



Annual Report 2018/19 CIC HOLDINGS PLC

# SYNERGISING

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# 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.

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# 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.

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# 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 & WINNING SPIRIT**

NO STONE WILL BE LEFT  
UNTURNUED IN THE PURSUIT OF  
OUR GOALS.

# Synergising

Driving sustainable progress is no small feat. For the past 5 decades, we at CIC have been harnessing our collective strength to broaden our horizons and elevate ourselves to become one of the most respected conglomerates in Sri Lanka.

Despite challenging macro-economic conditions we faced during the year under review, our sharply-honed 3 year-growth strategy enabled us to further consolidate our position in the industries that we operate. Our business strengths worked in synergy to increase the efficiency of operations and drive lasting value to our stakeholders.

It's our synergy in action.

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<http://www.cic.lk/>

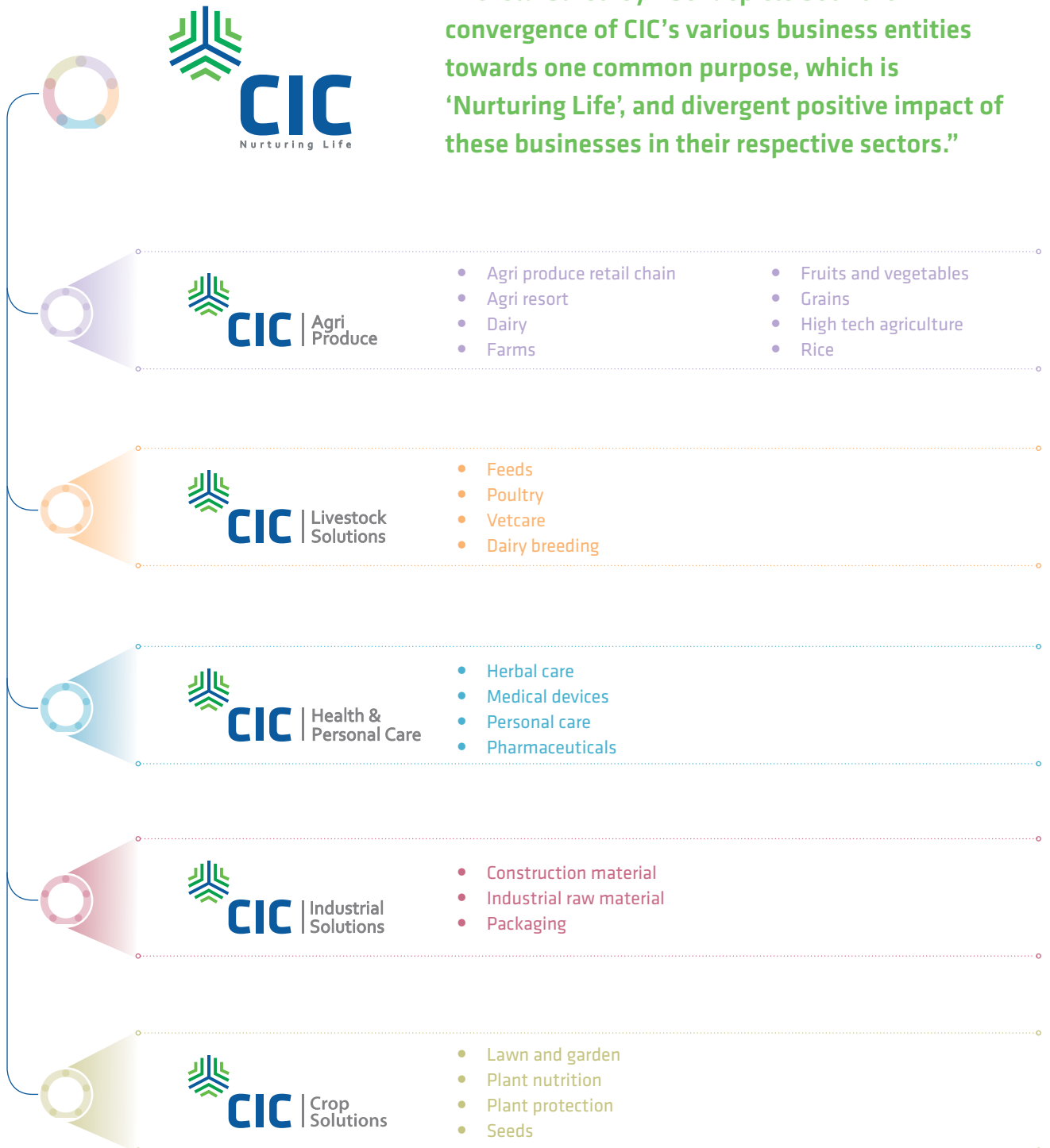
# Who we are

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.

# 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.”



# FINANCIAL & OPERATIONAL HIGHLIGHTS

For the year ended 31st March	Group		
	2019	2018	
<b>EARNING HIGHLIGHTS AND RATIOS</b>			
Group revenue	Rs. '000	30,737,116	33,148,257
Group profit before interest and tax	Rs. '000	2,095,352	1,890,160
Income tax expense	Rs. '000	(40,428)	(491,865)
Profit for the year from continuing operations	Rs. '000	463,695	197,230
Profit/(loss) for the year from discontinued operations	Rs. '000	(6,365)	(575,123)
Other comprehensive income	Rs. '000	302,191	91,020
Total comprehensive income	Rs. '000	759,521	(286,873)
Profit/(loss) attributable to equity holders of the Company	Rs. '000	483,239	(413,075)
Dividend	Rs. '000	94,770	94,770
Basic/Diluted earnings per share (EPS)	Rs.	5.10	(4.36)
Interest cover	Number of times	1.25	1.50
Return on equity (ROE)	%	5	-5
Return on assets (ROA)	%	2	-1
Pre-tax return on capital employed (ROCE)	%	9	6
<b>STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS AND RATIOS</b>			
Total assets	Rs. '000	37,251,327	34,987,279
Total equity	Rs. '000	11,278,735	10,712,655
Total debts	Rs. '000	17,205,797	14,371,568
Equity attributable to equity holders of the Company	Rs. '000	9,217,396	8,537,930
Number of shares in issue	Number	94,770,000	94,770,000
Net assets per share	Rs.	97.26	90.09
Debt/Equity	%	152.55	134.16
Debt/Total assets	%	46.19	41.08
<b>MARKET/SHAREHOLDER INFORMATION</b>			
Market price per share as at 31st March			
Ordinary	Rs.	38.50	58.90
Non-Voting (Class X)	Rs.	25.60	40.50
<b>Dividend per share</b>			
Interim paid	Rs.	-	1.00
Final proposed	Rs.	1.00	-
Market capitalisation	Rs. Mn	3,367	5,180
Float adjusted market capitalisation	Rs. Mn	1,846	2,853
<b>Price earnings ratio</b>			
Ordinary	Number of times	7.55	-
Non-Voting (Class X)	Number of times	5.02	-
<b>OTHER INFORMATION</b>			
Total employees	Number	2,175	2,254
Revenue per employee	Rs. '000	14,132	14,706
Total value addition to employees	Rs. '000	2,345,039	2,378,846
Value addition to lenders of the capital	Rs. '000	1,785,077	1,728,228
Total taxes paid to Government	Rs. '000	1,364,513	1,420,791



# CHAIRMAN'S STATEMENT

**“Results were delivered notwithstanding disappointing macroeconomic conditions.”**



**30.7** Rs. Bn

Revenue



**457.4** Rs. Mn

PAT

I am pleased to inform you that the year on year improvement in the Group results for FY 2018/2019 is in keeping with our expectations as was envisaged when the Board embarked on the final phase of the CIC Re-Strategising Initiative aimed at migration towards a leaner and more profitable entity.

It is pertinent to note that these results were delivered notwithstanding disappointing macroeconomic conditions which saw the Country's growth decline to 3.2% as domestic consumption fell in view of a decrease in the average disposable income. The Country's construction sector experienced a decline in growth while the industry sector remained stagnant. The economy however did reflect some positives such as the growth

in the agriculture sector which had been underperforming during the two previous years. The external sector remained under pressure as imports continued to outpace exports. The rupee depreciated by 13% year on year following the Government's decision in September 2018 to permit greater flexibility in the determination of the exchange rate. These factors have had an impact on several aspects of the Group's business, especially with regard to the Healthcare, Industrial Solutions & Livestock sectors.

Since the CEO's Report deal with all aspects of the performance and outlook of each individual business unit, I will update the shareholders on the progress we have made as regards to streamlining the Group's activities.

## “To be truly sustainable in the long term, it is imperative that the CIC Group not only keeps pace with the market, but continues to stay ahead of the curve.”

### CIC RE-STRATEGISING 2020

FY 2018/2019 was a busy year for CIC as our time was divided between managing the impact of macroeconomic challenges on the one hand and executing the “CIC Re-Strategising 2020” on the other hand. The CIC Re-Strategising 2020 initiative was embarked on in the previous financial year with the intention of working towards repositioning the CIC Group in terms of sustainable growth. Staying firmly anchored to the core fundamentals of the initiative, particularly with regard to increasing our momentum and strengthening competitiveness across all key markets in which the Group has a presence, we revisited our resource allocation programme in the current financial year. Our primary focus was to ensure that capital is being allocated so as to achieve maximum value creation. This was coupled with a stronger focus on the risk and return potential of each of our business areas, both from organic as well as non organic perspectives.

The CIC Group has always treated organic growth as one of its top priorities and the year under review proved no different. While emphasis was placed on improving the Group’s portfolios, the careful consideration was also paid to rationalisation and divestiture, the results of which saw a portion of our Grains businesses divested in a bid to streamline our Agri Produce cluster. We also negotiated with Sunshine Holdings PLC with regard to a merger that would strengthen our Health and Personal Care segment. I am pleased to announce that we have approved in principle, with Sunshine Holdings PLC whereby our healthcare business will be combined, with

Sunshine Holdings PLC holding 60% of the shares as well as effective management control, while CIC Holdings PLC will hold the balance 40% of the combined venture. These changes, amongst others, were made with the intention of rescaling our core businesses and boosting their capacity to contribute towards the Group’s long term objectives.

### GOVERNANCE AND STEWARDSHIP

The 2018/2019 Financial Year has seen your Board of Directors devoting a considerable amount of time overseeing the ongoing transformation of the CIC Group in accordance with the “CIC Re-Strategising 2020” initiative. Steps were also taken to refine the Group’s governance framework and where necessary, to improve its policies and procedures in order to strengthen control and oversight in the future.

The Board also devoted a considerable amount of time reviewing its strategy in light of changing market dynamics, with strategic opportunities being the underlying theme at many of the Board Meetings held during the year.

At the same time, renewed emphasis was placed on fostering meaningful engagement between the Board and the workforce with the aim of furthering the Group’s strategic intent.

### OUTLOOK AND PERSPECTIVE

As the “CIC Re-Strategising 2020” initiative reaches its final phase in 2019, I am confident that the Group would have, by then, achieved an operating model capable of delivering long term sustainable growth and attractive returns.

Such a model will no doubt secure a firm foundation upon which to face challenges that the Group may encounter over the years.

To be truly sustainable in the long term, it is imperative that the CIC Group not only keeps pace with the market, but continues to stay ahead of the curve. In order to do so, the Group’s strategy will need to remain fluid and capable of adapting to change thereby ensuring that the Group’s growth trajectory achieves its targets despite external pressures.

### APPRECIATION

At the close of what has been an eventful year, I take this opportunity to express my gratitude to the management team and employees of the CIC Group who are the backbone of our success. My sincere gratitude is also extended to my fellow directors for their cooperation and active participation in the development of the Group. I also wish to thank our shareholders, investors, business partners and numerous stakeholders for their long standing support and request your continued patronage as we together steer the CIC Group towards many more successful years.



**S.H. Amarasekera**  
Chairman/Independent Non-Executive Director

23rd May, 2019



# MANAGING DIRECTOR/ CEO'S REVIEW

**“Benefiting from the favourable outcomes in the agriculture sector, the Crop Solutions cluster recorded a robust performance.”**



**37.3** Rs. Bn

Total Assets



**97.26** Rs.

Net Asset per Share

You may recall, that as part of the first phase of our “CIC re-strategising 2020” we segregated our business into five core clusters; Crop Solutions, Agri Produce, Livestock Solutions, Health and Personal Care and Industrial Solutions. This was done with the intention re-orienting each business to catalyse potential growth opportunities and strengthen their positioning in their respective markets. Working on this basis throughout the current financial year, we were able to fuel growth in some areas while building resilience in others which faced some disappointing setbacks.

### CLUSTER PERFORMANCE

Benefiting from the favourable outcomes in the agriculture sector, the Crop Solutions cluster recorded a robust performance for the 2018/19 as the demand for Crop solutions grew exponentially as the Country’s paddy cultivation increased by over 50% on the back of improved weather conditions in early 2018. Moreover, with the merger of some of our global principals, we took advantage of the resulting synergies to expand our Crop solutions portfolio, with several new molecules introduced to the market. We also capitalised on the opportunity to gain first-mover advantage through the launch of a new molecule to control the spread of the Fall Army Worm



## “In the year under review we went deeper to a more granular level to rescale our core businesses.”

affecting Maize Crops across the country. A culmination of these strategies helped boost CIC's market share in Agro chemical domain in Crop solutions segment.

Meanwhile in an effort to be more responsive towards the needs of the country's agriculture sector over the long term, we began the groundwork on an ambitious initiative to build a data base of farmer communities across Sri Lanka. What we hope to achieve through this initiative is to directly reach out to grass root level farmers to offer technical inputs to help them migrate to more advanced crop management practices over time.

The Agri Produce cluster reported mixed results for the year under review. The general slow-down in domestic consumption which affected the prospects of the FMCG sector had a cascading effect on the Dairy segment. The mainstream Rice segment too was similarly affected, which led us to restructure the Rice business with renewed emphasis on carving out niche markets for Speciality Rice and Health Rice marketed under our flagship “Golden Crop” brand.

It was another challenging year for the Livestock cluster as restrictions on the import of parent birds continued to stymie the Poultry and the DOC (Day-old-chicks) operations, while the high raw material costs and intense market competition brought pressure on the Feeds business. However, it is encouraging to note that CIC continues to retain its market share in each of these domains. In the Vetcare business, we are able to grow our market share, backed by a solid overall performance.

In our Health and Personal Care cluster, the Pharmaceutical segment remained under pressure most part of the year, amidst ongoing regulation and stricter price controls on a majority of essential drugs which account for a sizable portion of our portfolio. Shifting focus, we were quite aggressive in promoting our range of nutritional supplements. Towards this end, we worked to create awareness among the prescriber community around the island regarding the premium range of nutrition enhancers and special dietary supplements, a strategy that delivered excellent results. Meanwhile the political uncertainty following the constitution crisis in October 2018 put a severe strain on the Medical Devices segment amidst delays in evaluation of tender proposals submitted for the supply of medical devices to the government hospitals.

However, by far the most notable performance in the Health and Personal Care cluster came from LNP (Link Natural Products), where focused efforts to pursue opportunities in all key markets enabled LNP to register impressive top line and bottom line results for the year ended 31st March 2019.

It was a tough year for our Industrial Solutions cluster as the Polymer operation took a hit as its main market - the paint manufacturing industry shrank on the back of degrowth in the construction sector. Nonetheless a solid increase in the country's industrial output, helped the cluster benefit from a steady demand for Industrial Raw Materials mainly from export oriented industries such as Rubber, and Leather Footwear manufacturing. Weak food & beverage sector demand had a negative impact on the food ingredient market.

### STRATEGY AND FOCUS

Now into the second year of our “CIC re-strategising 2020”, we continued working with great purpose and determination to put in place the building blocks that will support sustainable growth of each of our clusters. While I do admit driving change of this magnitude across an organisation that is as large and diverse as CIC will occupy our time for the next few years at least, I am indeed pleased to announce that thanks to some bold business decisions and a disciplined approach to acquisitions and disposals, we did make some real and measurable progress in remodeling our clusters in the year under review.

As in the past, the key underpinning factor behind our actions was the need to strengthen our core competencies. Premised on this, in the year under review we went deeper to a more granular level to rescale our core businesses, in particular we looked at streamlining our warehousing, logistics and distribution models to support the B2B operations in the Industrial Solutions and the Health and Personal Care clusters. We also began exploring potential value adding partnerships that would help firm up our make positioning and create a scalable platform to grow these businesses in the future.

In the Crop solutions cluster, we looked to pursue innovation as the main pivot that would increase our leverage in key markets that we serve. We began working with our existing principals to tap into their R & D and bring in new products that would enable us to make inroads into both mainstream and niche markets, a strategy we feel will hold us in good stead



# MANAGING DIRECTOR / CEO'S REVIEW



**“We were able to fuel growth in some areas while building resilience in others.”**

in tough times. I am also very pleased to see that the acquisition of significant stake in Unipower (Private) Limited in September 2017 has helped CIC to increase its bandwidth in the area of specialty fertilizers and other high-end inputs, segments where we had only a limited presence in the past.

Meanwhile in the Agri Produce cluster we revisited our supply chains in a bid to optimise the existing out grower model and maintain supply chain security. We took further action to rationalise certain areas of the business, which led to the divestment of part of our interest in the Grains business in late 2018 where we sold off our processing and silo storage complex in Moneragala. CIC now maintains only the facility in Talawa, Anuradhapura.

Meanwhile to focus squarely on doing what we are good and doing it well, we launched a group-wide initiative to drive speed and efficiency, and create a culture of continuous improvement which would increase momentum and strengthen competitiveness, and together spearhead the Group's future growth trajectory.

### FUTURE OUTLOOK

As a result of our re-strategising exercise, our strategy execution I think has become more consistent and our risk management systems stronger, but the inherent susceptibility of our businesses to external shocks remains a key factor which needs constant management attention.

Going forward, we seek to take measured steps to achieve our growth objectives. In the forthcoming year, we expect to gradually expand the rate of underlying growth, while over the medium term we will focus on strengthening our portfolios in each of our businesses with the aim growing faster than our markets. In this context, we will continue to work with our global principals to tap into their R & D resources to strengthen our competitive position and secure leadership status in all key markets. Repositioning our businesses for growth through inorganic investment will also be a key priority in the coming years.

As we move forward with these plans, I am convinced that the next few years would be a busy and exciting time for CIC, which will no doubt bring increased prosperity for all stakeholders of the Group.

### APPRECIATIONS

In closing, I would like to thank the Chairman and Board of Directors of CIC Holdings PLC for their visionary leadership and strategic oversight.

I also wish to express my sincere thanks to the Executive Management and the entire CIC team, for their admirable efforts to grow the business in a challenging environment.

A special word of thanks to our principals who have been a source of immense strength over the years.

My sincere gratitude also to our valued customers, investors, bankers, and other stakeholders for their ongoing support.

And finally, to our shareholders who have supported us over the years, I wish to thank each and every one of you for the trust and confidence in the Group and invite you to stay invested in CIC's onward journey in the years ahead.

**S.P.S. Ranatunga**  
Managing Director/CEO

23rd May, 2019

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# 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 light in the legal profession in Sri Lanka having a wide practice in the original courts as well as in the Appellate Courts. His fields of expertise include Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law.

He also serves as an Independent Director in several listed companies in the Colombo Stock Exchange including Swisstek (Ceylon) PLC (Chairman), Swisstek Aluminium Limited (Chairman), Chevron Lubricants Lanka PLC, Vallibel One PLC, Royal Ceramics Lanka PLC, Expo Lanka Holdings PLC, Ambeon Capital PLC, Amana Bank PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He is also the Chairman of CIC Agri Businesses (Private) Limited.



## **S.P.S. RANATUNGA**

**Managing Director/CEO**

Joined the Board of CIC on 21st May 2002, appointed as 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 (Private) Limited and an Independent Director of Seylan Bank PLC, retired in January 2019. 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 delegation to various countries.

In addition, he had been a pioneer in coordinating and setting up of CIC Agri Businesses 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.

## BOARD OF DIRECTORS



### S.M. ENDERBY

**Independent Non-Executive Director**

Joined CIC Board on 11th April 2013. He has had a successful track record in private equity 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 Mergers 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, 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**

First appointed to the Board on 04th November 2005 and held the position of Group Finance Director/Company Secretary till November 2010. He re-joined the Company as Group Finance Director/Company Secretary in July 2017.

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 20 years of his professional career with CIC.

He 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 (Private) Limited. He also serves on the Boards of many other private companies. 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.



### **P.R. SALDIN**

#### **Non-Independent Non-Executive Director**

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 Limited., the holding company of CIC Holdings PLC and Director/Chief Executive Officer of Polypak Secco Limited. 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. He also functions

as Chairman of the Audit Committee of CIC Holdings PLC and serves on the Board of Directors of Akzo Nobel Paints Lanka (Private) Limited, Link Natural Products (Private) Limited and CISCO Speciality Packaging (Private) Limited. He also is alternate Director to Mr R S Captain on the Board of Hatton National Bank PLC and Chairman of Sithma Development (Private) Limited.

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 UK 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.



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# Governance

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# 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 -

- (a) Mr. S.M. Enderby is an Independent Director.
- (b) 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".

- i. 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
- ii. Whether he uses his position to prevent the other directors from expressing their views and opinions at Board meetings or at any other discussions.
- iii. Whether the views of the others (directors, professionals etc) are disregarded or ignored.
- iv. Whether the matters are only referred to such director for a decision, generally or as a practice, without referring these matters to other directors.
- v. Whether the other directors feel that their presence and their contribution is immaterial.
- vi. Whether the directors are not given an opportunity to assess the performance of the Board, which includes the performance of every single director.
- vii. 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.
- viii. Whether there is a practice to refer matters, which can be dealt with at a lower level, to such director.
- ix. Whether third parties deal with such director on matters which can be easily finalised by any other party at a lower level.

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



## CORPORATE GOVERNANCE

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 conducts an internal Board evaluation each year. The Evaluation considers a range of factors relevant to the effectiveness of the Board, including the balance of skills, experience, independence

and knowledge of the Board, its diversity and how the Board works together as a unit. The review is led by the Board Chairman and supported by the Company Secretary. A questionnaire is completed by Members of the Board and the results are thereafter evaluated.

The Board met six (6) times during 2018/19 and the attendance is given below in Table 01.

Name	Directorate	Board Meetings	Audit Committee	Human Capital & Compensation Committee	Nominations Committee	RPT Review Committee
Mr. S.H. Amarasekera	NED / ID	6/6		3/3	1/1*	
Mr. S.P.S. Ranatunga	ED	5/6				4/4
Mr. R.S. Captain	NED	5/6		3/3	1/1	
Mr. S.M. Enderby	NED / ID	6/6	6/6	3/3		4/4
Mr. S. Fernando	ED	6/6				
Mr. M.P. Jayawardena	NED / ID	6/6	5/6	1/1		4/4*
Mr. P.R. Saldin	NED	6/6	6/6*	3/3*	1/1	

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 attends 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 six (6) times during 2018/19 and the attendance is given above in Table 01.

Audit Committee Report is given in page 19.

### HUMAN CAPITAL & COMPENSATION COMMITTEE (REMUNERATION COMMITTEE)

The Human Capital & Compensation Committee consists of five (5) Non-Executive Directors, three (3) 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 are given in page 87 and the Report of the Human Capital & Compensation Committee is given in page 20.

The Human Capital & Compensation Committee met three (3) times during 2018/19 and the attendance is given above in Table 01.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Committee consists of two (2) Independent Non-Executive 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 (4) times during the year and the attendance is given above in Table 01.

Related Party Transaction Review Committee Report is given in page 22.

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	5 Non-Executive Directors
7.10.2	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	3 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 15 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	All 3 Independent Directors qualify according to the criteria set out in section 7.10.4
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 11 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 a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever is higher.	Compliant	Of the 5 Non-Executive Directors who are members of the Committee 3 are Independent
7.10.5 (b)	Remuneration Committee	Functions of Remuneration Committee	Compliant	Refer page 20, 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 20, for the Remuneration Committee Report and the Note 11 to Financial Statements



## CORPORATE GOVERNANCE

Section	Subject	Description	Status	Details
7.10.6 (a)	Composition of the Audit Committee	Minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.	Compliant	The Audit Committee comprises three Non-Executive Directors, two of whom are Independent.
		One Non-Executive Director shall be appointed as Chairman of the Committee.		The Chairman of the Audit Committee is a Non-Executive Director.
		The Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee Meetings.		The Chairman, Chief Executive Officer and Group Finance Director attend Audit Committee meetings by invitation.
		The Chairman or one member of the committee should be a Member of a recognised professional accounting body.		Chairman is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.
7.10.6 (b)	Audit Committee	Functions of the Audit Committee	Compliant	Refer page 19 for the Audit Committee Report
7.10.6 (c)	Audit Committee	Disclosure in the Annual Report	Compliant	Refer page 19 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 the page 22, Related Party Transactions Review Committee Report
9.2.2	Composition of the Related Party Transactions Review Committee	The Committee should comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. The composition may also include Executive Directors.	Compliant	The Committee comprise of two Independent Non-Executive Director and the Managing Director
		One Independent Non-Executive Director shall be appointed as Chairman of the Committee.		Chairman of the Committee is an Independent Non-Executive Director
9.2.4	Frequency of Meetings and Minutes	The Committee shall meet at least once a calendar quarter.	Compliant	Refer page 22 for the Related Party Transactions Review Committee Report
		The Committee shall ensure that the minutes of the meeting are properly documented and communicated to the Board of Directors.		
9.3.2 (c)	Disclosure in the Annual Report	Requirements listed in the section	Compliant	Refer page 22 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 43 for the Annual Report of the Directors on the Affairs of the Company.

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# AUDIT COMMITTEE REPORT

## COMPOSITION

In accordance with the Corporate Governance Guidelines, the Board appointed Audit Committee comprises of three Non-Executive Directors majority of whom are Independent. The Audit Committee as of 31st March 2019 consisted of the following.

**Mr. P.R. Saldin** – *Committee Chairman*  
Non-Executive Director

**Mr. S.M. Enderby**  
Independent Non-Executive Director

**Mr. M.P. Jayawardena**  
Independent Non-Executive Director

The Chairman, Mr. S.H. Amarasekera, Managing Director/CEO, Mr. S.P.S. Ranatunga and Group Finance Director, Mr. S. Fernando attend 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

The Audit Committee charter which defines the role and responsibility of the Audit Committee 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 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 Audit Committee is empowered to review any activity within the Company. The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

During the beginning of the financial year proposals were called for from leading firms for internal audit services for the Group. The internal audit function was then rationalised and then re awarded to the selected firms resulting in the internal audit function becoming more effective as well as resulting in a reduction in fees.

## MEETINGS

The Committee held six meetings during the year. The attendance of the Committee members is given on page 16. The Internal Auditors, Messrs. BDO Partners attend meetings when required and the Audit Committee makes inquiries from any officer of the Company as deemed necessary.

## ACTIVITIES

During the year, the Committee reviewed internal audit reports forwarded by the Internal Auditors. 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'.

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 whistleblowing, when they suspect wrong doing by other employees. During the year under review the Company took steps to formalise the whistleblowing policy and the Chairman of the Audit Committee was appointed as the Ombudsman of the Whistleblower Committee which consists of only Non-Executive Directors.

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 2020 subject to the approval of shareholders at the Annual General Meeting to be held on 28th June 2019.

## 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. I also thank the Chairman, Managing Director and Group Finance Director of the Company and the Secretary to the Committee for their contribution.



**P.R. Saldin**  
Chairman  
Audit Committee

23rd May, 2019



# REPORT OF THE HUMAN CAPITAL & COMPENSATION COMMITTEE

## COMPOSITION

The Human Capital & Compensation Committee consists of Non-Executive Directors majority of whom are Independent. The Human Capital & Compensation Committee as of 31st March 2019 consisted of the following.

**Mr. P.R. Saldin – Committee Chairman**  
Non-Executive Director

**Mr. S.H. Amarasekera**  
Independent Non-Executive Director/  
Chairman

**Mr. R.S. Captain**  
Non-Executive Director

**Mr. S.M. Enderby**  
Independent Non-Executive Director

**Mr. M.P. Jayawardena**  
Independent Non-Executive Director

The Managing Director/ CEO, Mr. S.P.S. Ranatunga and Group Finance Director Mr. S. Fernando attend the meetings by invitation.

## 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 Committee met three (3) times during the year. 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 restructuring 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 in Note 11 to the Financial Statements in page 87.

Finally, I would like to thank my colleagues in the Committee for their valuable contribution towards the progress of the Committee.

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

23rd May, 2019

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# NOMINATIONS COMMITTEE REPORT

## COMPOSITION

The Nominations Committee comprises of three members who are Non-Executive Directors. The Nominations Committee as of 31st March 2019 consisted of the following.

**Mr. S.H. Amarasekera - Committee**

*Chairman*

Independent Non-Executive Director/  
Chairman

**Mr. R.S. Captain**

Non-Executive Director

**Mr. P.R. Saldin**

Non-Executive Director

The Managing Director/ CEO, Mr. S.P.S. Ranatunga attend the meetings by invitation.

## MEETINGS

The Committee meets on need basis and held one meeting during the year under review.

## SCOPE

- 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.

The Committee recommended Messrs S. M. Enderby and P. R. Saldin, who retire in terms of Article 25(6) of the Articles of Association of the Company, to be re-elected to the Board at the Annual General Meeting to be held on 28th June 2019.



**S.H. Amarasekera**

Chairman

Nominations Committee

23rd May, 2019



## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

### COMPOSITION OF THE COMMITTEE

In accordance with the Code of Best Practices on Related Party Transactions, issued by the Colombo Stock Exchange, the Board appointed Related Party Transactions Review Committee comprises of two Independent Non-Executive Directors and an Executive Director. The Related Party Transactions Review Committee as of 31st March 2019 consisted of the following.

**Mr. M.P. Jayawardena – Committee Chairman**

Non-Executive Director

**Mr. S.M. Enderby**

Independent Non-Executive Director

**Mr. S.P.S. Ranatunga**

Managing Director/ CEO

### TERMS OF REFERENCE OF THE COMMITTEE

Related Party Transactions 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. A 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 reasonable 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 Transactions Review Committee

23rd May, 2019

# BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

## REQUIREMENT

The Code of Best Practice on Corporate Governance 2017 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka, recommends the Board to present a statement on internal controls.

## RESPONSIBILITY

The Board of Directors is responsible for the adequacy and effectiveness of the group's system of internal controls. However, such a system is designed to manage the group's key exposure areas within an acceptable risk profile rather than eliminating the risk of failure to achieve the group's objectives. Accordingly, the system of internal controls can only provide a reasonable assurance but not absolute against the material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant exposures faced by the Company and this process includes enhancing the system of internal controls as and when there are changes for the business environment or regulatory framework.

The Board has assessed the internal control system taking into account principles for the assessment of internal control systems as given in that guidance. The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in implementation of the Board policies and procedures.

## KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting includes the following:

The Board sub-committees are established to assist the Board in ensuring the effectiveness of the group's operations and that they are in accordance with corporate objectives, strategy, and annual budget, policies and business environment.

The group's internal audit functions provide comfort on the efficiency and effectiveness of the internal control system. It monitors compliance on policies and procedures and highlights significant findings in respect of noncompliance. Audits are carried out on all subsidiaries and frequency of which is determined by the level of risk assessed. The annual audit plan is reviewed and approved by the Audit committee.

The Audit Committee reviews internal control issues identified by the group's internal auditors/ external auditors, regulatory authorities and the management and evaluates the adequacy of internal controls.

In assessing the internal control systems, the management of the company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company/ Group.

## CONFIRMATION STATEMENT

The Board of Directors of CIC Holdings PLC (Group) confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting system and the preparation of Financial Statements for external purposes has

been done in accordance with Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange, requirements of Security and Exchange Commission of Sri Lanka and other regulatory requirements.

By order of the Board



**S.H. Amarasekera**  
Chairman



**S.P.S. Ranatunga**  
Managing Director / CEO



**P.R. Saldin**  
Chairman  
Audit Committee

23rd May, 2019



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# Management Discussion and Analysis

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# SECTOR REVIEW



**CIC** | Agri  
Produce

## Agri Produce

“CIC continue to consolidate its activities in the Agri Produce sector, with renewed focus on strengthening the Dairy and Rice segments.”





# SECTOR REVIEW

## Agri Produce



### OPERATING CONTEXT

The fast-moving consumer goods (FMCG) sector is a major contributor to the Sri Lankan economy and with the country becoming increasingly consumption-heavy, the FMCG industry, now accounts for more than 20% of GDP.

The general economic slowdown in 2018 has a direct impact on the FMCG industry, as consumption patterns changed on the back of lower disposable income especially in the middle income category which remains the key driver of FMCG sector in Sri Lanka. Consequently, the performance of all key segments of the FMCG sector witnessed a decline in 2018. The food and beverage segments in particular came under severe pressure as consumers continued cutting back on consumption.

**“A new low-GI product was added to the Health Rice range. A culmination of ongoing research into the health benefits associated with Rice.”**

In contrast however the consumption of speciality products continues to grow, as awareness on good nutrition and healthy eating becomes increasingly more widespread, thus creating a niche market for high quality premium food products.

PESTLE ANALYSIS FOR 2018/19		Risks & opportunities for the business
Economic	Weak economic performance leading to lower disposable incomes	Reduced consumption leading to lower demand for FMCG products 
	Currency depreciation leading to increased cost of imported goods such as packing material, machinery & spares.	High production costs cannot be passed to consumers, thus causing margin pressure for the Company
Social	Increased awareness regarding nutrition and healthy consumption	Provides an opportunity to expand niche markets for nutrient-rich product range 
Technological	Advanced technologies to mitigate climate risk in agricultural production	Promotion of smart agriculture technologies

### SECTOR PERFORMANCE

CIC's Agri Produce sector portfolio consists of three main segments - Dairy, Rice and Farm Produce which cater to the country's FMCG sector. Overall, the sector performance reported a decline from the previous year, with all segments tabling lower than expected volumes directly resulting from weak growth in the FMCG sector.

Within the Dairy sector, the Company's main presence is in the cultured dairy segment. Due to slowdown affecting the prospects of the FMCG industry in 2018, the Company's dairy products reported a marginal volume decrease over the previous year. The industry witnessed stiff competition, which further intensified in 2018 following the entry of several new players to the market. Against this backdrop, cost control remained the main focus for the Agri Produce segment, prompting widespread efforts to streamline internal processes and improve downstream efficiency. Steps

were also taken to strengthen island-wide distribution networks in a bid to deepen penetration in the general trade, with special emphasis on increasing the coverage in the peripheral areas of the country. As part of this same process, a distributor feedback survey was conducted covering the entire distributor network with key findings going on towards process improvement and to feed our R & D processes.

The Rice business was restructured in mid 2018 with the intention of moving away from mainstream products, and the focus shifting towards the promotion of premium range of specialty rice that cater to a niche market segment. All efforts for the year were centered on promoting a range of Health Rice, Specialty Rice and Traditional Rice under CIC's flagship "Golden Crop" brand. The existing distribution model was streamlined to increase the coverage to the modern trade which is the main platform used to promote the products.

Steps were also taken to strengthen island-wide distribution networks in a bid to deepen penetration in the general trade, with special emphasis on increasing the coverage in the peripheral areas of the country.

A new low-GI product was added to the Health Rice range. A culmination of ongoing research into the health benefits associated with Rice. This new product is the first in the local market with a lower GI (48) profile and enhanced palatability. Plant breeding experts of the company developed this new Rice variety that would promote sustained energy release, a concept that has been gaining considerable traction globally as well. In parallel, the Company also initiated action to secure several leading international health claim certifications, especially for sustained energy release which would further boost the credentials of these products.

The specialty Rice category too was further expanded with the introduction of two new “small grain” Rice varieties, which provides the impetus to capitalise on the growing popularity for high palatable rice.

The Company continues to maintain Farm Produce segment with key emphasis on Quality Banana production which is distributed through leading supermarkets. Hi-tech Agriculture segment was not operating in its capacity during the period under review and was undergoing review of production models.

## **OUTLOOK AND PROSPECTS**

Going forward, CIC would continue to consolidate its activities in the Agri Produce sector, with renewed focus on strengthening the Dairy and Rice segments, which appear to be growing markets even amidst challenges. Given the current trends, it is expected that R & D will play a key role enhancing the product portfolios in both segments in the coming years.



SECTOR  
REVIEW



**CIC** | Livestock  
Solutions

# Livestock Solutions

**“The focus shifted towards promoting the Pet Care range and with certain canine products in particular showing robust growth enabled the Vetcare business to meet overall growth targets for the year.”**



## OPERATING CONTEXT










Sri Lanka's livestock sector has been on a steady growth path for the past few years, with all key segments within the sector; eggs, poultry-breeder and poultry, all seeing good growth over the past decade or so.

In 2018 this trend appeared to reverse to a certain extent, with the production of eggs declining, while meat production recorded a mixed performance. Egg production decreased compared to the previous year causing the average cost of production of a large scale egg producer to increase. Chicken production recorded a marginal increase in 2018 though the cost of production increased. Further, local production of parent birds and imports increased, which was favourable to the industry.

**“The prospects of the Livestock cluster are set to improve in the forthcoming year.”**

## PERFORMANCE SUMMARY

CIC's Livestock cluster comprises of feed milling, day old chicks (DOC), poultry farming & processing and veterinary care businesses. In the year under review the cluster performance fell below expectation except for the veterinary care segment which also came under stress.

PESTLE ANALYSIS FOR 2018/19		Risks & opportunities for the business	
Political	Imposition of protective measures to safeguard local Maize production	Increase the cost of Maize leading to higher cost of production resulting in margin pressure for the Feed business.	
Economic	Slowdown in economic growth causing a decline in disposable incomes	Reduce demand for Poultry products, in turn lowering the demand for poultry Feed	
	Steep depreciation of the Rupee in 2018 resulting in cost increases in material imports	Severe margin pressure on Feeds, Vetcare & Poultry businesses	
	Change in market dynamics	Loss of potential markets as large poultry producers begin integrating with their supply chains	
	Increase in Borrowing Rates	Pressure on bottom-line due to higher cost of borrowings	
Social	Misconceptions regarding the consumption of poultry products	Lowers the retail demand for poultry products in turn affecting the demand for the DOC's and Feeds	
Technological	New technological developments in the feed milling business	Early adoption of new technology will have a competitive advantage	
Legal (Regulatory)	Decision to lift the ban on import of parent birds	Ability to resume the regular importing cycle of parent birds for the DOC business will increase the hatchability ratio and lower the cost of production of DOCs	
Environmental	Growing demand for less toxic Vetcare solutions	Gain first mover advantage through the release of an environmental-friendly Pet Care range	



## SECTOR REVIEW

# Livestock Solutions

### Gain first mover advantage through the release of an environmental-friendly Pet Care range.

The DOC business remained under pressure due to the weak retail demand for mainstream poultry products in 2018, which led to a heavy buildup of stocks across the industry causing both the DOC prices as well as the live bird prices to fall sharply. Meanwhile, the government ban on the import of parent birds from Avian Influenza impacted countries remained in force for a good part of the last year. This resulted in an ageing parent bird stock which in turn led to a low hatchability ratio, driving up the cost of production of DOCs and affecting margins. However, with the ban being lifted in early 2018, the Company took immediate steps to resume imports of new parent birds, with the first new batches entering in end February 2018.

The Feeds business, which supplies poultry feed to the commercial market as well as to the Company's own breeder farms, also faced another difficult year. Stymied by the apparent slowdown in the demand for poultry products from the mainstream retail market, many poultry producers began scaling back on their activities, in turn affecting the demand for Feed. Further, a few large commercial poultry breeder farms backward integrated by setting up their own feed mills, further shrinking the demand for external feed. Lower demand from the DOC business was also partly responsible for the drop in

feed sales volumes. Amidst this backdrop, CIC's Feed Mill continued to run below capacity in 2018/19, driving up the cost of production compared to the previous year. Adding to this, the Feed business also experienced a significant increase in the cost of all major raw materials throughout the year. The price of Maize, the key raw material used in feed manufacture, reached record highs as authorities attempted to boost local production of maize by adopting protective measures. Also, the rising prices of other essential bulk raw materials such as broken rice and filler materials including rice polish, wheat bran etc., caused by the acute scarcity of these essentials, also proved to be a major setback, further narrowing profit margins.

In the Vetcare business, the depressed poultry market that prevailed for much of the year, impacted the demand for high quality veterinary pharmaceuticals, vaccines, vitamins and minerals, feed additives and farm equipment, as farmers began opting for lower end products. Amidst this environment, the focus shifted towards promoting the Pet Care range and with certain canine products in particular showing robust growth enabled the Vetcare business to meet overall growth targets for the year. However, the depreciation of the Rupee during the year drove up the price of imported products impacting the costs of the Vetcare business leading to some margin pressure.

### OUTLOOK AND PROSPECTS

The prospects of the Livestock cluster are set to improve in the forthcoming year, as the DOC business gradually picks up following the maturity of several new batches of high quality parent birds with an improved hatchability ratio. Further it is also expected that improvement in the DOC business will have cascading effect in boosting the demand for Feed as well.



**CIC** | Health &  
Personal Care

# Health & Personal Care

**“Heightened demand for nutritional supplements as well as both preventive and curative care products for Non-Communicable Disease.”**





## SECTOR REVIEW

# Health & Personal Care

### OPERATING CONTEXT

Sri Lanka's healthcare sector continues to grow and evolve due to regular and ongoing investments by the government & the private sector. Government spending on healthcare services has increased progressively and in 2018 accounted for 4% of Sri Lanka's GDP, with investments directed mainly towards strengthening the infrastructure facilities at several key hospitals across the country, focused on improving emergency care and specialised paediatric care.

Moreover, government attention was also directed towards combating the threat of communicable diseases such as dengue and influenza, which were some of the more serious health concerns in 2018.

**“LNP's maiden entry to the export market, with selected products from the LINK Personal Care and Ayurvedic ranges shipped out to B2B markets in USA, Russia, India, Australia and New Zealand.”**

Meanwhile the Ministry of Health Nutrition and Indigenous Medicine (MOH), the apex body in charge of carrying out the national health agenda continued with its ongoing efforts aimed at preventing and controlling acute and chronic Non-Communicable Diseases (NCD's). Focusing on curative care, specialised primary care facilities for the treatment of NCD's were established around the island, while extensive








awareness building activities were conducted among targeted high risk groups as part of the preventive care program.

Equally important is the role played by the private healthcare sector. Private sector investment in healthcare has increased substantially over the past decade or so, which has made a significant contribution towards raising the level of the local industry on par with international standards.

As is the case anywhere in the world, in Sri Lanka too, the healthcare sector and the pharmaceutical industry are codependent. Collectively between the state sector and the private sector, the pharmaceutical market in Sri Lanka is estimated at around Rs. 80 Bn. The pharmaceutical market has continued to grow at a faster pace in the past decade, on the back of the rise in non-communicable diseases.

Almost 85% of Sri Lanka's pharmaceutical products continue to be imported, mainly from India and Europe. However recent efforts by the government to establish a dedicated pharmaceutical manufacturing zone have encouraged some large local Companies to invest in setting up manufacturing plants to produce certain generic products and benefit from a 15-year buy back arrangement with the state Pharmaceuticals Corporation. Currently, approximately two billion units are being produced locally, which accounts for about 12% of the market.

Categorised as an essential commodity, pharmaceutical products are highly regulated, with the government maintaining a tight control over pricing of over 60 essential pharmaceutical products.

PESTLE ANALYSIS FOR 2018/19		Risks & Opportunities for the business	
Political	Political instability in October 2018 saw the government decision-making process come to a standstill	Delays in evaluation of tender proposals submitted for the supply of medical devices to the government hospitals	
		Following the October 2018 political crisis, country's tourism industry took a massive hit, with mass cancellations and travel warnings that put the leisure sector under considerable stress, which in turn affected the demand for the Company's herbal range of personal care and Ayurvedic products used in hotels and spa treatments	
Economic	Depreciation of the Rupee against the US dollar	Higher import costs on many pharmaceutical products cannot be passed on the consumer due to the controlled price enforced by the authorities, thus causing severe margin pressure for the Company	
		Higher raw material costs require upward revisions in the pricing structure of the herbal range, in turn reducing their market competitiveness.	
Social	Increased awareness regarding nutrition, an aging population as well as the rise in NCD's caused by changing lifestyles	Heightened demand for nutritional supplements as well as both preventive and curative care products for NCD's	
	Growing awareness in Western countries regarding organic cosmetics and the health properties of Ayurvedic formulations	Presents a strong opportunity to explore the niche export market for herbal healthcare, personal care and Ayurvedic products	
Technological	Technological advancements leading to new innovative treatments	Ability to gain first over advantage through the release of the latest breakthrough products	
	Growing emphasis on the latest technology standards and quality certifications for herbal cosmetics	Early adoption of global certifications provide a stronger leverage to break into premium international markets for herbal cosmetics	
Legal (Regulatory)	Growing focus and pressure on the government to improve healthcare and provide equitable access to all. Most often this leads to increased regulation and stricter price controls being imposed on a majority of products.	Imposition of price control bring pressure on cost structures which raise questions regarding the market viability of certain products	
	Overseas markets such as USA, EU, Australia will impose regulations on banning or limiting the harmful substances such as Parabens	Additional investments required to comply with such regulations	
Environmental	Growing awareness of chemical-free products with more eco-friendly profiles	Lowers the demand for conventional products, but also provide the impetus to diversify the pharmaceutical product portfolio	
	Trend by the local leisure industry to move away from using plastic packaging materials for personal care products	Focus on promoting eco-friendly packaging solutions as a platform to differentiate the herbal range	



## SECTOR REVIEW

# Health & Personal Care

**Strengthening business resilience against the impacts of market forces will also remain a key focus in the Pharmaceuticals segment.**

### PERFORMANCE SUMMARY

CIC's Health and Personal Care unit recorded a marginal increase in Revenue, amidst some notable industry challenges. Meanwhile higher import costs following the Rupee depreciation during the year brought substantial margin pressure, leading to a decline in overall profitability compared to the previous year. The performance of both sub segments - Pharmaceutical and Medical Devices remained under stress largely due to the political, economic and regulatory challenges outlined in the PESTLE Analysis above.

In the Pharmaceutical business, price control regulations imposed in December 2017 on certain essential drugs stayed in force throughout 2018 as well, bringing into question the long term viability of these specific products. To add to this there were some supply side pressures that affected the Company's ability to maintain adequate stock buffers from the beginning of the third quarter of the current financial year. A culmination of these factors meant anticipated volume growth did not materialise.

The Company's manufacturing facility, which warrants technical upgrade, continued to operate at lower than optimum capacity in order to execute

its commitment to produce and deliver a combination of 7 products under a buy back arrangement with the government.

In contrast to the subdued performance of the Pharmaceutical business, the Nutraceutical arm tabled a strong performance, driven by robust growth in the premium nutrition care range of nutrition enhancers and special dietary supplements. Efforts to deepen market penetration were led by a focused campaign to raise awareness among the prescriber community around the island. This was coupled with efforts to strengthen the distribution network with special emphasis on widening the reach in the Northern and Eastern regions of the country. Following these measures, a strong uptake in the product was observed.

Several factors affected the performance of the Medical Devices as well, key among them the delays in tender process following the political instability in the country in October 2018, which meant many approved contracts were put on hold. Apart from this, the currency depreciation drove up costs across the board, which compelled the Company to raise prices of all Diagnostics and Wound Care products that come under the purview of the Medical Devices unit, in turn affecting the demand for these products.

Despite these challenges however in keeping with the Company's policy to improve patient outcomes and maximise patient satisfaction, the Diagnostics product suite was further enhanced with the pioneering launch of the Immune Hematology testing kit, which uses the latest path breaking technology to measure anti body screening, blood grouping and cross matching.

Furthermore, as part its broader efforts to promote better patient outcomes, the Company continued to leverage on its ongoing partnership with the AO Foundation, a Swiss-based non-profit medical educational institute, to extend the existing medical education programme series to cover more medical professionals across the country. The programs seek to build awareness among the local medical community regarding the latest technological developments that can ensure better clinical outcomes for patients and thereby improve patient satisfaction. The focus of this years' program series was on minimum invasive procedures for spine, trauma and oral maxillofacial surgery.

Meanwhile Link Natural Products (LNP), Sri Lanka's foremost expert on Herbal Health Care, Personal Care and Ayurveda Products, reported solid growth in the year under review due to a broad based

strategy to develop all main business lines. Concept building activities were expedited to increase visibility in the target market, culminating in the launch of the Coco Soul range, a high end portfolio of personal care products for discerning customers. This was coupled with new packaging and labeling models designed in line with international standards and backed up with several unique product claims. A new Aloe & Lemongrass range was also developed and launched during the year.

The year 2018/19 also marked LNP's maiden entry to the export market, with selected products from the LINK Personal Care and Ayurvedic ranges shipped out to B2B markets in USA, Russia, India, Australia and New Zealand.

## **OUTLOOK AND PROSPECTS**

With healthcare being a growing market, the key priority going forward would be to build captive market share in both Pharmaceuticals as well as the Medical Devices segments. Strengthening business resilience against the impacts of market forces will also remain a key focus in the Pharmaceuticals segment. Accordingly, strong emphasis will be placed on expanding production capacity as well improving downstream efficiency at the Company's manufacturing plant.

In addition the Company would focus its attention on further diversifying its portfolio through the release of new products that would spearhead efforts to gain a foothold in areas not tapped yet especially in the Medical Devices segment and in particular the Diagnostics sphere.

For LNP the key focus would be to build on the successes achieved so far. This means further deepening the penetration into the local market, while aggressively pursuing export opportunities in high growth potential markets around the world.



SECTOR  
REVIEW



**CIC** | Industrial  
Solutions

# Industrial Solutions

**“The Company went ahead with efforts to further expand the portfolio leading to a new line of emulsions.”**



## OPERATING CONTEXT






Industry related activities did not show any material improvement with sector growth remaining flat year on year. Slowdown in Industry activities was mainly attributed to the contraction in construction activities, which at 35% is the largest contributor to the industry sector. Compared to the previous year manufacturing activities too moderated growing by only 3% in 2018 compared to 3.3% in 2017.

Industrial sector growth was mainly fueled by the Food & Beverage manufacturing industry, which expanded by 5.5% in 2018 compared to a contraction of 0.9% reported in 2017, with the turnaround in the agriculture sector is thought to be the main reason for the revival.

**“The Industrial Raw Material segment reported satisfactory results for the year.”**

Other key growth drivers for the year included the textile manufacturing and apparel and leather related industries, which collectively reported growth of 3.6% in 2018.

Meanwhile as per the IIP (Index of Industrial Production), manufacture of refined petroleum products, furniture, manufacture of chemical products, paper products, machinery & equipment, all reported de-growth in 2018.

PESTLE ANALYSIS FOR 2018/19		Risks & opportunities for the business
Economic	Slowdown of construction industry and retail consumption	Contraction of decorative paint industry, resulting in reduced demand for paint binders. 
	Depreciation of the Rupee against the US dollar which resulted in increasing the cost of imported raw materials	Higher import costs on many products continue to cause severe margin pressure for the Company 
	Indo-Sri Lanka FTA Singapore-Sri Lanka FTA	FTA's provide growth opportunities for export industries such as Rubber, Apparel etc. in turn opening up several opportunities to promote Industrial binders 
Legislative	More awareness and stronger legislature for greener products	Work with principals and customers to develop environmentally friendly product solutions 
Technological	Technological advancements leading to new more effective applications	Ability to leverage on the technical know-how of principals to release products that would provide first-mover advantage in the market 

## PERFORMANCE SUMMARY

All business segments under the Industrial Solutions remained under stress in the year under review, with the cluster's overall contribution to the Group reporting a decline over the previous year.

It was a particularly challenging year for the Polymer segment, the mainstay of the Industrial Solutions cluster. The demand for Polymers from its key market - the paint manufacturing industry, dropped sharply on the back of de-growth in the country's construction sector and

domestic paint consumption. The consequent volume loss led to a decline in Revenue, resulting in the production facility to function below optimum capacity throughout the year. To add to this, the Rupee depreciation caused severe margin pressure which put a squeeze on the segment's bottom line. Despite these challenges however, the Company went ahead with efforts to further expand the portfolio leading to a new line of emulsions being launched to the market in early 2019.



## SECTOR REVIEW

# Industrial Solutions

**The main priority going forward would be strengthen market share in each individual segment.**

The Industrial Raw Material segment reported satisfactory results for the year. Working in partnership with some of the world's leading manufacturers of binders, jelling agents and fortifiers, the Industrial Raw Material segment provides client-specific solutions for the country's manufacturing sector industries. Backed by a well diversified portfolio that caters to several industries ranging from Rubber, Leather and Plastic to Food manufacturing, the segment experienced a slight improvement in volumes in the year under review driven mainly by export oriented industries such as Rubber and Leather Footwear manufacturing. To further capitalise on this strong demand, a range of new product variants were launched specifically targeting Footwear Industry, while a focused sales campaign was launched to make further inroads into the Rubber sector. Meanwhile with the Rupee depreciation driving up the cost of imported raw materials, a concerted effort was made to improve efficiencies and control operational costs, which saw the warehousing infrastructure being streamlined through group synergies.

The Water Treatment arm faced a difficult year as the demand for its products and services declined. The demand for chemicals used in the power generation fell as the country's requirements for thermal power generation declined sharply.

The packaging segment that offers solvent-based adhesives for the flexible packaging industry in Sri Lanka, primarily used by the FMCG industry. Here too, demand for mainstream packaging solutions fell in tandem with the apparent slowdown in the FMCG industry, leading the Company to focus on developing niche markets vis-a-vis high grade and environmentally friendly packaging solutions.

### OUTLOOK AND PROSPECTS

**The main priority going forward would be strengthen market share in each individual segment. In this context, the Company will work with its principals to focus on continuously refining the respective product baskets which would enable CIC to increase its leverage in selected high growth markets within each segment.**



**CIC** | Crop Solutions

# Crop Solutions

**“Apart from favourable weather, the next most important component that determine the outcome of the local agriculture sector is availability of quality agricultural inputs.”**





# SECTOR REVIEW

## Crop Solutions

### OPERATING CONTEXT

Apart from favourable weather, the next most important component that determine the outcome of the local agriculture sector is availability of quality agricultural inputs.

With the rapid changes to population demographics raising concerns regarding long term food security, the demand for both Plant Nutrition and Plant Protection solutions have continued to grow over the past two decades. Moreover, although Sri Lanka is a fertile tropical land with the potential for the cultivating key crops such as Paddy, Tea, Rubber, Vegetable etc., come with the inherent issue of insect and pests which can only be resolved through the consistent application of appropriate Plant Protection solutions.








**“CIC’s volume-based market share in this domain also increased.”**

Therefore, the demand for Plant Nutrition and Plant Protection solutions tend to vary in tandem with the national agricultural output.

Affected by poor harvests due to adverse weather for two consecutive years, Paddy production increased by 65% in 2018 bolstered by strong yields in both Yala and Maha cropping seasons.

On the other hand, saw the country’s Tea production decrease slightly year on year. A similar trend was observed in Rubber as well, while Coconut crops appeared to have reversed their declining trend due to the lagged effect of favourable rainfall experienced in major coconut growing areas in 2017.

The market for Crop Solutions being highly regulated and with the government imposed price control on fertilisers, the business remains under constant margin pressure.

PESTLE ANALYSIS FOR 2018/19		Risks & opportunities for the business
<b>Political</b>	Political influence over the agriculture sector creating negative perceptions among farmer communities	Farmers making uninformed decisions that could have an adverse impact on the demand for the Company’s products 
<b>Economic</b>	Revival of the agriculture sector resulting in an increase in the Paddy cultivation extent	Increased demand for Crop Solutions 
	Depreciation of the Rupee against the US dollar resulted in cost increases of inputs	Higher import costs on many products cannot be passed on the consumer due to the control price enforced by the authorities, thus causing severe margin pressure for the Company 
<b>Social</b>	Inadequate awareness among a majority of farmer communities regarding proper use of Agri Inputs	Conduct farmer education and offer technical support to ensure a consistent demand from the farming communities 
<b>Technological</b>	Technological advancements leading to new more effective applications	Ability to gain first over advantage through the release of the latest breakthrough and more cost effective products 
<b>Legal (Regulatory)</b>	Introduction of new global standards stating minimum permissible toxicity levels	The possible need to discontinue certain product lines that do not comply with these minimum standards. 
<b>Environmental</b>	Effect of use of Crop Solution Products on the environment	Explore the possibility of introducing more environmentally friendly products for Plant Protection 

The Plant Protection segment in particular reported a greatly improved performance due to a robust demand for Herbicides.

#### PERFORMANCE SUMMARY

The Crop Solutions Division is the largest contributor to the Group's Revenue and Operating Profits. In the year under review the segment as whole performed well on the back of a notable rebound in the country's agriculture sector signalling an end to the prolonged adverse weather experienced for the past two consecutive years.

Backed by consistent demand throughout the year, all products registered strong growth, leading to an increase in overall volumes compared to the previous year. Consequently, CIC's volume-based market share in this domain also increased.

The Plant Protection segment in particular reported a greatly improved performance due to a robust demand for Herbicides, Insecticides and Fungicides ahead of both the Yala and Maha Paddy cropping seasons in 2018. To further capitalise on this demand, two new Herbicides were launched to the market in the latter part of 2018. Both products are developed by one of CIC's key strategic partners in the USA using the latest technical knowhow to support effective weed control with a single application, making them more efficient and considerably more cost effective than other alternatives currently available in the market.

Meanwhile with the implementation of stringent regulatory standards & guidelines on toxicity for Crop Solution products, the Company is in the process of exploring the possibility of introducing environmentally friendly products.

Despite the strong performance on the volume front, the segment did experience some margin pressure resulting from a significant cost escalation due to depreciation of the Rupee. Nevertheless the Crop Solutions sector tabled a year on year increase in Gross margins in 2018/19 over the figure reported in the previous year.

#### OUTLOOK AND PROSPECTS

**The main thrust going forward would be to grow market share in the Plant Protection segment. This would require a concerted effort to strengthen marketing and distribution efforts with a special emphasis on promoting the newly launched product lines to ensure they gain traction in the market. The Company will at the same time also seek out opportunities to gain first mover advantage in new market segments where notable growth potential is evident.**

## Financial Calendar

1st Quarter Financial Results	Released on 06/08/2018
2nd Quarter Financial Results	Released on 14/11/2018
3rd Quarter Financial Results	Released on 12/02/2019
4th Quarter Financial Results	Released on 27/05/2019

Final Dividend Payment Date	
If Approved at AGM	09/07/2019
56th Annual General Meeting	28/06/2019



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# ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors have pleasure in presenting to members the 56th Annual Report together with the Audited Financial Statements for the year ended 31st March 2019 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 Statement of Accounts was approved by the Board of Directors on 23rd May 2019. 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 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 that the Directors of the Company approved in principle on combining its Healthcare Business with the Healthcare Business of Sunshine Holdings PLC with a shareholding of 40% of the combined business, subject to due diligence. During the same period, the subsidiary Chemanex PLC divested its investment in its subsidiary CAL Exports Lanka (Private) Limited as Chemanex PLC rationalised its business activities. Further, subsidiary

Cropwiz (Private) Limited and CIC Grains (Private) Limited (subsidiary of CIC Agri Businesses (Private) Limited), curtailed operations during the same period.

Other than the above 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, CIC Precision Agricultural Technologies (Private) Limited, Unipower (Private) Limited and CIC Healthcare (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: 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.
- CIC Precision Agricultural Technologies (Private) Limited promotes Advanced Agricultural Technology.

# ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

- Unipower (Private) Limited imports, blends and markets of specialised fertilizer.
- CIC Healthcare (Private) Limited merchandising Healthcare products

## PRINCIPAL ACTIVITIES OF THE EQUITY ACCOUNTED INVESTEEES

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

## CORPORATE DONATIONS

Donations made during the year amounted to Rs. 633,000/- (2018 - Rs. 638,000/-)

## FUTURE DEVELOPMENTS

Group of Companies looks to further market access for agricultural inputs & produce and to develop exports 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 Chairman, CEO together with the Company Secretary in compliance with the requirements of Sections 151, 152 and 168 of the Companies Act No 07 of 2007 are given on pages 54 to 134 of the Annual Report.

## PROFITS AND APPROPRIATIONS

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit/(loss) for the year after depreciation	125,425	(103,930)	504,123	689,095
From which a deduction is made for taxation and for discontinued operations	(8,869) (17,992)	198,834 (477,477)	(40,428) (6,365)	(491,865) (575,123)
	98,564	(382,573)	457,330	(377,893)
From which a deduction is made for non-controlling interest	-	-	25,909	(35,182)
	98,564	(382,573)	483,239	(413,075)
To which must be added other comprehensive income	6,717	(7,117)	26,935	(27,170)
Total comprehensive income	105,281	(389,690)	510,174	(440,245)
To which must be added the unappropriated profit brought forward from the previous year and	844,906	1,424,136	4,813,625	5,426,737
Adjustment on initial application of SLFRS 09 & 15	(46,334)	-	(67,614)	-
De-recognition of financial assets due to disposal	(155,251)	-	(154,626)	-
Change in non- controlling interest	-	-	(1,112)	(113,043)
Added realisation of revaluation reserve	-	-	-	129,716
Making available for appropriation amount of	748,602	1,034,446	5,100,447	5,003,165
Out of which a dividend was paid (2018 - Rs 2/- per share)	-	(189,540)	-	(189,540)
<b>So that the unappropriated profit carried forward will be</b>	<b>748,602</b>	<b>844,906</b>	<b>5,100,447</b>	<b>4,813,625</b>

## DIVIDENDS

For the year ended 31st March 2019, the Directors have recommended the payment of a final dividend of Rs. 1.00 per share amounting to Rs. 94.77Mn 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 prior to recommending the final dividend of Rs. 1.00 per share for the year ended 31st March 2019 which has to be approved by the shareholders at the Annual General Meeting to be held on 28th June 2019.

## 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 2019 and the Independent Auditor's Report on the Financial Statements is given on pages 51 to 53 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 60 to 81 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 46 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 page 125 and 126 of this Annual Report.

## DIRECTORS

The qualifications and experience of the Directors is provided on page 11. 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 there were no changes to the Board of Directors of the Company.

## RETIREMENT BY ROTATION AND RE-ELECTION

Mr. S.M. Enderby 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. P.R. Saldin 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 2019 are given in Note 11 of the Financial Statement on page 87 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 page 140 of this Annual Report.

## RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 43 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 10 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	2019		2018	
	Voting	Non-Voting	Voting	Non-Voting
S.H. Amarasekera	-	-	-	-
S.P.S. Ranatunga	-	22,950	-	22,950
R.S. Captain	80	139	80	139
S.M. Enderby	-	-	-	-
S. Fernando	-	36,210	-	36,210
M.P. Jayawardena	-	16,200	-	16,200
P. R. Saldin	-	500	-	-

## 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 49.

## 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 attends the meetings by invitation. Details of the Audit Committee are given on page 19.

## 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, Mr. S.M. Enderby and Mr. M.P. Jayawardena.

Mr. S.P.S. Ranatunga and Mr. S. Fernando attends 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 attends the Meetings by invitation.

## RELATED PARTY REVIEW COMMITTEE

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

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

Mr. S. Fernando attends the Meetings by invitation.

## COMPLIANCE WITH SECTION 9 OF LISTING RULES

The Directors confirm compliance with Section 9 of the Listing Rules in relation to Related Party Transactions.

## 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 15 to 18.

## VISION, MISSION AND CORPORATE CONDUCT

The Company's Vision and Mission are given on inner back cover of this 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. 30.74 Bn (2018 – Rs. 33.15 Bn). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 6 to the Financial Statements.

## CAPITAL EXPENDITURE

Details of property, plant & 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 94.

## MARKET VALUE OF FREEHOLD PROPERTIES

All freehold land of the Group Companies were revalued by professionally qualified independent valuers as at 31st, March 2019 and brought into Financial Statements. The Directors are of the opinion that the revalued 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.

## INVESTMENTS

Details of investments and their movements during the year are listed in Notes 22, 23, 24 and 28 to the Financial Statements.

## RESERVES

Total reserves of the Group stood at Rs. 8.2 Bn as at 31st March 2019 (Rs. 7.5 Bn as at 31st March 2018) 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.

## ANNUAL REPORT

The Board of Directors approved the Consolidated Financial Statements on 23rd May 2019. The appropriate number of copies of this Report will be submitted to the Colombo Stock Exchange and the Sri Lanka Accounting Standards and Monitoring Board. As required by the Section 170 (1) of the Companies Act No. 07 of 2007, duly signed Financial Statement of the Company and the Group together with Auditors' Report will also be delivered within 20 working days after the Financial Statements of the Company and Group are signed to Registrar of Companies for registration.

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



# ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

Information relating to Human Resource & Employment Policies is 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 other than those disclosed in Note 41 to the Financial Statements.

## AUDITOR'S 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. 5.54 Mn was paid to them as Consolidated audit fees during the year under review (Company- Rs. 2.05 Mn) and a sum of Rs. 2.60 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 Sixth Annual General Meeting is enclosed herewith.

As required by 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

23rd May, 2019

## 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.
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 recommending the final dividend of Rs. 1.00 per share for this year, which is to be approved by the Shareholders at the Annual General Meeting to be held on 28th June 2019.
5. The Directors are required to prepare the Financial Statements and 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 51 to 53.

6. As required by the Sections 166 (1) and 167 (1) of the Companies Act No 07 of 2007, 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

23rd May, 2019



## 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 and

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

23rd May, 2019

# INDEPENDENT AUDITOR'S REPORT



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
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 2019, and the statements of profit or loss and other comprehensive income, changes in equity and 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 54 to 134 of the annual report.

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 2019, and of their financial performance and its 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.

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.

#### 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 statement as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

##### 1. Impairment of investments in subsidiaries and equity accounted investees

Refer to the significant accounting policy in Note 3.13 and explanatory Notes 22 and 23 to the financial statements.

#### Risk Description

The Company has recorded Rs.1,473Mn as investments in subsidiaries and Rs. 36 Mn as equity accounted investees as at 31st March 2019 respectively. The carrying amount of each investments in subsidiaries and equity accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated if inappropriate judgments and estimates were used by the management in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment. The impairment of investments in subsidiaries and equity accounted investees has increased since some investments have not provided the required return.

As disclosed in Note 22 E to the financial statements, CIC Agri Business (Private) Limited, a subsidiary of the Group, has incurred a net loss during the year ended 31st March 2019 and reported negative net assets as of that date. However, the directors of the Component are of the opinion that the going concern assumption is valid in preparation of financial statements due to the feasibility of management plans and cash flow forecast.

We identified assessment of impairment of investment in subsidiaries and equity accounted investees as a key audit matter due to the significant degree of management judgment involved in making this assessment and in forecasting the future cash flows of the companies which could have significant impact on the financial statements.

#### Our audit procedures included:

- Evaluating the indications of possible impairment of investments in subsidiaries and equity accounted investees.
- Reviewing the work carried out by component auditor on the assessment of the credibility of business plan and the reasonableness of the discounted cash flow models considered in the going concern assessment of components.
- Obtaining the forecasted cash flows of the subsidiaries and assessing the reasonableness of the discounted cash flow models, principles and accuracy of the forecasts and challenging the assumptions used and the valuation technique applied.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA

P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne 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  
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

# INDEPENDENT AUDITOR'S REPORT



- Assessing the adequacy of disclosures made in the financial statements with respect to investments in subsidiaries and equity accounted investees including disclosure relating to going concern of the subsidiary.

## 2. Provision for impairment of Trade Receivables

Refer to the significant accounting policy in Note 3.14.5 and explanatory Note 26.2 to the financial statements.

### Risk Description

As disclosed in Note 26 to the financial statements, the Group has recognized trade receivable balance of Rs. 4,950Mn as at 31st March 2019, after provision for impairment of Rs. 881Mn.

The Group's customers operate in number of sectors, having different credit profiles. SLFRS 9 – "Financial Instruments" introduces an ECL model which takes into account judgments in setting the assumptions such as forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required.

We identified impairment of trade receivables as a key audit matter for our audit, as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of provision for impairment of trade receivables.

### Our audit procedures included:

- Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management with the assistance of our specialists.
- Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision and transition adjustments.
- Comparing the economic factors used in the models to market information

to assess whether they are aligned with the market and economic development.

- Evaluating the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the provision for impairment of trade receivables and transition adjustments.

## 3. Revaluation of Land

Refer to the significant accounting policy in Note 3.8.3 and explanatory Note 16 to the financial statements.

### Risk Description

The Group has revalued lands owned by the Group for Rs. 3,396Mn as at 31st March 2019 and recognised a revaluation gain of Rs. 565Mn, net of deferred tax for the year ended 31st March 2019.

The fair values of lands were determined by an external independent valuer engaged by the Group. We identified this as a key audit matter because of the significant judgments and estimates involved such as per perch price disclosed in Note 16 E to the financial statements in assessing the fair values of the lands.

### Our audit procedures included:

- Assessing the objectivity, independence, competency and capability of the external valuer engaged by the Group.
- Reading the professional valuer's reports and assessing the key estimates made by external valuer in deriving the fair values of the lands and comparing the same with evidence of current market values
- Reviewing the work performed by the component auditor on the revaluation of land
- Engaging our own internal specialised resources to assess the reasonability of the valuation technique and per perch prices.
- Assessing the adequacy of disclosures made in relation to the valuation technique, sensitivity and estimates used by the external expert in the financial statements.

## 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 will 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 identified above when it becomes available 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 therein, 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 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 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  
23rd May 2019

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company		Group	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Continuing operations</b>					
Revenue	6	8,968,631	9,116,255	30,737,116	33,148,257
Cost of sales		(6,750,650)	(6,946,484)	(23,644,594)	(26,423,128)
<b>Gross profit</b>		<b>2,217,981</b>	<b>2,169,771</b>	<b>7,092,522</b>	<b>6,725,129</b>
<b>Other income</b>					
Distribution expenses	7	498,352	401,238	202,585	673,963
Impairment loss on trade receivables		(1,145,108)	(1,239,298)	(3,062,635)	(3,344,444)
Administrative expenses		(121,654)	-	(250,581)	-
Other expenses	8	(431,706)	(636,469)	(1,691,119)	(2,158,169)
<b>Results from operating activities</b>		<b>276,635</b>	<b>(271,530)</b>	<b>(195,420)</b>	<b>(6,319)</b>
Finance cost (net)	9	741,230	423,712	2,095,352	1,890,160
Share of profit of equity accounted investees (net of tax)	10	(615,805)	(527,642)	(1,986,017)	(1,468,118)
		-	-	394,788	267,053
<b>Profit/(loss) before tax</b>	11	<b>125,425</b>	<b>(103,930)</b>	<b>504,123</b>	<b>689,095</b>
Income tax expenses	12	(8,869)	198,834	(40,428)	(491,865)
<b>Profit from continuing operations</b>		<b>116,556</b>	<b>94,904</b>	<b>463,695</b>	<b>197,230</b>
<b>Discontinued operations</b>					
Loss from discontinued operations (net of tax)	13.1	(17,992)	(477,477)	(6,365)	(575,123)
<b>Profit/ (loss) for the year</b>		<b>98,564</b>	<b>(382,573)</b>	<b>457,330</b>	<b>(377,893)</b>
<b>Other comprehensive income</b>					
Actuarial gains/(losses) on retirement benefit obligations		9,329	(9,885)	52,324	(52,845)
Actuarial losses on retirement benefit obligations- discontinued operations		-	-	-	(1,093)
Surplus on revaluation of land classified as held for sale		-	639,889	-	639,889
Surplus on revaluation of land		207,801	-	743,626	-
Deferred tax charge on revaluation surplus		(58,184)	(146,662)	(178,610)	(498,741)
Income tax on other comprehensive income		(2,612)	2,768	(13,938)	14,674
Net loss from fair value change of financial assets		(98,070)	(13,462)	(301,211)	(10,864)
<b>Other comprehensive income for the year</b>		<b>58,264</b>	<b>472,648</b>	<b>302,191</b>	<b>91,020</b>
<b>Total comprehensive income for the year</b>		<b>156,828</b>	<b>90,075</b>	<b>759,521</b>	<b>(286,873)</b>
<b>Profit/(loss) attributable to :</b>					
Equity holders of the Company		98,564	(382,573)	483,239	(413,075)
Non-controlling interests		-	-	(25,909)	35,182
<b>Profit/(loss) for the year</b>		<b>98,564</b>	<b>(382,573)</b>	<b>457,330</b>	<b>(377,893)</b>
<b>Total comprehensive income attributable to :</b>					
Equity holders of the Company		156,828	90,075	748,191	(220,293)
Non-controlling interests		-	-	11,330	(66,580)
<b>Total comprehensive income for the year</b>		<b>156,828</b>	<b>90,075</b>	<b>759,521</b>	<b>(286,873)</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share (Rs.)	14	1.04	(4.04)	5.10	(4.36)
<b>Earnings per share - continuing operations</b>					
Basic/diluted earnings/(loss) per share (Rs.)		1.23	1.00	5.16	1.18

Notes from pages 60 to 134 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Company		Group	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant & equipment	16	2,131,249	1,959,392	13,279,431	12,275,229
Investment property	17	-	-	2,400	13,900
Capital work-in-progress	18	-	-	353,024	382,247
Biological assets	19	-	-	208,082	181,028
Intangible assets	20	34,702	40,103	384,362	391,938
Deferred tax assets	21	-	-	13,642	198,595
Investment in subsidiaries	22	1,473,408	1,576,208	-	-
Equity accounted investees	23	36,000	161,109	1,025,795	1,014,167
Equity investment at fair value through OCI	24	264,904	352,179	272,775	362,492
		<b>3,940,263</b>	<b>4,088,991</b>	<b>15,539,511</b>	<b>14,819,596</b>
<b>Current assets</b>					
Inventories	25	2,378,526	2,402,569	7,568,212	8,843,024
Trade receivables	26	2,255,931	2,402,737	4,950,441	5,299,221
Contract assets		46,872	-	68,558	-
Other receivables	27	898,310	722,900	5,723,949	1,869,810
Equity investment at fair value through OCI	28	33,995	46,539	892,838	442,510
Cash in hand and at bank	29	199,958	220,169	1,277,283	1,567,229
		<b>5,813,592</b>	<b>5,794,914</b>	<b>20,481,281</b>	<b>18,021,794</b>
Assets classified as held for sale	13.2	1,195,628	1,208,473	1,195,628	1,976,725
Assets classified as held for distribution	13.5	197	197	34,907	169,164
		<b>7,009,417</b>	<b>7,003,584</b>	<b>21,711,816</b>	<b>20,167,683</b>
<b>Total assets</b>		<b>10,949,680</b>	<b>11,092,575</b>	<b>37,251,327</b>	<b>34,987,279</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the company</b>					
Stated capital	30	1,008,450	1,008,450	1,008,450	1,008,450
Capital reserves	31	1,477,524	1,327,907	2,360,463	1,917,975
Revenue reserves	32	1,516,465	1,555,588	5,848,483	5,611,505
		<b>4,002,439</b>	<b>3,891,945</b>	<b>9,217,396</b>	<b>8,537,930</b>
<b>Non-controlling interests</b>					
Total Equity		<b>4,002,439</b>	<b>3,891,945</b>	<b>11,278,735</b>	<b>10,712,655</b>
<b>Non-current liabilities</b>					
Loans and borrowings	33	-	-	1,311,928	1,172,397
Retirement benefit obligations	34	179,370	179,965	646,305	661,269
Grants	35	-	-	9,624	8,953
Deferred tax liabilities	21	99,731	30,394	1,288,508	1,479,003
		<b>279,101</b>	<b>210,359</b>	<b>3,256,365</b>	<b>3,321,622</b>
<b>Current liabilities</b>					
Trade payables	36	1,134,872	1,069,322	4,911,505	5,831,393
Contract liabilities		64,967	-	108,238	-
Income tax payable	37	-	-	57,011	88,052
Accruals and other payables		490,033	495,652	1,738,259	1,445,854
Loans and borrowings	33.5	4,978,268	5,425,297	15,893,869	13,199,171
		<b>6,668,140</b>	<b>6,990,271</b>	<b>22,708,882</b>	<b>20,564,470</b>
Liabilities classified as held for sale	13.2	-	-	-	380,599
Liabilities classified as held for distribution	13.5	-	-	7,345	7,933
		<b>6,668,140</b>	<b>6,990,271</b>	<b>22,716,227</b>	<b>20,953,002</b>
<b>Total liabilities</b>		<b>6,947,241</b>	<b>7,200,630</b>	<b>25,972,592</b>	<b>24,274,624</b>
<b>Total equity and liabilities</b>		<b>10,949,680</b>	<b>11,092,575</b>	<b>37,251,327</b>	<b>34,987,279</b>
<b>Net assets per share (Rs.)</b>		<b>42.23</b>	<b>41.07</b>	<b>97.26</b>	<b>90.09</b>

Notes from pages 60 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

23rd May 2019, Colombo

## STATEMENT OF CHANGES IN EQUITY

Company In Rs.'000	Stated Capital	Revaluation Reserve	General Reserves	Fair Value Reserve	Retained Earnings	Total
As at 01st April 2017	1,008,450	834,680	782,604	(58,460)	1,424,136	3,991,410
Loss 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)
<b>Total comprehensive income</b>	-	493,227	-	(13,462)	(389,690)	90,075
Dividends (Note 15)	-	-	-	-	(189,540)	(189,540)
<b>Total contributions by and distribution to the owners of the Company</b>	-	-	-	-	(189,540)	(189,540)
<b>As at 31st March 2018</b>	1,008,450	1,327,907	782,604	(71,922)	844,906	3,891,945
Adjustment on initial application of SLFRS 9, net of tax (Note 3.2.2.3)	-	-	-	-	(28,251)	(28,251)
Adjustment on initial application of SLFRS 15, net of tax (Note 3.2.1.1)	-	-	-	-	(18,083)	(18,083)
<b>Adjusted balance as at 01st April 2018</b>	1,008,450	1,327,907	782,604	(71,922)	798,572	3,845,611
Profit for the year	-	-	-	-	98,564	98,564
Other comprehensive income	-	-	-	(98,070)	6,717	(91,353)
Derecognition of financial assets due to disposal	-	-	-	155,251	(155,251)	-
Surplus on revaluation	-	207,801	-	-	-	207,801
Deferred tax on revaluation	-	(58,184)	-	-	-	(58,184)
<b>Total comprehensive income</b>	-	149,617	-	57,181	(49,970)	156,828
<b>As at 31st March 2019</b>	1,008,450	1,477,524	782,604	(14,741)	748,602	4,002,439

Notes from pages 60 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	Fair Value Reserve	General Reserves	Retained Earnings	Total		
<b>As at 01st April 2017</b>	1,008,450	1,815,568	(51,121)	861,598	5,426,737	9,061,232	2,354,316	11,415,548
Loss 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)
<b>Total comprehensive income for the year</b>	-	102,407	(12,597)	-	(310,529)	(220,719)	(66,867)	(287,586)
Dividend paid to equity holders of the parent (Note 15)	-	-	-	-	(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 effective holding of the subsidiary	-	-	-	-	(113,043)	(113,043)	(87,453)	(200,496)
<b>Transactions with owners of the Company</b>	-	-	-	-	(302,583)	(302,583)	(112,724)	(415,307)
<b>As at 31st March 2018</b>	1,008,450	1,917,975	(63,718)	861,598	4,813,625	8,537,930	2,174,725	10,712,655
Adjustment on initial application of SLFRS 9, net of tax (Note 3.2.2.3)	-	-	-	-	(42,425)	(42,425)	(4,100)	(46,525)
Adjustment on initial application of SLFRS 15, net of tax (Note 3.2.1.1)	-	-	-	-	(25,189)	(25,189)	(3,348)	(28,537)
<b>Adjusted balance as at 01st April 2018</b>	1,008,450	1,917,975	(63,718)	861,598	4,746,011	8,470,316	2,167,277	10,637,593
Profit for the year	-	-	-	-	483,239	483,239	(25,909)	457,330
Other comprehensive income	-	-	(204,470)	-	26,935	(177,535)	(85,290)	(262,825)
Surplus on revaluation	-	584,989	-	-	-	584,989	158,637	743,626
Deferred tax on revaluation surplus	-	(142,501)	-	-	-	(142,501)	(36,109)	(178,610)
De- recognition financial assets due to disposal	-	-	154,626	-	(154,626)	-	-	-
<b>Total comprehensive income for the year</b>	-	442,488	(49,844)	-	355,548	748,192	11,329	759,521
<b>Transactions with shareholders</b>								
Dividend paid to equity holders of the parent (Note 15)	-	-	-	-	-	-	-	-
Subsidiary dividend to non controlling- interest	-	-	-	-	-	-	(80,342)	(80,342)
Disposal of subsidiary	-	-	-	-	-	-	(31,367)	(31,367)
Change in the effective holding of the subsidiary	-	-	-	-	(1,112)	(1,112)	(5,558)	(6,670)
<b>Transactions with owners of the Company</b>	-	-	-	-	(1,112)	(1,112)	(117,267)	(118,379)
<b>As at 31st March 2019</b>	1,008,450	2,360,463	(113,562)	861,598	5,100,447	9,217,396	2,061,339	11,278,735

Notes from pages 60 to 134 form an integral part of the Financial Statements.  
Figures in brackets indicate deductions.

# CASH FLOW STATEMENT

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Cash flow from operating activities</b>				
Cash generated from operations (Note A)	810,489	701,618	478,257	4,265,307
Interest paid (net)	(638,650)	(562,743)	(1,995,977)	(1,483,426)
Retirement benefits paid	(27,179)	(34,669)	(99,579)	(140,573)
Income tax paid	(49,079)	(62,404)	(257,185)	(404,844)
Net cash inflow/(outflow) from operating activities	95,581	41,802	(1,874,484)	2,236,464
<b>Cash flow from investing activities</b>				
Additions to property, plant & equipment	(152,435)	(141,781)	(477,028)	(607,112)
Additions to capital work-in-progress	(3,335)	(25,116)	(740,787)	(1,475,598)
Additions to intangible assets	-	(24,070)	(7,956)	(34,546)
Additions to biological assets	-	-	(200,807)	(149,734)
Additions to other long term investments	(273,868)	(12,093)	(273,998)	(12,856)
Additions to assets held for sale	-	-	(1,254)	-
Proceeds from disposal of property, plant & equipment	9,381	25,529	380,589	308,845
Proceeds from disposal of assets held for sale	28,483	-	49,374	-
Proceeds from disposal of assets held for distribution	-	-	76,906	-
Proceeds from disposal of investment property	-	-	13,212	90,000
Proceeds from disposal of investments	275,616	-	299,444	-
Proceeds from sale of biological assets	-	-	167,638	220,330
Commission paid on property, plant & equipment disposal	-	-	-	(4,609)
Short term investments	-	(6,295)	(684,117)	(370,933)
Dividend received from subsidiaries	118,626	87,985	-	-
Dividend received from equity accounted investees	325,080	199,800	330,240	203,400
Dividend received from other financial assets	3,689	23,906	18,270	35,304
Investment in subsidiaries and equity accounted investees (net of cash)	-	(491,972)	-	(525,795)
Subsidiary dividends to non-controlling interest	-	-	(80,342)	(44,796)
Payment for share buyback and capital reduction	-	-	(24,431)	-
Net cash inflow/(outflow) from investing activities	331,237	(364,107)	(1,155,047)	(2,368,100)
Net cash inflow/(outflow) before financing activities	426,818	(322,305)	(3,029,531)	(131,636)
<b>Cash flow from financing activities</b>				
Dividends paid to equity holders of the parent	-	(189,540)	-	(189,540)
Capital payment on finance leases	-	-	(1,883)	(9,276)
Repayment of long-term borrowings	-	(62,265)	(1,773,524)	(500,801)
Long term borrowings obtained	-	-	2,003,031	401,981
Net cash inflow/(outflow) from financing activities	-	(251,805)	227,624	(297,636)
Net increase / (decrease) in cash & cash equivalents during the period	426,818	(574,110)	(2,801,907)	(429,272)
Cash & cash equivalents at the beginning of the period	(5,205,128)	(4,631,018)	(11,072,108)	(10,642,836)
Cash & cash equivalents at the end of the period (Note B)	(4,778,310)	(5,205,128)	(13,874,015)	(11,072,108)

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000

**Note A - Cash generated from/(used for) operations**

Profit before interest and tax from continuing businesses	741,232	423,712	2,095,352	1,890,160
Profit/(loss) before interest and tax from discontinued businesses	4,853	(442,376)	9,925	(554,587)

**Adjustments for:**

Depreciation on property, plant & equipment	166,483	185,870	937,161	897,900
Impairment of property, plant & equipment	-	-	15,327	158,054
Impairment of intangible assets	-	-	-	4,876
Write off of property, plant & equipment	-	-	631	1,479
Write off of inter company receivables	32,876	-	-	-
Adjustment due to disposal of subsidiary property, plant & equipment	-	-	-	(5,622)
(Gain)/ loss on disposal of property, plant & equipment	15,850	(18,627)	123,538	(411,295)
Gain on disposal of assets held for sale	(15,638)	-	(20,346)	-
Gain on disposal of investment property	-	-	(1,712)	(49,753)
Gain on disposal of assets classified as distribution	-	-	(3,531)	-
Provision for retirement benefit	35,913	38,855	127,769	160,772
Provision for impairment of investment in subsidiaries and equity accounted investees	227,909	271,531	-	-
Amortisation of intangible assets	5,401	4,926	20,129	18,512
Provision for impairment of trade receivables	121,654	48,591	250,581	38,349
Provision/(reversal of provision) for write down of inventories	(74,337)	372,707	50,202	493,539
Gain from changes in fair value - biological assets	-	-	6,112	(3,116)
Grants amortised	-	-	(1,048)	(1,154)
Dividend income	(447,396)	(311,691)	(18,270)	(35,304)
Operating profit before working capital changes	814,798	573,498	3,591,820	2,602,810
(Increase)/decrease in trade and other receivables	(227,588)	(98,155)	(3,736,238)	333,703
(Increase)/decrease in inventories	98,380	141,249	1,224,610	(799,582)
Increase/(decrease) in trade and other payables	124,899	85,026	(601,935)	2,128,376
Cash generated from operations	810,489	701,618	478,257	4,265,307

**Note B - Analysis of cash & cash equivalents at the end of the year**

Cash in hand and at bank	199,958	220,169	1,306,292	1,743,349
Interest bearing short term borrowings	(4,978,268)	(5,425,297)	(15,180,307)	(12,815,457)
	(4,778,310)	(5,205,128)	(13,874,015)	(11,072,108)

Notes from pages 60 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 2019 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 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 23rd May 2019.

### 2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, except that land and short term and long 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 07 – 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 22 – 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 2019 is included in the following notes.

- Note 34 – measuring of defined benefit obligations: key actuarial assumptions;
- Note 21 – recognition of deferred tax liability
- Note 3.13 – 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 Finance 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 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.

#### 2.4.5 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.

#### 2.4.6 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.

#### 2.4.7 Recognition of Deffered 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 acquire; less
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; 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.

# NOTES TO THE FINANCIAL STATEMENTS

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 re-measured 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 FVOCI depending on the level of influence retained and business model.

### 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.

### **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. Changes in Significant Accounting Policies**

The Group has adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments from 1st April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these Financial Statements has not been restated to reflect the requirements of the new standards (except for certain impairment losses on trade receivables and contract assets).

The effect of initially applying these standards is mainly attributed to the following:

- changes of the revenue recognition
- an increase in impairment losses recognised on financial assets
- changes in classification of financial instruments

### **3.2.1. SLFRS 15 Revenue from Contracts with Customers**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognise as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services excluding amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.2.1.1. Impact on the adoption of SLFRS 15 as at 1st April 2018

The Group has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognising the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity as at 01st April 2018 and therefore the comparative information has not been

restated and continues to be reported under LKAS 18. The details of accounting policies under LKAS 18 and SLFRS 15 are disclosed in Note 3.4 separately.

The effect of initially applying of SLFRS 15 is mainly attributed to recognition of revenue from contract with customers under following product lines;

- a) pharmaceuticals
- b) packaging
- c) herbal health care

The following table summarises the impact of transition to SLFRS 15 on retained earnings and non-controlling interest as at 1st April 2018

Impact of adopting SLFRS 15 as at 1st April 2018	
Rs.'000	
<b>Retained earnings</b>	
Pharmaceuticals	(18,083)
Packaging	(579)
Herbal health care	(6,527)
<b>Total impact on retained earnings as at 1st April 2018</b>	<b>(25,189)</b>
Impact of adopting SLFRS 15 as at 1st April 2018	
Rs.'000	
<b>Non-controlling interest</b>	
Packaging	(579)
Herbal health care	(2,769)
<b>Total impact on retained earnings as at 1st April 2018</b>	<b>(3,348)</b>

The following demonstrates the focused areas under SLFRS 15 on the above product lines;

#### a. Distributor and Dealer Volume Rebates

The Group previously maintained a provision based on last year records for distributors and dealers volume rebates and respective expense is recognised in distribution expenses. That was typically a provision and the actual is realised on the subsequent period. Under SLFRS 15, the Group estimates the amount of variable consideration to which it expects to be entitled, giving consideration to the risk of revenue reversal in making the estimate and the particular provision shall be adjusted against transaction price.

#### b. Issue of Free Goods

The Group previously recognised the cost of the free goods issued under distribution

expenses. Under SLFRS 15, the free goods granted to customer is a material right of the customer and accounted as a separate performance obligation. The revenue is recognised when the performance obligation is met.

#### c. Sales Return

Group previously recognised the sales return against the revenue. Under SLFRS 15, revenue shall be recognised net of the refund liability amount. A corresponding asset shall be created for the cost of the goods of the expected return. At the point of return, the refund liability which already being recognised and corresponding asset will be nullified. Any differences would be charged to revenue or cost of sales accordingly.

**3.2.1.2. Impact on the adoption of SLFRS 15 on the statement of financial position, Statement of Profit or Loss and other comprehensive income as at the year ended 31st March 2019.**

The following table summarises the impacts of adopting SLFRS 15 on the Group's statement of financial position as at 31st March 2019 and its profit or loss and other comprehensive income for the year then ended for each line item affected. There was no material impact on the Group's statement of cash flows for the year ended 31st March 2019.

#### Impact on the statement of financial position

	Company Rs.'000	Group Rs.'000
<b>Contract assets</b>		
Opening adjustment as at 1st April 2018	48,611	66,613
Addition	42,332	76,707
Amortisation	(44,071)	(74,762)
<b>Balance as at 31st March 2019</b>	<b>46,872</b>	<b>68,558</b>

	Company Rs.'000	Group Rs.'000
<b>Contract liabilities</b>		
Opening adjustment as at 1st April 2018	66,694	99,215
Addition	64,107	131,800
Amortisation	(65,834)	(122,777)
<b>Balance as at 31st March 2019</b>	<b>64,967</b>	<b>108,238</b>

#### Impact on the Statement of Profit or Loss and other comprehensive income;

For the year ended 31st March 2019	Company Revenue Rs.'000	Group Revenue Rs.'000	Group Distribution Expenses Rs.'000
	As per LKAS 18	9,033,598	30,861,740
Adjustment	(64,967)	(124,624)	(52,270)
<b>As per SLFRS 15</b>	<b>8,968,631</b>	<b>30,737,116</b>	<b>3,062,635</b>

### 3.2.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standards replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Group has adopted consequential amendments to LKAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the Statement of Profit or Loss and OCI. Impairment loss on financial assets are presented under "other expenses"; similar to the presentation under LKAS 39, and not presented separately in the Statement of Profit or Loss and OCI due to materiality considerations.

#### 3.2.2.1 Impact on the adoption of SLFRS 9 as at 1st April 2018

The following table summarises the impact, net of tax of transition to SLFRS 9 on the opening balance of reserves, retained earnings and Non-controlling interest as at 1st April 2018.

## NOTES TO THE FINANCIAL STATEMENTS

As at 01st April 2018	Impact of adopting SLFRS 9 as at 1st April 2018 Rs.'000
<b>Retained earnings</b>	
Recognition of expected credit losses under SLFRS 9	
- Trade receivables	(42,425)
<b>Total impact on retained earnings</b>	<b>(42,425)</b>

As at 01st April 2018	Impact of adopting SLFRS 9 as at 1st April 2018 Rs.'000
<b>Non-controlling interest</b>	
Recognition of expected credit losses under SLFRS 9	
- Trade receivables	(4,100)
<b>Total impact on non -controlling interest</b>	<b>(4,100)</b>

### 3.2.2.2. Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The adoption of SLFRS 9 has no significant effect on the Group's accounting policies related to financial liabilities.

The following table explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1st April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1st April 2018 relates solely to the new impairment requirements.

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs.'000	New Carrying amount under SLFRS 9 Rs.'000
<b>Group</b>				
Other non-current financial assets	Available for sale	FVOCI-equity instruments	362,492	362,492
Trade receivables	Loans and receivables	Amortised cost	5,299,221	5,252,696
Other receivables	Loans and receivables	Amortised cost	1,869,810	1,869,810
Other current financial assets	Available for sale	FVOCI-equity instruments	442,510	442,510
Cash in hand and at bank	Loans and receivables	Amortised cost	1,567,229	1,567,229
<b>Total financial assets</b>			<b>9,541,262</b>	<b>9,494,737</b>

- (i) Trade receivables that were classified as loans and receivables under LKAS 39 are now classified at amortised cost. The increase of Rs. 46.53 Mn in the allowance for impairment over these receivables was recognised in opening retained earnings and non-controlling interest as at 1st April 2018 on transition of SLFRS 9.
- (ii) Other receivables that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.
- (iii) Short term investments that were previously classified as available for-sale financial assets are now classified at fair value through OCI. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Based on the materiality ground, the Company has not recognised impairment for those balances.
- (iv) Cash and cash equivalents includes cash in hand, balances with banks and short term monetary investment with maturities less than 3 months. These were classified as loans and receivables under LKAS 39 and now as amortised cost.

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1st April 2018 is as follows.

Financial Liabilities	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39 Rs.'000	New carrying amount under SLFRS 9 Rs.'000
<b>Group</b>				
Trade payables	Other financial liabilities	Other financial liabilities	5,831,393	5,831,393
Other payables	Other financial liabilities	Other financial liabilities	1,445,854	1,445,854
Loans and borrowings	Other financial liabilities	Other financial liabilities	14,371,568	14,371,568
			21,648,815	21,648,815

There were no changes of the carrying amounts of financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

The following table reconciles the carrying amounts of financial assets under LKAS 39 to the carrying amount under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

Group	LKAS 39 carrying amount as at 31st March 2018 Rs.'000	Re-classification Rs.'000	Re-measurement Rs.'000	SLFRS 9 carrying amount as at 1st April 2018 Rs.'000
<b>Financial assets</b>				
<b>Amortised cost</b>				
Trade receivables				
Brought forward : Loans and receivables	5,299,221			
Re-measurement			(46,525)	
<b>Carried forward: Amortised cost</b>				<b>5,252,696</b>
<b>FVOCI</b>				
<b>Equity investments</b>				
Brought forward : Available for sale	805,002			
Re-classified to : FVOCI		(805,002)		
<b>Carried forward: FVOCI</b>				<b>805,002</b>

# NOTES TO THE FINANCIAL STATEMENTS

### 3.2.2.3. Impairment of Financial Assets

SLFRS 9 replaces the “incurred loss model” in LKAS 39 with an “expected credit loss model” (ECL). The new impairment model applies to financial assets carried at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of SLFRS 9’s impairment requirements as at 1st April 2018 results in an additional allowance for impairment as follows;

	Rs.'000
Loss allowance as at 31st March 2018 under LKAS 39	591,912
Additional impairment recognised as at 1st April 2018 on;	
Trade receivables	46,525
Loss allowance for impairment as at 1st April 2018 under SLFRS 9	638,437

### 3.2.2.4. Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are adjusted in retained earnings as at 1st April 2018. Accordingly, the information presented for the financial year 2017/18 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL

- The designation of certain investments in equity instruments not held for trading as FVTOCI

## 3.3 Foreign Currency

### 3.3.1 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).

### 3.3.2 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.

## 3.4 Revenue

The effect of initially applying SLFRS 15 on the Company’s revenue from contracts with customers is described in Note 3.2. Due to the transition method chosen in applying SLFRS 15, comparative information has not been restated to reflect the new requirements.

### A. Revenue Streams

The Company generates revenue primarily from sale of goods under revenue from contracts with customers. The rental income and repair income are the other sources of income included under revenue.

## B. Disaggregation of Revenue from Contract with Customers

Revenue from contract with customers (including revenue related to a discontinuing operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition under Note 6.

## C. Contract Balances

### Contract Assets

#### Cost to obtain contract

The Company capitalises incremental costs to obtain a contract with a customer for the assets with more than one year amortisation period and if it expects to recover those costs. The costs that will be incurred regardless of whether the contract is obtained – including costs that are incremental to trying to obtain a contract, are expensed as they are

incurred. The cost to obtain contract will be amortised over the contract period on a systematic basis.

#### Cost of fulfilling a contract

The Company capitalises the costs incurred in fulfilling a contract with a customer for which are not in the scope of other guidance and only if the fulfillment costs meet the following criteria:

- relate directly to an existing contract or specific anticipated contract;
- generate or enhance resources that will be used to satisfy performance obligations in the future; and
- are expected to be recovered.

The cost of fulfilling a contract will be amortised over the contract period on a systematic basis.

## Contract Liabilities

The Company recognise a contract liability for the deferred revenue on the extended warranty provided for the customers.

The contract liability shall be realised to revenue on the basis of utilising the warranty by the customers or on a systematic basis accordingly.

## D. Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or services to a contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1st April 2018)	Revenue recognition under LKAS 18 (applicable before 1st April 2018)
Sale of goods & services	The Company operates in different divisions and engaged in varieties of sale of goods under each divisions / clusters.	The revenue is recognised based on the identified performance obligation. The transaction price is determined taking into account of variable considerations. The transaction price is allocated to performance obligations and recognised the revenue either over the time of the contract or point in time upon analysis of each sale of goods under separate divisions.	The revenue is recognised at the point of risk and reward of the goods has been transferred to customer which is the point of dispatch / collection by the customer on local sales and at the point of loading the goods onto the relevant carrier at the port of the seller for export sales.
Distributor & dealer volume rebates	Distributors and dealers are entitled to volume rebates.  Volume rebates are given based on the yearly and daily sales quantities over different slabs.	The Company estimates the amount of variable consideration to which it expects to be entitled, giving consideration to the risk of revenue reversal in making the estimate for volume rebates.  The transaction price under revenue is adjusted for the provision of volume rebates and recognised as revenue.	The rebate provision is maintained based on last year records and respective expense is recognised to selling & distribution expenses. Revenue is not adjusted for any provisions.  Actual distribution allowance paid to distributors are expensed in the following year.

## NOTES TO THE FINANCIAL STATEMENTS

Type of product / service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1st April 2018)	Revenue recognition under LKAS 18 (applicable before 1st April 2018)
Issue of free goods	The Company offers free goods to their dealers as a promotion.	<p>The free goods granted to customer is a material right of the customer and is accounted as a separate performance obligation.</p> <p>The revenue is allocated for the performance obligation on their relative stand-alone selling price and the revenue is recognised at the point in time when the performance obligation is met.</p>	The Company recognised the cost of the free goods issued by the Company as cost of sales at the point of sale.
Distributor allowance on transportation	<p>The Company pays an agreed daily distribution allowance to its distributors on an agreed distribution value.</p> <p>This allowance is paid for the transportation cost incurred from the point of distributor to end consumer location.</p>	The transport cost paid to the dealer / distributor is not in exchange for a distinct goods or services and it is recognised as a reduction to transaction price under revenue recognition.	The Company recognises an expense under cost of sales when a distribution allowance on transportation is occurred.
Slotting fees	<p>The Company pays slotting fees to identified supermarket chains for use of shelf spaces.</p> <p>The slotting fees are either incurred by the Company or reimbursed by the principal.</p>	<p>The slotting fees are identified as a variable consideration payable to customer and recognised as a reduction to the transaction price for the slotting fees incurred by the Company.</p> <p>A receivable from principal is recognised for the slotting fees which are reimbursed by the principal.</p>	The Company recognised the slotting fees and other fees paid to supermarket chains as selling and distribution expense.

### Other Income Sources

#### 3.4.1 Interest Income

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

#### 3.4.2 Dividend Income

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

#### 3.4.3 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.

#### 3.4.4 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.

#### 3.4.5 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.

### 3.5 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.

### 3.6 Tax

#### 3.6.1 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.

#### 3.6.2 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.

### 3.7 Discontinued Operations and Assets Held for Sale/ Distribution

#### 3.7.1 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
- is a subsidiary acquired exclusively with a view to re-sale.

# NOTES TO THE FINANCIAL STATEMENTS

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.

### 3.7.2 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 & equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### 3.7.3 Cease to be Classified as Assets Held for Sale and Distribution

When an operation is ceased to classify as held for sale, the results of the operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all presented periods. The amounts for prior periods shall be described as having been re-presented.

The amounts presented for the assets and liabilities of the disposal group classified as held for sale in the comparative Statement of Financial Position shall not be reclassified or re-presented.

## 3.8 Property, Plant & equipment

### 3.8.1 Initial Recognition and Measurement

Items of property, plant & equipment are measured at cost, except for land 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 & 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 & equipment are required to be replaced at intervals, the Group recognises such parts

as individual assets with specific useful lives and depreciates them accordingly.

### 3.8.2 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 3.17) for further information about the recorded decommissioning provision.

### 3.8.3 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.

### 3.8.4 Depreciation

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

Items of property, plant & 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 & equipment are as follows:

- Buildings 10 - 40 years
- Plant & equipment 5 - 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.

### 3.8.5 De-recognition

An item of property, plant & 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.

### 3.9 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.

### 3.10 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.

### 3.11 Investment Properties

Investment property is 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 & 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 & equipment up to the date of change in use.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.12 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 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.

#### 3.12.1 ERP Implementation Cost

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

#### 3.12.2 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.

### 3.13. 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.

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. (A cash generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets)

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. 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.

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.

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.

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:

**a) Goodwill**

Goodwill is tested for impairment annually (as at 31st 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.

**b) Intangible assets**

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

**3.14. Financial instruments**

**3.14.1. Initial Recognition and Measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is trade receivable without a significant financing component) or financial liabilities initially measured at fair value plus for an item not at FVTPL, transaction costs that are directly attributable to its acquisitions or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**3.14.2. Classification and Subsequent Measurement**

**Financial assets – Policy applicable from 1st April 2018**

On initial recognition a financial asset is classified as measured at amortised cost, FVOCI - debt investment; FVOCI - equity investments; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the changes in the business model.

Financial asset is measured at amortised cost if it meets both of the following conditions and it not designated as at FVTPL:

- It is held within the business model whose objective is to hold asset to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meet both of the following conditions and is not designated as at FVTPL:

- It is held within the business model whose objective is achieved both collecting contractual cash flows and selling financial assets: and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## NOTES TO THE FINANCIAL STATEMENTS

On initial recognition of equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This included all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### Financial assets – Business model assessment: Policy applicable from 1st April 2018.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered include;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual income, maintain a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the asset;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risk that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of business are compensated – eg; whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sales are expectations about future sales activity.

Transfers of financial assets to third parties in transaction that do not qualify for de- recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on fair value basis are measured at FVTPL.

### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1st April 2018.

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition, "interest" is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (example liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This include assessing whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition in making assessment, the Group considers:

- Contingent events that would change the amount and the timing if cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features: and
- Terms that limit the Group's claim to cash flows form specified assets (example non resource features)

A prepayment feature is consistent with the solely payments of principles and interests criterion if the prepayment amounts substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayments at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial asset – Subsequent measurement and gain and losses: Policy applicable from 1st April 2018.**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gain and losses including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss re recognition is recognised in profit or loss.
Debt investment at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gain and losses and impairment are recognised in profit or loss. Other net gain and losses are recognised in OCI capital. On de-recognition, gain and losses accumulated in OCI capital are reclassified to profit or loss.
Equity investment at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Financial assets – Policy applicable before 1st April 2018.**

The Group classified its financial assets in to one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; and
- FVTPL, and within the category as
  - Held for trading;
  - Derivative hedging instrument or
  - Designated as at FVTPL

**Financial assets – Subsequent measurement gain and losses: Policy applicable before 1st April 2018.**

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held to maturity financial assets	Measured at amortised cost using the effective interest rate method.
Loans and receivables	Measured at amortised cost using the effective interest rate method.
Available for sale financial assets	Measured at fair value and changes in therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expenses, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and

losses are recognised in profit or loss. Any gain or loss recognition is also recognised in profit or loss.

**3.14.3. De-recognition Financial asset**

The Group de recognises a financial asset when the contractual rights to the cash flow from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards

of ownership and it does not retain control of the financial assets.

The Group enters in to transaction whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also de-recognises a financial

# NOTES TO THE FINANCIAL STATEMENTS

liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability the difference between the carrying amount extinguished and the consideration paid (including any non cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 3.14.4. Off-setting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when the Group currently has the legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 3.14.5. Impairment of Financial Assets Policy applicable from 1st April 2018

#### a) Financial instruments and contract assets

The Group recognises a loss allowance for ECLs on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to life time ECLs, except for the following which are measured at 12 months ECLs:

- Debt securities that are determined to have no credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since the initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to life time ECLs.

When determining whether a credit risk of financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost of effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward looking information.

The Group assumes that a credit risk on a financial asset has increased significantly if it is more than 365 days past due.

The Group considers financial asset to be in default when:

- The borrower unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security "if any is held"; or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have no credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade". The Group considers this is to be AA- or higher or higher.

Lifetime ECLs are the ECLs that result from all possible events over the expected life of a financial instrument.

12 months ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### b) Measurement of ECLs

ECLs are a probability-weighted estimate of credit loss. Credit losses are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rates of the financial asset.

#### c) Credit-impaired financial assets

At each reporting date, the Group assess whether the financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit impaired includes the following observable data;

- Significant financial difficulty of the borrower or the issuer
- A breach of contract such as default or being more than 365 being past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower enter bankruptcy or other financial reorganisation or
- The disappearance of the active market for a security because of financial difficulty

#### d) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

**e) Write off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovery of financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amounts due.

**Policy applicable before 1st April 2018**

Financial assets not classified as FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;

- The disappearance of an active market for a security because of the financial difficulties; or
- observable data indicating that there was a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Group considered a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost	<p>The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.</p> <p>In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.</p> <p>An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.</p>
Available for sale financial assets	<p>Impairment losses on available for sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available for sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale were not reversed through profit or loss.</p>



## NOTES TO THE FINANCIAL STATEMENTS

### 3.15 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.

### 3.16 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.

### 3.17 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.

### 3.18 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.

### 3.19 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 Agribusinesses 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.

### 3.20 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.

### 3.21 Cash Flow Statement

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

### 3.22 Segment Reporting

The Group has the following four 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.

### 3.23 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 this new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1st April 2019. Accordingly, this Standard have not been applied in preparing these Financial Statements.

New or amended standards	Summary of the requirement	Possible impact on Consolidated Financial Statements
SLFRS 16 Leases	<p>SLFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short term leases and leases of low value items. Lesser accounting remains similar to the current standard - i.e. lesser continue to classify lease as finance or operating leases.</p> <p>SLFRS 16 replaces existing leases guidance including LKAS 17 Leases, IFRIC 4 Determining an Arrangement contains a Leases, SIC-15 Operating Lease Incentive and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>The standard is effective for annual period beginning on or after 01st January 2019.</p>	<p>The group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.</p>

# NOTES TO THE FINANCIAL STATEMENTS

## 5 SEGMENTAL INFORMATION

For the year ended 31st March	Crop Solutions		Agri Produce	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Profit or loss</b>				
Revenue	9,449,932	11,352,711	3,690,214	3,100,878
Inter segmental revenue	(23,976)	-	(217,089)	(664,700)
<b>Total revenue to external customers</b>	<b>9,425,956</b>	<b>11,352,711</b>	<b>3,473,125</b>	<b>2,436,178</b>
<b>Segmental results</b>	<b>1,270,664</b>	<b>766,542</b>	<b>(406,232)</b>	<b>(482,358)</b>
Financing cost ( net )	(575,593)	(400,791)	(447,267)	(305,338)
Share of profit of equity accounted investees	-	-	-	-
<b>Profit/(loss) before tax</b>	<b>695,071</b>	<b>365,751</b>	<b>(853,499)</b>	<b>(787,696)</b>
Income tax	(170,675)	(4,601)	74,403	(8,172)
<b>Profit/(loss) after tax</b>	<b>524,396</b>	<b>361,150</b>	<b>(779,096)</b>	<b>(795,868)</b>
Profit/(loss) from discontinued operations	1,555	564	-	-
<b>Profit/(loss) for the year</b>	<b>525,951</b>	<b>361,714</b>	<b>(779,096)</b>	<b>(795,868)</b>
<b>Attributable to :</b>				
Equity holders of the Company	511,807	598,198	(517,201)	(889,702)
Non-controlling interests	14,144	(236,484)	(261,895)	93,834
<b>Profit /(loss) for the year</b>	<b>525,951</b>	<b>361,714</b>	<b>(779,096)</b>	<b>(795,868)</b>
<b>Assets and liabilities</b>				
<b>Non-current assets</b>				
Property, plant & equipment	1,198,647	1,059,773	2,131,165	2,063,449
Unallocated property, plant & equipment	-	-	-	-
Other non-current assets	32,035	82,173	41,943	274,054
<b>Total non-current assets</b>	<b>1,230,682</b>	<b>1,141,946</b>	<b>2,173,108</b>	<b>2,337,503</b>
<b>Current assets</b>	<b>8,881,791</b>	<b>6,724,130</b>	<b>1,243,454</b>	<b>2,309,110</b>
<b>Total assets</b>	<b>10,112,473</b>	<b>7,866,076</b>	<b>3,416,562</b>	<b>4,646,613</b>
<b>Non-current liabilities</b>	<b>355,448</b>	<b>275,837</b>	<b>750,474</b>	<b>915,167</b>
<b>Current liabilities</b>	<b>11,988,826</b>	<b>9,344,592</b>	<b>1,305,513</b>	<b>1,464,927</b>
<b>Total liabilities</b>	<b>12,344,274</b>	<b>9,620,429</b>	<b>2,055,987</b>	<b>2,380,094</b>

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	
2019	2018	2019	2018	2019	2018	2019	2018
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
6,167,687	6,813,420	3,898,354	4,439,790	8,093,729	8,274,416	31,299,916	33,981,215
(187,311)	(7,473)	(116,277)	(98,903)	(18,147)	(61,882)	(562,800)	(832,958)
5,980,376	6,805,947	3,782,077	4,340,887	8,075,582	8,212,534	30,737,116	33,148,257
234,671	220,763	344,480	634,391	651,769	750,822	2,095,352	1,890,160
(440,987)	(377,901)	(152,567)	(92,915)	(369,603)	(291,173)	(1,986,017)	(1,468,118)
-	-	394,788	267,053	-	-	394,788	267,053
(206,316)	(157,138)	586,701	808,529	282,166	459,649	504,123	689,095
53,331	(483,187)	(43,640)	(1,147)	46,153	5,242	(40,428)	(491,865)
(152,985)	(640,325)	543,061	807,382	328,319	464,891	463,695	197,230
-	-	27,968	(419,326)	(35,888)	(156,361)	(6,365)	(575,123)
(152,985)	(640,325)	571,029	388,056	292,431	308,530	457,330	(377,893)
(104,952)	(515,678)	471,945	239,387	121,640	154,720	483,239	(413,075)
(48,033)	(124,647)	99,084	148,669	170,791	153,810	(25,909)	35,182
(152,985)	(640,325)	571,029	388,056	292,431	308,530	457,330	(377,893)
4,621,538	4,673,922	1,724,516	1,356,848	2,275,092	1,739,594	11,950,958	10,893,586
-	-	-	-	-	-	1,328,473	1,381,643
249,036	386,288	1,528,938	1,691,753	408,128	110,099	2,260,080	2,544,367
4,870,574	5,060,210	3,253,454	3,048,601	2,683,220	1,849,693	15,539,511	14,819,596
2,604,153	1,911,204	3,452,949	3,762,661	5,529,469	5,460,578	21,711,816	20,167,683
7,474,727	6,971,414	6,706,403	6,811,262	8,212,689	7,310,271	37,251,327	34,987,279
777,781	1,045,850	384,673	415,080	987,989	669,688	3,256,365	3,321,622
4,487,708	3,691,765	1,562,870	1,802,490	3,371,310	4,649,228	22,716,227	20,953,002
5,265,489	4,737,615	1,947,543	2,217,570	4,359,299	5,318,916	25,972,592	24,274,624

# NOTES TO THE FINANCIAL STATEMENTS

## 6 REVENUE

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	8,968,631	9,116,255	30,737,116	33,148,257
Net Revenue				
Local	8,968,631	9,116,255	30,387,863	32,898,280
Exports	-	-	349,253	249,977
<b>Total</b>	<b>8,968,631</b>	<b>9,116,255</b>	<b>30,737,116</b>	<b>33,148,257</b>

### 6.1 Disaggregation of Revenue from Contracts with Customers

For the year ended 31st March	Crop Solutions		Agri Produce		Lives Stock Solutions		Industrial Solutions		Health & Personal Care	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Primary geographical markets</b>										
Local	9,425,956	11,352,711	3,415,208	2,436,178	5,980,376	6,805,947	3,781,231	4,340,887	7,785,092	8,212,534
Export	-	-	57,917	-	-	-	846	-	290,490	-
<b>Total</b>	<b>9,425,956</b>	<b>11,352,711</b>	<b>3,473,125</b>	<b>2,436,178</b>	<b>5,980,376</b>	<b>6,805,947</b>	<b>3,782,077</b>	<b>4,340,887</b>	<b>8,075,582</b>	<b>8,212,534</b>
<b>Major product lines</b>										
Agro chemicals	3,534,686	2,886,339	-	-	-	-	-	-	-	-
Fertilizer	4,559,253	7,219,272	-	-	-	-	-	-	-	-
Grains	-	-	2,117,238	814,577	-	-	-	-	-	-
Feeds	-	-	-	-	3,044,656	3,728,580	-	-	-	-
Pharmaceuticals and medical devices	-	-	-	-	-	-	-	-	5,238,529	5,632,250
Herbal health and personal care	-	-	-	-	-	-	-	-	2,837,053	2,580,284
Industrial chemicals	-	-	-	-	-	-	2,285,978	2,991,777	-	-
Consumer & packaging	-	-	-	-	-	-	1,496,099	1,349,110	-	-
Others	1,332,017	1,247,100	1,355,887	1,621,601	2,935,720	3,077,367	-	-	-	-
<b>Total</b>	<b>9,425,956</b>	<b>11,352,711</b>	<b>3,473,125</b>	<b>2,436,178</b>	<b>5,980,376</b>	<b>6,805,947</b>	<b>3,782,077</b>	<b>4,340,887</b>	<b>8,075,582</b>	<b>8,212,534</b>
<b>Timing of revenue recognition</b>										
Products transferred at a point in time	9,425,956	11,352,711	3,473,125	2,436,178	5,980,376	6,805,947	3,782,077	4,340,887	8,075,582	8,212,534

## 7 OTHER INCOME

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rent	17,932	14,695	23,476	14,695
Dividend income				
Quoted	19,370	38,911	18,270	31,627
Unquoted	428,026	272,780	-	3,677
Net gain on disposal of property, plant & equipment	-	18,627	45,765	411,295
Net gain on disposal of investment property	-	-	1,712	49,753
Net gain on disposal of assets held for sale	-	-	4,708	-
Changes in fair value of biological assets	-	-	3,194	3,735
Grants amortised	-	-	1,048	1,194
Direct sales commission	30,365	41,095	36,994	76,845
Sundry income	2,659	15,130	67,418	81,142
<b>Total</b>	<b>498,352</b>	<b>401,238</b>	<b>202,585</b>	<b>673,963</b>

## 8 OTHER EXPENSES

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Impairment loss on property, plant & equipment	-	-	15,327	4,840
Loss on disposal of property, plant & equipment	15,850	-	169,303	-
Expenses incurred on asset held for distribution	-	-	853	-
Changes in fair value of biological assets	-	-	9,306	-
Impairment of investment in Cropwiz (Private) Limited	125,109	-	-	-
Write-off of intercompany receivables	32,876	-	-	-
Impairment of investment in Crop Management Services (Private) Limited	32,000	-	-	-
Impairment of investment in CIC Agri Businesses (Private) Limited	62,800	-	-	-
Impairment of investment in CIC Properties (Private) Limited	8,000	-	-	-
Impairment of investment in CIC Grains (Private) Limited	-	263,130	-	-
Impairment of investment in CIC Precision Agricultural Technologies (Private) Limited	-	8,400	-	-
Write-off of property plant & equipment	-	-	631	1,479
<b>Total</b>	<b>276,635</b>	<b>271,530</b>	<b>195,420</b>	<b>6,319</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 FINANCE COST (NET)

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Finance costs</b>				
Long term loans	-	3,414	126,325	144,209
Finance leases	-	-	17,236	407
Short term loans and overdrafts	575,898	547,849	1,657,465	1,538,470
Staff loans	-	-	6,025	6,009
Foreign exchange loss	41,947	-	325,487	36,402
	<b>617,845</b>	<b>551,263</b>	<b>2,132,538</b>	<b>1,725,497</b>
<b>Finance income</b>				
Staff loans	464	391	8,180	8,995
Foreign exchange gain	-	21,293	21,260	40,786
Interest on treasury bills	-	-	44,998	3,437
Deposits	1,576	1,937	72,083	204,161
	<b>2,040</b>	<b>23,621</b>	<b>146,521</b>	<b>257,379</b>
<b>Finance cost (net)</b>	<b>615,805</b>	<b>527,642</b>	<b>1,986,017</b>	<b>1,468,118</b>

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

For the year ended 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
Commercial Insurance Brokers (Private) Limited	13,210	13,000
Akzo Nobel Paints Lanka (Private) Limited	381,927	253,960
Rainforest Ecolodge (Private) Limited	(349)	93
<b>Total</b>	<b>394,788</b>	<b>267,053</b>

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

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Directors' emoluments and retirement benefits	52,978	46,306	107,577	120,130
Depreciation on property, plant & equipment	164,749	172,171	934,397	844,475
Directors' fees	16,273	30,567	30,657	57,910
Donations	1,000	1,287	2,080	2,489
Staff training and development	970	1,465	1,709	3,325
Legal fees	1,781	265	4,096	1,967
Auditors' remuneration				
Statutory audit fees	2,050	2,010	11,733	10,271
Audit related fees	897	333	4,263	2,106
Non-audit fees	2,171	2,033	3,256	2,814
Professional fees	14,798	42,358	40,990	61,056
Provision/(reversal of provision) for impairment of trade receivables	121,654	(19,083)	250,581	87,157
Provision for obsolete and slow moving inventories	36,495	161,446	112,164	351,116
Personnel costs (Note 11.1)	436,508	552,154	2,245,039	2,378,846

### 11.1 Personnel Costs

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Salaries	325,140	358,523	1,677,921	1,534,947
EPF/MSPS - Defined contribution plan	36,103	39,263	196,667	153,626
ETF - Defined contribution plan	9,024	9,817	41,943	38,682
Bonus	32,598	27,384	205,446	183,452
Provision for retirement benefits	33,643	36,155	100,591	173,878
Voluntary retirement scheme	-	81,012	22,471	294,261
<b>Total</b>	<b>436,508</b>	<b>552,154</b>	<b>2,245,039</b>	<b>2,378,846</b>
Number of employees as at the end of the year	371	427	2,175	2,254

# NOTES TO THE FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSE

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 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	120,904	132,781
Under/(over) provision in respect of previous years	328	(32,464)	2,253	(32,476)
Irrecoverable ESC written off	-	-	30,152	4,347
Tax on divided income	-	-	76,922	32,843
	328	(32,111)	230,231	137,495
Deferred tax expense/(reversals)				
Origination of temporary differences (Note 12.1)				
Continued operations	8,541	(166,723)	(189,803)	354,370
	8,541	(166,723)	(189,803)	354,370
<b>Total</b>	<b>8,869</b>	<b>(198,834)</b>	<b>40,428</b>	<b>491,865</b>

### 12.1 Deferred Tax Expense

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Income Statements</b>				
Deferred tax expense arising from :				
Property, plant & equipment	19,164	53,235	(15,674)	620,475
Intangible assets	-	-	4,709	(794)
Biological assets	-	-	12,002	3,938
Provision for impairment of trade receivables	-	-	(33,444)	(14,997)
Provision for obsolete and slow moving inventories	5,514	(5,514)	(24,655)	(5,514)
Provision for others	-	-	(1,706)	-
Accumulated tax losses	(13,691)	(213,272)	(122,356)	(217,685)
Contract assets	-	-	1,031	-
Contract liability	-	-	(3,010)	-
Retirement benefit obligations	(2,446)	(1,172)	(6,700)	(31,053)
	8,541	(166,723)	(189,803)	354,370
<b>Other Comprehensive Income</b>				
Deferred tax expense arising from :				
Actuarial losses/( gain) on retirement benefit obligations	2,612	(2,768)	13,938	(14,674)
Revaluation of property, plant & equipment to fair value	58,184	146,662	178,610	498,741
	60,796	143,894	192,548	484,067
<b>Total</b>	<b>69,337</b>	<b>(22,829)</b>	<b>2,745</b>	<b>838,437</b>

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 1st April 2018. Accordingly, the deferred tax liability has been recognised on the revaluation surplus.

## 12.2 Reconciliation of the Accounting Profit and Taxable Profit

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit/(loss) before tax-continuing operations	125,425	(103,930)	504,123	689,095
Profit/(loss) before tax-discontinued operations	(17,992)	(477,477)	(35)	(569,896)
Intra group adjustments	-	-	(1,100,747)	(295,992)
	107,433	(581,407)	(596,659)	(176,793)
Share of profit of equity accounted investee	-	-	(394,788)	(267,053)
Other sources of income	227	(1,937)	1,220,223	(304,781)
Disallowable expenses	750,599	1,273,491	3,136,398	3,615,745
Tax deductible expenses	(447,636)	(572,881)	(2,921,810)	(3,649,063)
Tax exempt income	(447,396)	(309,754)	(603,244)	(176,394)
Tax loss for the year	36,773	194,425	886,786	1,501,387
Tax loss utilised during the year	-	(678)	(1,292,540)	(66,251)
Taxable profit/(loss)	-	1,259	(565,634)	476,797
Income tax @ 10%	-	-	3,514	1,650
Income tax @ 12%	-	-	-	6,001
Income tax @ 28%	-	353	123,720	128,536
Current tax expense on continued operations	-	353	120,904	132,781
Current tax expense on discontinued operations	-	-	6,330	3,406
<b>Accumulated tax losses</b>				
Tax loss brought forward	1,016,124	822,377	4,642,867	3,306,452
Adjustment to brought forward tax losses	12,154	-	(228,610)	(98,721)
Tax loss for the year	36,773	194,425	886,786	1,501,387
Tax loss on disposals	-	-	(51,000)	-
Tax loss utilised during the year	-	(678)	(1,292,540)	(66,251)
Tax loss carried forward	1,065,051	1,016,124	3,957,503	4,642,867
Effective tax rate	-	-	-	-

**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. 24 of 2017 (previously IRD 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 profits of CIC Poultry Farms Limited, are taxable at a concessionary rate of 15% in terms of the agreement entered into with the Board of Investment and other income is liable for income tax at a rate of 28%.

The profits of CIC Agri Produce Exports (Private) Limited and CIC Agri Produce Marketing (Private) Limited are taxable at concessionary rate of 10% in term of the Agreement entered in to with the Board Of Investment.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION

Discontinued operations include CIC Agri Biotech (Private) Limited, Chemanex Export (Private) Limited, Chemcel (Private) Limited, Yasui Lanka (Private) Limited and consumer product lines of CIC Holdings PLC. Previously these businesses were categorised under “crop solution”, “industrial solutions”, and “health and personal care” segments.

During the year, CAL Exports Lanka (Private) Limited has re-purchased 2,730,000 ordinary shares from its shareholders in the proportion of 52 shares for every 100 shares held at Rs.22/- per share for a total repurchase consideration of Rs.51.6Mn net of tax. Further the company reduced its stated capital from Rs.42.0Mn to Rs.18.7Mn and Chemanex PLC’s entitlement was Rs.16.3Mn. Subsequently, Chemanex PLC sold entirety of its holding in CAL Exports Lanka (Private) Limited to the existing shareholders of CAL Exports Lanka (Private) Limited for a total consideration of Rs.20.0Mn. Previously this business was categorised under the “chemicals” segment.

In 2018/19 management of CIC Agri Businesses (Private) Limited decided not to dispose its investment in CIC Dairies (Private) Limited and accordingly, statement of profit and loss of year 2017/18 has been re-classified as continued operations.

Yasui Lanka (Private) Limited is under liquidation and the final negotiation for the disposal of other discontinued assets and liabilities are in progress and due to be completed by 31st March 2020.

#### 13.1 Loss after Tax From Discontinued Operations

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Revenue	50,270	632,604	94,228	835,033
Cost of sales	(82,708)	(606,593)	(115,352)	(658,663)
Gross profit	(32,438)	26,011	(21,124)	176,370
Other income	15,638	(2,165)	19,568	(869)
Administrative expenses	(2,362)	(30,082)	(12,929)	(418,759)
Distribution expenses	24,015	(436,140)	24,410	(385,744)
Finance cost (net)	(22,845)	(35,101)	(9,960)	59,106
Loss before tax from discontinued operations	(17,992)	(477,477)	(35)	(569,896)
Tax expense				
Current tax	-	-	(6,330)	(3,406)
Deferred tax	-	-	-	(1,821)
Loss for the year from discontinued operations	(17,992)	(477,477)	(6,365)	(575,123)
Total comprehensive expense	(17,992)	(477,477)	(6,365)	(575,123)

### 13.2 Major Classes of Assets and Liabilities Classified as Held for Sale

This includes two lands which belong to CIC Holdings PLC.

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Assets</b>				
Property, plant & equipment	1,195,628	1,208,473	1,195,628	1,681,027
Intangible assets	-	-	-	11,267
Deferred tax assets	-	-	-	4,222
Trade receivables	-	-	-	88,806
Investments	-	-	-	7,361
Other receivables	-	-	-	28,618
Inventories	-	-	-	64,517
Cash in hand and cash at bank	-	-	-	90,907
<b>Assets classified as held for sale</b>	<b>1,195,628</b>	<b>1,208,473</b>	<b>1,195,628</b>	<b>1,976,725</b>
<b>Liabilities</b>				
Retirement benefit obligations	-	-	-	9,169
Grants	-	-	-	1,719
Deferred tax liability	-	-	-	126
Trade and other payables	-	-	-	127,831
Interest bearing borrowings	-	-	-	222,917
Bank overdraft	-	-	-	18,837
Liabilities directly associated with assets classified as held for sale	-	-	-	380,599
<b>Net assets directly associated with disposal group</b>	<b>1,195,628</b>	<b>1,208,473</b>	<b>1,195,628</b>	<b>1,596,126</b>

### 13.3 Cash Flows Generated From Discontinued Operations

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Net cash generated from operating activities	111,465	88,031	111,056	333,748
Net cash from/(used for) investing activities	-	-	96,906	(32,048)
Net cash used for financing activities	(22,845)	(35,101)	(22,845)	(126,350)
<b>Net cash inflow</b>	<b>88,620</b>	<b>52,930</b>	<b>185,117</b>	<b>175,350</b>

### 13.4 Earnings/(Loss) per Share:

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
Basic/diluted earnings/(loss) per share for the year, from discontinued operations (Rs.)	(0.19)	(5.04)	0.06	(6.02)

# NOTES TO THE FINANCIAL STATEMENTS

## 13 DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISTRIBUTION (CONTD.)

### 13.5 Assets Classified as Held for Distribution

Assets and liabilities which belong to CIC Agri Biotech (Private) Limited, Yasui Lanka (Private) Limited, Chemanex Exports (Private) Limited and Chemcel (Private) Limited have been categorised under “assets and liabilities held for distribution”.

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Major classes of assets and liabilities classified as held for distribution</b>				
<b>Assets</b>				
Property, plant & equipment	-	-	-	73,375
Other receivables	-	-	641	3,215
Investments	197	197	5,257	7,361
Cash in hand and at bank	-	-	29,009	85,213
Asset classified as held for distribution	197	197	34,907	169,164
<b>Liabilities</b>				
Trade and other payables	-	-	7,345	7,933
Liabilities directly associated with assets classified as held for distribution	-	-	7,345	7,933

## 14 EARNINGS/(LOSS) PER SHARE

For the year ended 31st March	Company		Group	
	2019	2018	2019	2018
Profit/(loss) attributable to equity holders of the Company (Rs.'000)	98,564	(382,573)	483,239	(413,075)
The share capital is as follows :				
<b>Ordinary Shares</b>				
Weighted average number of shares	72,900,000	72,900,000	72,900,000	72,900,000
<b>Non-Voting (Class X) Shares</b>				
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.)	1.04	(4.04)	5.10	(4.36)

### Basic Earnings/(loss) per Share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) 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/(loss) 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, and no impact on diluted earnings per share arising from Employee Share Option Scheme.

## 15 GROSS DIVIDEND

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Interim Dividend</b>				
Interim dividend paid per share Rs. Nil (2017/18 - Rs.1.00 per share)				
72,900,000 Ordinary Shares	-	72,900	-	72,900
21,870,000 Non-Voting (Class X ) shares	-	21,870	-	21,870
	-	94,770	-	94,770
<b>Final Dividends</b>				
Final dividend proposed and paid Rs. Nil (2016/17 - Rs.1.00 per share)				
72,900,000 Ordinary Shares	-	72,900	-	72,900
21,870,000 Non-Voting (Class X ) shares	-	21,870	-	21,870
	-	94,770	-	94,770
<b>Total</b>	-	189,540	-	189,540

During the year, no dividend was paid to the shareholders (2017/18-Rs .1.00).

Directors have recommended the payment of a final dividend of Rs. 1.00 per share on ordinary and Non-Voting (Class X) shares for the year ended 31st March 2019. This proposed dividend has not yet been recognised as a liability as at 31.03.2019.

This would result in a total dividend per share of Rs. 1.00 (2017/18 - Rs. 1.00) once it is approved at the Annual General Meeting. These were distributed to shareholders out of the dividend received from the company within the Group on which 10% withholding tax has been paid.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT & EQUIPMENT

### A. Company

As at 31st March	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2019	Total 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Freehold</b>									
<b>Cost/valuation</b>									
At the beginning of the year	656,802	1,038,574	172,774	510,231	140,666	45,089	41,608	<b>2,605,744</b>	3,182,421
Additions	-	4,052	2,855	135,622	9,254	652	-	<b>152,435</b>	141,781
Revaluation surplus	207,801	-	-	-	-	-	-	<b>207,801</b>	639,889
Disposals	-	-	-	(25,663)	(6,480)	(1,614)	(4,829)	<b>(38,586)</b>	(75,360)
Transferred from capital work in progress	-	3,066	269	-	-	-	-	<b>3,335</b>	121,441
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(1,404,428)
<b>At the end of the year</b>	<b>864,603</b>	<b>1,045,692</b>	<b>175,898</b>	<b>620,190</b>	<b>143,440</b>	<b>44,127</b>	<b>36,779</b>	<b>2,930,729</b>	<b>2,605,744</b>
<b>Depreciation/impairment</b>									
At the beginning of the year	-	186,521	72,573	241,881	98,411	24,855	22,111	<b>646,352</b>	724,896
Depreciation	-	52,076	13,828	71,075	17,927	4,734	6,843	<b>166,483</b>	185,870
On disposals	-	-	-	(2,355)	(5,271)	(900)	(4,829)	<b>(13,355)</b>	(68,459)
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(195,955)
<b>At the end of the year</b>	<b>-</b>	<b>238,597</b>	<b>86,401</b>	<b>310,601</b>	<b>111,067</b>	<b>28,689</b>	<b>24,125</b>	<b>799,480</b>	<b>646,352</b>
<b>Carrying value as at 31st</b>									
March 2019	864,603	807,095	89,497	309,589	32,373	15,438	12,654	<b>2,131,249</b>	
<b>Carrying value as at 31st</b>									
March 2018	656,802	852,053	100,201	268,350	42,255	20,234	19,497		1,959,392

i) Carrying amount of property, plant & equipment of the Company is not pledged as securities for bank facilities obtained.

## B. Group

As at 31st March	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2019	Total 2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Freehold</b>									
<b>Cost/valuation</b>									
At the beginning 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
Additions	-	48,525	151,270	195,186	22,547	11,552	13,681	442,761	585,907
Revaluation surplus	743,626	-	-	-	-	-	-	743,626	639,889
On disposals	(11,341)	(279,012)	(174,322)	(152,573)	(20,831)	(8,810)	(92,711)	(739,600)	(512,418)
Transferred from capital work in progress (Note 18)	11,063	617,004	58,753	82,008	500	682	-	770,010	1,379,795
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(1,962,347)
On acquisition of subsidiary	-	-	-	-	-	-	-	-	55,671
Impairment	-	-	(37,661)	-	-	-	-	(37,661)	-
Re-classifications	-	-	(11)	92	(170)	-	-	(89)	11,812
Write off	-	-	-	-	-	-	-	-	(11,623)
Transfer from assets classified as held for sale	-	-	420,162	68,107	4,833	4,001	5,350	502,453	-
<b>At the end of the year</b>	<b>3,395,836</b>	<b>6,334,126</b>	<b>4,984,502</b>	<b>1,991,283</b>	<b>373,254</b>	<b>184,925</b>	<b>574,364</b>	<b>17,838,290</b>	<b>16,156,790</b>
<b>Depreciation/impairment</b>									
At the beginning of the year	8,700	946,480	1,681,870	907,629	269,815	110,076	473,777	4,398,347	4,063,074
Depreciation	-	257,147	332,606	201,496	41,812	25,807	47,212	906,080	863,943
Impairment	-	-	(22,334)	-	-	-	-	(22,334)	51,414
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(396,787)
On disposals	-	(32,960)	(30,260)	(55,947)	(18,599)	(6,630)	(90,199)	(234,595)	(220,661)
On acquisition of subsidiary	-	-	-	-	-	-	-	-	26,862
Re-classification	-	-	3	(233)	318	172	-	260	10,502
Transfer from assets classified as held for sale	-	-	91,607	50,339	3,615	1,766	4,571	151,898	-
<b>At the end of the year</b>	<b>8,700</b>	<b>1,170,667</b>	<b>2,053,492</b>	<b>1,103,284</b>	<b>296,961</b>	<b>131,191</b>	<b>435,361</b>	<b>5,199,656</b>	<b>4,398,347</b>
<b>Leasehold</b>									
<b>Cost/valuation</b>									
At the beginning of the year	233,378	674,819	-	-	-	-	48,617	956,814	1,106,508
Additions	-	34,267	-	-	-	-	-	34,267	22,947
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(157,341)
On disposals	-	-	-	-	-	-	(22,535)	(22,535)	(27,000)
Re - classification	-	(81)	-	-	-	-	-	(81)	(11,812)
On acquisition of subsidiary	-	-	-	-	-	-	-	-	23,512
Transfer from assets classified as held for sale	-	157,341	-	-	-	-	-	157,341	-
<b>At the end of the year</b>	<b>233,378</b>	<b>866,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,082</b>	<b>1,125,806</b>	<b>956,814</b>
<b>Depreciation/impairment</b>									
At the beginning of the year	48,291	341,891	-	-	-	-	49,846	440,028	367,730
Depreciation	2,570	27,403	-	-	-	-	78	30,051	35,697
Impairment	-	-	-	-	-	-	-	-	90,603
On disposals	-	-	-	-	-	-	(22,535)	(22,535)	-
Re - classification	-	3	-	-	-	-	-	3	(10,502)
On acquisition of subsidiary	-	-	-	-	-	-	-	-	13,211
Transfer to asset classified as held for sale	-	-	-	-	-	-	-	-	(37,462)
On disposal of subsidiary	-	-	-	-	-	-	-	-	(19,249)
Transfer from assets classified as held for sale	-	37,462	-	-	-	-	-	37,462	-
<b>At the end of the year</b>	<b>50,861</b>	<b>406,759</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,389</b>	<b>485,009</b>	<b>440,028</b>
<b>Carrying value as at 31st March 2019</b>	<b>3,569,653</b>	<b>5,623,046</b>	<b>2,931,010</b>	<b>887,999</b>	<b>76,293</b>	<b>53,734</b>	<b>137,696</b>	<b>13,279,431</b>	
<b>Carrying value as at 31st March 2018</b>	<b>2,828,875</b>	<b>5,334,057</b>	<b>2,884,441</b>	<b>890,834</b>	<b>96,560</b>	<b>67,424</b>	<b>173,038</b>		<b>12,275,229</b>

- i Carrying amount of property, plant & equipment pledged as securities for bank facilities obtained amounted to Rs. 1,566.92 Mn. (2018 - Rs. 1,495.58 Mn).
- ii During the year Group capitalised the borrowing cost of Rs.27.38 Mn. (2018 - Rs. 32.20 Mn).
- iii Unexpired lease period of land belonging to CIC Agri Businesses (Private) Limited is 72 years.

# NOTES TO THE FINANCIAL STATEMENTS

## 16 PROPERTY, PLANT & EQUIPMENT (CONTD.)

### C. Carrying Value Base

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At cost	1,266,646	1,340,243	9,242,798	9,579,548
At valuation	864,603	619,149	3,395,836	2,178,894
On finance lease	-	-	640,797	516,787
<b>Total</b>	<b>2,131,249</b>	<b>1,959,392</b>	<b>13,279,431</b>	<b>12,275,229</b>

### D. The Values of the Lands if it had been carried under Cost Model

As at 31st March	Company		Group	
	2019 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2018 Rs. Mn
Land	133.00	133.00	899.78	900.06
<b>Total</b>	<b>133.00</b>	<b>133.00</b>	<b>899.78</b>	<b>900.06</b>

### 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	702.50
	Lenagala Estate, Dedigamuwa	12 acres, 6 roods and 73.5 perches	20	162.10
CIC Agri Businesses (Private) Limited	Mahiella, Kurunegala	2 acres, 3 roods and 31.25 perches	4	127.24
	Aluwihare, Matale	3 acres, 1 rood and 38 perches	1	15.00
	Dutugemunu Road, Peliyagoda	1 acre, 1 rood and 2.2 perches	1	272.97
Wayamba Agro Fertilizer Company Limited	Maho	16 acres and 30.8 perches	15	132.50
CIC Properties (Private) Limited	Katuwahanawatta, Walpita, Waradala	50 acres, 1 rood	-	157.85
CISCO Speciality Packaging (Private) Limited	Pellanwatta, Pannipitiya	2 acres, 3 roods and 18.07 perches	12	130.00
CIC Vetcare (Private) Limited	Galla Estate, Ekala	3 roods and 2.05 perches	3	25.15
	Madampalle Estate, Madampalle	15 acres	-	48.75
CIC Poultry Farms Limited	Molahena Estate, Badalgama	25 acres and 29.95 perches	31	81.85
	Isweetiya Elies, Horakandawila, Dunagaha	17 acres and 16.8 perches	17	124.67
	Amunuwela Estate, Kuliypitiya	48 acres 1 rood and 16 perches	25	159.15
CIC Bio Security Breeder Farms Limited	Molahena Estate, Badalgama	28 acres and 39.49 perches	-	91.62
CIC Feeds (Private) Limited	Galla Estate, Ekala	6 acres and 32.9 perches	17	199.20
	Heeralugedara, Kotadeniyawa	18 acres and 2 roods	17	60.13
	Madampalle Estate, Madampalle	25 acres	25	81.25
	Nabirithankadawara, Welipennagahamulla, Pannala	50 acres and 18 perches	18	157.85

Company	Location	Land extent in Acres/Perches/Roods	Number of buildings	Carrying Value Rs. Mn
Colombo Industrial Agencies Limited	Temple Lane, Ekala	3 acres, 2 roods, 7.62 perches	4	254.50
Link Natural Products (Private) Limited	Malinda, Kapugoda	13 acres, 1 rood and 19.50 perches	39	316.76
	Kapugoda, Giridara	39.1 perches	-	8.10
	Dambukanda	20 acres, 5 roods and 64 perches	2	70.40
	Parakaduwa	23 acres, 2 roods and 5.8 perches	-	7.60
				3,387.14

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 2019	Per perch Rs.20,000 - Rs.10,000,000	864.60	Positively correlated sensitivity
CIC Agri Businesses (Private) Limited	31st March 2019	Per perch Rs.270,000 - Rs.1,350,000	415.21	Positively correlated sensitivity
Wayamba Agro Fertilizer Company Limited	31st March 2019	Per perch Rs.52,000	132.50	Positively correlated sensitivity
CIC Properties (Private) Limited	31st March 2019	Per acre Rs.1,000,000 - Rs.3,250,000	157.85	Positively correlated sensitivity
CISCO Speciality Packaging (Private) Limited	31st March 2019	Per perch Rs.165,000	130.00	Positively correlated sensitivity
CIC Vetcare (Private) Limited	31st March 2019	Per perch Rs.20,313 - Rs.225,000	73.90	Positively correlated sensitivity
CIC Poultry Farms Limited	31st March 2019	Per perch Rs.45,000 - Rs. 64,000	365.67	Positively correlated sensitivity
CIC Bio Security Breeder Farms Limited	31st March 2019	Per acre Rs.3,250,000	91.62	Positively correlated sensitivity
CIC Feeds (Private) Limited and subsidiaries	31st March 2019	Per perch Rs.18,750 - Rs.225,000	498.43	Positively correlated sensitivity
Colombo Industrial Agencies Limited	31st March 2019	Per perch Rs.450,000 - Rs.500,000	254.50	Positively correlated sensitivity
Link Natural Products (Private) Limited	31st March 2019	Per perch Rs.2,000 - Rs. 150,000	402.86	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.



## NOTES TO THE FINANCIAL STATEMENTS

### 16 PROPERTY, PLANT & EQUIPMENT (CONTD.)

#### 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
Chemax 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) Limited	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. Costs of fully depreciated property, plant & equipment still in use at the reporting date are as follows:

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Buildings	32,399	2,398	245,307	167,132
Plant & machinery	29,523	14,787	312,991	246,513
Equipment	148,634	140,998	551,038	507,679
Computers	61,342	48,213	195,292	178,760
Furniture & fittings	4,050	3,956	53,031	45,095
Motor vehicles	3,160	5,900	328,399	391,972
Leased hold land improvements	-	-	11,745	11,745
<b>Total</b>	<b>279,108</b>	<b>216,252</b>	<b>1,697,803</b>	<b>1,548,896</b>

#### 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. Mn	Sensitivity of fair value to unobservable inputs
CIC Holdings PLC	Sri Sasanajothi	4 acres, 2 roods	30th September 2017	Rs.1,100,000	812.00	Positively correlated sensitivity
	Mawatha, Ratmalana	and 18.30 perches				
	Pellanwatta, Piliyandala	5 acres, and 36.53 perches	30th September 2017	Rs.227,500 - Rs.450,00	206.55	Positively correlated sensitivity

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

## 17 INVESTMENT PROPERTY

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
Cost	13,900	54,147
Disposals	(11,500)	(40,247)
Carrying value	2,400	13,900

### A. Details of investment Property

Group As at 31st March Ownership	Location	Land extent	Number of buildings	Market value	Carrying value	
				2019 Rs. '000	2019 Rs. '000	2018 Rs. '000
CIC Agri Businesses (Private) Limited	Pagoda, Nugegoda	15.5 perches	-	-	-	11,500
	Bogahapitiya Estate, Kengalle	12.0 perches, 2 roods	-	4,200	2,400	2,400
<b>Total</b>				<b>4,200</b>	<b>2,400</b>	<b>13,900</b>

B. During the year, CIC Agri Businesses (Private) Limited disposed its investment property for Rs.13.21 Mn, by generating a disposal gain of Rs.1.71Mn. No expenses were incurred with relating to the above investment properties during the year.

## 18 CAPITAL WORK-IN-PROGRESS

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	-	96,325	382,247	301,036
Expenditure incurred	3,335	25,116	740,787	1,475,596
Amount capitalised in property, plant & equipment	(3,335)	(121,441)	(770,010)	(1,379,794)
Amount capitalised in intangible assets	-	-	-	(14,591)
As at the end of the year	-	-	353,024	382,247

## 19 BIOLOGICAL ASSETS

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
As at the beginning of the year	181,028	248,508
Additions	200,807	149,734
Re classified as inventory	(12,227)	-
Gain from changes in fair value	6,112	3,116
Disposals	(167,638)	(220,330)
At the end of the year (Note 19.1)	208,082	181,028

# NOTES TO THE FINANCIAL STATEMENTS

## 19 BIOLOGICAL ASSETS (CONTD.)

### 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

For the year ended 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
Gains included in other income		
Change in fair value (realised)	-	-
Change in fair value (unrealised)	6,112	3,116

### 19.2 Biological Assets

As at 31st March 2019	Buffaloes	Poultry	Cattle	Highland Crops	Teak	Total
Matured (Rs.'000)	13,879	57,917	1,088	14,194	-	87,078
Immatured (Rs.'000)	7,535	96,726	546	-	16,197	121,004
<b>Total</b>	<b>21,414</b>	<b>154,643</b>	<b>1,634</b>	<b>14,194</b>	<b>16,197</b>	<b>208,082</b>

### 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				
2019	359	484,808	50	164,937
2018	148	450,890	128	1,717

Quantities	Buffaloes No. of animals	Poultry No. of birds	Breeder No. of eggs	Cattle No. of animals
Produced during the year				
2019	25	3,858,902	16,171,617	2
2018	46	3,688,875	20,345,812	123

## 19.5 Valuation of biological assets

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

Description	Valuation Technique	Valuation Input	Discount Rate
Poultry	Market price	No of produce	
Cattle	Discounted cashflow	Weight in relation to the category	
Teak	Discounted cashflow	Annual marginal increase of timber content (0.55-1.5 cm per year for a tree of diameter girth over 10 cm)	13% - 15%

CIC Feeds (Private) Limited uses cost model to value their non-current biological assets and following valuation techniques to measure their current 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	Inter-relationship between key unobservable inputs and fair value measurements
Biological Assets-Current (Inventory)	The Company has identified six aging categories such as 1-7, 8-14, 15-21, 22-28, 29-35, 36-42 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 and therefore those age categories are measured at fair value.	DOC yield Selling price Mortality	The fair value will; Increase when DOC yield increases Decrease when DOC yield decreases Increase when selling price increases Decrease when selling price decreases Increase when mortality rate decreases Decrease when mortality rate increases

# NOTES TO THE FINANCIAL STATEMENTS

## 19 BIOLOGICAL ASSETS (CONTD.)

### 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 As at 31st March	-10% Rs. '000	2019 Rs. '000	10% Rs. '000
Biological assets - (poultry)	13.50	15.00	16.50

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 As at 31st March	-10% Rs. '000	2019 Rs. '000	10% Rs. '000
Biological assets - buffaloes	18.97	21.41	23.18
Biological assets - cattle	1.47	1.63	1.80
	20.44	23.04	24.98

## 20 INTANGIBLE ASSETS

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Goodwill</b>				
Gross amount	-	-	167,293	167,293
On acquisition of subsidiary	-	-	208,079	208,079
Provision for impairment	-	-	(139,610)	(139,610)
<b>Net Goodwill (Note 20.1)</b>	-	-	<b>235,762</b>	235,762
Software cost capitalised	40,103	20,959	156,176	141,126
During the year additions	-	24,070	7,956	34,546
Transferred from capital work-in-progress	-	-	-	14,591
Transferred from assets held for sale	-	-	11,267	-
On acquisition of subsidiary	-	-	-	568
Amortisation for the year	(5,401)	(4,926)	(20,129)	(18,512)
Transferred to held for sale	-	-	-	(11,267)
Adjustment due to change in holding	-	-	(6,670)	-
Impairment	-	-	-	(4,876)
<b>Net ERP cost capitalised (Note 20.2)</b>	<b>34,702</b>	40,103	<b>148,600</b>	156,176
<b>Total</b>	<b>34,702</b>	40,103	<b>384,362</b>	391,938

**20.1** Aggregate carrying amounts of goodwill allocated to each unit are as follows:

As at 31st March	2019 Rs. Mn	2018 Rs. Mn
CIC Holdings PLC	219.14	219.14
CIC Feeds (Private) Limited	16.62	16.62
	<b>235.76</b>	<b>235.76</b>

**20.2** The Company/Group capitalised the ERP implementation cost which is amortised over 10 years.

**20.3** There has been no permanent impairment of intangible assets that requires provision other than those provided.

## 21 DEFERRED TAX

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	30,394	53,223	1,280,408	431,580
Transferred from assets held for sale	-	-	(4,222)	-
Adjustment due to first time adoption of SLFRS 15	-	-	(4,065)	-
On acquisition of subsidiary	-	-	-	(1,171)
<b>Amount origination / (reversal) of temporary differences</b>				
Recognised in profit or loss	8,541	(166,723)	(189,803)	361,836
Recognised in other comprehensive income	60,796	143,894	192,548	484,067
	<b>99,731</b>	<b>30,394</b>	<b>1,274,866</b>	<b>1,276,312</b>
Transferred to assets held for sale	-	-	-	4,096
<b>At the end of the year</b>	<b>99,731</b>	<b>30,394</b>	<b>1,274,866</b>	<b>1,280,408</b>
Deferred tax asset	-	-	13,642	198,595
Deferred tax liabilities	99,731	30,394	1,288,508	1,479,003
<b>Net liability</b>	<b>99,731</b>	<b>30,394</b>	<b>1,274,866</b>	<b>1,280,408</b>

The Group recognised deferred tax asset of Rs.13.64 Mn ( 2018 - Rs.198.59 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 21 DEFERRED TAX (CONTD.)

### 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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Deferred tax assets</b>				
Deferred tax assets to be recovered after 12 months	-	-	13,642	198,595
	-	-	13,642	198,595
<b>Deferred tax liabilities</b>				
Deferred tax liabilities to be recovered after 12 months	99,731	30,394	1,288,508	1,479,003
	99,731	30,394	1,288,508	1,479,003
<b>Net deferred tax liabilities</b>	<b>99,731</b>	<b>30,394</b>	<b>1,274,866</b>	<b>1,280,408</b>

### B. Movement in Deferred Tax Balances

Company	Net balances as at 01-April Rs.'000	Recognised in Profit or loss Rs.'000	Recognised in OCI Rs.'000	Balance as at 31st March		
				Net Rs.'000	Deferred tax assets Rs.'000	Deferred tax liabilities Rs.'000
2019						
Property plant & equipment	224,159	19,164	-	243,323	-	243,323
Revaluation reserves	146,662	-	58,184	204,846	-	204,846
Provision for obsolete and slow moving inventories	(5,514)	5,514	-	-	-	-
Tax losses	(284,523)	(13,691)	-	(298,214)	(298,214)	-
Retirement benefit obligation	(50,390)	(2,446)	2,612	(50,224)	(50,224)	-
Tax liabilities/(assets) before set-off	30,394	8,541	60,796	99,731	(348,438)	448,169
<b>Net liabilities/(assets)</b>	<b>30,394</b>	<b>8,541</b>	<b>60,796</b>	<b>99,731</b>	<b>(348,438)</b>	<b>448,169</b>

Company	Net balances as at 01-April Rs.'000	Recognised in Profit or loss Rs.'000	Recognised in OCI Rs.'000	Balance as at 31st March		
				Net Rs.'000	Deferred tax assets Rs.'000	Deferred tax liabilities Rs.'000
2018						
Property plant & equipment	170,924	53,235	-	224,159	-	224,159
Provision for obsolete and slow moving inventories	-	(5,514)	-	(5,514)	(5,514)	-
Revaluation reserves	-	-	146,662	146,662	-	146,662
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 setoff	53,223	(166,723)	143,894	30,394	(340,427)	370,821
<b>Net liabilities/(assets)</b>	<b>53,223</b>	<b>(166,723)</b>	<b>143,894</b>	<b>30,394</b>	<b>(340,427)</b>	<b>370,821</b>

## Movement in deferred tax balances

Group	Net balances as at 01st April	Recognised in retained earnings	Recognised in profit or loss	Recognised in OCI	Transferred from assets held for sale	Balance as at 31st March		
						Net	Deferred tax assets	Deferred tax liabilities
2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	1,443,267	-	(15,674)	-	(1,655)	1,425,938	-	1,425,938
Revaluation reserves	498,741	-	-	178,610	-	677,351	-	677,351
Intangible assets	2,519	-	4,709	-	-	7,228	-	7,228
Biological assets	36,801	-	12,002	-	-	48,803	-	48,803
Provision for impairment of trade receivables	(38,191)	-	(33,444)	-	-	(71,635)	(71,635)	-
Provision for obsolete and slow moving inventories	(5,514)	-	(24,655)	-	-	(30,169)	(30,169)	-
Tax losses	(472,941)	-	(122,356)	-	-	(595,297)	(595,297)	-
Bonus provision	-	-	(1,706)	-	-	(1,706)	(1,706)	-
Contract assets	-	5,040	1,031	-	-	6,071	-	6,071
Contract liability	-	(9,105)	(3,010)	-	-	(12,115)	(12,115)	-
Retirement benefit obligation	(184,274)	-	(6,700)	13,938	(2,567)	(179,603)	(179,603)	-
Tax liabilities / (assets) before set-off	1,280,408	(4,065)	(189,803)	192,548	(4,222)	1,274,866	(890,525)	2,165,391
Net liabilities/(assets)	1,280,408	(4,065)	(189,803)	192,548	(4,222)	1,274,866	(890,525)	2,165,391

Group	Net balances as at 01st April	Recognised in profit or loss	Recognised in OCI	Acquired in business combinations	Transferred to assets held for sales	Balance as at 31st March		
						Net	Deferred tax assets	Deferred tax liabilities
2018	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property plant & 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 liabilities/(assets)	431,580	361,836	484,067	(1,171)	4,096	1,280,408	(700,920)	1,981,328

# NOTES TO THE FINANCIAL STATEMENTS

## 21 DEFERRED TAX (CONTD.)

### Deferred Tax Effect of Temporary Differences

Company	2019		2018	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	869,010	243,323	800,565	224,159
Revaluation	731,595	204,846	523,794	146,662
Provision for obsolete and slow moving inventories	-	-	(19,720)	(5,514)
Tax losses	(1,065,051)	(298,214)	(1,016,124)	(284,523)
Retirement benefit obligation	(179,370)	(50,224)	(179,964)	(50,390)
Tax liabilities/(assets) before set-off		99,731		30,394
<b>Net tax liability</b>		<b>99,731</b>		<b>30,394</b>

### Deferred Tax Effect of Temporary Differences

Group	2019		2018	
	Temporary Difference	Tax Effect	Temporary Difference	Tax Effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property plant & equipment	5,783,072	1,425,938	5,191,616	1,443,267
Revaluation	2,371,765	677,351	1,711,320	498,741
Intangible assets	77,315	7,228	8,997	2,519
Biological assets	205,734	48,803	131,429	36,801
Bonus provision	(6,093)	(1,706)	-	-
Contract liability	(43,092)	(12,115)	-	-
Contract assets	21,685	6,071	-	-
Provision for impairment of trade receivables	(241,619)	(71,635)	(136,396)	(38,191)
Provision for obsolete and slow moving inventories	(121,969)	(30,169)	(19,720)	(5,514)
Tax losses	(2,040,623)	(595,297)	(1,626,544)	(472,941)
Retirement benefit obligation	(646,305)	(179,603)	(424,423)	(184,274)
Tax liabilities/(assets) before set-off		1,274,866		1,280,408
<b>Net tax liability</b>		<b>1,274,866</b>		<b>1,280,408</b>

### D Unrecognised Deferred Tax Assets

As at 31st March	2019	Expiry date	2018	Expiry date
	Rs. '000		Rs. '000	
Group				
Accumulated tax losses expire	1,916,880	31/03/2025	2,960,263	31/03/2024

## 22 INVESTMENT IN SUBSIDIARIES

A	2019		2018			
	Market Value Rs. '000	Holding %	No. of shares	Cost Rs. '000	No. of shares	Cost Rs. '000
<b>Company</b>						
<b>Quoted</b>						
Chemanex PLC	468,423	50.41	7,939,373	136,683	7,939,373	136,683
	468,423			136,683		136,683
<b>Unquoted - Subsidiaries</b>						
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	5,570,858	512,487
CIC CropGuard (Private) Limited		100.00	500,000	5,000	500,000	5,000
CIC Lifesciences Limited		99.89	132,625,435	191,205	132,625,435	191,205
Unipower (Private) Limited		70.00	376,600	238,075	376,600	238,075
CIC Properties (Private) Limited		100.00	4,500,000	45,000	4,500,000	45,000
CIC Precision Agricultural Technologies (Private) Limited		100.00	840,000	8,400	840,000	8,400
				1,683,608		1,683,608
Provision for impairment of subsidiaries				(210,200)		(107,400)
<b>Total</b>				<b>1,473,408</b>		<b>1,576,208</b>

- i) During the year, the Company impaired its investment in CIC Agri Businesses (Private) Limited due to the negative net assets position. Further Company made a provision of Rs.8Mn and Rs.32Mn on the investments of CIC Properties (Private) Limited and Crop Management Services (Private) Limited due the reduction of net assets in the respective companies.
- ii) In 2017/18, the Company has made a provision of Rs. 8.4Mn on the investment of CIC 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. Further, the Company has recognised an impairment Rs. 99Mn against its investment in Crop Management Services (Private) Limited due to the reduction in net assets.
- iii) All the subsidiaries of the Group are incorporated in Sri Lanka.
- iv) The Company has neither contingent liabilities nor capital commitments in respect of the subsidiaries.
- v) The main activities of the subsidiary companies are given in pages 140 and 141.

# NOTES TO THE FINANCIAL STATEMENTS

## 22 INVESTMENT IN SUBSIDIARIES (CONTD.)

### B. Investment in Subsidiaries made during the Year

As at 31st March	2019		2018	
	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
CIC Precision Agricultural Technologies (Private) Limited	-	-	840,000	8,400
				491,971

### C. Inter Company Shareholdings

As at 31st March Investor	Investee	2019		2018	
		% 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

### D. Material Non Controlling Interest

The Group has assessed each subsidiary that has non-controlling interest based on contributions made to the Group revenue, profit, total assets and net assets. Following table summarises the information relating to the subsidiary which has a material non-controlling interest.

As at 31st March	CIC Agri Businesses (Private) Limited Group	
	2019 Rs.'000	2018 Rs.'000
NCI percentage	40.5%	40.5%
Non-current assets	2,396,279	2,432,527
Current assets	6,947,060	6,642,360
Non-current liabilities	648,674	621,025
Current liabilities	8,878,725	8,286,434
Loss after tax	(496,435)	(362,863)

### E. Going concern of CIC Agri Businesses (Private) Limited

The subsidiary, CIC Agri Businesses (Private) Limited, has incurred a net loss of Rs. 1.23Bn for the year ended 31st March 2019 (2018: Rs. 174.24Mn) and reported accumulated losses of Rs. 1.54Bn (2018: Rs. 318.83Mn) and negative net assets of Rs. 1.01Bn (2018: Rs. 104.29 Mn - positive) as of that date. This indicates the existence of a material uncertainty which may cast significant doubt about the subsidiary's ability to continue as a going concern. Notwithstanding this, financial statements of the subsidiary have been prepared on going concern basis due to following:

- With the cash flow forecast of CIC Agri Businesses (Private) Limited and management's plan for the future, the Board Directors of this subsidiary company has made an assessment of the company's ability to continue as a going concern for the foreseeable future and is satisfied that it has the resources to continue in business for the foreseeable future and they do not intend either to liquidate or to cease operations of the company.

- Reliance on a letter of support provided by the Directors of CIC Holding PLC, parent company. Through this letter of support, Directors of parent company agreed to extend financial assistance to the subsidiary, until such time Directors of the parent company are of the view that the subsidiary is able to generate adequate profits to overcome the negative net assets position.

Accordingly, the Directors have adopted a going concern methods of accounting of this subsidiary as at the reporting date.

### 23 EQUITY ACCOUNTED INVESTEEES

As at 31st March	2019			2018	
	Holding %	No. of shares	Cost Rs. '000	No. of shares	Cost Rs. '000
<b>Company</b>					
<b>Unquoted</b>					
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
Cropwiz (Private) Limited	40.00	86,880	125,109	86,880	125,109
CIC Grains (Private) Limited	49.00	26,313,000	263,131	26,313,000	263,131
Provision for impairment of equity accounted investees			(388,240)		(263,131)
<b>Total</b>			<b>36,000</b>		<b>161,109</b>

As at 31st March	2019			2018	
	Holding %	No. of shares	Value Rs. '000	No. of shares	Value Rs. '000
<b>Group</b>					
<b>Unquoted</b>					
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	20.89	9,950,868	99,510	9,950,868	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
			<b>449,205</b>		<b>449,205</b>
Share of equity accounted investees retained earnings			592,055		580,427
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
<b>Total</b>			<b>1,025,795</b>		<b>1,014,167</b>

## NOTES TO THE FINANCIAL STATEMENTS

The Group's interest in equity accounted investee 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. The Group had recognised 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 the beginning of the immediately preceding period 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.

**23.1** Except for Rahimafrooz CIC Agro Limited incorporated in Bangladesh, all the other equity accounted investees are incorporated in Sri Lanka.

**23.2** 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.

**23.3** The main activities of the equity accounted investees are given in page 140.

**23.4** The Group has neither contingent liabilities nor capital commitments in respect of equity accounted investees.

**23.5** During the Year Directors of CIC Holdings PLC and CIC Agri Businesses (Private) Limited decided to impair its investment in Cropwiz (Private) Limited amounting to Rs. 125.11 Mn and Rs. 78.19 Mn due to the reduction of net assets.

**23.6** CIC Grains (Private) Limited made losses which reduced its net assets to Rs. (170.85) Mn. Therefore in 2017/18 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.

**23.7** Summarised information of equity accounted investees.

As at 31st March	2019 Rs.'000	2018 Rs.'000
Revenue	6,700,619	6,271,207
Expenses	(6,032,742)	(5,814,994)
Profit after tax	667,877	456,213
Non- current assets	717,452	738,712
Current assets	3,142,351	3,091,199
<b>Total assets</b>	<b>3,859,803</b>	<b>3,829,911</b>
Non- current liabilities	201,180	249,306
Current liabilities	1,811,780	1,831,108
<b>Total liabilities</b>	<b>2,012,960</b>	<b>2,080,414</b>
<b>Net assets</b>	<b>1,846,843</b>	<b>1,749,497</b>

### 24 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Carrying value at the beginning of the year	352,179	356,937	362,492	367,261
Additions	273,868	12,093	273,998	12,856
Fair value loss	(85,527)	(16,851)	(88,099)	(17,625)
Disposal	(275,616)	-	(275,616)	-
<b>Carrying value at the end of the year</b>	<b>264,904</b>	<b>352,179</b>	<b>272,775</b>	<b>362,492</b>

As at 31st March	2019		2018	
	No. of shares	Fair Value Rs.'000	No. of shares	Fair Value Rs.'000
<b>Company</b>				
<b>Quoted</b>				
National Development Bank PLC	-	-	2,655,970	430,867
John Keels Holdings PLC	1,698,100	273,868	-	-
Fair value loss during the year		(8,964)		(78,688)
		<b>264,904</b>		<b>352,179</b>
<b>Unquoted</b>				
Yasui Lanka (Private) Limited	660,000	6,600	660,000	6,600
Provision for impairment		(6,600)		(6,600)
<b>Total</b>		<b>264,904</b>		<b>352,179</b>

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

As at 31st March	2019		2018	
	No. of shares	Fair Value Rs.'000	No. of shares	Fair Value Rs.'000
<b>Group</b>				
<b>Quoted</b>				
National Development Bank PLC	-	-	2,655,970	352,179
Commercial Bank of Ceylon PLC				
Non voting	49,656	4,171	48,827	5,078
Voting	23,870	2,355	23,567	3,200
Muller & Phipps (Ceylon) PLC	300	-	300	-
Chevron Lubricants Lanka PLC	16,000	1,000	16,000	1,672
Dipped Products PLC	2,500	195	2,500	213
John Keels Holdings PLC	1,698,100	264,904	-	-
		<b>272,625</b>		<b>362,342</b>
<b>Unquoted</b>				
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)
<b>Total</b>		<b>272,775</b>		<b>362,492</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 25 INVENTORIES

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Raw materials and consumables	612,835	455,196	3,574,663	4,242,655
Packing materials	-	-	133,859	-
Work-in-progress	92,169	94,552	426,975	392,584
Finished goods	1,785,130	2,195,498	3,194,660	4,231,619
Biological assets	-	-	174,082	221,304
Goods-in-transit	294,362	137,630	806,252	638,409
	<b>2,784,496</b>	<b>2,882,876</b>	<b>8,310,491</b>	<b>9,726,571</b>
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)	(405,970)	(480,307)	(742,279)	(788,524)
<b>Total</b>	<b>2,378,526</b>	<b>2,402,569</b>	<b>7,568,212</b>	<b>8,843,024</b>

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

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At cost	2,378,526	2,402,569	7,568,212	8,843,024
At net realisable value	-	-	-	-
<b>Total</b>	<b>2,378,526</b>	<b>2,402,569</b>	<b>7,568,212</b>	<b>8,843,024</b>

### 25.1 Provision for obsolete and slow moving inventories

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	480,307	241,213	788,524	323,906
Provision re-classified from held for sale	-	-	1,400	1,585
Provision/(reversal) made during the year	(25,467)	372,707	50,202	708,330
Write-off during the year	(48,870)	(133,613)	(97,847)	(214,791)
<b>At the end of the year</b>	<b>405,970</b>	<b>480,307</b>	<b>742,279</b>	<b>819,030</b>
Provision relating to inventories classified as held for sale	-	-	-	(27,170)
Provision relating to inventories classified as held for distribution	-	-	-	(3,336)
<b>Provision relating to continuing operations</b>	<b>405,970</b>	<b>480,307</b>	<b>742,279</b>	<b>788,524</b>

Bank facilities have been obtained on negative pledge on inventories.

## 26 TRADE RECEIVABLES

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Trade receivables from Group Companies (Note 26.1)	593	5,732	-	-
Other trade receivables	2,696,166	2,687,928	5,780,674	5,990,014
Bills receivables	-	-	50,842	28,968
<b>Total</b>	<b>2,696,759</b>	<b>2,693,660</b>	<b>5,831,516</b>	<b>6,018,982</b>
Less : Provision for impairment for trade receivables (Note 26.2)	(440,828)	(290,923)	(881,075)	(591,912)
Transferred to held for sale	-	-	-	(127,849)
<b>Total</b>	<b>2,255,931</b>	<b>2,402,737</b>	<b>4,950,441</b>	<b>5,299,221</b>

### 26.1 Trade Receivables from Group Companies

As at 31st March	Company	
	2019 Rs.'000	2018 Rs.'000
CIC Agri Businesses (Private) Limited	-	1,199
CIC CropGuard (Private) Limited	93	-
Link Natural Products (Private) Limited	71	-
CIC Feeds (Private) Limited	140	90
CIC Dairies (Private) Limited	-	547
CIC Lifesciences Limited	-	2,783
Cropwiz (Private) Limited	-	606
CISCO Specialty Packaging (Private) Limited	289	507
<b>Total</b>	<b>593</b>	<b>5,732</b>

### 26.2 Provision for impairment for trade receivables

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	290,923	311,384	591,911	592,431
Adjustment due to initial application of SLFRS 9	28,251	-	46,525	-
Adjusted balance	319,174	-	638,436	-
Transferred from assets held for sale	-	-	32,314	-
On the acquisition of the subsidiaries	-	-	-	174
Provision made during the year	121,654	(19,083)	250,581	87,157
Write off during the year	-	(1,378)	(40,256)	(48,807)
<b>At the end of the year</b>	<b>440,828</b>	<b>290,923</b>	<b>881,075</b>	<b>630,955</b>
Less; Provision relating to trade receivable classified as held for sale	-	-	-	(39,043)
	<b>440,828</b>	<b>290,923</b>	<b>881,075</b>	<b>591,912</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 26 TRADE RECEIVABLES (CONTD.)

### 26.3 Trade Receivables Currency-wise

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Sri Lankan Rupees	2,255,931	2,402,737	4,899,599	5,288,330
US Dollars	-	-	50,842	10,891
<b>Total</b>	<b>2,255,931</b>	<b>2,402,737</b>	<b>4,950,441</b>	<b>5,299,221</b>

## 27 OTHER RECEIVABLES

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Non trade receivables from Group companies (Note 27.1)	99,224	153,802	-	-
Other non trade receivables (Net)	588,031	466,138	1,164,683	1,426,728
Short term loans granted to subsidiaries (Note A)	55,000	67,260	-	-
Subsidy receivables	-	-	4,094,448	53,943
VAT receivables	66,526	-	106,801	25,315
Income tax receivables (Note 37)	188,401	139,650	443,811	401,912
Advance given to a Director for machinery relocation	-	-	-	11,992
Loans to employees	7,489	7,974	63,092	75,905
Pre-paid staff cost	2,989	2,451	21,895	19,428
	<b>1,007,660</b>	<b>837,275</b>	<b>5,894,730</b>	<b>2,015,223</b>
Less : Provision for impairment of other receivables	(109,350)	(114,375)	(170,781)	(117,590)
Transferred to assets held for sale	-	-	-	(24,608)
Transferred to assets held for distribution	-	-	-	(3,215)
<b>Total</b>	<b>898,310</b>	<b>722,900</b>	<b>5,723,949</b>	<b>1,869,810</b>

A. Short term loans granted to subsidiaries include Rs. 55 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	
	2019 Rs.'000	2018 Rs.'000
Chemanex PLC	3,299	-
CISCO Speciality Packaging (Private) Limited	5,305	10,611
CIC Feeds (Private) Limited	1,238	40,686
CIC CropGuard (Private) Limited	10,290	7,180
Crop Management Services (Private) Limited	108	297
CIC Lifesciences Limited	2,314	34,207
CIC Agri Produce Export (Private) Limited	-	146
CIC Agri Produce Marketing (Private) Limited	-	61
CIC Grains (Private) Limited	-	2,683
CIC Seeds (Private) Limited	-	420
CIC Dairies (Private) Limited	-	1,023
CIC Dairy Breeding & Management (Private) Limited	-	682
CIC Properties (Private) Limited	83,575	63,272
Cropwiz (Private) Limited	-	22
CIC Poultry Farms (Private) Limited	2	-
Link Natural Products (Private) Limited	6	-
Unipower (Private) Limited	575	-
	106,712	161,290
Less: Provision for impairment	(7,488)	(7,488)
<b>Total</b>	<b>99,224</b>	<b>153,802</b>

## 28 EQUITY INVESTMENT AT FAIR VALUE THROUGH OCI

As at 31st March	2019		2018	
	No. of Shares	Fair Value Rs.'000	No. of Shares	Fair Value Rs.'000
Company				
Quoted				
Ceylon Hospitals PLC	5,628	380	5,628	446
Renuka Agri Foods PLC	153,200	306	153,200	352
Hatton National Bank PLC - Voting	175,300	30,678	175,300	42,408
Hatton National Bank PLC - Non-Voting	17,899	2,631	17,899	3,333
<b>Total</b>		<b>33,995</b>		<b>46,539</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 28 OTHER CURRENT FINANCIAL ASSETS (CONTD.)

As at 31st March	2019		2018	
	No. of Shares	Fair Value Rs.'000	No. of Shares	Fair Value Rs.'000
<b>Group</b>				
<b>Quoted</b>				
Ceylon Hospitals PLC	5,628	380	5,628	446
Renuka Agri Foods PLC	153,200	306	153,200	352
Hatton National Bank PLC - voting	1,391,251	243,469	1,386,256	338,112
Hatton National Bank PLC - Non-Voting	17,899	2,631	17,899	3,333
John Keells Holdings PLC	2,840,139	443,062	450,000	71,820
National Development Bank PLC	96,714	9,110	96,714	12,873
Lanka Orix Leasing Company PLC	11,000	978	11,000	1,298
Sampath Bank PLC	1,071,081	192,902	47,586	14,276
<b>Total</b>		<b>892,838</b>		<b>442,510</b>

## 29 CASH AND CASH EQUIVALENTS

### 29.1 Favourable cash and cash equivalents

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cash and bank balances	199,958	220,169	564,819	1,277,979
Short term deposits	-	-	712,464	289,250
	<b>199,958</b>	<b>220,169</b>	<b>1,277,283</b>	<b>1,567,229</b>

### 29.2 Unfavourable cash and cash equivalents

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Bank overdraft	(1,488,238)	(1,604,647)	(2,490,901)	(3,492,206)
Short term bank loans	(3,490,030)	(3,820,650)	(12,689,406)	(9,304,414)
	<b>(4,978,268)</b>	<b>(5,425,297)</b>	<b>(15,180,307)</b>	<b>(12,796,620)</b>
Cash and cash equivalents classified as assets held for sale	-	-	-	72,070
Cash and cash equivalents classified as assets held for distribution	-	-	29,009	85,213
Cash and cash equivalents for the purpose of cash flow statements	<b>(4,778,310)</b>	<b>(5,205,128)</b>	<b>(13,874,015)</b>	<b>(11,072,108)</b>

### 30 STATED CAPITAL

As at 31st March	Company/Group 2019		Company/Group 2018	
	No. of shares	Rs.	No. of shares	Rs.
<b>Ordinary shares</b>				
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
<b>Non-Voting (Class X) shares</b>				
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
<b>Total</b>	<b>94,770,000</b>	<b>1,008,450,000</b>	<b>94,770,000</b>	<b>1,008,450,000</b>

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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	1,327,907	834,680	1,917,975	1,815,568
Surplus on revaluation	207,801	639,889	584,989	639,889
Realisation of capital reserves	-	-	-	(129,716)
Deferred tax on revaluation of land	(58,184)	(146,662)	(142,501)	(407,343)
Loss on revaluation of land	-	-	-	(423)
<b>Total</b>	<b>1,477,524</b>	<b>1,327,907</b>	<b>2,360,463</b>	<b>1,917,975</b>

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 fair value reserves.

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

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

### 33 LOANS AND BORROWINGS

#### 33.1 Loans and borrowings repayable after one year

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Bank loans	-	-	1,311,928	1,171,508
Finance lease obligations	-	-	-	889
	-	-	1,311,928	1,172,397

## NOTES TO THE FINANCIAL STATEMENTS

### 33 LOANS AND BORROWINGS (CONTD.)

#### 33.2 Bank Loans

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	-	62,265	1,573,065	1,894,805
Obtained during the year	-	-	2,003,031	401,981
Transferred to held for sale	-	-	-	(222,917)
Transferred from held for sale	-	-	222,918	-
Repayment during the year	-	(62,265)	(1,773,524)	(500,804)
At the end of the year	-	-	2,025,490	1,573,065
Less: Repayable within one year	-	-	(713,562)	(401,557)
<b>Repayable after one year</b>	-	-	<b>1,311,928</b>	<b>1,171,508</b>
Finance lease obligations repayable after one year	-	-	-	889
<b>Total</b>	-	-	<b>1,311,928</b>	<b>1,172,397</b>

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

#### 33.3 Finance Lease Obligations

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	1,883	3,227
Acquisition of subsidiaries	-	7,931
Repayments during the year	(1,883)	(9,275)
At the end of the year	-	1,883
Less: Repayable within one year	-	(994)
<b>Repayable after one year</b>	-	<b>889</b>

#### 33.4 Analysis of Finance Lease Obligations by Year of Repayment

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
<b>Finance lease obligations repayable within 1 year</b>		
Gross liability	-	1,106
Finance charges unamortised	-	(112)
<b>Net lease obligations</b>	-	<b>994</b>
<b>Finance lease obligations repayable between 1 to 5 years from the year end</b>		
Gross liability	-	921
Finance charges unamortised	-	(32)
<b>Net lease obligations</b>	-	<b>889</b>

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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Bank loans	-	-	713,562	401,557
Finance lease obligations	-	-	-	994
Bank overdraft	1,488,238	1,604,647	2,490,901	3,492,206
Short term loans	3,490,030	3,820,650	12,689,406	9,304,414
<b>Total</b>	<b>4,978,268</b>	<b>5,425,297</b>	<b>15,893,869</b>	<b>13,199,171</b>

### Analysis of loans and borrowings payable after one year

Company	Lender	Interest Rate	2019 Rs. Mn	2018 Rs. Mn	Security
CISCO Speciality Packaging (Private) Limited	Union Bank PLC	9.5%	15.26	54.78	Plant & machinery
	Commercial Bank of Ceylon PLC	AWPLR	-	56.99	Plant & machinery
	Commercial Bank of Ceylon PLC	AWPLR + 1%	-	15.00	Plant & machinery
	Commercial Bank of Ceylon PLC	AWPLR + 1.5%	54.00	-	Plant & machinery
CIC Agri Businesses (Private) Limited	Commercial Bank of Ceylon PLC	8%	-	0.83	
	DFCC Bank	AWPLR + 0.75%	83.33	-	
	Lanka Puthra Bank	8%	-	321.00	
	Seylan Bank PLC	AWPLR+2%	224.00	-	
Link Natural Products (Private) Limited	State Bank of India	AWPLR + 0.5%	512.44	143.01	Mortgage over land & buildings
CIC Lifesciences Limited	People's Bank	AWPLR + 1%	26.68	37.71	Mortgage over machinery
	Seylan Bank PLC	AWPLR + 1%	-	3.64	Mortgage over machinery
Cropwiz (Private) Limited	Hatton National Bank PLC	LIBOR+ 4.25%	396.22	538.54	Mortgage over project machinery
			<b>1,311.93</b>	<b>1,171.50</b>	
<b>Finance Lease Obligations</b>					
CIC Agri Businesses (Private) Limited	Central Finance Company PLC		-	0.89	
			-	0.89	

# NOTES TO THE FINANCIAL STATEMENTS

## 34 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Present value of the gratuity				
At the beginning of the year	179,965	165,893	661,269	590,288
Transferred from held for sale	-	-	9,169	-
Acquisition of subsidiaries	-	-	-	6,193
Current service cost	16,117	18,948	53,978	90,672
Benefits paid	(27,179)	(34,669)	(99,579)	(140,753)
Interest cost	19,796	19,908	73,791	70,100
Actuarial (gains)/losses	(9,329)	9,885	(52,324)	53,938
As at the end of the year	179,370	179,965	646,305	670,438
Less - transferred to held for sale	-	-	-	(9,169)
<b>Total</b>	<b>179,370</b>	<b>179,965</b>	<b>646,305</b>	<b>661,269</b>

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

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cost of sales	421	1,885	20,773	22,432
Distribution expenses	9,808	20,532	21,838	32,760
Administrative expenses	25,684	16,438	85,158	105,580
	35,913	38,855	127,769	160,772
Other comprehensive income	(9,329)	9,885	(52,324)	53,938
<b>Total</b>	<b>26,584</b>	<b>48,740</b>	<b>75,445</b>	<b>214,170</b>

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.

**B.** 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    11.5% (2018-11%)

Salary increase    10% (2018-10%)

Retirement age    Management staff 55 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 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	(8,041)	8,885	9,272	(8,517)
Group - the present value change in retirement benefit obligations	(23,642)	21,799	21,346	(25,168)

### 35 GRANTS

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	8,953	11,826
Amortised during the year	(1,048)	(1,154)
Transferred from held for sale	1,719	-
Transferred to held for sale	-	(1,719)
<b>At the end of the year</b>	<b>9,624</b>	<b>8,953</b>

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 2019 Rs. '000	Carrying value 2018 Rs. '000
CIC Agri Businesses (Private) Limited	Dairy development in the Eastern province	Land O' Lakes, Inc	33,600	9,487	8,816
Link Natural Products (Private) Limited	Out grower medicinal crops cultivation and processing project in Monaragala and Ampara.	Connecting Regional Economies (USAID / CORE )	655	137	137
				<b>9,624</b>	<b>8,953</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 36 TRADE PAYABLES

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Trade payables to Group Companies ( Note 36.1)	14,191	6,867	-	-
Bills payable	1,112,836	714,566	4,167,050	4,781,998
Other trade payables	7,845	347,889	744,455	1,049,707
<b>Total</b>	<b>1,134,872</b>	<b>1,069,322</b>	<b>4,911,505</b>	<b>5,831,705</b>
Transferred to liabilities classified as held for sale	-	-	-	(312)
<b>Total</b>	<b>1,134,872</b>	<b>1,069,322</b>	<b>4,911,505</b>	<b>5,831,393</b>

#### 36.1 Trade Payables to Group Companies

As at 31st March	Company	
	2019 Rs.'000	2018 Rs.'000
CISCO Speciality Packaging (Private) Limited	9,206	6,867
CIC Lifesciences Limited	4,852	-
CIC Grains (Private) Limited	53	-
ChemaneX PLC	80	-
	<b>14,191</b>	<b>6,867</b>

#### 36.2 Currency-wise Trade Payable

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
US Dollars	5,128	3,113	2,542,229	3,719,924
Euro	164	332	47,133	11,486
Sterling Pounds	1	13	2,413	13
Singapore Dollars	326	77	326	78
Sri Lanka Rupees	1,129,253	1,065,787	2,319,404	2,099,892
	<b>1,134,872</b>	<b>1,069,322</b>	<b>4,911,505</b>	<b>5,831,393</b>

### 37 INCOME TAX PAYABLE/ (RECEIVABLE)

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
As at the beginning of the year	(139,650)	(45,134)	(313,860)	(36,808)
Provision made during the year				
continuing operations	-	353	197,826	165,624
discontinued operations	-	-	6,330	3,406
Under/(over) provisions in respect of previous years	328	(32,464)	2,253	(32,476)
Irrecoverable ESC written off	-	-	30,152	4,347
Tax on dividends received from associates	-	-	(52,920)	(22,200)
On acquisition of subsidiary	-	-	-	9,091
Payments made during the year	(49,079)	(62,404)	(257,185)	(404,844)
Disposal of subsidiary	-	-	604	-
<b>As at the end of the year</b>	<b>(188,401)</b>	<b>(139,650)</b>	<b>(386,800)</b>	<b>(313,860)</b>
Income tax payables	-	-	57,011	88,052
Income tax receivables	188,401	139,650	443,811	401,912
<b>Total</b>	<b>(188,401)</b>	<b>(139,650)</b>	<b>(386,800)</b>	<b>(313,860)</b>

### 38 CAPITAL COMMITMENTS

Following material capital commitments were existed at the reporting date.

Company	Amount	Reason
Link Natural Products (Private) Limited	Rs 52.48 Mn	Equipment installation of research and development centre

Other than 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 specification. The Group having sought legal advice has refuted the claim and no provision for any related liability has been made in these Financial Statements.

There are no any other material contingent liabilities as at the reporting date, which require adjustment and / or disclosure in the Financial Statements.

### 40 PROBABLE CHANGES TO THE PRINCIPAL ACTIVITIES OF THE BUSINESS

The Directors of the Company approved in principle on combining its healthcare business with the healthcare business of Sunshine Holdings PLC with a shareholding of 40% of the combined business, subject to due diligence.

### 41 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company has recommended a first and final dividend of Rs.1.00 per share on the issued share capital of both ordinary and Non-Voting (Class X) shares which is payable on 09th July 2019 if approved by the shareholders at the Annual General Meeting.

Other than the above, no other events have taken place which require adjustments or disclosure in the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 42 RECONCILIATION OF RE-CLASSIFICATION RELATING TO DISCONTINUED OPERATIONS

### 42.1 Reconciliation: Statements of Comprehensive Income

Re-classification relating to discontinued operations specified in Note 13 of the Group are summarised below.

Re-classification other than the discontinued operations, are mentioned in the respective notes.

As at 31st March	As disclosed in 2018 Rs.'000	Group Adjustment Rs. 000	Re-classified for 2018 Rs. 000
<b>Continuing operations</b>			
Revenue	32,044,493	1,103,764	33,148,257
Cost of sales	(25,553,869)	(869,259)	(26,423,128)
<b>Gross profit</b>	<b>6,490,624</b>	<b>234,505</b>	<b>6,725,129</b>
Other income	672,790	1,173	673,963
Distribution expenses	(3,201,492)	(142,952)	(3,344,444)
Administrative expenses	(2,133,108)	(25,061)	(2,158,169)
Other expenses	(6,319)	-	(6,319)
<b>Results from operating activities</b>	<b>1,822,495</b>	<b>67,665</b>	<b>1,890,160</b>
Finance cost (net)	(1,409,012)	(59,106)	(1,468,118)
Share of profit of equity accounted investees (net of tax)	267,053	-	267,053
<b>Profit before tax</b>	<b>680,536</b>	<b>8,559</b>	<b>689,095</b>
Income tax expense	(488,619)	(3,246)	(491,865)
<b>Profit from continuing operations</b>	<b>191,917</b>	<b>5,313</b>	<b>197,230</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of tax)	(569,810)	(5,313)	(575,123)
<b>Loss for the year</b>	<b>(377,893)</b>	<b>-</b>	<b>(377,893)</b>

## 43 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.

### 43.1 Parent and Ultimate Controlling Party

For the year ended 31st March	2019 Rs. Mn	2018 Rs. Mn
Dividend paid	-	79.17
Sale of goods	171.24	203.47
Trade receivables	62.67	92.29
Trade payables	0.89	-

### 43.2 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.

#### 43.2.1. Transactions with KMP

##### Loans to Directors

No loans have been granted to the Directors of the Company/ Group.

##### Key Management Personnel Compensation

The details of compensation are given in Note 11 to the Financial Statements.

##### Other Transactions with Key Management Personnel

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. S. Fernando
- Mr. M.P. Jayawardena
- Mr. P.R. Saldin

## NOTES TO THE FINANCIAL STATEMENTS

### 43 RELATED PARTY DISCLOSURE (CONTD.)

- (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 46.
- (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	2019 Rs. Mn	2018 Rs. Mn
Polypak Secco Limited	R.S. Captain/P.R. Saldin	Payments for purchases of goods	6.11	7.39
CEI Plastics (Private) Limited	R.S. Captain/P.R. Saldin	Sale of goods	-	0.83

- (d) There were no other transactions with Key Management Personnel other than those disclosed above.

Company	Relationship	Nature of the Transaction	2019 Rs. Mn	2018 Rs. Mn
Chemanex PLC	Subsidiary	Dividend received	15.68	15.01
		Rent received	2.53	-
		Rent paid	0.62	1.72
		Purchase of goods	0.70	2.03
		Secretarial fees paid	1.34	1.34
		Staff cost paid	0.07	-
		Staff cost received	1.58	-
		Receivables - non trade	3.30	-
		Payables - trade	0.08	-
		Payables - non trade	-	0.62
		Service charge	21.55	-
CIC Agri Businesses (Private) Limited	Subsidiary	Sale of goods	-	1.90
		Rent received	10.57	-
		Rent paid	1.07	6.23
		Purchase of goods	0.64	0.01
		Staff cost received	16.67	27.09
		Payables - non trade	20.99	24.53
		Receivables - trade	-	1.20
		Service charge	12.24	8.05
CISCO Speciality Packaging (Private) Limited	Subsidiary	Sale of goods	0.61	3.19
		Dividend received	21.50	22.50
		Purchase of goods	25.99	16.24
		Staff cost paid	15.60	14.12
		Network charges received	0.42	0.42
		Payables - trade	9.21	6.87
		Receivables - trade	0.29	0.51
		Receivables - non trade	5.30	10.61
		Service charge	5.16	3.65
CIC CropGuard (Private) Limited	Subsidiary	Sale of goods	0.09	10.82
		Dividend received	-	2.25
		Staff cost paid	28.23	32.83
		Handling commission	48.71	49.12
		Receivables - trade	0.09	-
		Receivables - non trade	10.29	7.18
		Service charge	23.76	22.47

Company	Relationship	Nature of the Transaction	2019 Rs. Mn	2018 Rs. Mn
CIC Feeds (Private) Limited	Subsidiary	Sale of goods	0.36	0.28
		Dividend received	-	48.23
		Receivables - trade	0.14	0.09
		Receivables - non trade	1.24	40.69
		Service charge	12.72	11.74
CIC Lifesciences Limited	Subsidiary	Rent received	2.32	0.80
		Purchase of goods	18.15	59.10
		Staff cost paid	13.36	20.13
		Payables - trade	4.85	-
		Receivables - trade	-	2.78
		Receivables - non trade	2.31	34.21
Link Natural Products (Private) Limited	Subsidiary	Sale of goods	0.18	0.06
		Dividend received	81.45	-
		Receivables - trade	0.07	-
		Receivables - non trade	0.00	-
Colombo Industrial Agencies Limited	Subsidiary	Rent paid	9.11	9.11
		Royalty	0.21	0.03
		Payables - non trade	9.38	2.74
Crop Management Services (Private) Limited	Subsidiary	Receivables - non trade	0.11	0.30
CIC Properties (Private) Limited	Subsidiary	Receivables - non trade	83.58	63.27
		Receivables short term loan	55.00	67.26
Unipower (Private) Limited	Subsidiary	Sale of goods	-	0.16
		Receivables - non trade	0.58	-
		Service charge	4.20	-
CIC Agri Produce Exports (Private) Limited	Sub-Subsidiary	Purchase of goods	0.46	-
		Receivables - non trade	-	0.15
		Service charge	2.08	1.49
CIC Agri Produce Marketing (Private) Limited	Sub-Subsidiary	Receivables - non trade	-	0.06
		Service charge	0.73	0.62
CIC Seeds (Private) Limited	Sub-Subsidiary	Sale of goods	-	0.24
		Purchase of goods	0.72	-
		Receivables - non trade	-	0.42
		Payables - non trade	0.23	-
		Service charge	7.21	5.23
CIC Poultry Farms Limited	Sub-Subsidiary	Sale of goods	0.18	0.41
		Receivables - non trade	0.00	-
CIC Dairies (Private) Limited	Sub-Subsidiary	Sale of goods	1.50	1.48
		Receivables - trade	-	0.55
		Receivables - non trade	-	1.02
		Service charge	4.07	3.49
CIC Dairy Breeding & Management (Private) Limited	Sub-Subsidiary	Receivables - non trade	-	0.68
		Service charge	1.16	1.00
Akzo Nobel Paints Lanka (Private) Limited	Equity accounted investee	Dividend received	325.08	199.80
		Rent received	4.03	13.50
		Purchase of goods	0.02	0.18
		Handling commission & service chargers	1.44	10.34
		Receivables - non trade	0.14	7.23
Cropwiz (Private) Limited	Equity accounted investee	Sale of goods	0.07	0.74
		Receivables - trade	-	0.61
		Receivables - non trade	-	0.02
		Service charge	0.57	-
CIC Grains (Private) Limited	Equity accounted investee	Sale of goods/(returns)	-	(7.57)
		Receivables - non trade	-	2.68
		Service charge	1.75	1.25
		Payables - trade	0.05	-

# NOTES TO THE FINANCIAL STATEMENTS

## 44 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 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 equity instruments as 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 a financial committee that advises on financial risks and appropriate financial risk governance framework for the Group. The Financial Risk 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 .

As at 31st March	Company	
	2019 Rs.'000	2018 Rs.'000
<b>Exposure to credit risk</b>		
Trade receivables	2,696,759	2,693,660
Other receivables	1,007,660	837,275
<b>Total</b>	<b>3,704,419</b>	<b>3,530,935</b>

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
Trade receivables	5,831,516	6,018,982
Other receivables	5,894,730	2,015,223
<b>Total</b>	<b>11,726,246</b>	<b>8,034,205</b>

### 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 Risk Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness 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 Risk Management Committee; these limits are reviewed annually. 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. Customers that are graded as 'high risk' are placed on a restricted customer list and monitored by the management, 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 expected losses in respect of trade and other receivables. The main components of this allowance are 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 and future macro economic conditions.

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	
	2019 Rs.'000	2018 Rs.'000
Domestic	4,899,599	5,288,330
Foreign	50,842	10,891
Total	4,950,441	5,299,221

### Impairment losses

All trade receivables that are past due, have been considered for impairment as at 31 March 2019. The movement in the allowance for impairment of trade receivables is disclosed in Note 26.2.

### Equity securities

The Group limits its exposure to credit risk by investing only in liquid equity securities. The Group has recognised its equity securities at its fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### 44 FINANCIAL INSTRUMENTS (CONTD.)

#### Cash and cash equivalents

The company held cash and cash equivalents of Rs. 2.20Bn as at 31 March 2019, (2018: Rs. 0.22 Bn), Group held Rs. 1.28Bn as at 31 March 2019 (2018 - Rs. 1.57Bn ) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency ratings. Following table depicts the credit ratings of the financial institutions where the Group hold its deposits.

Bank	Rating
Bank of Ceylon PLC	AA+
Commercial Bank PLC	AA+
DFCC Bank PLC	AA-
Hatton National Bank PLC	AA-
National Development Bank PLC	AA-

#### 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.

A Risk Management policy is set so as to limit the net financial liabilities to a pre-approved amount. 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 2019; (Refer Note 33 for maturity analysis of non current financial liabilities).

As at 31st March		Company	
		2019 Rs.'000	2018 Rs.'000
Trade payables	Less than 90 days	1,134,872	1,069,322
Accruals and other payables	0-30 days	490,033	495,652
Short-term loans	0-90 days	3,490,030	3,820,650
Bank overdraft	On demand	1,488,238	1,604,647

As at 31st March		Group	
		2019 Rs.'000	2018 Rs.'000
Trade payables	Less than 90 days	4,911,505	5,831,393
Accruals and other payables	0-30 days	1,738,259	1,445,854
Loans and borrowings payable within one year	0-90 days	713,562	401,557
Short-term loans	0-90 days	12,689,406	9,304,414
Bank overdraft	On demand	2,490,901	3,492,206

## 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

As at 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Equity securities-FVOCI	298,899	398,718	1,165,613	805,002

## 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.

Followings are the exchange rate used for the translation of transaction denominated in foreign currencies.

As at 31st March	2019			2018		
	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate
US Dollar	178.02	174.17	176.13	157.49	153.72	155.97
Euro	201.25	194.30	197.80	195.17	188.31	192.22
Sterling Pound	233.92	226.51	230.16	222.58	215.56	219.54

## 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	
	2019 Rs.'000	2018 Rs.'000
Total Debts	4,978,268	5,425,297
Less: cash and cash equivalents	(199,958)	(220,169)
Net debt	4,778,310	5,205,128
Total equity	4,002,439	3,891,945
Net debt to adjusted equity ratio (Times)	1.19	1.34

# NOTES TO THE FINANCIAL STATEMENTS

## 44 FINANCIAL INSTRUMENTS (CONTD.)

As at 31st March	Group	
	2019 Rs.'000	2018 Rs.'000
Total Debts	17,205,797	14,371,568
Less: cash and cash equivalents	(1,277,283)	(1,567,229)
Net debt	15,928,514	12,804,339
Total equity	11,278,735	10,712,655
Net debt to adjusted equity ratio (Times)	1.41	1.20

### 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 OCI Rs'000	Financial assets at amortised cost Rs'000	Other financial liabilities Rs'000	Carrying amount Rs'000	Fair Value Rs'000
As at 31/03/2019					
Cash and cash equivalents	-	199,958	-	199,958	199,958
Trade receivables	-	2,255,931	-	2,255,931	2,255,931
Other receivables	-	898,310	-	898,310	898,310
Equity investments at fair value through OCI	298,899	-	-	298,899	298,899
	298,899	3,354,199	-	3,653,098	3,653,098
Trade payables	-	-	(1,134,872)	(1,134,872)	(1,134,872)
Other payables	-	-	(490,033)	(490,033)	(490,033)
Loans and borrowings	-	-	(4,978,268)	(4,978,268)	(4,978,268)
	-	-	(6,603,173)	(6,603,173)	(6,603,173)

Company	Loans and receivables Rs'000	Available for sale Rs'000	Other financial liabilities Rs'000	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	-	46,539	-	46,539	46,539
Other non-current financial assets	-	352,179	-	352,179	352,179
	3,345,806	398,718	-	3,744,524	3,744,524
Trade payables	-	-	(1,069,322)	(1,069,322)	(1,069,322)
Other payables	-	-	(495,652)	(495,652)	(495,652)
Loans and borrowings	-	-	(5,425,297)	(5,425,297)	(5,425,297)
	-	-	(6,990,271)	(6,990,271)	(6,990,271)

Group	Fair value through OCI	Financial assets at amortised cost	Other financial liabilities	Carrying amount	Fair Value
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
As at 31/03/2019					
Cash and cash equivalents	-	1,277,283	-	1,277,283	1,277,283
Trade receivables	-	4,950,441	-	4,950,441	4,950,441
Other receivables	-	5,723,949	-	5,723,949	5,723,949
Equity investments at fair value through OCI	1,165,613	-	-	1,165,613	1,165,613
	1,165,613	11,951,673	-	13,117,286	13,117,286
Trade payables	-	-	(4,911,505)	(4,911,505)	(4,911,505)
Other payables	-	-	(1,738,259)	(1,738,259)	(1,738,259)
Loans and borrowings	-	-	(17,205,797)	(17,205,797)	(17,205,797)
	-	-	(23,855,561)	(23,855,561)	(23,855,561)

Group	Loans and receivables	Available for sale	Other financial liabilities	Carrying amount	Fair Value
	Rs'000	Rs'000	Rs'000	Rs'000	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	-	442,510	-	442,510	442,510
Other non-current financial assets	-	362,492	-	362,492	362,492
	8,736,260	805,002	-	9,541,262	9,541,262
Trade payables	-	-	(5,831,393)	(5,831,393)	(5,831,393)
Other payables	-	-	(1,445,854)	(1,445,854)	(1,445,854)
Loans and borrowings	-	-	(14,371,568)	(14,371,568)	(14,371,568)
	-	-	(21,648,815)	(21,648,815)	(21,648,815)

# NOTES TO THE FINANCIAL STATEMENTS

## 44 FINANCIAL INSTRUMENTS (CONTD.)

### Fair value measurement hierarchy

As at 31st March Company	Level 01		Level 02		Level 03	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Recurring fair value measurements-</b>						
<b>Assets measured at fair value</b>						
Freehold land	-	-	-	-	864,603	656,802
Equity investments	298,899	399,018	-	-	-	-
	<b>298,899</b>	<b>399,018</b>	<b>-</b>	<b>-</b>	<b>864,603</b>	<b>656,802</b>
<b>Non - recurring fair value measurements</b>						
Net asset classified as held for sale and distribution	-	-	-	-	1,195,825	1,208,670

As at 31st March Group	Level 01		Level 02		Level 03	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Recurring fair value measurements-</b>						
<b>Assets measured at fair value</b>						
Freehold land	-	-	-	-	3,387,136	2,643,788
Biological assets	-	-	-	-	208,082	181,028
Equity investments	1,165,613	805,002	-	-	-	-
	<b>1,165,613</b>	<b>805,002</b>	<b>-</b>	<b>-</b>	<b>3,595,218</b>	<b>2,824,816</b>
<b>Assets for which fair values are disclosed:</b>						
Investment property	-	-	-	-	2,400	13,900
<b>Non - recurring fair value measurements-</b>						
Net asset classified as held for sale and distribution	-	-	-	-	1,223,190	1,757,357
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,223,190</b>	<b>1,757,357</b>

### 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 (2018 - 72,900,000) ordinary shares and 21,870,000 (2018 - 21,870,000) Non-Voting (Class X) Shares listed in the Colombo Stock Exchange.

## 2 SHAREHOLDERS

There were 2,380 (2018 - 2,359) Ordinary shareholders and 2,554 (2018 - 2,616) Non-Voting (Class X) shareholders as at 31st March 2019, distributed into different categories as follows:

### Ordinary Shares

Shares held	2019			2018		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,561	413,992	0.57	1,529	420,266	0.57
1001 - 10000	587	2,211,351	3.03	594	2,284,325	3.13
10001 - 100000	188	6,041,436	8.29	189	6,034,232	8.29
100001 - 1000000	39	9,776,813	13.41	42	9,724,540	13.34
Over 1000000	5	54,456,408	74.70	5	54,436,637	74.67
	<b>2,380</b>	<b>72,900,000</b>	<b>100.00</b>	<b>2,359</b>	<b>72,900,000</b>	<b>100.00</b>

Shares held	2019			2018		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,343	72,351,499	99.25	2,321	72,318,957	99.20
Non-Resident	37	548,501	0.75	38	581,043	0.80
	<b>2,380</b>	<b>72,900,000</b>	<b>100.00</b>	<b>2,359</b>	<b>72,900,000</b>	<b>100.00</b>

Percentage of shares held by public - 46.62%

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	2019			2018		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,553	480,763	2.20	1,580	498,580	2.28
1001 - 10000	736	2,786,189	12.74	771	2,951,305	13.50
10001 - 100000	231	6,687,670	30.58	236	7,316,547	33.45
100001 - 1000000	32	7,590,884	34.71	27	6,779,074	31.00
Over 1000000	2	4,324,494	19.77	2	4,324,494	19.77
	<b>2,554</b>	<b>21,870,000</b>	<b>100.00</b>	<b>2,616</b>	<b>21,870,000</b>	<b>100.00</b>

## SHAREHOLDERS & INVESTORS INFORMATION

Shares held	2019			2018		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,477	20,015,189	91.52	2,542	20,370,096	93.14
Non-Resident	77	1,854,811	8.48	74	1,499,904	6.86
	2,554	21,870,000	100.00	2,616	21,870,000	100.00

Percentage of shares held by public - 96.10%

Percentage of shares held by the Directors together with the members of their families - 0.35%

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	2019		2018	
	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 (Private) Limited	3,276,240	4.49	3,276,240	4.49
4 Associated Electrical Corporation (Private) Limited	3,054,657	4.19	3,034,886	4.16
5 Hotel International (Private) Limited	2,660,689	3.65	2,660,689	3.65
6 Star Packaging (Private) Limited	962,500	1.32	550,000	0.75
7 Bank of Ceylon No. 1 Account	770,657	1.06	770,657	1.06
8 Dr. H.R. & Mr. V.K. Wickremasinghe - Custodian Trustees Martin Wickremasinghe Trust Fund	610,491	0.84	610,491	0.84
9 Hatton National Bank PLC A/C No. 05 (Trading)	556,396	0.76	556,396	0.76
10 Mr. D.G. Wijemanna	481,000	0.66	-	-
11 Mrs. L.K. Goonewardena	422,557	0.58	422,557	0.58
12 Mr. N.K.A. De Silva	391,257	0.54	391,257	0.54
13 S.K. Wickremesinghe Trust (Guarantee) Limited	340,000	0.47	340,000	0.47
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	283,925	0.39
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	244,486	0.34
18 Bank of Ceylon A/C Ceybank Century Growth Fund	237,329	0.33	237,329	0.33
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	232,546	0.32
	60,773,452	83.38	59,860,181	82.12

#### 4 TWENTY LARGEST SHAREHOLDERS - NON VOTING (X CLASS) SHARES

Name	2019		2018	
	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 Paints & General Industries Limited	726,301	3.32	726,301	3.32
4 E.W. Balasuriya & Co. (Private) Limited	672,600	3.08	672,600	3.08
5 Associated Electrical Corporation Limited	540,000	2.47	29,163	0.13
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 Mr. M.A. Jafferjee	378,664	1.73	50,000	0.23
10 Life Insurance Corporation (Lanka) Limited	300,000	1.37	260,000	1.19
11 Mr. D.G. Wijemanne	273,607	1.25	-	-
12 Mrs. C. Jayawardena	261,713	1.20	261,713	1.20
13 Ceylinco Life Insurance Limited Account No. 1	240,000	1.10	240,000	1.10
14 Genesiis Software (Private) Limited	201,868	0.92	201,868	0.92
15 Aruna Equity Care (Private) Limited	188,942	0.86	188,942	0.86
16 Mr. K.C. Vignarajah	181,207	0.83	181,207	0.83
17 Mr. V.T. De Zoysa	176,200	0.81	176,200	0.81
18 Mr. M.J. Fernando	163,500	0.75	163,500	0.75
19 Commercial Bank of Ceylon PLC A/C No. 04	161,400	0.74	161,400	0.74
20 Perera & Sons (Bakers) Limited	150,000	0.69	150,000	0.69
	10,145,304	46.40	8,992,196	41.13

#### 5 MARKET VALUE PER SHARE

	Ordinary Shares		Non-Voting Shares	
	2019	2018	2019	2018
Share price (Rs.)				
As at the end of the year	38.50	58.90	25.60	40.50
Highest price traded	60.00	90.00	43.00	72.00
Lowest price traded	36.00	55.00	25.10	40.00

#### 6 SHARE TRADING

	Ordinary Shares		Non-Voting Shares	
	2019	2018	2019	2018
No. of shares traded	1,508,384	1,517,861	2,364,601	1,786,071
No. of transactions	1,201	1,410	1,221	1,886
Value of shares traded (Rs.)	75,273,758	104,707,368	79,042,006	92,155,525

## 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
2019				72,900,000	21,870,000	1.00

\*Effective rate (Rs. 1.44 per share)

## SUBSIDIARIES AND EQUITY ACCOUNTED INVESTEEES

AS AT 31ST MARCH 2019

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 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 P.R. Saldin 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	Importing, Repacking and Marketing of Agro Chemicals	Crop Solutions	5.00
Crop Management Services (Private) Limited	W.P. Madawanaarachchi D.P. Senadheera	Investment Company	Agri Produce	199.20
Colombo Industrial Agencies Limited	Ms. L.I. Fernando - Chairperson S. de Silva	Owning a Store Complex at Ekala	Industrial Solutions	10.57

Company	Directors	Principal Activity	Segment	Stated Capital Rs. Mn
CIC Lifesciences Limited	S.P.S. Ranatunga - Chairman S. Fernando	Manufacturing and Importing of Pharmaceuticals	Health and 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	O.C.M.J. Wezenbeek - Chairman H.A.W. Heenatigala S.P.S. Ranatunga P.R. Saldin 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	Cultivating and Exporting of Vegetables and Herbs	Agri Produce	312.74
CIC Precision Agricultural Technologies (Private) Limited	S.P.S. Ranatunga - Chairman 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
CIC Healthcare (Private) Limited	S.P.S. Ranatunga - Chairman S. Fernando	Importing & Merchandising of Healthcare Products	Health and Personal Care	-

## TEN YEAR GROUP PERFORMANCE

	2019 SLFRS Rs'000	Re-classified 2018 SLFRS Rs'000	2017 SLFRS Rs'000
<b>Income Statement</b>			
Turnover	30,737,116	33,148,257	32,210,546
Operating profit after interest	(93,250)	(251,921)	852,073
Other income	202,585	673,963	311,298
Share of profit of equity accounted investees	394,788	267,053	334,728
Profit before tax	504,123	689,095	1,498,099
Taxation	(40,428)	(491,865)	(384,066)
Profit for the year from continuing operations	463,695	197,230	1,114,033
Profit/(loss) for the year from discontinued operations	(6,365)	(575,123)	(227,116)
Non-controlling interest	25,909	(35,182)	(333,419)
Profit attributable to equity holders of the company	483,239	(413,075)	553,498
<b>Balance Sheet</b>			
Stated capital	1,008,450	1,008,450	1,008,450
Capital reserves	2,360,463	1,917,975	1,815,568
Revenue reserves	5,848,483	5,611,505	6,237,214
Non-controlling interest	2,061,339	2,174,725	2,354,316
Total equity	11,278,735	10,712,655	11,415,548
Property, plant & equipment	13,279,431	12,275,229	12,645,808
Investment property	2,400	13,900	54,147
Biological assets	208,082	181,028	248,508
Deposit on leasehold property	-	-	-
Capital work-in-progress	353,024	382,247	301,036
Intangible assets	384,362	391,938	168,809
Investments	1,298,570	1,376,659	1,339,958
Net current assets	(1,004,411)	(785,319)	(1,124,166)
	14,521,458	13,835,683	13,634,100
Deferred liabilities	(1,274,866)	(1,280,409)	(431,580)
Long-term liabilities	(1,967,857)	(1,842,619)	(1,786,972)
	11,278,735	10,712,655	11,415,548
<b>Cash Flow Statement</b>			
Net cash inflow/(outflow) from operating activities	(1,874,484)	2,236,464	(132,541)
Net cash inflow/(outflow) from investing activities	(1,155,047)	(2,368,100)	(353,331)
Net cash inflow/(outflow) from financing activities	227,624	(297,636)	(246,839)
<b>Other Information</b>			
Earning per share (Rs.)	5.10	(4.36)	5.84
Dividend per share (Rs.)	1.00	1.00	2.00
Net assets per share (Rs.)	97.26	90.09	95.61
Market capitalisation (Rs. Mn)	3,366.52	5,179.55	7,203.98
Interest cover (No. of times)	1.25	1.47	1.73
Current ratio (No. of times)	0.96	0.96	0.94
Dividend cover (No. of times)	-	-	2.92
Price earnings ratio (No. of times)			
Ordinary	7.55	-	13.71
Non-Voting (Class X)	5.02	-	10.68

2016 SLFRS Rs'000	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
26,666,284	23,496,259	21,559,839	21,582,348	22,477,151	21,045,301	16,610,474
1,117,701	1,005,508	(832,986)	144,176	943,637	1,171,896	386,111
534,705	209,971	577,839	133,902	152,888	226,936	484,852
362,478	207,636	270,071	291,716	277,896	231,179	212,642
2,014,884	1,423,115	14,924	605,324	1,374,421	1,630,011	1,083,605
(366,777)	(397,697)	(72,047)	(174,818)	(353,890)	(466,894)	(356,256)
1,648,107	1,025,418	(57,123)	430,506	1,020,531	1,163,117	727,349
(14,273)	15,425	(1,069,716)	(246,530)	-	-	17,900
(279,542)	(278,916)	155,126	49,339	(157,447)	(236,569)	(155,678)
1,354,292	761,927	(971,713)	233,315	863,084	926,548	589,571
1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450
2,281,833	1,711,501	1,718,327	1,737,451	1,231,163	1,206,900	627,402
5,564,815	4,400,987	3,984,249	5,033,888	5,060,352	4,526,194	3,405,699
2,029,199	1,722,310	1,398,512	1,663,008	1,683,939	1,641,515	1,321,402
10,884,297	8,843,248	8,109,538	9,442,797	8,983,904	8,383,059	6,362,953
12,275,004	10,610,666	9,414,735	8,706,775	7,504,776	6,404,586	4,473,240
51,400	51,400	51,400	14,607	98,999	97,141	83,731
226,382	307,728	67,366	86,262	78,737	74,524	60,765
-	-	-	16,152	13,678	13,964	15,109
72,153	353,518	763,412	1,072,154	531,459	199,877	90,668
137,140	27,683	27,683	147,911	159,017	95,255	79,882
945,217	1,457,106	1,449,913	798,468	712,909	623,147	545,598
(1,929,784)	(2,084,183)	(2,158,904)	261,136	1,237,260	2,084,896	1,937,514
11,777,512	10,723,918	9,615,605	11,103,465	10,336,835	9,593,390	7,286,507
105,275	(773,775)	(648,946)	(662,939)	(701,318)	(603,471)	(431,201)
(998,490)	(1,106,895)	(857,121)	(997,729)	(651,613)	(606,860)	(492,353)
10,884,297	8,843,248	8,109,538	9,442,797	8,983,904	8,383,059	6,362,953
(451,359)	1,998,599	2,343,127	(1,001,983)	(1,307,519)	(299,377)	1,341,368
(1,436,441)	(1,420,071)	(1,219,656)	(1,499,063)	(1,663,267)	(837,282)	(533,763)
(2,473,931)	1,261,253	77,112	552,409	(94,104)	(214,538)	(333,403)
14.29	8.04	(10.25)	2.46	9.11	9.78	6.22
4.00	3.00	-	1.63	3.20	2.75	1.85
93.44	75.14	70.81	82.08	77.02	71.14	53.20
8,525.66	6,800.11	4,132.70	5,466.04	8,392.98	13,661.46	5,908.55
3.73	2.75	0.08	1.22	2.98	4.26	2.58
0.90	0.86	0.87	1.02	1.08	1.20	1.22
3.57	2.68	-	1.51	2.85	3.56	3.36
6.68	9.46	-	26.75	10.49	15.85	10.93
5.00	7.17	-	20.44	7.15	11.05	6.99

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## NOTICE OF MEETING

NOTICE is hereby given that the Fifty Sixth Annual General Meeting of CIC Holdings PLC will be held at the 9th Floor, Commercial Bank, No.1, Union Place, Colombo 2 on Friday 28th June 2019 at 9.00 a.m.

1. To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.
2. To declare a dividend.
3. To re-elect Directors;
  - (i) To re-elect Mr. S.M. Enderby who retires in pursuant to Article 25(6) of the Articles of Association of the Company.
  - (iii) To re-elect Mr. P.R. Saldin who retires in pursuant to Article 25(6) of the Articles of Association of the Company.
4. To vote a sum as donations.
5. To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board

**Shermal Fernando**

Company Secretary

23rd May 2019

### **Note**

*A Member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote in his/her place. But this does not enable a holder of Non-Voting (Class X) Shares or his/her proxy to vote at the meeting.*

*A proxy need not be a member of the Company.*

*Members wishing to vote/attend by proxy at the meeting may use the proxy form enclosed.*

*The completed form of proxy should be deposited at the Registered Office; CIC House, 199, Kew Road, Colombo 2 not less than 48 hours before the time of holding the meeting.*

*Provided the final dividend recommended is adopted, it is proposed that dividend warrants be dispatched on 09th July 2019.*

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## FORM OF PROXY ANNUAL GENERAL MEETING

I/We .....  
of .....being a  
member/members of the CIC Holdings PLC hereby appoint:

Shiran Harsha Amarasekera	of Colombo or failing him
Samantha Pradeep Samarawickrama Ranatunga	of Colombo or failing him
Rusi Sohli Captain	of Colombo or failing him
Steven Mark Enderby	of Colombo or failing him
Shermal Fernando	of Colombo or failing him
Mahinda Preethiraj Jayawardena	of Colombo or failing him
Prawira Rimoe Saldin	of Colombo or failing him

.....  
as my/our Proxy to represent me/us and \*..... vote for me/us on my/our  
behalf at the Annual General Meeting of the Company to be held at 9.00 a.m. on 28th day of June 2019 and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand and Nineteen.

.....  
Signature

**\* Note:**

*If you wish your Proxy to speak at the Meeting you should interpolate the words 'to speak and' in the place indicated with an asterisk and initial such interpolation.*

**Instructions as to Completion**

1. Perfect the Form of Proxy, after filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at the undermentioned address not less than 48 hours before the time appointed for the holding of the Meeting.

CIC House  
199, Kew Road  
Colombo 2

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## NOTES

A series of horizontal dotted lines for taking notes.

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# FORM OF PROXY

## ANNUAL GENERAL MEETING

### NON-VOTING (CLASS X) SHARES

I/We .....

of .....being a

member/members of the CIC Holdings PLC hereby appoint:

Shiran Harsha Amarasekera	of Colombo or failing him
Samantha Pradeep Samarawickrama Ranatunga	of Colombo or failing him
Rusi Sohli Captain	of Colombo or failing him
Steven Mark Enderby	of Colombo or failing him
Shermal Fernando	of Colombo or failing him
Mahinda Preethiraj Jayawardena	of Colombo or failing him
Prawira Rimoe Saldin	of Colombo or failing him

.....  
as my/our Proxy to represent me/us and \*..... on my/our

behalf at the Annual General Meeting of the Company to be held at 9.00 a.m. on 28th day of June 2019 and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand and Nineteen.

.....  
Signature

**\* Note:**

*If you wish your Proxy to speak at the Meeting you should interpolate the words 'to speak' in the place indicated with an asterisk and initial such interpolation.*

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CIC House  
199, Kew Road  
Colombo 2



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# 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  
371, R A De Mel Mawatha, Colombo 03

## 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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Softwave Printing and Publishing (Pvt) Ltd



**CIC Holdings PLC**  
199, Kew Road, Colombo 2, Sri Lanka  
[www.cic.lk](http://www.cic.lk)