OUR CANOPY STRETCHES FAR

CIC HOLDINGS PLC | ANNUAL REPORT 2012/13

OUR CANOPY STRETCHES FAR

Our 'canopy' of business is a far flung eco-sphere supporting an eclectic diversity of both agri and non-agri business streams. It portrays the vibrancy of the mix, where focus and shift in strategy can only contribute to the lushness of CIC's enterprise. It has been an extremely challenging year for CIC. Through it all, the Group stood firm, leveraging its inherent strengths. We also hold firm to our overarching goal of nurturing life.

Both to the eye and in reality, the 'CIC canopy' remains healthy and lush…else it could not stretch as far as it has. It is living testament to CIC's resilience in the face of challenge. With substantial resources at its command and based on strengths derived from diversified business streams and a commitment to value addition, the Group faces the future with confidence.

Vision

To be an innovative Group of Companies creating value through effective fulfillment of market needs.

Mission

To enhance the quality of life of people in the region by developing a diverse portfolio in Healthcare, Industrial, Consumer Products, Crop Solutions and Services, driven by customer satisfaction and improvements in technology. We will harness the potential of our people to derive competitive advantage and to add value to stakeholders whilst safeguarding the environment.

Value

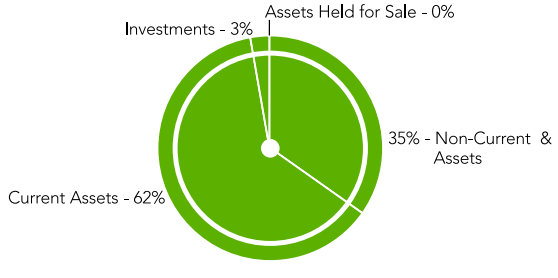
Accountability
Customer Satisfaction
Good Governance
Integrity
Mutual Respect
Open-Door Policy
Protection of Environment
Quality
Sustainability

Contents

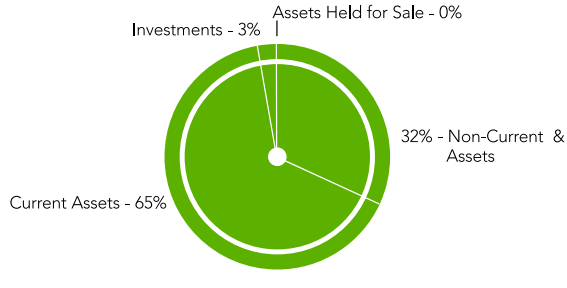
FINANCIAL HIGHLIGHTS

		Group		
		2013	2012	Variance %
Earnings Highlights and Ratios				
Group revenue	Rs. '000	23,822,198	22,477,151	6
Group profit before interest and tax	Rs. '000	1,554,507	2,067,832	(25)
Income tax expense	Rs. '000	92,098	353,890	(74)
Profit for the year	Rs. '000	184,496	1,020,531	(82)
Total comprehensive income for the year	Rs. '000	725,045	1,069,488	(32)
Profit attributable to equity holders of the Company	Rs. '000	230,929	863,084	(73)
Dividends	Rs. '000	154,475	303,264	(49)
Basic/Diluted earnings per share (EPS)	Rs.	2.44	9.11	(73)
Interest cover	Number of times	1.22	2.98	(59)
Return on equity (ROE)	%	2.00	11.74	(83)
Return on assets (ROA)	%	8.16	11.47	(29)
Pre-tax return on capital employed (ROCE)	%	7.87	12.99	(39)
Financial Position Highlights and Ratios				
Total assets	Rs. '000	28,928,866	26,113,904	11
Total equity	Rs. '000	9,408,864	9,001,076	5
Total debts	Rs. '000	12,144,883	8,974,520	35
Equity attributable to Equity holders of the Company	Rs. '000	7,759,849	7,314,386	6
Number of shares in issue	Number	94,770,000	94,770,000	–
Net assets per share	Rs.	81.88	77.18	6
Debt/Equity	%	129.08	99.70	29
Debt/Total assets	%	41.98	34.37	22

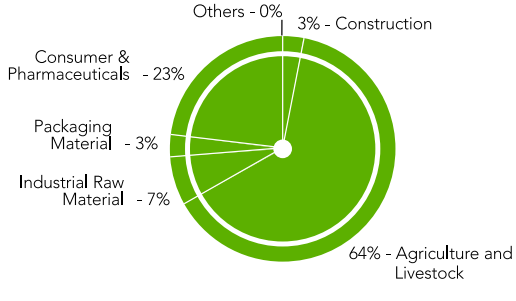
Total Assets - 2013



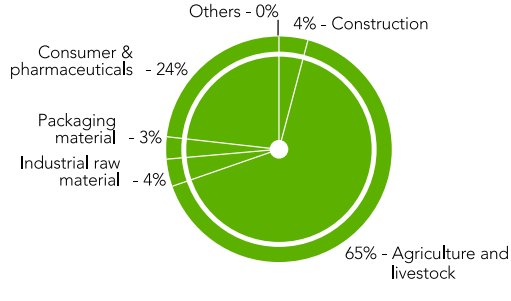
Total Assets - 2012



Group Revenue - 2013

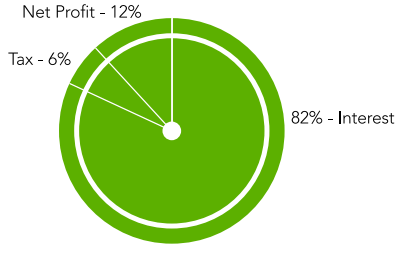


Group Revenue - 2012

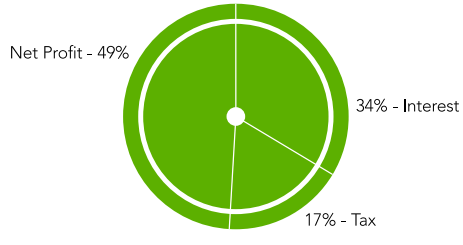


		Group		
		2013	2012	Variance %
Market/Shareholder Information				
Market price per share as at 31st March				
Ordinary	Rs.	61.00	95.60	(36)
Non-Voting (Class X)	Rs.	46.60	65.10	(28)
Dividend per share				
Interim Paid	Rs.	0.63	1.60	(61)
Final Proposed	Rs.	1.00	1.60	(38)
Market capitalisation	Rs. million	5,466	8,393	(35)
Price earnings ratio				
Ordinary	Number of times	25.00	10.49	138
Non-Voting (Class X)	Number of times	19.10	7.15	167
Other Information				
Credit rating	RAM rating	A/P2	A/P2	–
Total employees	Number	2,191	2,203	(1)
Revenue per employee	Rs. '000	10,873	10,203	7
Total value addition to employees	Rs. '000	1,590,760	1,366,112	16
Value addition to lenders of the capital	Rs. '000	1,510,508	841,934	(79)
Total taxes paid to Government	Rs. '000	598,860	909,033	(34)

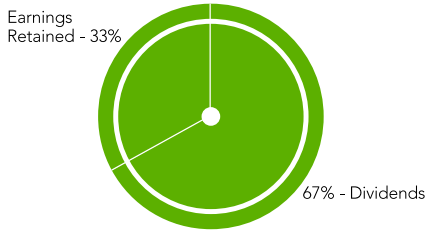
Profit Before Interest and Tax - 2013



Profit Before Interest and Tax - 2012



Earnings Retained vs Dividends - 2013



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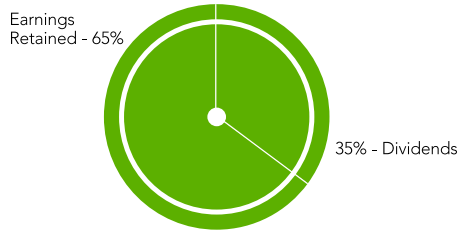


INNOVATION

One of the key factors that contributes to the lushness of our 'canopy' of business is – innovation. We are strong on research and development...always have been. In fact, we spent over Rs. 150 million in areas such as new product development, enhancement of quality specifications and clinical trials of existing products.

Our research is constantly looking at a variety of issues from new seed varieties of paddy, fertilizer utilisation ratios and milling efficiency to agricultural machinery that is right for the times.

We are justifiably proud of the fact that our pursuit of innovation together with meticulous research led CIC to develop and introduce a new variety of rice - the first to be introduced by a private sector entity in Sri Lanka.

The Company operates one of the most advanced and up to date tissue culture laboratories in the country. Initial steps have been taken to establish a similar facility in Bangladesh to produce banana and seed potato for the local market and grasses and sedges for Western Australia.

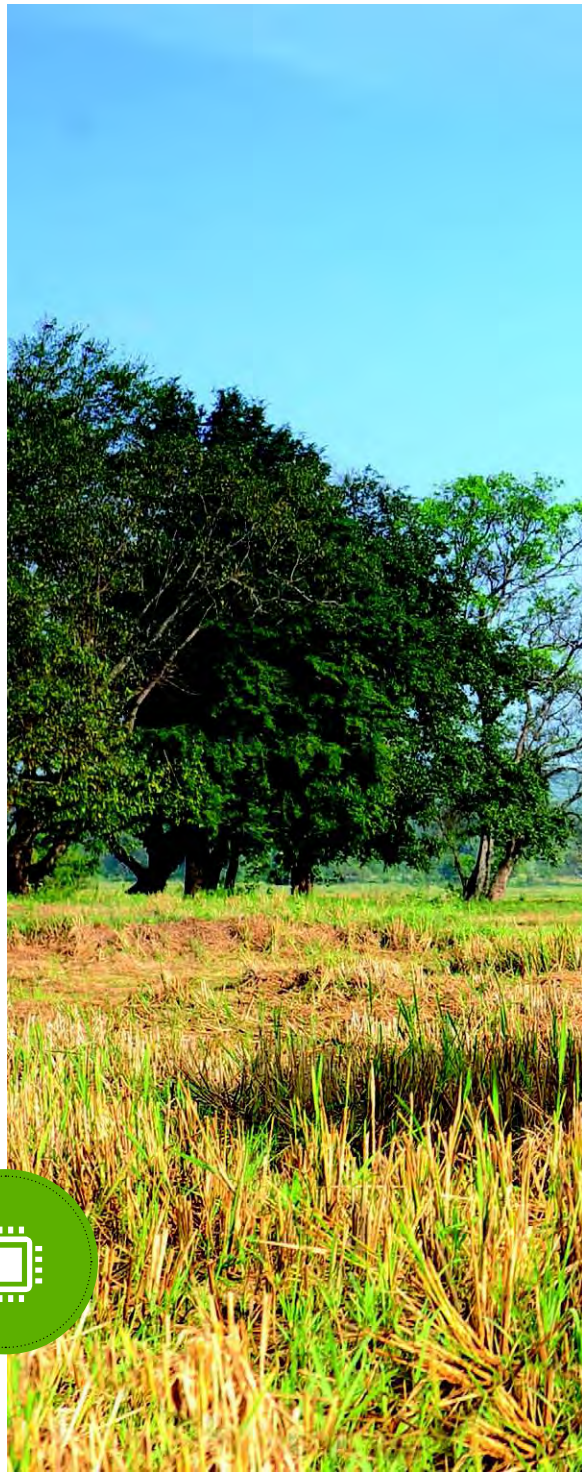
TECHNOLOGY

It is true that the 'vibrant green lushness' of our enterprise has much to do with the pursuit and implementation of modern technology and new farming techniques. Yet we exercise due care in how and where we apply them.

For instance, the farming profession faces labour shortages, mainly due to a lack of take up on the part of upcoming generations. Whilst we are actively addressing that aspect of the problem, we are also addressing the immediate need, through measures such as the deployment of mechanized threshing machinery to farmers. Today, more than half of all harvesting in Sri Lanka is done by machines.

Other examples of our deployment of technology include investment in a seed coating process that ensures the provision of high quality seed to farmers. Likewise, we provide farmers with access to premium plants with high levels of fertility, yield and resistance to pests.

Fact – examples of CIC's R & D initiatives are visible across an increasing extent of the farming landscape of the country.




CIC Agri
4710
New Holland

NUTRITION

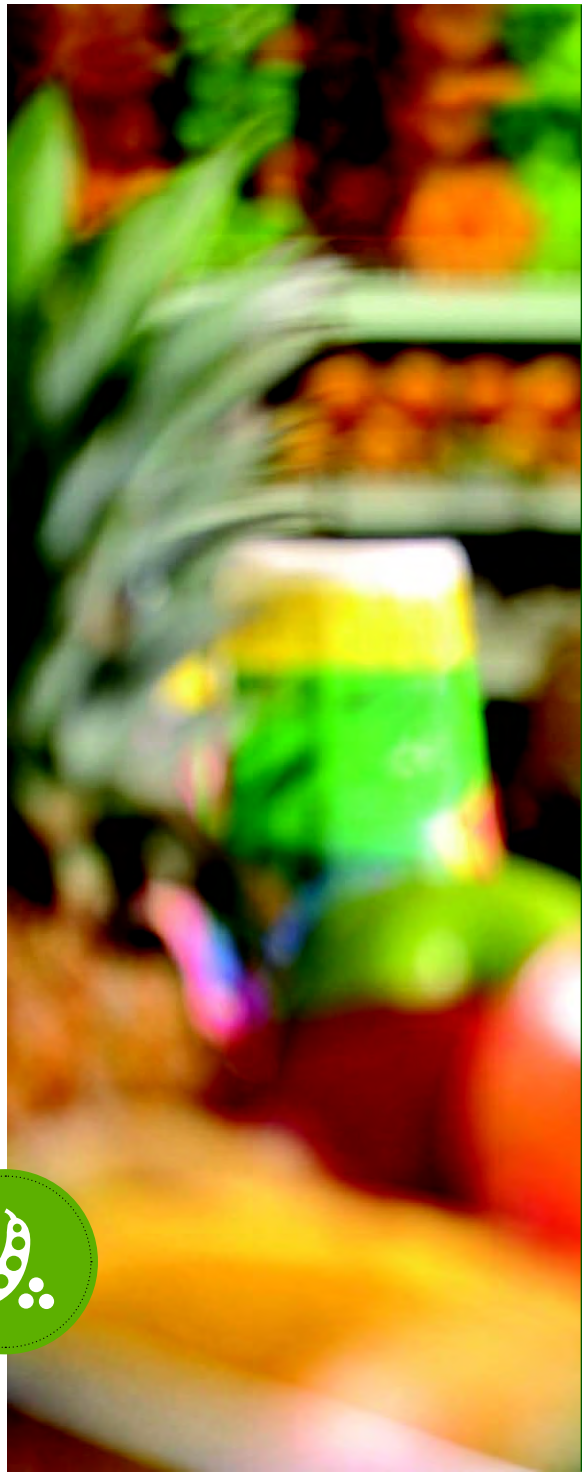
CIC's 'giant' presence in the field of agri-business and its commitment to value addition across a vast range of products gives it one of the largest footprints in Sri Lanka's nutritional landscape.

Our portfolio spans, 'Golden Crop' a range of rice varieties grown in our own farms, premium quality chicken raised in an environmentally controlled breeder farm under very strict bio-security measures, a superior mix of spices milled from the best quality raw materials using modern technology, CIC Canned Fish, 'Fresheez' our brand of top quality fruits and vegetable products of our own farms and from selected out growers and 'Juiceez' a variety of fruit juices.

The processed fruit and vegetable products division of CIC Agri Foods is equipped to offer both thermally sterilized and frozen products. The products range from Cordials, Jams, Sauces, Chutneys, Treacle ... etc. to fruit juice, fruit pulp and canned fruits and vegetables.

CIC also has invested heavily in the dairy sector and producing eggs, curd and yoghurt from its own farms, manufacturing, storing and transporting them under the strictest hygienic conditions. The preservation of freshness and quality is our utmost priority.

Our portfolio also includes, 'Samahan' and 'Paspanguwa', the two key products from our highly successful 'Link' herbal healthcare range.



EDUCATION

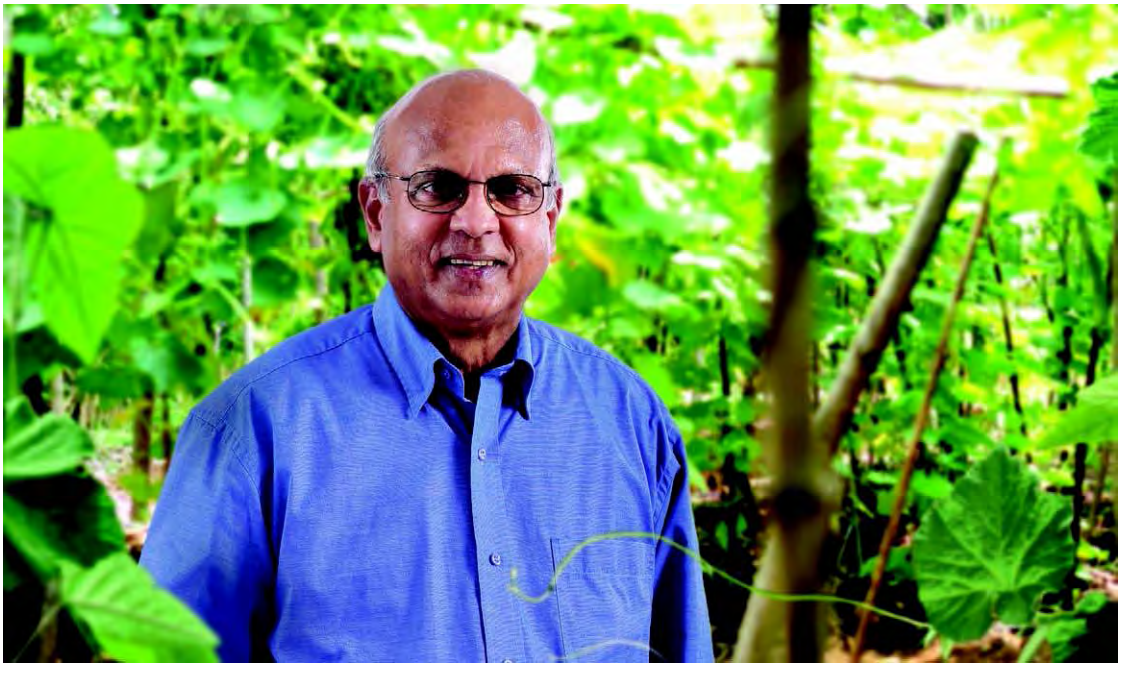
The 'stretch of our business canopy' has blessed CIC with unique positioning within key communities of Sri Lanka. Education is a subject very close to our heart. We approach it broadly through two channels.

Firstly, being very active in the agri-business sector, we believe that the future of the sector will depend very much on an 'educated' awareness of its key stakeholders. To that end, we espouse totally, the cause of education and knowledge sharing amongst the farming communities.

For example, after the war, CIC became actively engaged with dairy farmers in the North and East of the country, updating their knowledge and skills to improve the genetic stock of their livestock. We have myriad such educative programmes that run across other agri-sectors, communities and geographies in Sri Lanka.

Secondly, we are committed to uplifting educational standards amongst the wider community too, via the efforts of CIC Group constituent projects, such as the offer of scholarships to children of employees who excelled in their studies and an initiative to instruct students of the Sanghabodhi Vidyalaya in Mahiyangana on English Language.

CHAIRMAN'S STATEMENT



Our major focus has shifted to contributing to the improvement of incomes of rural communities, sharing in their prosperity while making available safe and nutritious food to consumers.

With the completion of another year, we have now come to the 50th Annual General Meeting of the Company. On behalf of the Board of Directors, I welcome you to this important milestone meeting. The Annual Report together with the audited statement of accounts of the Company and the Group sets out the performance of the different business entities which fall under the umbrella of the CIC Group. The report provides stakeholders with an overview to assess the results of the spectrum of businesses, their constraints and available opportunities.

Over the years the Company has undergone a complete metamorphosis and moved away from the foundation laid at incorporation, which was to service industry with a full range of chemicals. Over these forty nine years we have continued to add new products while exiting products and businesses which were not viable. We took pride with what we called 'the silent contribution encompassing transfer of technology to industry and agriculture'. The direction of the Company still continues with the transfer of technology but our major focus has shifted to contributing to the improvement of incomes of rural communities, sharing in their prosperity while making available safe and nutritious food to consumers. With this change we changed the name of the Company and redesigned the roundel associated with Chemicals and Paints. I am fortunate to have been a participant in this evolutionary change over the last 38 years. The direction and contribution of the Company owes much to the leaders of their time such as Messrs S.K. Wickremesinghe, Chris De Saram and S. Srikanthan. I was privileged to follow in their footsteps as Managing Director.

As highlighted earlier our focus is now on the agricultural sector which was impacted last year by climatic change, drought, flood and other disasters, but nevertheless returned an improved performance in comparison to the previous year. Overall Agriculture grew by 5.8% in comparison to the 1.4% in the previous year largely due to the Government's thrusts at improving productivity of our limited land resources, hence rural incomes. The Government continues to provide the farming community substantial incentives including an unprecedented level of subsidy on fertilizer, which in addition to improving productivity, has a major negative connotation. Firstly, it has weaned the farmer away from managing the soil which undoubtedly is a vital component. If agriculture is to succeed we need to reinforce the belief that judicious use of fertilizer coupled with soil management, is the way to sustainable revenue and returns. Secondly, excess fertilizer has polluted ground water, reservoirs, streams and rivers which will take a long time to bring back to balance.

On the flip side of the coin fertilizer marketing companies are facing unpalatable stress with cash flow difficulties and escalating high interest charges owing to delays in reimbursing the fertilizer subsidy payments. Our results this year reflect the adverse impact of the delay in subsidy reimbursements and also the impact of price controls with poor infrastructure to effect necessary revisions to ensure the viability of companies with a portfolio of product under price control.

Domestic Corn production has increased from 40,000 tons to over 200,000 tons completely eliminating the need for imports.

Following two years of growth at over 8% the economy expanded at a lower 6.5% for the year under review in the face of numerous challenges, both domestic and global. This growth rate is conceded as healthy, taking note of the unfavourable weather impacting agriculture, disruption to hydropower generation, the dip in global growth and fiscal measures taken to address the expanding trade deficit. The policy measures implemented has contained inflation and reduced unemployment to an all-time low. Interest rates however witnessed a substantial increase, which directly impacted on our company due to the enhanced levels of borrowings. The key contributor to growth was the industry sector with the massive accelerated infrastructure programme undertaken by the Government.

Even though the agricultural sector *per se* recorded a significant increase in the growth rate as highlighted above, our performance in the agribusinesses was dismal with an overall negative impact on the Group. You are no doubt aware, we remain the largest cultivator of paddy in the country cropping near 1,500 acres over two seasons.

Our crops this year were adversely affected by floods and drought. This not only reduced overall production but substantially lowered the seed out-turn ratio forcing us to sell a substantial quantity of seed paddy grown at considerable additional cost as commercial rice. Our seed operations consequently suffered a setback recording a loss for the first time since we started this business. We however, maintain our position as the preferred supplier of seeds and planting material. Adverse weather also impacted farm machinery sales with the consequent build-up of stocks. The biggest impact however was due to the delay in receiving subsidy settlement. Through most of the year under consideration subsidy receivable by the Company remained at around Rs. 6.0 billion, which was in turn funded by borrowings from the banking sector. Our innovative approach and scientific development should help us to bounce back in the new year with reasonable weather and the Government releasing subsidy settlement on time as promised. The Ministry of Finance has agreed to implement a new system for this reimbursement.

Our Feed Mill was also impacted due to the price escalations in feed ingredients which could not be recovered from the farmers in its entirety as the farmers themselves suffered losses as the control price remained static. Number of small time farmers could not bear the losses and thus exited the industry. The Feed Millers recorded losses for the year with non-availability of grain at a workable price over a period. Following the shortage of grain in world market three years ago, the Government gave the necessary impetus to grow corn required by the feed industry. Domestic corn production has increased from 40,000 tons to over 200,000 tons completely eliminating the need for imports. A similar programme is being encouraged for the Soya bean requirements in the Thriposha Programme and for inclusion in animal feed. CIC Agri Businesses will continue to be a major participant in these programmes. With negative elements of fluctuating prices and shortages eliminated and a price increase for chicken implemented, the industry now makes an acceptable return. We are currently making substantial investment in the Breeder and Broiler operations. Per capita consumption of chicken is expected to double in the short term, which will help us reap benefits of scale in this business.

Akzo Nobel Paints Lanka (Pvt) Limited had a poor year as the construction industry continued to delay projects due to slow demand for space in the apartment complexes already completed. The paint industry witnessed a volume contraction for the first time after a number of years. Akzo Nobel Paints Global, our major shareholder, continued to infuse new technologies to this operation which will ensure that the Company retains its market leadership position gained over the past thirty years. In developing colour solutions or addressing a technical issue Akzo Nobel retains a leadership role with competition following the various initiatives undertaken. With the current improvement in construction activity, we should see a substantial increase in return by this operation.

Our major new investment currently is in the Dairy sector, where we have joined the Government initiative to increase milk production. Over the years we had developed a herd at Hingurakgoda with a focus on creating the necessary organic matter to improve soil conditions. With experience in managing and upgrading the resultant herd we came to appreciate that proper nutrition and management would give a four-fold increase in milk output thus opening a very viable business generating cash returns in line with our expectations. We have now invested in an artificial insemination programme to improve the herd in the medium term. The experience gathered in this area has prompted us to secure two Dairy Farms from the Mahaweli Livestock Development Board. Each of these farms encompasses 500 acres. We are currently developing the infrastructure in these properties together with facilities to link up with the Dairy Farming community inculcating good management practices, advice on feed and nutrition and also linking their production to our supply chain. We currently have nearly 5,000 farmers working with us in the Eastern and North-Central Provinces. Our yoghurt plant set up at Siddhapura in the Eastern Province currently produces an average of 50,000 yoghurt cups a day. We are also in the process of setting up a state-of-the-art milk processing facility at Dambulla. This facility which is capable of processing 25,000 litres of milk a day when fully completed, is expected to start trial production by end June this year. With this facility, we would strengthen the bond with rural communities, which in the long-term would help provide Sri Lankans with milk proteins, while helping to reduce fertilizer inputs by adding organic matter to our soil.

Our pesticides business had to face numerous challenges owing to the perception built on unsubstantiated and scrappily carried out tests that pesticides were responsible for safety and health issues suffered by the farming community. A review was also carried out on a number of older molecules which the Registrar considered prudent to eliminate from the approved list. On our part we have continuously educated the farmers in the judicious use of pesticides which is a pillar on which modern agriculture is built. Education of the farmer is vital in ensuring the safe and effective use of pesticides both to himself and the ultimate consumer of the fruits of his labour. We are leaders in this education process which is good for the farmer, the country and also our business.

Link Natural Products continue to gain market acceptance. '*Samahan*' our flagship product now has a companion '*Sudantha'*, the herbal toothpaste. We are adding to capacity in this facility for which we have got certification of quality manufacturing standards. We are confident that Link Natural Products will be a major contributor to the Group in future, as it carries to the world at large traditional knowledge acquired over two thousand five hundred years, packaged with cutting edge science based manufacture.

CISCO Speciality Packaging, Johnson & Johnson and Pharmaceuticals have enjoyed an average year.
The Food and Personal Care divisions have suffered a setback as we were unable to dispose of some items within the stipulated expiry period. The write-offs in these areas coupled with higher interest charges, have affected our profit.

Chemanex Group recorded another poor year with all export subsidiaries failing to secure orders as anticipated. Though volumes and turnover recorded an improvement in comparison to the previous year, we failed to achieve the necessary critical mass in order to generate a return. A number of our customers continue to place orders and negotiate with us on our track record on supply chain management. Margins however seem to elude us with competition from both China and India capturing market share at lower prices. The investment in Chemcel has been a drag on the overall performance of the Chemanex Group as a number of technical issues slowed down the commissioning of the first stage, hence commercialisation. Our principal buyer too took considerable time in putting these technical issues to rest and also adding the final touches to progress their investment into the second stage. They have obtained Board approval for this investment which is still pending the Joint Venture Agreement is finalised. We anticipate that this would be finalised by end June 2013.

Our performance both in the Company and the Group was a major disappointment. Even though turnover improved by 4.13% for the Company and 5.98% for the Group, working capital management and delay in subsidy reimbursements and high interest rates enhanced interest charges in the Company and the Group contributing to a reduction in profit after taxation.

In November 2012, we declared an interim dividend of Rs. 0.63 per share. The Directors now recommend a final dividend of Rs. 1.00 per share bringing the total dividends to Rs. 1.63 per share.

In a challenging year when purchasing power declined with a tight liquidity position, we too witnessed the change. For example, the average volume of a basket of goods purchased from our outlets saw a reduction. The Managing Director and the team had a difficult task and I thank them for their efforts and dedication. The Board of Directors has had many challenges and I thank them for their inputs and guidance. My thanks and appreciation goes to the staff at all levels for their commitment and innovation, which made even these results possible. Finally, my thanks to our business partners and shareholders for bearing with us in a difficult year.

B.R.L. Fernando
Chairman

22nd May 2013

MANAGING DIRECTOR/CEO'S STATEMENT

Year 2012 was extremely challenging for us...despite these adverse circumstances, I am happy to state that we have strived to maintain our competitive edge during the year under review.

CIC has earned a solid reputation as an ethical company adding value through its ability to use the richness of the soil, indigenous resources and talent to uplift the community. Our unique proposition endures to touch the lives of people across the country by improving their quality of life through health, nutrition and livelihood.

Operationally, year 2012 was extremely challenging for us. Drought affected Yala season, heavy rains in the Maha season, delay in fertilizer subsidy settlement, increasing raw material prices of feeds and lower consumer confidence negatively impacted the Group performance during the year. However, despite these adverse circumstances, I am happy to state that we have strived to maintain our competitive edge during the year under review.

OPERATING ENVIRONMENT

From an agricultural perspective it was one of those unfortunate years where both agricultural seasons in the country failed due to weather. CIC being predominantly an agriculture focused company with high dependence on the prosperity of the farming community and improvement of the rural economy encountered much challenges during the year.

The Yala season which accounts for approximately 40% of the country's cultivation was affected by a severe drought causing extensive crop damage. In addition, misleading information of arsenic in crop protection created a shortage of key pesticides in the market which could not be made available to farmers on time. As a result, the opportunity of getting the benefit of market conditions, which were already restricted by the weather, diminished further.

Although the Maha season started off well, it was subsequently hampered by unseasonal rain, which also destroyed fairly large acreages of crop leading to uneven demand patterns and trading conditions. Restriction of trading cycles led to poor performance on an overall basis while the delay in fertilizer subsidy settlement pushed up the gearing levels in a high interest rate regime, increasing the finance cost of the Company. In addition to the above factors, the depreciated Rupee, reduced purchasing power of farmers and slow growth in bank lending negatively impacted the agri machinery sector during the year. Hence, overall 2012 has been an extremely challenging year for us.

BUSINESS PERFORMANCE

In analysing the businesses within the CIC Group, the FMCG sector in which we are present with pharmaceutical and other consumer products experienced a decline in volume during the year. Products such as Johnson & Johnson suffered in the market as consumers moved to cheaper options, especially in the baby care range, pressurising the margins and affecting overall profitability of the Company.

Feed industry was impacted by high raw material prices caused by a price hike of imported soya, shortage of maize and broken rice in the market. The resultant price escalation in feed ingredients caused the demand to wane especially for broiler feed, while most small scale broiler farmers gave up their investments during the year. Further, we could not pass all cost escalations to the farmers due to chicken being a price controlled product. Depressed demand in the market impacted the production of day-old chicks as well. As regards to poultry, which is the cheapest source of protein in Sri Lanka, witnessed an increase in demand fuelled by the influx of tourists and chicken being a religiously neutral product. However, margin recovery was only possible in the latter part of 2012, when the Government allowed an interim price revision.

The seed paddy market remained challenged as a result of erratic adverse weather conditions and increased competition from small operators. Despite these challenges, we secured our market share of over 30%, although expansion was not possible due to the above factors. In the vegetable seeds industry, we invested in a state-of-the-art production factory to produce high quality coated seeds, embracing the latest technology. This enabled us to gain significant market share in the local vegetable seed market during the year.

Our aim is to introduce more innovative products embodying the latest technologies, which would revolutionise the medical industry in the upcoming year.

Our performance in the rice exports market was commendable, with our rice mill running at maximum capacity, supplying to countries such as Canada, Australia, Germany and Italy. We also gained a significant share in the non-price control premium market with our rice products.

Crop protection business which consists of SBU, Crop Solutions and subsidiary, Cropguard, had tremendous challenges brought about by the restrictions placed by the Government on agro chemical import, storage and usage. The highlight during the year was, our principal Messrs Syngenta of Switzerland which is the largest crop care company in the world exclusively aligning with the CIC Group. Going forward, this will enable us to introduce some of the latest technologies in providing total solutions to agriculture, especially in the paddy sector.

Commodity food products and the newly acquired Supermax agency suffered due to suppressed market conditions and issues with the distribution strategy. We have now completely revamped the entire team to move forward competently to achieve favourable results.

As agriculture remained challenged during the year, our chemical related business also had a fairly difficult year. The paint binders and ancillary business of adhesives did extremely well, especially with the volume expansion in the paint industry. Some of the painstaking product innovations done by our team paid rich dividends during the year. In water treatment, our principal partner, Nalco, has now tied up with Ecolab, also expanded its market base with extremely high tech water treatment solutions for the Sri Lankan market.

In the pharmaceuticals sector, we performed substantially well, specially with new initiatives in the area of surgical products. The new wound care solutions have been a boon to chronic wound patients as it enables wounds to be treated for a period of three weeks without needing a regular change of the dressing. This has gained much popularity especially in the rural sector as it eliminates the need for patients to travel frequently to medical clinics. Our aim is to introduce more innovative products embodying the latest technologies, which would revolutionise the medical industry in the upcoming year. We also strengthened our relationship with Abbott Neutraceutical and with CCL, a new agency from Pakistan during the year.

With expansion of facilities and automation, our writing instruments business which encompasses the famous Platignum brand colouring sticks, again performed well last year. Our packaging subsidiary CISCO had a challenging year with the declining demand for beverages, specially carbonated soft drinks due to perceived health issues and increased regulations, resulting in erosion of margins.

Link Natural Products relaunched Samahan and Sudantha. A study carried out by the Sri Lanka Medical Council on a trial held at one of the leading garment factories showed that regular drinking of Samahan reduced incidents of upper respiratory diseases amongst the sample of workers. Also a similar study done on the dental patients at the Dental Faculty in Peradeniya indicated that people who use Sudantha have lower incidence of gum diseases. To support these claims, very effective advertising campaigns were launched supported by a distribution drive which led to a sizeable increase in turnover and market share. We hope to carry this into the coming year as well.

Chemenex had a challenging year due to depressed local and export markets. Intense competition in the export sector increased bargaining power of customers creating a challenging environment for business to move forward.

STRATEGIC THRUST

Our strategic thrust is to become independent of weather by focusing more on the agriculture industry than farming. We have looked at unrelated sectors and also methods of value addition in agriculture to minimise seasonality and become independent of the vagaries of growing. One of our key strategic initiatives in this regard has been our investment in the dairy industry, where we are in the process of commissioning a plant in Dambulla for value added milk products. Our yoghurts which are made in Punani have a very high consumer acceptance. In the ensuing year, we will add more capacities to triple yoghurt production. Despite poor performance in the fruit and vegetable industry during the year, value additions in Kelani Valley Canneries (KVC) resulted in a significant improvement in performance. Our focus has always been to bring our farm fresh produce to the urban area. Hence, people's strong association with freshness and nutrition that comes with the CIC brand enabled us to gain market share during the year.

PROMISING FUTURE

Despite the challenging conditions, long-term trends based on population growth and rising living standards remain promising. With the world food security, it is widely envisaged that agricultural output will need to increase substantially to feed a population of eight billion in 2050, with essentially the same or smaller land area. This challenge also brings with it a great deal of opportunity for the growth in agriculture. Taking this into perspective, our strategic focus was changed last year to 'food and nutrition' from our previous slogan of 'seed to shelf.' Accordingly, we are now focused on providing healthy nutrition to the increasing population of our country and the region.

Refocusing for the future with our product portfolio, we have commissioned Messrs MTI Consultants to carve out the growth strategy for the future evaluating our dependence on agriculture.

Going forward, we have also strategised to stabilise our dairy business and expand the trading business. We will also focus on recovery of businesses that performed adversely during the year.

Although 2012 has been a difficult year, we are intently focused and extremely stable, looking forward to achieving a meaningful growth in Sri Lanka as we find even better ways to serve our stakeholders who remain such a crucial part of our success.

S.P.S. Ranatunga
Managing Director/CEO

22nd May 2013

10,000 acres of our own farmland...an 'end to end' style operation...we are the only Company to offer a 'Seed to Shelf' operation in Sri Lanka.

BUSINESS REVIEW

AN ALL-ENCOMPASSING DIVERSITY...

....characterises the business of CIC. When we say 'our canopy stretches far', we allude to several truisms; we own the 'largest footprint' in Sri Lanka's agricultural landscape, with operations across every sector of that industry – from seed to shelf; our portfolio also encompasses many non-agri businesses of great value. This great diversity of enterprise enables us to touch and enrich the lives of millions of Sri Lankans every day.

Our strength in Sri Lanka's agricultural firmament remains undiminished.

With over 10,000 acres of land under cultivation and ownership, a network of over 20,000 outgrowers and an operation that spreads from laboratory through nursery, field, crop protection, dairy and poultry, to the promotion and marketing of produce, value addition, packaging and placing products on shelves of stores across Sri Lanka and overseas, CIC's 'canopy stretches far'!

With over
10,000 acres of land
under cultivation and ownership

CIC contributes 5% of the total agriculture GDP of Sri Lanka.

Our non-agri business sector has interests in herbal products that draw on heritage ayurvedic traditions, pharmaceuticals and healthcare products, consumer products, adhesives, packaging, industrial raw materials and paints. Here is a look at how we performed in the various sectors of enterprise.

AN UNEVEN YEAR FOR SEED

The year under review saw a prolonged drought which severely affected paddy cultivation, particularly the Yala season, whilst macroeconomic conditions that prevailed in the country too impacted performance.

Seed paddy sales fell short of the target by 32,000 bushels resulting in the downgrading of the over stock.

Our initiatives to strengthen and upgrade this aspect of business however, continues apace. Storage facilities for seed paddy and our processing infrastructure were upgraded during the year in review.

Our vegetable seed business consolidated its position in the market and continued to show promising growth. Seeds continued to be sourced from leading global seed suppliers while the Company also successfully acquired the agency for TOKITA, a supplier of up country vegetable seeds. The storage and processing facility at Pelwehera was also upgraded.

CROP NOURISHMENT

The extension of the Government's fertilizer subsidy scheme to the North and East elicited an overall increase in the consumption of fertilizer. As a result, though CIC Agri Businesses recorded the highest growth in volumes and consolidated itself as the market leader among private companies in the fertilizer sector, higher interest costs and season failures impacted on the bottom line negatively.

The vegetable sector recorded the highest growth while the coconut and rubber sectors remained stable. Plantations and tea small holders experienced a decline in volumes. The bottom line was significantly hampered by delays in subsidy settlements and escalating interest rates. As this trend is expected to continue, CIC Agri Businesses will gradually reduce its exposure to the fertilizer business in the coming year.

PLANT PROTECTION

The year in review posed many challenges to CIC's and subsidiary, CIC Cropguard's plant protection activities.

Various allegations concerning pesticides as well as changes in regulatory framework and subsidy mechanism raised obstacles to the smooth flow of business.

Valuable time was spent on dissecting and countering these allegations and obtaining quality assurance reports with much support from our suppliers in USA, Japan and other major Asian countries.

The adverse weather conditions that affected paddy cultivation, resulted in lowering demand for pesticides. Further, margins decreased due to holding up of stocks during the year while restrictions on mass media advertisements led the Company to incur higher costs to educate farmers on CIC products.

A key highlight of the year came about when Syngenta Inc., of Switzerland, our principal supplier of Crop Solutions, selected CIC as their exclusive distributor in Sri Lanka. As the premier R & D Company in the pesticide business, this will create more opportunities to secure total solutions for farmers against pest problems.

Going forward, new products are in the process of being tested to sustain the market while the new factory of CIC which will commence operations in the latter part of the year would ease production bottlenecks in the future.

A TOUGH YEAR FOR AGRI MACHINERY

The sale of agri machinery was impacted by the drought conditions already referred to, as well as the high interest rates which prevailed during the year. The oversupply situation and the reduction of demand may require us to consider downsizing this business arm, at least for the present.

THE GILT REMAINS ON 'GOLDEN CROP'

The premium rice varieties marketed under our brand 'Golden Crop' recorded steady growth in sales both in the local and export markets. Most of these varieties are available in all leading supermarkets while direct purchases are made by SriLankan Airlines, Nestlè and Cargills (KFC) on a regular basis. Exports continued to Australia, Canada and USA and to new markets in the USA and Germany during the year. Red Basmathi rice continued to be the most sought after variety by our export markets.

OUR STATE-OF-THE-ART TISSUE CULTURE LABORATORY

CIC operates one of the most advanced and uptodate tissue culture laboratories in the country.

This facility produces banana plants for the local market in addition to a range of other planting materials. We export over 180 varieties of native Australian plants imported and multiplied, back to Australia, and tissue cultured ornamental plants to Denmark.

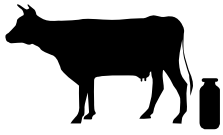
Initial steps have been taken to establish a Tissue Culture Laboratory in Bangladesh to produce banana and seed potato for the local market and grasses and sedges for Western Australia.

Due to the severe drought which prevailed during the year, there was a decline in volumes over the previous year.

A PRODUCTIVE AND GROWING DAIRY OPERATION

Our operations in the Dairy sector were highly productive, during the year in review.

Collect over
10,000 liters of
milk per day



Produced an average
50,000 yoghurt cups
per day

Operating at full capacity, our milk processing plant produced an average of 50,000 cups of yoghurt per day.

CIC Yoghurts which have gained high acceptance in the local market are mainly marketed in the Eastern Province.

The milk processing plant in Dambulla which is under construction will be commissioned in the first quarter of the next financial year. Once it comes on line, it will double the current production capacity to 100,000 cups a day in addition to allowing the manufacture of other milk based products.

To cater to this increase, the Company has established over ten milk collection centres to collect over 10,000 litres of milk per day and also strengthened its marketing strategies for the coming year.

FRESH VEGETABLES, FRUIT JUICES AND FOODS

CIC's retail chain 'Fresheez', which markets a range of fresh vegetables and 'Juiceez' which retails fresh juices recorded a marginal increase in turnover and profit during the year in review. Two 'Juiceez' outlets were opened along the Southern Highway during the year. All 'Juiceez' outlets will be re-positioned in the coming year to cater more effectively to customer requirements.

CIC also markets a comprehensive range of bottled and canned products such as jams, sauces and treacle under the CIC brand. During the year, an aggressive marketing campaign was enacted to maximise leverage on the recent brand change from KVC to CIC Agri Foods. This resulted in a significant increase in turnover while the number of outlets were increased to 15,000.

On the downside, a lack of adequate automation has led to high production overheads, which has impacted our bottom line.

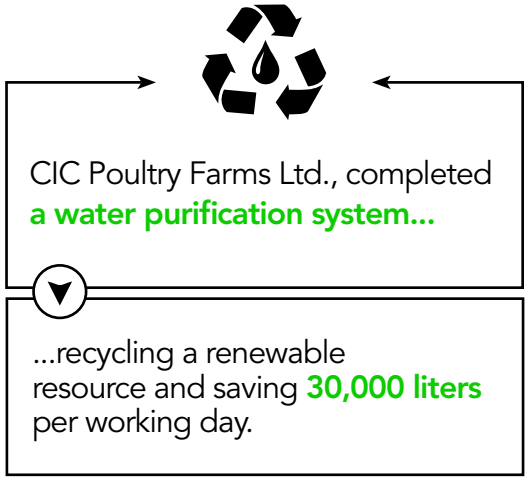
We introduced a new Nectar during the year in review and have plans to re-position our range of jams, cordials and sauces in the coming year.

FEEDS, VETCARE AND POULTRY

Activities within this cluster of our business continued to remain highly volatile.

CIC Feeds (Private) Limited, which is engaged in the manufacture of animal feeds and runs our hatchery operations, recorded a shortfall against budgets and also against last year. The challenging economic conditions coupled with factors beyond the control of the Company served to negatively impacted performance.

Continuous increase in cereal prices in the local and international market, availability issues, chaotic weather conditions and floods during the latter part of the year badly affected the poultry industry. Further, with the controlled price of chicken remaining static for two and a half years, high volatility in input prices such as feeds, escalation of fuel prices, electricity and energy costs coupled with high borrowing costs, the operations of the company was significantly affected during the year in review.



In the face of such challenge, CIC has had to defer certain major capital projects.

However, CIC Feeds enhanced vital infrastructure, acquiring latest technology which increases efficiency whilst also enhancing storage capacity.

Our initial plans to construct four breeder houses did not materialise on time as our community engagement processes revealed opposition to the plan. Consequently, the project was shifted to a new site and construction is now in progress.

Poultry Farms Limited, completed a water recycling and purification system which is yielding a saving of 30,000 litres per working day.

Going forward, CIC Feeds plans to invest in machinery and technology to enhance capacity and reduce bottlenecks. In this regard, the Company aims to install a new automatic packing system. Additionally, plans are underway to construct four breeder cages.

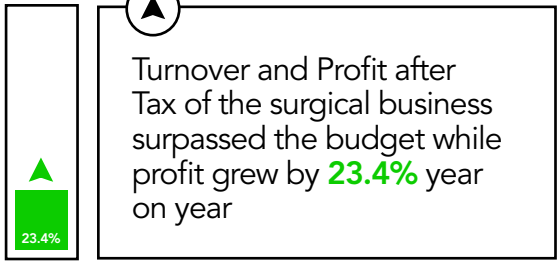
CIC Poultry Farms Limited plans to automate the evisceration line by adding two modules, which will further improve quality and efficiency of the production process.
A de-feathering unit and a family pack line is also being planned.

We're also looking at constructing eight broiler cages along with other ancillary buildings such as feed stores, water treatment plant and machinery in the proposed new broiler farm. Plans have also been made to shift or add blast freezers, cold rooms and a chiller room to the new building in addition to expanding the bird receiving.

HEALTHCARE AND CONSUMER

Healthcare

The turnover of the Healthcare division fell short of target marginally but recorded a year on year increase of 13.5%. In order to improve the productivity and efficiency, a field force automation system was introduced during the year.



The Pharmaceuticals division recorded a turnover marginally below target but the resultant profit after tax exceeded budget for the year under review. The Division successfully gained the business of CCL Pharma, Pakistan in the latter part of the year and the full impact of this would be realised in the ensuing year.

A mobile on-line reporting system will be introduced to the medical promotional officers to facilitate the storing of customer information more effectively.

Both turnover and profit after tax of the surgical business surpassed the budget while profit grew by 23.4% year on year. Our wound care business, on sports & rehabilitation products performed well with new additional products introduced during the year. Here too, the division successfully attracted new business from Depuy & Codman, J&J Medical and few other reputed suppliers.

Further, three internationally accredited workshops were also conducted for Sri Lankan surgeons in the year under review.

The diagnostic business recorded a turnover surpassing the budget, however, profit fell short of target largely due to delay in payment from the Government sector and depreciation of the Rupee. In the coming year, continued emphasis will be paid on the hormone screening and blood banking business in the Government sector and new point of care business in the private sector.

CIC Lifesciences, the pharmaceutical manufacturing company of CIC has a set of brands mainly in the anti-biotic segment. The performance of the Company was negatively impacted amidst challenging market conditions, with manufactured products contributing to 46% of the revenue. New product development is being done to enhance revenue and also to mitigate operational risk of the Company.

Consumer Products

CIC's Consumer business inclusive of adhesives and writing instruments recorded a turnover which was below target but exceeding last year's turnover by 13%. Net profit after tax was marginally below target.

Capacity building measures adopted in the form of automation of the assembly and printing of pens has enhanced productivity of the department. Further, the product portfolio was amplified with the introduction of '*Platignum Junior*', a low cost version of our premium Platignum brand, Cial Student and Cial Platinum ball point pens, CD marker, fine liner pen, white board marker and a highlighter during the year. Plans are underway to increase the distribution network to 13,000 outlets in order to market the increased capacity in production. This will be well supported with a marketing programme in the coming year.

CIC's Food business recorded extremely poor results due to low sales influenced by poor distribution process and the lack of availability of key fast moving products. However, we have engaged in productive discussions with the principal supplier and together with a substantial revamping of staff members including the recruitment of specialised marketing personnel, we are confident of effecting a turnaround in fortunes in the ensuing year.

Chemanex

The Chemanex Group of Companies is engaged mainly in the export of industrial chemicals and woven gloves for specialised global markets. The Group performance during the year was below target largely due to the under performance of its export oriented subsidiaries.

In terms of product highlights, 'Nexobleech' a bleaching agent for crepe rubber industry and 'Stop' brake oil for fleet owners and passenger transport vehicles increased their market share. The Company has strategised to expand the product portfolio in the coming year.

In terms of its export operations, the Company has taken the initiative to expand its operations to Vietnam and Bangladesh in the short term.

Chemcel (Pvt) Limited, recorded a loss as commercial operations did not commence during the year under review. The final stage of the project is expected to be completed in the near future. The Company's US partner has provided their proprietary technology to manufacture a chemical additive with 100% buy-back arrangement. A Joint Venture agreement with the US partner is being negotiated including a large injection of capital.

Herbal, Health and Personal Care

Our Group Company, Link Natural Products (Private) Limited, manufactures and markets a wide range of herbal based personal care products.

The Company recorded the highest ever turnover reflecting an year on year growth of 28% and a 116% growth in profit before tax for the year under review. These results reflect the effective expansion of the product portfolio.

Sales which were affected in the first half of the year, due to challenging economic conditions, however recovered, within a short span of time. The sales and marketing divisions were streamlined to ensure sales growth. The successful media advertising campaigns drove turnover by 62% (YOY) in the latter part of the year.

Working capital was well controlled as indicated by the sound liquidity ratios. This was despite the increase in turnover and high bank lending rates which prevailed during the year.

Samahan contributed to the
rapid growth in sales

Link's key products, Samahan and Sudantha contributed substantially to local turnover. Although, Samahan was positioned as a cold remedy since inception, it was repositioned as a health beverage as well during the year. The highly successful advertising campaign on Samahan contributed to the rapid growth in sales and the Company aims to attract 300,000 daily users and increase local sales by over 30%.

Plans are also underway to introduce several innovative products in the ensuing financial year. The Company has spent over Rs 100 million on research and development in the areas of product development, enhancing quality specifications and conducting clinical trials.

The market share of Sudantha increased from 3.5% to 14% consequent to the successful advertising campaigns and random clinical tests conducted by the University of Peradeniya which gave much publicity to the brand. Accordingly, Link has strategised to increase market share further in the ensuing year.

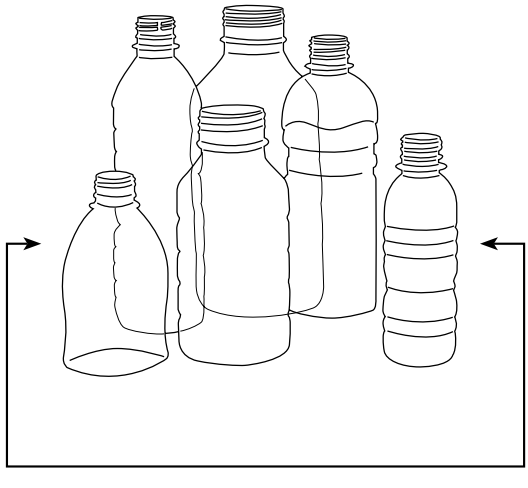
manages a **25 acre** herbal cultivation plantation and engages almost one thousand farmers in an outgrower programme

The Company also manages a 25 acre herbal cultivation plantation and engages almost one thousand farmers in an outgrower programme. The Company encourages these farmers by providing the necessary technical support, advisory services and planting material, guaranteeing an attractive selling price for the herbs.

Going forward, the Company strategises to be a global provider of quality herbal health care products by further developing its products based on *Ayurveda* and *Desheeya Chikithsa* System building customer loyalty, enhancing competitiveness through technology and strengthening relationship with stakeholders.

CISCO Speciality Packaging

The Company specialised in manufacturing polyethylene terephthalate containers for domestic and export markets, recorded a turnover marginally below previous year. Increase in raw material prices and Rupee deprecation hampered the operations of the Company as this increase could not be passed down the value chain due to stiff competition. Further, there was a sharp drop in demand for high margin products such as agrochemicals and cosmetics during the year. The domestic market was driven by low margin products such as water and juices. The capacity utilisation of the injection moulding machine remains low due to the slow off take of CDS bottles during the year.



Industrial Chemicals

The Industrial Chemicals division of CIC is engaged in manufacturing a range of chemical based products for industry and importation & distribution of other chemical based products.

The Emulsion Polymerization plant produces a key product range for paint, packaging and textile industries along with the recently commissioned food blending operations which would make a significant contribution to the turnover of the division.

The trading product portfolio for paint, ink, rubber, textile, packaging, construction, food, personal care and water treatment provided higher returns for the growth of the division.

Consequent to the slowdown in the economy and tough market conditions, the demand for raw materials declined by approximately 10% to 15% in industries including paints, ink, food and personal care. However, as a result of continuous expansion of the product mix and serving a diverse range of industries, the division achieved the target profit during the year in review.

Plans are underway to commercialise a special environment friendly adhesive for flexible packaging industry. We are also looking to up our market share by offering a range of tailor-made adhesive solutions.

In the ensuing year, new products will be introduced for trading and manufacturing with emphasis on streamlining the manufactured product range to the coating industry evaluating prospects by offering tailor-made solutions. The trading portfolio will be expanded to achieve a sustainable growth by focusing on speciality range of products from reputed global suppliers. Plans are underway to commercialise a special environment friendly adhesive for flexible packaging industry. We are also looking to up our market share by offering a range of tailor made adhesive solutions.

The rubber chemicals department will offer a new generic chemical while establishing the additive range from China introduced during the year. The key focus is to generate more sales from export oriented rubber customers by widening the product range.

Nalco, the Water Treatment division of CIC will consolidate its market leadership position in the speciality water treatment chemical segment whilst establishing itself as a key solution provider for industrialists on water related issues. In order to add value to the customers and maintain sustainability, the division aims to expand business with auxiliary chemicals to support the branded Nalco chemical range in the future.

The strategy for next year is to penetrate key market segments with the recently developed product range and establish high potential manufactured products for the steady growth of the business.

Johnson and Johnson

In J&J the general trade sales suffered due to lowering of rural demand, the sales in the urban markets remained healthy.

Apart from being ranked Sri Lanka's number one brand under unlisted brands category by Brand Finance Sri Lanka, an affiliate of Brand Finance Global, Johnson's Baby won several key recognitions for its marketing promotions during the year.

The Bronze Award in Best International Brand Category for its most successful brand adaptation strategies at SLIM Brand Excellence Awards 2012 and the Silver Award for the Most Effective Brand Communications at SLIM EFFIES Awards 2012 for its first ever mega localised campaign 'Happy Snappy'. Further, Johnson's Baby social media efforts were highlighted by its selection for Global Facebook Studio Awards 2012 making it one of the two entries from Sri Lanka.

Islandwide visibility of the brand
increased to 43%

Effective marketing strategies were adopted to market J&J face wash product, Clean & Clear. The Company sponsored three annual academic sessions conducted by Sri Lanka College of Dermatologists, Sri Lanka College of Paediatricians and Sri Lanka College of General Practitioners. Nurses Training programmes were also organised in collaboration with Sri Lanka Nurses Association during the year.

All these efforts enabled Johnson's Baby to consolidate its premium position in the local market and also gain market share in certain baby categories, namely baby colognes, creams and lotions. Further, the brand has emerged the market leader in Keells Super and Arpico Supermarkets while islandwide visibility of the brand has increased to 43%.

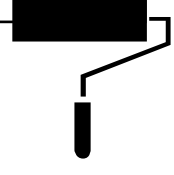
Going forward, J&J plans to further increase visibility of its key products, Johnson's Baby and Clean & Clear and also launch new consumer brands such as Listerine and Splenda to the market.

Apart from being ranked Sri Lanka's number one brand under unlisted brands category by Brand Finance Sri Lanka, an affiliate of Brand Finance Global, Johnson's Baby won several key recognitions for its marketing promotions during the year.

Akzo Nobel Paints

Akzo Nobel Paints Lanka (Pvt) Limited had a challenging year. However, through superior products, stronger channel partner management and effective marketing campaigns, they have been able to increase their market share in Sri Lanka. During the year, the Company consolidated their position in the refinished paints while launching a range of new products in the decorative paint sector. The launch of '*Dulux Once*' the single coat emulsion paint was the highlight of this year. The co-ordinated marketing activities ensured a great interest amongst the customer base on this product. With the prospects of the construction industry increasing during the coming years, Akzo Nobel is well positioned to take advantage of the macroeconomic development. Hence, one could look forward to a higher growth propensity during the coming year.

The launch of 'Dulux once' the single coat emulsion paint



We collect over 10,000 litres of milk per day...
we process it...and produce 50,000 cups of yoghurt
per day...and we are expanding.

2012/13 RESULTS IN PERSPECTIVE

FINANCIAL REVIEW

During 2012, Sri Lankan Economy recorded a Year on Year (YoY) growth of 6.4% in real terms, while inflation was maintained at single digit for the fourth consecutive year despite several global and domestic challenges.

Per Capita GDP at market price moved up to USD 2,923, which is a moderate growth over previous year.

The economy had to undergo decisive policy changes. The Central Bank adopted a tight monetary policy stance by raising policy interest rates and imposing ceiling on rupee lending. Also the rupee was depreciated curtailing the imports to the country.

Financial year 2012/13 is a challenging year for CIC Group. Weather, government subsidy settlements, costs of borrowing, increase in raw material prices, price control of certain products and the rupee depreciation have contributed negatively to the Group.

REVENUE

The Company continued to grow its business in Industrial Chemicals & Pharmaceutical sectors in order to post a turnover growth of 4.13% amidst lower consumer demand, poor weather conditions, strict regulations on agro chemicals and lower consumer credit due to higher interest rates.

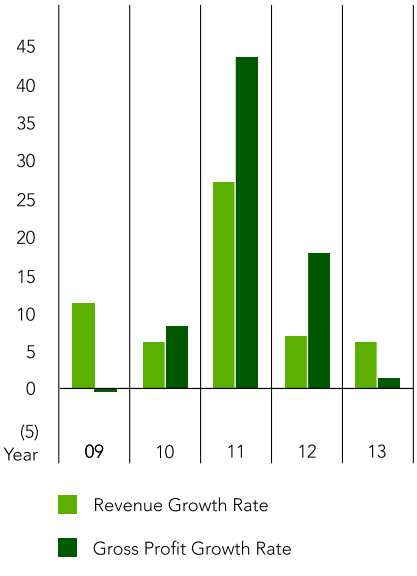
In the meantime, the Group made its efforts to post a marginal growth of 5.98%.

The overall set back in the agriculture during the year due to adverse weather conditions and overdue subsidy outstanding which lead to a curtailment of operations in the last quarter had a major impact on the turnover growth of the Group, given the fact that over 40% of the Group turnover stems from the agricultural sector.

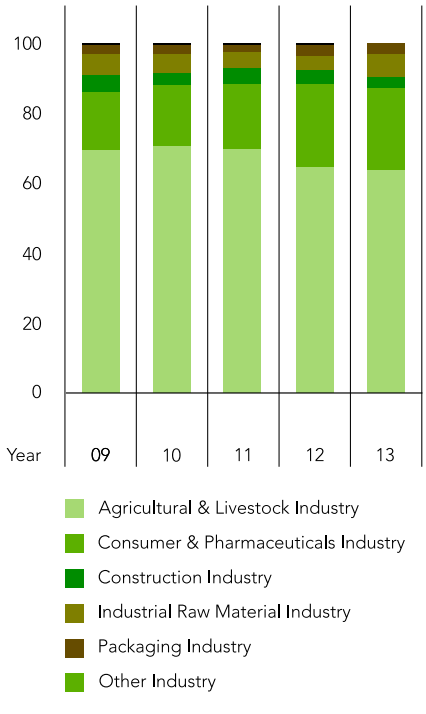
CIC feeds Group had a very difficult year with increase in feed input prices and not been able to pass the cost escalations to the farmers due to chicken being price controlled. With the increase in the control price and stability of input cost, Feeds is on the trajectory of recovery.

Due to the global economic slowdown, Chemanex PLC continued to lose its grip on exports business, thereby operating substantially below the minimum efficient scale of the business.

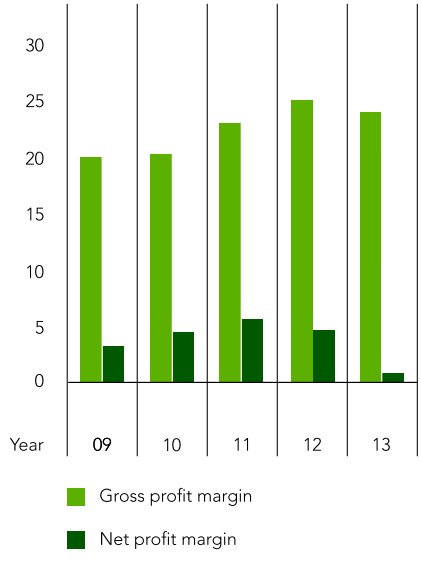
Revenue & Profit Growth



Segmental Revenue



Net Profit & Gross Profit Margin



Link Natural wiping-off the negativities of others gave a substantial contribution towards the turnover growth due to its consolidated efforts in strategy, new developments and marketing operation.

GROSS PROFIT & NET PROFIT

Gross profit margin of both the Company and the Group marginally declined from the previous year. Net profits of all the Group companies except for Link Natural have shown a decrease from the previous year.

Despite holding on to gross profit margin, net margins remained low and declining, due to the factors that affected the turnover decline and the high interest cost.

The Company recorded a net profit margin of 3.18%, where the major contribution came from the investment income.

SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES

Performance of Equity Accounted Investees posted a 4.97% growth YoY, mainly contributed by Akzo Nobel Paints Lanka (Private) Limited, which markets and distributes paints under the world renowned brand name 'Dulux'.

FINANCE COSTS AND LEVERAGE

The Company, which remained low geared right throughout the history, also started gearing up toward its optimal capital structure with plenty of borrowing capacity still in hand. The Company's total gearing stood at 37.2% for the period under review.

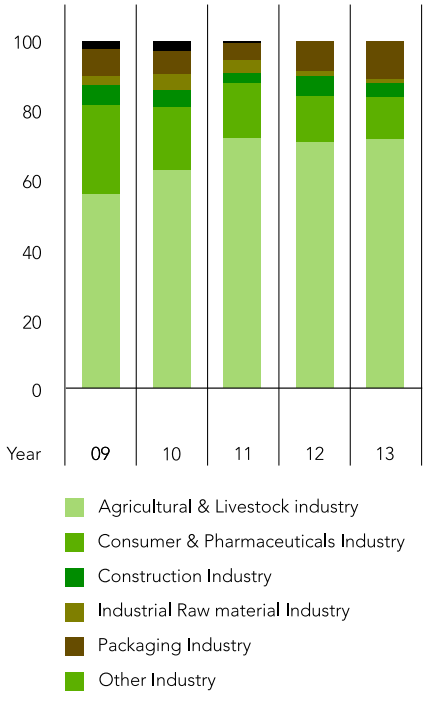
The finance cost of the Group has increased sharply due to the interest bearing funds being tied up in the subsidy driven fertilizer business. This possesses an inherent strategic importance in developing value added agricultural businesses. Due to increased rates, and to the negative operational factors that affected the Group companies, there was an increase in stocks and receivables. Actions are well in place to overcome the negativities of the operational factors in the coming year.

Impressive growth records of the Group in the recent past have necessitated increased leverage for the new projects.

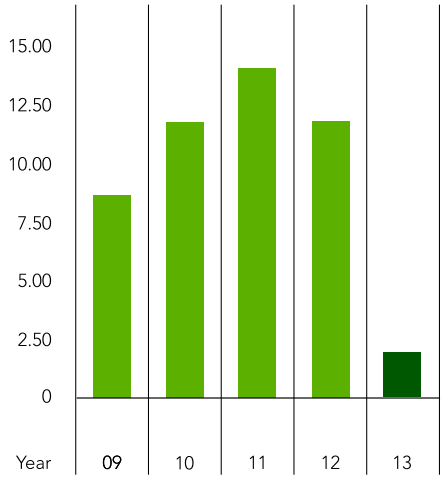
RETURN ON EQUITY (ROE)

The Group ROE reduced to 2.0%, due to the lower net profit.

Segmental Operating Profit



Return on Equity



With most of our investments made during the last two financial years, establishing their respective competitive edge in going forward and the Group getting closer to its optimal capital structure, ROE is expected to move towards the market requirements during the coming years.

CASH FLOW

Cash flow from operations remained negative for the period in concern, a reflection of intensified investment efforts made by the Group in consolidating its leadership in Agriculture and Food Industries, which is expected to restore normalcy in the medium term.

SHAREHOLDER VALUE

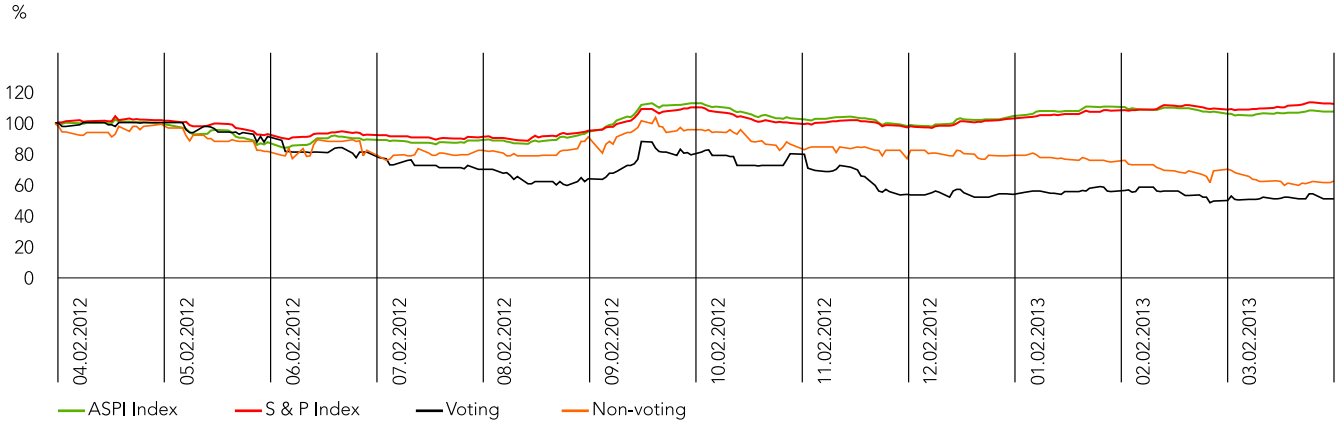
Capital Appreciation

Share Market continued to decline in the first half of the financial year and increased thereafter. Increase in foreign inflows contributed to the upward movement during the second half of the financial year.

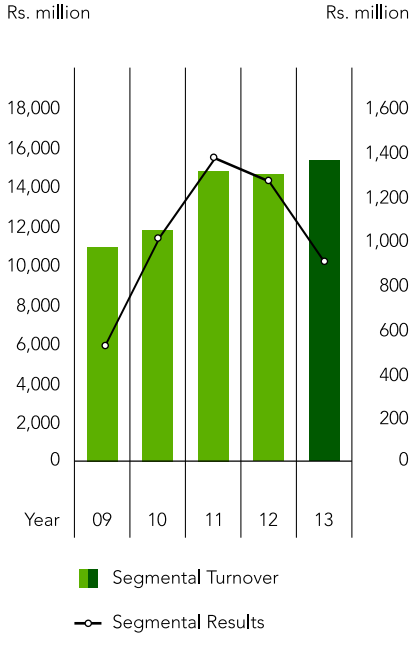
Voting share price declined by 36% and Non-Voting share by 28%, against the upward movement in S&P and All Share Price Index (ASPI) by 10% and 6% respectively.

Based on historical earnings, Voting and Non-Voting (Class X) shares have been trading at a Price Earnings Ratio (PER) of 25 and 19.1 times respectively which is less than the previous year.

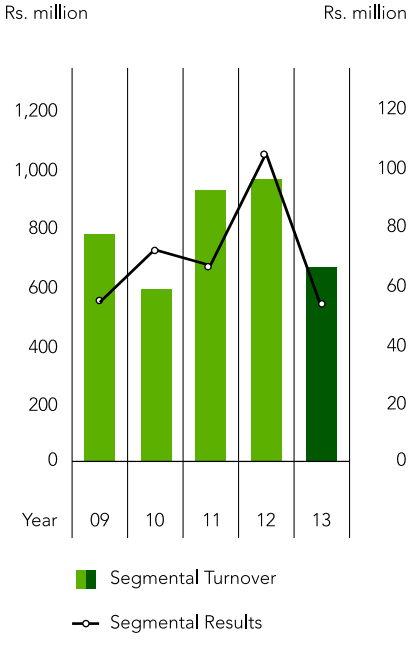
Share Price Movement



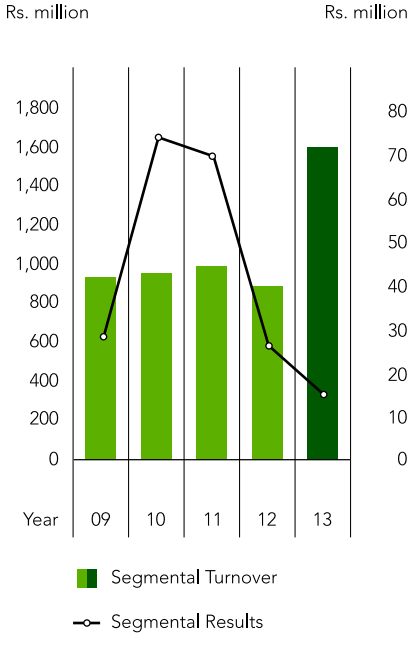
Agriculture & Livestock Industry



Construction Industry



Industrial raw material industry



Dividends

While capitalising on the growth opportunities arising in the business environment, CIC has continuously maintained a dividend yield beyond the market norms in order to compensate its shareholders handsomely. For the financial year 2012/13, CIC maintained a dividend yield of 2.67% and 3.50% for its Voting and Non-Voting (Class X) shares respectively.

CIC proposed a final dividend of Rs. 1.00 per share for the recently concluded financial year, which makes a cumulative annual dividend of Rs. 1.63 per share, which is 73.8 % of the earning per share.

FINANCIAL REPORTING

CIC is committed to adopting the best practices in financial reporting while ensuring that Financial Statements reflect a true and fair view of the state of affairs of the Company and the Group enabling shareholders and other stakeholders to make a fair assessment of the Company's and the Group's performance.

The Company also ensures timely delivery of both quarterly and annual Financial Statements in order to minimise the time lag in disseminating public information.

CASL AWARDS

For nine consecutive years from 2004, our Annual Report was adjudged the Sector Winner in the category of Manufacturing Companies, by The Institute of Chartered Accountants of Sri Lanka.

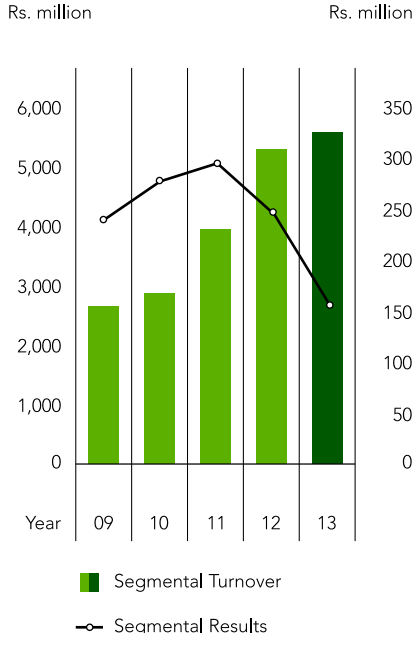
SAFA AWARDS

- 2010/11 - Manufacturing Sector winner
- 2009/10 - The Company has been awarded the positions of Overall First Runner-Up and Manufacturing Sector 1st Runner-Up in the same year and in 2010/11
- 2006/07 and 2007/08 - Awarded the Bronze Award in the Manufacturing category by the South Asian Federation of Accountants.
- 2003/04 and 2005/06 - Merit Award
- 2004/05 - CIC Annual Report was adjudged Joint Runner-Up.

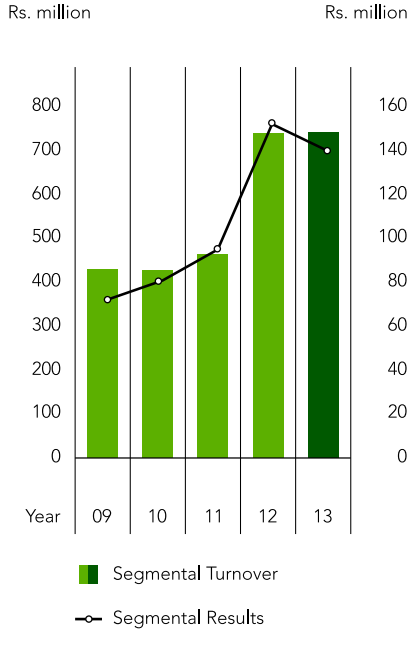
OTHER INTERNATIONAL AWARDS

- 2011 Annual Report received a Platinum Award at the Vision Awards competition of the League of American Communications Professionals.
- A Gold award in Agri Category at the International ARC Awards 2011.

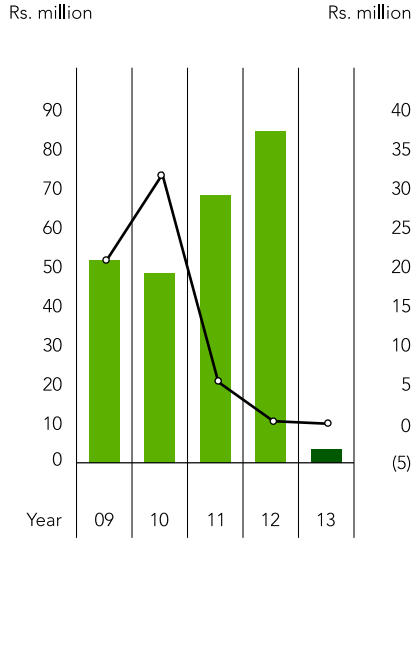
Consumer & Pharmaceuticals Industry



Packaging Industry



Other Industry



A thriving seed paddy and vegetable seed business that is 'on the ground floor' of agricultural enterprise in Sri Lanka...and our value added 'Golden Crop' rice varieties reach local and foreign blue chip clients too.

SUSTAINABILITY REPORT

MANAGING DIRECTOR'S MESSAGE

Sustainability has become an integral aspect of CIC, the only 'seed to shelf' enterprise operating in the agriculture sector in Sri Lanka. We take immense pride in operating our business in a sustainable manner and responsibly managing the impact on the economy, society and the environment.

Sustainability has always been an area of priority for CIC and the Group and we are committed to expand sustainability initiatives year after year.

During the year under review, a Sustainability Committee was established at Group level. This is a Senior Management committee, comprising of experts from different companies of the Group from diverse fields of expertise. The Committee would play a pivotal role in taking sustainability initiatives of the Company forward, in the future.

This year too, the sustainability report of the Group has been confirmed as a 'C' level report by an independent third party. Our objective in the coming years is to build on this and expand the content and the scope of this Report. We are working with an external consultant to guide us on this area.

During the year under review, the Group achieved a turnover of Rs. 23,822.20 million and a profit of Rs. 184.50 million.

In keeping with our philosophy of improving the livelihood of rural communities through education and knowledge sharing, we worked with over 20,000 outgrowers in our agriculture, dairy and herbal care businesses during the year under review. Our 'Outgrower' model operates by imparting technical know-how and knowledge on sustainable farming and harvesting methods to the farmers and then buying back their produce at a competitive price. This gives the farmer economic security and peace of mind. We also trained and provided technical assistance to 2,500 poultry farmers.

In October last year, CIC together with the Ministry of Agriculture organised the first ever National Food Security Conference in Sri Lanka, under the theme of "Towards a Nutritious and Healthy Nation - Conference on National Food and Nutrition Security - Challenges and Opportunities for Sri Lanka". This reconfirms our commitment and concern for nutrition and food security of our nation.

The key areas of discussion were raising the income level of farmers, water and fertilizer management, diversifying crops during times of drought and adding value to commodity exports. Scientists, food nutritionists, policymakers, academics and agribusiness firms pledged their commitment to foster food security and improve nutrition of our country.

The 4th season of our flagship television show '*Shoora Goviya*' organised to recognise and honour the Best Young Farmer via a competition conducted island-wide is now underway. This programme has been instrumental in positioning farming as a prestigious vocation and encouraging the younger generation to commit to a vocation in agriculture.

We also continue to operate the '*Nawa Goviya*' website which provides knowledge to the young farmers. In order to provide educational support to school children, we continued to support '*Danuma Danaya*' programme, by awarding scholarships to 50 Grade 5 students every year.

We also continued with our initiatives of optimising energy and water usage and responsible disposal of waste.

The now accessible North and East continue to present many opportunities to us. Our aim is to re-establish the East as the heartland of the dairy industry in Sri Lanka. We have revived the dairy industry in the East and set up a dairy farm and yoghurt manufacturing facility at Siddhapura in the Batticaloa district. Dairy herds are also located in Mutuwella and Siddhapura, with an extensive outgrower network in the North Central province and Eastern province. We hope to increase our investment in dairy farming in the ensuing years.

With farm land being cultivated in the North and East, we see great potential for paddy and vegetable cultivation in our nation. However, to overcome the risk of over production, the challenge now is to grow varieties of rice with export potential. The cultivation of vegetables too, should be planned to avoid gluts and leans in output and stabilise prices. Production quality, processing and handling are areas of concern and should be improved in this sector.

In the year under review, the Company was impacted by increased regulation and tightening of the registration process of crop protection chemicals. We anticipate this trend to continue as pressure against the use of crop protection chemicals by various interest groups continue.

As a responsible Company, we only supply crop protection solutions that are manufactured by world-renowned companies, whose products are backed by extensive research. The technology that backs the manufacture of these products ensures that the adverse effects on people and the environment are minimised.

In the ensuing year we will continue to invest and build state-of-the-art manufacturing facilities. We will ensure that minimum damage is caused to the environment and communities in which these are located. We will continue to uphold our governing philosophy, which is to educate farmers in sustainable agriculture practices and proper use of technology and uplift farmer communities through education and knowledge sharing. We will offer our customers the safest products available, manufactured by world-renowned companies.

Our strategy is to grow in the food and agriculture value addition sector. In this context we will continue to invest in the food, dairy and poultry sectors and will always be in the forefront, promoting nutrition and food security in our nation.

S.P.S. Ranatunga
Managing Director/CEO

ABOUT THIS REPORT

This is the third sustainability report produced by CIC which follows the Global Reporting Initiatives (GRI) G3 guidelines.

The Company continues to report at a C level, focusing on the most material sustainability issues related to its operations.

CIC Holdings has not pursued external assurance of its sustainability reporting process so far. The Company will move towards seeking external assurance of reported information in the future.

This report includes a third party checked statement from an independent party, confirming that the self-declared GRI application level is accurate.

As always, CIC has endeavoured to report with clarity, consistently and comprehensively as possible. To avoid unnecessary repetition, where information may appear in greater detail elsewhere in the Annual Report, we have cross referred such information to its relevant location.

Our reporting period is from 1st April 2012 to 31st March 2013 and our previous sustainability report appeared in our Annual Report for the period 2011/12. We intend to continue reporting on sustainability issues on an annual basis.

All inquiries and clarifications in respect of this report may be directed to:

Ms. P.D.S. Ruwanpura
Group Chief Financial Officer
CIC Holdings PLC
199, Kew Road, Colombo 2.
Tel: 2359359

Profiling the Organisation
We are CIC Holdings PLC, a public quoted company with limited liability incorporated in Sri Lanka in 1964 and re-registered under the Companies Act No. 07 of 2007 on 21st November 2007.

Sustainability has become an integral aspect of CIC, the only 'seed to shelf' enterprise operating in the agriculture sector in Sri Lanka. We take immense pride in operating our business in a sustainable manner and responsibly managing the impact on the economy, society and the environment.

The organisational structure of the Company appears on page 215 of this Annual Report, whilst the scale of our operations could be assessed from information found in the Annual Report of the Directors on the Affairs of the Company, appearing on pages 117 to 123.

Further statutory information appears on the back inner cover of this Annual Report.

There have been no changes during the reporting period regarding size, structure or ownership of CIC Holdings PLC, and no changes in location of operation during the year under review.

The entities within the CIC Group are active in a diversified portfolio of businesses in such areas as agriculture and livestock, industrial raw materials, construction, packaging, consumer products and services. Our enterprise is conducted within Sri Lanka and though the Company's products are exported to many countries, we have no major operations outside the country.

Here are the details of our brands, products and services together with markets served, tabulated by Group Company.

CIC Holdings

Brands under our Crop Solution business include Solito and Superdash. Pharmaceutical products we carry include Betaserc and Duphaston. Neutraceuticals include Ensure and Pediasure and we are also the local agent for the surgical appliances of DepuySynthes. Oppo and Smith & Nephew - Advanced Wound care. Amongst our consumer brands are Platignum writing instruments, CIC Canned Fish, CIC Wonderbulb and personal care products including Johnson's Baby, Neutrogena, Enliven and Super-Max. Industrial inputs offered by us include Chemifix Adhesive and Nalco water treatment products. All products are marketed islandwide in Sri Lanka.

Link Natural

Link Natural Products manufactures and retails a range of herbal, health and personal care products such as Samahan, Link Paspanguwa, Link Kesha, Samahan Balm, Sudantha, Muscle Guard, SwasthaThripala and Earth Essence range.

The Company's products are exported to several countries from across all continents, most notably to Germany, Australia, UAE, Switzerland, Japan, New Zealand, Netherlands, India, Singapore, Denmark, France and Canada.

CIC Agri Businesses Group

CIC Agri Businesses Group's main brands are CIC Pohora, CIC Seeds, Golden Crop, Juiceez, Fresheez, CIC Agri Foods, CIC Yoghurt and Tikira.

The main products the Group deals with are fertilizer, seeds, greenhouses, agri machinery, planting material, rice, poultry products, milk-based products, irrigation systems, jams and cordials.

We also provide advisory services and laboratory services. Our products and services are mainly sold in Sri Lanka, but we do export to countries such as USA, Canada, Australia and Denmark. We also have a Joint Venture in Bangladesh.

The main beneficiaries of these products and services are the farmers and consumers.

CIC Feeds Group

The Feeds group has invested in brands such as CIC Feeds, CIC Day-old Chicks and CIC Chicken.

The Group also represents international brands such as Frontline, Rabisin, Vitalyte, Interzan Gold Oral, Cibenza and Vaxxitek among others.

The Group deals with products that fall under the category of broiler feed, layer feed, breeder feed, dairy feed, day-old chicks, chicken, veterinary medicine, vaccines etc.

Our services also encompass veterinary and technical aspects.

Our operations are within Sri Lanka and we cater to small and medium scale livestock farmers, buy back poultry operators, retail outlets, supermarkets, hotels, veterinarians and pet owners in the main.

Chemanex Group

The main brands in Chemanex Group's portfolio are Stop Brake Oil, NexoBleech, Menara and Panora.

Our product categories include specialty chemicals and additives, yarn sizing chemicals, seamless knitted gloves & liners and food items.

The Group exports mainly to Europe, the Middle East, Africa, Asia, Australia and New Zealand.

Customers are all in the B2B category.

ACCOLADES

During the year under review, CIC was honoured to receive a number of accolades and awards, a summary of which appears below:

CIC Holdings

- Gold Award for Best Annual Report 2012 (Manufacturing Sector) - The Institute of Chartered Accountants of Sri Lanka
- SAFA Awards 2011- Winner - Manufacturing Sector
- International Arc Awards - Gold Award for cover page design - Agribusiness Category - 2012
- International Arc Awards - Gold Award for Photography - Agribusiness Category - 2012
- League of American Communication Professional's (LACP) Vision Awards - Gold Award - Agribusiness Category - 2011/12.

CIC Feeds Group

CIC Feeds (Pvt) Limited

- Gold Award - (Large Scale Producer) - National Agribusiness Council
- Bronze Award - (National Level) - National Agribusiness Council
- Merit Award - Livestock and Fisheries - (Extra-Large Category) - National Chamber of Commerce of Sri Lanka

CIC Vetcare (Pvt) Limited

- Gold Award - (Large Scale Input Supplier) - National Agribusiness Council

CIC Poultry Farms Limited

- Gold Award - (Large Scale Processor) - National Agribusiness Council

CIC Agri Businesses

- Asia Pacific Responsible Entrepreneurship Award 2013 (AREA)
- Asia Pacific Enterprise Leadership Award 2013 (APEA)
- Global Performance Excellent Award - Asia Pacific Quality Organization
- Gold Award 2012 - Achiever of Industrial Excellence - Ceylon National Chamber of Industries
- Award Winner - Ceylon National Chamber of Industries - Top 10 Achievers Award 2012
- Export Award 2011 - National Chamber of Exports

Chemanex

- STEVIE International Business Awards (South Korea) - Bronze Award for 2011/12 Annual Report
- The Institute of Chartered Accountants of Sri Lanka Annual Report Awards 2012 - Manufacturing Companies - Silver Award
- SLCBCC Business Star Awards 2012 - Large Scale Manufacturing Bronze Award
- SAFA Awards 2011 - First Runner Up Manufacturing Sector.

Other Certifications

Companies within the CIC Group have certified management systems against a number of International Standards. The quality management systems of Ratmalana Works, Agro Repacking and Formulating Center of CIC, Link Natural and companies within the CIC Agri Businesses Group, as well as companies within the Chemanex Group are ISO 9001:2008 certified, while environmental management systems of Ratmalana Works and Agro Repacking and Formulating Centre of CIC and Link Natural are ISO 14001:2004 certified.

In addition, Link Natural holds USDA Organic Certification and Organic EU Certification, while companies operating in the food and beverage sector under CIC Agri Businesses and CIC Feeds Group hold ISO 22000:2005 and HACCP food safety management systems certifications.

REPORT SCOPE AND BOUNDARY

The content of this Report is based on key material issues identified by the Company at the onset of its sustainability reporting efforts in 2010. Performance against key indicators related to these issues have been monitored and reported on since. The Company will expand its focus into other key areas as internal performance and processes improve.

We continue to report in-depth on the Holding Company, CIC Holdings PLC and four of our subsidiary companies, Chemanex, CIC Agri Businesses, CIC Feeds and Link Natural as collectively. These 5 companies have the biggest impact on aspects of sustainability due to their relative sizes and the industries they operate in.

We are also working towards monitoring the performance of our smaller subsidiaries in order to gradually develop their sustainability performance in line with their peers.

Companies within the CIC Group not currently included within the boundary of this Report are CISCO Speciality Packaging (Private) Limited, CIC Cropguard (Private) Limited, Crop Management Services (Private) Limited, Colombo Industrial Agencies Limited, Akzo Nobel Paints Lanka (Private) Limited and CIC Lifesciences Limited.

There have been no changes since the 2011/12 sustainability report of CIC Holdings PLC on the scope, boundary and measurement methods applied in the Company's reporting process.

There are also no re-statements of any information provided in previous reports of CIC Holdings PLC.

GOVERNANCE

CIC Holdings PLC's governance systems and processes are addressed in detail in the chapter titled Enterprise Governance appearing from page 78 within this Annual Report.

This includes information on the governance structure and composition of the Company's Board including committees responsible for specific functions, relationships with shareholders and other stakeholders and mechanisms for stakeholders to provide recommendations to the Board, as well as other pertinent information which enables the reader to assess the foundations upon which the Company operates.

CIC Feeds Group receiving award at Agri Business Awards

CIC Receiving Gold Award in manufacturing sector - CA Sri Lanka

STAKEHOLDER ENGAGEMENT

At CIC, stakeholder engagement is a consistent and vital process. We maintain a constant and fruitful dialogue with our Customers, Employees, Shareholders, Suppliers, the Government and the Community.

In identifying these groups for engagement, we employed the following rationale:

Our Customers - are the focus of our business and are essential to engage with, in order to ensure successful continuation of our operations.

Our Employees - drive Company strategy and are our most valuable asset.

Our Shareholders - own the Company and provide equity.

Our Suppliers - are integral to our supply chain process and help us keep the customer happy with reliable products available at the right time, at the expected levels of quality.

The Government - as the implementer of policy and regulation, exerts impact on our strategy formulation and business operations.

The Community - they are the wider population whose lives we impact through our operations.

SUSTAINABILITY PERFORMANCE

The Economic Perspective

CIC fully embraces the concept and need for value generation to percolate from its origins as a consequence of Company enterprise, to the widest possible cross section of the stakeholder community.

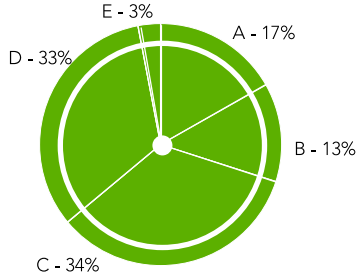
Equally, we are fully cognizant of our responsibility to monitor and govern the economic impact of our activities across the three pillars of sustainability - economy, society and environment.

CIC fully subscribes to the ethos that true sustainability from an economic perspective, can only be achieved through value generation and distribution across all stakeholder groups.

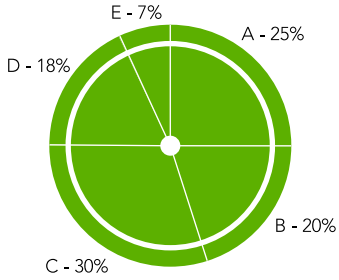
With this aim in focus, we append relevant data that depicts the economic value generated and distributed by CIC Group, for the period under review.

Value Added Statement (Rs '000)		2012/13	%		2011/12	%
Revenue		23,822,198			22,477,151	
Adjustment for -						
Other Income		143,181			152,888	
Share of profit of equity accounted investees		291,716			277,896	
Less: Cost of materials and services purchased		(19,619,022)			(18,335,694)	
Total Value Added		4,638,073			4,572,241	
Distributed as follows:						
To employees						
Salaries,wages & other benefit		1,590,760	34		1,366,112	30
To government						
Value Added Tax	333,540			402,462		
Income Tax & ESC	196,953			406,502		
NBT	66,484			98,427		
Stamp Duty	1,883	598,860	13	1,642	909,033	20
To the providers of capital						
As interest on Loan		1,556,941	34		684,487	15
As non controlling interest		(46,433)	(1)		157,447	3
To shareholders as dividend		154,475	3		303,264	7
Donation and community Investments		11,961	0		8,434	0
Retained within the Business						
As Depreciation		695,055	15		583,644	13
As Reserves		76,454	2		559,820	12
Total Value Distributed		4,638,073	100		4,572,241	100

Distribution of Value Added - 2013



Distribution of Value Added - 2012



A - Retained for Reinvestment & Future Growth
B - To Government
C - To Employees
D - To providers of Capital
E - To Shareholders

Employees' Benefit Plan

CIC Holdings PLC and companies within the Group contribute 12% of gross salary towards the Mercantile Services Provident Society (MSPS) Fund, or towards the Employees' Provident Fund (EPF). All companies covered by this report also contribute 3% of gross salary towards the Employees' Trust Fund (ETF).

Defined Benefit Plan

The defined benefit obligation that is reflected in the Statement of Financial Position is calculated annually by a qualified actuary according to LKAS 19 stipulations.

Provision for retirement benefit obligation is computed from the first year of service for all employees, but under the payment of Gratuity Act No 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Expenses (Rs. '000)	2012/13	2011/12
EPF/MSPS (12%)	108,653	99,059
ETF (3%)	27,163	24,880
Gratuity	122,367	81,635
Retirement benefit obligations		
Opening balance	374,970	309,797
Acquisitions from subsidiary	–	2,425
Provision for the year	122,367	81,635
Benefits paid by the plan	24,132	18,887
Closing balance	473,205	374,970

Financial Assistance from Government

Whilst there has been no direct Government financial assistance enjoyed by CIC Group, some of our businesses have benefitted from Government subsidies and other policy decisions enacted across industrial sectors within which they operate.

At CIC Agri Businesses, the Government subsidy on fertilizer amounting to 70% - 75% has a significant impact on its enterprise.

At CIC Feeds, Government imposed restrictions on importation of processed chicken and eggs, helps to safeguard the industry by restricting cheap and unsafe products from entering the market and also preventing the possible infiltration of poultry diseases.

Zero duty granted on importation of hatchery and poultry keeping equipment encourages large-scale investors in the industry to expand and upgrade their operations consequently improving the stability of the industry. All of these have positive spin-offs for CIC Feeds.

Comparative Entry Level Wage Structures

Across the businesses of the Group, entry level wage structures are usually higher than the industry average.

At CIC Holdings, we have a Memorandum of Understanding with the Ceylon Mercantile Union (CMU) and the basic wage for worker grades is set at Rs. 14,100/-.

At Chemanex, standard entry level wages are based on minimum salary standards defined by the Board of Investment of Sri Lanka (BOI) and by the provisions under the Shop and Office Employees Act No. 19 of 1954.

At CIC Feeds, entry level wages are consistently 8% to 15% higher than the industry average. However, this industry is not regulated via a Wages Board and hence no predefined minimum wage rate applies.

At CIC Agri Businesses and Link Natural, as a policy, we ensure that the wages at entry level are above the local minimum wage.

Percentages by which CIC Group's Entry Level Wages Exceed Industry Norms:

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Approximate Ratios (%)	35	20	13-35	8-15	60

Our Stance on Locally Based Suppliers

The overarching policy across the CIC Group is to give priority where possible, to sourcing supplies from local markets. Of course, such policy is dependent upon many factors and exigencies of product and market demand.

At CIC Holdings, local suppliers are preferred as this promotes local industry and yields savings on foreign exchange, due to ease of handling, cost effectiveness, greater accessibility and ease of monitoring, shorter lead times, availability of favourable credit facilities and easy sampling before purchasing.

At Link Natural, particularly due to the nature of its product portfolio, a majority of its raw materials are sourced locally.

At CIC Agri Businesses, we follow a completely local supply operation as we work with over 20,000 outgrower farmers across the country.

CIC Feeds gives priority to sourcing its raw material requirements from local suppliers and service providers. Corn, rice polishing and wheat middling are the main ingredients that are commercially available in the local market. Around 50% of raw materials used for animal feed production are from locally available raw materials. Further, the raw material requirement of chicken production such as feeds, DOCs and vaccines are sourced within the Feeds Group other than the packing materials used for chicken products.

However, when the Company has to decide on the latest technological requirements and specialised jobs, the factor of consideration would be obtaining the best or optimum solution irrespective of foreign or local sourcing.

Chemanex's policy is to procure goods and services that meet product requirements and standards at the lowest available price, irrespective of location of supply base.

Proportion of Spending on Locally-Based Suppliers:

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Proportion of spending on locally based suppliers (%)	27	77	10	51	39

Local Hiring

At CIC Holdings, local hiring is not a rule for management staff as priority is given to the skill, experience and job knowledge of the respective job. However, for casual or worker grades, the Company gives priority to sourcing labour from the locality for practical ease of administration. At Ratmalana Works, majority of labour is sourced from the neighbouring areas.

CIC Agri Businesses as a rule hires locally to suit the exigencies and nature of their enterprise, particularly the running of farms in diverse and remote locations.

At CIC Feeds, hiring is done locally. Positions of a technical and professional nature as well as identified senior/important positions including senior managers are hired from the local community based on skills, competencies, capabilities, knowledge and experience. Proximity to location of our business is considered as an added advantage. The Company outsources less important, highly labour intensive jobs, operating through a reputed labour supplying company and these employees too, are chosen from the local community. The entire operation of the Company is based in the Western province.

Chemanex at present has only three major locations of operation. For all significant vacancies, advertisements are placed locally. In the case of specialised jobs, our intake is accomplished through the process of head hunting or referral. All our senior managers are locally hired.

The Impact of Investments Made for Public Benefit

For the year under review, several constituent entities of CIC Holdings made significant investments in infrastructure development projects and initiatives for public benefit, as well as other investments for the benefit of local communities.

Crop Solutions donated 200 waste collection bins to the Matara Urban Council, 100 bins for research purposes to The Horticultural Research Office, and 500 bins to be used for planting activity at the Diyagama Mahinda Rajapaksa Ground in Homagama. Assistance was also provided towards the '*Suriya Udanaya*' New Year Festival organised by the Kesbewa Urban Council. By donating waste collection bins, the Company helps to maintain a cleaner environment, while donating bins for planting activities contributed towards creating an eco-friendly environment at the Diyagama Mahinda Rajapaksa Ground.

CIC Holdings PLC and its employees engaged in a community investment project at the Cancer Hospital, Maharagama. Employees distributed nutritional food supplement Pediasure and Ensure to the Paediatric and Medical Wards. The employees also contributed their time by spending one full day at the hospital painting Ward No. 17 which had been renovated. The donations and renovations were made possible through staff contributions.

In addition to this, CIC Holdings PLC donated medical equipment to the Hospital, which included a large steriliser and lung function test machines.

Johnson & Johnson conducted parent education programmes at Government and Private sector hospitals. They also conducted Nurses Training Programmes. J&J also contributed to the development of the Paediatric Ward at the Lady Ridgeway Hospital, whilst also conducting programmes for doctors.

The cost of investment was Rs. 1,800,000/- and the number of beneficiaries were approximately 8,800.

In keeping with the core business area of J&J, such involvement with the community serves to increase awareness on better total baby care practices as well as to enhance and update knowledge on a total baby care regime amongst the nursing community.

Link Natural was engaged in a number of community investment programmes during the year under review. These included uplifting the education of students through activities in 10 selected schools in Dompe Educational Zone, providing infrastructure facilities for the health sector, providing facilities for security forces to build good interpersonal relationships, as well as programmes to raise awareness on oral hygiene. The cost of investment of Link Natural's programmes was Rs. 16,200,000/-, with approximately 300,000 beneficiaries collectively.

In 2012, CIC Agri Businesses through the CIC Humanity Foundation 'Manussakama', together with So Others May See Inc. engaged in a vision programme in Vellankulam and Punanai in the Mannar and Batticaloa districts. Eye testing was done by an optometrist for 1,000 local residents, mainly farmers, and custom made eye-glasses were donated.

The cost of investment was approximately Rs. 900,000 and the number of beneficiaries were 1,000 local residents across the two locations.

CIC Agri Businesses also awarded 75 educational scholarships to children from Hingurakgoda, Pelwehera, Talawa, Punani, Muthuwella and Vellankulam who excelled at the Grade 5 scholarship exam.

During the year in review, CIC Feeds made a donation to a school for their ICT day. This Company also invested in human capital in the form of a scholarship for a student and invested in enhancement of veterinary research and development.

These activities establish the company as a responsible citizen and reinforce its standing within the community.

The cost of investment was Rs. 1,500,000/- and the number of beneficiaries were approximately 1,400.

Chemanex is engaged in a long-term programme to develop the standard of English education at Sri Sangabodhi Vidayalaya at Mahiyanganaya. The project was commenced only after carrying out a community needs assessment exercise amongst officers of the school as well as senior and respected individuals of the village.

Investment for this cause amounts to Rs. 600,000/- per annum. The expected beneficiaries number 1,000 families.

CIC Holdings PLC and its subsidiaries have always believed in responsible corporate behaviour and giving back to the community and environment in every way possible. In tandem with this vision, CIC has chosen to purchase eco-friendly stationary products to be given as corporate gifts which are exclusively handcrafted and made using 100% recycled Tea Dot Paper which is a unique mix of post-consumer recycled paper and tea waste. Furthermore, the production process involves the contribution of a selected number of trained differently abled persons, and a percentage of profits earned through our purchase contributes to the betterment of the lives of differently abled people in Sri Lanka.

Obvious benefits accrue to the community through these programmes, where improved levels of training, education and healthcare open up better and more numerous opportunities for advancement. In addition, we can see real benefits flowing through strengthening of stakeholder relationships.

The Environmental Perspective

This is an integral 'pillar' of sustainability and CIC acknowledges the absolute necessity to manage both the use of resources as well as the impact our business may exert on the environment.

Energy is a key component of the 'environmental mix'.

Direct Energy Consumption

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Petrol (Litres)	–	360	24,806	6,080	52,444
Diesel (Litres)	6,220	3,815	312,242	160,505	50,795
Furnace Oil (Litres)	280,918	–	2,592	413,516	–
Direct Energy (Gj)	11,114	160	13,050	22,430	3,792

In addition, CIC Feeds, CIC Agri Businesses and Link Natural also source energy from LP Gas, while Link Natural and CIC Agri Businesses use biofuels and organic material to generate steam

Under the Healthcare and Consumer SBU at CIC Holdings, we have introduced energy efficient 3 injection moulding machines which save more than 50% of energy compared to ordinary moulding machines. At Ratmalana Works, diesel is used for operating of forklifts, the factory cab and for the standby generator. Furnace oil is used for steam generation in boilers and the performance of the boiler is evaluated annually (flue gas analysis). Boiler burner tune-up is done on a regular basis and tube cleaning is done once in two weeks.

At Link Natural, approximately 55% of energy is generated through steam, while 45% is generated through electricity. Biofuels (including plant residue, generated as the organic waste from production processes) is used as the main energy source for steam generation.

At CIC Agri Businesses, measures have been taken to reduce the usage of energy including the use of translucent sheets in stores to reduce the need of lighting. CIC Agri Businesses also uses paddy husks to generate steam.

CIC Feeds has conducted an Energy Audit under the supervision of an outside firm and is in the process of implementing the Audit recommendations to reduce energy consumption in all locations of operation.

At Chemanex, total fuel consumption for the year in review increased compared with the previous year. Fuel consisted of both petrol and diesel. This was due mainly to the increased level of pilot operation in Chemcel (Pvt) Limited when compared with the previous year as well as substantial increase in local distribution distance.

Indirect Energy Consumption

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Electricity (kWh)	1,018,728	717,989	1,952,890	7,327,803	549,055
Indirect energy (Gj)	3,667	2,585	7,030	26,380	1,977

At CIC Holdings, a study was conducted to reduce electricity usage and costs. The findings revealed that certain locations were utilising excessive lighting and energy inefficient bulbs. In consultation with employees in each of these areas, steps were taken to reduce the number of bulbs and also to switch to energy efficient lighting. This has resulted in saving substantial units of electricity. In order to reduce electricity consumption further, lighting will be refitted with LED fittings in the future. Employees are continually encouraged to switch off lights in their respective locations when not needed.

At Ratmalana Works, electricity is used for the production process and in administrative areas. Capacitor banks have been installed for power factor corrections and VSD for motor control.

At CIC Agri Businesses, the use of power factors in the plants and the use of energy saving lights wherever possible, has brought about a significant reduction in electricity consumption.

The Energy Audit and consequent recommendations currently being implemented at CIC Feeds are aimed to reduce electricity consumption as well.

Chemanex's total electricity consumption increased by 7.1% compared to last year. This is mainly due to the increased level of pilot operation in Chemcel (Pvt) Limited and increased level of production in a subsidiary, Yasui Lanka (Pvt) Limited, compared to the last year.

Water Usage, Recycling and Reuse

At CIC Holdings, tubewell water is used in wash rooms to reduce consumption of water from the municipal supply. A poster campaign is in place to encourage employees to use water sparingly and to prevent wastage of water.

At Ratmalana Works, the main source of water for processing and personal use is the municipal supply, while well water is used for secondary purposes. Part of the residue water from the manufacturing process is reused.

At Link Natural, waste water is treated in an environmental friendly manner and treated water is used for gardening, cleaning and cooling activities. Of the total water usage approximately 95% is sourced from springs, while the remaining requirement is met through the municipal sources.

At CIC Agri Businesses, a water recycling plant is in place at our farm at Siddhapura which facilitates reusing a significant volume of water.

At CIC Feeds, water is used for human consumption, cleaning, washing and for the birds at farms. At present, water is not recycled at all locations and used water is being collected through a network of soakage pits. However, the processing plant is equipped with a modern water treatment facility which filters and cleans waste water generated through the production process, enabling safe release into the environment. We have now initiated the process of using treated waste water for specific cleaning purposes.

Chemanex's total water consumption for the year in review increased by 52% compared to last year. This is mainly due to the increased level of pilot operation in Chemcel (Pvt) Limited as well as increased level of water usage by the workers due to the prevailing warm weather conditions compared to last year.

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Volume of water withdrawn for use (m3)	14,269	18,372	13,333,333	124,390	10,261
Percentage of water recycled or reused (%)	0.20	11.3	2	–	–

Protecting Habitat

The responsible stance CIC adopts across all its businesses ensures that at every juncture, the biodiversity found within the habitat we share with others is nourished and protected.

We strive to ensure that our operations do not harm or upset the delicate balance of Sri Lanka's biodiversity. Indeed, we promote its well-being, particularly across the eco systems prevalent on our farms where we employ green zones to help them thrive.

CIC Holdings PLC does not own or have any interests in property within or adjacent to any areas of sensitivity in terms of biodiversity. However, CIC Agri Businesses' farm at Hingurakgoda is a haven for the resident spotted deer population of Sri Lanka.

Link Natural with its involvement in herbal healthcare has ensured that, whilst remaining an enabling partner in the advancement of the rural community, it does not engage in any activity that could potentially cause a threat to the country's biodiversity. The Company plays a significant role in conserving endangered species of flora, whilst also promoting and proliferating the message of environmental consciousness and eco-friendly agricultural practices.

Waste – Quantity Generated, Type, Disposal

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Hazardous waste (kg)	3,496	42	–	–	–
Non hazardous waste (kg)	23,660	66,830	5,333,333	4,501,969	12,591

Explanation of CIC Holdings Hazardous Waste: This waste relates to Agro Chemicals - expired products and products used to clean up spills that take place inside the factory premises during the production and handling stages (e.g., cotton wool and sand).

Disposal: Until recently the Company collected and containerised such waste in boxes under inventory. Today, this waste material is sent to Messrs Geocycle for incineration in their cement kiln for which we bear the cost.

At Ratmalana Works, waste separation systems are in place and waste generated is monitored daily. Organic waste is converted into compost, while factory and general waste is separated and dispatched to a waste collection site.

At CIC Agri Businesses, up to 10,000 kg of farm waste is collected monthly, composted and reused in the farms.

At Link Natural, approximately 99% of waste is non-hazardous with low impact to the environment, while at CIC Feeds, most waste is organic and disposal channels are well-established.

Around 86% of CIC Feeds' organic waste includes litter from farms and hatchery waste. This waste is sold as agricultural fertilizer as there is a demand for this from farmers who use it as an alternative organic fertilizer. The conversion is 100% of the waste produced.

Another 9% of the organic waste is poultry processing waste. This is further processed into value added by-products used in feed production. Here also the conversion rate is 100% of the waste. Therefore, no residue is disposed to the environment.

The balance comprises of feed raw material waste and used paddy husks in the poultry cages, of which around 60% is collected on to a network of soakage pits with zero harm to the environment.

Packaging of raw materials consisting of polypropylene bags, plastic barrels and cans also contribute towards waste, but approximately 88% of these are recycled, 11% reused while the rest is discarded.

Around 93% of paper waste is sent to the hatchery to be reused by laying on chick boxes.

At Chemanex, around 2,200 kg of waste was reused within the year under review.

Hazard Containment

There have been no significant spills of chemicals, oils, or fuels at any of the operations within the boundary of this report, within the year under review. In case of any incidents, the recommended preventative practices (e.g., GMP Standards, HACCP, ISO) have been established and safety instructions have been provided.

Environmental Compliance Track Record

There have been no instances of non-compliance with prevailing environmental laws and regulations, nor any fines or sanctions levied on CIC Group for the year under review.

Investment and Expenditure on Environmental Protection

At Ratmalana Works, the main expenditure on environmental protection was for fuel gas analysis, noise level testing, ambient air quality testing, waste water testing, waste disposal, installation of an exhaust air purification system and implementing ISO14001. Further, CIC Feeds' main expenditure was on treatment and disposal of waste, including converting waste to produce by-products used as animal feeds as well as expenditure on the water treatment plant at the processing plant. We also installed a dust extraction system to the feed plant which reduces the dust released in the production process.

Chemanex invested in a dust extractor and new dryer in 2010/11 period expecting to derive benefits over a long period of time. The performance of this machinery is continuously evaluated and continues to provide environmental protection. Therefore no new investments have been made in this regard in the year under review.

The Social Perspective

We are fully aware of the impacts our businesses could have on the social systems within which we function. From assurance of rights and an exemplary human rights ethos, to 'society friendly' manufacturing, production and marketing activities, CIC strives to fulfil expectations from so many angles - legality, ethics, morals, transparency and responsibility.

A Great Place to Work

The CIC Group is a blue chip Sri Lankan agri-colossus. This would mean nothing if we didn't embody these qualities in our employment regime. Therefore, providing decent work opportunities sans bias of any kind, maintaining a safe and healthy work environment and creating room for self-development and career advancement is ongoing at CIC.

With this perspective in mind, we present data that highlights important aspects of CIC's employment regime.

Employee Numbers by Employment Type and Contract

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Full time employees	441	415	647	232	168
Part time employees	1	–	–	–	–
Outsourced	349	161	–	322	63
Total	791	576	647	554	231
Permanent	420	411	494	224	136
Fixed term/ contract	22	4	153	8	32
Outsourced	349	161	–	322	63
Total	791	576	647	554	231

Employee Numbers by Region

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Central Province	56	31	133	–	–
Eastern Province	35	16	4	–	–
North Central Province	30	13	94	–	–
Northern Province	27	15	8	–	–
North Western Province	22	27	91	–	–
Sabaragamuwa Province	17	29	28	–	–
Southern Province	54	23	35	–	–
Uva Province	8	12	14	–	–
Western Province	542	410	240	554	231
Total	791	576	647	554	231

The above table includes outsourced workers.

Employee Turnover by Gender

Company	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Turnover (No.)	59	11	82	33	69	19	12	4	12	7
Turnover rate (%)	13.35	2.49	19.76	7.95	10.66	2.94	5.2	1.7	7.14	4.16
Total turnover rate (%)	15.84		27.71		13.6		6.9		11.3	

Employee Turnover by Age Group

Company	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex	
	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	39	8.82	65	15.66	62	9.58	10	4.3	6	3.57
30 - 49 years	28	6.33	45	10.85	19	2.94	4	1.72	8	4.76
50 years and above	3	0.69	5	1.2	7	1.08	2	0.86	5	2.97

Employee Turnover by Region

Company	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex	
	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	3	0.68	19	4.58	21	3.25	–	–	–	–
Eastern Province	3	0.68	5	1.2	–	–	–	–	–	–
North Central Province	6	1.36	4	0.96	12	1.85	–	–	–	–
Northern Province	3	0.68	8	1.93	7	1.08	–	–	–	–
North Western Province	5	1.13	5	1.2	16	2.47	–	–	–	–
Sabaragamuwa Province	–	–	3	0.73	4	0.62	–	–	–	–
Southern Province	5	1.13	17	4.1	1	0.15	–	–	–	–
Uva Province	–	–	4	0.96	1	0.15	–	–	–	–
Western Province	45	10.18	50	12.05	26	4.03	16	6.9	19	11.3

The tables above highlight staff turnover patterns across the Group. In general, the largest contributor to turnover is from male employees, whilst turnover is higher amongst younger employees in all companies apart from at Chemanex.

Collective Bargaining Agreements at CIC Group

At CIC Holdings, non-executive staff are covered by a collective bargaining agreement. This covers 39 employees or 8.82% of our workforce.

However, unions are not present at CIC Agri Businesses, CIC Feeds, Link Natural and Chemanex. As a result, collective bargaining agreements are not in force in these companies.

There is no specific minimum notice period in place regarding operational changes. The time period with regard to the changes in operations would be decided by mutual agreement between the management and the employees.

However, at CIC Holdings due to the presence of a collective bargaining agreement, before implementing any policy changes, the management discusses the impending changes with representatives of the union in order to get their consent before implementation.

Occupational Health and Safety Standards at CIC Group

For the period under review, while the majority of Group entities did not record any accidents, occupational diseases or work related fatalities, one accident and consequent injury was reported within the production department of Link Natural. All medical expenses arising from this incident were covered by the Company and the employee involved, who has since recovered and returned to his post at Link Natural is receiving compensation.

The overall high occupational health and safety standard of the CIC Group is maintained through frequent training to ensure all safety operations are practiced. In addition, at Ratmalana Works of CIC Holdings, all employees benefit from annual health check-ups, and at Chemanex health checks are carried out for possible occupational diseases for relevant staff members.

Training and Development at CIC Group

At CIC Holdings, plans are underway to establish a management development programme for succession planning for the next level of leaders. Star performers are identified and middle management programmes are carried out on leadership development to gear them to assume duties with greater responsibilities. Foreign training programmes for Management are arranged with reputed business schools.

Every month, a group training is organized for all employees at Link Natural, while organising internal and external training as per the Annual Training Calendar prepared based on the training needs assessment.

At CIC Agri Businesses, training and development is provided according to the needs of employees which is based on the annual performance appraisal.

CIC Feeds, identify and train employees as a strategic tool and develops training schedules/ programmes to suit individual and company requirements. The training needs of all individuals are ascertained at the annual performance appraisal. Departmental heads identify suitable internal and external training programmes conducted by reputed training institutions. Further, the department heads are also responsible for post training monitoring of employees to ensure skills are utilized to the best interest of the Company and the individual.

On the job training programmes were conducted to assist and guide unskilled labourers to develop their skills for technical related jobs and enable progression to the post of technicians once skills and experience are acquired.

As an appropriate training and development policy is in place, we are capable of managing production and other activities efficiently.

At Chemanex, we sponsor local and international training and educational programmes for our employees in order to provide self development, career enhancement, remuneration and motivation.

Average hours of training per year per employee by employee category

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
Executive Board Members	55	12.25	–	–	1
Divisional Directors	40.75	N/A	2.25	N/A	N/A
Group Heads/ General Managers	38.75	N/A	1.5	42.75	5.52
Senior Managers/ Managers	46.25	3.75	9	15.5	–
Junior Managers/ Senior Executives	14.75	25.75	3.75	11.75	21.25
Executives/ Junior Executives	3.25	42.25	2	18.25	17.75
Non-Executives	0.25	15.25	0.75	18.75	2

Reviewing Employee Performance

The performance appraisal system is an invaluable tool for assessing, training, encouraging, empowering and rewarding staff.

Company	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex
% of employees who received a formal performance review	63.12	79	100	100	28

At CIC Holdings, those who have not received a formal performance review during the year under review are non-management staff and contract workers while at CIC Holdings as well as at Link Natural, employees who are under probation have also not received formal performance reviews this year.

At CIC Holdings, performance reviews are conducted annually while those who have performed well throughout the year are identified and classified as 'star performers' for further development. Those identified as good performers are also given routine training once their training requirements are identified. The poor performers are classified under Performance Improvement Plan (PIP) and their performance is evaluated after three months with feedback given for further improvement. If there continues to be no improvement in performance, they are discouraged from staying on.

Each year in December, all confirmed employees of Link Natural undergo an annual performance appraisal which determines their salary increments and bonus.

At CIC Agri Businesses, employees are assessed based on their annual objectives/targets that are agreed upon at the commencement of the financial year.

At CIC Feeds, all employees are subjected to annual performance and career development reviews. The Company uses two types of appraisal forms to evaluate the executive staff and non-executive staff. In both appraisal forms employees are given the opportunity to self-assess their strength and weaknesses with the supervisor assisting them to realise their potential. Appraisals also collate information on feedback of previous year's training and their specific interest areas for further training.

Further, the appraiser is required to give his overall assessment based on the achievement of objectives and the behavioural aspects of the employee along with the recommendation for annual bonus and salary increments. These recommendations are forwarded to the Managing Director/CEO of the Company who inturn reviews these with the respective department heads. Hence, the reward system of the company is directly connected to the appraisal system, which drives employees to achieve their objectives.

Gift of sight

Painting ward No. 17 at Cancer Hospital, Maharagama

Performance and career development reviews are not carried out for outsourced employees.

Annual Performance Appraisals are carried out on all management staff at Chemanex, mainly to identify career development training needs and to reward the best performing employees through increased remuneration.

Diversity at CIC Group

We are an equal opportunity employer and maintain an open door policy with all employees. There is no gender barrier and we recruit people based on best fit, irrespective of their race, gender, age or religion.

Composition of Governance Bodies by Gender

Company	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Board of Directors (%)	100	–	100	–	100	–	88.88	11.12	100	–
Senior Management Team (%)	88.46	11.54	92.86	7.14	92.85	7.15	95.24	4.76	100	–

While relatively low levels of diversity are reflected in the governance bodies of CIC Holdings PLC as a whole, we hope to improve these figures in the coming years, and marginal improvements have been made in some companies compared with the previous year.

Breakdown of Employees by Gender

Company	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Gender Diversity (%)	86.9	13.1	71.6	28.4	82.7	17.3	86.2	13.8	82.2	17.8

While CIC Holdings PLC as a Group maintains strong levels of diversity in administrative positions, due to the nature of the businesses which include factory operations and field based activity, the total breakdown of employees shows lower levels of diversity.

Breakdown of Employees by Age Group

Company	CIC Holdings %	Link Natural %	CIC Agri Businesses %	CIC Feeds %	Chemanex %
Under 30 years	35.07	44.82	45.82	33.33	15.48
30 – 49 years	53.85	48.19	50.31	59.11	64.88
50 years and above	11.08	6.99	3.87	7.56	19.64

Human Rights

We enshrine exemplary human rights values and practices across all strategies, activities and processes and stakeholder groups.

We abide scrupulously by the laws of the land, as well as by international best practices and hence CIC has not recorded any instances of discrimination, forced labour, child labour or any other matter that could violate human rights.

Measures are taken to ensure zero discrimination, including through the equal opportunity policy, open door policy, discussions in annual performance appraisals, departmental meetings, weekly management meetings as well as awareness creation through informal mechanisms.

In order to ensure child labour does not take place within our operations, we check all pertinent documents including birth certificates, identity cards and school leaving certificates of all interviewees prior to recruitment, to ensure all candidates are over 18 years of age.

Recruitment of outsourced contract employees is also monitored and controlled by the Company and inspections are carried out at regular intervals. Necessary clauses are also included in agreements with the labour contractors.

In order to ensure forced or compulsory labour does not take place within the Company, the Group, as a policy, does not retain any original documents belonging to employees, nor does it require a guarantee or cash deposit. No employee of the Company is made to work against his or her will, or is subject to corporal punishment or coercion of any type.

The interaction between Company and society is closely monitored by CIC to ensure that value is delivered across the widest stakeholder base as possible whilst value received is treated with respect and given its due place in all Company affairs. All of this is accomplished in strict compliance with the laws and regulations that govern enterprise in Sri Lanka.

Anti-Corruption...Anti-Competitive...Non-Compliance

CIC has a very strict anti-corruption stance that applies across every business, strategy and action of the Company.

While no specific training is given in this area, at the time of recruitment, the Company's anti-corruption policy is well communicated to new recruits.

Thus for the period under review, there have been no reported incidents of corruption within any of our businesses; neither have there been any fines or sanctions imposed for non-competitive behaviour.

Similarly, CIC has not been in breach of any laws or regulations and thus have no recorded fines or sanctions in respect of non-compliance.

Shaping Public Policy

Many of CIC's constituent businesses hold responsible positions within some of Sri Lanka's pivotal public/private bodies and thus have an opportunity to lobby and shape policy in respect of the industries they operate in.

In the Healthcare sector, CIC is a member of the Association for the Study of Internal Fixation (AO) Sri Lanka Chapter and holds membership within the Pharmaceuticals Chamber and the Pharma Promoters Association.

Our Crop Solutions division holds membership in Crop Life Sri Lanka, being represented on the Executive Committee and the Crop Life Sri Lanka Technical Sub-Committee.

Similarly, CIC holds lobbying/representation positions with the Ministry of Productivity & Promotions, Ministry of Education, National Science Foundation, Sri Lanka Tourism Committee, Sri Lanka Institute of Advanced Technological Education, Postgraduate Institute of Agriculture, Faculty of Agriculture, University of Peradeniya and Lanka Sugar Company.

CIC also holds membership with the All Island Poultry Association (AIPA), World Poultry Science Association Sri Lanka Branch (WPSA), Ceylon Chamber of Commerce and Employer's Federation of Ceylon.

Our veterinary surgeons in the field extension and marketing team are registered members of Sri Lanka Veterinary Council.

The Company maintains close relationships with the Local Authorities, Universities and is an active member in various institutions and societies thus helping to develop the industry and improve the contribution made to the National Economy.

CIC also holds membership within the National Chamber of Commerce, Ceylon National Chamber of Industries, National Chamber of Exporters of Sri Lanka, Export Development Board, United Nations Global Compact, Sri Lanka Institute of Directors, Sri Lanka Institute of Packaging, Plastic & Rubber Institute, Exporter's Association of Sri Lanka and the Sri Lanka - Germany, Poland, Malaysia, Nordic & China Business Councils.

Product Responsibility

CIC understands well that offering products and services to the public requires that the Company fulfils certain obligations such as safeguarding customers' health and privacy, imparting the required product information with clarity and ensuring that we are in full compliance with laws and regulations governing such enterprise.

A key measure of how well the Company does in this respect is derived from customer satisfaction surveys and customer feedback. Here in tabulated form, are the relevant details of CIC's constituent companies' efforts in this respect:

Company/ Division	Frequency of measuring customer satisfaction	Methodology	Other mechanisms by which customers provide feedback	Customer feedback and actions taken
CIC Holdings				
Industrial Chemicals	Once in 6 months	Surveys and related interviews	Surveys	Feedback on quality of packaging particularly of locally manufactured goods and transportation of goods. Initiated work on improving packaging material as per customer feedback. Results of a subsequent survey found that customers had noted improved quality of packaging.
Crop Solutions	Quarterly	Surveys and personal interviews	Customer complaint sheet, direct complaints	As a result of customer feedback, a new container is being developed with greater strength in order to reduce leakages and damages. The formulation of Zazafly reel has also been improved based on customer feedback.
Healthcare	Monthly and at introduction of new products	Face to face interviews		Customers were favourable towards our products in general.
Pharmaceuticals	Monthly	Face to face interviews		Positive feedback from customers.
Consumer	Annually	Surveys	Surveys	Customer feedback undertaken to understand perceptions on product quality of existing products. It was found that most customers were satisfied with the quality of products and their primary concern was price.
Johnson & Johnson	Annually for usage and attitudes, daily interaction through social media	Usage and attitude survey, PR campaigns with associations, social media activity, consumer engagement activity	Face to face interviews, inbound calls, hotline, Facebook, YouTube	Customer feedback brought about introduction of new products based on requirements and an understanding of product positioning among the target audience. Baby regime and women's hygiene awareness programmes were increased as a result of customer feedback.
CIC Agri Businesses	Annually	Surveys	Surveys, telephone, email	Appropriate remedial action is taken based on customer feedback, as and when necessary.
CIC Feeds	Monthly	Dealer and customer	Customer care hotline	Customer satisfaction is maintained as a result of frequent and regular visits by our field force.
Chemanex	Monthly	Visits by product managers	Visits, telephone, email, letters	The majority of our customers are satisfied with our products. We have been recognised for 100% vendor compliance and as a most preferred supplier by our international buyers. All customer complaints are properly recorded and promptly attended to.


Horseplay
587
Net Wt. 50 kg
BROILER FINISHER
Net Wt. 50 kg

We offer a complete portfolio of poultry products and services from breeding, feed production and supply to poultry products incorporating value addition across the chain.

G3 CONTENT INDEX

Application Level C

Profile Disclosures

Profile Disclosure	Description	Reported	Cross Reference
1. Strategy and Analysis			
1.1	Statement from the most senior decision maker of the organisation.	Fully	40
1.2	Description of key impacts, risks and opportunities.	Not	
2. Organisational Profile			
2.1	Name of the organisation.	Fully	41
2.2	Primary brands, products and/or services.	Fully	43
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	Fully	42
2.4	Location of organisation's headquarters.	Fully	Inner back Cover
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report.	Fully	42
2.6	Nature of ownership and legal form.	Fully	41
2.7	Markets served (including geographic breakdown, sectors served and types of customers/ beneficiaries).	Fully	43
2.8	Scale of the reporting organisation.	Fully	42
2.9	Significant changes during the reporting period regarding size, structure or ownership.	Fully	42
2.10	Awards received in the reporting period.	Fully	44
3. Report Parameters			
3.1	Reporting period for information provided.	Fully	41
3.2	Date of most recent previous report.	Fully	41
3.3	Reporting cycle	Fully	41
3.4	Contact point for questions regarding the Report or its contents.	Fully	41
3.5	Process for defining Report content.	Fully	45
3.6	Boundary of the Report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	Fully	45
3.7	State any specific limitations on the scope or boundary of the Report	Fully	45
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	Fully	45
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	Not	
3.10	Explanation of the effect of any restatements of information provided in earlier reports and the reasons for such restatement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	45
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report.	Fully	45
3.12	Table identifying the location of the standard disclosures in the Report.	Fully	62
3.13	Policy and current practice with regard to seeking external assurance for the Report.	Fully	41

Profile Disclosure	Description	Reported	Cross Reference
4. Governance, Commitments and Engagement			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Fully	45, 78-102
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	45, 78-102
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	45, 78-102
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	45, 78-102
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance).	Not	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Not	
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	Not	
4.8	Internally-developed statements of mission or values, code of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	Fully	Inner front Cover
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles.	Not	
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Not	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Not	
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	Not	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: *Has positions in governance bodies; *Participates in projects or committees; *Provides substantive funding beyond routine membership dues; or *Views membership as strategic.	Not	
4.14	List of stakeholder groups engaged by the organisation.	Fully	46
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	46
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Not	
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting.	Not	

Profile Disclosure	Description	Reported	Cross Reference
PERFORMANCE INDICATORS			
Economic			
Economic Performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and Governments.	Fully	46
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Not	
EC3	Coverage of the organisation's defined benefit plan obligations.	Fully	47
EC4	Significant financial assistance received from the Government.	Fully	47
Market Presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Fully	47
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation.	Fully	48
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Partially	48
Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Partially	49
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Not	
Environmental			
Materials			
EN1	Materials used by weight or volume.	Not	
EN2	Percentage of materials used that are recycled input materials.	Not	
Energy			
EN3	Direct energy consumption by primary energy source.	Fully	50
EN4	Indirect energy consumption by primary source.	Fully	50
EN5	Energy saved due to conservation and efficiency improvements.	Not	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.	Not	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Partially	50
Water			
EN8	Total water withdrawal by source.	Partially	51
EN9	Water sources significantly affected by withdrawal of water.	Not	
EN10	Percentage and total volume of water recycled and reused.	Fully	51

Profile Disclosure	Description	Reported	Cross Reference
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Partially	52
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	
EN13	Habitats protected or restored.	Not	
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Not	
EN15	Number of IUCN Red List species and National Conservation List species with habitats in areas affected by operations, by level of extinction risk.	Not	
Emissions, Effluents and Waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Not	
EN17	Other relevant indirect greenhouse gas emissions by weight.	Not	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not	
EN19	Emissions of ozone-depleting substances by weight.	Not	
EN20	NOx, SOx and other significant air emissions by type and weight.	Not	
EN21	Total water discharge by quality and destination.	Not	
EN22	Total weight of waste by type and disposal method.	Fully	52
EN23	Total number and volume of significant spills.	Fully	52
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII and percentage of transported waste shipped internationally.	Not	
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run-off.	Not	
Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	Not	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not	
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	52
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Not	
Overall			
EN30	Total environmental protection expenditures and investments by type.	Partially	53

Profile Disclosure	Description	Reported	Cross Reference
Social: Labour Practices and Decent Work			
Employment			
LA1	Total workforce by employment type, employment contract and region.	Fully	53
LA2	Total number and rate of employee turnover by age group, gender and region.	Fully	54
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not	
Labour/Management Relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	54
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Partially	54
Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Not	
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	Fully	55
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases.	Not	
LA9	Health and safety topics covered in formal agreements with trade unions.	Not	
Training and Education			
LA10	Average hours of training per year per employee by employee category.	Fully	55
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not	
LA12	Percentage of employees receiving regular performance and career development reviews.	Fully	56
Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	Partially	57
LA14	Ratio of basic salary of men to women by employee category.	Not	
Social: Human Rights			
Diversity and Equal Opportunity			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Not	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Not	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not	

Profile Disclosure	Description	Reported	Cross Reference
Non-Discrimination			
HR4	Total number of incidents of discrimination and actions taken.	Fully	58
Freedom of Association and Collective Bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these rights.	Not	
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour.	Fully	58
Forced and Compulsory Labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour.	Fully	58
Security Practices			
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	
Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Not	
Social: Society			
Community			
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.	Not	
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption.	Not	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Partially	58
SO4	Actions taken in response to incidents of corruption.	Fully	58
Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	58
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	Not	
Anti-Competitive Behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcome.	Fully	58
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	58

Profile Disclosure	Description	Reported	Cross Reference
Social: Product Responsibility			
Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcome.	Not	
Product and Service Labelling			
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	Not	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by types of outcome.	Not	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Fully	59
Marketing communications			
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Not	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by types of outcome.	Not	
Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Fully	59

Strategic Initiatives Group (Pvt) Ltd
25/13, Cyril de Silva Mawatha, Pepiliyana Road, Nugegoda.
Tel. No. 4941670 Fax: 4209074
Company Registration No: PV 9875

THIRD PARTY CHECKED STATEMENT

The 2013 Sustainability Report of CIC Holdings PLC has undergone a third-party level check by STING Consultants, against the requirements of the GRI G3 Guidelines, at C Level. The Self-declared C level of this Report is hereby confirmed to be accurate.

The aim of this statement is to confirm to readers the extent to which the GRI G3 Guidelines have been applied in the preparation of this report. This does not represent in any way, an opinion on the value or quality of the report and its content, or of the sustainability performance of the reporting organisation.

Tiara Anthonisz
Head of Strategic Corporate Responsibility
STING Consultants

22nd May 2013

We are a speciality packaging producer, manufacturing polyethylene terephthalate for domestic and foreign markets.

BOARD OF DIRECTORS

B.R.L. Fernando - *Chairman*

A Fellow of The Institute of Chartered Accountants of Sri Lanka. Currently, functions as the Non-Executive Chairman of CIC Holdings PLC, Chemanex PLC, Akzo Nobel Paints Lanka (Private) Limited, CIC Agri Businesses (Private) Limited, CIC Feeds (Private) Limited, CIC Vetcare (Pvt) Limited, CIC Bio Security Breeder Farms Limited, First Guardian Equities (Private) Limited, Commercial Development Company PLC and Commercial Insurance Brokers (Pvt) Limited.

Non-Executive Director, Link Natural Products (Pvt) Limited, subsidiaries/ equity accounted investees of the CIC Holdings Group, Ceylon Tea Brokers PLC, First Guardian Capital (Private) Limited, St. Nicholas' Education Services Limited and the Postgraduate Institute of Management (PIM). Serves as the Co-Chairman of the National Council for Economic Development (Agriculture Cluster).

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

Joined the Board of CIC on 21st May 2002, appointed Chief Operating Officer in February 2005 and appointed Managing Director/CEO in April 2009. Holds a degree from the University of Delhi and a Masters in Business Administration, UK. Non-Executive Director of a number of unlisted companies in the CIC Group including Akzo Nobel Paints Lanka (Pvt) Limited, Rahimafrooz CIC Agro Limited, Bangladesh and an Independent Director of Seylan Bank PLC. He is the Deputy Vice-Chairman of the Ceylon Chamber of Commerce, the President of the Sri Lanka-Africa-Middle East Business Council and the Vice-President of the Sri Lanka-Maldivian Business Council and has led Sri Lanka Chamber of Commerce delegation to various countries. He is also the Ceylon Chamber of Commerce nominee in the Mercantile Services Provident Society. He is also a Director of Perfunova International Limited, India.

In addition, he had been a pioneer in co-ordinating 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 Australia, India, Thailand, Portugal, Chile, South Africa and in many other countries.

S.H. Amarasekera - *Director*

Appointed to the Board of CIC on 28th October 2005. Mr. Harsha Amarasekera, President's Counsel is a Non-Executive Independent Director of the Group. An Attorney-at-Law by profession; he has a wide practice in the Original Courts as well as in the appellate Courts, specialising in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He serves as an Independent Director in several listed Companies in the Colombo Stock Exchange including Vallibel One PLC, Expo Lanka Holdings PLC, Keells Food Products PLC, Amaya Leisure PLC, Vallibel Power Erathna PLC and is also a Director of Amána Bank Limited.

E.F.G. Amerasinghe - *Director*

Appointed to the Board of Directors of CIC on 7th November 2002. Bachelor of Laws from the University of Ceylon and an Attorney-at-Law. Former Director General of the Employer s' Federation of Ceylon and former Senior Employers' Specialist of ILO. Non-Executive Director of many listed and unlisted companies including John Keells Holdings PLC. Currently, a Consultant on Human Resource Management and Industrial Relations.

R.N. Asirwatham - *Director*

Appointed to the Board of Directors on 30th June 2010. Mr. Rajan Asirwatham was the Senior Partner and Country Head of KPMG from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism. As at present, Mr. Asirwatham, a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He was also a Member of the Presidential Commission on Taxation, appointed by His Excellency the President, a Member of the Ceylon Chamber of Commerce Advisory Council and a Member of the Council of the Post-Graduate Institute of Medicine, University of Colombo. He also serves on the Boards of a number of companies amongst which are Ceylon Tea Services PLC, Aitken Spence PLC and Dankotuwa Porcelain PLC.

R.S. Captain - *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. Mr. Captain was educated at the University of Miami, Florida, USA.

S.M. Enderby - *Director*

Appointed to the Board of Directors on 11th April 2013. Mr. Enderby has a long and successful track record in the private equity space with Actis, a leading global emerging markets fund. During his career, he has worked for Actis in UK, Uganda, Swaziland, Sri Lanka and most recently in India, finally retiring as an Actis Partner in 2011. He has led multiple successful private equity transactions in Sri Lanka, including South Asia Gateway Terminals, Ceylon Oxygen and Millennium Information Technologies.

He has served on the Boards of many leading businesses in India and Sri Lanka including John Keells Holdings, Lion Brewery and Punjab Tractors. Presently, he is an Advisor to CEO of the Hemas Group.

He holds a Masters of Development Studies from the University of Melbourne, BSc (Econ.) Hons. in Economics and Accounting from Queens University, Belfast and is also a Member of Chartered Institute of Management Accountants - UK.

M.P. Jayawardena - *Director*

Appointed alternate Director to ICI Nominee Director on 21st May 2002, thereafter as a Director on 25th October 2008. A Fellow of The Institute of Chartered Accountants of Sri Lanka and Certified Professional Managers. Non-Executive Chairman of The Finance Company PLC, Non-Executive Director of Keells Food Products PLC, Commercial Bank PLC, RAM Rating (Lanka) Limited and a number of other unlisted companies in the CIC Group. Served in Zambia Consolidated Copper Mines Limited for 13 years in several senior positions including Head of Treasury. Member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka and Chairman of the Ceylon National Chamber of Industries and a Member of the Executive Council of the Sri Lanka Institute of Directors.

Prof. P.W.M.B.B. Marambe - *Director*

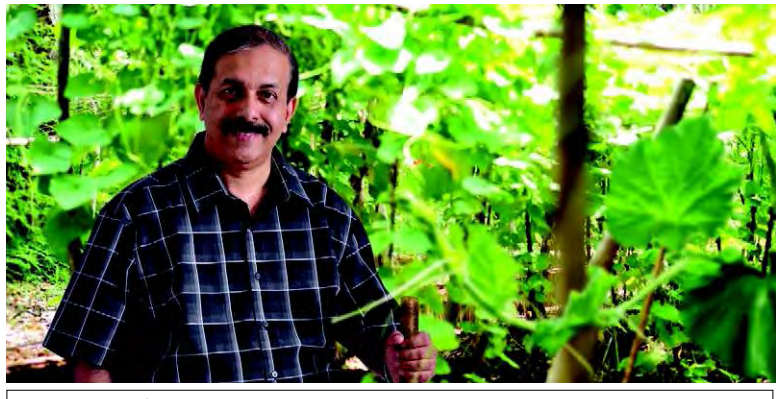
Appointed to the Board of Directors on 30th June 2009. Prof. Buddhi Marambe is currently the Director of the Agriculture Education Unit (AEU) of the Faculty of Agriculture, University of Peradeniya. Being the former Dean of the Faculty of Agriculture and the former Head of the Department of Crop Science, Prof. Marambe has been actively involved in and contributed significantly to the betterment of the agriculture education, research and developmental programmes at national and regional levels.
He is the Chairman of the National Experts Committee on Climate Change Adaptation and a Member of the National Bio Diversity Experts Committee of the Ministry of Environment, Member of the Sectoral Committee on Agriculture and Chairman of the Working Group on Pesticides of the Sri Lanka Standards Institute (SLSI) and a Member of the National Plant Protection Committee (NPPC) of the Sri Lanka Council for Agriculture Research Policy (SLCARP).

Ms. P.D.S. Ruwanpura - *Board Secretary*

An Associate of the Chartered Institute of Management Accountants – UK and holds a MBA from the Postgraduate Institute of Management (PIM), University of Sri Jayewardenapura. She is also a Director of many unquoted subsidiaries of CIC Group.

MANAGEMENT TEAM

S.P.S. Ranatunga
Managing Director/CEO



M.P. Jayawardena
Managing Director (Chemanex) - Retired on 31st March 2013

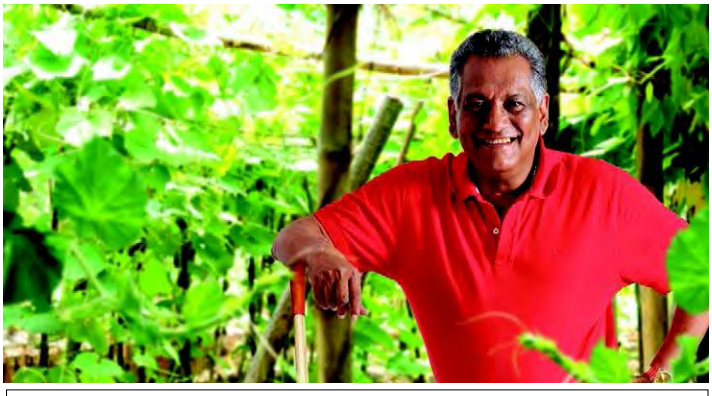
Dr. D. Nugawela
Chairman/CEO (Link Natural Products)

W.A. Assiriyage
Managing Director (CIC Cropguard)

G.F.C. De Saram
Managing Director (Akzo Nobel Paints)

I. Gunawardena
Divisional Director (Crop Solutions)

H.P. Halangoda
Divisional Director (Administration & Logistics)

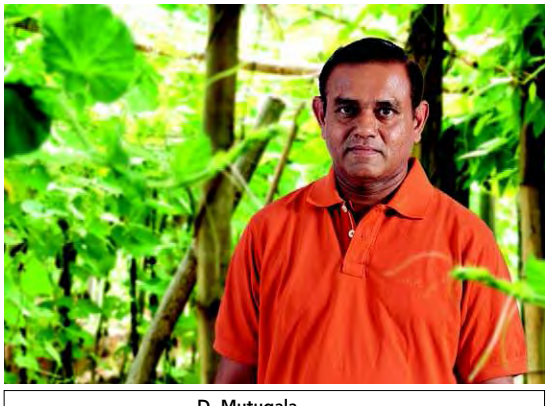


A.V.P. Silva
Managing Director (CIC Feeds)

K.B. Kotagama
Managing Director (CIC Agri Businesses)

P.D.S. Ruwanpura
Group CFO

C.P. Wegiriya
Director (CISCO Speciality Packaging)



D. Mutugala
Divisional Director (Industrial Chemicals)

W.S. Premakumar
Divisional Director (Consumer & Healthcare)

S. Athauda
COO (CIC Lifesciences)

ENTERPRISE GOVERNANCE

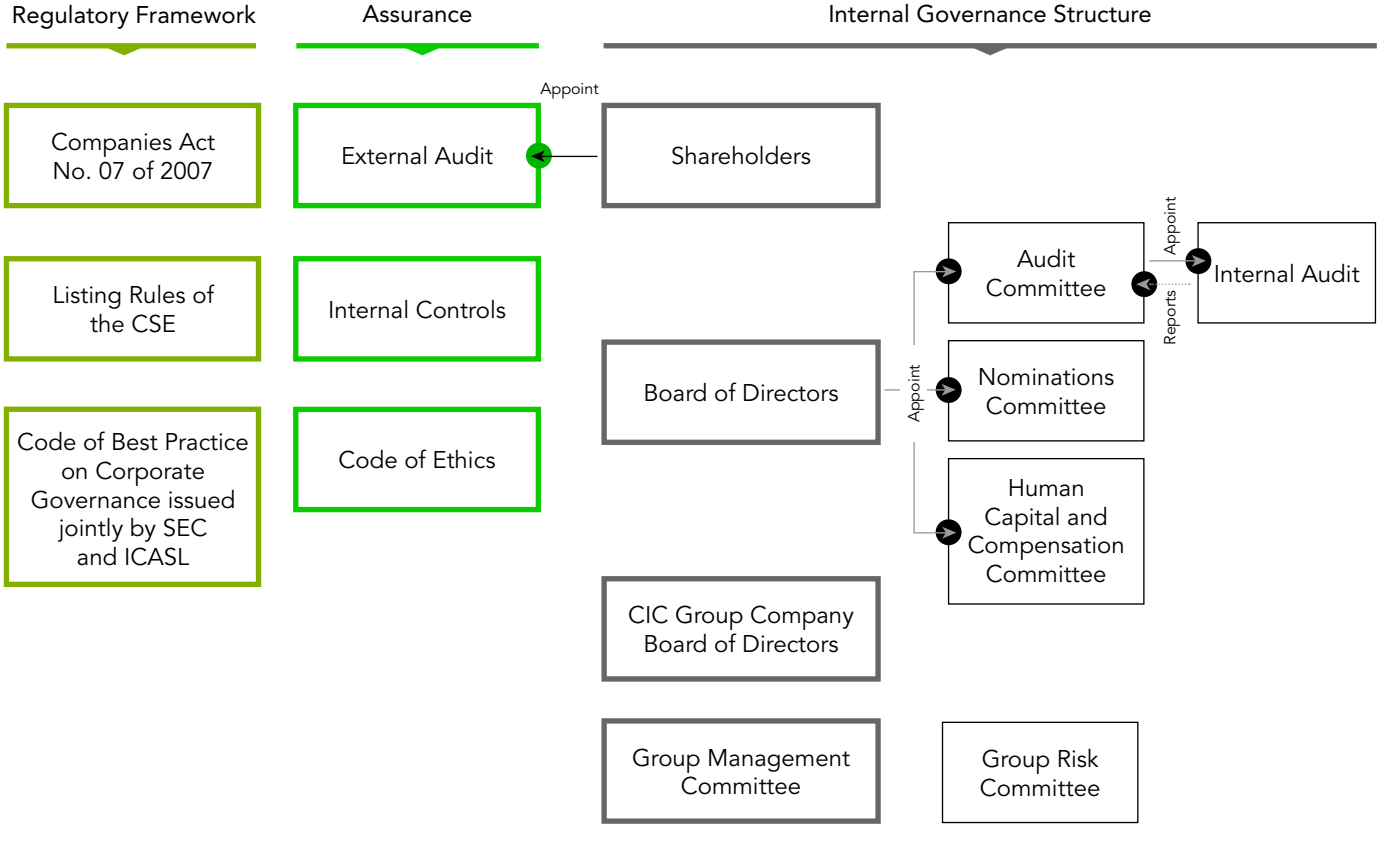
Good Corporate Governance practices are not just a concern for the Board but it is at the heart of everything that we do at CIC. It is the system by which a Company is directed, controlled and managed. At CIC, the Corporate Governance Framework guides our Group and drives towards progress by way of developing and implementing appropriate corporate strategies. The approach to governance is predicated on the belief that there is a link between quality of governance and the creation, enhancement and sustenance of long-term stakeholder wealth creation, whilst safeguarding the rights. In developing the Corporate Objectives, we have committed to the highest level of governance and strive to foster a culture that values and rewards ethical standards, personal and corporate integrity and mutual respect. The Board of Directors, led by the Chairman, is responsible for the governance of the Group and reviews and suggests improvements to policies to provide transparency and accountability.

All employees, senior management and the Board of Directors are required to embrace this philosophy in the performance of their official duties and in other situations that could affect the Group's image and it is the duty and the responsibility to uphold and act in the best interest of the Company and its stakeholders in fulfilling its stewardship obligations.

While referred to in detail in subsequent sections of this Annual Report, the Group's governance philosophy is practiced in full compliance with the following Acts, Rules and Regulations:

- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance as published by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka

Corporate Governance Framework



The table below demonstrates the manner and the extent to which CIC Holdings PLC adheres to the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and SEC. The requirements of the Code are set out in the first column of the table below:

Code of Best Practice on Corporate Governance	Company's Adherence
A - DIRECTORS	
A. 1 - The Board	
Composition of the Board (Principle A.1)	CIC Holdings PLC is headed by an effective Board of Directors and comprises of the Chairman, and eight Directors. All the Directors are professionals who have acquired a wealth of experience and have proven ability in the fields of Management, Marketing, Finance and Legal. The Board of Directors is accountable for the governance of the Company.
Holding of Regular Board Meetings (Principle A. 1.1)	The Board meets on a quarterly basis to review the performance of the Company and Group and take strategic decisions or even more frequently if the necessity arises. Details of the meetings and attendance of the members are given on page 93.
Responsibilities of the Board (Principle A. 1.2)	The Company has a formal schedule of matters as it is necessary given the scale, nature and complexity of the businesses concerned for - • Deciding, formulating, implementation and review of business strategy. • Ensure effectiveness of the systems to secure integrity of the information, internal controls and risk management. • Ensure compliance with legal requirements and ethics. • Approval of budgets and corporate plans. • Approval of interim and annual Financial Statements for publication. • Deciding and approval of investments and divestments. • Reviewing HR processors with emphasis on ensuring availability of necessary skills, experience and knowledge by the CEO and senior management team to implement strategy and top management succession planning. • Ensure all stakeholder interests are considered in corporate decisions. • Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and compliance with financial regulations.
Compliance with Laws of the country as applicable to the business and procedure to obtain independent professional advice. (Principle A. 1.3)	The Board collectively and Directors individually, act in accordance with the laws of the country, as applicable to the business enterprise. The Board obtains professional advice from external independent parties at the expense of the Company. During the year under review, professional advice was sought on various matters including employee satisfaction survey, legal, tax and accounting aspects, engineering, architectural, actuarial valuation etc.
Company Secretary (Principle A. 1.4)	All Directors have access to the advice and services of the Company Secretary as necessary. A Chartered Management Accountant with an adequate experience functions as the Secretary of the Board. She ensures that proper Board procedures are followed and the relevant rules, regulations and requirements are complied with which are relevant to them as individual Directors and collectively to the Board. The Articles of the Company specify that the Board may at their discretion remove the Company Secretary.
Independent Judgment of Directors (Principle A. 1.5)	Directors are required to bring an independent judgment to bear on decisions of the Company. Their duties are to be performed without any influence from other persons. The Directors are not a party to any decisions made on areas of personal interests. Transactions of the Directors and their family members (arm's length basis) with the Company are required to be disclosed.

Code of Best Practice on Corporate Governance	Company's Adherence
A - DIRECTORS	
A. 1 - The Board	
Dedication of Adequate Time and Effort by the Directors (Principle A. 1.6)	Board meetings are held on a quarterly basis. Sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily. Procedures exist to ensure that Directors receive timely information before each meeting with a clear agenda and papers within guidelines on content and presentation. Directors dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification and to follow up on issues.
Training for the Directors (Principle A. 1.7)	The Directors are provided with adequate relevant training opportunities for continuous development. Expert advice is sought from external parties when there are major changes affecting the Company. Every Director is aware of the need for continuous training and expansion of the knowledge to effectively perform their duties.
A. 2 - Chairman and CEO	
Clear Division of Responsibilities in Running the Board and Executive Responsibilities of Running the Company's Business. (Principle A. 2)	The position of the Chairman and the CEO are separated, preventing unfettered powers for decision making in one person. Chairman is a Non-Executive Director while the CEO is an Executive Director. Chairman takes the responsibility for the Board composition, ensuring that the Board focuses on its key tasks and supports the CEO in his role in managing the day-to-day operations of the Company. The Chairman and the CEO have been identified on page 72 of the Annual Report.
A decision to combine the posts of Chairman and Chief Executive Officer in one person should be justified and highlighted. (Principle A. 2.1)	The position of the Chairman and the CEO are separated, preventing unfettered powers for decision making in one person
A. 3 - Chairman's Role	
Preserving Good Corporate Governance (Principle A. 3)	The Chairman is responsible for effective conduct of meetings of the Board. He ensures good Governance and effective discharge of Board functions by the Board Members at all times and implementation of decisions taken.
Conducting Board Proceedings in a Proper Manner (Principle A. 3.1)	The Chairman conducts the Board meetings in a proper manner and ensure, *inter alia*, that - • the effective participation of both Executive and Non-Executive Directors is secured, • all Directors are encouraged to make en effective contribution, within their respective capabilities, for the benefit of the Company, • a balance of power between Executive and Non-Executive Directors is maintained, • the views of Directors on issues, under consideration, are ascertained, • the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.

Code of Best Practice on Corporate Governance	Company's Adherence
A - DIRECTORS	
A. 4 - Financial Acumen	
Financial Acumen of the Board (Principle A. 4)	There are three senior Chartered Accountants and one Chartered Management Accountant who provide guidance on the financial matters.
A. 5 - Board Balance	
Balance of the Board (Principle A. 5)	The Board comprises of one Executive Director and eight Non-Executive Directors. Of the Non-Executive Directors, five members are Independent Non-Executive Directors. The composition ensures the inability of individuals or small groups to dominate the decision making of the Company. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent.
Presence of Non-Executive Directors (Principle A. 5.1)	The Board comprises of one Executive Director and seven Non-Executive Directors. The total number of Directors is based on the number as at the conclusion of 2011/12 Annual General Meeting which is as per the requirements of the code. Subsequently, another Non-Executive Director was appointed which brings the total to eight.
Independent Non-Executive Directors (Principle A. 5.2)	Five of the eight Non-Executive Directors are independent which is above the minimum prescribed by the code, which is two or one-third of the Non-Executive Directors appointed to the Board whichever is higher. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent.
Independence of Non-Executive Directors (Principle A. 5.3)	All Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfretted and independent judgment.
Annual Declaration (Principle A. 5.4)	Each Non-Executive Director submits a signed declaration of independence /non-independence against the specified criteria.
Determination of Independence of the Directors (Principle A. 5.5)	The Board has determined the independence of Directors based on the declaration made of decided criteria and other information available. This is done annually. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent. The details are given on page 91.
Senior Independent Director (Principle A. 5.6)	The position of the Chairman and the CEO are separated. Therefore, the necessity has not arisen to appoint a Senior Independent Director.
Confidential Discussions with Senior Independent Director (Principle A. 5.7)	The position of the Chairman and the CEO are separated. Therefore, the necessity has not arisen to appoint a Senior Independent Director. However, if the need arises the Non-Executive Directors meet without the presence of the Executive Director.

Code of Best Practice on Corporate Governance	Company's Adherence
A – DIRECTORS	
A. 5 - Board Balance	
Chairman's Meetings with the Non-Executive Directors (Principle A. 5.8)	Chairman in an informal manner meets the Non-Executive Directors without the Executive Director being present and formally meets if necessary.
Recording of Concerns in Board Minutes (Principle A. 5.9)	Provision is available to record any issues in the minute book that could not be unanimously resolved.
A. 6 - Supply of Information	
Provision of Quality Information in a timely manner (Principle A. 6)	Procedures exist to ensure that Directors receive timely information on a quarterly basis or even more frequently and a clear agenda and papers with guidance on contents and presentation for all meetings to facilitate effective conduct. Monthly accounts are circulated and key financial parameters and performance of each division/subsidiary are discussed and remedial action taken where necessary. Senior managers make presentations quarterly on the performance of the business in their charge. When the Board finds that the information provided is insufficient or not clear, they call for additional information which is provided.
Management has an obligation to provide the Board with appropriate and timely information (Principle A. 6.1)	
Provision of information to Directors with adequate time to facilitate effective conduct of Board Meetings (Principle A. 6.2)	
A. 7 - Appointments to the Board	
Procedure for Appointment of New Directors (Principle A. 7)	A list of suitable/eligible candidates are forwarded to the Nominations Committee which in turn scrutinises and makes recommendations to the Board.
Availability of a Nominations Committee for Making Recommendations on all New Board Appointments (Principle A. 7.1)	Nominations Committee comprises of four Non-Executive Directors and the Company's Managing Director attends by invitation. The Chairman of the Committee is the Non-Executive Chairman, details of which are given on page 102 of the Annual Report. The terms of reference for Nominations Committee are similar to one set out in Schedule A in this code.
Assessment of Board composition by the Nominations-Committee (Principle A. 7.2)	The Nominations Committee assesses the composition of the Board to ascertain whether the combined knowledge and experience of the Board, matches with the strategic demands facing the Company. The findings are taken into account when new appointments are considered.
Disclosure of Details of New Directors to Shareholders (Principle A. 7.3)	Names of the new Directors, a brief résumé, nature of his/her expertise in relevant functional areas, names of companies in which the Director holds directorships or memberships in Board committees and independence are made available to the shareholders on their appointment by making announcements at the Colombo Stock Exchange. A Profile of the Directors' qualification, experience and the other directorships are given on pages 72 to 75 of the Annual Report.

Code of Best Practice on Corporate Governance	Company's Adherence
A – DIRECTORS	
A. 8 - Re-election of Directors	
All Directors should be required to submit themselves for re-election at regular intervals and at least every three years (Principle A. 8)	In terms of the Articles of Association, all Directors are elected by the shareholders at the first Annual General Meeting immediately after their appointment. Thereafter, each year one-third of the Directors, other than the Managing Director retire by rotation. The Directors who hold office for the longest period retire and offer themselves for re-election with the recommendation of the Board of Directors. Although, these Directors are not reappointed for a specific period, when they are re-elected at the AGM, immediately after their appointment, they have to come up for re-election in 3 years or a shorter period. The Managing Director neither retires by rotation nor is he counted to determine Directors retiring and coming up for re-election according to the Articles of Association. In terms of Section 210 of the Companies Act No. 07 of 2007, Directors reaching the age of 70 years are recommended for re-election on a substantive motion by a shareholder. The biographical details of the Directors who are subject to re-election at the forthcoming AGM are given in their profiles on pages 72 to 75 of the Annual Report in order to enable shareholders to make an informed decision on their election.
Non-Executive Directors should be appointed for specific terms, subject to re-election and to Companies Act provisions (Principle A. 8.1)	
Articles of Association of the Company, should provide for, all Directors including the Chairman of the Board to be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. (Principle A. 8.2)	
A. 9 - Appraisal of Board Performance	
The Board should periodically appraise their own performance (Principle A. 9)	The Non-Executive Directors evaluate the Executive Directors through the Remuneration Committee. This is a continuous process and is done through a healthy dialogue. In addition, the Board appraisals are supported by the financial report, statutory status reports, internal audit reports, report from the Risk Committee, management letter from the External Auditors etc. These reviews would cover the following areas: • Reviewing/formulating and monitoring implementation of a sound business strategy; • Ensuring that the CEO and management team are competent and the adoption of an effective CEO and Senior management succession strategy; • Securing effective information, control and audit systems; • Ensuring compliance with legal/ethical standards; • Ensuring prevention and management of risks; and • Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. The Board of Directors individually completes an evaluation form annually.
The Board should annually appraise itself in the key responsibilities (Principle A. 9.1)	
The Board should annually undertake a self-evaluation of its own performance and that of its Committees (Principle A. 9.2)	
Disclosure of Performance Evaluation Criteria (Principle A. 9.3)	Refer Remuneration Committee report on page 99 of this Report

Code of Best Practice on Corporate Governance	Company's Adherence
A – DIRECTORS	
A. 10 – Disclosure of Information in Respect of Directors	
Details in Respect of Directors (Principle A. 10.1)	The following information in relation to the Directors is disclosed in this Annual Report: • Name, qualifications and brief profile (pages 72 to 75) • The nature of his expertise (pages 72 to 75) • Directors' interest in contracts (page 185) • Names of listed companies each Director serves as a Director (page 72 to 75) • Number of Board and Committee meetings held and attendance (page 93) • Names of Committees in which the Director serves as the Chairman or a member (pages 97, 98, 99 & 102)
A. 11 - Appraisal of the CEO	
The Board should be required, at least on an annual basis to assess the performance of the CEO (Principle A. 11)	Prior to commencement of the financial year, the Remuneration Committee sets objectives in consultation with the CEO based on long, short and medium-term business targets (financial and non-financial) in relation to all stakeholder interest. These are confirmed by the Board. The personal goals set for the CEO is assessed annually by the Remuneration Committee and the assessment is ratified by the Board. The CEO is responsible to provide the Board with explanations for any adverse variances together with actions to be taken.
Setting of Annual targets for the CEO at the commencement of every fiscal year (Principle A. 11.1)	
Performance of the Chief Executive Officer should be evaluated by the Board at the end of each fiscal year (Principle A. 11.2)	

Code of Best Practice on Corporate Governance	Company's Adherence
B - DIRECTORS' REMUNERATION	
B. 1 - Remuneration Procedure	
Policy for Directors' Remuneration (Principle B. 1)	The Remuneration Committee reviews the remuneration policy, makes recommendations and provides guidance on implementation. Remuneration levels based on the qualifications and experience are designed to attract, retain and motivate the staff who has made contributions to the corporate objectives. Non-Executive Directors' fees is a percentage of the CEO's remuneration. No Director is involved in deciding perquisites to themselves.
Establishment of Remuneration Committee (Principle B. 1.1)	The Remuneration Committee consists of four Non-Executive Directors and the Company CEO attends meetings by invitation. The Committee sets policies on remuneration, perquisites and allowances based on the market and industry.
Composition of the Remuneration Committee (Principle B. 1.2)	The Remuneration Committee consists of four Non-Executive Directors who bring independent judgment on the issues. The Chairman of the Committee is appointed by the Board.
The members of the Remuneration Committee (Principle B. 1.3)	A complete list of the members of Remuneration Committee is given in the Report of the Remuneration Committee on page 99.
Determination of remuneration of Non-Executive Directors (Principle B. 1.4)	Non-Executive Directors' fees is a percentage of the CEO's remuneration. The Board believes that it is in line with the current market conditions. Shareholders of the Company approve the remuneration through approval of the Financial Statements.
Consultation of the Chairman and/or CEO and access to professional advice (Principle B. 1.5)	The CEO of the Company attends the meetings by invitation. The Committee has access to obtain professional advice from external sources.
B. 2 - Level and Make-up of Remuneration	
Determination of the Level of Remuneration of Both Executive and Non-Executive Directors (Principle B. 2)	Remuneration of all staff including Executive Directors is based on the achievements of the Company and on individual achievements. A balance is maintained between fixed and variable percentage. Non-Executive Directors' fees is a percentage of the CEO's remuneration.
Executive Director's remuneration package (Principle B. 2.1)	The Remuneration Committee provides the package needed to attract, retain and motivate Executive Directors of the required quality.

Code of Best Practice on Corporate Governance	Company's Adherence
B - DIRECTORS' REMUNERATION	
B. 2 - Level and Make-up of Remuneration	
Comparison of remuneration with other companies (Principle B. 2.2)	Members of the Remuneration Committee have expertise based on their association with a variety of companies. Chairman of the Committee is a HR specialist with international expertise. Improvement in performance has been factored into compensation structures. Surveys are conducted as and when necessary to ensure that the remuneration is competitive with those of comparable companies.
Comparison of remuneration with other companies in the Group (Principle B. 2.3)	The Remuneration Committee reviews the policies concerning executive benefits among the Group Companies.
Performance related elements of remuneration of Executive Directors (Principle B. 2.4)	Performance based benefits have been designed by the Remuneration Committee to ensure that the total earnings of the Executive Directors are aligned with the performance of the Company.
Executive share Options (Principle B. 2.5)	The Employee Share Option Scheme of the Company which is extended to the Executive Directors are offered as per the guidelines of the Listing Rules of the CSE where exercise price is based on the market price and it is uniformly applicable to all staff members (as per the individual category). Details are given on page 184.
Executive Directors' remuneration (Principle B. 2.6)	The Remuneration Committee follows the provisions set out in Schedule D of the code as required.
Early termination of Executive Directors (Principle B. 2.7)	No special provision is made. Executive Directors are entitled to the gratuity payment in an uniform manner available to all employees of the Company.
Early termination of Executive Directors excluding poor performance as a reason (Principle B. 2.8)	
Levels of remuneration for Non-Executive Directors (Principle B. 2.9)	Non-Executive Directors are paid a monthly fee and a compensation on a fixed basis for Committee participation. Market practices are followed. The Non-Executive Directors are not included in the Employee Share Option Scheme.

Code of Best Practice on Corporate Governance	Company's Adherence
B - DIRECTORS' REMUNERATION	
B. 3 - Disclosure of Remuneration	
Disclosure of Remuneration to the Board as a whole and Statement in the Annual Report on the Policy Adopted in Remuneration (Principle B. 3)	The Report issued by the Remuneration Committee is disclosed on page 99.
Disclosure of remuneration (Principle B. 3.1)	Names of the Directors comprising the Remuneration Committee are given on page 99. Remuneration and fees paid to both Executive and Non-Executive Directors are given on page 156.
C - RELATIONSHIPS WITH SHAREHOLDERS	
C. 1 - Constructive use of the General Meetings and Conduct of General Meetings	
Building up relationships with shareholders (Principle C. 1)	The Company always encourages active participation of the shareholders at the General Meetings and solicits their views all the time, thus promoting a healthy dialogue.
Use of proxy votes at the General Meetings (Principle C. 1.1)	All proxy votes are counted and documented when a resolution is proposed at an AGM.
Separate resolution at the AGM on each substantially separate issue (Principle C. 1.2)	Each substantially different issue is proposed as separate resolutions. The adoption of the Annual Report of the Board of Directors on the Affairs of the Company and Financial Statements with Independent Auditors' Report is also proposed as a separate resolution.
Availability of Board Sub-committee Chairmen at the AGM (Principle C. 1.3)	The Chairman of the Audit Committee, Chairman of the Remuneration Committee and the Chairman of the Nominations Committee are generally present at the AGM.
Adequate Notice of AGM (Principle C. 1.4)	According to the Companies Act No. 07 of 2007, the period for notice required to be given to the Shareholders is 15 working days. In addition, as per the Articles of Association of the Company, 3 more days have to be kept for posting.
Procedures Governing Voting at General Meetings (Principle C. 1.5)	A summary of the procedures governing voting at the Annual General Meeting is given on the Proxy Form.
C. 2 - Major Transactions	
Disclosure of Major Transactions and their Impact on the Consolidated Net Assets. (Principle C. 2)	There were no major transactions that materially affected the Company's net asset base, other than what is disclosed in the Annual Report.
Disclosure on 'Major Transactions' (Principle C. 2.1)	This will be practiced where relevant. The Company has not committed for such transaction as per Section 185 of the Companies Act No. 07 of 2007 during the financial year 2012/13.

Code of Best Practice on Corporate Governance	Company's Adherence
D - ACCOUNTABILITY AND AUDIT	
D. 1 - Financial Reporting	
Disclosure of an Assessment on the Position and Prospects of the Company (Principle D. 1) The Board's responsibility for statutory and regulatory reporting (Principle D. 1.1)	The Company gives high priority to timely publication of annual and quarterly results with comprehensive details enabling the stakeholders to make informed decisions. All publications comply with the statutory requirements, procedures laid down by the Colombo Stock Exchange and the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. Mediums of publication include specified printed documents, newspaper advertisements and the website of the Company.
Annual Report should contain a declaration by the Directors (Principle D. 1.2)	'Annual Report of the Board of Directors on the Affairs of the Company' containing the subject declarations are given on page 117.
Presenting a Statement Setting-out the Responsibilities of the Directors for Financial Statements and a Statement by the Auditors about their Reporting Responsibilities (Principle D. 1.3)	The Statement of Directors' Responsibility for Financial Reporting is given on page 124. Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2013 containing the Auditor's reporting responsibility is given on page 127.
Management Discussion & Analysis (Principle D. 1.4)	This information is given under Business Review starting from page 22.
Declaration by the Board on the going concern of the Company (Principle D. 1.5)	This is given in the 'Annual Report of the Board of Directors on the Affairs of the Company' on page 117.
Summoning an EGM to notify the shareholders if Net Assets fall below one-half of the shareholders' funds (Principle D. 1.6)	There has not been any such situation in the past. However, if such situation arises, an Extraordinary General Meeting will be called for and shareholders will be notified.
D. 2 - Internal Controls	
Maintaining a sound system of Internal controls (Principle D. 2)	The Board of Directors has overall responsibility for the Company's systems of internal control and for reviewing its effectiveness. Systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected within a timely period.

Code of Best Practice on Corporate Governance	Company's Adherence
D - ACCOUNTABILITY AND AUDIT	
D. 2 - Internal Controls	
Reviewing of the Effectiveness of Internal Controls Periodically by the Directors and Reporting thereon to the Shareholders (Principle D. 2.1)	The Board is responsible for the effectiveness of the internal controls. The system is designed to give assurance, *inter alia*, safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The effectiveness of the internal control systems is periodically reviewed by the Board Audit Committee and major observations are reported to the Board. The internal audit function is outsourced to Messrs Ernst & Young Advisory Services (Private) Limited. The Board reviews the reports arising from the internal and external audits and monitors the progress of the Company by evaluating the actual results against the budgets and industry standards. 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.
Reviewing the need for Internal Audit function (Principle D. 2.2)	The Company has an Audit Committee and the internal audit function is outsourced to Messrs Ernst & Young Advisory Services (Private) Limited.
D. 3 - Audit Committee	
Establish formal and transparent arrangements for considering how they should apply the financial, reporting and internal control principles and for maintaining an appropriate relationship with the Company's Auditors (Principle D. 3)	The Audit Committee among other functions review the operation and effectiveness of internal control systems, ensuring that a good financial reporting system is in place and is well-managed and monitor the internal and external audit functions. The internal controls within the Company are designed to provide reasonable, though not absolute, assurance to the Directors and assist them to monitor the financial position of the Group. The Company ensures cordial relationship with the External Auditors, Messrs KPMG.
Composition of the Audit Committee (Principle D. 3.1)	The Audit Committee comprises of four Independent Non- Executive Directors. The Chairman, CEO and the Group CFO attend meetings by invitation. The full Report of this Committee including the terms of reference and specific tasks carried out during the year is given on page 97.
Duties of the Audit Committee (Principle D. 3.2)	The duties of the Audit Committee include keeping under review the scope and results of the audit and its effectiveness and the independence and objectivity of the Auditors. During the year, provision of non-audit services to the Company by them was limited to tax consultancy work and other assurance reports.
Terms of Reference of the Audit Committee (Principle D. 3.3)	The Terms of Reference of the Audit Committee have been agreed by the Board. The full report of this Committee including the terms of reference and specific tasks carried out during the year is given on page 97.
Disclosures of the Audit Committee (Principle D. 3.4)	Names of the members of the Audit Committee and the independence of the External Auditors are disclosed in the Audit Committee Report on page 97.

Code of Best Practice on Corporate Governance	Company's Adherence
D - ACCOUNTABILITY AND AUDIT	
D. 4 – Code of Business Conduct and Ethics	
Adoption of Good Corporate Governance Practices and Disclosure of Deviations (Principle D. 4)	A comprehensive Corporate Governance and Business conduct and ethics has been adopted by the Board and is in compliance. Deviations from the agreed status is considered serious and addressed.
Disclosure of Code of Business Conduct and Ethics (Principle D. 4.1)	
Affirmation of Code of Business Conduct and Ethics (Principle D. 4.2)	
D. 5 – Corporate Governance Disclosures	
Disclosure of Corporate Governance (Principle D. 5 & 5.1)	In order to further strengthen the good corporate governance practices already in the Company, latest best practices around the world are identified and where relevant, they are applied. Our Company is committed to the Code of Best Practice for Corporate Governance, issued by SEC, The Institute of Chartered Accountants of Sri Lanka and upholds a policy of accountability and public frankness. We maintain the fullest transparencies in all our business transactions. We have carried out transactions as per the laid down rules and regulations of The Institute of Chartered Accountants of Sri Lanka, Colombo Stock Exchange, Department of Exchange Control, Department of Inland Revenue and other governing bodies. The extent to which the Company has complied with the Good Corporate Governance Principles are given as above in this Report.
SHAREHOLDERS	
E – INSTITUTIONAL INVESTORS	
E. 1 – Corporate Governance Disclosures	
Institutional Shareholders should make use of their votes (Principle E.1)	Company uses the Annual General Meeting as one mode of communication with the shareholders. Chairman ensures that all views are communicated to the Board as a whole. Voting of the shareholders is important in carrying out a resolution at the AGM. The Quarterly & the Annual Financial Statements are considered the main mode of communication with the shareholders. The reports are available on the CSE web site and the Company's website. Once the Financial Reports are released the shareholders who have concerns contacts the Chairman, Managing Director or CFO. All price sensitive information and as per requirements of the corporate disclosures of Listing Rules, the Company has disseminated information to the public.
Communication with Shareholders (Principle E.1.1)	
E 2- Evaluation of Governance Disclosures	
Due weight by the Institutional Investors (Principle E.2)	The institutional investors are encouraged to give due weight to all relevant matters relating to Board structure and composition.

Code of Best Practice on Corporate Governance	Company's Adherence
F 1 – Investing/ Divesting Decision	
Individual investors (Principle F.1)	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decision. The investors are provided information through Company website, CSE web site and other public announcements.
F 2 – Shareholder Voting	
Individual shareholder voting (Principle F.2)	Individual shareholders are encouraged to participate at the General Meetings of the Company and exercise their voting rights.

1. In terms of Section 7.10.2 (b) of the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director is required to submit a declaration annually on his independence/non-independence, against the criteria specified by the Colombo Stock Exchange. Accordingly, the Company has obtained declarations from the Non-Executive Directors. The related entries were made in the Interest Register during the year under review.

2. Listing Rule 7.10.4 requires the Board to make a determination annually, as to the independence or non-independence of each Non-Executive Director, based on such declaration and other information available to the Board.

On perusal of the declarations the Board noted that -

(a) Mr. S.H. Amarasekera , Mr. R.N. Asirwatham and Prof. P.W.M.B.B. Marambe are Independent Directors.

(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. B.R.L. Fernando	Since he is a former employee of the Company
Mr. R.S. Captain	Director of another company which has a significant shareholding in the Company
Mr. M.P. Jayawardena	Since he is a Director of a subsidiary of the Company
Mr. E.F.G. Amerasinghe	Served on the Board for a period exceeding 9 years.

3. According to Rule 7.10.3 (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.

4. When applying 7.10.4 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 (e.g. Longstanding 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. E.F.G. Amerasinghe, too, could be considered independent

Name of the Director	Type	Shareholding	Management Involvement/Interest	Material Business
Mr. B.R.L. Fernando	NED	Yes	No	No
Mr. S.P.S. Ranatunga	ED	Yes	Yes	No
Mr. S.H. Amarasekera	NED/ID	No	No	No
Mr. E.F.G. Amerasinghe	NED/ID	No	No	No
Mr. R.N. Asirwatham	NED/ID	No	No	No
Mr. R.S. Captain	NED	Yes	No	Yes
Mr. M.P. Jayawardena	NED	Yes	No	No
Prof. P.W.M.B.B. Marambe	NED/ID	No	No	No

ED - Executive Director
NED - Non-Executive Director
ID - Independent Director

Note : Mr. S.M. Enderby, who was appointed to the Board of Directors on 11th April 2013 in an Independent, Non-Executive Director.

The attendance of each Director at Main Board, Audit, Remuneration and Nominations Committee meetings is set out in the table below:

Committee/Composition	Main Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. B.R.L. Fernando	6	6					–	–
Mr. S.P.S. Ranatunga	6	6					–	–
Mr. S.H. Amarasekera	6	5	4	3	2	2	–	–
Mr. E.F.G. Amerasinghe	6	6	4	4	2	2	–	–
Mr. R.N. Asirwatham	6	6	4	4	2	2	–	–
Mr. R.S. Captain	6	6			2	2		
Mr. M.P. Jayawardena	6	6						
Prof. P.W.M.B.B. Marambe	6	5						

The disclosures above demonstrate the Company's adherence to Section 7.10 of the continuing listing requirements issued by the Colombo Stock Exchange. This also indicates the level of conformance to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka in 2008. Further, the Board of Directors to the best of their knowledge and belief is also satisfied that all statutory payments have been made on time and the other regulatory requirements are complied with.

Company's adherence with the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange:

	Corporate Governance Rule	Company's Adherence
	Directors	
	Non-Executive Directors	
(a)	The Board of Directors of a listed company shall include at least - (i) Two Non-Executive Directors; or (ii) Such number of Non-Executive Directors equivalent to one-third of the total number of Directors whichever is higher.	Complied with.
(b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with.
(c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not applicable.

	Corporate Governance Rule	Company's Adherence
	Independent Directors	
(a)	Where the constitution of the Board of Directors includes only two Non-Executive Directors as mentioned above, both such Non-Executive Directors shall be 'independent'. In all other instances two or one-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	Complied with. As per the Board's determination on independence of each Director, based on Directors' Declarations, as provided by Section 7.10.3 (a) of the Listing Rules.
(b)	The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the criteria specified in the Code.	Complied with.
	Disclosures Relating to Directors	
(a)	The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'independent'.	Complied with. Please refer page 92 of this Annual Report for details.
(b)	In the event a Director does not qualify as 'independent' against any of the criteria set out in Section 7.10.4, 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.	Complied with.
(c)	In addition to disclosures relating to the independence of a Director set out above, the Board shall publish in its Annual Report a brief résumé of each Director on its Board, which includes information on the nature of his/her expertise in relevant functional areas.	Complied with. Please refer pages 72 to 75 of this Annual Report.
(d)	Upon appointment of a new Director to its Board, the Company shall forthwith provide to the Exchange a brief résumé of such Director for dissemination to the public. Such résumé shall include information on the matters itemised in paragraphs (a) and (c) above.	Complied with.
	Remuneration Committee A listed Company shall have a Remuneration Committee in conformity with the following requirements:	
(a)	Composition The Remuneration Committee shall comprise a minimum of - (i) Two Independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied with.
	Remuneration Committee of the Parent Company may be permitted to function as the Remuneration Committee of the subsidiary. However, if the Parent Company is not a listed company, then the Remuneration Committee of the Parent Company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary shall have a separate Remuneration Committee.	Complied with.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with.

	Corporate Governance Rule	Company's Adherence
(b)	Functions	
	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed company and/or equivalent position thereof, to the Board of the listed company, which will make the final determination upon consideration of such recommendations.	Complied with.
(c)	Disclosures	
	The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors. The term 'remuneration' shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the listed company (excluding statutory entitlements such as Employees' Provident Fund and Employees' Trust Fund).	Complied with. Please refer page 99 of this Annual Report for the names of the Committee Members and Note 14 to the Financial Statements for the details on remuneration paid.
	Audit Committee A listed company shall have an Audit Committee in conformity with the following requirements:	
(a)	Composition The Audit Committee shall comprise a minimum of - (i) Two Independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied with. Please refer the 'Board Audit Committee Report' on page 97 of this Annual Report for the details.
	In a situation where both the Parent Company and the subsidiary are 'listed companies', the Audit Committee of the Parent Company may function as the Audit Committee of the subsidiary. However, if the Parent Company is not a listed company, then the Audit Committee of the Parent Company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.	Complied with.
	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with.
	Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the listed company shall attend Audit Committee meetings.	Complied with.
	The Chairman or one member of the Committee should be a Member of a recognised professional accounting body.	Complied with.

	Corporate Governance Rule	Company's Adherence
(b)	Functions	
	Shall include –	
(i)	Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed company, in accordance with the Sri Lanka Accounting Standards.	Complied with.
(ii)	Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting - related regulations and requirements.	Complied with.
(iii)	Overseeing of the processes to ensure that the Company's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	Complied with.
(iv)	Assessment of the independence and performance of the Company's External Auditors.	Complied with.
(v)	To make recommendations to the Board pertaining to appointment, reappointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Complied with.
(c)	Disclosures in the Annual Report	
	The names of the Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report.	Complied with.
	The Committee shall make a determination of the independence of the Auditors and shall disclose the basis for such determination in the Annual Report.	Complied with. Please refer the 'Board Audit Committee Report' on page 97 of this Annual Report.
	The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the Company in relation to the above, during the period to which the Annual Report relates.	Complied with.

AUDIT COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

In accordance with the Corporate Governance Guidelines, the Board appointed Audit Committee comprises four Non-Executive Directors, namely, Messrs R.N. Asirwatham, who functions in the capacity of Chairman, S.H. Amarasekera, E.F.G. Amerasinghe and S.M. Enderby who was appointed on 11th April 2013. The Non-Executive Chairman, Mr. B.R.L. Fernando, Managing Director/CEO, Mr. S.P.S. Ranatunga and the Group CFO, Ms. P.D.S. Ruwanpura, 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 judgments on matters that come within their purview.

ROLE OF THE COMMITTEE

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

The Audit Committee is empowered to review any activity within the Company. The Committee defines the responsibility for the internal audit function, considers recommendations made by the Internal and External Auditors, reviews their reports and takes necessary action.

The Committee makes recommendations to the Board on appointment, reappointment and removal of External Auditors and approval of terms of engagement and remuneration.

MEETINGS

The Committee held four meetings during the year. The attendance of the Committee members are given on page 93. The Internal Auditors, Messrs Ernst & Young Advisory Services (Private) Limited 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 9 reports forwarded by the Internal Auditors, Messrs Ernst & Young Advisory Services (Private) Limited. The reports are submitted monthly 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'.

Non-Executive Directors had a separate meeting with the External Auditors in relation to the annual audit to ensure the independence in their approach and methodology. The Committee reviewed the 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.

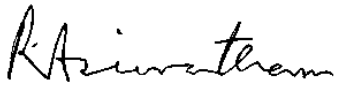
Company's Code of Ethics educates and encourages staff at all levels to pave the way for Good Corporate Governance and encourages to resort to whistle-blowing, when they suspect wrong doing by other employees.

The Audit Committee has recommended to the Board of Directors, that Messrs KPMG, be reappointed as Auditors for the financial year ending 31st March 2014 subject to the approval of shareholders at the Annual General Meeting to be held on 01st July 2013.

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 present colleagues in the Committee, Harsha Amarasekera, Franklyn Amerasinghe and Steven Enderby for their immense contribution with their vast commercial experience and professional expertise, and also the Chairman, Managing Director, CFO of the Company and the Secretary to the Committee for their contribution.



R.N. Asirwatham
Chairman - Audit Committee

22nd May 2013

HUMAN CAPITAL & COMPENSATION COMMITTEE (Remuneration Committee)

The Committee comprised the following members of the Board:

E.F.G. Amerasinghe - *Chairman*
S.H. Amarasekera
R.N. Asirwatham
R.S. Captain

The Committee was assisted whenever meetings took place by the CEO, Mr. Samantha Ranatunga and as appropriate, the Board Secretary/Head of Finance Ms. Priyanthi Ruwanpura. The Committee met when necessary and also interacted with each other and with Management in order to perform its work diligently. The Committee confirms that there was compliance with regulations and that it ensured that good governance was maintained through its work. Recommendations made to the Board were duly implemented.

During the year, on the recommendation of the Committee, the Board decided to enlarge the remit of the Committee and it has now been reconstituted as a Human Capital & Compensation Committee. The objective in doing so was to recognise that the Company needed to link Compensation to the Development and Retention of Talent. It was also stressed that the Committee needed to lay down a uniform policy for the Group in relation to Compensation, HR Processes and HR Development. The Committee is now empowered to examine and recommend change of the HR policies of the Company and the Group to ensure the motivation of people to perform. A key challenge undertaken is to ensure that the development of the employees will facilitate succession when necessary.

The Committee also critically evaluates the policies of the HR Department and ensures that Board strategies are communicated to the employees and they are consulted on all matters which have an impact on them. The intention is to make the employees feel part and parcel of the planning process. The Balanced Score Card is also reviewed and the CEO discusses performance of the staff with the Committee. The Committee was satisfied with the presentation made by the CEO in relation to the evaluation of staff.

The Committee also performed its key role of evaluating the CEO and deciding on his compensation. For the year under review the cycle is not over and the compensation paid to the CEO last year was based on the Company and his own performance in the previous year. The compensation due to the Head of Finance and the Consultant were also determined by the Committee.

The Committee is also reviewing the bonus scheme which has hitherto been applied as it wishes to make it more dependent on meeting financial targets set by the Board.

I would like to thank my colleagues for their valuable contribution towards the work of the Committee.

Franklyn Amerasinghe
Chairman - Human Capital & Compensation Committee

22nd May 2013

From surgical and pharmaceutical to health aid products and diagnostic equipment, we play a major role in healthcare.

NOMINATIONS COMMITTEE REPORT

The Nominations Committee consists of the Non-Executive Chairman, Mr. B.R.L. Fernando, Managing Director, Mr. S.P.S. Ranatunga and three Non-Executive Directors, namely, Messrs S.H. Amarasekera, E.F.G. Amerasinghe and R.N. Asirwatham.

The role and responsibilities of the Committee are-

- to recommend to the Board the process of selecting the Chairman and CEO
- to identify suitable persons who could be considered for appointment to the Board as Executive and Non-Executive Directors
- to make recommendations on matters referred to it by the Board

During the year under review, the Committee did not meet as there were no referrals and no new appointments to the Board of Directors.

The Committee continues to work closely with the Board in reviewing its skill needs.

It has now being agreed that the Committee shall 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.

B.R.L. Fernando
Chairman - Nominations Committee

22nd May 2013

MANAGING RISK AT CIC

Risk Management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities with the goal of achieving sustained benefits within each activity and across the portfolio of all activities.

The CIC Group is exposed to a wider range of risk arising from the dynamic business environment it operates and diversity. The Group addresses risks based on its risk appetite and significance, which are largely a variable of its entrepreneurial culture, enabling the accomplishment of optimal risk return trade off.

The risk management process of the CIC Group is an evolving process which runs throughout the organisations strategy and the implementation of that strategy. It deals with events (past, present and in particular future) which adversely impacts the achievement of objectives of the Group. At CIC, risk management is integrated into the culture of the organisation, but we believe that the process needs to be made more robust with the involvement of the Board of Directors. The strategies have been translated into operational objectives and responsibility has been assigned to each organisation with each manager and employee responsible for the management of risk.

The Group Risk Committee (GRC) of CIC consists of representatives from all Group companies and it is chaired by a Chemistry specialist with many years of experience.

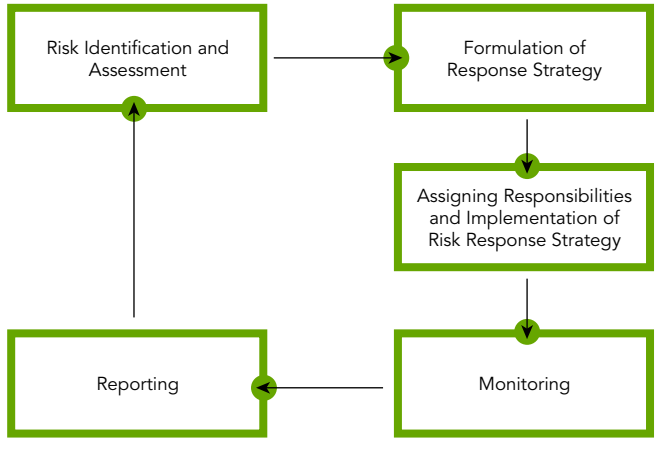
RISK IDENTIFICATION AND ASSESSMENT

Risk identification sets out to identify an organisation's exposure to uncertainty. This requires an intimate knowledge of the organisation, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

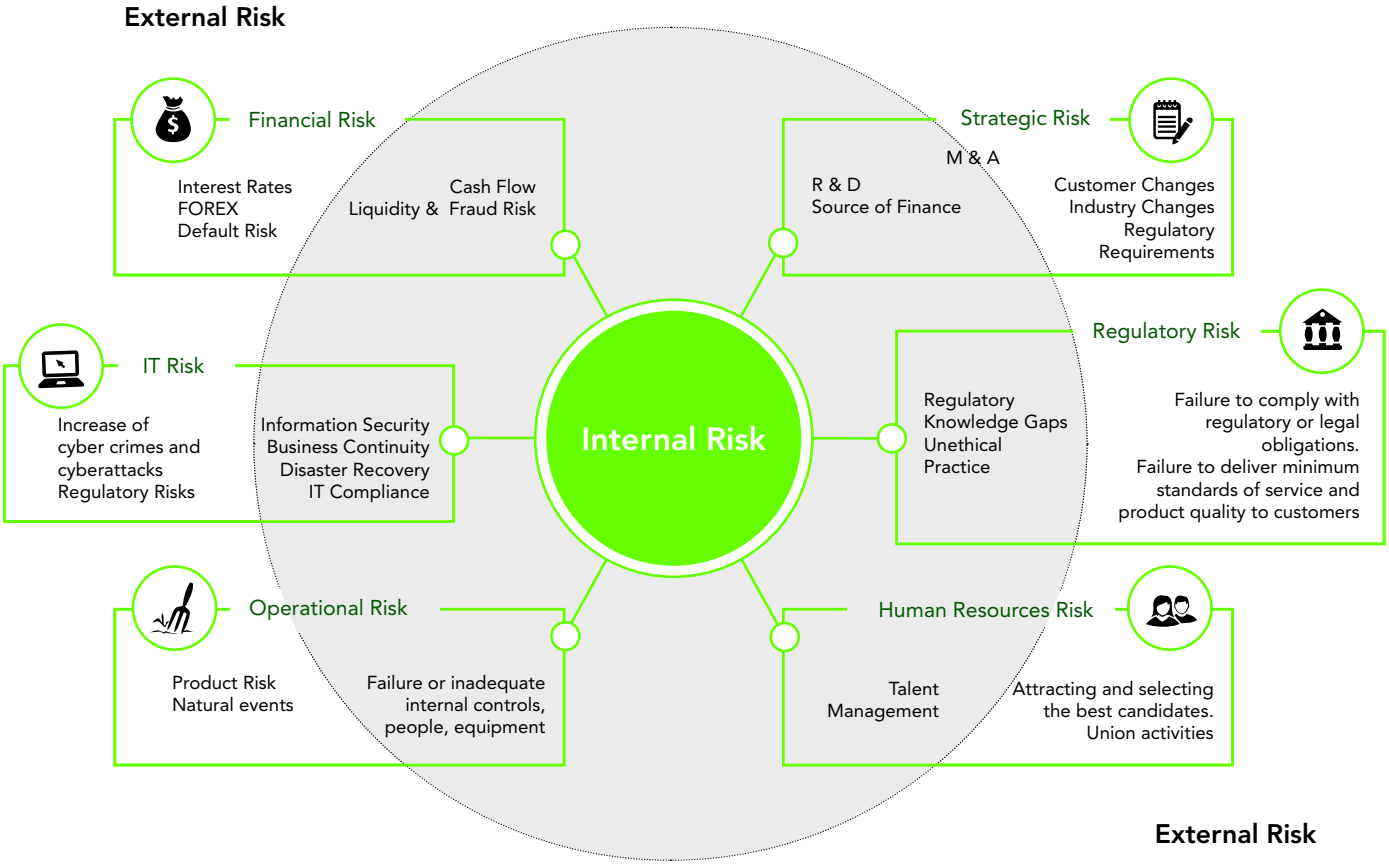
The role of the Risk Management Committee includes the following:

- Setting policy and strategy for risk management
- Primary champion of risk management at strategic and operational level
- Building a risk awareness culture within the organisation
- Designing and reviewing processes for risk management
- Developing risk response processes, including contingency and business continuity programmes

Group Risk Management Process



The risks facing an organisation and its operations can result from factors both external and internal to the organisation. The diagram below summarises few key risks in these areas and shows that some specific risks can have both external and internal drivers and therefore overlap the two areas. They can be categorised further into types of risk such as strategic, financial, operational, information technology, reputational & legal and human resources.



The risks, which are highly relevant to CIC operations, are identified by GRC on the basis of their impact on the Group financial performance, financial position, competitive position and reputation.

All identified risks are indexed and scores are kept as follows, so that action points are visible to GRC:

i. Indices of 0-1.0 represented by 'Green' - Risk Response Strategy is successfully implemented
ii. Indices of 1.0-2.0 represented by 'Yellow' - Risk Response Strategy is being implemented
iii. Indices of 2.0-3.0 represented by 'Red' - Risk Response Strategy has to be formulated and implemented.

FORMULATION, IMPLEMENTATION AND MONITORING OF RISK RESPONSE STRATEGY

Once the risks are identified and assessed the most appropriate strategy is to manage, minimise or eliminate the same. The selection is largely dependent upon the risk appetite of the Group. Upon the recommendation of GRC, each SBU/Subsidiary Head is given the responsibility for implementation. Thereafter, appointed members of the GRC periodically monitor the efficiency and effectiveness of risk response strategy implementation and submit a report on the same to GRC and looks for further improvement.

Consequent Impact

Extreme	Caution	Alert	Stop	Stop	Stop
Very High	Caution	Caution	Alert	Stop	Stop
Medium	Care	Caution	Caution	Alert	Stop
Low	Care	Care	Caution	Caution	Alert
Negligible	Care	Care	Care	Caution	Caution
	Remote	Unlikely	Moderate	Likely	Almost Certain

RISK FACTORS

The risks, which are considered most relevant to the business of CIC, are identified as follows:

Financial risk

Interest Rate Risk

Interest rate risk is the exposure of a company's financial condition to adverse movements in interest rates. Accepting this risk is a normal part of operation of a company and can be an important link to profitability, cash flow and shareholder value. However, excessive levels can pose a significant threat to a company's earnings.

At CIC majority of its capital employed is financed through debt. Further increased exposure to short term and floating rate borrowings has increased the exposure to the interest rate risk. Accordingly, an effective risk management that maintains this risk at prudent levels is essential to the safety and soundness of the Group.

Interest rate exposure is managed through the optimal structure decisions, striking a balance between short term vs. long term and fixed vs. floating rate borrowings. Furthermore, negotiations with banks/financiers are actively supported.

Foreign Exchange Risk

The risk of an investment/receivable/payable's value changing due to changes in currency exchange rates. Being a net importer, fluctuations in the exchange rate can significantly impact the financial results and the competitive position of CIC Group.

Potential impact on the business by an adverse movement in exchange rates is captured through sensitivity analysis. Also the pricing is linked to the exchange rates. Having identified and measured the potential exposure, strategies such as forward exchange contracts and leading and lagging of payments/receipts are also considered.

Liquidity Risk

Liquidity risk is the risk of not having sufficient funds to meet its financial commitments in a timely manner. The two key elements of liquidity risk are: short-term cash flow risk and long-term funding risk. The long-term funding risk includes the risk that loans may not be available when the business requires them or that such funds will not be available for the required term or at acceptable cost.

Unforeseen short fall in cash can sometimes lead to liquidity risk due to factors such as: seasonal fluctuations, unplanned reduction in revenue, business disruption and sustained reduction in profitability, unplanned capital expenditure and increase in operational costs, future debt repayments, delays in subsidy settlements and inadequate or non-existent financing facilities.

Business models and working capital management are reviewed periodically to ensure cash flow alignment as far as possible and minimise dependence on unexpected external borrowings. Trade cycles are analysed with a view to generating liquidity from operations. Also the bank relationships are managed with involvement of the Holding Company to ensure access to essential credit and cash management services.

Debtor Default Risk

This is the risk of losses arising from a debtor being unable to pay its loan obligations in full or the debtor is more than 90 days or overdue.

CIC is rooted island-wide and has its presence in few international markets. Adverse economic conditions may result in diminishing the customer credit worthiness and thereby increasing the default risk to the Company.

CIC extends credit facilities to customers based on the credit policy which entails evaluating customers periodically. Further, controls include structured approval levels, supervision and recovery procedures on overdue amounts and legal procedure for long outstanding receivables. Bank guarantees and cash deposits are made a requirement where practical and other limit exposure on unsecured credit is after a careful scrutiny. Presently, an evaluation is being carried out on all debtors of CIC Holdings PLC to further limit and strengthen the exposure.

Fraud Risk

Fraud essentially involves using deception to dishonestly make a personal gain for oneself and/or create a loss for another. The term 'fraud' commonly includes activities such as theft, corruption, conspiracy, embezzlement, money laundering, bribery and extortion.

Fraud may be attempted as the organisation has valuable property such as cash, inventory and information and also due to human interfaces in the processors.

In order to counter this, we are striving to strengthen an ethical culture and also to improve the effectiveness of the internal controls. Effective internal controls reduce exposure to fraud risks and contribute to the safeguarding of assets; however, a sound system of internal control cannot provide complete protection against all fraudulent behaviour. As a further measure, new areas have been added and the existing areas have been strengthened in the internal audit plan for the current year.

Information Technology Risk

CIC has embraced information technology few decades ago as one of the pioneered business organisations in the country. Today, Information Technology as a business plays a pivotal role in CIC as the nerve system for many business units. With the exponential growth in IT usage, technology has become a commodity. Therefore, organisations are compelled to embrace proper IT governance and risk compliance as a part of internal controls.

Information Security Risks

Information security is considered as one of the prime areas which cannot be compromised and the necessary internal controls are applied to eliminate the threats within the network as well as from outside the network.

- Malware and virus protection is applied across the enterprise network with sophisticated anti-virus tools. Regular monitoring and application of updates.
- In-order to control the information access among the employees, directory service management tools and authorisation matrix is being used.
- Physical security for the data centres is ensured with access control using biometric devices and surveillance devices for monitoring.

Business Continuity and Disaster Recovery (DR) Risks

With the increase of Information Technology dependency for business processes, risk of business continuity also has increased. CIC has considered this as a high impact and high probability of occurrence risk for the organisation.

- CIC has implemented a DR site with scheduled replication of data from the primary site. This will ensure the up-to-date information availability in an event of a disaster for the primary data centres.
- Each and every business unit has their own Business Continuity Planning (BCP) aligned with IT DR plan with periodic reviews according to the nature of the business and expectations.

IT Compliance Risk

Usage of IT, according to governing law and ethically is considered as an internal risk with the high number of employees who use the IT services at CIC.

- CIC uses only licensed software as a policy and this is controlled by the CIC IT professionals.
- Users are restricted to install or remove any software installed on their PCs. This has protected the network as well as discouraged the usage of pirated software.

Increase of Cyber Crimes and Cyber Attacks

Globally there is an increase in cyber crimes and cyber attacks on enterprise networks. CIC has considered the situation as a risk and taken necessary network protection measurements with the implementation of firewalls and virus and malware protection.

Regulatory Risks

Information technology as an area has developed very rapidly. This has led the regulatory bodies to impose new regulations on the usage of IT devices, software and services. CIC has treated this area as a medium impacted and medium probability of occurrence risk area. However, CIC has mapped the vulnerable domains which the regulations can be applied and foreseen the mitigation activities.

PricewaterhouseCoopers carried out a comprehensive IT audit during the year under discussion. Majority of the high and moderate risk areas where attention was needed have been addressed.

Operational Risk

Failure or inadequate internal controls, people, equipment, supply chain

Uniqueness of equipment, nature of raw materials in our processes and highly concern environmental controls, Government interventions like price controls presently play a big role in operation and derives risks which have to be managed properly.

Equipment breakdown will impact badly on the supply chain by failing to cater the market demand. The nature of flammable and toxicity of chemicals used in our processes will keep employees and environment affected. If any failure occurs in the process the good image of CIC will be tarnished. All of the key raw materials are purchased globally and any short supply of raw material and price fluctuations directly impact on business where the customers' trust and confidence kept on CIC brand will get affected.

Trained workmen internally with adequate spares kept in stocks served effectively and efficiently to minimise machine down time. Our process employees are sent for occupational health reviews to assess their health and to ensure that they are not affected adversely by chemicals used in the processes. Sound human resource practices helped always to maintain healthy industrial relationship within the organisation. Close monitoring of supply chain management had minimised stock out situations of essential raw materials. Research and development activities to replace equivalent, safer, cheaper raw materials helped us to improve the productivity of manufacturing process.

Product Risk

The support from different customer segments and the intensity prevalent in different industries emphasises the success of the CIC's business.

Due to this fact the management closely monitors the consumer preference, market rivalry and customer relationships. All key findings are duly embedded to the business strategy so that the Group keeps on sustaining its competitive advantage.

Marketing Risk

The Company has considered internal and external factors which are critical in managing the business in carrying out the marketing operation. Internal factors are products, ordering, warehousing and distribution. The identified external factors are competition, legal and environment.

Internal elements are captured through the process audits, while the external risks are captured through enhanced training programmes and research and development capabilities and is continually looking to establish best practice benchmarks.

Natural Events Risk

Adverse weather conditions may result in reduced demand for CIC Products given the fact that it is one of the largest agriculture companies in the country.

The tacit knowledge gathered from running the agriculture business during adverse weather conditions in the country has been of paramount importance in managing this risk.

Ongoing forecast and updates are made in financial performance, position and cash flow and where necessary realignment of investments are made with a view to making the business model flexible enough to absorb the pressure from unexpected conditions.

Reputational Risk

- Failure to comply with regulatory or legal obligations
- Failure to deliver minimum standards of service and product quality to customers
- Unethical practices in the organisation

Being a Company which has customers at every level of the community, CIC has recognised the importance of aligning the corporate objectives and shareholder requirements. Further, the Company has identified that maintaining and developing the credibility of the Group and its brands, and most importantly, its standing in the eyes of its stakeholders is a crucial exercise in ensuring sustainable success. Accordingly, like all of the intangible assets of the Group (such as goodwill, talent, knowledge, know-how, and intellectual capital and brand equity) whose value has escalated in recent years, value of its reputation has been identified as a direct effect on its share price, market share and brand value. In addition, CIC always supports the idea of maintaining the Group's integrity and reputation at any cost.

CIC is sensitive to the attitude of local communities in which the Company operates, the satisfaction and fidelity of customers and the positive inclination of media towards the Company. CIC uses 'transparency' as one of its best tools in managing its image. Further, through its community engagement and social infrastructure projects, CIC is receiving a wide and positive media exposure. In addition, the Group is also focused on establishing strategic relationships with reputed third parties (i.e., supply agreements, joint ventures, etc.). When it comes to product liability, CIC ensures stringent quality assurance processes. Further, whilst being sensitive to the policy making decisions of regulators and legislators, CIC adhere to all local and international laws and regulations pertaining to advertising and marketing.

Compliance and Regulatory Risk

- Failure to observe and comply with continuing regulatory oversight
- Existence of regulatory knowledge gaps within the organisation
- Non-cooperation between marketing and regulatory/legal/compliance functions

CIC has identified the complexity of the business and that the regulatory landscape is increasing dramatically. It has also taken into account the importance of integrating business and compliance programme activities and controls as appropriate.

In meeting the demands and expectations of investors, legislators, regulators, customers, employees, analysts, consumers and other key stakeholders, the Group is working with various institutions such as chambers and industry associations with the objective of obtaining guidance with regard to the complex legislative and regulatory requirements. Further, the internal processes of the Company supports in identifying changes in the legislative environment which in turn helps the Group to comply with new regulations. Further, through its risk management processes, CIC has enabled the Group to deal with rising impact of fines, penalties and business disruption.

Whilst adhering to all laws and regulations, the Group co-operates with Government regulators and always ensures to provide accurate and honest information to Government authorities. Further, the Group is also working with independent advisory panels to establish and enforce best practices. Management of compliance and regulatory risks has also been achieved by developing and enforcing standards that are consistent across the globe.

Human Resources Risk

Talent Management

The workforce that is currently at CIC is knowledgeable and these skills are not easily transferable. In keeping with the current business realities, there could be a situation where employee career developmental aspects are not sufficiently addressed which in turn may impact on the business.

CIC has inbuilt 'Destiny Navigation Architecture' through which, the identified top talent is prepared to take over when current senior staff and other key employees leave the organisation. The Company is committed to develop career paths for employees who will contribute for the performance of the organisation. Through its succession planning, the Company has carefully planned to prepare the next set of leaders who are being now groomed to take up the leadership roles for the future.

Attracting and Selecting the best Candidates

CIC has been able to maintain external reputation as an employer that invests in its people and provide opportunities and support for career advancement. This has helped the Company to attract good talent. Similarly, CIC has enforced strategies on recruiting new staff with compliance to a strict recruitment guideline that is backed by references obtained in a trustworthy manner. The candidates selected were tested for the skill and abilities that the organisation will need in the fast expanding business dynamics.

Union Activity

Current socio-economic trends may be conducive for the Union actions which may lead to unproductive initiatives.

Company maintains cordial relationship with its Union and take prompt actions which are being referred. This has led to the satisfaction of the member staff and helped the Company increase its production capacity with the fullest support from all the employees.

Strategic Risk

Strategic risk of a company refers to the risk to its earnings and profitability that could arise from strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, strategic risk could materialise due to internal or external factors. CIC considers strategic risk as one of the key elements in its risk profile.

The Group has identified the following strategic risks that would arise through internal factors:

- Risks in connection with decisions about outsourcing or maintaining processes and competencies in-house
- Risks concerning new product developments, such as new innovations, R&D, new product lines
- Risks concerning acquisitions or disposals including the likelihood of achieving organisational objectives or destroying Shareholder value

The Board critically reviews the strategic goals of the Group through its well defined corporate planning and its budgeting process. This robust process ensures that the above strategic risks are well managed in all activities of the Group.

The following strategic risks have been identified as most relevant to business of CIC which could arise through external factors:

- Risk concerning changes in customer demand
- Risk in technology developments
- Risk in changes in the industry and the economic environment
- Risk in regulatory requirements.

Various strategies have been initiated to mitigate the above mentioned strategic risks faced by the Group.

- Continuous monitoring of consumer insights and strategic movement of rivals through mediums such as external research and consultancy while the internal brains keeps on accumulating their know-how.
- The Group aims to differentiate from the competitors by offering technological know-how that supports sustainability, market presence, a comprehensive service offering and a long-term commitment to its customers. The Group's goal is to increase its presence in emerging markets, where it estimates the demand for its products and services will grow faster. CIC actively monitors the changes in its competitor field.
- The Group has mitigated the risk which could arise through changes in industry environment through a well planned diversification strategy.

Role of the Internal Audit on Risk Management in the Group

This includes the following:

- Focusing the internal audit work on the significant risks, as identified by management, and auditing the risk management process across an organisation.
- Providing assurance on the management of risk.
- Providing active support and involvement in the risk management process.
- Facilitating risk identification/assessment and educating line staff in risk management and internal control.
- Coordinating risk reporting to the Board, Audit Committee etc.

Audit Committee too plays a vital role by reviewing CIC's risk assessment, internal control system, IT system and disclosure procedures in place within CIC. Details of the activities of Audit Committee are provided in the Audit Committee Report on Page 97.

MILESTONES

1964
Incorporation of Chemical Industries (Colombo) Limited (now known as CIC Holdings PLC)

1968
Start of operation of Ratmalana Factory with Agrochemicals Plant

1974
Formation of Chemanex PLC

1991
Incorporation of CISCO Speciality Packaging (Private) Limited to manufacture PET Bottles

1992
Purchase of Fertilizer business from British American Tobacco and incorporation of CIC Fertilizers (Private) Limited (now known as CIC Agri Businesses (Private) Limited)

1993
Investment in CIAL
Head office shifting to own premises

1995
Incorporation of CIC Paints (Private) Limited (now known as 'Akzo Nobel Paints Lanka (Private) Limited)

2001
Investment in Chemanex PLC

2002
Purchase of Nutrina (Private) Limited from Cargills Inc. USA & Incorporation of CIC Feeds (Private) Limited

2003
Investment in Link Natural Products (Private) Limited

2010
Investment in Chemcel (Private) Limited by the Company.
Writing instruments factory shifted to own premises

2011
Change of company name from Chemical Industries (Colombo) PLC to CIC Holdings PLC

2012
Investment in Ceylinco Pharmaceuticals Limited.
(now known as CIC Lifesciences Limited)

Our Tissue Culture Laboratory is state of the art...its products enhance agriculture in Sri Lanka, Australia and Denmark... and we are setting up shop in Bangladesh soon.

FINANCIAL REPORTS

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors have pleasure in presenting to members the 50th Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2013 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. 07 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 No. 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 22nd May 2013. 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 incorporates events subsequent to the reporting date.

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 in the year under review. 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 and CIC Lifesciences Limited. CIC Environmental Management Liquid (Private) Limited was liquidated during the year.

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 North & East Agri Development (Private) Limited, CIC Agri Produce Exports (Private) Limited, Sunhill Tea Factory (Private) Limited, Kelani Valley Canneries Limited, CIC Dairies (Private) Limited and N. Chandraratne (Decorators) Limited. CIC Dairy Breeding & Manufacturing (Private) Limited and CIC Agri Produce Marketing (Private) Limited are subsidiaries of CIC Seeds (Private) Limited. Chandraratne Constructors Limited is a subsidiary of N. Chandraratne (Decorators) Limited, Rahimafrooz CIC Agro Limited is a joint venture of CIC Agri Businesses (Private) Limited.
- CIC Feeds (Private) Limited markets animal feeds 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 and while its subsidiary companies exports Chemicals and Woven Gloves. The subsidiary companies of Chemanex PLC are:

  CAL Exports Lanka (Private) Limited, Chemanex Exports (Private) Limited, Yasui Lanka (Private) Limited and Chemcel (Private) Limited.

  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 Stores Complex at Ekala.
- Crop Management Services (Private) Limited remains 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 (formerly Ceylinco Pharmaceuticals Limited) manufactures and markets Pharmaceuticals.

PRINCIPAL ACTIVITIES OF THE EQUITY ACCOUNTED INVESTEES

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

CORPORATE DONATIONS

Donations made during the year amounted to Rs. 1,062,000/- (2012 - Rs. 1,010,000).

FUTURE DEVELOPMENTS

Group companies look to further market access for fresh fruits, processed food and milk products and to develop export markets for tissue cultured plants and foliage, speciality rice, adhesives, writing instruments and pharmaceuticals.

FINANCIAL STATEMENTS

The Financial Statements of the Company and the Group which are duly certified by the CFO and approved by the Board of Directors and signed by the Chairman and CEO together with the Company Secretary in compliance with the requirements of the Sections 151, 152 and 168 of the Companies Act No 07 of 2007 are given on pages 128 to 209 of this Annual Report.

PROFITS AND APPROPRIATIONS

(In thousands of Rupees)

For the year ended 31st March	2013		2012	
	Company	Group	Company	Group
Profit for the year after depreciation amounts to	224,415	276,594	545,612	1,374,421
From which a deduction is made for taxation and	(15,000)	(92,098)	(85,855)	(353,890)
	209,415	184,496	459,757	1,020,531
a deduction is made for non-controlling interests	–	46,433	–	(157,447)
	209,415	230,929	459,757	863,084
and to which must be added Other Comprehensive Income	(7,361)	(25,377)	4,907	5,064
Total Comprehensive Income	202,054	205,552	464,664	868,148
To which must be added the unappropriated profit brought forward from the previous year and	1,253,443	4,222,218	1,129,951	3,663,538
Interest payable written back and	–	20,295	–	–
Effect due to changes in accounting policies	–	–	–	15,448
From which a deduction is made for changes in effective holding and	–	(36,980)	–	16,256
Transfers on disposal of assets and	–	147	–	–
Making available for appropriation an amount of	1,455,497	4,411,232	1,594,615	4,563,390
out of which a final dividend of Rs. 1.60 (2012) per share (2011 - Rs. 2.00 per share)	(151,632)	(151,632)	(189,540)	(189,540)
and an interim dividend of Rs. 0.63 (2013) per share (2012 - Rs. 1.60 per share) are paid	(59,705)	(59,705)	(151,632)	(151,632)
So that the unappropriated profit carried forward will be	1,244,160	4,199,895	1,253,443	4,222,218

DIVIDENDS

For the year ended 31st March 2013, the Directors have recommended the payment of a final dividend of Rs. 1.00 per share amounting to Rs. 94,770,000/- on Ordinary & Non-Voting (Class X) shares. An interim dividend of Rs. 0.63 per share amounting to Rs. 59,705,100/- was paid in November 2012.

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 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. 07 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 2013, which is to be approved by the shareholders at the Annual General Meeting to be held on 1st July 2013.

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 2013 and the Independent Auditor's Report on the Financial Statements is given on page 127 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 for all periods up to and including the year ended 31st March 2012, in accordance with Sri Lanka Accounting Standards which were in effect up to that date. Following the convergence of Sri Lanka Accounting Standards with the International Financial Reporting Standards (IFRS), all existing/new Sri Lanka Accounting Standards were prefixed as SLFRS and LKAS to represent Sri Lanka Accounting Standards corresponding to International Financial Reporting Standards and Sri Lanka Accounting Standards corresponding to International Accounting Standards (IAS), respectively. Accordingly, the Company and the Group adopted these new Sri Lanka Accounting Standards (which are commonly known as SLFRS) applicable for financial periods commencing from 1st April 2012. These Financial Statements for the year ended 31st March 2013 are the first Financial Statements of Company and Group prepared in accordance with SLFRS and LKAS. The Significant Accounting Policies adopted in the Financial Statement are given on pages 133 to 147 of this Annual Report.

INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No. 07 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 120 of this 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 184 of this Annual Report.

DIRECTORS

The qualifications and experience of the Directors are provided on pages 72 to 75. The following persons were Directors of the Company at the end of the financial year:

B.R.L. Fernando - *Chairman*
S.P.S. Ranatunga - *Managing Director/Chief Executive Officer*
S.H. Amarasekera
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

APPOINTMENTS AND RESIGNATIONS

- There were no appointments or resignations to/from the Board during the year. Mr. S.M. Enderby was appointed to the Board subsequent to the reporting date.

RETIREMENT BY ROTATION AND RE-ELECTION

- Mr. B.R.L. Fernando retires in pursuant to Section 210 of the Companies Act No. 07 of 2007.

  Pursuant to Section 211 of the Companies Act No. 07 of 2007, special notice of the following Ordinary Resolution has been received by the Company from a Member of the Company.

  "That Mr. B.R.L. Fernando, who reached the age of 70 years on 1st August 2012 be re-elected a Director of the Company and it is hereby declared that the provision of Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. B.R.L. Fernando."

Mr. B.R.L. Fernando being eligible offers himself for re-election with the unanimous support of the Board.

To resolve that Mr. B.R.L. Fernando being eligible be recommended for re-election.

- Mr. R.N. Asirwatham, retires in pursuant to Section 210 of the Companies Act No. 07 of 2007.

  Pursuant to Section 211 of the Companies Act No. 07 of 2007, special notice of the following Ordinary Resolution has been received by the Company from a Member of the Company.

  "That Mr. R.N. Asirwatham, who reached the age of 70 years on 26th August 2012 be re-elected a Director of the Company and it is hereby declared that the provision of Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R.N. Asirwatham."

  Mr. R.N. Asirwatham being eligible offers himself for re-election with the unanimous support of the Board.

  To resolve that Mr. R.N. Asirwatham being eligible be recommended for re-election.

- Mr. S.M. Enderby retires in terms of Article 25 (2) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.
- Mr. S.H. Amarasekera retires in terms of Article 25 (6) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.
- Mr. M.P. Jayawardena retires in terms of Article 25 (6) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Company and Group, for the financial year ended 31st March 2013 are given in Note 14 of the Financial Statements on page 156 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 215 of this Annual Report.

RELATED PARTY TRANSACTIONS

Related party transactions have been declared at meetings of the Directors and are detailed in Note 44 to the Financial Statements.

EMPLOYEE SHARE OPTION SCHEME (ESOS)

ESOS of the Company was approved by the shareholders of the Company on 29th December 2010. Under this plan the Company was authorised to issue upto 2% of the issued share capital. The option granted under this plan has to be exercised within 5 years of such grant. No employees have been provided with any financial assistance to exercise the option.

Options available for the Directors of the Company are as follows:

	Voting	Non-Voting
S.P.S. Ranatunga	18,954	50,718
M.P. Jayawardena	6,537	21,571

DIRECTORS' SHAREHOLDING

The Directors together with their spouses' and minor children's shareholdings in the Company are as follows:

As at 31st March	2013		2012	
	Voting	Non-Voting	Voting	Non-Voting
B.R.L. Fernando	237,942	39,765	237,942	39,765
S.P.S. Ranatunga	–	22,950	–	22,950
S.H. Amarasekera	–	–	–	–
E.F.G. Amerasinghe	–	–	–	–
R.N. Asirwatham	–	–	–	–
R.S. Captain	80	139	80	139
M.P. Jayawardena	–	16,200	–	16,200
Prof P.W.M.B. Marambe	–	–	–	–

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 pages 124 & 125.

AUDIT COMMITTEE

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

Mr. R.N. Asirwatham (Chairman), Mr. S.H. Amarasekera, Mr. E.F.G. Amerasinghe and Mr. S.M. Enderby who was appointed to the Committee on 11th April 2013.

Mr. B.R.L. Fernando, Mr. S.P.S. Ranatunga and Ms. P.D.S. Ruwanpura attended the meetings by invitation. Details of the Audit Committee are given on pages 97 & 98.

REMUNERATION COMMITTEE

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

Mr. E.F.G. Amerasinghe (Chairman), Mr. S.H. Amarasekera, Mr. R.N. Asirwatham and Mr. R.S. Captain.

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

NOMINATIONS COMMITTEE

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

Mr. B.R.L. Fernando (Chairman),

Mr. S.H. Amarasekera, Mr. E.F.G. Amerasinghe and

Mr. R.N. Asirwatham
Mr. S.P.S. Ranatunga attends the meetings by invitation.

ENTERPRISE GOVERNANCE

Systems and procedures 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 78 to 96.

VISION, MISSION AND CORPORATE CONDUCT

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

EQUITABLE TREATMENT TO SHAREHOLDERS

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

RISK MANAGEMENT

Specific actions taken by the Group in this regard are given under Risk Management section of this Annual Report on page 103.

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 and 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 EXPENSE

Income tax expense has been computed at the rates given in Note 11 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. 23.82 billion (2012 - Rs. 22.48 billion). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 5 to the Financial Statements.

CAPITAL EXPENDITURE

Details of property, plant & equipment and their movements during the year are listed in Note 15 to the Financial Statements. Capital Expenditure approved and contracted for are given in Note 40.

MARKET VALUE OF FREEHOLD PROPERTIES

All freehold land of the Group Companies were revalued by professionally qualified independent valuers as at 31st March 2013 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 15 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. 6,751.40 million as at 31st March 2013 (Rs. 6,305.94 million as at 31st March 2012) details of which are given in the Statements 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 page 211 of this Annual Report.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given under Sustainability Report of this Annual Report on page 40.

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 RESOURCES

The Company's Human Resources 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.

Information relating to Human Resources and Employment Policies is given under Sustainability Report of this Annual Report on page 40.

CORPORATE SOCIAL RESPONSIBILITY

All activities embarked by the Company in this regard are given under Sustainability Report of this Annual Report on page 40.

GOING CONCERN

After considering the financial position, operating conditions, regulatory and other factors, 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 REPORTING DATE

No material events have taken place after the Reporting Date which require an adjustment to or a disclosure in the Financial Statements other than the appointment of a Director, Mr. S.M. Enderby on 11th April 2013 and recommendation of final dividend.

AUDITORS

The Company's auditors during the period under review were Messrs KPMG, Chartered Accountants. A sum of Rs. 4.16 million was paid to them as consolidated audit fees during the year under review (Company - Rs. 1.21 million) and a sum of Rs. 1.41 million 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 Fiftieth Annual General Meeting is enclosed herewith.

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

By Order of the Board,

B.R.L. Fernando
Chairman

S.P.S. Ranatunga
Managing Director/CEO

P.D.S. Ruwanpura
Secretary

22nd May 2013

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 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 frame work 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) which came to effect from 1st January 2012 and are in agreement with the underlying books of account and in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission of Sri Lanka (SEC).

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 1st July 2013.

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 page 127.

6. As required by the Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company, who have expressed desire to receive a hard copy or to other shareholders a soft copy each in a CD containing the Annual Report within the stipulated period of time as required by the Rule No. 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange. The Directors also wish to confirm that all shareholders in each category have been treated equitably in accordance with the original terms of issue.

7. The Company and its quoted subsidiary, 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,

P.D.S. Ruwanpura
Secretary

22nd May 2013

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The Financial Statements 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 Auditing Standards, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The Board of Directors and the management of our Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments 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

P.D.S. Ruwanpura
Group Chief Financial Officer

22nd May 2013

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF CIC HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of CIC Holding 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 March 31, 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 128 to 209 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2013 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG

Chartered Accountants
Colombo
22nd May 2013

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Revenue	6	6,589,848	6,328,464	23,822,198	22,477,151
Cost of sales		(4,922,036)	(4,686,767)	(18,132,866)	(16,861,190)
Gross profit		1,667,812	1,641,697	5,689,332	5,615,961
Other income	7	291,330	368,394	143,181	152,888
Distribution expenses		(692,339)	(604,419)	(2,228,337)	(1,960,204)
Administrative expenses		(815,954)	(711,219)	(2,324,786)	(1,987,258)
Other expenses	8	(1,500)	–	(16,599)	(31,451)
Net financing cost	9	(224,934)	(148,841)	(1,277,913)	(693,411)
Share of profit of equity accounted investees (net of tax)	10	–	–	291,716	277,896
Profit before income tax		224,415	545,612	276,594	1,374,421
Income tax expense	11	(15,000)	(85,855)	(92,098)	(353,890)
Profit for the year		209,415	459,757	184,496	1,020,531
Profit Attributable to :					
Equity holders of the Company		209,415	459,757	230,929	863,084
Non-controlling interests		–	–	(46,433)	157,447
Profit for the year		209,415	459,757	184,496	1,020,531
Earnings per share	12				
Basic/diluted earnings per share (Rs.)		2.21	4.85	2.44	9.11
Dividend per share	13				
Interim paid (Rs.)		0.63	1.60	0.63	1.60
Final proposed (Rs.)		1.00	1.60	1.00	1.60

Notes from pages 133 to 209 form an integral part of these Financial Statements

Figures in brackets indicate deductions

For the year ended 31st March		Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Profit for the year		209,415	459,757	184,496	1,020,531
Other comprehensive income					
Net gains/(losses) on remeasuring available for sale financial assets		3,066	(10,034)	3,066	(10,251)
Actuarial gains/(losses) on retirement benefit obligations		(7,361)	4,907	(32,945)	(65)
Gains on revaluation of land		198,413	–	570,570	57,714
Exchange difference on translating foreign entities		–	–	(1,210)	1,164
Tax on other comprehensive income		–	–	1,068	395
Other comprehensive income for the year		194,118	(5,127)	540,549	48,957
Total comprehensive income for the year	14	403,533	454,630	725,045	1,069,488
Attributable to :					
Equity holders of the Company		403,533	454,630	674,315	887,597
Non-controlling interests		–	–	50,730	181,891
Total comprehensive income for the year		403,533	454,630	725,045	1,069,488

Notes from pages 133 to 209 form an integral part of these Financial Statements

Figures in brackets indicate deductions

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Note	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 1st April 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 1st April 2011 Rs. '000
ASSETS							
Non-current assets							
Property, plant & equipment	15	2,009,858	1,784,511	1,642,837	8,668,689	7,508,879	6,404,586
Investment property	16	–	–	–	14,607	98,999	97,141
Capital work-in-progress	17	118,943	12,881	8,743	1,072,154	531,459	199,877
Deposit on leasehold property	18	–	–	–	16,152	13,678	13,964
Biological assets	19	–	–	–	86,262	78,737	74,524
Intangible assets	20	–	–	–	147,911	159,017	95,255
Deferred tax assets	21	–	–	–	18,382	37,478	32,439
Investments in subsidiaries	22	812,633	614,133	605,327	–	–	–
Investments in equity accounted investees	23	36,000	36,000	36,000	789,585	708,179	623,147
Other non-current financial assets	24	125,100	96,600	66,600	6,108	4,730	4,014
		3,102,534	2,544,125	2,359,507	10,819,850	9,141,156	7,544,947
Current assets							
Inventories	25	1,771,830	1,450,223	1,084,877	5,450,425	4,963,599	4,082,507
Trade receivables	26	2,276,380	2,035,110	1,610,903	4,999,511	4,282,234	4,324,854
Other receivables	27	548,991	339,024	210,205	6,450,266	6,921,940	3,305,610
Other current financial assets	28	27,353	24,287	1,319	71,587	70,619	69,776
Cash and cash equivalents	29	95,343	52,934	104,848	1,018,844	655,513	666,692
		4,719,897	3,901,578	3,012,152	17,990,633	16,893,905	12,449,439
Assets classified as held for sale	30	78,843	78,843	78,843	118,383	78,843	78,843
		4,798,740	3,980,421	3,090,995	18,109,016	16,972,748	12,528,282
Total assets		7,901,274	6,524,546	5,450,502	28,928,866	26,113,904	20,073,229
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the Company							
Stated capital	31	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450
Capital reserves	32	1,016,018	817,605	817,605	1,696,030	1,231,163	1,206,900
Revenue reserves	33	2,020,640	2,026,857	1,913,399	5,055,369	5,074,773	4,526,194
		4,045,108	3,852,912	3,739,454	7,759,849	7,314,386	6,741,544
Non-controlling interests		–	–	–	1,649,015	1,686,690	1,641,515
Total equity		4,045,108	3,852,912	3,739,454	9,408,864	9,001,076	8,383,059
Non-current liabilities							
Loans and borrowings	34 (A)	159,245	58,347	26,733	1,000,262	651,613	606,860
Retirement benefit obligations	35	171,426	143,406	126,085	473,205	374,970	309,797
Grants	36	–	–	–	31,512	22,774	6,125
Deferred tax liabilities	21	76,228	87,096	93,103	274,900	327,983	324,002
		406,899	288,849	245,921	1,779,879	1,377,340	1,246,784
Current liabilities							
Trade payables	37	1,011,419	701,451	704,963	5,836,676	6,698,369	4,770,743
Income tax payable	38	–	–	82,993	39,500	76,586	157,630
Accruals and other payables		204,102	178,722	222,539	719,326	637,626	636,671
Loans and borrowings	34 (F)	2,233,746	1,502,612	454,632	11,144,621	8,322,907	4,878,342
		3,449,267	2,382,785	1,465,127	17,740,123	15,735,488	10,443,386
Total liabilities		3,856,166	2,671,634	1,711,048	19,520,002	17,112,828	11,690,170
Total equity and liabilities		7,901,274	6,524,546	5,450,502	28,928,866	26,113,904	20,073,229
Net assets per share		42.68	40.66	39.46	81.88	77.18	71.14

Notes from pages 133 to 209 form an integral part of these 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.

P.D.S. Ruwanpura
Group Chief Financial Officer/Secretary

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

Signed for and on behalf of the Board;

B.R.L. Fernando
Chairman
22nd May 2013, Colombo

S.P.S. Ranatunga
Managing Director/CEO

STATEMENTS OF CHANGES IN EQUITY

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserves Rs. '000	Available for sale Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Company						
As at 1st April 2011	1,008,450	817,605	782,604	844	1,129,951	3,739,454
Profit for the year	–	–	–	–	459,757	459,757
Other comprehensive income	–	–	–	(10,034)	4,907	(5,127)
Total comprehensive income for the year	–	–	–	(10,034)	464,664	454,630
Dividends (Note 13)	–	–	–	–	(341,172)	(341,172)
Total contribution and distribution recognised directly in equity	–		–	(10,034)	123,492	113,458
As at 31st March 2012	1,008,450	817,605	782,604	(9,190)	1,253,443	3,852,912
Profit for the year	–	–	–	–	209,415	209,415
Other comprehensive income	–	198,413	–	3,066	(7,361)	194,118
Total comprehensive income for the year	–	198,413	–	3,066	202,054	403,533
Dividends (Note 13)	–	–	–	–	(211,337)	(211,337)
Total contribution and distribution recognised directly in equity	–	198,413	–	3,066	(9,283)	192,196
As at 31st March 2013	1,008,450	1,016,018	782,604	(6,124)	1,244,160	4,045,108

	Attributable to the equity holders of the company								
	Stated Capital Rs. '000	Capital Reserve Rs. '000	Foreign currency equalisation Reserve Rs. '000	Available for sale Reserve Rs. '000	General Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Non-controlling interest Rs. '000	Total Equity Rs. '000
Group									
As at 1 April 2011	1,008,450	1,206,900	–	1,058	861,598	3,663,538	6,741,544	1,641,515	8,383,059
Profit for the period	–	–	–	–	–	863,084	863,084	157,447	1,020,531
Other comprehensive income	–	28,857	693	(10,101)	–	5,064	24,513	24,444	48,957
Total comprehensive income for the year	–	28,857	693	(10,101)	–	868,148	887,597	181,891	1,069,488
Effect due to change in accounting policies	–	(6,701)	–	–	–	15,448	8,747	8,747	17,494
Dividends (Note 13)	–	–	–	–	–	(341,172)	(341,172)	–	(341,172)
Subsidiary dividends to non-controlling interest	–	–	–	–	–	–	–	(108,948)	(108,948)
Total contribution and distribution recognised directly in equity	–	22,156	693	(10,101)	–	542,424	555,172	81,690	636,862
Change in effective holding	–	1,414	–	–	–	16,256	17,670	(25,024)	(7,354)
Acquisition of a subsidiary	–	–	–	–	–	–	–	(11,491)	(11,491)
Changes in ownership interests in subsidiaries	–	1,414	–	–	–	16,256	17,670	(36,515)	(18,845)
Transactions with owners of the company	–	23,570	693	(10,101)	–	558,680	572,842	45,175	618,017
As at 31 March 2012	1,008,450	1,230,470	693	(9,043)	861,598	4,222,218	7,314,386	1,686,690	9,001,076
Profit for the period	–	–	–	–	–	230,929	230,929	(46,433)	184,496
Other comprehensive income	–	466,417	(720)	3,066	–	(25,377)	443,386	97,163	540,549
Total comprehensive income for the year	–	466,417	(720)	3,066	–	205,552	674,315	50,730	725,045
Transfers on disposal of assets	–	(830)	–	(147)	–	147	(830)	(770)	(1,600)
Interest payable written back	–	–	–	–	–	20,295	20,295	–	20,295
Dividends (Note 13)	–	–	–	–	–	(211,337)	(211,337)	–	(211,337)
Subsidiary dividends to non-controlling interest	–	–	–	–	–		–	(22,115)	(22,115)
Total contribution and distribution recognised directly in equity	–	(830)	–	(147)	–	(190,895)	(191,872)	(22,885)	(214,757)
Change in effective holding	–	–	–	–	–	(36,980)	(36,980)	(65,520)	(102,500)
Changes in ownership interests in subsidiaries	–	–	–	–	–	(36,980)	(36,980)	(65,520)	(102,500)
Transactions with owners of the company	–	(830)	–	(147)	–	(227,875)	(228,852)	(88,405)	(317,257)
As at 31st March 2013	1,008,450	1,696,057	(27)	(6,124)	861,598	4,199,895	7,759,849	1,649,015	9,408,864

Analysis of retained earnings carried forward

As at 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Company	1,244,160	1,253,443	1,244,160	1,244,160
Subsidiaries			2,582,782	2,665,126
Equity accounted investees			372,953	312,932
Total	1,244,160	1,253,443	4,199,895	4,222,218

Notes from pages 133 to 209 form an integral part of these financial statements.

Figures in brackets indicate deductions

CASH FLOW STATEMENTS

For the year ended 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Cash flow from operating activities				
Cash generated from/(used for) operations (Note A)	(38,378)	(462,833)	487,846	(151,819)
Net interest paid	(224,934)	(148,841)	(1,277,913)	(693,411)
Retirement benefits paid	(10,008)	(4,130)	(24,132)	(18,887)
Income tax paid	(62,133)	(178,561)	(190,063)	(443,402)
Net cash outflow from operating activities	(335,453)	(794,365)	(1,004,262)	(1,307,519)
Cash flow from investing activities				
Additions to property, plant & equipment	(238,230)	(195,289)	(1,763,359)	(1,829,713)
Additions to investment property	–	–	–	(1,947)
Additions to biological assets	–	–	(95,935)	(24,260)
Deposit on leasehold property	–	–	(2,807)	–
Proceeds from disposal of property, plant & equipment	10,348	14,531	28,235	125,967
Proceeds from disposal of asset held for sale	–	–	54,650	–
Proceeds from disposal of investments	–	6,000	643	3,413
Proceeds from sale of biological assets	–	–	90,009	24,888
Grants received	–	–	14,753	19,502
Dividend received from subsidiaries	39,516	154,378	–	–
Dividend received from equity accounted investees	207,360	172,800	208,655	173,664
Dividend received from other companies	681	250	5,086	7,797
Investment in subsidiaries and equity accounted investees	(198,500)	(13,706)	(21,885)	(13,079)
Other long-term investments	(30,000)	(30,000)	(2,040)	(2,933)
Short-term investments	–	(33,002)	(190)	(37,618)
Subsidiary dividends to non-controlling interests	–	–	(22,115)	(108,948)
Net cash inflow/(outflow) from investing activities	(208,825)	75,962	(1,506,300)	(1,663,267)
Net Cash outflow before financing activities	(544,278)	(718,403)	(2,510,562)	(2,970,786)
Cash flow from financing activities				
Dividend paid	(211,337)	(341,172)	(211,337)	(341,172)
Capital payment on finance leases	(38,333)	(23,305)	(137,055)	(108,024)
Proceeds from long-term borrowings	127,000	–	3,553,147	918,321
Repayments of long-term borrowings	–	–	(2,645,109)	(563,229)
Net cash inflow/(outflow) from financing activities	(122,670)	(364,477)	559,646	(94,104)
Net decrease in cash & cash equivalents during the year	(666,948)	(1,082,880)	(1,950,916)	(3,064,890)
Cash & cash equivalents at the beginning of the year	(1,420,921)	(338,041)	(6,757,763)	(3,732,693)
Effect of exchange rate fluctuations on cash & cash equivalents	–	–	(4,024)	39,820
Cash & cash equivalents at the end of the year (Note 29)	(2,087,869)	(1,420,921)	(8,712,703)	(6,757,763)

(Carried forward to next page)

Notes from pages 133 to 209 form an integral part of these financial statements.

Figures in brackets indicate deductions

For the year ended 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Note A - Cash generated from/(used for) operations				
Profit before interest and tax	449,349	694,453	1,262,791	1,789,936
Adjustments for:				
Depreciation on property, plant & equipment	137,059	114,892	691,440	579,480
Capital work-in-progress expensed	–	–	3,647	146
Depreciation on investment property	–	–	89	89
Fair value gain on investment property	–	–	(1,878)	–
Impairment loss on plant and machinery	–	–	3,193	3,789
Impairment of goodwill	–	–	11,106	–
Gain on disposal of property, plant & equipment	(8,165)	(8,013)	(16,807)	(39,885)
Gain on disposal of asset held for sale	–	–	(8,009)	–
Gain from fair value of biological assets	–	–	(13,666)	(13,936)
Gain on disposal of subsidiary	–	(1,100)	–	–
(Gain)/loss on disposal of long-term investments	–	–	7	(2,334)
Retirement benefit costs	30,667	26,358	89,422	81,570
Negative goodwill on acquisition of subsidiary	–	–	–	(5,425)
Amortisation of deposit paid on leasehold property		–	333	286
Provision for diminution in value of investments	1,500	–	2,300	27,662
Impairment loss on trade receivables	7,243	55,932	89,670	201,423
Provision for written down value of inventories & inventories written off	40,560	26,224	52,674	36,092
Grants amortised	–	–	(6,015)	(2,853)
Dividend income	(247,557)	(327,428)	(5,086)	(7,797)
Unclaimed dividend income written back	–	(742)	–	(742)
Net (gain)/loss on translation of foreign currency deposits	–	–	2,814	(38,856)
Operating profit before working capital changes	410,656	580,576	2,158,025	2,608,645
Increase in trade and other receivables	(422,215)	(604,510)	(383,048)	(3,743,854)
Increase in inventories	(362,167)	(391,570)	(527,433)	(873,487)
Increase/(decrease) in trade and other payables	335,348	(47,329)	(759,698)	1,856,877
Cash generated from/(used for) operations	(38,378)	(462,833)	487,846	(151,819)

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

CIC Holdings PLC [formerly known as Chemical Industries (Colombo) PLC] is a limited liability company domiciled in Sri Lanka. The address of the Company's registered office and the principal place of business is No. 199, Kew Road, Colombo 2.

The Consolidated Financial Statements of CIC Holdings PLC, for the year ended 31st March 2013 comprise the 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 215.

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.

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. The Financial Statements were authorised for issue by the Directors on 22nd May 2013.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (referred to as SLFRS), issued by The Institute of Chartered Accountants of Sri Lanka (CASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

The Financial Statements for the year ended 31st March 2013 are the first annual Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) and SLFRS 1, First Time Adoption of SLFRS has been applied. These SLFRSs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The effect of the transition to SLFRS/LKAS on the previously reported financial positions, financial performances of the Group and the Company is given in Note 45 to the Financial Statements.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for biological assets, land and financial instruments. 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 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 reported 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 and in any future periods affected.

2.4.1 Revaluation of Property, Plant & Equipment

The Group carries its land at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31st March 2013. The key assumptions used to determine the fair value of the land are further explained in Note 15.

2.4.2 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to

the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 46.

2.4.3 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 and mortality rates. Due to the complexity of the valuation and 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 and pension increases are based on expected future inflation rates of the respective country.

2.4.4 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from 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 judgement is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

2.4.5 Development Costs

Development costs are capitalised in accordance with the accounting policy in Note 20 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 20 - Measurement of the recoverable amounts of cash-generating units containing goodwill
- Note 11 - Utilisation of tax losses
- Note 35 - Measurement of retirement benefit obligations
- Note 40 - Commitments and contingencies

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 in preparing the opening SLFRS Statement of Financial Position as 1st April 2011 for the purpose of the transition to SLFRSs, unless otherwise indicated.

The Accounting Policies have been applied consistently by Group entities.

The Directors have made an assessment of the Group's ability to continue as a going concern for the foreseeable future and they do not intend either to liquidate or cease trading.

3.1 Basis of Consolidation

a. Business Combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

When 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 potion of the amount of the acquirer's replacement award 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.

b. Acquisitions of Non-Controlling Interests

Acquisitions of non-controlling interests are accounted as transactions with owners in their capacity as owners and no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net asset of the subsidiary.

c. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

d. Loss of Control

On 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 loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value as at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

e. Equity Accounted Investees (Associates)

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence. Under the equity method, the investment in the associate is carried on the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit of an associate is shown on the face of the Income Statement. The financial statements of the associate 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. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an equity accounted investees in the Income Statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amounts of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

f. Jointly Controlled Operations

The Group has an interest in a joint venture, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the ventures. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its Consolidated Financial Statements. The Financial Statements of the joint venture are prepared for the same reporting period as the Group.

Adjustments are made where necessary to bring the accounting policies in line with those of the Group. Adjustments are made in the Group's Consolidated Financial Statements to eliminate the Group's share of intra-group balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture. Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in associate.

g. Transactions Eliminated on Consolidation

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

3.2 Foreign Currency

a. Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate 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 rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate 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).

b. 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 rate prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the Income Statement.

3.3 Revenue

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

(i) Sale of Goods

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

(ii) Rendering of Services

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

(iii) Interest Income

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

(iv) Dividend Income

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

(v) 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.

(vi) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

3.4 Grants

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

3.5 Tax

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.

Deferred Tax

Deferred tax is recognised in respect of the temporary differences between the carrying amount of 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:

- Temporary differences arising 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 the temporary differences 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 relation 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 tax 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.

3.6. Non-Current Assets Held for Sale and Discontinued Operations

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. In the Statement of Comprehensive Income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Statement of Comprehensive Income. Property, plant & equipment and intangible assets once classified as held for sale are not depreciated or amortised.

When an operation is classified as a discontinued operation, the comparative Statement of Comprehensive Income is represented as if the operation had been discontinued from the start of the comparative year.

3.7 Property, Plant & Equipment

Initial Recognition and Measurement

Items of property, plant & equipment are measured at cost or valuation, less 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. 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.

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 are 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.

Land is 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 hence, credited to the 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 revaluation reserve.

Depreciation

Items of property, plant & equipment are depreciated on a straight-line basis over the estimated useful lives of 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 15 to 20 years
- Plant & equipment 5 to 15 years
- Computers and allied equipment 3 to 5 years
- Motor vehicles 3 to 5 years
- Furniture & fittings 5 to 10 years

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

Derecognition

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

3.8 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or 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 Statement of Comprehensive Income on a straight-line basis over the lease term.

3.9 Borrowing Costs

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

3.10 Investment Properties

Investment property is 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 property. Investment property is initially recognised at cost. Subsequent 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.

3.11 Intangible Assets

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

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

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

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 benefits. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

3.12 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually 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.

Intangible Assets

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

3.13 Financial Instruments

(i) Financial Assets

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit and loss are carried in the statement of Financial Position at fair value with net changes in fair value recognised in profit or loss as other expenses. Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Loans and Receivables

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

Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks in hand and short-term deposits with a maturity of three months or less. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts, and short-term loans.

Available For Sale Financial Investments

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

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

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

Derecognition of Financial Assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of Financial Assets

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

Financial Assets carried at Amortised Cost

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

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

Available For Sale Financial Investments

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

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

(ii) Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

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

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term and are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument at fair value less any directly attributable transaction costs.

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

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

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs

that are an integral part of the EIR. The EIR amortisation is included in profit or loss as finance costs.

Derecognition of Financial Liabilities

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

(iii) Off-Setting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if, and only if:

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

  and

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

(v) Fair Value of Financial Instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 46.

3.14 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.

Provisions for Inventory

Specific provisions are made giving consideration to the condition of inventory held by the Company/Group.

3.15 Provisions

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

3.16 Employee 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 or 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.

3.17 Share-Based Payment Transactions - ESOS

Shareholders of the Company resolved on 29th December 2010 the issue of Three Hundred and Seventy Nine Thousand and Eighty (379,080) Voting and One Million Five Hundred and Sixteen Thousand Three Hundred and Twenty (1,516,320) Non-Voting (Class X), Ordinary Shares (constituting approximately 2% of the issued shares as at 18th November 2010) to the eligible employees of the Company under an Employee Share Option Scheme (ESOS). Options were granted for no consideration. The entire of the share options were offered to the employees in one block to be exercised by eligible employees within a period of 5 years from 1st January 2011. The shares under ESOS was priced at the average of volume weighted average market price of the Company's shares for the ten (10) market days immediately prior to the date of offer.

The Company has issued share options directly to specified employees of the Company, Managing Directors and Executive Directors of Subsidiaries where the Company holds 50% or more in ordinary voting shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity if management intended that the eligible employees will exercise the option right in foreseeable future. (Further details are given in Note 42).

3.18 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.

3.19 Cash Flow Statement

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

3.20 Segment Reporting Date

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.

3.21 Events after the Reporting Period

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

3.22 First Time Adoption of SLFRS/LKAS

These Financial Statements, for the year ended 31st March 2013, are the first Financial Statements prepared in accordance with SLFRS/LKAS. Previously, for periods up to 31st March 2011, the Company and Group prepared its Financial Statements in accordance with Sri Lanka Accounting Standards which were effective up to 31st December 2011.

(i) Exemption Offered in the SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards (SLFRS)

Group has taken the advantage of the following optional exemptions offered in the SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards (SLFRS).

a. Exemption from Business Combinations

The Group decided not to apply SLFRS 3 retrospectively to past business combinations that occurred before 1st April 2011.

Use of this exemption means that the SLAS carrying amounts of assets and liabilities, which are required to be recognised under SLFRS/LKAS, are stated at their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS/LKAS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS Statement of Financial Position.

b. Exemptions from other SLFRS

SLFRS 1 also requires that the SLAS carrying amount of goodwill must be used in the opening SLFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SLFRS 1, the Group has tested goodwill for impairment at the date of transition to SLFRS/LKAS.

Fully-depreciated assets have been revalued on the basis of valuations performed on 1st April 2011. The Group has elected to regard those values as deemed cost at the date of transition to SLFRS/LKAS.

The Group has designated unquoted equity instruments held as at 1st April 2011 as available for sale investments.

(ii) The Group has applied the following mandatory exceptions from retrospective application.

Significant Accounting Judgment, Estimates and Assumptions

Significant accounting judgment, estimates and assumptions as at 1st April 2011 and as at 31st March 2012 are consistent with those made for the same dates in accordance with SLAS effective up to 31st March 2012 (after adjustment to reflect any difference in accounting policies).

The estimates used by the Group to present these amounts in accordance with SLFRS/LKAS effective from 1st April 2012 reflect conditions as at 1st April 2011, the date of transition to SLFRS/LKAS and as of 31st March 2012.

(iii) Explanations for Transition to SLFRS/LKAS

In preparing SLFRS/LKAS Statement of Financial Position for previously reported financial periods, required adjustments have been made, in accordance with the respective SLFRS/LKAS. The effect of the transition from SLAS to SLFRS/LKAS has been presented in the reconciling statements and accompanying notes to the material reconciliation items.

4. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This Listing of Standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these Standards when they become effective.

SLFRS 9 - Financial instruments
SLFRS 10 - Consolidated financial statements
SLFRS 11 - Joint arrangements
SLFRS 12 - Disclosures of interests in other entities
SLFRS 13 - Fair value measurement

	Construction		Agriculture & Livestock		Industrial Raw Material	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
5. SEGMENTAL INFORMATION						
Income statement						
Revenue	665,085	956,058	15,641,494	14,583,110	1,616,880	890,827
Inter segmental revenue	–	–	(386,971)	(32,910)	(21,031)	(17,851)
Total revenue to external customers	665,085	956,058	15,254,523	14,550,200	1,595,849	872,976
Segmental results	52,799	104,267	907,133	1,266,970	13,934	25,272
Impairment loss on plant & machinery	–	–	–	–	–	–
Net financing cost	(30,240)	(23,918)	(977,393)	(557,729)	126	17,073
Share of profit of equity accounted investees	294,568	277,633	–	–	–	–
Profit before tax	317,127	357,982	(70,260)	709,241	14,060	42,345
Income tax	(5,531)	(15,908)	(13,705)	(191,664)	(36,787)	(19,485)
Profit for the year	311,596	342,074	(83,965)	517,577	(22,727)	22,860
Attributable to:						
Equity holders of the Company	317,444	337,480	(702)	411,976	20,010	8,716
Non-controlling interests	(5,848)	4,594	(83,263)	105,601	(42,737)	14,144
Profit for the year	311,596	342,074	(83,965)	517,577	(22,727)	22,860
Assets and Liabilities						
Non-current assets						
Property, plant & equipment	388,773	413,216	5,311,208	4,477,977	321,315	129,519
Unallocated property, plant & equipment	–	–	–	–	–	–
Other non-current assets	789,597	792,150	693,245	329,046	215,478	193,576
Total non-current assets	1,178,370	1,205,366	6,004,453	4,807,023	536,793	323,095
Current assets	335,101	594,991	12,263,588	12,220,176	1,396,519	929,402
Total assets	1,513,471	1,800,357	18,268,041	17,027,199	1,933,312	1,252,497
Non-current liabilities	–	6,275	965,530	724,343	107,934	69,510
Current liabilities	33,741	110,471	13,534,123	13,179,865	792,580	352,933
Total Liabilities	33,741	116,746	14,499,653	13,904,208	900,514	422,443

Inter segment pricing is 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.

Packaging Material		Consumer & Pharmaceuticals		Others		Group	
2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
811,202	814,366	5,563,744	5,341,202	3,267	86,872	24,301,672	22,672,435
(69,522)	(76,347)	(1,950)	(66,121)	–	(2,055)	(479,474)	(195,284)
741,680	738,019	5,561,794	5,275,081	3,267	84,817	23,822,198	22,477,151
138,787	150,723	153,410	246,217	(79)	276	1,265,984	1,793,725
(3,193)	(3,789)	–	–	–	–	(3,193)	(3,789)
(66,874)	(44,672)	(203,526)	(82,224)	(6)	(1,941)	(1,277,913)	(693,411)
–	–	–	–	(2,852)	263	291,716	277,896
68,720	102,262	(50,116)	163,993	(2,937)	(1,402)	276,594	1,374,421
(18,408)	(24,117)	(17,661)	(102,922)	(6)	206	(92,098)	(353,890)
50,312	78,145	(67,777)	61,071	(2,943)	(1,196)	184,496	1,020,531
28,342	40,558	(131,200)	64,866	(2,965)	(512)	230,929	863,084
21,970	37,587	63,423	(3,795)	22	(684)	(46,433)	157,447
50,312	78,145	(67,777)	61,071	(2,943)	(1,196)	184,496	1,020,531
702,356	657,584	839,892	764,365	–	19,482	7,563,544	6,462,143
–	–	–	–	–	–	1,105,145	1,046,736
–	6,818	115,547	226,125	337,294	84,562	2,151,161	1,632,277
702,356	664,402	955,439	990,490	337,294	104,044	10,819,850	9,141,156
279,606	235,598	2,526,012	2,598,640	1,308,190	393,941	18,109,016	16,972,748
981,962	900,000	3,481,451	3,589,130	1,645,484	497,985	28,928,866	26,113,904
176,565	170,808	270,113	256,631	259,737	149,773	1,779,879	1,377,340
337,330	309,052	1,462,545	1,642,862	1,579,804	140,305	17,740,123	15,735,488
513,895	479,860	1,732,658	1,899,493	1,839,541	290,078	19,520,002	17,112,828

For the year ended 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
6. REVENUE				
Revenue	6,589,848	6,328,464	23,822,198	22,477,151
Net Revenue				
Local	6,584,830	6,315,322	23,158,639	21,916,712
Exports	5,018	13,142	663,559	560,439
Total	6,589,848	6,328,464	23,822,198	22,477,151
7. OTHER INCOME				
Rent	33,620	26,524	32,604	28,047
Dividend income				
Quoted	6,636	250	5,086	7,797
Unquoted	240,921	327,178	–	–
Net gain on disposal of property, plant & equipment	8,165	8,013	16,807	39,885
Gain on disposal of asset held for sale	–	–	8,009	–
Gain on disposal of investments				
Subsidiary	–	1,100	–	–
Others	–	–	–	2,334
Gain from changes in fair value of biological assets	–	–	13,666	13,936
Change in fair value of investment property	–	–	1,878	–
Negative goodwill on acquisition of subsidiary	–	–	–	5,425
Grants amortised	–	–	6,015	2,853
Unclaimed dividend written back	–	742	–	742
Sundry income	1,988	4,587	59,116	51,869
Total	291,330	368,394	143,181	152,888

For the year ended 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
8. OTHER EXPENSES				
Impairment loss on plant & machinery	–	–	3,193	3,789
Impairment of goodwill	–	–	11,106	–
Provision for diminution in value of investments	1,500	–	2,300	27,662
Total	1,500	–	16,599	31,451
9. NET FINANCING COST				
Finance cost				
On long-term loans	3,073	–	248,250	58,084
On finance leases	12,875	10,171	47,038	42,922
On short-term loans and overdrafts	255,387	95,314	1,261,653	583,481
On staff loans	3,001	1,634	6,075	4,022
Loss on foreign currency translation	–	43,603	7,028	83,381
Total	274,336	150,722	1,570,044	771,890
Finance income				
On staff loans	3,325	1,798	8,179	4,186
Gain on foreign currency translation	46,014	–	225,711	39,075
On deposits	63	83	58,241	35,218
	49,402	1,881	292,131	78,479
Net financing cost	224,934	148,841	1,277,913	693,411
10. SHARE OF PROFIT OF EQUITY ACCOUNTED INVESTEES (NET OF INCOME TAX)				
Commercial Insurance Brokers (Private) Limited	–	–	7,539	7,231
Akzo Nobel Paints Lanka (Private) Limited	–	–	294,567	277,634
Rainforest Ecolodge (Private) Limited	–	–	(10,390)	(6,969)
Total	–	–	291,716	277,896

For the year ended 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
11. INCOME TAX EXPENSE				
Current tax expense				
Current tax expense on profits for the year	37,459	120,000	124,805	339,042
Over provision in respect of previous year	(11,591)	(28,138)	(26,815)	(18,668)
Irrecoverable ESC written off	–	–	1,716	795
Tax on dividend income	–	–	25,311	40,583
	25,868	91,862	125,017	361,752
Deferred tax expense				
Reversal of temporary differences	(10,868)	(6,007)	(32,919)	(7,862)
Total	15,000	85,855	92,098	353,890
11.1 Reconciliation of accounting profit and taxable profit				
Profit before tax	224,415	545,612	276,594	1,374,421
Intra-group adjustments	–	–	250,738	360,704
	224,415	545,612	527,332	1,735,125
Share of profit of equity accounted investees	–	–	(291,716)	(277,896)
Disallowable expenses	294,551	301,962	1,239,024	1,297,657
Tax deductible expenses	(137,586)	(88,279)	(912,734)	(943,382)
Tax exempt income	(247,536)	(330,208)	(310,372)	(639,626)
Tax loss for the year	–	–	286,535	142,301
Tax loss utilised during the year	–	–	(16,990)	(12,742)
Taxable profit	133,844	429,087	521,079	1,301,437

For the year ended 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Income tax @ 12%	13	108	15,823	18,522
Income tax @ 15%	–	–	–	414
Income tax @ 10%	–	–	–	170
Income tax @ 28%	37,446	119,892	108,982	319,936
Current tax expense on profit for the year	37,459	120,000	124,805	339,042
Tax loss brought forward	–	–	558,654	371,212
Tax loss for the year	–	–	286,535	142,301
Tax loss from acquisition	–	–	–	57,883
Tax loss written off	–	–	(57,617)	–
Tax loss utilized during the year	–	–	(16,990)	(12,742)
Tax loss carried forward	–	–	770,582	558,654
Effective tax rate	17%	22%	24%	21%

11.2 For the year of assessment 2012/13, the Company did not pay Economic Service Charge (ESC) as the Company is liable for income tax. The ESC payment for the year of assessment 2011/12 was Rs. 64.09 million.

11.3 Group tax expense is based on the taxable profit of each company in the Group. At present the Tax Law of Sri Lanka do not provide for Group Taxation.

11.4 Irrecoverable Economic Service Charge has been charged in the Comprehensive Income.

11.5 Details of the current tax computation

As per the Inland Revenue Act No. 10 of 2006 and subsequent amendments there to, 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 .

As per the agreement entered into with the Board of Investment of Sri Lanka, CIC Feeds (Private) Limited was exempt from income tax up to 30th September 2006, on the business profit. Starting from 1st October 2006, the Company was enjoying a partial tax holiday period of five (5) years up to 30th September 2011. As such the Company is liable for income tax of 50% during the partial tax holiday period. As per tax legislations, applicable tax rate for the current year is 12% (2012 - 12%, partial tax of 50% of the tax rate of 12%).

CIC Poultry Farms Limited is exempted from income tax for a period of five (5) years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka. For the above purpose, the year of assessment shall be reckoned from the year in which the enterprise commences making profits in that year of assessment not later than two (2) years from the date of commencement of commercial operations of the enterprise, whichever is earlier, as may be specified in the certificate issued by the Board of Investment.

In terms of Sections 51/52 of the Inland Revenue Act, No. 10 of 2006 and subsequent amendments there to profits from qualifying exports of Chemanex Exports (Private) Limited, enjoy a concessionary rate of tax of 12%.

The profit of Yasui Lanka (Private) Limited, enjoys a concessionary rate of tax of 15% up to and including the year of assessment 2016/2017, in terms of the agreement entered into with the Board of Investment.

The profit of CAL Exports Lanka (Private) Limited, enjoyed a five (5) year tax holiday up to and including the year of assessment 2008/2009, and a concessionary rate at 10% for two (2) years subsequent to that in terms of the agreement entered with the Board of Investment. In addition the Company would enjoy a concessionary tax rate of 10% for two (2) years subsequent to the above and at 15% thereafter.

	Company		Group	
For the year ended 31st March	**2013**	2012	**2013**	2012
12. EARNINGS PER SHARE				
Profit attributable to equity holders of the Company (Rs. '000)	**209,415**	459,757	**230,929**	863,084
The share capital is as follows:				
Ordinary Shares				
Weighted average number of shares	**72,900,000**	72,900,000	**72,900,000**	72,900,000
Non-Voting (Class X) shares				
Weighted average number of shares	**21,870,000**	21,870,000	**21,870,000**	21,870,000
Total weighted average number of shares	**94,770,000**	94,770,000	**94,770,000**	94,770,000
Earnings per share (Basic/ Diluted) (Rs.)	**2.21**	4.85	**2.44**	9.11

Basic Earnings per Share

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

Diluted Earnings per share

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

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

There is no material impact on diluted earnings per share arising from Employee Share Option Scheme.

For the year ended 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
13. GROSS DIVIDENDS				
Interim Dividend				
Interim dividend paid per share Rs. 0.63 (2012 - Rs. 1.60 per share)				
– 72,900,000 Ordinary Shares	45,927	116,640	45,927	116,640
– 21,870,000 Non-Voting (Class X) Shares	13,778	34,992	13,778	34,992
	59,705	151,632	59,705	151,632
Final Dividend				
Final dividend proposed and paid Rs. 1.60 per share (2012), (2011 - Rs. 2.00)				
- 72,900,000 Ordinary Shares	116,640	145,800	116,640	145,800
- 21,870,000 Non-Voting (Class X) Shares	34,992	43,740	34,992	43,740
	151,632	189,540	151,632	189,540
Total	211,337	341,172	211,337	341,172

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 2013. This proposed dividend has not yet been recognised as a liability as at 31st March 2013. This would result in a total dividend per share of Rs. 1.63 (2012 - Rs. 3.20) once it is approved at the Annual General Meeting.

The interim dividend of Rs. 0.63 per share for 2012/13 (2011/12 - Rs. 3.20 total dividend) distributed to shareholders are paid out of dividends received from Companies within the Group on which 10% withholding tax has been paid.

For the year ended 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
14. TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:				
Directors' emoluments and retirement benefits	27,240	24,348	183,285	160,260
Depreciation on property, plant & equipment	137,059	114,892	691,440	579,480
Depreciation on investment property	–	–	89	89
Directors' fees	13,519	11,920	20,169	19,312
Donations	1,062	1,010	11,961	8,434
Staff training & development	5,370	11,518	17,813	27,714
Legal fees	1,899	3,707	5,947	10,686
Auditor's remuneration				
Statutory audit fees	1,210	1,100	7,362	7,551
Audit-related Fees	1,280	1,631	3,350	4,873
Non-audit fees	1,238	1,712	3,308	3,240
Provision for impairment of trade receivables	7,243	55,932	89,670	201,423
Provision for written down value of inventories and inventories written-off	40,560	26,224	52,674	36,092
Personnel costs * (Note 14.1)	407,704	352,270	1,590,760	1,366,112

** Includes Directors' emoluments and retirement benefit costs*

14.1 Personnel Costs				
Salaries	293,326	246,942	1,229,463	1,003,574
EPF/MSPS - Defined contribution plan	28,824	24,866	108,653	99,059
ETF - Defined contribution plan	7,206	6,217	27,163	24,880
Bonus	40,320	52,794	103,114	156,964
Retirement benefit costs	38,028	21,451	122,367	81,635
Total	407,704	352,270	1,590,760	1,366,112
The number of employees as at 31st March	442	383	2,191	2,203

	Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Equipment Rs. '000	Computers Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	**Total 2013 Rs. '000**	Total 2012 Rs. '000
15. PROPERTY, PLANT & EQUIPMENT									
A. Company									
Freehold									
Cost/Valuation									
At the beginning of the year	973,568	505,017	126,812	209,098	73,001	28,626	121,725	**2,037,847**	1,858,140
Additions	13,519	12,242	44,224	34,274	17,027	6,790	4,092	**132,168**	191,151
Adjustment on revaluation	198,413	–	–	–	–	–	–	**198,413**	–
Disposals	–	–	–	(104)	(73)	–	(10,850)	**(11,027)**	(11,444)
At the end of the year	1,185,500	517,259	171,036	243,268	89,955	35,416	114,967	**2,357,401**	2,037,847
Depreciation									
At the beginning of the year	–	25,548	60,559	128,716	62,012	8,156	49,796	**334,787**	256,967
Charge for the year	–	24,532	15,673	29,845	9,998	2,785	20,756	**103,589**	83,404
On disposals	–	–	–	(92)	(18)	–	(8,226)	**(8,336)**	(5,584)
At the end of the year	–	50,080	76,232	158,469	71,992	10,941	62,326	**430,040**	334,787
Leasehold									
Cost/Valuation									
At the beginning of the year	–	–	–	–	–	–	125,398	**125,398**	57,052
Additions	–	–	–	–	–	–	41,245	**41,245**	71,933
Disposals	–	–	–	–	–	–	(10,277)	**(10,277)**	(3,587)
At the end of the year	–	–	–	–	–	–	156,366	**156,366**	125,398
Depreciation									
At the beginning of the year	–	–	–	–	–	–	43,947	**43,947**	15,388
Charge for the year	–	–	–	–	–	–	33,470	**33,470**	31,488
On disposals	–	–	–	–	–	–	(3,548)	**(3,548)**	(2,929)
At the end of the year	–	–	–	–	–	–	73,869	**73,869**	43,947
Carrying value as at 31st March	1,185,500	467,179	94,804	84,799	17,963	24,475	135,138	**2,009,858**	1,784,511
Carrying value as at 31st March 2012	973,568	479,469	66,253	80,382	10,989	20,470	153,380	**1,784,511**	

(i) Carrying amount of property, plant and equipment pledged as securities for bank facilities obtained amounted to Rs. 290 million.

(ii) There are no impairment on property, plant and equipment which requires a provision.

(iii) Borrowing costs capitalised during the year was Rs. 1.57 million (2012 - Nil)

B. Group

	Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Equipment Rs. '000	Computers Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	**Total 2013 Rs. '000**	Total 2012 Rs. '000
Freehold									
Cost/Valuation									
At the beginning of the year	2,075,369	2,366,206	2,163,832	830,350	205,771	84,863	738,830	**8,465,221**	7,140,072
Additions	169,687	263,173	305,527	122,508	42,085	18,638	185,824	**1,107,442**	1,409,522
On acquisition of subsidiary	–	–	–	–	–	–	–	**–**	6,492
Adjustment on revaluation	570,570	–	–	–	–	–	–	**570,570**	76,166
Impairment	–		(12,456)	–	–	–	–	**(12,456)**	–
Disposals/written off	–	–	(6,586)	(688)	(889)	–	(29,410)	**(37,573)**	(167,031)
At the end of the year	2,815,626	2,629,379	2,450,317	952,170	246,967	103,501	895,244	**10,093,204**	8,465,221
Depreciation/impairment losses									
At the beginning of the year	–	256,540	723,890	453,399	175,893	39,077	289,801	**1,938,600**	1,601,690
Charge for the year	–	83,868	166,129	94,603	27,613	10,327	144,471	**527,011**	435,663
Impairment	–	–	(9,263)	–	–	–	–	**(9,263)**	3,789
On acquisition of subsidiary	–	–	–	–	–	–	–	**–**	3,426
Transfers to revaluation reserve	–	–	–	–	–	–	–	**–**	(5,846)
On disposals/written off	–	–	(1,712)	(391)	(834)	–	(21,098)	**(24,035)**	(100,122)
At the end of the year	–	340,408	879,044	547,611	202,672	49,404	413,174	**2,432,313**	1,938,600
Leasehold									
Cost/Valuation									
At the beginning of the year	232,898	505,827	2,183	7,034	–	–	592,502	**1,340,444**	1,092,687
Additions	–	111,575	–	–	–	–	85,121	**196,696**	279,049
Disposals/written off	–	–	–	–	–	–	(21,291)	**(21,291)**	(31,292)
At the end of the year	232,898	617,402	2,183	7,034	–	–	656,332	**1,515,849**	1,340,444
Depreciation									
At the beginning of the year	20,502	123,235	228	1,041	–	–	213,180	**358,186**	226,483
Charge for the year	4,814	26,334	456	–	–	–	132,825	**164,429**	143,817
On disposals/written off	–	–	–	–	–	–	(14,564)	**(14,564)**	(12,114)
At the end of the year	25,316	149,569	684	1,041	–	–	331,441	**508,051**	358,186
Carrying value as at 31st March	3,023,208	2,756,804	1,572,772	410,552	44,295	54,097	806,961	**8,668,689**	7,508,879
Carrying value as at 31st March 2012	2,287,765	2,492,258	1,441,897	382,944	29,878	45,786	828,351	7,508,879	

i. Carrying amount of property, plant & equipment pledged as securities for bank facilities obtained amounted to Rs. 1,384.61 million (2012 - Rs. 979 million).

ii. Borrowing cost capitalised during the year is Rs. 16.65 million (2012 - Nil).

iii. Impairment losses - During the year, a subsidiary carried out a review of the recoverable amount of its manufacturing plant and machinery. The assets for which an impairment loss is recognised are used in the Group's Packaging material reportable segment. The review led to the recognition of an asset which is impaired and the entire asset was de-recognised from its asset base. The net loss on the impairment is Rs. 3.19 million which has been recognised in the Statement of Comprehensive Income.

C. Carrying Value

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
At cost	741,861	729,492	4,839,037	4,579,472
At valuation	1,185,500	973,568	2,815,626	1,940,918
On finance lease	82,497	81,451	1,014,026	988,489
Total	2,009,858	1,784,511	8,668,689	7,508,879

D. The values of land if the assets had been carried at cost

As at 31st March	Company 2013 Rs. million	Company 2012 Rs. million	Group 2013 Rs. million	Group 2012 Rs. million
Land	208.31	194.79	1,337.80	1,168.11

Unexpired lease period of land belonging to CIC Agri Businesses (Private) Limited is 78 years.

E. Value of Land and Ownership at the Year End

Company	Location	Land Extent in Acres/Roods/Perches	Carrying Value Rs. million
CIC Holdings PLC	Kew Road, Colombo 2	1 rood and 30.25 perches	456.50
	Sri Sasanajothi Mawatha, Ratmalana	4 acres, 3 roods and 21 perches	259.50
	Sirimavo Bandaranaike Mawatha, Colombo 14	1 acre and 32 perches	288.00
	Pellanwatta, Piliyandala	7 acres, 2 roods and 15.45 perches	106.50
	Panagoda, Homagama	10 acres, 1 rood and 29.9 perches	75.00
Chemanex PLC	Sri Sasanajothi Mawatha, Ratmalana	3 acres and 4 roods	89.50
CIC Agri Businesses (Private) Limited	Mahiella, Kurunegala	2 acres, 3 roods and 31.25 perches	37.77
	Galle Road, Weligama	2 roods and 20.06 perches	37.50
	New Nuge Road, Peliyagoda	1 acre and 4 roods	182.00
	Aluwihare, Matale	3 acres, 1 rood and 38 perches	18.50
Wayamba Agro Fertilizer Company Limited	Maho	16 acres and 30.8 perches	90.00
Kelani Valley Canneries Limited	Kaluaggala, Hanwella	2 acres and 10 perches	33.00
Sunhill Tea Factory (Private) Limited	Udadelwala, Delwala, Ratnapura	2 acres and 1 rood	1.70
CIC Seeds (Private) Limited	Walavwe Haduwe Naula	15 acres, 3 roods and 39.9 perches	13.50
CISCO Speciality Packaging (Private) Limited	Pellanwatta, Pannipitiya	2 acres, 3 roods and 18.07 perches	86.00
CIC Vetcare (Private) Limited	Galla Estate, Ekala	90.75 perches	10.95
	Madampalle Estate, Madampalle	15 acres	37.50

Company	Location	Land Extent in Acres/Roods/Perches	Carrying Value Rs. million
CIC Poultry Farms Limited	Molahena Estate, Badalgama	25 acres and 29.95 perches	63.00
	Iswetiya Elies, Horakandawila, Dunagaha	17 acres and 16.8 perches	54.80
	Katuwahenawatta, Walpita, Waradala	50 acres and 1 rood	122.00
CIC Bio Security Breeder Farms Limited	Molahena Estate, Badalgama	27 acres,1 rood and 57.6 perches	12.96
CIC Feeds (Private) Limited	Galla Estate, Ekala	6 acres and 33.4 perches	109.75
	Heeralugedara, Kotadeniyawa	18 acres and 2 roods	46.25
	Madampalle Estate, Madampalle	25 acres	62.50
	Nabirithankadawara, Welipennagahamulla, Pannala	50 acres, 1 rood and 32.5 perches	126.00
	Agalagedarawatta, Walpita, Kotadeniyawa	48 acres, 3 roods and 17.9 perches	122.00
Colombo Industrial Agencies Limited	Temple Lane, Ekala	3 acres	124.40
Link Natural Products (Private) Limited	Malinda, Kapugoda	4 acres and 24.9 perches	54.70
	Dambukanda	21 acres, 2 roods and 24 perches	56.25
	Dompe, Giridara	2 acres and 17.6 perches	18.50
	Kahatagahawatte, Dompe	3 roods and 37.80 perches	11.50

The last revaluation of land has been as follows:

CIC Holdings PLC	March 2013
Chemanex PLC	March 2013
CIC Agri Businesses (Private) Limited and Subsidiaries	March 2013
CISCO Speciality Packaging (Private) Limited	March 2013
CIC Feeds (Private) Limited and Subsidiaries	March 2013
Link Natural Products (Private) Limited	March 2013
Colombo Industrial Agencies Limited	March 2013

All above revaluations are based on market value and they were carried out by Perera Sivaskantha & Company, an Incorporated Valuer. The revalued figures were incorporated in these Financial Statements from effective dates.

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

Company	Buildings Years	Plant & Machinery Years	Equipment Years	Computers Years	Motor Vehicles Years	Furniture & Fittings Years
CIC Holdings PLC	20	8	5	3	5	10
Chemanex PLC	20	6	3	3	4	4
CISCO Speciality Packaging (Private) Limited	20	20, 12, 10	20	3	5	20
CIC Agri Businesses (Private) Limited*	20	8	4	3	5	10
Colombo Industrial Agencies Limited	20	–	–	–	–	10
CIC Feeds (Private) Limited	20,40	20	20	5	4, 5	8
Link Natural Products (Private) Limited	40	10	10, 8, 5	3	4	10
CIC Cropguard (Private) Limited	–	–	5	5	5	10
CIC Lifesciences Limited	–	8	4	4	4	4

** Land development cost is depreciated over 30 years.*

G. Cost of fully-depreciated property, plant & equipment still in use at the date of Statement of Financial Position is as follows:

As at 31st March	Company		Group	
	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Buildings	–	–	24,109	23,400
Plant & Machinery	71,330	71,330	279,602	262,607
Equipment	83,875	67,963	336,373	207,044
Furniture & Fittings	3,791	3,869	21,567	26,558
Motor Vehicles	19,528	16,980	198,926	189,200
Computers	58,411	53,854	103,943	126,418
Total	236,935	213,996	964,520	835,227

As at 31st March	Company			Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
16. INVESTMENT PROPERTY						
Cost						
At the beginning of the year	–	–	–	99,095	97,148	83,731
Transferred from property, plant & equipment	–	–	–	–	–	10,075
Transferred to assets held for sale	–	–	–	(86,181)	–	–
Additions	–	–	–	–	1,947	3,342
Gain on fair value adjustments	–	–	–	1,878	–	–
At the end of the year	–	–	–	14,792	99,095	97,148
Depreciation						
At the beginning of the year	–	–	–	96	7	–
Charge for the year	–	–	–	89	89	7
At the end of the year	–	–	–	185	96	7
Net book value	–	–	–	14,607	98,999	97,141

A. Details of Investment Property

Ownership	Location	Land Extent	Carrying Value		
			2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Chemanex PLC	Pinwatte, Pohaddaramulla, Panadura, Wadduwa	2 acres, 1 rood and 12.15 perches	–	46,641	46,641
	Nugape, Pillagasowita, Uswetakeiyawa, Kandana	8 acres, 1 rood and 15 perches	–	39,540	39,540
	Building at Nugape		707	796	885
CIC Agri Businesses (Private) Limited	Pagoda, Nugegoda	15.5 perches	11,500	10,075	10,075
	Bogahapitiya Estate, Kengalle	12 perches	2,400	1,947	–
Total			14,607	98,999	97,141

B. Income and Expenditure on Investment Property

For the year ended 31st March	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Rental income	17,121	20,510	9,986
Direct operating expenses	(1,740)	(3,532)	(3,529)
Total	15,381	16,978	6,457

C. Market value of investment property is Rs. 15 million. (2012 - Rs. 105.20 million)

D. There has been no impairment on investment property which requires a provision.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
17. CAPITAL WORK-IN-PROGRESS						
At the beginning of the year	12,881	8,743	2,580	531,459	199,877	90,668
Expenditure incurred	108,960	4,138	8,743	989,674	659,386	303,029
Amount capitalised	(2,898)	–	(2,580)	(445,332)	(327,658)	(192,405)
Amount expensed	–	–	–	(3,647)	(146)	(1,415)
At the end of the year	118,943	12,881	8,743	1,072,154	531,459	199,877
18. DEPOSIT ON LEASEHOLD PROPERTY						
At the beginning of the year	–	–	–	13,678	13,964	15,109
Additions	–	–	–	2,807	–	–
Amortisation	–	–	–	(333)	(286)	(1,145)
At the end of the year	–	–	–	16,152	13,678	13,964

The above deposit is an up front payment for right to use the land and is stated at cost, less amortisation. The deposit is amortised as a straight-line basis over the lease term.

A. Details of Lease Rentals

Company	Chemcel (Private) Limited
Location	Board of Investments of Sri Lanka in Mirigama Export Processing Zone
Land extent	6 acres, 3 roods and 27 perches
Lease period	50 years commencing from 22nd January 2010
Rental	USD 3,700 per acre per annum

B Lease Payments Recognised as an Expense

For the year ended 31st March	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
Total lease payment made	13,840	8,892	5,609
Amount recognised as an expense	(10,476)	(6,703)	(3,418)
	3,364	2,189	2,191

C. Future minimum lease payments under operating lease of land in USD is as follows:

As at 31st March	Group 2013 US $	Group 2012 US $	Group 2011 US $
Not later than one year	33,947	25,599	25,599
Later than one year and not later than five years	135,790	102,397	102,397
Later than five years	1,296,810	1,075,157	1,100,775
Total	1,466,547	1,203,153	1,228,771

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
19. BIOLOGICAL ASSETS						
At the beginning of the year	–	–	–	78,737	74,524	60,765
Additions	–	–	–	95,935	24,260	13,840
Gain from changes in fair value	–	–	–	1,599	4,841	11,315
Disposals	–	–	–	(90,009)	(24,888)	(11,396)
At the end of the year (Note 19.1)	–	–	–	86,262	78,737	74,524

Note 19.1

	Poultry	Pigs	Cattle	Goats	Teak	Total
Matured (Rs. '000)	20,074	3,521	31,819	940	–	56,354
Immatured (Rs. '000)	14,675	675	7,139	84	7,335	29,908
Total	34,749	4,196	38,958	1,024	7,335	86,262

19.2 Nature of Group's Biological Assets

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

19.3 Non-Financial Measures of Biological Assets

Quantities	Poultry No. of Birds	Pigs No. of Animals	Cattle No. of Animals	Goats No. of Animals	Teak Cubic Meters
At the end of the period					
2013	65,114	166	984	94	1,717
2012	60,529	449	814	155	1,717
2011	33,898	355	1,135	114	1,717

Quantities	Poultry No. of Eggs	Pigs No. of Animals	Cattle No. of Animals	Goats No. of Animals	Teak Cubic Meters
Produced during the year					
2013	7,878,112	232	190	55	–
2012	4,474,225	474	171	117	–
2011	5,191,668	565	242	70	–

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
20. INTANGIBLE ASSETS						
Goodwill						
Gross amount						
At the beginning of the year	–	–	–	158,346	94,584	79,211
Goodwill on acquisition during the year (i)	–	–	–	–	63,762	15,373
At the end of the year	–	–	–	158,346	158,346	94,584
Impairment						
At the beginning of the year	–	–	–	32,015	32,015	32,015
Charge for the year	–	–	–	11,106	–	–
At the end of the year	–	–	–	43,121	32,015	32,015
Net Goodwill (ii)	–	–	–	115,225	126,331	62,569
Development cost capitalised (iii)	–	–	–	32,686	32,686	32,686
Total	–	–	–	147,911	159,017	95,255

	2013 Rs. million	2012 Rs. million	2011 Rs. million
(i) Goodwill on acquisition originated from the following investments:			
Investment by the Company in Chemanex PLC	–	–	11.06
Investment by the Company in CIC Lifesciences Limited	–	63.76	–
Investment by CIC Agri Businesses (Private) Limited in Agri Produce Marketing (Private) Limited	–	–	1.68
Investment by CIC Agri Businesses (Private) Limited in Kelani Valley Canneries Limited	–	–	2.63
(ii) Aggregate carrying amounts of goodwill allocated to each unit is as follows:			
CIC Holdings PLC	74.82	74.82	11.06
CIC Agri Businesses (Private) Limited	23.78	34.89	34.89
CIC Feeds (Private) Limited	16.62	16.62	16.62

(iii) The development expenditure on a super absorbent with technical collaboration from a multinational company is capitalised by Chemcel (Private) Limited. The above amount will be amortised within one year from the commencement of the commercial operations.

(iv) There has been no permanent impairment of intangible assets that require an additional provision.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
21. DEFERRED TAX						
At the beginning of the year	87,096	93,103	25,264	290,505	291,563	167,077
Amount origination/(reversal) of temporary differences						
- Recognised in profit or loss	(10,868)	(6,007)	12,122	(32,919)	(7,862)	50,628
- Recognised in other comprehensive income	–	–	–	(1,068)	–	–
- Recognised in equity	–	–	78,182	–	6,804	146,404
Reduction in tax rate	–	–	(22,465)	–	–	(72,546)
At the end of the year	76,228	87,096	93,103	256,518	290,505	291,563
Deferred tax assets	–	–	–	18,382	37,478	32,439
Deferred tax liabilities	76,228	87,096	93,103	274,900	327,983	324,002
Net liability	76,228	87,096	93,103	256,518	290,505	291,563

A. Deferred Tax (Assets)/Liabilities originated due to temporary timing differences on following asset and liability bases:

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
On property, plant & equipment	124,227	127,250	128,407	397,472	403,285	380,279
On retirement benefit obligations	(47,999)	(40,154)	(35,304)	(86,271)	(91,734)	(75,390)
On tax losses	–	–	–	(54,683)	(21,046)	(13,326)
At the end of the year	76,228	87,096	93,103	256,518	290,505	291,563

The Group recognised deferred tax assets of Rs. 18.38 million (2012 - Rs. 37.47 million) as at the reporting date, as the management is confident that the deferred tax asset would be realised in the future due to the availability of taxable profits in future periods.

B. Unrecognised Deferred Tax Assets

Deferred tax asset of Rs. 44 million of CIC Agri Businesses (Private) Limited, Rs. 7.32 million of CIC Lifesciences Limited and Rs. 29.11 million of Chemanex PLC has not been recognised in the Statement of Financial Position as the management is of the opinion that the reversal of the taxable asset will not be crystalised in the foreseeable future.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
Unrecognised deferred tax assets						
Deductible temporary differences	–	–	–	2,181	1,018	–
Tax losses	–	–	–	78,245	65,271	37,056
Total	–	–	–	80,426	66,289	37,056

As at 31st March	2013				2012		2011	
	Market Value Rs. '000	Holding %	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
22. INVESTMENTS IN SUBSIDIARIES								
Company								
Quoted								
Chemanex PLC	587,514	50.41	7,939,373	136,683	7,939,373	136,683	7,939,373	136,683
			7,939,373	136,683	7,939,373	136,683	7,939,373	136,683
Unquoted								
Crop Management Services (Private) Limited		100.00	780,000	202,144	120,000	4,144	58,800	588
CISCO Speciality Packaging (Private) Limited		50.00	5,525,005	55,250	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	8,040,000	62,800
Colombo Industrial Agencies Limited		83.06	830,598	9,130	830,598	9,130	830,598	9,130
CIC Feeds (Private) Limited		82.44	3,710,000	217,434	3,710,000	217,434	3,710,000	217,434
CIC Vetcare (Private) Limited		–	–	–	–	–	49,000	4,900
CIC Environmental Management Liquid (Private) Limited		–	–	–	193,800	1,938	193,800	1,938
Link Natural Products (Private) Limited								
Ordinary Shares		47.76	2,675,000	66,875	2,675,000	66,875	2,675,000	66,875
Non-Voting Shares		100.00	2,333,333	46,667	2,333,333	46,667	2,333,333	46,667
CIC Cropguard (Private) Limited		100.00	500,000	5,000	500,000	5,000	500,000	5,000
CIC Lifesciences Limited		85.29	1,450,018	10,650	1,399,998	10,150	–	–
				675,950		479,388		470,582
Provision for fall in value of investments				–		(1,938)		(1,938)
Total				812,633		614,133		605,327

(i) The subsidiaries of the Company are incorporated in Sri Lanka.

(ii) The Company's holding in the voting shares of Link Natural Products (Private) Limited was 47.76% as at 31st March 2013. However, due to Board control the Company was treated as a subsidiary in the accounts.

(iii) CIC Environmental Management Liquid (Private) Limited was liquidated during the financial year.

(iv) The Company has neither contingent liabilities nor capital commitment in respect of subsidiaries.

(v) The main activities of the subsidiary companies are given on page 117.

(vi) Investments made by the Company were as follows:

For the year ended 31st March	2013		2012		2011	
	Shares	Cost Rs. '000	Shares	Cost Rs. '000	Shares	Cost Rs. '000
CIC Lifesciences Limited	50,020	500	1,399,998	10,150	–	–
Crop Management Services (Private) Limited	660,000	198,000	61,200	3,556	–	–
Chemanex PLC	–	–	–	–	240,000	36,042
Total		198,500		13,706		36,042

Company acquired further equity stake of 2.94% in CIC Lifesciences Limited during the financial year.

(vii) Inter-Company Shareholdings

As at 31st March		2013	2012	2011	2013	2012	2011
Investor	Investee		% Holding			Number of Shares	
Chemanex PLC	Crop Management Services (Private) Limited	–	–	46.00	–	–	55,200
Chemanex PLC	CIC Agri Businesses (Private) Limited	16.92	16.92	16.92	2,680,001	2,680,001	2,680,001
Chemanex PLC	CIC Feeds (Private) Limited	11.11	11.11	11.11	500,000	500,000	500,000
CIC Agri Businesses (Private) Limited	Chemanex PLC	2.84	2.84	2.84	446,604	446,604	446,604
CIC Feeds (Private) Limited	CIC Vetcare (Private) Limited	100.00	100.00	51.00	100,000	100,000	51,000
Crop Management Services (Private) Limited	CIC Feeds (Private) Limited	6.44	6.44	6.44	290,100	290,100	290,100

(viii) Investment in joint venture by CIC Agri Businesses (Private) Limited

(a) 49% equity shareholding with equivalent voting power in Rahimafrooz CIC Agro Limited, a joint venture establised in year 2011/12 in Bangladesh.

(b) The followings are included in the Group Financial Statements as of the proportionate consolidation of Rahimafrooz CIC Agro Limited.

As at 31st March	2013	2012
Current assets	156,694	11,186
Non-current assets	22,454	111
Current liabilities	184,198	–
Non-current liabilities	3,597	–

For the year ended 31st March	2013	2012
Income	153,209	–
Expenses	170,551	11,185

As at 31st March		2013		2012		2011	
	Holding %	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
23. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES							
Company							
Unquoted							
Akzo Nobel Paints Lanka (Private) Limited							
Ordinary Shares	49.37	2,340,000	23,400	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	1,260,000	12,600
Total			36,000		36,000		36,000
Group							
Unquoted							
Akzo Nobel Paints Lanka (Private) Limited							
Ordinary Shares	49.37	2,340,000	23,400	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	1,260,000	12,600
Group Share of net assets on deemed disposal			280,922		280,922		280,922
Rainforest Ecolodge (Private) Limited	24.40	9,950,968	99,510	7,812,500	78,125	7,812,500	78,125
Commercial Insurance Brokers (Private) Limited	40.00	239,999	200	239,999	200	239,999	200
			416,632		395,247		395,247
Share of equity accounted investees' retained earnings			372,953		312,932		227,900
Total			789,585		708,179		623,147

(i) The equity accounted investees are incorporated in Sri Lanka.

(ii) There are no unrecognised share of losses of the equity accounted investees as at 31st March 2013 (2012 - Nil).

(iii) The main activities of the equity accounted investees are given on page 118.

(iv) The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

(v) Summarised financial information of equity accounted investees;

For the year ended 31st March	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	5,765,889	6,204,504	5,262,960
Expenses	5,290,718	5,749,470	4,882,650
Profit after tax	475,171	455,034	380,310

As at 31st March	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Non-current assets	650,658	556,395	512,100
Current assets	2,154,188	2,168,024	1,911,380
Total assets	2,804,846	2,724,419	2,423,480
Non-current liabilities	146,804	149,289	69,940
Current liabilities	1,131,072	1,191,152	1,094,870
Total liabilities	1,277,876	1,340,441	1,164,810
Net assets	1,526,970	1,383,978	1,258,670

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
24. OTHER NON-CURRENT FINANCIAL ASSETS						
Equity securities - available for sale	125,100	96,600	66,600	6,108	4,730	4,104

As at 31st March	2013 No. of Shares	2013 Cost Rs. '000	2012 No. of Shares	2012 Cost Rs. '000	2011 No. of Shares	2011 Cost Rs. '000
Company						
Unquoted						
Yasui Lanka (Private) Limited	660,000	6,600	660,000	6,600	660,000	6,600
Chemcel (Private) Limited	12,000,000	120,000	9,000,000	90,000	6,000,000	60,000
		126,600		96,600		66,600
Provision for diminution in value investments		(1,500)		–		–
Total		125,100		96,600		66,600
Group						
Quoted						
CT Land Development PLC	–	–	24,999	604	24,999	821
Commercial Bank of Ceylon PLC						
Non-Voting	20,000	2,933	20,000	2,933	–	–
Voting	20,000	2,040	–	–	–	–
Muller & Phipps PLC	300	2	300	2	300	2
Chevron Lubricants Lanka PLC	8,000	340	8,000	340	8,000	340
Dipped Products PLC	2,500	243	2,500	243	2,500	243
		5,558		4,122		1,406
Unquoted						
Ceylon Tapes (Private) Limited	40,000	400	40,000	400	40,000	400
Equity Investments (Lanka) Limited	15,000	150	15,000	150	15,000	150
Roma Cosmetics (Private) Limited	200,000	2,000	200,000	2,000	200,000	2,000
Ceylon Tapes (Private) Limited - 10% Debentures	–	–	4,600	46	4,600	46
Dev-Fern (Private) Limited	–	–	1,200	12	1,200	12
NTS Interlining (Private) Limited	650,000	6,500	650,000	6,500	650,000	6,500
		9,050		9,108		9,108
Provision for diminution in value of investments		(8,500)		(8,500)		(6,500)
		6,108		4,730		4,014

In the opinion of the Directors the net realisable value of unquoted investments other than those investments for which provisions have been made are higher than their cost. Any reduction in market value below cost is considered to be of a temporary nature. The Group has made a full provision for NTS Interlining (Private) Limited and Roma Cosmetics (Private) Limited.

Further the Company has made a provision of Rs. 1.5 million against its investment in Yasui Lanka (Private) Limited.

25. INVENTORIES

As at 31st March	Company			Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000
Raw materials and consumables	**147,032**	184,300	154,887	**1,768,143**	1,700,157	1,595,809
Work-in-progress	**–**	–	–	**211,637**	167,750	237,313
Finished goods	**1,628,393**	1,253,350	936,589	**2,729,406**	2,479,562	1,863,022
Biological assets	**–**	–	–	**311,722**	267,595	143,958
Goods-in-transit	**11,987**	14,501	–	**458,778**	354,263	250,188
	1,787,412	1,452,151	1,091,476	**5,479,686**	4,969,327	4,090,290
Provision for inventories	**(15,582)**	(1,928)	(6,599)	**(29,261)**	(5,728)	(7,783)
Total	**1,771,830**	1,450,223	1,084,877	**5,450,425**	4,963,599	4,082,507

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		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000
At cost	**1,771,830**	1,441,659	1,081,237	**5,450,425**	4,941,632	4,078,867
At net realisable value *	**–**	8,564	3,640	**–**	21,967	3,640
Total	**1,771,830**	1,450,223	1,084,877	**5,450,425**	4,963,599	4,082,507
*Cost of Inventories carried at NRV	–	10,186	5,230	–	24,123	5,230
Inventories Recognised as a expense for the year	4,830,811	4,628,314	3,633,172	16,980,978	15,475,191	15,558,889
Inventories written off against opening provision	1,928	6,599	6,407	5,338	7,350	6,407

- Bank facilities have been obtained on negative pledge over inventories.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
26. TRADE RECEIVABLES						
Trade receivables from group companies (Note 26.1)	4,272	7,618	6,308	–	–	–
Other trade receivables	2,354,821	2,137,811	1,775,465	5,267,935	4,600,065	4,551,683
Bills receivable	–	–	–	76,797	103,998	113,828
Total	2,359,093	2,145,429	1,781,773	5,344,732	4,704,063	4,665,511
Less: Provision for bad and doubtful debts	(82,713)	(110,319)	(170,870)	(345,221)	(421,829)	(340,657)
Total	2,276,380	2,035,110	1,610,903	4,999,511	4,282,234	4,324,854

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

26.1 Trade Receivables from Group Companies			
CIC Agri Businesses (Private) Limited	3,545	4,563	5,654
Chemanex PLC	338	3,051	88
CIC Feeds (Private) Limited	389	–	414
Link Natural Products (Private) Limited	–	4	140
CISCO Speciality Packaging (Private) Limited	–	–	12
Total	4,272	7,618	6,308

There was no provision for doubtful debts on related party trade balances.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
26.2 Trade Receivables - Currency-wise						
Sri Lankan Rupees	2,276,380	2,035,110	1,610,903	4,850,160	4,137,793	4,211,026
US Dollars	–	–	–	149,351	144,441	112,115
Euros	–	–	–	–	–	1,713
Total	2,276,380	2,035,110	1,610,903	4,999,511	4,282,234	4,324,854

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
27. OTHER RECEIVABLES						
Non-trade receivables from group companies (Note 27.2)	72,914	93,252	31,034	–	–	–
Other non-trade receivables	340,973	147,680	152,241	723,312	1,181,882	722,586
Short-term loans granted to subsidiaries	74,600	69,400	–	–	–	–
Subsidy receivable	–	–	–	5,548,329	5,617,645	2,485,684
Income tax receivable (Note 38)	39,971	3,706	–	102,002	51,002	30,847
Loans to employees (Note 27.1)	15,518	18,936	21,137	55,937	53,314	52,376
Pre paid staff cost	5,015	6,050	5,793	20,686	18,097	14,117
Total	548,991	339,024	210,205	6,450,266	6,921,940	3,305,610

27.1 Loans to employees

The number of employees who have obtained loans as at 31st March	131	127	62	338	307	175

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

27.2 Non-Trade Receivables from Group Companies

CISCO Speciality Packaging (Private) Limited	20	39	54
CIC Agri Businesses (Private) Limited	6,629	6,891	12,176
CIC Feeds (Private) Limited	528	200	542
Colombo Industrial Agencies Limited	31,922	34,533	11,800
CIC Environmental Management Liquid (Private) Limited	–	46,292	46,292
CIC Cropguard (Private) Limited	33,797	51,572	6,443
Link Natural Products (Private) Limited	18	17	19
	72,914	139,544	77,326
Less: Provision for bad and doubtful debts	–	(46,292)	(46,292)
Total	72,914	93,252	31,034

Provision for doubtful debts on related party other receivable balances are under related party disclosures.

As at 31st March	2013		2012		2011	
	No. of Shares	Fair Value Rs. '000	No. of Shares	Fair Value Rs. '000	No. of Shares	Fair Value Rs. '000
28. OTHER CURRENT FINANCIAL ASSETS						
Company						
Quoted						
Ceylon Hospitals PLC	5,628	563	5,628	260	4,300	446
Renuka Agri Foods PLC	153,200	628	153,200	919	153,200	873
Hatton National Bank PLC - Voting	144,794	24,224	144,794	21,757	–	–
Hatton National Bank PLC - Non-Voting	14,709	1,938	14,709	1,351	–	–
Total		27,353		24,287		1,319
Group						
Quoted						
Ceylon Hospitals PLC	5,628	563	5,628	260	4,300	446
Renuka Agri Foods PLC	153,200	628	153,200	919	153,200	873
Hatton National Bank PLC - Voting	219,944	37,025	219,944	33,255	75,150	19,038
Hatton National Bank PLC - Non-Voting	14,709	1,938	14,709	1,351	–	–
Commercial Bank of Ceylon PLC - Non-Voting	332	32	332	27	110	3
Kelani Tyres PLC	400	14	400	11	200	5
Tokyo Cement Company (Lanka) PLC	2,700	63	2,700	100	2,700	14
Hotel Services (Ceylon) PLC	350,000	4,690	350,000	6,090	350,000	8,085
John Keells Hotels PLC	450,000	5,940	450,000	5,670	450,000	7,740
Hydro Power Free Lanka PLC	6,300	35	6,300	45	6,300	89
Merchant Bank of Sri Lanka PLC	300,000	4,830	300,000	8,790	300,000	13,860
Laugfs Gas PLC - Voting	106,900	2,619	106,900	2,757	106,900	4,746
Laugfs Gas PLC - Non-Voting	5,900	105	5,900	92	5,900	205
Odel PLC	2,500	53	2,500	50	2,500	96
National Development Bank PLC	40,024	6,603	40,024	4,913	20,012	6,404
Lanka Orix Leasing Company PLC	50,000	2,850	50,000	2,700	50,000	5,980
Richard Pieris Distributors PLC	200,000	1,320	200,000	1,500	–	–
Colombo Land & Development Company PLC	101,500	–	101,500	–	101,500	2,192
Government bonds		2,279		2,089		
Investments at market value		71,587		70,619		69,776

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
29. CASH AND CASH EQUIVALENTS						
29.1 Favourable cash and cash equivalents						
Cash and bank balances	95,343	52,934	104,848	1,018,844	655,513	666,692
29.2 Unfavourable cash and cash equivalents						
Bank overdrafts	(844,461)	(644,129)	(202,889)	(3,884,893)	(2,495,380)	(1,201,121)
Short-term bank loans	(1,338,751)	(829,726)	(240,000)	(5,846,654)	(4,917,896)	(3,198,264)
	(2,183,212)	(1,473,855)	(442,889)	(9,731,547)	(7,413,276)	(4,399,385)
Cash and cash equivalents for the purpose of cash flow statements	(2,087,869)	(1,420,921)	(338,041)	(8,712,703)	(6,757,763)	(3,732,693)

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
30. ASSETS CLASSIFIED AS HELD FOR SALE						
At the beginning of the year	78,843	78,843	78,843	78,843	78,843	78,843
Transferred from investment properties	–	–	–	86,181	–	–
Disposals	–	–	–	(46,641)	–	–
At the end of the year	78,843	78,843	78,843	118,383	78,843	78,843

Ownership	Location	Type	Market Value	Valued By
CIC Holdings PLC	Siyambalape	Land	Rs. 115.5 million	Perera Sivaskantha & Company
Chemanex PLC	Nugape,Pillagasowita, Uswetakeiyawa, Kandana	Land	Rs. 93.3 million	Perera Sivaskantha & Company

The properties are advertised for sale.

As at 31st March	Company/Group 2013 No. of Shares	Company/Group 2013 Rs.	Company/Group 2012 No. of Shares	Company/Group 2012 Rs.	Company/Group 2011 No. of Shares	Company/Group 2011 Rs.
31. STATED CAPITAL						
Issued and Fully-Paid Ordinary Shares						
At the beginning of the year	72,900,000	789,750,000	72,900,000	789,750,000	72,900,000	789,750,000
At the end of the year	72,900,000	789,750,000	72,900,000	789,750,000	72,900,000	789,750,000
Non-Voting (Class X) Shares						
At the beginning of the year	21,870,000	218,700,000	21,870,000	218,700,000	21,870,000	218,700,000
At the end of the year	21,870,000	218,700,000	21,870,000	218,700,000	21,870,000	218,700,000
Total	94,770,000	1,008,450,000	94,770,000	1,008,450,000	94,770,000	1,008,450,000

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

The holders of Ordinary Shares (Non-Voting) are entitled to receive dividend as declared from time to time and are not entitled to vote at meetings of the Company.

	Company			Group		
As at 31st March	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000
32. CAPITAL RESERVES						
At the beginning of the year	**817,605**	817,605	465,124	**1,231,163**	1,206,900	516,153
Surplus on revaluation	**198,413**	–	365,586	**466,417**	28,857	707,324
Realisation of surplus on disposal	**–**	–	(13,105)	**(830)**	–	(13,105)
Adjustment due to changes in effective holding	**–**	–	–	**–**	1,414	(3,472)
Translation of foreign entity	**–**	–	–	**(720)**	693	–
Effect due to changes in accounting policy	**–**	–	–	**–**	(6,701)	–
Total	**1,016,018**	817,605	817,605	**1,696,030**	1,231,163	1,206,900

Capital reserve consist of revaluation reserve, reserve on scrip issue, and the foreign currency equalisation reserve.

Revaluation reserve relates to revaluation of land and represents the fair value changes in lands.

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

The foreign currency equalisation reserve is arised on the translation of foreign joint venture into reporting currency.

33. REVENUE RESERVES

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

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

The available for sale reserve is arised on the fair value changes of available for sale financial assets recognised in the other comprehensive income.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
34. LOANS AND BORROWINGS						
A. Loans and borrowings repayable after one year						
Bank Loans						
At the beginning of the year	–	–	–	1,139,932	747,065	716,380
On acquisition of subsidiary	–	–	–	–	37,775	–
Transfers	–	–	–	3,225	–	–
Obtained during the year	127,000	–	–	3,553,147	918,321	460,712
Repayment during the year	–	–	–	(2,645,109)	(563,229)	(430,027)
At the end of the year	127,000	–	–	2,051,195	1,139,932	747,065
Less: Repayable within one year	(18,470)	–	–	(1,283,786)	(789,338)	(394,890)
Sub-total	108,530	–	–	767,409	350,594	352,175
Finance lease obligations repayable after one year	50,715	58,347	26,733	232,853	301,019	254,685
Total	159,245	58,347	26,733	1,000,262	651,613	606,860

There are no bank loans payable after 5 years in the Company or Group.

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
B. Long-term loans and borrowings repayable within one year						
Long-term loans	18,470	–	–	1,283,786	789,338	394,890
Finance lease obligations	32,064	28,757	11,743	129,288	120,293	84,067
Total	50,534	28,757	11,743	1,413,074	909,631	478,957
C. Finance lease obligations						
At the beginning of the year	87,104	38,476	28,455	421,312	338,752	116,380
Obtained during the year	41,245	71,933	18,900	85,121	190,584	268,578
Disposals	(7,237)	–	–	(7,237)	–	–
Repayments	(38,333)	(23,305)	(8,879)	(137,055)	(108,024)	(46,206)
At the end of the year	82,779	87,104	38,476	362,141	421,312	338,752
Gross liability	98,746	104,299	49,204	426,888	499,707	407,654
Finance charges unamortised	(15,967)	(17,195)	(10,728)	(64,747)	(78,395)	(68,902)
Net lease obligations	82,779	87,104	38,476	362,141	421,312	338,752

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
D. Analysis of finance lease obligations by year of repayment						
Finance lease obligations repayable within 1 year from the year end						
Gross liability	**41,365**	38,005	17,145	**162,987**	157,045	116,854
Finance charges unamortised	**(9,301)**	(9,248)	(5,402)	**(33,699)**	(36,752)	(32,787)
Net lease obligations repayable within 1 year from the year end	**32,064**	28,757	11,743	**129,288**	120,293	84,067
Finance lease obligations repayable between 1 to 5 years from the year end						
Gross liability	**57,381**	66,294	32,060	**263,901**	342,662	290,800
Finance charges unamortised	**(6,666)**	(7,947)	(5,327)	**(31,048)**	(41,643)	(36,115)
Net lease obligations repayable between 1 to 5 years from the year end	**50,715**	58,347	26,733	**232,853**	301,019	254,685

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

E. Loans and borrowings payable after one year

(i) Bank Loans

Company	Lender	Interest Rate	Currency	2013 Rs. million	2012 Rs. million	2011 Rs. million	Repayment Years	Security
CIC Holdings PLC	Commercial Bank of Ceylon PLC	AWPLR+2%	LKR	**108.53**	–	–	5	Project Land and Plant & Machinery
CISCO Speciality Packaging (Private) Limited	Commercial Bank of Ceylon PLC	AWPLR+2%	LKR	**92.27**	29.04	63.70	3	Land & Building
	NDB Bank PLC		LKR	**–**	77.24	103.69		
CIC Agri Businesses (Private) Limited	Hatton National Bank PLC	AWPLR (monthly review)	LKR	**13.53**	26.00	50.00	2	Land & Building Letter of Awareness
	Commercial Bank of Ceylon PLC		LKR	**–**	–	2.50		
	DFCC Bank PLC		LKR	**–**	–	1.50		
	Bank of Ceylon	15.00%	LKR	**128.38**	–	–	3	
	Lanka Puthra Development Bank	8.00%	LKR	**21.67**	–	6.25	5	
	IDLC Finance Limited Bangladesh	16.75%	LKR	**2.53**	–	–	2	
	NDB Bank PLC		LKR	**–**	11.67	26.78		

Company	Lender	Interest Rate	Curr-ency	2013 Rs. million	2012 Rs. million	2011 Rs. million	Repayment Years	Security
Link Natural Products (Private) Limited	People's Bank	AWPLR+1%	LKR	101.45	48.95	–	2	Secondary Mortgage over Property - Factory Premises
	Hatton National Bank PLC	AWPLR+1%	LKR	3.86	7.42	–	3	Mortgage over Stocks & Book Debts
	DFCC Bank PLC	AWPLR+1%	LKR	19.38	26.88	–	2	Mortgage over Machineries & Promissory note Primary mortgage over the motor vehicle
CIC Feeds (Private) Limited	Commercial Bank of Ceylon PLC	AWPLR+1.5%	LKR	275.81	56.07	31.93	4	Negative pledge over stocks, debtors and project related assets
	People's Leasing Company PLC		LKR	–	3.18	3.24		
	Amana Investments Limited		LKR	–	26.38	26.38		
	Bank of Ceylon		LKR	–	–	36.20		
CIC Lifesciences Limited	Ceylinco leasing Corporation Limited		LKR	–	36.76	–		
	Ceylinco Investment and Reality Limited		LKR	–	1.00	–		
Total				767.41	350.59	352.17		

(ii) Finance Lease Obligations

Company	Lender	2013 Rs. million	2012 Rs. million	2011 Rs. million
CIC Holdings PLC	Commercial Leasing Company PLC	5.34	9.91	13.82
	Central Finance Company PLC	3.92	6.82	12.91
	DFCC Bank PLC	41.46	41.62	–
Chemanex PLC	Commercial Leasing Company PLC	–	–	0.19
CIC Feeds (Private) Limited	Commercial Bank of Ceylon PLC	–	1.30	4.49
CISCO Speciality Packaging (Private) Limited	Central Finance Company PLC	16.44	12.60	3.70
CIC Cropguard (Private) Limited	Central Finance Company PLC	23.39	4.35	19.86
	DFCC Bank PLC	3.36	31.84	–
	Bank of Ceylon	12.63	–	–
CIC Agri Businesses (Private) Limited	Hatton National Bank PLC	5.10	3.61	–
	Central Finance Company PLC	121.21	186.63	199.72
	Commercial Leasing Company PLC	–	2.34	–
Total		232.85	301.02	254.69

F. Loans and borrowings repayable within one year from the year end

As at 31st March	Company			Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Long-term loans	50,534	28,757	11,743	1,413,074	909,631	478,957
Bank overdrafts	844,461	644,129	202,889	3,884,893	2,495,380	1,201,121
Short-term loans	1,338,751	829,726	240,000	5,846,654	4,917,896	3,198,264
Total	2,233,746	1,502,612	454,632	11,144,621	8,322,907	4,878,342

As at 31st March	Company			Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
35. RETIREMENT BENEFIT OBLIGATIONS						
Present Value of Gratuity	171,426	143,406	126,085	473,205	374,970	309,797
At the beginning of the year	143,406	126,085	110,468	374,970	309,797	257,604
On acquisition of a subsidiary	–	–	–	–	2,425	–
(Over)/under provision for previous year	–	–	–	3,271	(1,654)	335
Current service cost	15,609	13,119	11,345	47,829	51,581	32,800
Benefits paid	(10,008)	(4,130)	(16,103)	(24,132)	(18,887)	(27,396)
Interest cost	15,058	13,239	13,256	38,322	31,643	27,498
Actuarial (gains)/losses	7,361	(4,907)	7,119	32,945	65	18,956
At the end of the year	171,426	143,406	126,085	473,205	374,970	309,797

The gratuity liability of the Company, Chemanex PLC, CIC Agri Businesses (Private) Limited, CIC Feeds (Private) Limited, Link Natural Products (Private) Limited is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

A. Retirement benefit cost is recognised in the following line items in the Statement of Comprehensive Income

Cost of sales	2,016	2,698	319	14,803	18,234	9,499
Distribution expenses	984	2,606	1,480	6,725	17,337	20,477
Administrative expenses	27,667	21,054	22,802	67,894	45,999	30,652
Other comprehensive income	7,361	(4,907)	7,119	32,945	65	18,956
Total	38,028	21,451	31,720	122,367	81,635	79,584

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	10.5%
Salary increase	10%
Retirement age	Management Staff 55 years
	Clerical Staff 60 years

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by Institute of Actuaries, London.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from the services and retirement on medical grounds.

C. The Group's and Company's retirement benefit obligation would have been Rs. 405.39 million (2012 - Rs. 274.62 million) and Rs. 121.58 million (2012 - Rs. 100.49 million) respectively as at the reporting date had the Group calculated its retirement benefit obligation as per the requirement of Payments of Gratuity Act No. 12 of 1983.

	Company			Group		
As at 31st March	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000	**2013 Rs. '000**	2012 Rs. '000	2011 Rs. '000
36. GRANTS						
At the beginning of the year	–	–	–	22,774	6,125	7,750
Received during the year	–	–	–	14,753	19,502	–
Amortised during the year	–	–	–	(6,015)	(2,853)	(1,625)
At the end of the year	–	–	–	31,512	22,774	6,125

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		
				2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
CIC Agri Businesses (Private) Limited	Dairy development in the Eastern Province	Land O'Lakes Inc.	33,600	**28,233**	17,642	–
CIC Agri Businesses (Private) Limited	Purchase of environmental friendly dust extraction system	Ceylon Chamber of Commerce	5,000	**1,719**	2,500	3,125
CIC Poultry Farms Limited	Construction of waste management system	Ceylon Chamber of Commerce	5,000	**999**	2,000	3,000
Link Natural Products (Private) Limited	Out grower medicinal crops cultivation and processing project in Monaragala and Ampara Districts	Connecting Regional Economies (USAID/ CORE)	655	**561**	632	–
Total				**31,512**	22,774	6,125

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
37. TRADE PAYABLES						
Trade payables to Group companies	10,162	27,458	15,658	–	–	–
Bills payable	532,032	359,045	285,145	4,524,022	5,802,616	3,427,337
Other trade payables	469,225	314,948	404,160	1,312,654	895,753	1,343,406
Total	1,011,419	701,451	704,963	5,836,676	6,698,369	4,770,743

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
37.1 Currency-Wise Trade Payables						
US Dollars	460,615	313,778	229,311	4,382,852	5,751,795	3,362,329
Euros	43,644	17,854	26,306	54,397	17,854	26,306
Sterling Pounds	4,150	–	3,347	4,150	–	3,497
Singapore Dollars	20,141	24,002	18,613	20,141	24,002	27,637
Swiss Franc	3,481	3,424	5,813	3,481	3,424	5,813
Japanese Yen	–	–	1,755	–	–	1,755
Sri Lankan Rupees	479,388	342,393	419,818	1,371,655	901,294	1,343,406
Total	1,011,419	701,451	704,963	5,836,676	6,698,369	4,770,743

As at 31st March	Company 2013 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000	Group 2011 Rs. '000
38. INCOME TAX PAYABLE/RECEIVABLE						
At the beginning of the year	(3,706)	82,993	50,202	25,584	126,783	72,121
On acquisition of subsidiary	–	–	–	–	46	–
Provision made during the year - profit or loss	25,868	91,862	165,000	125,017	361,752	493,375
- Other comprehensive income	–	–	–	–	(395)	–
Tax on dividend received from equity accounted investees	–	–	–	(23,040)	(19,200)	(17,280)
Payments made during the year	(62,133)	(178,561)	(132,209)	(190,063)	(443,402)	(421,433)
At the end of the year	(39,971)	(3,706)	82,993	(62,502)	25,584	126,783
Income tax payable	–	–	82,993	39,500	76,586	157,630
Income tax receivable	39,971	3,706	–	102,002	51,002	30,847

39. DISCONTINUED OPERATIONS

CIC Environmental Management Liquid (Private) Limited, which was categorised as discontinued operation in year 2008/09, was liquidated during the financial year.

40. CAPITAL EXPENDITURE COMMITMENTS

The Group has following capital commitments in relation to construction of property, plant & equipment as at 31st March 2013.

Company	Nature
CIC Holdings PLC	Civil works of construction of agro chemical factory at Panagoda - Rs. 264.10 million
CIC Feeds (Private) Limited	Civil works of construction of four breeder cages - Rs. 32 million
	New hatchery machinery and equipment - Rs. 231 million

There were no other material capital commitments as at the reporting date which require adjustment to or disclosure in the Financial Statements.

41. CONTINGENT LIABILITIES

41.1 Financial Commitments

	Company		Group	
As at 31st March	2013 Rs. '000	2012 Rs. '000	2013 Rs. '000	2012 Rs. '000
Document Credits				
US Dollars	4,204	1,534	9,392	7,625
Euros	–	44	286	1,444
Sterling Pounds	20	–	20	–
Sri Lankan Rupees	43,624	–	440,144	141,708

	Company	Group
	2013 Rs. '000	2012 Rs. '000
Shipping Gurantees not under Letter of credit		
Sri Lankan Rupees	6,760	51,730
BID Bonds		
Sri Lankan Rupees	76,702	76,702

41.2 Contingencies

CIC Feeds (Private) Limited has issued a corporate guarantee of Rs. 82 million to CIC Poultry Farms Limited to secure the banking facilities obtained from Commercial Bank of Ceylon PLC.

CIC Agri Business (Private) Limited has issued a corporate guarantee of Rs. 177 million to CIC Seeds (Private) Limited to secure the banking facilities obtained from Bank of Ceylon.

There were no other material contingent liabilities as at the reporting date which require adjustment to or disclosure in the Financial Statements.

42. EMPLOYEE SHARE OPTION SCHEME

Shareholders of the Company resolved on 29th December 2010 the issue of Three Hundred and Seventy Nine Thousand and Eighty (379,080) Voting and One Million Five Hundred and Sixteen Thousand Three Hundred and Twenty (1,516,320) Non-Voting (Class X), Ordinary Shares (constituting approximately 2% of the issued shares as at 18th November 2010) to the eligible employees of the Company under an Employee Share Option Scheme (ESOS). Options were granted for no consideration. The entirety of the share options were offered to the employees in one block to be exercised by eligible employees within a period of 5 years from 1st January 2011. The shares under ESOS were priced at the average of volume weighted average market price of the Company's shares for the ten (10) market days immediately prior to the date of offer. The share options will be exercised at following prices:

Ordinary Shares	- Rs. 136.12
Non-Voting (Class X) Shares	- Rs. 95.19

The fair value at the grant date was Rs. 146.60 for Ordinary Shares and Rs. 104.30 for Non-Voting (Class X) Shares.

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

- The Company has issued share options directly to specified employees of the Company, Managing Directors and Executive Directors of Subsidiaries where the Company holds 50% or more in Ordinary Voting Shares.

- Employees are eligible for ESOS based on eligibility criteria decided by the Board of Directors which are as follows:

Ordinary (379,080 shares)	- Executive Staff on average 3 years performance
Non-Voting (Class X) (1,516,320 shares)	- 303,264 shares for Non-Executive staff on length of service (minimum 10 years) - 303,264 shares for Executive Staff on length of service (minimum 10 years) 909,792 Executive Staff on average 3 years performance

- No option with regard to Ordinary and Non-Voting Shares were exercised as at the reporting date.

43. EVENTS AFTER THE REPORTING DATE

The Board of Directors has recommended a final dividend of Rs. 1.00 per share amounting to Rs. 94,770,000 on the issued capital of both Ordinary and Non-Voting (Class X) Shares which is payable on 10th July 2013 if approved by the Shareholders at the Annual General Meeting.

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

44. RELATED PARTY TRANSACTIONS

A. Parent and Ultimate Controlling Party

Ultimate Parent Company of the Company is Paints and General Industries Limited.

	2012/13 Rs. million	2011/12 Rs. million	2010/11 Rs. million
Dividend paid	88.28	142.51	83.13
Sale of goods	496.84	535.87	479.94
Trade receivable	166.51	283.08	330.63

B. Transactions with Key Management Personnel

(i) Loans to Directors

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

(ii) Key Management Personnel Compensation

Key management personnel include members of the Board of Directors of the Company and subsidiaries. The details of compensation are given in Note 14 to the Financial Statements.

(iii) Other Transactions with Key Management Personnel

(a) The names of Directors of CIC Holdings PLC, who are also Directors of other subsidiaries and the equity accounted investees, are as follows:
B.R.L. Fernando
S.P.S. Ranatunga
R.S. Captain
S.H. Amarasekera
M.P. Jayawardena

(b) Details of Directors and their spouses' shareholdings are given in the Annual Report of the Directors' on the Affairs of the Company on page 120.

(c) The Directors of the Company were also Directors of the following companies and the Company has carried out transactions in the ordinary course of business. Details are as follows:

Company	Name of the Director	Nature of the Transaction	2012/13 Rs. million	2011/12 Rs. million	2010/11 Rs. million
Commercial Bank of Ceylon PLC	M.P. Jayawardene	Current Account	(694.44)	(282.46)	(5.10)
CEI Plastics (Private) Limited	R.S. Captain	Payments for purchase of goods	3.21	7.25	5.28
Polypack Secco Limited	R.S. Captain	Payments for purchase of goods	21.80	20.23	1.85

(d) CIC Agri Businesses (Private) Limited utilises around 5 acres of land in Western Province, which belongs to Mr. B.R.L. Fernando free of any rentals.

(e) Key Management Personnel interest in the employee share option scheme of the Company (ESOS) - Key Management Personnel held options to purchase Voting Shares and Non-Voting (Class X) shares as at 31st March 2013 under the ESOS as follows:
Voting Shares - 92,372 at a price of Rs. 136.12 each.

Non-Voting (Class X) Shares - 270,380 at a price of Rs. 95.19 each.

(f) There were no other transactions with Key Management Personnel other than disclosed above.

C. Transactions with Subsidiaries and Equity Accounted Investees

(i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.

(ii) Company provides office space to some of its subsidiaries and equity accounted investees and charges rent. In addition, the Company provides certain shared services such as data processing, personnel and administration functions. The related costs are allocated to subsidiaries and equity accounted investees.

Company	Relationship	Nature of the Transaction	2012/13 Rs. million	2011/12 Rs. million	2010/11 Rs. million
Chemanex PLC	Subsidiary	Sale of goods	19.80	5.00	0.81
		Dividend received	5.95	13.89	18.33
		Secretarial fees paid	1.86	1.00	0.95
		Payable - non-trade	0.55	1.71	0.88
		Receivable - non-trade	0.34	3.05	0.09
CIC Agri Businesses (Private) Limited	Subsidiary	Sale of goods	1.30	0.98	2.16
		Dividend received	–	18.25	15.16
		Rent paid	4.16	3.54	2.49
		Staff costs paid	46.42	35.11	30.26
		Network charges received	0.42	0.42	0.46
		Receivable - trade	0.48	0.14	1.64
		Receivable - non-trade	6.63	6.89	12.18
		Rent deposit	1.20	1.20	1.20
CISCO Speciality Packaging (Private) Limited	Subsidiary	Sale of goods	–	–	0.01
		Dividend received	–	47.21	–
		Purchase of goods	31.82	42.25	46.87
		Staff costs paid	8.86	7.35	8.51
		Network charges received	0.34	0.34	0.34
		Rent received	0.30	0.25	0.24
		Payable - trade	10.10	10.67	15.52
		Receivable - non-trade	0.02	0.04	0.05
		Receivable - short-term loan	54.60	69.40	–
CIC Cropguard (Private) Limited	Subsidiary	Dividend received	3.60	18.00	15.75
		Sale of goods	2.44	–	0.45
		Staff costs paid	9.56	8.80	5.88
		Handling commissions & service charges	14.47	26.27	21.93
		Receivable - non-trade	33.80	51.57	6.44
CIC Feeds (Private) Limited	Subsidiary	Sale of goods	0.26	0.44	0.52
		Dividend received	12.98	43.04	51.75
		Staff costs paid	2.40	2.40	2.40
		Receivable -trade	0.04	–	–
		Receivable - non-trade	0.53	0.20	0.53

Company	Relationship	Nature of the Transaction	2012/13 Rs. million	2011/12 Rs. million	2010/11 Rs. million
CIC Lifesciences Limited	Subsidiary	Purchase of goods	–	145.67	–
		Payable - non-trade	0.73	–	–
		Rent received	0.51	–	–
		Payable - trade	–	16.79	–
		Receivable - short term loans	20.00	–	–
Link Natural Products (Private) Limited	Subsidiary	Sale of goods	0.56	3.65	0.59
		Dividend received	15.78	13.52	22.54
		Rent received	0.19	0.17	0.17
		Receivable - non-trade	0.02	0.02	0.02
CIC Environmental Management Liquid (Private) Limited	Subsidiary	Receivable	–	46.29	46.29
		Provision for bad and doubtful debts	–	46.29	46.29
Colombo Industrial Agencies Limited	Subsidiary	Rent paid	8.51	2.06	2.08
		Royalty	1.36	3.00	1.38
		Rent paid in advance	–	–	1.08
		Receivable - non-trade	31.92	34.53	10.72
Crop Management Services (Private) Limited	Subsidiary	Dividend received	1.20	0.45	0.23
Agri Produce Marketing (Private) Limited	Sub-Subsidiary	Sale of goods	1.46	1.64	2.00
		Receivable - trade	0.06	0.75	0.47
Kelani Valley Canneries Limited	Sub-Subsidiary	Sale of goods	0.37	0.31	–
		Receivable - trade	2.87	3.38	3.57
Agri Produce Exports (Private) Limited	Sub-Subsidiary	Sale of goods	0.16	0.08	–
CIC Seeds (Private) Limited	Sub-Subsidiary	Sale of goods	2.75	4.35	3.90
		Receivable - trade	0.12	0.30	–
CIC Poultry Farms Limited	Sub-Subsidiary	Sale of goods	0.24	0.17	0.31
		Receivable - trade	0.07	–	0.06
Chemanex Exports (Private) Limited	Sub-Subsidiary	Sale of goods	–	0.25	–
CIC Vetcare (Private) Limited	Sub Subsidiary	Sale of goods	1.41	0.65	0.72
		Dividend received	–	–	1.72
		Receivable - trade	0.28	–	0.35
Akzo Nobel Paints Lanka (Private) Limited	Equity accounted investee	Dividend received	207.36	172.80	155.52
		Rent received	28.74	29.16	28.05
		Staff costs paid	1.23	2.70	3.82
		Handling commissions & service charges	34.52	38.45	44.27
		Receivable - non-trade	20.31	11.48	11.91

45. TRANSITION TO SLFRS

As stated in Note 2.1, these are the Group's first Financial Statements prepared in accordance with the new Sri Lanka Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL). The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31st March 2013, the comparative information presented in these Financial Statements for the year ended 31st March 2012 and in the preparation of an opening Statement of Financial Position as at 1st April 2011 (the Group's date of transition).

In preparing its opening SLFRS Statement of Financial Position, the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with previous SLAS. An explanation of how the transition from previous SLAS has affected the Group's financial position and financial performance are set out in the following tables and notes that accompanying the tables.

45.1 Reconciliations - Statements of Comprehensive Income

		Company			Group		
For the year ended 31st March 2012	Note	As per SLAS Rs. '000	Effect of transition Rs. '000	As per SLFRS/LKAS Rs. '000	As per SLAS Rs. '000	Effect of transition Rs. '000	As per SLFRS/LKAS Rs. '000
Revenue	45.1.1	6,328,464	–	6,328,464	22,477,124	27	22,477,151
Cost of sales	45.1.2	(4,686,150)	(617)	(4,686,767)	(16,831,855)	(29,335)	(16,861,190)
Gross profit		1,642,314	(617)	1,641,697	5,645,269	(29,308)	5,615,961
Other income	45.1.3	368,477	(83)	368,394	174,816	(21,928)	152,888
Distribution expenses	45.1.4	(588,699)	(15,720)	(604,419)	(1,861,534)	(98,670)	(1,960,204)
Administrative expenses	45.1.5	(707,525)	(3,694)	(711,219)	(2,015,191)	27,933	(1,987,258)
Other expenses	45.1.6	(52,793)	52,793	–	(84,947)	53,496	(31,451)
Net financing cost	45.1.7	(105,485)	(43,356)	(148,841)	(683,613)	(9,798)	(693,411)
Share of profit of equity accounted investees		–	–	–	277,896	–	277,896
Profit before income tax		556,289	(10,677)	545,612	1,452,696	(78,275)	1,374,421
Income tax expense		(85,855)	–	(85,855)	(352,141)	(1,749)	(353,890)
Profit for the year		470,434	(10,677)	459,757	1,100,555	(80,024)	1,020,531
Other Comprehensive Income							
Net losses on remeasuring available for sale financial assets		–	(10,034)	(10,034)	–	(10,251)	(10,251)
Actuarial gains/(losses) on retirement benefit obligations		–	4,907	4,907	–	(65)	(65)
Gains on revaluation of land		–	–	–	–	57,714	57,714
Exchange difference on translating foreign entities		–	–	–	–	1,164	1,164
Tax on other comprehensive income		–	–	–	–	395	395
Other comprehensive income for the year	45.1.8	–	(5,127)	(5,127)	–	48,957	48,957
Total comprehensive income for the year		470,434	(15,804)	454,630	1,100,555	(31,067)	1,069,488
Profit attributable to:							
Equity holders of the Company		470,434	(10,677)	459,757	916,465	(53,381)	863,084
Non-controlling interests		–	–	–	184,090	(26,643)	157,447
Profit for the year		470,434	(10,677)	459,757	1,100,555	(80,024)	1,020,531
Total comprehensive income attributable to:							
Equity holders of the Company		470,434	(15,804)	454,630	916,465	(28,868)	887,597
Non-controlling interests		–	–	–	184,090	(2,199)	181,891
Total comprehensive income for the year		470,434	(15,804)	454,630	1,100,555	(31,067)	1,069,488

45.2 Reconciliations - Statements of Financial Position - Company

		As at 31st March 2012			As at 01st April 2011		
		As per SLAS	Effect of Transition	As per SLFRS/ LKAS	As per SLAS	Effect of Transition	As per SLFRS/ LKAS
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Non-current assets							
Property, plant & equipment	45.2.1	1,772,925	11,586	1,784,511	1,631,251	11,586	1,642,837
Capital work-in-progress		12,881	–	12,881	8,743	–	8,743
Investments in subsidiaries		614,133	–	614,133	605,327	–	605,327
Investments in equity accounted investees		36,000	–	36,000	36,000	–	36,000
Other non-current financial assets		96,600	–	96,600	66,600	–	66,600
		2,532,539	11,586	2,544,125	2,347,921	11,586	2,359,507
Current assets							
Inventories		1,450,223	–	1,450,223	1,084,877	–	1,084,877
Trade receivables	45.2.2	2,064,401	(29,291)	2,035,110	1,625,071	(14,168)	1,610,903
Other receivables	45.2.3	338,861	163	339,024	210,205	–	210,205
Other current financial assets	45.2.4	24,287	–	24,287	475	844	1,319
Cash and cash equivalents		52,934	–	52,934	104,848	–	104,848
		3,930,706	(29,128)	3,901,578		(13,324)	3,012,152
Assets classified as held for sale		78,843	–	78,843	78,843	–	78,843
		4,009,549	(29,128)	3,980,421	3,104,319	(13,324)	3,090,995
Total assets		6,542,088	(17,542)	6,524,546	5,452,240	(1,738)	5,450,502
Equity and liabilities							
Equity							
Stated capital		1,008,450	–	1,008,450	1,008,450	–	1,008,450
Capital reserves	45.2.5	975,568	(157,963)	817,605	975,568	(157,963)	817,605
Revenue reserves	45.2.6	1,889,680	137,177	2,026,857	1,760,418	152,981	1,913,399
Total equity		3,873,698	(20,786)	3,852,912	3,744,436	(4,982)	3,739,454
Non-current liabilities							
Loans and borrowings		58,347	–	58,347	26,733	–	26,733
Retirement benefit obligations		143,406	–	143,406	126,085	–	126,085
Deferred tax liabilities	45.2.7	83,852	3,244	87,096	89,859	3,244	93,103
		285,605	3,244	288,849	242,677	3,244	245,921
Current liabilities							
Trade payables		701,451	–	701,451	704,963	–	704,963
Income tax payable		–	–	–	82,993	–	82,993
Accruals and other payables		178,722	–	178,722	222,539	–	222,539
Loans and borrowings		1,502,612	–	1,502,612	454,632	–	454,632
		2,382,785	–	2,382,785	1,465,127	–	1,465,127
Total liabilities		2,668,390	3,244	2,671,634	1,707,804	3,244	1,711,048
Total equity and liabilities		6,542,088	(17,542)	6,524,546	5,452,240	(1,738)	5,450,502

45.3 - Reconciliation - Statements of Financial Position - Group

		As at 31st March 2012			As at 01st April 2011		
		As per SLAS	Effect of Transition	As per SLFRS/ LKAS	As per SLAS	Effect of Transition	As per SLFRS/ LKAS
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Non-current assets							
Property, plant & equipment	45.2.1	7,454,812	54,067	7,508,879	6,346,347	58,239	6,404,586
Investment property		98,999	–	98,999	97,141	–	97,141
Capital work-in-progress		531,459	–	531,459	199,877	–	199,877
Deposit on leasehold property		13,678	–	13,678	13,964	–	13,964
Biological assets		78,737	–	78,737	74,524	–	74,524
Intangible assets		159,017	–	159,017	95,255	–	95,255
Deferred tax assets	45.3.1	28,681	8,797	37,478	24,800	7,639	32,439
Investments in equity accounted investees		708,179	–	708,179	623,147	–	623,147
Other non-current financial assets	45.3.2	6,348	(1,618)	4,730	3,326	688	4,014
		9,079,910	61,246	9,141,156	7,478,381	66,566	7,544,947
Current assets							
Inventories	45.3.3	4,889,699	73,900	4,963,599	4,031,333	51,174	4,082,507
Trade receivables	45.2.2	4,399,243	(117,009)	4,282,234	4,352,950	(28,096)	4,324,854
Other receivables	45.2.3	6,929,883	(7,943)	6,921,940	3,320,358	(14,748)	3,305,610
Other current financial assets	45.2.4	68,530	2,089	70,619	68,932	844	69,776
Cash and cash equivalents		655,513	–	655,513	666,692	–	666,692
		16,942,868	(48,963)	16,893,905	12,440,265	9,174	12,449,439
Assets classified as held for sale		78,843	–	78,843	78,843	–	78,843
		17,021,711	(48,963)	16,972,748	12,519,108	9,174	12,528,282
Total assets		26,101,621	12,283	26,113,904	19,997,489	75,740	20,073,229
Equity and liabilities							
Equity attributable to equity holders of the company							
Stated capital		1,008,450	–	1,008,450	1,008,450	–	1,008,450
Capital reserves	45.2.5	1,599,184	(368,021)	1,231,163	1,559,473	(352,573)	1,206,900
Revenue reserves	45.2.6	4,738,799	335,974	5,074,773	4,147,250	378,944	4,526,194
		7,346,433	(32,047)	7,314,386	6,715,173	26,371	6,741,544
Non-controlling interests	45.3.4	1,703,366	(16,676)	1,686,690	1,626,664	14,851	1,641,515
Total equity		9,049,799	(48,723)	9,001,076	8,341,837	41,222	8,383,059
Non-current liabilities							
Loans and borrowings	45.3.9	684,032	(32,419)	651,613	606,860	–	606,860
Retirement benefit obligations	45.3.5	376,327	(1,357)	374,970	309,792	5	309,797
Grants		22,774	–	22,774	6,125	–	6,125
Deferred tax liabilities	45.2.7	312,216	15,767	327,983	310,342	13,660	324,002
		1,395,349	(18,009)	1,377,340	1,233,119	13,665	1,246,784
Current liabilities							
Trade payables	45.3.6	6,665,284	33,085	6,698,369	4,758,866	11,877	4,770,743
Income tax payable	45.3.7	76,409	177	76,586	157,858	(228)	157,630
Accruals and other payables	45.3.8	624,292	13,334	637,626	627,467	9,204	636,671
Loans and borrowings	45.3.10	8,290,488	32,419	8,322,907	4,878,342	–	4,878,342
		15,656,473	79,015	15,735,488	10,422,533	20,853	10,443,386
Total liabilities		17,051,822	61,006	17,112,828	11,655,652	34,518	11,690,170
Total equity and liabilities		26,101,621	12,283	26,113,904	19,997,489	75,740	20,073,229

45.4 Explanations of transition to SLFRS

45.1.1 Revenue

With the application of LKAS - 18, direct sales commission was recognised at the time of raising the debit note resulting an increase of revenue. The Group has restated the Financial Statements retrospectively.

	2012 Company Rs. '000	2012 Group Rs. '000
Revenue as per SLAS	6,328,464	22,477,124
Adjustment to Revenue	–	27
Revenue as per SLFRS	6,328,464	22,477,151

45.1.2 Cost of sales

SLFRS/LKAS requires actuarial gains/losses to be classified under other comprehensive income. Accordingly, actuarial gain included in cost of sales of the Company has been reclassified under other comprehensive income.

The adjustment in cost of sales figures of the Group is due to following reasons:

1. Fixed production overhead absorbed to the value of inventories resulting an increase of cost of sales previously classified under administrative expenses.
2. Fair value adjustment in relation to the biological assets.
3. Actuarial gain previously accounted under cost of sales has been reclassified under other comprehensive income.
4. Depreciation previously accounted as administrative expense has been reclassified as cost of sales.

	2012 Company Rs. '000	2012 Group Rs. '000
Cost of sales as per SLAS	4,686,150	16,831,855
Classification change	617	19,096
Overhead absorption to inventories	–	2,390
Fair value change in inventories - biological assets	–	7,849
Cost of sales as per SLFRS	4,686,767	16,861,190

45.1.3 Other income

With the application of SLFRS/LKAS, the Company and the Group have classified interest income under net financing cost which was previously reported under other income.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Other income as per SLAS	368,477	174,816
Classification change	(83)	(21,928)
Other income as per SLFRS	368,394	152,888

45.1.4 Distribution expenses

The Company and the Group have reclassified actuarial gains/losses on retirement benefit obligation under other comprehensive income.

With the application of LKAS 32 and 39 a company should determine the impairment loss of financial assets at the end of each reporting period. The difference between the trade receivables provision under SLAS and trade receivables impairment loss under SLFRS/LKAS has been adjusted accordingly.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Distribution expenses as per SLAS	588,699	1,861,534
Classification change	596	(586)
SLFRS Adjustment	15,124	99,256
Distribution expenses as per SLFRS	604,419	1,960,204

45.1.5 Administrative expenses

The Company and the Group have reclassified actuarial gains/losses on retirement benefit obligations under other comprehensive income.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Administrative expenses as per SLAS	707,525	2,015,191
Classification change	3,694	(30,142)
SLFRS adjustment	–	2,209
Administration expenses as per SLFRS	711,219	1,987,258

45.1.6 Other expenses

The Company and the Group have reclassified exchange loss and diminishing value of current financial assets under net financing cost and other comprehensive income respectively.

Adjustments were made for additional depreciation by the subsidiary companies due to changes in accounting estimates and amortisation of leasehold assets over its lease period.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Other expenses as per SLAS	52,793	84,947
Changes in accounting estimates	–	6,620
Amortisation of leasehold land	–	2,548
Classification change	(52,793)	(62,664)
Other expenses as per SLFRS	–	31,451

45.1.7 Net financing cost

The Company and the Group have reclassified exchange loss and interest income under net financing cost.

The Group provides loans to employees at concessionary rates. In accordance with SLFRS, these employee loans are fair valued at initial recognition. The fair value of the employee loans are determined by discounting the expected future cash flows using market related rates for similar loans. The difference between the cost and fair value of employee loans is recognised as prepaid staff cost and amortised over the period. Further, interest income is recognised based on the market rates. Net interest income has been adjusted to the Financial Statements of the Company and the Group accordingly.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Net financing cost as per SLAS	105,485	683,613
Classification change	43,519	10,198
SLFRS adjustment	(163)	(400)
Net financing cost as per SLFRS	148,841	693,411

45.1.8 Other comprehensive income

With the application of SLFRS 7, LKAS 32 and 39, the Company has categorised its current financial assets as available for sale and the fair value has been accounted through the available for sale reserve. Further, to be inline with SLFRSs, the Company has classified actuarial gains on retirement benefit under other comprehensive income.

Further, subsidiary companies have reclassified land revaluation gains, fair value loss of financial assets, actuarial gains/losses and net exchange gains on translating of foreign entities.

	Company 2012 Rs. '000	Group 2012 Rs. '000
Other comprehensive income as per SLAS	–	–
Classification change	(5,127)	48,957
Other comprehensive income as per SLFRS	(5,127)	48,957

45.2.1 Property, plant and equipment (PPE)

SLFRS requires to identify components within an item of property, plant & equipment and assess useful lives at each reporting date.

Accordingly, the Company and the Group have identified components and reassessed the useful lives of property plant & equipment. Further as per SLFRS, fully depreciated assets were revalued based on the market value and considered it as the deemed cost as at the transition date. In addition, adjustments were made for amortisation of leasehold land.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	**2012 Rs. '000**	2011 Rs. '000
PPE as per SLAS	1,772,925	1,631,251	7,454,812	6,346,347
SLRFS adjustment	11,586	11,586	73,386	75,010
Amortisation of leasehold land	–	–	(19,319)	(16,771)
PPE as per SLFRS	1,784,511	1,642,837	7,508,879	6,404,586

45.2.2 Trade receivables

With the application of LKAS 32 and 39, at the end of the period entity should determine the impairment loss of the financial assets. Difference between the trade debtors provision under SLAS and debtors impairment loss under SLFRS/LKAS has been adjusted accordingly.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade receivables as per SLAS	2,064,401	1,625,071	4,399,243	4,352,950
Classification change	–	–	(11,992)	(12,070)
SLFRS adjustment	(29,291)	(14,168)	(105,017)	(16,026)
Trade receivables as per SLFRS	2,035,110	1,610,903	4,282,234	4,324,854

45.2.3 Other receivables

The Company and the Group have done fair value adjustment to the employee loans granted.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Other receivables as per SLAS	338,861	210,205	6,929,883	3,320,358
Classification change	–	–	(6,064)	(13,234)
SLFRS adjustment	163	–	(1,879)	(1,514)
Other receivables as per SLFRS	339,024	210,205	6,921,940	3,305,610

45.2.4 Other current financial assets

Under SLAS, the Company and the Group recognised short-term investments at cost. However, under SLFRS/LKAS, the Company and Group have designated such investments as available for sale investments and measured at fair value. The difference between the fair value and the carrying value has been recognised as a separate component in equity.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Other current financial assets as per SLAS	24,287	475	68,530	68,932
Classification change	–	–	2,089	–
SLFRS adjustment	–	844	–	844
Other current financial assets as per SLFRS	24,287	1,319	70,619	69,776

45.2.5 Capital Reserves

As at the transition date, the Company and the Group changed its accounting policy on buildings from revaluation model to cost model. The carrying value as at the transition date was considered as the deemed cost and the previous revaluation gains recognised in the capital reserves were transferred to retained earnings. Further, the Company and the Group have identified components and reassessed the useful lives of property, plant & equipment and fully-depreciated assets were revalued based on the market value and considered it as the deemed cost as at the transition date.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Capital reserves as per SLAS	975,568	975,568	1,599,184	1,559,473
Effects of changes in accouning policies	(157,963)	(157,963)	(368,021)	(352,573)
Capital reserves as per SLFRS	817,605	817,605	1,231,163	1,206,900

45.2.6 Revenue Reserves

Revenue reserves were adjusted to reflect the changes in profit due to SLFRS transition and to reflect the Accounting Policy changes.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue reserves as per SLAS	1,889,680	1,760,418	4,738,799	4,147,250
Transferred from revaluation reserve	157,963	157,963	368,021	352,573
Transferred to AFS reserve	–	844	–	844
SLFRS adjustment	(20,786)	(5,826)	(32,047)	25,527
Revenue reserves as per SLFRS	2,026,857	1,913,399	5,074,773	4,526,194

45.2.7 Deferred tax liabilities

The Company and the Group recognise the deferred tax liability arising from the reassessment of the useful life and deemed cost adjustment of fully depreciated assets.

Further, certain subsidiary companies did not recognise the deferred tax on temporary differences of biological assets. This has resulted in an adjustment to the retained earnings and deferred tax liability.

	Company		Group	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
As per SLAS	83,852	89,859	312,216	310,342
Temporary differences of biological assets	–	–	3,761	4,259
Classification change	–	–	1,837	1,366
SLFRS adjustment	3,244	3,244	10,169	8,035
As per SLFRS	87,096	93,103	327,983	324,002

45.3.1 Deferred tax asset

The Group recognised a deferred tax asset on tax losses which were not recognised previously.

	Group	
	2012 Rs. '000	2011 Rs. '000
Deferred tax assets as per SLAS	28,681	24,800
Adjustment due to tax losses	8,797	7,639
Deferred tax assets as per SLFRS	37,478	32,439

45.3.2 Other non-current financial assets

Under SLFRS/LKAS, the Group and the Company have designated non-current financial assets as available for sale investments.

SLFRS/LKAS requires available for sale investments to be measured at fair value and to recognise the difference between the fair value and carrying value as a separate component of the equity. Further an investment in Government Bonds was reclassified as current financial assets.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	6,348	3,326
Classification change	(2,089)	–
SLFRS adjustment	471	688
As per SLFRS	4,730	4,014

45.3.3 Inventories

In conformity with LKAS 41, biological assets are initially recognised at the fair value less cost to sell at the point of harvest, where as under SLAS it was recognised at cost. If the fair value is not reliably determined agricultural produce shall be measured at the cost less any accumulated impairment losses until fair value becomes reliably measurable. The Financial Statements were adjusted to incorporate relevant changes to initial and subsequent valuations.

Certain subsidiaries under SLAS, have not absorbed fixed production overhead into inventories and have not identified goods in transit, which resulted in an adjustment to the carrying value of inventories.

	Group	
	2012 Rs. '000	2011 Rs. '000
Inventories as per SLAS	4,889,699	4,031,333
Fixed production overhead absorption	6,140	8,530
Fair value adjustment	22,652	20,442
Goods in transit	45,108	22,202
Inventories as per SLFRS	4,963,599	4,082,507

45.3.4 Non-controlling interests (NCI)

Non-controlling interests were adjusted for the impact of profit on SLFRS transition.

	Group	
	2012 Rs. '000	2011 Rs. '000
NCI as per SLAS	1,703,366	1,626,664
Transferred from revaluation reserve	33,918	33,918
SLFRS adjustment	(50,594)	(19,067)
NCI as per SLFRS	1,686,690	1,641,515

45.3.5 Retirement benefit obligations

A subsidiary company has changed the retirement benefit measurement technique due to SLFRS.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	376,327	309,792
SLFRS adjustment	(1,357)	5
As per SLFRS	374,970	309,797

45.3.6 Trade payables

A subsidiary company has restated the trade payables amount due to the recognition of the cost relating to the revenue change.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	6,665,284	4,758,866
SLFRS adjustment	33,085	11,877
As per SLFRS	6,698,369	4,770,743

4.3.7 Income tax payable

A subsidiary company has adjusted the income tax payable amount due to the change in the revenue which was described under revenue.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	76,409	157,858
SLFRS adjustment	177	(228)
As per SLFRS	76,586	157,630

45.3.8 Accruals and other payables

A Group company has not recognised certain accrued expenses as at 31st March 2011 and 2012 as they have not recognised its corresponding revenue. The effect has been adjusted accordingly.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	624,292	627,467
SLFRS adjustment	13,334	9,204
As per SLFRS	637,626	636,671

45.3.9 Loans and borrowings - Non-current

A subsidiary company has reclassified the borrowings under current liabilities.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	684,032	606,860
Classification change	(32,419)	–
As per SLFRS	651,613	606,860

45.3.10 Loans and borrowings-current

Certain subsidiary companies have done classification changes between current and non-current portion of the interest-bearing borrowings.

	Group	
	2012 Rs. '000	2011 Rs. '000
As per SLAS	8,290,488	4,878,342
Classification change	32,419	–
As per SLFRS	8,322,907	4,878,342

46. FINANCIAL INSTRUMENTS

Risk Management

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds available for sale investments. Therefore, the Group is exposed to market risk, credit risk and liquidity risk.

Risk Management Framework

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the 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 appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Credit Risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to Credit Risk

	Company		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Equity securities available for sale	125,100	96,600	66,600
Trade receivables	2,276,380	2,035,110	1,610,903
Other receivables	548,991	339,024	210,205
Current financial assets available for sale	27,353	24,287	1,319
Cash and cash equivalents	95,343	52,934	104,848
Total	3,073,167	2,547,955	1,993,875

	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Government debt securities available for sale	2,279	2,089	–
Equity securities available for sale	6,108	4,730	4,014
Trade receivables	4,999,511	4,282,234	4,324,854
Other receivables	6,450,266	6,921,940	3,305,610
Current financial assets available for sale	27,353	24,287	1,319
Current financial assets - Fair value through profit or loss	41,955	44,243	68,457
Cash and cash equivalents	1,018,844	655,513	666,692
Total	12,546,316	11,935,036	8,370,946

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 credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

Significant percentage of the Group's customers have been transacting with the Group for over 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-user customer, 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 Risk Management Committee, and future sales are made on a prepayment basis.

The Group is closely monitoring the economic environment in the country and is taking actions to limit its exposure to customers in the country experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for company 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 trade receivables.

The maximum exposure to credit risk for trade receivable of the Company at the end of the reporting period by geographic region is as follows:

	Company		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Western	1,284,522	1,206,207	1,077,342
Eastern	212,555	174,484	123,380
North-Western	113,748	108,451	79,920
Central	163,018	166,874	137,641
Sabaragamuwa	97,430	72,670	57,450
North	119,149	106,145	61,250
Southern	168,732	124,880	95,608
Uva	62,244	59,686	44,406
North-Central	137,695	126,032	104,776
Total	2,359,093	2,145,429	1,781,773

CIC Group is engaged in different business industries to mitigate its business risk. So that the credit risk of trade and other receivables varies widely. Therefore, the credit risk is analysed based on domestic and foreign basis.

	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Domestic	5,195,381	4,559,622	4,551,683
Foreign	149,351	144,441	113,828
Total	5,344,732	4,704,063	4,665,511

Impairment Losses

Company has not got neither past due nor impaired trade receivable and past due but not impaired trade receivables as at 31st March 2013, 31st March 2012 and 31st March 2011.

The aging of trade receivables of the Group that were not impaired were as follows:

	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Neither past due nor impaired	323,356	181,827	163,429
Past due 1 - 30 days	24,736	18,390	15,807
Past due 31 - 60 days	9,225	13,556	19,083
Past due 61 - 90 days	3,462	–	–
Past due 91 - 180 days	510	769	–
	361,289	214,542	198,319

The movement in the allowance for impairment in respect of trade receivables of the Company and the Group during last three years is as follows:

	Company		
	Individual Impairments Rs. '000	Collective Impairments Rs. '000	Total Rs. '000
As at 1st April 2011	38,036	132,834	170,870
Charge for the year	55,035	8,066	63,101
Utilised/unused amounts reversed	–	(123,652)	(123,652)
As at 31st March 2012	93,071	17,248	110,319
Charge for the year	13,120	22,045	35,165
Utilised/Unused amounts reversed	(53,978)	(8,793)	(62,771)
As at 31st March 2013	52,213	30,500	82,713

	Group		
	Individual Impairments Rs. '000	Collective Impairments Rs. '000	Total Rs. '000
As at 1st April 2011	54,775	285,882	340,657
Charge for the year	58,929	146,887	205,816
Utilised/unused amounts reversed	(504)	(142,140)	(124,644)
As at 31st March 2012	113,200	308,629	421,829
Charge for the year	39,652	79,452	119,104
Utilised/unused amounts reversed	(54,349)	(141,363)	(195,712)
Balance as at 31st March 2013	98,503	246,718	345,221

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Debt Securities

The Group limits its exposure to credit risk by investing only in liquid debt securities.

The Group did not have any debt securities that were past due but not impaired at 31st March 2013. (2012 and 2011 - Nil).

Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 95,343 as at 31st March 2013 (2012 - Rs. 52,934 and 2011 - Rs. 104,848) (in thousands) and Group held Rs. 1,018,844 as at 31st March 2013 (2012 - Rs. 655,513 and 2011 - Rs. 666,692) (in thousands) which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with banks which are rated AA to AA+, based on rating agency's ratings.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties 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 risk of 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 requires prior approvals.

The Company and the Group held the following short-term financial liabilities as at 31st March 2013; (Refer Note 34 for maturity analysis of non-current financial liabilities).

		Company		
	Maturity	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade payables	Less than 90 days	1,011,419	701,451	704,963
Accruals and other payables	0 - 30 days	204,102	178,722	222,539
Loans and borrowings payable within one year	On demand	50,534	28,757	11,743
Import loans	0 - 30 days	193,751	114,726	–
Short-term loans	0 - 90 days	1,145,000	715,000	240,000
Bank overdrafts	On demand	844,461	644,129	202,889

		Group		
	Maturity	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Trade payables	Less than 90 days	5,836,676	6,698,369	4,770,743
Accruals and other payables	0 - 30 days	719,326	637,626	636,671
Loans and borrowings payable within one year	On demand	1,413,074	909,631	478,957
Short-term loans	0 - 30 days	5,846,654	4,917,896	3,198,264
Bank overdrafts	0 - 90 days	3,884,893	2,495,380	1,201,121

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Group is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of entities. The currencies in which these transactions primarily are denominated in USD, Euro and Sterling Pound.

Effects of currency rate fluctuations of imported materials and the finished goods are transferred in a reasonable manner keeping in line with the prices in the market. Subsidiary companies of the Group settle all import bills and the financial liabilities denominated in a currency other than functional currency, out of USD receipts from their overseas customers.

Followings are the exchange rates used for the translation of transactions denominated in foreign currencies:

	2013			2012			2011		
Currency	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate
US Dollar (in Rs.)	131	128	130	114	112	113	113	111	112
Euro (in Rs.)	170	164	167	159	155	157	151	147	149
Sterling Pounds (Rs.)	208	202	205	184	179	182	176	172	174

Sensitivity Analysis

A strengthening (weakening) of the Euro and USD, against all other currencies as at 31st March 2013 would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on major two foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2012 and 2011, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Equity		Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000	Strengthening Rs. '000	Weakening Rs. '000
31st March 2013				
USD (10% movement)	(423,350)	423,350	(423,350)	423,350
Euro (10% movement)	(5,440)	5,440	(5,440)	5,440
31st March 2012				
USD (10% movement)	(560,735)	560,735	(560,735)	560,735
Euro (10% movement)	(1,785)	1,785	(1,785)	1,785
31st March 2011				
USD (10% movement)	(325,021)	325,021	(325,021)	325,021
Euro (10% movement)	(2,459)	2,459	(2,459)	2,459

Interest Rate Risk

Senior finance management of the group monitors its exposure to the interest rate risk on a continuous basis and make necessary decisions where necessary. The Group adopts a policy of ensuring that between 50% and 60% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking in to account assets with exposure to changes in interest rates.

Profile

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group is disclosed in Note 34 to the Financial Statements.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

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 seek 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 policy is to keep the ratio below 60%.The Company's adjusted net debt to equity ratio at the end of the reporting period was as follows:

	Company		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Total liabilities	2,392,991	1,560,959	481,365
Less: Cash and cash equivalents	(95,343)	(52,934)	(104,848)
Net debt	2,297,648	1,508,025	376,517
Total equity	4,045,108	3,852,912	3,739,454
Adjusted equity	4,045,108	3,852,912	3,739,454
Net debt to adjusted equity ratio as at 31st March (Times)	0.57	0.39	0.10

	Group		
	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Total liabilities	12,144,883	8,974,520	5,485,202
Less: Cash and cash equivalents	(1,018,844)	(655,513)	(666,692)
Net debt	11,126,039	8,319,007	4,818,510
Total equity	9,408,864	9,001,076	8,383,059
Adjusted equity	9,408,864	9,001,076	8,383,059
Net debt to adjusted equity ratio as at 31st March (Times)	1.18	0.92	0.57

The Group's net debt to equity ratio is calculated above and it has been increased gradually to facilitate the Group's expansion projects.

Accounting classification and fair value

The value of financial assets and liabilities, together with carrying amount shown in the Statement of Financial Position are as follows:

	Company						
	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
As at 31st March 2013							
Cash and cash equivalents	–	–	95,343	–	–	95,343	95,343
Trade receivables	–	–	2,276,380	–	–	2,276,380	2,276,380
Other receivables	–	–	548,991	–	–	548,991	548,991
Equity securities - Available for sale	–	–	–	152,453	–	152,453	152,453
	–	–	2,920,714	152,453	–	3,073,167	3,073,167
Secured bank loans	–	–	–	–	(1,465,751)	(1,465,751)	(1,465,751)
Finance leases	–	–	–	–	(82,779)	(82,779)	(82,779)
Trade payables	–	–	–	–	(1,011,419)	(1,011,419)	(1,011,419)
Bank overdrafts	–	–	–	–	(844,461)	(844,461)	(844,461)
	–	–	–	–	(3,404,410)	(3,404,410)	(3,404,410)
As at 31st March 2012							
Cash and cash equivalents	–	–	52,934	–	–	52,934	52,934
Trade receivables	–	–	2,035,110	–	–	2,035,110	2,035,110
Other receivables	–	–	339,024	–	–	339,024	339,024
Equity securities Available for sale	–	–	–	120,887	–	120,887	120,887
	–	–	2,427,068	120,887	–	2,547,955	2,547,955
Secured bank loans	–	–	–	–	(829,726)	(829,726)	(829,726)
Finance leases	–	–	–	–	(87,104)	(87,104)	(87,104)
Trade payables	–	–	–	–	(701,451)	(701,451)	(701,451)
Bank overdrafts	–	–	–	–	(644,129)	(644,129)	(644,129)
	–	–	–	–	(2,262,410)	(2,262,410)	(2,262,410)

	Company						
	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
As at 31st March 2011							
Cash and cash equivalents	–	–	104,848	–	–	104,848	104,848
Trade receivables	–	–	1,610,903	–	–	1,610,903	1,610,903
Other receivables	–	–	210,205	–	–	210,205	210,205
Equity securities Available for sale	–	–	–	67,919	–	67,919	67,919
	–	–	1,925,956	67,919	–	1,993,875	1,993,875
Secured bank loans	–	–	–	–	(240,000)	(240,000)	(240,000)
Finance leases	–	–	–	–	(38,476)	(38,476)	(38,476)
Trade payables	–	–	–	–	(704,963)	(704,963)	(704,963)
Bank overdrafts	–	–	–	–	(202,889)	(202,889)	(202,889)
	–	–	–	–	(1,186,328)	(1,186,328)	(1,186,328)

	Group						
	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
Group							
As at 31st March 2013							
Government debt securities - Available for sale	–	–	–	2,279	–	2,279	2,279
Equity securities - Available for sale	–	–	–	6,108	–	6,108	6,108
Trade receivables	–	–	4,999,511	–	–	4,999,511	4,999,511
Other receivables	–	–	6,450,266	–	–	6,450,266	6,450,266
Current financial assets - Available for sale	–	–	–	27,353	–	27,353	27,353
Current financial assets - Fair value through profit or loss	41,955	–	–	–	–	41,955	41,955
Cash and cash equivalents	–	–	1,018,844	–	–	1,018,844	1,018,844
	41,955	–	12,468,621	35,740	–	12,546,316	12,546,316
Secured bank loans	–	–	–	(7,897,849)	–	(7,897,849)	(7,897,849)
Finance leases	–	–	–	(362,142)	–	(362,142)	(362,142)
Trade payables	–	–	–	(5,836,676)	–	(5,836,676)	(5,836,676)
Bank overdrafts	–	–	–	(3,884,893)	–	(3,884,893)	(3,884,893)
	–	–	–	(17,981,560)	–	(17,981,560)	(17,981,560)

	Group						
	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
As at 31st March 2012							
Government debt securities - Available for sale	–	–	–	2,089	–	2,089	2,089
Equity securities - Available for sale	–	–	–	4,730	–	4,730	4,730
Trade receivables	–	–	4,282,234	–	–	4,282,234	4,282,234
Other receivables	–	–	6,921,940	–	–	6,921,940	6,921,940
Current financial assets - Available for sale	–	–	–	24,287	–	24,287	24,287
Current financial assets - Fair value through profit and loss	44,243	–	–	–	–	44,243	44,243
Cash and cash equivalents	–	–	655,513	–	–	655,513	655,513
	44,243	–	11,859,687	31,106	–	11,935,036	11,935,036
Secured bank loans	–	–	–	(6,057,828)	–	(6,057,828)	(6,057,828)
Finance leases	–	–	–	(421,312)	–	(421,312)	(421,312)
Trade payables	–	–	–	(6,698,369)	–	(6,698,369)	(6,698,369)
Bank overdrafts	–	–	–	(2,495,380)	–	(2,495,380)	(2,495,380)
	–	–	–	(15,672,889)	–	(15,672,889)	(15,672,889)

	Group						
	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
As at 31st March 2011							
Equity securities Available for sale	–	–	–	4,014	–	4,014	4,014
Trade receivables	–	–	4,324,854	–	–	4,324,854	4,324,854
Other receivables	–	–	3,305,610	–	–	3,305,610	3,305,610
Current financial assets Available for sale	–	–	–	1,319	–	1,319	1,319
Current financial assets Fair value through profit and loss	68,457	–	–	–	–	68,457	68,457
Cash and cash equivalents	–	–	666,692	–	–	666,692	666,692
	68,457	–	8,297,156	5,333	–	8,370,946	8,370,946
Secured bank loans	–	–	–	(3,945,329)	–	(3,945,329)	(3,945,329)
Finance leases	–	–	–	(338,752)	–	(338,752)	(338,752)
Trade payables	–	–	–	(4,770,743)	–	(4,770,743)	(4,770,743)
Bank overdrafts	–	–	–	(1,201,121)	–	(1,201,121)	(1,201,121)
	–	–	–	(10,255,945)	–	(10,255,945)	(10,255,945)

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 risks 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.

SHAREHOLDER AND INVESTOR 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 (2012 - 72,900,000), Ordinary Shares and 21,870,000 (2012 - 21,870,000), Non-Voting (Class X) Shares listed in the Colombo Stock Exchange.

2. SHAREHOLDERS

There were 2,728 (2012 - 2,671), Ordinary Shareholders and 3,188 (2012 - 3,313) Non-Voting (Class X) Shareholders as at 31st March 2013, distributed into different categories as follows:

Ordinary Shares

Shares held	2013			2012		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 – 1,000	1,682	527,934	0.72	1,613	536,509	0.74
1,001 – 10,000	772	2,799,515	3.84	764	2,755,661	3.77
10,001 – 100,000	230	7,288,114	10.00	244	7,882,022	10.82
100,001 – 1,000,000	38	8,594,184	11.79	44	9,682,829	13.28
Over 1,000,000	6	53,690,253	73.65	6	52,042,979	71.39
Total	2,728	72,900,000	100.00	2,671	72,900,000	100.00

Shares held	2013			2012		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,667	71,374,382	97.91	2,606	71,249,080	97.74
Non-Resident	61	1,525,618	2.09	65	1,650,920	2.26
Total	2,728	72,900,000	100.00	2,671	72,900,000	100.00

Percentage of shares held by public - 46.36%.
Percentage of shares held by the Directors together with the members of their families - 0.33%.
Percentage of shares held by the Parent Company - 53.31%.

Non-Voting (Class X) Shares

Shares held	2013			2012		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 – 1,000	1,897	660,866	3.02	1,953	700,624	3.20
1,001 – 10,000	975	3,503,545	16.02	1,036	3,730,934	17.06
10,001 – 100,000	282	7,969,147	36.44	288	7,953,126	36.36
100,001 – 1,000,000	33	7,299,353	33.38	35	7,146,811	32.68
Over 1,000,000	1	2,437,089	11.14	1	2,338,505	10.70
Total	3,188	21,870,000	100.00	3,313	21,870,000	100.00

Shares held	2013			2012		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	3,092	20,541,182	93.92	3,213	20,537,479	93.91
Non-Resident	96	1,328,818	6.08	100	1,332,521	6.09
Total	3,188	21,870,000	100.00	3,313	21,870,000	100.00

Percentage of shares held by public - 85.18%.
Percentage of shares held by the Directors together with the members of their families - 0.36%.
Percentage of shares held by the Parent Company - 3.32%.
Employees' Provident Fund held - 11.14%.

3. TWENTY LARGEST SHAREHOLDERS - ORDINARY SHARES

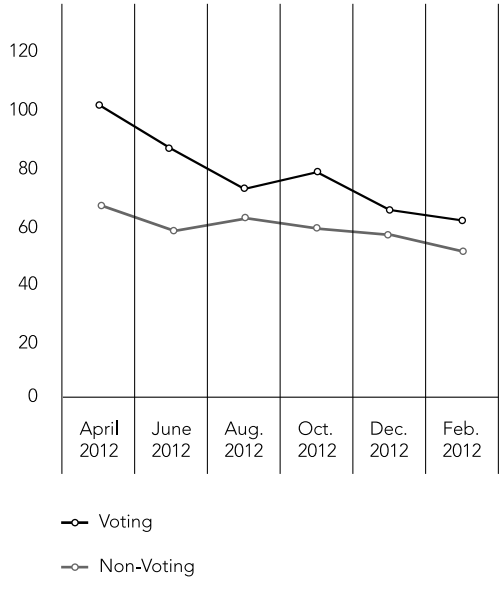
	Name	2013		2012	
		No. of Shares	%	No. of Shares	%
1.	Paints & General Industries Limited	38,860,349	53.31	38,860,349	53.31
2.	Employees Provident Fund	4,404,740	6.04	2,748,168	3.77
3.	Sri Lanka Insurance Corporation Limited - Life Fund	3,409,594	4.68	4,769,800	6.54
4.	Employees Trust Fund Board	2,763,891	3.79	1,480,440	2.03
5.	Associated Electrical Corporation Limited	2,753,657	3.78	2,631,200	3.61
6.	Mr. S.K. Wickremesinghe	1,498,022	2.05	1,553,022	2.13
7.	Bank of Ceylon No. 1 Account	650,100	0.89	600,100	0.82
8.	Sri Lanka Insurance Corporation Limited - General Fund	439,300	0.60	439,300	0.60
9.	Mrs. K.J.M. De Silva	377,850	0.52	377,850	0.52
10.	Bank of Ceylon A/C Ceybank Century Growth Fund	354,221	0.49	349,700	0.48
11.	HSBC International Nom Limited - SSBT-Russell Institutional	352,900	0.48	352,900	0.48
12.	Waldock Mackanzie Limited/Hi-Line Trading (Private) Limited	328,020	0.45	327,000	0.45
13.	Mrs. L.K. Goonewardena	327,303	0.45	317,303	0.44
14.	Colombo Fort Investments PLC	315,000	0.43	315,000	0.43
15.	HSBC International Nom Limited - SSBT-Russell Trust Company	311,400	0.43	311,400	0.43
16.	Dr. H.R. & Mr. V.K. Wickremasinghe Custodian Trustees - Martin Wickremasinghe Trust Fund	310,491	0.43	310,491	0.43
17.	Mr. M. Radhakrishnan	303,750	0.42	303,750	0.42
18.	Mr. G.N. Wikramanayake	265,625	0.36	265,625	0.36
19.	Miss. N.K.R.H. De Silva	249,150	0.34	249,150	0.34
20.	DFCC Bank A/C 1	247,900	0.34	247,900	0.34
	Total	58,523,263	80.28	56,810,448	77.93

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

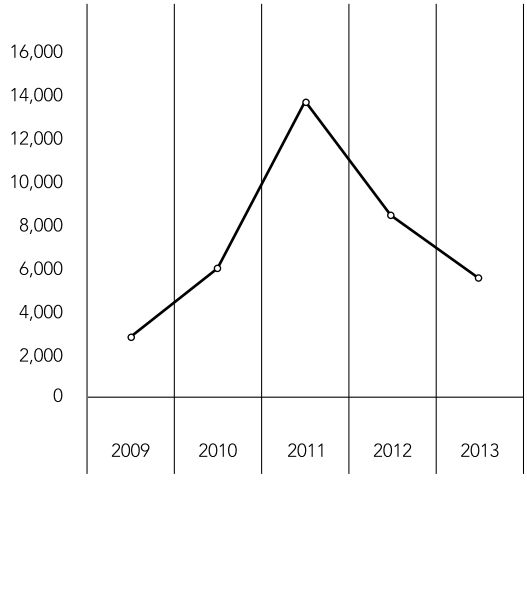
	Name	2013		2012	
		No. of Shares	%	No. of Shares	%
1.	Employees' Provident Fund	2,437,089	11.14	2,338,505	10.70
2.	Paints & General Industries Limited	726,301	3.32	726,301	3.32
3.	E.W. Balasuriya & Co. (Private) Limited	632,600	2.89	632,600	2.89
4.	Employees Trust Fund Board	479,477	2.19	–	–
5.	Mrs. M.S.E.V.E.A.U. Von Stumm	390,000	1.78	343,700	1.57
6.	DFCC Bank A/C No. 1	389,400	1.78	389,400	1.78
7.	Deutsche Bank AG as trustee for JB Vantage value E	326,446	1.49	–	–
8.	Nuwara Eliya Property Developers (Private) Limited	304,000	1.39	304,000	1.39
9.	Ceylinco Insurance PLC A/C No.1 (Life Fund)	240,000	1.10	240,000	1.10
10.	Mrs. K.J.M. De Silva	238,710	1.09	238,710	1.09
11.	Mrs. C. Jayawardene	231,763	1.06	96,763	0.44
12.	Mr. K.C. Vignarajah	218,225	1.00	218,225	1.00
13.	Genesiis Software (Private) Limited	191,200	0.88	181,200	0.83
14.	Aruna Equity Care (Private) Limited	188,942	0.87	300,000	1.37
15.	National Savings Bank	183,700	0.84	183,700	0.84
16.	Mr. W.R.H. Perera	172,284	0.79	172,284	0.79
17.	Mr. M.J. Fernando	163,500	0.75	163,500	0.75
18.	Commercial Bank of Ceylon PLC A/C No. 4	161,400	0.74	201,400	0.92
19.	Singalanka Standard Chemicals PLC	155,900	0.71	155,900	0.71
20.	Miss. N.K.R.H. De Silva	151,233	0.69	151,233	0.69
	Total	7,982,170	36.50	7,037,421	32.18

	Ordinary Shares		Non-Voting Shares	
As at 31st March	2013	2012	2013	2012
4. MARKET VALUE				
Share price (Rs.)				
At the end of the year	61.00	95.60	46.60	65.10
Highest price traded	103.50	167.90	69.10	115.00
Lowest price traded	58.80	80.00	45.00	53.10
5. SHARE TRADING				
No. of shares traded	4,627,943	4,040,228	2,203,689	4,247,858
No. of transactions	2,514	2,536	2037	3,497
Value of shares traded (Rs.)	379,118,998	553,285,822	130,646,349	412,222,075

Closing Share Prices
Rs.



Market Capitalisation
Rs. million



MOVEMENT IN ISSUED CAPITAL AND DIVIDEND DISTRIBUTION

		Bonus Issue (No. of Shares)		Share Capital (No. of Shares)		
Year to 31st March	Proportion	Voting	Non-Voting	Voting	Non-Voting	Dividend Rs.
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
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

Effective rate (Rs. 1.44 per share).

Subsidiaries and Equity Accounted Investees

Company	Directors	Principal Activity	Segment	Stated Capital Rs. million
Chemanex PLC	B.R.L. Fernando - Chairman A. Mapalagama - MD/CEO D. Chandrasekera Prof. U.P. Liyanage S.P.S. Ranatunga A.V.P. Silva M.D. Wickramasinghe	Diversified business Industry	Construction Industry, Industrial Raw Materials, Consumer, Pharmaceuticals and Others	126.25
CIC Agri Businesses (Private) Limited	B.R.L. Fernando - Chairman K.B. Kotagama - Managing Director S.H. Amarasekera D.S.J.S. Dematagoda W.P. Madawanaarachchi J.D. Pieris S.P.S. Ranatunga	Importation, Blending and Marketing of Fertilizers	Agriculture & Livestock Industry	205.50
CIC Feeds (Private) Limited	B.R.L. Fernando - Chairman A.V.P. Silva - Managing Director S.P.S. Ranatunga Ms. P.D.S. Ruwanpura	Manufacture of Animal Feeds and Hatchery	Agriculture & Livestock	450.50
Link Natural Products (Private) Limited	Dr. D. Nugawela - Chairman C.L. De Alwis Prof. Tuley De Silva B.R.L. Fernando K.A. Jayawardena S.P.S. Ranatunga K. Shakthidasan R.O.B. Wijesekara Dr. Anura Ekanayake	Manufacture of Natural Healthcare Products, Ayurvedic Pharmaceuticals, Herbal Cosmetics and Neutraceuticals	Consumer Products	102.67
CISCO Speciality Packaging (Private) Limited	S.P.S. Ranatunga - Chairman R.S. Captain Ms. L.A. Captain L. De Mel S. De Silva W.S. Premakumar D.P.G.C.P. Wegiriya	Manufacture of Polyethylene Terephthalate Containers for Domestic and Export Markets	Packaging Industry	110.50
CIC Cropguard (Private) Limited	W.A. Assiriyage - Managing Director B.R.L. Fernando P.S.C. Fernando R. Ganesalingam R.S.I. Gunawardene K.B. Kotagama Ms. P.D.S. Ruwanpura R.P.L. Weerasinghe	Importation, Repacking & Marketing of Agrochemicals	Agriculture & Livestock Industry	5.00
Crop Management Services (Private) Limited	B.R.L. Fernando S.P.S. Ranatunga Ms. P.D.S. Ruwanpura A.V.P. Silva R.P.L. Weerasinghe W.P. Madawanaarachchi	Managing Assets - Plantations & Investment Company	Agriculture & Livestock Industry	199.20
Colombo Industrial Agencies Limited	Ms. L.I. Fernando - Chairperson S. De Silva Ms. P.D.S. Ruwanpura	Manufacture of Writing Instruments	Consumer Products	10.57
CIC Lifesciences Limited	B.R.L. Fernando - Chairman P.S. Athauda W.S. Premakumar Ms. P.D.S. Ruwanpura S.P.S. Ranatunga	Manufacture and Importation of Pharmaceuticals	Consumer	17.00
Akzo Nobel Paints Lanka (Private) Limited	B.R.L. Fernando - Chairman G.F.C. De Saram - Managing Director Partha Bhasu D. Pundhir S.P.S. Ranatunga	Trading in Paints and Surface Coatings	Construction Industry	88.80

TEN YEAR GROUP PERFORMANCE

	2013 SLFRS Rs'000	2012 SLFRS Rs'000	2011 SLFRS Rs'000
Income Statement			
Turnover	23,822,198	22,477,151	21,045,301
Operating profit after interest	(158,303)	943,637	1,171,896
Other income	143,181	152,888	226,936
Share of profit of equity accounted investees	291,716	277,896	231,179
Profit before tax	276,594	1,374,421	1,630,011
Taxation	(92,098)	(353,890)	(466,894)
Profit for the year from continuing operations	184,496	1,020,531	1,163,117
Profit/(loss) for the year from discontinued operations	–	–	–
Non-controlling interests	46,433	(157,447)	(236,569)
Profit attributable to equity holders of the Company	230,929	863,084	926,548
Statement of Financial Position			
Stated capital	1,008,450	1,008,450	1,008,450
Capital reserves	1,696,030	1,231,163	1,206,900
Revenue reserves	5,055,369	5,074,773	4,526,194
Negative goodwill	–	–	–
Non-controlling interests	1,649,015	1,686,690	1,641,515
Total equity	9,408,864	9,001,076	8,383,059
Property, plant & equipment	8,668,689	7,508,879	6,404,586
Investment property	14,607	98,999	97,141
Biological assets	86,262	78,737	74,524
Deposit on leasehold property	16,152	13,678	13,964
Capital work-in-progress	1,072,154	531,459	199,877
Intangible assets	147,911	159,017	95,255
Investments	789,585	708,179	623,147
Net current assets	368,893	1,237,260	2,084,896
	11,164,253	10,336,208	9,593,390
Deferred liabilities	(755,127)	(683,519)	(603,471)
Long-term liabilities	(1,000,262)	(651,613)	(606,860)
	9,408,864	9,001,076	8,383,059
Cash Flow Statement			
Net cash inflow/(outflow) from operating activities	(1,004,262)	(1,307,519)	(299,377)
Net cash inflow/(outflow) from investing activities	(1,506,300)	(1,663,267)	(837,282)
Net cash inflow/(outflow) from financing activities	559,646	(94,104)	(214,538)
Other Information			
Earnings per share (Rs.)	2.44	9.11	9.78
Dividends per share (Rs.)	1.63	3.20	2.75
Net assets per share (Rs.)	81.88	77.18	71.14
Market capitalisation (Rs. million)	5,466.04	8,392.98	13,661.46
Interest cover (No. of times)	1.22	2.98	4.26
Current ratio (No. of times)	1.02	1.08	1.20
Dividend cover (No. of times)	1.49	2.85	3.56
Price earnings ratio (No. of times)			
- Ordinary	25.00	10.49	15.85
- Non-Voting (Class X)	19.10	7.15	11.05

2010 SLAS Rs. '000	2009 SLAS Rs. '000	2008 SLAS Rs. '000	2007 SLAS Rs. '000	2006 SLAS Rs. '000	2005 SLAS Rs. '000	2004 SLAS Rs. '000
16,610,474	15,684,055	14,121,787	13,953,749	12,909,060	10,637,758	10,018,981
386,111	93,512	702,661	1,006,283	919,961	543,784	474,425
484,852	411,487	131,761	120,174	99,894	131,180	99,459
212,642	264,479	261,385	107,219	123,807	106,752	45,181
1,083,605	769,478	1,095,807	1,233,676	1,143,662	781,716	619,065
(356,256)	(278,429)	(323,591)	(435,944)	(356,580)	(267,713)	(135,137)
727,349	491,049	772,216	797,732	787,082	514,003	483,928
17,900	(23,710)	(27,522)	–	–	–	–
(155,678)	(64,488)	(234,911)	(304,396)	(270,150)	(201,937)	(168,705)
589,571	402,851	509,783	493,336	516,932	312,066	315,223
1,008,450	1,008,450	1,008,450	1,008,450	186,300	186,300	174,600
627,402	583,535	603,638	615,120	855,628	225,277	236,977
3,405,699	2,958,283	2,686,203	2,295,007	1,994,467	1,527,553	1,261,995
–	–	–	–	41,529	80,502	126,416
1,321,402	1,092,982	1,081,772	1,159,499	1,122,717	855,455	654,752
6,362,953	5,643,250	5,380,063	5,078,076	4,200,641	2,875,087	2,454,740
4,473,240	4,159,885	3,916,380	2,867,626	2,880,564	1,954,198	1,263,502
83,731	–	–	–	–	–	–
60,765	58,833	19,755	9,654	–	–	–
15,109	–	–	–	–	–	–
90,668	52,408	102,775	412,843	41,642	17,611	1,276
79,882	49,541	2,748	2,181	2,702	293	2,184
545,598	537,919	980,205	538,155	464,432	352,290	326,866
1,937,514	1,750,165	1,273,776	2,129,424	1,495,845	1,220,963	1,171,605
7,286,507	6,608,751	6,295,639	5,959,883	4,885,185	3,545,355	2,765,433
(431,201)	(408,581)	(371,328)	(360,827)	(190,782)	(175,598)	(118,577)
(492,353)	(556,920)	(544,248)	(520,980)	(493,762)	(494,670)	(192,116)
6,362,953	5,643,250	5,380,063	5,078,076	4,200,641	2,875,087	2,454,740
1,341,368	(1,052,191)	(132,611)	176,838	1,638,969	(441,567)	18,678
(533,763)	306,739	(1,132,965)	(791,462)	(544,387)	(801,505)	(376,513)
(333,403)	(90,137)	172,181	613,547	(50,926)	204,832	(60,887)
6.22	4.25	5.38	5.23	5.78	3.49	3.52
1.85	1.50	1.50	1.44	1.14	4.75	4.75
53.20	48.01	45.36	41.75	34.40	22.57	20.12
5,908.55	2,745.00	2,980.00	4,370.96	1,714.57	1,547.91	1,192.32
2.58	2.00	3.50	5.00	4.23	3.84	5.22
1.22	1.24	1.22	1.50	1.35	1.25	1.27
3.36	2.83	3.59	3.60	6.96	6.24	7.09
10.93	7.40	6.28	17.21	30.94	44.52	37.47
6.99	4.82	4.41	11.42	19.00	34.27	31.79

COUNTRY REPORT

KEY FACTS PERTAINING TO SRI LANKA:

Land Area	:	65,525 sq. km.
Commercial Capital	:	Colombo
Climate	:	Tropical (10o C - 32o C)
Population (2012)	:	20.3 million
Per Capita GDP at market price (in 2012)	:	USD 2,923
Currency	:	Sri Lankan Rupee
Corporate Tax Rate (2012)	:	28%
Ports	:	Colombo, Galle, Trincomalee and Hambantota
Languages	:	Sinhala, Tamil and English
Source	:	Central Bank of Sri Lanka

Sri Lanka is an island strategically situated south of India between latitudes 5° and 10°N and longitudes 79° and 82°E, midway along the main shipping routes between the East and the West. Sri Lanka has a tropical climate and a 1,340 km long coastline. Mid-year population for year 2012 was 20,278,000. Natural resources available include limestone, graphite, mineral sands, gems, phosphates and clay.

It is a multi-ethnic, multi-religious democratic republic with a political system based on an elected Parliament headed by an Executive President. Ruling party, United People's Freedom Alliance won both the Presidential and the Parliamentary elections held in 2010. The cessation of a three decade long terrorist conflict in 2009 and the mandate received by the incumbent Government for a second term paved the way for political stability and created an enabling climate for economic development. Unprecedented measures have since been taken for infrastructure development, promotion of foreign direct investment, spreading economic development to regions and development of such sectors as leisure, communications and construction. Conducive fiscal incentives and simplified duty structures have been made available in this regard.

Sri Lanka has traditionally been an agriculture centered economy. Labour intensive avenues of trade and enterprise were also dominant in those days. However, in today's Sri Lanka, service sector has become the dominant contributor to the economic growth followed by industry and agriculture.

In the late 1950s, Sri Lanka's GDP exceeded that of several other Asian countries. However, it failed to deliver on this potential. It was only in 2010 that Sri Lanka made the transition from a low income to a middle income status country when its per capita GDP reached USD 2,399.

The Government is investing heavily in national infrastructure to develop roads and railways, ports and airports and power generation, including an increasing number of renewable energy projects. In tandem, it is also concentrating on social development in areas such as healthcare, education and developing socio economic parameters at the village level. Sri Lanka has maintained a regime of free State sector healthcare with a well developed parallel private healthcare system, and free education for all from primary to university level since the pre-independence era. As a result, Sri Lanka enjoys extremely good quality of life ratios - literacy rate of over 90%; life expectancy of over 70 years and birth and death rates at 17.04 and 5.96 per 1,000 persons respectively.

ECONOMY

The economy grew at 6.4% in 2012 and at 8.3% in 2011. The Service sector contributed 59.5% to the growth in 2012 while Industry and Agriculture sectors contributed 29.3% and 11.2% respectively. Most of the macroeconomic variables were not at satisfactory levels during the calendar year 2012 with single digit inflation, high interest rate regime and rupee devaluation. The country's external reserves stood at USD 6.9 billion at the end of 2012. The fiscal position too improved to 6.2% of GDP from 6.89% last year, on the back of structural reforms and the IMF Standby Agreement.

Remittances from 1 million Sri Lankans employed overseas provide the country with its biggest source of foreign exchange inflow.

The country is still a major tea exporter along with rubber and other minor export crops. Garment export is also a value added export sector with our produce reaching top labels and destinations in North America and Europe.

POWER

Sri Lanka's energy requirements in terms of electricity have previously been met largely through hydro power. However, in the recent past the country resorted to other sources such as thermal and coal. The Norochcholai Coal Power Plant and the Upper Kotmale Hydro Project commissioned in 2010 and 2012 respectively added a further 450 MW of power to the national grid.

GLOSSARY

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognising the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Available-for-Sale Financial Assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Borrowings
All Interest Bearing Liabilities.

Capital Reserve
Capital Reserves consist of revaluation reserves arising from revaluation of properties owned by the Group and foreign exchange transaction reserve.

Cash Equivalents
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingencies
Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

Contractual Maturity
Contractual maturity refers to the final payment date of a loan or other financial instrument, at which point all the remaining outstanding principal will be repaid and interest is due to be paid.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Trade Debtors.

Deferred Tax
Sum set aside in the Financial Statements for taxation that may become payable in a financial year other than the current financial year.

Depreciation
The systematic allocation of the depreciable amount of an asset over its useful life.

Derecognition
Removal of a previously recognised financial asset or financial liability from an entity's Statement of Financial Position.

Earnings per Share (EPS)
Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

Effective Tax Rate
Provision for taxation excluding deferred taxation divided by the profit before tax.

Equity Method
The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Fair Value
Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Finance Lease
A lease in which the lessee acquires all the financial benefits and risks attaching to ownership of the asset under lease.

Financial Asset or Financial Liability at Fair Value Through Profit and Loss
Financial asset or financial liability that is held-for-trading or upon initial recognition designated by the entity as 'at fair value through profit or loss'.

Financial Instrument
Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Gain/Loss on Foreign Currency Translation
The realised gain recorded when assets or liabilities denominated in foreign currencies are translated into Sri Lankan Rupees on the reporting date at prevailing rates which differ from those rates in force at inception or on the previous reporting date.

Gross Dividends
The portion of profit inclusive of tax withheld distributed to shareholders.

Group
A group is a parent and all its subsidiaries, associates and joint ventures.

Guarantees
Primarily represent irrevocable assurances that a Group will make payments in the event that its customer cannot meet his/her financial obligations to third parties.

Held-to-Maturity Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold-to-maturity.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Individually Significant Trade Receivables Impairment Provisions
Also known as specific impairment provisions. Impairment is measured individually for assets that are individually significant to the Group.

Intangible Asset
An identifiable non-monetary asset without physical substance held for use in the production/supply of goods/services or for rental to others or for administrative purposes.

Investment Properties
Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

Investment in Equity Accounted Investees
An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Joint Venture
A joint venture is a contractual arrangement where by two or more parties undertake an economic activity that is subject to joint control.

Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly

Market Capitalisation
Number of ordinary shares in issue multiplied by the market value of each share at the year end.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the decisions of users of Financial Statements.

Parent
A parent is an entity that has one or more subsidiaries.

Return on Assets (ROA)
Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

Return on Equity (ROE)
Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Revenue Reserve
Reserves set aside for future distribution and investment.

Segment Reporting
Segment reporting indicates the contribution to the revenue derived from business segments.

Subsidiary
A subsidiary is an entity, that is controlled by another entity (known as the parent).

Trade Receivables
Non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intends to sell immediately or in the near term and designated as fair value through profit or loss or available sale on initial recognition.

Value Added
Value added is the wealth created by providing goods and services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙළ කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, සී.අයි.සී. හෝල්ඩින්ග්ස් පීඑල්සී, අංක 199, කිව් පාර, කොළඹ 2 යන ලිපිනයට 2013, ජූනි 23 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தியின் சிங்களம் அல்லது தமிழ் மொழி பெயர்ப்பு வேண்டுமாயின், தயவு செய்து கடிதமூலம் பின்வரும் முகவரிக்கு 23 யூன் 2013 இற்கு முன்னர் அறிவிக்கவும் செயலாளர், சீ.ஐ.சீ. கோல்டிங்ஸ் பீஎல்சீ, இல 199 கியூ வீதி, கொழும்பு 02.

This Report is entirely in English. If you require a translated copy of the Chairman's Message in Sinhala or Tamil, please make a request by a letter addressed to the Secretary, CIC Holdings PLC, No. 199, Kew Road, Colombo 2 on or before the 23rd June 2013.

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
B.R.L. Fernando *(Chairman)*
S.P.S. Ranatunga *(MD/CEO)*
S.H. Amarasekera
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
S.M. Enderby
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

Secretary
P.D.S. Ruwanpura

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha, Colombo 3.

Bankers
Axis bank
Bank of Ceylon
Commercial Bank of Ceylon PLC
Hongkong & Shanghai Banking Corp. Limited
ICICI Bank
NDB Bank PLC
Nations Trust Bank PLC
People's Bank
Standard Chartered Bank

Legal Advisers
Julius & Creasy
Attorneys-at-Law
41, Janadhipathi Mawatha, Colombo 1.

Nithya Partners
Attorneys-at-Law
97A, Galle Road, Colombo 3.

Executive Director
S.P.S. Ranatunga *(MD/CEO)*

Non-Executive Directors
B.R.L. Fernando *(Chairman)*
S.H. Amarasekera
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
S.M. Enderby
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

Audit Committee
R.N. Asirwatham *(Chairman)*
S.H. Amarasekera
E.F.G. Amerasinghe
S.M. Enderby

Remuneration Committee
E.F.G. Amerasinghe *(Chairman)*
S.H. Amarasekera
R.N. Asirwatham
R.S. Captain

Nominations Committee
B.R.L. Fernando *(Chairman)*
S.H. Amarasekara
E.F.G. Amerasinghe
R.N. Asirwatham

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199, Kew Road, Colombo 2, Sri Lanka
Com. Reg. No.-PQ88

www.cic.lk