36)	5.84	14.29
Dividend per share(Rs.)	1	2	4
Net assets per share(Rs.)	83.34	95.61	93.44
Market capitalisation(Rs. mn)	5,180	7,204	8,525.66
Interest cover(No. of times)	1.29	1.73	3.73
Current Ratio(No. of times)	0.93	0.94	0.90
Dividend cover(No. of times)	(4.36)	2.92	3.57
Price earnings ratio(No. of times)			
Ordinary	-	13.71	6.68
Non-voting(Class X)	-	10.68	5.00

2015 SLFRS Rs'000	Restated 2014 SLFRS Rs'000	Restated 2013 SLFRS Rs'000	Restated 2012 SLFRS Rs'000	2011 SLFRS Rs'000	2010 SLFRS Rs'000	2009 SLFRS Rs'000
23,496,259	21,559,839	21,582,348	22,477,151	21,045,301	16,610,474	15,684,055
1,005,508	(832,986)	144,176	943,637	1,171,896	386,111	93,512
209,971	577,839	133,902	152,888	226,936	484,852	411,487
207,636	270,071	291,716	277,896	231,179	212,642	264,479
1,423,115	14,924	605,324	1,374,421	1,630,011	1,083,605	769,478
(397,697)	(72,047)	(174,818)	(353,890)	(466,894)	(356,256)	(278,429)
1,025,418	(57,123)	430,506	1,020,531	1,163,117	727,349	491,049
15,425	(1,069,716)	(246,530)	-	-	17,900	(23,710)
(278,916)	155,126	49,339	(157,447)	(236,569)	(155,678)	(64,488)
761,927	(971,713)	233,315	863,084	926,548	589,571	402,851
1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450
1,711,501	1,718,327	1,737,451	1,231,163	1,206,900	627,402	583,535
4,400,987	3,984,249	5,033,888	5,060,352	4,526,194	3,405,699	2,958,283
1,722,310	1,398,512	1,663,008	1,683,939	1,641,515	1,321,402	1,092,982
8,843,248	8,109,538	9,442,797	8,983,904	8,383,059	6,362,953	5,643,250
10,610,666	9,414,735	8,706,775	7,504,776	6,404,586	4,473,240	4,159,885
51,400	51,400	14,607	98,999	97,141	83,731	-
307,728	67,366	86,262	78,737	74,524	60,765	58,833
-	-	16,152	13,678	13,964	15,109	-
353,518	763,412	1,072,154	531,459	199,877	90,668	52,408
27,683	27,683	147,911	159,017	95,255	79,882	49,541
1,457,106	1,449,913	798,468	712,909	623,147	545,598	537,919
(2,084,183)	(2,158,904)	261,136	1,237,260	2,084,896	1,937,514	1,750,165
10,723,918	9,615,605	11,103,465	10,336,835	9,593,390	7,286,507	6,608,751
(773,775)	(648,946)	(662,939)	(701,318)	(603,471)	(431,201)	(408,581)
(1,106,895)	(857,121)	(997,729)	(651,613)	(606,860)	(492,353)	(556,920)
8,843,248	8,109,538	9,442,797	8,983,904	8,383,059	6,362,953	5,643,250
1,998,599	2,343,127	(1,001,983)	(1,307,519)	(299,377)	1,341,368	(1,052,191)
(1,420,071)	(1,219,656)	(1,499,063)	(1,663,267)	(837,282)	(533,763)	306,739
1,261,253	77,112	552,409	(94,104)	(214,538)	(333,403)	(90,137)
8.04	(10.25)	2.46	9.11	9.78	6.22	4.25
3.00	-	1.63	3.20	2.75	1.85	1.50
75.14	70.81	82.08	77.02	71.14	53.20	48.01
6,800.11	4,132.70	5,466.04	8,392.98	13,661.46	5,908.55	2,745.00
2.75	0.08	1.22	2.98	4.26	2.58	2.00
0.86	0.87	1.02	1.08	1.20	1.22	1.24
2.68	-	1.51	2.85	3.56	3.36	2.83
9.46	-	26.75	10.49	15.85	10.93	7.40
7.17	-	20.44	7.15	11.05	6.99	4.82

Corporate Information

NAME OF THE COMPANY

CIC Holdings PLC

COMPANY REGISTRATION NO.

PQ 88

LEGAL FORM

A Public Quoted Company with limited liability incorporated in Sri Lanka in 1964.

Re-registered under the Companies Act No. 07 of 2007 on 21st November 2007.

REGISTERED OFFICE

199, Kew Road, Colombo 2.

DIRECTORS

S H Amarasekera (Chairman)
S P S Ranatunga (MD/CEO)
R S Captain
S M Enderby
S Fernando
M P Jayawardena
P R Saldin

COMPANY SECRETARY

S Fernando

AUDITORS

KPMG
Chartered Accountants
32A, Sir Mohamed Macan
Markar Mawatha, Colombo 3.

BANKERS

Axis Bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
DFCC Bank
Hatton National Bank PLC
ICICI Bank
NDB Bank PLC
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank

LEGAL ADVISERS

Nithya Partners
Attorneys-at-Law
97A, Galle Road, Colombo 3.

Julius & Creasy
Attorneys-at-Law
41, Janadhipathi Mawatha, Colombo 1.

EXECUTIVE DIRECTORS

S P S Ranatunga (MD/CEO)
S Fernando

NON-EXECUTIVE DIRECTORS

S H Amarasekera (Chairman)
R S Captain
S M Enderby
M P Jayawardena
P R Saldin

AUDIT COMMITTEE

P R Saldin (Chairman)
S M Enderby
M P Jayawardena

HUMAN CAPITAL & COMPENSATION COMMITTEE

P R Saldin (Chairman)
S H Amarasekera
R S Captain
S M Enderby

NOMINATIONS COMMITTEE

S H Amarasekera (Chairman)
R S Captain
P R Saldin

RELATED PARTY REVIEW COMMITTEE

M P Jayawardena (Chairman)
S M Enderby
S P S Ranatunga

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