



Annual Report 2015/16

# **Binding values that create value**

## Contents

### About Us

A New Look	8
Vision and Mission	10
Milestone of our Journey	12
Financial & Operational Highlights	14
Innovations and New Investments	16
Chairman's Statement	18
Managing Director's/CEO's Review	22
Board of Directors	26
Corporate Management Team	30

### Enterprise Governance

Enterprise Governance	32
Audit Committee Report	46
Report of Human Capital & Compensation Committee	47
Nominations Committee Report	49
Related Party Transaction Review Committee Report	50
Board of Directors' Statement on Internal Controls	51

### Management Discussion and Analysis

Creating Value for Stakeholders	52
Managing Risk	57
Operating Environment	61
Sector Reviews	68
Creating Value for	
Shareholders	100
Customers	103
Employees	108
Suppliers	116
Communities	119
Impact Report	126

### Financial Statements

Annual Report of the Directors on the Affairs of the Company	139
Directors' Responsibility for Financial Reporting	145
Chief Executive Officer's and Financial Director's Responsibility Statement	146
Independent Auditors' Report	147
Statements of Profit or Loss and Other Comprehensive Income	148
Statements of Financial Position	149
Statements of Changes in Equity	150
Cash Flow Statements	152
Notes to the Financial Statements	154
Shareholder and Investor Information	221
Subsidiaries and Equity Accounted Investees	226
Ten Year Group Performance	228
About this Report	230
GRI Content Index	231

---

Scan this QR Code with your smart device to view a version of this annual report online



[www.cic.lk](http://www.cic.lk) 



# Ownership & Accountability

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



# Integrity & Respect

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



# Customer Focus & Quality

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



# Teamwork & Trust

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



# Entrepreneurial & Innovative

We will constantly challenge boundaries  
seeking new horizons.



# Bias for Action & Winning Spirit

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



# Binding values that create value



You don't become one of the nation's biggest, most respected diversified conglomerates overnight. CIC Holdings has been in business for over 50 years. In that time, we have served Sri Lankans from every part of the island. And we have learned what all of them really want from us - the strength, honesty, community spirit and quantifiable value that we are now trusted to deliver, reliably and purposefully, year after flourishing year.

This annual report showcases how we have devoted time, effort and investment over the last year towards re-engineering your Company; re-inventing our systems and operations, evolving our people and processes and expanding our business portfolio to include new and valuable enterprises that will unleash our potential to grow.

This evolution is also apparent in the new brand identity presented here. Our logo, mission, vision and value statements have been re-defined to reflect a significant change in your Company's strategies for the future.

Our vision of success is to exemplify the corporate values stated in the preceding pages, to bring to life and make real the promise of increasing worth and better returns from every industry sector we operate; binding together the values that create value for every stakeholder we partner.

# A New Look

CIC goes through a comprehensive  
brand re-structuring



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

The new corporate logo will embrace and unify the wide and varied businesses of the group into one powerful entity.

---

## Colour theory



### Vibrant Greens

Denotes the quest for nurturing life; sustainable solutions and rewarding relationships.



### Intense Blue

Signifies the pursuit of new horizons; knowledge & expertise and bias for science & technology.

● **CIC Agri Produce**



- Agri Produce Retail Chain
- Agri Resort
- Dairy
- Farms
- Fruits and Vegetables
- Grains
- High-tech Agriculture
- Rice

● **CIC Livestock Solutions**



- Feeds
- Poultry
- Vetcare
- Dairy Breeding

● **CIC Health & Personal Care**



- Baby Care
- Herbal Care
- Medical Devices
- Personal Care
- Pharmaceuticals

● **CIC Industrial Solutions**



- Construction Material
- Industrial Raw Material
- Stationery
- Packaging

● **CIC Crop Solutions**



- Lawn and Garden
- Plant Nutrition
- Plant Protection
- Seeds

*The CIC vision and mission statements have also been re-defined to reflect your company's commitment to our stakeholders and to positive change, ensuring that we are always in tune with stakeholder needs and relevant to the constantly changing business landscape we operate within.*

## Vision

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

---

## **Mission**

Harnessing science and modern technology, we will provide solutions of superior quality which are efficient and safe.

We will build rewarding and lasting relationships with our stakeholders and be a significant entity in every sector we operate.

# Milestones of Our Journey



**1964**

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



**1968**

Start of operations 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)

***Incorporated in 1964, CIC Holdings PLC has withstood the test of time to become one of Sri Lanka's leading, most long standing conglomerates.***



**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)



**2014**

Year of restructure

Shifting of  
Crop protection  
manufacturing  
facility to Godagama



**2016**

Incorporation of CIC  
Grains (Private) Ltd  
to process inputs for  
the feed industry

Shifting of  
PVA factory to  
Godagama

## Financial & Operational Highlights

For the year ended 31st march		Group	
Earning Highlights and Ratios		2016	2015
Group revenue	Rs. '000	26,666,284	23,496,259
Group profit before interest and tax	Rs. '000	2,384,927	1,897,337
Income tax expense	Rs. '000	366,777	397,697
Profit for the year from continuing operations	Rs. '000	1,648,107	1,025,418
Profit/(loss) for the year from discontinued operations	Rs. '000	(14,273)	15,425
Other comprehensive income	Rs. '000	688,715	42,084
Total comprehensive income	Rs. '000	2,322,549	1,082,927
Profit attributable to equity holders of the Company	Rs. '000	1,354,292	761,927
Dividend	Rs. '000	379,080	284,310
Basic/Diluted earnings per share (EPS)	Rs.	14.29	8.04
Interest cover	Number of times	3.44	2.94
Return on equity (ROE)	%	15%	12%
Return on assets (ROA)	%	6%	10%
Pre-tax return on capital employed (ROCE)	%	11%	10%
Statement of Financial Position - Highlights and Ratios			
Total assets	Rs. '000	32,299,114	26,264,709
Total equity	Rs. '000	10,884,297	8,843,248
Total debts	Rs. '000	13,100,066	10,349,517
Equity attributable to equity holders of the Company	Rs. '000	8,855,098	7,120,938
Number of shares in issue	Number	94,770,000	94,770,000
Net assets per share	Rs.	93.44	75.14
Debt/Equity	%	120.36	117.03
Debt/Total assets	%	40.56	39.40
Market/Shareholder Information			
Market price per share as at 31st March			
Ordinary	Rs.	95.50	76.00
Non-Voting (Class X)	Rs.	71.50	57.60
Dividend per share			
Interim paid	Rs.	2.00	2.00
Final proposed	Rs.	2.00	1.00
Market capitalisation	Rs. million	8,526	6,800
Price earnings ratio			
Ordinary	Number of times	6.68	9.46
Non-Voting (Class X)	Number of times	5.00	7.17
Other Information			
Total employees	Number	2,049	1,952
Revenue per employee	Rs. '000	13,014	12,037
Total value addition to employees	Rs. '000	2,035,721	1,737,270
Value addition to lenders of the capital	Rs. '000	1,071,582	1,024,802
Total taxes paid to Government	Rs. '000	849,984	830,343





### Agri Produce



### Livestock Solutions



### Health & Personal care



### Crop Solutions



### Industrial Solutions



## Contribution to the Group

**158%**

Growth in  
total assets

**466%**

Growth in  
Net Profit After Tax  
(YoY)

**44%**

Growth in  
Net Profit After Tax  
(YoY)

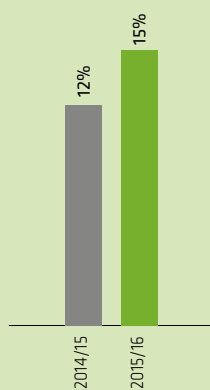
**28%**

Contribution to  
Group results

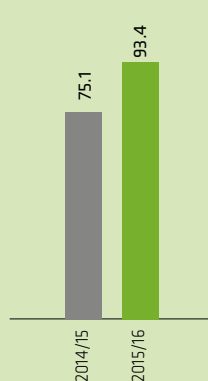
**38%**

Contribution to  
Group results

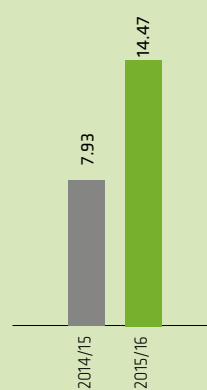
### Return on Equity (%)



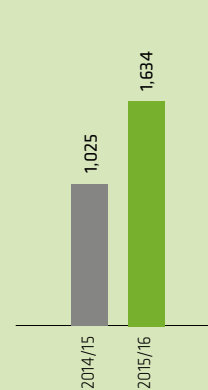
### Net Assets per Share (Rs. )



### Earnings per Share (Rs.)



### Group Net Profit (Rs.Mn)



# Innovations & New Investments



## Rice Breeding and Development program

CIC Agribusiness ventured into a fully fledged rice breeding and development program in 2006 with a view to develop high quality rice with specific characters. "Red Basmathi", the first product of this new venture was released to the market in 2009. Red Basmathi, is a product with Lower Glycemic Index (GI) which is suitable for people with diabetes. This product is now exported to USA, Canada & Australia. The company further developed the product to reduce the GI and now ready to re-launch to the market. In addition, another product with ultra-small grains having higher eating quality is being tested and now it is at the final stages of development.

## Water based Emulsion

Development of a water based emulsion to provide the water resistance in emulsion paint for exterior application with different colours.



## CIC Grains – synergising the value chain from agriculture

The Group invested Rs.1 Bn on building facilities for drying and storage of maize in Talawa and Siyambalanduwa, with an aggregate capacity of 50,000 MT. This investment will capture value for many business units in Agri Produce & Livestock Solutions sectors.

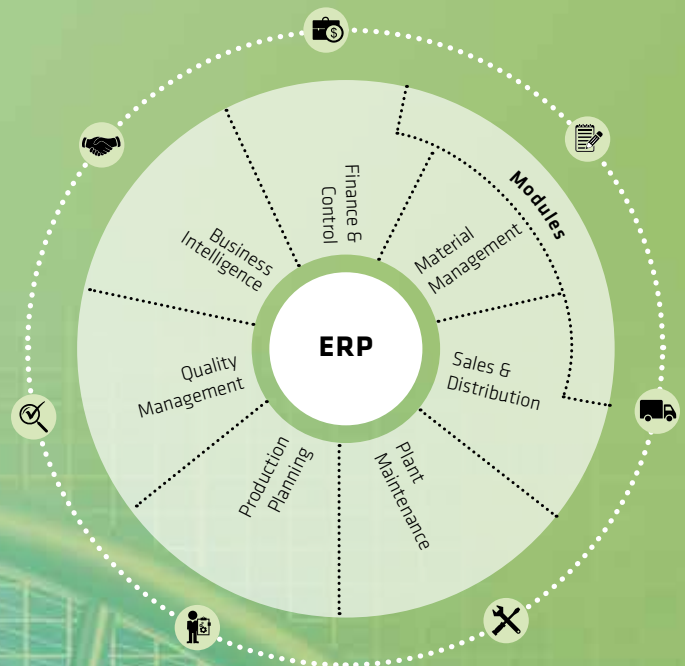


## ERP Systems

CIC Group migrated to SAP from February 2016. The group expects to achieve greater level of integration, creates value through real time reporting.

## Godagama Industrial Solutions Factory

Capital investment of Rs. 330 Mn to build a manufacturing facility with 100% additional capacity and latest technology.



## ESOP

The proposed ESOP will issue a maximum of 4,374,000 Non-Voting Ordinary shares of the Company amounting to Twenty percent (20%) of the total number of Non-Voting Ordinary shares issued by the Company.

**Chairman's  
Statement**

***The Board played a key role in formulating, enabling and monitoring strategy of the group and continues to do so, giving particular emphasis to driving growth as well as to the positioning of the Group taking into account the forces shaping the business environment, globally and locally.***





## Dear Shareholders,

At the end of another eventful year, it is my pleasant duty to place before you the Annual Report and Financial Statements of CIC Holdings PLC for the year ended 31st March 2016. I am pleased to report that the Group has achieved a growth in revenue of 13% to Rs. 26.67 Bn and a growth in profit after tax of 57% to Rs. 1,633.83 Mn, creating sustained shareholder value.

In addition to the organic growth from the existing business ventures, the Group has invested Rs. 2 Bn in growth sectors enhancing the future earnings potential of the group. Increased earnings and timely risk management initiatives enhanced the asset quality by improving the Net Asset Value per Share from Rs. 75.14 to Rs. 93.44, ie a 24 % increase. Concurrently, the Board also increased the dividend per share from Rs. 3.0 to Rs. 4.0, which in turn contributed to a dividend yield of 4%. This combined with a capital appreciation for the share of 26% resulted in a Total Shareholder Return (TSR) of 31%. Return on Equity (ROE) was at 15% compared to 12% the previous year, confirming our strategy to enhance future earnings potential. The Debt to Equity ratio stood at 120% for 2015/2016 as opposed to 117% for the previous financial year, a factor which is closely monitored by your Board. It is indeed gratifying to note the consistent improvement in profitability and growth sustained over the past eight quarters.

## Driving performance

The Board played a key role in formulating, enabling and monitoring strategy of the Group following the first loss in the history of the Group in 2013/14 and continues to do so, giving particular emphasis to driving growth as well as to the positioning of the Group taking in to account the forces shaping the business environment, globally and locally.

Encouraged by the progress achieved, we have chartered a new trajectory for growth which is multifaceted, building on the Group's core competencies and considerable strengths developed over three decades. The new strategies formulated entrenched the group presence in the agriculture & livestock, healthcare and consumer sectors.

Transformation of our identity, strengthening Board Sub-committees and enhancing key management processes are the prominent strategy enablers initiated by the Board. Such initiatives also facilitated the timely and objective monitoring of Group performance.

We commenced the year with goals for enhancing processes and adding value to existing operations which were deemed necessary to achieve greater efficiency and effectiveness. Implementation of the Enterprise Resource Planning System across the Group is one such example and I commend the management team for having successfully navigated this initiative to a conclusion during the year while maintaining an unrelenting focus on delivering the strong results.

## Transforming our identity

Working together with external consultants, we critically assessed our business portfolios, our current positioning and how the CIC Group is perceived. It became clear that sharpening the corporate vision and mission and better defining and grouping of its diverse businesses were a prerequisite to strengthening CIC's true identity as a well-diversified conglomerate. Consequently, we have modified and re-arranged the Group structure into five clear business segments in order to enhance group synergies and to facilitate a sharper focus on potential areas of high growth. As part of the same process, we have also re-defined our corporate vision and mission statement

*Group Net Profit After Tax Increased by*

**57%**

as it's now depicted in this report. Further as the business grows and diversifies into new sectors, stretching the corporate brand CIC across an innumerable and diverse range of products and services will not be optimal or possible. The new structure enables each business segment to have its own identity and brands for individual product lines with a higher level of visibility for the individual brands. The brands will be discrete, each one holding a distinct promise of quality and value for the end user. Where relevant, the CIC logo will be retained in an overarching capacity to provide continuity and reassurance.

The identity of your company, CIC Holdings PLC, will emerge as a stable and well diversified conglomerate on the move, with businesses that are leading players in their respective sectors. The new dynamic corporate logo unveiled in this report reflects two concepts that are intertwined in the green and blue "starburst" symbol. Convergence of purpose among all of CIC's business portfolios to "Nurturing Life" and the central focus on driving performance is reflected by the inward movement of the starburst. The outward movement reflects delivery of value to stakeholders by the respective business sectors. We are convinced that the new framework provides a unified platform for better focus and improved brand applications, leading to delivery of sustained, profitable and competitive growth as a powerful diversified conglomerate.

## Chairman's Statement

***A solid financial position, decades of diverse industry insights, strong relationships globally with principals and locally with farmers, distributors and regulators provide a sound foundation for growth.***

### Gearing for Growth

Several structural changes were implemented during the year to ensure that all business sectors are well positioned for growth. Relocating the PVA manufacturing facility in Ratmalana to the Godagama Industrial Zone was an important step; one which has been in the contemplation of the Company for several years and this move mitigates potential environmental and social issues in an urban neighbourhood. This has made available approximately 4 acres of land in an urban area which could be sold or developed. The relocation project required an investment of Rs.400 Mn and resulted in capacity expansion of 100% which is expected to commence its pay off from this financial year.

### Investing for Growth

The Board identified areas for growth and investment immediately following the turnaround in the performance of the Group in 2014/15 prioritising the many options available based on the potential value created for shareholders and Group synergies. Accordingly, the Group invested Rs.1 Bn on building facilities for drying and storage of maize in Talawa and Siyambalanduwa, with an aggregate capacity of 50,000 MT, synergising the value chain from agriculture input distribution to the feed milling business within the Agri Produce & Livestock Solutions sectors. This venture epitomises CIC's philosophy of creating broader stakeholder value and is aligned with the Ministry of Agriculture's Food Production National Program 2016 – 2018, where maize is a crop aimed at self-sufficiency and the Sustainability Development Goals of poverty alleviation, zero hunger and reduced inequalities too are addressed. The project also supports around 10,000 farmers in these two rural communities through buy back guarantees and provision of technical support

to maximise yields. We also strengthened the value proposition to farmers by facilitating crop protection insurance and banking services. On behalf of the Board, I commend the team for the timely implementation of the project within a relatively short period of time.

Another strategic investment approved by the Board was a further Rs.1 Bn for cultivation of vegetables in greenhouses using the latest technology. Higher value vegetables will be grown for export supporting the country's export drive and building CIC's reputation as an exporter of high quality vegetables. The investment in greenhouses seeks to mitigate the impact of adverse weather, land & labour shortage which regularly hampers the output of the agriculture sector.

The Pharmaceuticals sector indicates significant potential for growth with a steady income throughout the year as indicated by the country's demographics and changing wealth patterns. The group's pharmaceutical manufacturing plant produces generic lifestyle medications used on a continuous basis, including medications for diabetes, hypertension, cholesterol and gastric reflux among others. Given the increasing focus on availability of affordable generic drugs, this investment also supports the national healthcare agenda and saves valuable foreign exchange for the country. We are also investing a sum of approximately Rs.100 Mn in constructing a purpose built facility for storage of pharmaceuticals in Ekala, filling a lacuna in our infrastructure to support growth of this vital business segment. Meeting stringent standards of our principals, this facility will enable us to widen the range of products marketed by the Group. Pharmaceuticals being a key growth sector at CIC, we will now be well positioned to ensure its continued expansion.

## Rethinking our Business

The Board continues to take bold steps in reallocating its capital into strategic and growing sectors. The closure of the Chemcel plant, a joint venture set up to manufacture starch in 2014, was one such action, releasing capital for more profitable ventures of the group.

The Board also took a strategic decision in the sale of the Chemifix brand to Pidilite Lanka Ltd, to capture the enhanced profit pool of the industry. Pidilite is one of Asia's leading manufacturers of adhesives with manufacturing facilities in India, Bangladesh, Egypt, Thailand, Brazil, US and UAE. CIC will continue manufacturing a range of products for Pidilite Lanka, including Chemifix, under a tolling agreement. As part of strategic tie-up, CIC Holdings PLC will also distribute the Pidilite's range of stationery products through its stationery channels.

## Looking Ahead

A solid financial position, decades of diverse industry insights, strong relationships globally with principals and locally with farmers, distributors and regulators provide a sound foundation for growth. Our businesses are also in sectors important from an economic and social perspective to the country such as agriculture, healthcare and industrial solutions vital for the country's progress. We have emerged from the losses incurred in 2013/14 as a stronger group, delivering increasing value to stakeholders and we are ready for further investment. Projects commenced this year will enhance earnings of the Group in the coming year and we also expect to implement further plans for growth during the coming year. Our course is clear – we expect to be one of the top three players in the country in every business we are engaged in. The Board will continue to drive performance from the centre supported by strong reporting and

risk management processes for objective decision making. Our new identity will facilitate greater visibility and brand building, driving the value of each individual business and the conglomerate as a whole. In order to further drive and build value, the Board has approved an ESOP scheme aimed at the top management of the Group. The Resolution in respect of the same will be placed before the Shareholders immediately after the AGM. The Board is confident that this would pave the way for even greater commitment from the Management to improve the results of the Group.

## Acknowledgements

I take this opportunity to thank the team of consultants for facilitating the strategic planning and brand positioning initiatives. The team at CIC Group, ably led by Managing Director, Samantha Ranatunga, have been responsible for the implementation of the strategic plan and have worked diligently to reach the agreed goals and we commend their performance. We are appreciative of the trust placed in us by our principals and thank them for their continued support while looking forward to mutually rewarding growth. The Board joins me in thanking our shareholders, particularly our principal shareholder Paints & General Industries Limited and our bankers for the confidence placed in us to lead this conglomerate beyond an agri business focus to a new era of profitable growth. Finally, I thank my colleagues on the Board for their very active participation in the affairs of the Group and for the extremely valuable advice and guidance given during the year.



**S H Amarasekera**  
*Chairman*

24th May 2016

**Managing Director/  
CEO's Review**

## **Strong Growth in Revenue, Profits and Equity**

***The Group recorded revenue of Rs. 26.67 Bn and a net profit after tax of Rs. 1,633.83 Mn reflecting strong growth of 13% and 57% YoY***





## Dear Stakeholder,

The CIC Group has been successful in strengthening our position in key business segments, significantly increasing the value delivered to stakeholders in a year of intensifying challenges. We have delivered strong growth in revenue, profits and equity outperforming market indicators. Consequently, I am delighted to present you with the Performance Review for the financial year ended 31st March 2016.

## A Dynamic Landscape

As a diversified conglomerate with a strong presence in the agricultural and manufacturing sectors of the economy, we are significantly impacted by both local and global economic trends. Global growth moderated further to 3.4% in 2015 and was marked by declining commodity markets, slow recovery in advanced economies, elevated geo political risk and the continued moderation of China's growth. Sri Lanka's GDP growth moderated marginally during the year by 4.8% with the agriculture, industry and service sectors growing by 5.5%, 3% and 5.3% respectively.

Favourable weather conditions and a renewed government interest in food security supported growth of the agricultural sector, which is also expected to benefit from the Food Production National Program 2016-2018 of the Ministry of Agriculture. However, increasing regulations, non-availability of land in sizable scale, unpredictable weather patterns and labour shortages continue to force challenges to the agricultural sector. Industry sector growth was disappointing as demand in key export markets declined during the year resulting in decreased output. Service sector growth was supported by strong consumption which increased the demand for white goods and financial services. Overall, the operating environment was disturbed by depreciating exchange rates and increasing interest rates during the second half of the year.

## Strategy & Performance

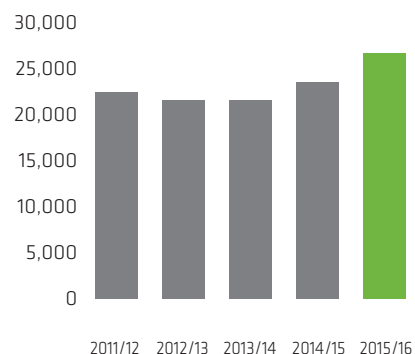
CIC Holdings PLC recorded a profit after tax of Rs. 1,633.83 Mn reflecting strong growth of 57% YoY. The encouraging performance was largely attributable to the Groupwide re-structuring undertaken to refocus on our core competencies and the rigorous performance review processes established by the Board in 2014. Revenue growth was 13% propelled by increased production capacity, improved distribution, high levels of brand recognition and customer loyalty in most sectors. Growth in profits is largely attributable to re-aligning of businesses, streamlined processes, increasing economies of scale and disciplined cost management.

Net Assets Per Share (NAV) grew, reflecting prudent re-investment of cash flows in to making the Group fit for the future with new ventures in areas of high growth potential which match the Group's core competencies. These ventures have been carefully planned to maximise group synergies while leveraging our core competencies to enhance the capacity to create stakeholder value in a manner unique to the CIC Group. The corn project described in the Chairman's Message is a clear example of how our projects seek to drive stakeholder value gaining the self-interest of many stakeholders from farmers to financiers to ensure a successful outcome.

Timely utilisation of cashflows for re-investments together with prudent financing of the same have been key factors driving the stability of the Group which is now stronger and well positioned for growth. It is noteworthy that many of the initiatives launched during the past two years have also served to reduce the volatility in revenue streams supporting consistent, sustainable performance in the long term, further stabilising the Group.

We also undertook a review of our brands and business portfolios during the year as described in the Chairman's Message to rationalise

## Revenue (Rs. Mn.)



our brand and the performance for the year is discussed in relation to the new Group structure.

## Sector Review

The Agribusiness Sector outpaced industry benchmarks in delivering value to its stakeholders recording a revenue of Rs.9.13 Bn and profit of Rs. 413.65 Mn with growth rates of 7% and 39% respectively. The Agribusiness sector was segregated from the Agriculture and Livestock Industry to facilitate the growth of the two key components of a large and lucrative business sector. Performance of the agribusiness sector was mainly driven by the growth of Agricultural inputs, where we further established our market leadership in fertilizer, crop solutions, seeds and grains. Exports in this segment were impacted by the devaluation of the Canadian and Australian dollars. We have gained market share in rice and dairy clusters while the newly branded retail outlets are also witnessing increased patronage. In line with the National Policy to achieve self sufficiency in maize, we made an investment of Rs.1 Bn in the largest maize drying and storage facilities in the country. The two facilities in Siyambalanduwa and Talawa are expected to yield results in the coming year.

## Managing Director/ CEO's Review

***Two years of delivering consistent growth with a sharp focus on delivering sustainable performance has developed an adaptable and agile team with enhanced capability and a new vitality.***

Crop Solutions, a subsector of Agribusiness Sector, has delivered a commendable performance with revenue and profit growth while strengthening its leadership position in the market. Performance of the Plant Protection sector was noteworthy as it became the first agro chemical company in the country to achieve a revenue of over Rs.2 Bn, having launched six new products during the year and signing up with the Sri Lanka Institute of Nano Technology to develop a novel herbicide formulation. New constraints imposed by the National Fertilizer Secretariat has resulted a decline in revenue in the Plant Nutrition cluster although the liberalisation of the fertilizer market is expected to drive innovation with more targeted and safer products to enhance yields paving the way for higher value added products. Distribution networks grew by over 60% strengthening our presence and availability of our products driving growth. The seeds cluster also witnessed growth although challenges remain as farmers tend to save their paddy seed for planting and persistent policy changes by authorities. We continue to invest in farmer education advocating judicious use of targeted products which are necessary to maximise yields contributing to strengthening the country's food security. Strong positioning in the market augurs well for the prospects of this vital sector.

A strong performance in the Livestock sector contributed significantly to the growth in profits as the breeder farms, poultry farms, feeds processing plants and rendering plants functioned at maximum capacity. Strong demand for chicken meat supported by increasing disposable incomes in the country and increased capacity facilitated growth in feeds, breeder farms and poultry. We have invested a total of Rs. 53 Mn in enhancing capacity in this sector as there is significant potential for growth. That being said stagnant chicken prices which are determined by the Consumer Affairs Authority are a cause for concern. Vetcare has also evinced strong growth supported by an expanding range of products driving growth in this cluster.

***Livestock solutions sector records NPAT of Rs. 206 Mn, which is an increase of***

**466%**  
YoY

Health & Personal Care has also turned in a strong performance supported by Herbal Care, Medical Devices and Pharmaceuticals clusters which increased market share through volume growth. The pharmaceuticals manufacturing cluster changed direction moving from antibiotics to produce lifestyle medications which are necessary for control of diabetes, hypertension, cholesterol and acid reflux providing for a stable source of income for the company. Link Natural Products continues to maintain its unique growth momentum through strong distribution networks and product innovation to cater to strong demand for its popular products Samahan, Link Sudantha and Pas Panguwa as renewed interest in alternative medicines drives demand. Medical Devices also experienced strong growth reaching revenues of over Rs.1 Bn supported by strong growth in demand for healthcare coupled with increased disposable income and increased government expenditure. Relaunch of several products in the Baby care and Personal care range somewhat dampened the performance during the year but these have now been rectified and well positioned for growth as the exclusive distributor for the same. Increasing concern for health and wellbeing supported by increasing disposable income is expected to drive the growth of this lucrative sector.

Performance of the Industrial Solutions sector was lacklustre as industrial activity in the country moderated due to declining demand for exports. We have sharpened the focus of this sector and positioned it for growth with initiatives such as relocation of the Ratmalana factory to the Godagama Industrial Park with enhanced capacity, widening the range of stationery products to capture market share, enhanced capacity in packaging business and market development which are expected to yield positive results in the year that has commenced. The sale of Chemifix to Pidilite has opened a new stream of income explained in the Chairman's Message which is also expected to support the growth of this sector.

### Looking Ahead

Two years of delivering consistent growth with a sharp focus on delivering sustainable performance has developed an adaptable and agile team with enhanced capability and a new vitality. The Group's core competencies in agriculture and manufacturing which are multifaceted ranging from the largest farmer networks, strong brand recognition, island wide distribution networks, solid relationships with globally renowned principals, long-standing corporate customer base, access to the latest research and technology positions us for stronger growth.

We are consistently seeking ways in which to mitigate the inherent risks in our traditional businesses while expanding upon our core competencies. The greenhouse project which is being constructed is an example in which CIC aims to overcome weather related risks, and mitigate the issues faced with land, labour and regulations.

In addition to the high growth expected locally we also see great potential in reaching export markets with our herbal health care product range, leveraging on its existing brand equity and successful track record of product innovation. Factoring growing demand for

herbal products we are increasing backward integration through the cultivation of herbs utilising modern and innovative growing practices.

Leveraging on our presently dominant position in pharmaceuticals marketing and distribution, we are also aiming to collaborate with regional partners for joint manufacture of medications for the local market. CIC would shape its growth trajectory factoring the supportive government policy for local manufacturing of pharmaceuticals which provides efficient scales for expansion.

We are constantly seeking new trends in plant materials and technologies supporting the Zero Hunger and Health & Wellbeing Sustainable Development Goals (SDGs) which are at the top of development agendas in many nations including Sri Lanka. Established relations with suppliers who lead the market in plant technology has enabled us to introduce advanced products such as treated seeds which give protection for the plant from the time it is sown for about 3-6 months has found ready acceptance in the market through our established farmer and distribution networks.

A review of new social trends gave rise to the Lawn and Garden business focusing on safer, easier to use solutions to the consumer with Syngenta products offering DIY solutions which are safe for consumers with products that are targeted with reduced toxicity. The scope for growth in this business is growing with increasing urbanisation and more hygienic lifestyles. Another area where lifestyle plays a key role is in the Personal care sector where a plethora of products cater to the changing lifestyles of consumers in Sri Lanka and elsewhere. We continue to seek new opportunities that are relevant for the evolving lifestyles of people, leveraging our

relationships with principals to introduce new products into the country and exporting a range of herbal care products which are gaining ready acceptance in overseas markets.

The external environment remains uncertain in many respects but we remain committed to a vision that embraces a long term view of trends and operate in areas that are essential to the socio economic progress of the country or perceived as vital to consumers' health and well-being which provides a resilience, enabling us to find a way through. We continue to monitor the developments that are shaping our businesses and look to align our strategy with foresight rather than offer excuses with hindsight. Unexpected developments have been highlighted throughout the report with extensive benchmarking vis a vis industry, but we remain committed to a vision that, as a diversified conglomerate, we can continue to maintain this growth trajectory.

### Acknowledgements

I wish to thank the Chairman and the Board of Directors for their expert guidance and counsel and commend their vision in driving the transformations within the Group that has been the strong foundation for our success. I also wish to thank our principals with whom we have had mutually beneficial relationships for many years and whom we are proud to represent in Sri Lanka. We are appreciative of the support extended by our Bankers through our transformation and count on their continued support in the future. I take this opportunity to congratulate my team on the performance delivered which is testimony to their commitment and capability.



**Samantha Ranatunga**  
Managing Director/CEO

24th May 2016

## Board of Directors



1

### **S.H. Amarasekera**

*Independent Non-Executive Director/Chairman*

Appointed to the Board of CIC on 28th October 2005 and appointed as Acting Chairman on 1st January 2014 and as Chairman on 23rd May 2014, Harsha Amarasekera, President's Counsel is a leading lawyer in Sri Lanka having a wide practice in the Original Courts as well as in the Appellate Court, specializing in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange, including Vallibel One PLC, Royal Ceramics PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Taprobane Holdings PLC, Amana Bank PLC, Keells Food Products PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He was appointed as the Chairman of Chemanex PLC on the 1st of April 2015.

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

2

### **S.P.S. Ranatunga**

*Managing Director/CEO*

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

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



2



3



7



8



11



12

3

### R.N. Asirwatham

*Independent Non-Executive 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. Mr. Asirwatham is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka. He was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President, a Member of the Council of University of Colombo and Post Graduate Institute of Medicine. He also serves on the Boards of a number of companies amongst which are Ceylon Tea Services PLC, Aitken Spence PLC, Dankotuwa Porcelain PLC, Aitken Spence Hotels PLC, Royal Ceramics PLC and Vallibel One PLC. He also serves as a Director of many unlisted companies.

4

### R.S. Captain

*Non Independent Non-Executive Director*

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

## Board of Directors

5

### **S.M. Enderby**

*Independent Non-Executive 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 Millenium 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.

He joined Hemas Holdings PLC in 2013 to head up the Group efforts in merges, acquisitions and strategy and in 2014 was appointed the Group CEO. He is also a Director of Serendib Hotels PLC, Hemas Power PLC and J L Morrison Son & Jones (Ceylon) PLC.

He holds a Masters of Development Studies from the University of Melbourne, BSc (Econ) Hons. In Economics and Accounting from Queen's University, Belfast and is also a member of the Chartered Institute of Management Accountants - UK.

6

### **M.P. Jayawardena**

*Non Independent Non-Executive 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. He is the Deputy Chairman, Commercial Bank of Ceylon PLC and Non-Executive Director of Keells Food Products PLC, EAP Holdings Ltd. 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. Senior Deputy Chairman of the Executive Council of The Sri Lanka Institute of Directors.

8

### **Prof. P.W.M.B.B. Marambe**

*Independent Non-Executive Director*

Appointed to the Board of Directors on 30th June 2009. Prof. Buddhi Marambe is currently Professor in Weed Science at the Department of Crop Science, Faculty of Agriculture and the Chairman of the Board of Study in Crop Science, Postgraduate Institute of Agriculture (PGIA), University of Peradeniya. Being the former Dean of the Faculty of Agriculture, former Head of the Department of Crop Science, and former Director of the Agriculture Education Unit (AEU), 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 (NECCCA), Chairman of the National Invasive Species Specialist Group (NISSG) and a Member of the National Bio Diversity Experts Committee (NBDEC) of the Ministry of Mahaweli Development & Environment, Chairman of the Sectorial 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). Professor Marambe has also been appointed to the Governing Council of the Rajarata University of Sri Lanka for the period March 2015 to February 2018.

7

### **K.B. Kotagama**

*Non Independent Non-Executive Director*

Appointed to the Board of Directors on 9th November 2014. Mr. Keerthi Kotagama is a professional Executive in the Agriculture & Business Management fields. He obtained his BSc in Agriculture (Hons) from the University of Peradeniya, Sri Lanka and Master of Business Administration (Finance & Management of Technology) from the Asian Institute of Technology, Thailand.

Presently, Mr. Kotagama is the Managing Director/ CEO of CIC Agri Businesses (Pvt) Limited since January 2006. He also serves as the Chairman of Gal Oya Plantations (Pvt) Ltd., Committee Member of the Plantation Cluster and Plantation Companies which are under the Ministry of Public Enterprise Development, Advisor to the Minister of Public Administration and Management, Council Member of the Colombo School of Business Management, Board Member of CSR Sri Lanka, Committee Member of the National Agricultural Marketing Authority of the Ministry of Rural Economic Affairs, Member of the Working Committee (Bio-Technology & Bio Ethics) and Committee Member of the National Thematic Research Programme (Food Security) of the National Science Foundation of Sri Lanka.

Mr. Kotagama has been awarded and recognised for his professional services and contribution by several local and international organizations. This includes the Responsible Business Leader Award 2012, presented by the Enterprise Asia, Malaysia and the Outstanding Entrepreneurship Award 2012, presented by the Enterprise Asia, Sri Lanka.

9

**Dr. R.C.W.M.R.D Nugawela***Non Independent Non-Executive Director*

Appointed to the Board of Directors on 9th November 2014. Dr Devapriya Nugawela is currently the Chairman/Managing Director of Link Natural Products (Pvt) Ltd. He graduated from the University of Ceylon with an Honours Degree in Chemistry and won a British Government scholarship to pursue postgraduate studies in UK. He obtained the Ph.D.degree from the University of Manchester. He also has a MBA from the University of Colombo.

Dr Nugawela pioneered the production of quality essential oils, herbal health care products and Ayurveda pharmaceuticals for export and domestic market as the founder Managing Director of Link Natural Products (Pvt) Ltd in 1982.

Dr. Nugawela was a past Chairman of Spices & Allied Products Producers & Processors Association of Sri Lanka and a Member of the Board of Management of the Postgraduate Institute of Management of the University of Sri Jayewardenepura.

Dr Nugawela is a member of the Executive Council of International Federation of Essential Oils and Aroma Trade (IFEAT) and is the Honorary Consul for the Republic of Zambia.

10

**A.V.P. Silva***Non Independent Non-Executive Director*

Appointed to the Board of Directors on 9th November 2014. Mr. A V P Silva is a Fellow Member of the Institute of Chartered Accountants (F.C.A.) and also a Fellow Member of the Association of Accounting Technicians of Sri Lanka (F.M.A.A.T.). In addition, he has the Certificate of Professional Study (Project Analysis) from Arthur De Little Management Education Institute, USA and the Executive Program on Corporate Management (EPCM) from The Association for Overseas Technical Scholarship (AOTS) Japan.

At present Mr. Silva is the Managing Director/CEO. of CIC Feeds (Pvt) Ltd., CIC Vetcare (Pvt) Ltd., CIC Poultry Farms Ltd. and CIC Bio Security Breeder Farms Ltd. He is also Director of Chemanex PLC, Chemanex Adhesives (Pvt) Ltd., Crop Management Services (Pvt) Ltd. and CAL Exports Lanka (Pvt) Ltd. He is also a Non-Executive Director of Asia Broadcasting Corporation Private Limited.

11

**D.S. Weerakkody***Independent Non-Executive Director*

Mr. Dinesh Weerakkody is the Chairman of the National Human Resource Development Council of Sri Lanka and Cornucopia Sri Lanka. He is an Advisor to the Ministry of National Policies and Economic Affairs. He was the Chairman of the Government-appointed Committee to review the Banking Sector and NBFI consolidation and the Committee appointed to review the budgetary allocation for education. He is a former Chairman of the Commercial Bank of Ceylon PLC and the Employees' Trust Fund Board of Sri Lanka. He serves in a number of private sector Boards including Glaxo SmithKline Consumer Sri Lanka, Ceylon Tobacco PLC, Lanka Aluminum Industries PLC, ACME Packaging PLC, Hemas Holdings PLC and Access Engineering PLC. He is also a Vice-President of the International Chamber of Commerce, Sri Lanka Chapter, a Committee member of Sri Lanka Tennis Association, a Council Member of the Employers' Federation of Ceylon, the Institute of Directors of Sri Lanka, the National Health Development Fund and a Member of the CIMA Global Asia Pacific Industry Experts Panel.

He is a Graduate in Business Administration from UK, a Fellow of both CIMA (UK) and CMA (Sri Lanka), Professional Member of the Singapore Human Resource Institute and holds an MBA from the University of Leicester, UK. He was conferred an honorary membership by the Institute of Personnel Management of Sri Lanka.

He is the recipient of Jaycees Ten Outstanding Young Persons Award in 1999 and an International Associations of Lions Clubs National Achievers Award in 2008 for the advancement of good governance in the public sector.

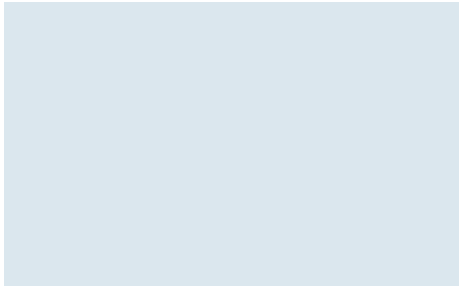
12

**Ms P.D.S. Ruwanpura***Company 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.



## Corporate Management Team



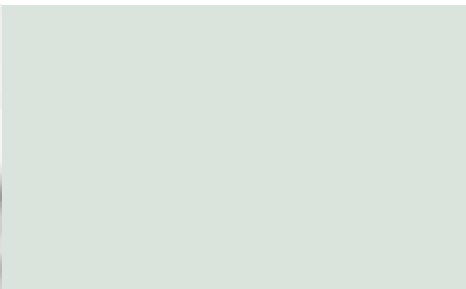
**S.P.S. Ranatunga**  
Managing Director/CEO



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



**W.A. Assiriya**  
Managing Director (CIC Cropguard)



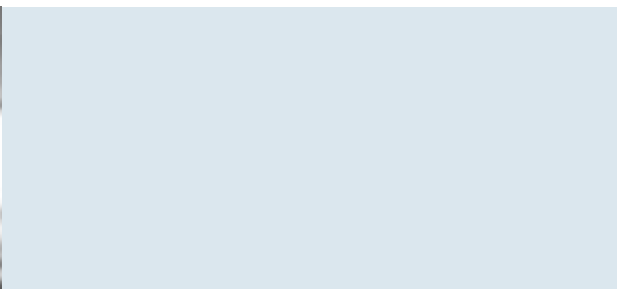
**G.F.C. De Saram**  
Managing Director (Akzo Nobel Paints)



**D. Mutugala**  
Divisional Director (Industrial Chemicals)



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







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



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



**J.N. Weerakoon**  
Group Finance Director



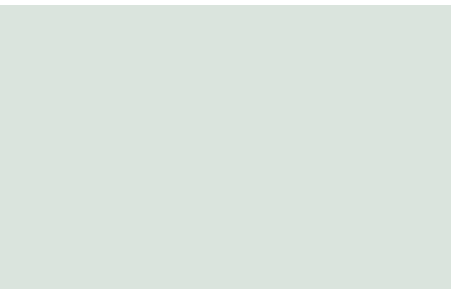
**C.P. Wegiriya**  
Director (CISCO Speciality Packaging)



**P.D.S. Ruwanpura**  
Chief Financial Officer



**I. Gunawardhane**  
Divisional Director (Crop Solutions)



**A.N. Sugathapala**  
Chief Operating Officer (Chemanex PLC)

## 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. It is a proactive approach to identify areas for improvement and a questioning of the current status quo to ensure that all elements of our governance framework are fit for purpose, enabling value creation and growth, whilst acknowledging

the legitimate rights and responsibilities of key groups of stakeholders and preserving accountability. The Board of Directors, led by the Chairman, is committed to ensuring the governance structure, policies and processes are sufficiently robust and relevant in today's environment.

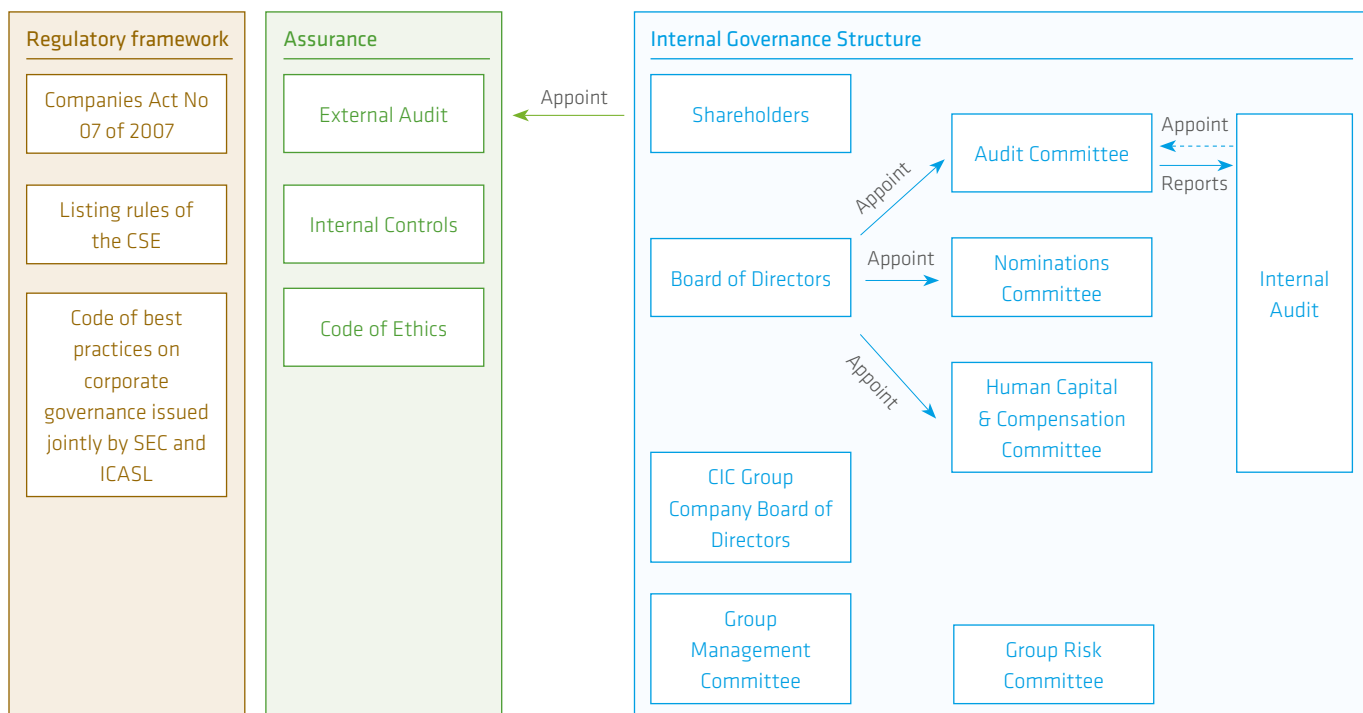
All employees, senior management and the Board of Directors are required to embrace this philosophy in the performance of their official duties and in other situations that could affect the Group's image and it is the duty and the responsibility to uphold and act in the best interest of the company and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

While referred to in detail in subsequent sections of this Annual Report, in setting up the governance framework for the group,

the Board takes in to account the regulatory requirements, voluntary codes, market best practices and the need to deliver value to stakeholders in transparent manner. The Corporate Governance framework encompasses the Articles of Association, Board Charter and other sub-committee charters, Organisation Structure, Code of Ethics for employees and Board approved operating procedures. Group is in full compliance with the following ;

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- The Code of Best Practice on Corporate Governance as published by the Securities & Exchange Commission of Sri Lanka and the Institute of Chartered Accountants, Sri Lanka

### Corporate Governance Framework



This segment of the report seeks to communicate to our stakeholders how the Group is governed. In order we have used the structure of the Code of Best Practice on Corporate Governance to communicate the governance structures and processes of the Group. Also disclosure of compliance with the requirements stipulated in Section 7.10 of the Continuing Listing Requirements on Corporate Governance issued by the Colombo Stock Exchange is given.

## A. 1 - The Board

CIC Holdings PLC is headed by an effective Board of Directors with local and international experience and comprises of the Chairman, and ten Directors. All the Directors are professionals who have acquired a wealth of experience and have proven ability in the fields of Management, Marketing, Finance, Legal, Human Resource and Agriculture. The Board gives leadership in setting the strategic direction and establishing a sound control framework and is accountable for the governance of the Company. The Board's composition reflects sound balance of independence and anchors shareholder commitment.

## Holding of Regular Board Meetings

(Principle A. 1.1)

The Board meets once in three months to review the performance of the Company and Group and take strategic decisions or even more frequently if the necessity arises. The Board met six times during the year. Scheduled Board and Committee meetings were arranged well in advance and all Directors were expected to attend each Board meeting. Any instance of non-attendance at Board meetings were generally related to prior business, personal commitments or illness.

The attendance of each Director at Main Board, Audit, Human Capital & Compensation, Nominations and Related Party Review Committee meetings is set out in the table below:

Committee/Composition	Main Board		Audit Committee		Human Capital & Compensation Committee		Nominations Committee		Related Party Review Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. S.H. Amarasekera	6	6	6	6	4	4				
Mr. S.P.S. Ranatunga	6	5							1	1
Mr. R.N. Asirwatham	6	4	6	6	4	4			1	1
Mr. R.S. Captain	6	4			4	3				
Mr. S M Enderby	6	6	6	5	4	3			1	1
Mr. M.P. Jayawardena	6	6								
Mr. K B Kotagama	6	6								
Prof. P.W.M.B.B. Marambe	6	4								
Dr. R C W M R D Nugawela	6	4								
Mr. A V P Silva	6	5								
Mr. D S Weerakkody	6	3			4	4			1	1

## Composition of the Main Board and the Board Sub-committee as at 31st March 2016.

Name of Committee	Independence				Gender		Age Group	
	Executive Members	Non-Executive Members	Independent Members	Non-Independent Members	Male	Female	Below 50 years	Above 50 years
Main Board	1	10	5	6	11			11
Audit Committee	1*	3	3	1	4			4
Human Capital & Compensation Committee	1*	5	4	2	6			6
Nominations Committee	1*	3	2	2	4			4
Related Party Review Committee	1	3	3	1	4			4

\* Attends by Invitation

## Enterprise Governance

### Role of the Board

(Principle A. 1.2 )

The Board provides strategic direction and sets in place a governance structure and policy framework to facilitate value creation to shareholders in accordance with applicable laws and regulation. 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 Company's strategies and policies.
- Ensure effectiveness of the systems to secure integrity of the information, internal controls and risk management
- Ensure compliance with legal & regulatory requirements and ethics
- Approval of budgets, corporate plans, interim and annual Financial Statements for publication
- Deciding and approval of major capital expenditure, acquisitions and divestures
- 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 regulation

The Board is assisted by the Sub-Committees in fulfilling their role.

### 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 of Directors ensures that procedures and processes are in place to ensure compliance with all applicable laws and regulations. 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, HR policy development, legal, tax and accounting aspects, engineering, architectural, actuarial valuation, information system development, system compliance audits 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. As experienced professionals, their duties are performed without any influence from other persons. The Board promotes an environment whereby challenging contribution from the Non-Executive Directors is welcomed and

encouraged. 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.

### Dedication of Adequate Time and Effort by the Directors

(Principle A. 1.6 )

Board and Sub-Committee meetings are scheduled well in advanced and the papers are circulated a week prior to the meeting with a clear agenda and papers with guidelines on content and presentation. Sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily. Directors dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification and to follow up on issues. Members of the Corporate Management team and external experts make presentations to the Board and Sub-Committees on a regular basis on matters pertaining to the Company & Group.

### Training for the Directors

(Principle A. 1.7)

On appointment, Directors are provided with a Board pack. 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

There is a clear division of responsibilities in conducting the business of the Board and the day-to-day operations in order to ensure a balance of power and authority. The Chairman is responsible for leading, directing and managing the Board to ensure that it operates effectively and fully discharges its legal

and regulatory responsibilities. CEO's role is primarily to manage the day-to-day operations of the Company.

**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

The Chairman and the CEO have been identified on page 26 of the Annual Report.

### A. 3 - Chairman's Role

The Chairman is responsible for leading, directing and managing the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. He ensures good Governance and effective discharge of Board functions by the Board Members at all times and implementation of decisions taken. Agenda for Board meetings are determined by the Chairman in consultation with the Company Secretary and Directors wishing to include items on to the agenda may request the Chairman.

**Conducting Board Proceedings in a Proper Manner**

(Principle A. 3.1)

The Chairman leads the Board and manages the business of the Board while taking full account of the issues and concerns of the Board and ensure, inter-alia, that;

- the effective participation of both Executive and Non-Executive Directors is secured and views of Directors on issues under consideration are ascertained
- all Directors are encouraged to make an 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 Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.
- the new Board members are given appropriate induction.
- approving the agenda for each meeting prepared by the Board Secretary.
- the Board members receive accurate, timely and clear information
- regular meetings, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors.
- the process for self-assessment of the Board from its members and uses the meaningful feedback to further improve the effectiveness of the Board.

### A. 4 - Financial Acumen

The Board comprises of members having sufficient financial acumen and knowledge. There are three senior Chartered Accountants and two Chartered Management Accountants who provide guidance on the financial matters. In addition other Directors of the Board are with sufficient financial acumen.

### A. 5 - Board Balance

There should be a balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-taking.

The Board of CIC comprises of one Executive Director and ten Non-Executive Directors. Five of the ten 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. 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 unfettered and independent judgment. Details are given on page 41 of this report.

Each Non-Executive Director submits a signed declaration of independence /non-independence against the specified criteria annually and they are evaluated to ensure compliance with the criteria for determining independence. There were no circumstances which warranted appointment of Alternate Directors. As the position of the Chairman and the CEO are separated a necessity has not arisen to appoint a Senior Independent Director.

The Chairman holds meetings with the Non-Executive Directors without the presence of the Executive Director at times of need. The meetings are generally held in an informal manner and formally meets if necessary. Directors concerns regarding matters which are not resolved unanimously are recoded in the minutes.

### A. 6 - Supply of Information

Board members receive information regarding the matters set before the Board a week prior to the meeting with a clear agenda and papers with guidance on contents. The relevant management personnel are called for the meetings when deemed necessary to provide further details. Management also makes presentations to the Board when necessary. On urgent matters every effort is taken to provide the information as early as possible. Monthly accounts are circulated and key

## Enterprise Governance

financial parameters and performance of each division /subsidiary are discussed and remedial action taken where necessary. Senior managers make presentations 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. The Directors who are unable to attend the meetings are updated through the documented minutes which are tabled at the next meeting with the follow-up from matters arising from the minutes.

### A. 7 - Appointments to the Board

A formal and transparent procedure should be followed for the appointment of new Directors to the Board.

The Nomination Committee assesses the suitability of the prospective nominees to the Board and recommends persons for consideration of the entire Board.

### Availability of a Nominations Committee for Making Recommendations on all New Board Appointments

(Principle A. 7.1)

Nominations Committee comprises of three 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 49 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 Nomination 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 26 to 29 of the Annual Report.

### 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. All Non-Executive Directors should be appointed for a specific term and subject to re-election.

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. 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 26 to 29 of the Annual Report in order to enable shareholders to make an informed decision on their election.

### A. 9 - Appraisal of Board Performance

The Non-Executive Directors evaluate the Executive Directors through the Human Capital & Compensation 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, and management letter from the External Auditors etc.

Further each member of the Board carried out a self-assessment of his own effectiveness as an individual as well as effectiveness of the Board as a team for the year, which incorporates all criteria specified in the Board performance evaluation checklist of the code. The responses are collated by the Company Secretary and submitted to the Board as a summary report.

Refer Human Capital & Compensation Committee report on page 48 of this report for performance evaluation criteria

### A. 10 - Disclosure of Information in Respect of Directors

Information specified in the code in relation to the Directors is disclosed in this Annual Report as follows,

- Name, qualifications, brief profile and the nature of his expertise on pages 26 to 29
- Directors' interest in other businesses on pages 26 to 29
- Executive/ Non-Executive/ Independence on page 41
- Names of listed companies each Director serves as a Director and other companies each Director serves as a Director on pages 26 to 29
- Total Board seats held by each Director on page 42

- Number of Board and Committee meetings held and attendance on page 33
- Names of Committees in which the Director serves as the Chairman or a member on pages 46 to 50

## A. 11 - Appraisal of the CEO

Prior to commencement of the financial year, the Human Capital & Compensation Committee sets objectives in consultation with the CEO based on long, short and medium term business targets (financial and non-financial) considering all stakeholder interest. These are confirmed by the Board. The personal goals set for the CEO is assessed annually by the Human Capital & Compensation 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.

## B - Directors' Remuneration

### B. 1 - Remuneration Procedure

The Company should have a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director is involved in deciding perquisites to themselves. The Human Capital & Compensation 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

### Establishment of Remuneration Committee, Composition and the members

(Principle B. 1.1, B.1.2, B.1.3)

The Human Capital & Compensation Committee consists of five Non-Executive Directors who bring independent judgment on the issues and the Company CEO attends meetings by invitation. The Committee sets policies on remuneration, perquisites and

allowances based on the market and industry. The Chairman of the Committee is appointed by the Board.

A complete list of the members of Human Capital & Compensation Committee is given in the Report of the Human Capital & Compensation Committee on page 47.

### Determination of remuneration of Non-Executive Directors

(Principle B. 1.4)

Non-Executive Directors' fees is linked to 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 engage the services of HR professionals on a regular basis to assist in the discharge of their duties.

### B 2 - Level and Make-up of Remuneration

The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors. 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 linked to CEO's remuneration.

### Executive Director's remuneration package

(Principle B. 2.1)

The Human Capital & Compensation Committee provides the package needed to attract, retain and motivate Executive Directors of the required quality.

### Comparison of remuneration with other companies and with companies in the Group

(Principle B. 2.2, B.2.3)

Members of the Human Capital & Compensation 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.

The Committee also reviews the policies concerning executive benefits among the Group Companies.

### Performance related elements of remuneration of Executive Directors

(Principle B. 2.4)

Compensation Committee ensures that the total earnings of the Executive Directors are aligned with the performance of the Company.

### Executive Shares Options

(Principle B. 2.5)

The Employee Share Option Scheme of the Company which was extended to the Executive Directors were 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.). The new ESOP that is proposed by the Board of Directors (subject to approval of the CSE) also meets the required guidelines of the Listing Rules of the CSE.

### Executive Directors' remuneration

(Principle B. 2.6)

The Human Capital & Compensation Committee follows the provisions set out in Schedule E of the code as required.



## Enterprise Governance

### Early termination of Executive Directors & termination excluding poor performance as a reason

(Principle B. 2.7, B.2.8)

No special provision is made. Executive Directors are entitled to the gratuity payment in a uniform manner available to all employees of the Company.

### 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.

### B. 3 - Disclosure of Remuneration

The remuneration policy is disclosed in the Report issued by the Human Capital & Compensation Committee is disclosed on page 47.

Names of the Directors comprising the Human Capital & Compensation committee are given on page 47.

Remuneration and fees paid to both Executive and Non-Executive Directors are given on page 172.

### C - Relationships with Shareholders

#### C. 1 - Constructive use of the General Meeting and Conduct of General Meetings and building up relationships with Shareholders.

(Principle C. 1.1)

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. All proxy votes are counted and documented when a resolution is proposed at an AGM.

The Company had over 2,450 voting shareholders of whom approximately 3% exercised their rights to vote by attending the AGM or by proxy.

#### Separate resolution at the AGM on each substantially separate issue

(Principle C. 1.2)

The AGM provides a forum for all shareholders to participate in decision making in matters reserved for the shareholders. 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 Human Capital & Compensation Committee, Chairman of the Related Party Review Committee and the Chairman of the Nomination 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 - Communication with Shareholders

The Board should implement effective communication with shareholders.

#### A channel to disseminate timely information to shareholders

(Principle C.2.1)

The Company uses many methods to disseminate information to the shareholders including the annual and quarterly financials, shareholder meetings, other company publications, information sent to CSE etc

#### Disclosure of policy and methodology of communication and implementation

(Principle C. 2.2 & C.2.3)

The Company will focus on open communication and fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided. The Company will ensure information is communicated accurately and in such a way as to avoid the creation or continuation of a false market.

#### Disclosure of the contact person for communication

(Principle C. 2.4)

Details are given in the shareholder and investor section of this Annual Report.

#### Process to make the Directors aware of issues and concerns of the shareholders, process for responding to shareholder matters and disclosing same.

(Principle C. 2.5, C.2.7)

The Company Secretary shall maintain a record of all correspondence received and will refer such correspondence to the Board as applicable. The Board will respond to all validly received shareholder correspondence and will direct the Company Secretary to send the response to the particular shareholder.



### **Person of contact for shareholder matters**

(Principle C. 2.6)

Person to contact in relation to shareholder matters is the Company Secretary and in the absence of her the Managing Director.

### **C. 3 – Major and Material Transactions**

The Company has not committed for such transaction as per Section 185 of the Companies Act No7 of 2007 during the financial year 2015/16 other than what is disclosed in the Annual Report. This will be practiced where relevant.

## **D - Accountability and Audit**

### **D. 1 - Financial Reporting**

The Board should present a balanced and understandable assessment of the company's financial position, performance and prospects.

#### **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 139.

### **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 145.

Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2016 containing the Auditor's reporting responsibility is given on page 147.

### **Management Discussion & Analysis**

(Principle D. 1.4)

This information is given under Business Review starting from page 52.

### **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 139.

### **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.

### **Disclosure of related party transaction adequately and accurately**

(Principle D. 1.7)

Please refer Note 42 on page 210 of this annual report for related party transactions.

## **D. 2 - Internal Controls**

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 PricewaterhouseCoopers. 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.

The Company has an Audit Committee and the Internal Audit function is outsourced to Messrs PricewaterhouseCoopers.

## **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

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.

## Enterprise Governance

### Composition of the Audit Committee

(Principle D. 3.1)

The Audit Committee comprises of three Independent Non- Executive Directors. The CEO, GFD and the 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 46.

### 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 46.

### 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 46. On the recommendation of the Board, the shareholders have approved the rotation of the External Auditor in keeping with the principles of good Corporate Governance

### D. 4 – Code of Business Conduct & Ethics

A comprehensive Corporate Governance and Business conduct and ethics has been adopted by the Board and is in compliance, which is applicable to all employees. Deviations from the agreed status is considered serious & addressed.

### D. 5 – Corporate Governance Disclosures

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, the Colombo Stock Exchange, the Department of Exchange Control, the Department of Inland Revenue and other governing bodies.

The extent to which the Company has complied with the Good Corporate Governance Principles is given as above in this Report.

### Shareholders

#### E – Institutional Investors

##### E. 1 – Shareholder Voting

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 web site. Once the Financial Reports are released the shareholders who have concerns contacts the Chairman, Managing Director, GFD or CFO.

All price sensitive information as per requirements of the corporate disclosures of Listing Rules, has been disseminated to the public.

### E. 2- Evaluation of Governance Disclosures

The institutional investors are encouraged to give due weight to all relevant matters relating to Board structure and composition.

#### F – Other Investors

##### F. 1 – Investing/ Divesting Decision

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 web site, CSE web site and other public announcements

##### F. 2 – Shareholder Voting

Individual shareholders are encouraged to participate at the General meetings of the Company and exercise their voting rights.

#### G – Sustainability Reporting

##### G. 1 – Principles of Sustainability Reporting

Sustainability reporting is the practice of recognising, measuring, disclosing and being accountable to internal and external stakeholders for organisational performance towards the goals of sustainable development in the context of the overall business activities and strategy of the entity and directed to the target stakeholders

##### Reporting of Economic Sustainability

(Principle G.1.1)

Please refer page 126 of this Annual Report

##### Reporting on the Environment

(Principle G.1.2)

Please refer page 61 of this Annual Report

##### Reporting on Labour Practices

(Principle G.1.3)

Please refer page 108 of this Annual Report

## Reporting on Society

(Principle G.1.4)

Please refer page 119 of this Annual Report

## Reporting on Product Responsibility

(Principle G.1.5)

Please refer page 104 of this Annual Report

## Reporting on Stakeholder identification, engagement and effective communication

(Principle G.1.6)

Please refer page 100 of this Annual Report

## Sustainability Reporting to be formalised as part of the reporting process and to take place regularly.

(Principle G.1.7)

Please refer page 230 of this Annual Report

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. R.N. Asirwatham, Mr. S M Enderby, Prof. P.W.M.B.B. Marambe and Mr. D S Weerakkody 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. S H Amarasekera	Served on the Board for a period exceeding 9 years.
Mr. R.S. Captain	Director of another company which has a significant shareholding in the Company
Mr. M.P. Jayawardena	Director of sub-subsidiaries of the Company
Mr. K B Kotagama	Director of subsidiaries of the Company
Mr. A V P Silva	Director of subsidiaries of the Company
Dr. R C W M R D Nugawela	Director of a subsidiary of the Company

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 (eg. Long standing position or other influential position) to influence the Board to take decisions
    - to his benefit or
    - according to his wishes or
    - against the wishes of the majority of the other Directors or
    - against the interests of the Company.
  - ii. Whether he uses his position to prevent the other Directors from expressing their views and opinions at Board meetings or at any other discussions.
  - iii. Whether the views of the others (Directors, Professionals etc) are disregarded or ignored.
  - iv. Whether the matters are only referred to such Director for a decision, generally or as a practice, without referring these matters to other Directors.
  - v. Whether the other Directors feel that their presence and their contribution is immaterial.
  - vi. Whether the Directors are not given an opportunity to assess the performance of the Board, which includes the performance of every single Director.
  - vii. One reason for non-existence of team spirit is undue influence of one or more Directors. The test to be used is whether there is adequate team spirit in the Board.
  - viii. Whether there is a practice to refer matters, which can be dealt with at a lower level, to such Director.
  - ix. Whether third parties deal with such Director on matters which can be easily finalised by any other party at a lower level.

On the above basis, the Board determined that Mr S H Amarasekera, too, could be considered Independent

## Enterprise Governance

The total number of Board seats (excluding directorship in CIC) held by each director as at 31st March 2016, can be summarised as follows;

Name of the Director	Type	Shareholding	Management Involvement/ Interest	Material Business	No. of Board Seats held in listed Companies- Executive	No. of Board Seats held in listed Companies- Non Executive	No. of Board Seats held in Un-listed Companies- Executive	No. of Board Seats held in Un-listed Companies- Non Executive
Mr. S.H. Amarasekera	NED/ID	No	No	No		10		9
Mr. S.P.S. Ranatunga	ED	Yes	Yes	No		2		18
Mr. R.N. Asirwatham	NED/ID	No	No	No		6		7
Mr. R.S. Captain	NED	Yes	No	Yes		1	10	
Mr. S M Enderby	NED/ID	No	No	No	1	2		21
Mr. M.P. Jayawardena	NED	Yes	No	No		2		11
Mr. K B Kotagama	NED	Yes	Yes	No			1	10
Prof. P.W.M.B.B. Marambe	NED/ID	No	No	No	-	-	-	1
Dr. R C W M R D Nugawela	NED	No	Yes	No		-		1
Mr. A V P Silva	NED	Yes	Yes	No		1	4	4
Mr. D S Weerakkody	NED/ID	No	No	No	-	5	-	5

ED - Executive Director

NED - Non-Executive Director

ID - Independent Director

\*above table includes only direct shareholding

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 2013. 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
<b>Directors</b>	Complied with.
<b>Non-Executive Directors</b>	
(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	
(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
<b>Independent Directors</b>	Complied with.
(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'.	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.
<b>Disclosures Relating to Directors</b>	Complied with.
(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'.	Please refer page 41 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 26 to 29 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.
<b>Corporate Governance</b>	
<b>Remuneration Committee</b>	
A listed Company shall have a Remuneration Committee in conformity with the following requirements:	
<b>(a) Composition</b>	
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	Complied with.
(ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	
Remuneration Committee of the Parent Company may be permitted to function as the Remuneration Committee of the subsidiary.	Complied with.
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.	
One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Complied with.

## Enterprise Governance

Corporate Governance Rule	Company's Adherence
<b>(b) Functions</b>	
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.
<b>(c) Disclosures</b>	
<p>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.</p> <p>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).</p>	<p>Complied with.</p> <p>Please refer page 48 of this Annual Report for the names of the Committee Members and Note 11.1 to the Financial Statements for the details on remuneration paid.</p>
<b>Audit Committee</b>	
A listed company shall have an Audit Committee in conformity with the following requirements:	
<b>(a) Composition</b>	
<p>The Audit Committee shall comprise a minimum of -</p> <p>(i) Two Independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or</p> <p>(ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.</p>	<p>Complied with.</p> <p>Please refer the 'Board Audit Committee Report' on page 46. of this Annual Report for the details.</p>
<p>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.</p> <p>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.</p>	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>(b) Functions</b>	
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.
<b>(c) Disclosures in the Annual Report</b>	
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 46 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 of three Non-Executive Directors, namely, Messrs R.N. Asirwatham, who functions in the capacity of Chairman, S.H. Amarasekera and S.M. Enderby. The Managing Director/CEO, Mr. S.P.S. Ranatunga, Group Finance Director, J. N. Weerakoon and the 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 judgements on matters that come within their purview.

### Role of the Committee

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

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

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

### Meetings

The Committee held 5 meetings during the year. The attendance of the Committee members are given on page 33. The Internal Auditors, Messrs PricewaterhouseCoopers 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 4 reports forwarded by the Internal Auditors. The reports are submitted on a quarterly basis as they carry out the audits according to a scheduled programme. In addition, they carry out special audits if the need arises. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded.

The Company's procedures are in place to ensure compliance with statutory requirements. The compliances are monitored through the quarterly 'Statutory Compliance Report'.

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

financial statements were reviewed prior to publication.

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

The Audit Committee has recommended to the Board of Directors, that Messrs KPMG, be re-appointed as Auditors for the financial year ending 31st March 2017 subject to the approval of shareholders at the Annual General Meeting to be held on 30th June 2016.

### 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 and Steven Enderby for their immense contribution with their vast commercial experience and professional expertise, and also the Managing Director, GFD, CFO of the Company and the Secretary to the Committee for their contribution.



**R.N. Asirwatham**  
Chairman  
Audit Committee

24th May 2016



## Report of the Human Capital & Compensation Committee

Organisations everywhere are finding it harder to get– and keep–the right talent. Intensified competition and rapid shifts in business strategy can quickly create skills gaps. In addition, unrelenting technological advances have fundamentally transformed the way business operates. Changes such as these are driving employers to seek better ways to manage their employees. Thus, we have implemented a robust and a flexible working environment to attract, motivate, develop and retain our right talent. Our goal is to have a high performing team with the required competence, commitment and contribution to support our current and future organisational goals.

The table below is the Headcount report as at 31st March 2016:

Levels	Total
Top management	25
Senior management	94
Professionally qualified and experienced specialists and mid-management	265
Skilled technical and academically qualified staff, junior management, supervisors and clerical staff	986
Workers	461
Total permanent	1,831
Employees on contract	218
<b>Total</b>	<b>2,049</b>
Outsourced employees	928
<b>Total with outsourced employees</b>	<b>2,977</b>

### The composition of the Human Capital & Compensation Committee;

Mr. D. S. Weerakkody, Chairman  
 Mr. S. H. Amarasekera  
 Mr. R. N. Asirwatham  
 Mr. R. S. Captain  
 Mr. S. M. Enderby

The Human Capital & Compensation Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of the Group. The Committee recommends to the Board and its subsidiaries the remuneration to be paid to Key Management Personnel. The Committee reviews HR policies and the policies pertaining to remuneration and perquisites of the Executives of the Company annually with the assistance of external consultants.

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

### Employee Relations

During the year under review, planned employee relations interventions further strengthened and increased the level of employee engagement within the Group. The management maintained regular contact with staff at all levels to create a conducive and more positive working environment.

### Employee Development

The Committee believes that employee development is key for organisational performance. Therefore, the focus would be to create high-impact employee development plans that are aligned with organisational needs to ensure a more engaged workforce and increase productivity by keeping employees' career paths on track.

### Remuneration

The Committee believes that the Company's remuneration strategy is paramount to differentiate us from the competitors and to retain our top performers. Therefore, our remuneration philosophy is anchored on a total reward approach. The remuneration strategy has been designed to enable the company to develop, motivate and retain an internal talent pipeline; and when necessary to attract key talent externally to sustain the performance of the group. As remuneration is also very important to create a strong Employee Value Proposition (EVP) for the Company, our remuneration policy codifies the remuneration principles, processes, practices and procedures to streamline the company's remuneration philosophy and strategy. The Committee reviews the policies pertaining to remuneration and perquisites of the Executives of the Company annually with the assistance of external consultants. The pay mix may comprise a combination of Guaranteed Pay (Fixed Pay and Bonus) and Variable Pay (Short-term Incentives) depending on the level in the organisational hierarchy and performance.

### Performance Management

The company plans to improve the overall effectiveness of the current Performance management system to assist managers and employees to work together to plan, monitor and review work objectives and overall contribution to the organisation. The main objective is to ensure that it is more than just an annual performance review and that it becomes a continuous process of setting objectives, assessing progress and providing on-going coaching and feedback to ensure that employees are meeting their objectives and career goals.

### Leadership Development

To develop effective leaders and manage the talent supply chain, organisations need to formalise their leadership development process and ensure that their leadership programme's

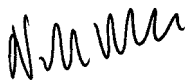
## Report of the Human Capital & Compensation Committee

goals are aligned with their business strategy. To achieve this goal we have obtained the assistance of AON a reputed global HR Consulting Company.

### Succession Planning

Succession planning within our Group is an ongoing process for responding to change, so that our Group operations would go on with as little disruption as possible. We are hoping to implement in 2016 an integrated career and succession management solution to ensure that our best talent is in line for future leadership and critical roles, mitigate the risk of future talent shortages and also to retain and develop critical knowledge capital

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



**D.S. Weerakkody**

*Chairman*

Human Capital & Compensation Committee

24th May 2016

---

## Nominations Committee Report

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

The role and responsibilities of the Committee are-

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

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



**S H Amarasekera**

*Chairman*

Nominations Committee

24th May 2016

## Related Party Transaction Review Committee

### Composition of the Committee

In accordance with the Code of Best Practice on Related Party Transactions, issued by the Colombo Stock Exchange, the Board appointed Related Party Transaction Review Committee comprises of three Independent Non-Executive Directors and the Executive Director, namely, Messrs R.N. Asirwatham, who functions in the capacity of Chairman, S.M. Enderby, D.S. Weerakkody and S.P.S. Ranatunga.

### Terms of Reference of the Committee

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

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

The committee will be scheduling quarterly meetings to review and report to the Board on matters involving RPT falling under its terms of reference.

### Activities during the year

A committee meeting was held during the year to identify, review and recommend the related parties and the policy to the Board. The attendance of the committee members is given on Page 33. In addition the Board of Directors were updated on the related party transactions of the Group companies on a quarterly basis.

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



**R N Asirwatham**  
*Chairman*  
Related Party Review Committee

May 24, 2016.

## Board of Directors' Statement on Internal Controls

### Requirement

The Code of Best Practice on Corporate Governance – 2013 issued jointly by the Securities and Exchange Commission and the Institute of Chartered Accountants, Sri Lanka, recommends the Board to present a statement on internal controls.

### Responsibility

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

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

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

### Key Internal Control Processes

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

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

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

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

In assessing the internal control system the management of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company/ Group.

### Confirmation Statement

The Board of Directors of CIC Holdings PLC (Group) confirm that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting system and the preparation of financial statements for external purposes has been done in accordance with Sri

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

By order of the Board



**S H Amarasekera**  
Chairman



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

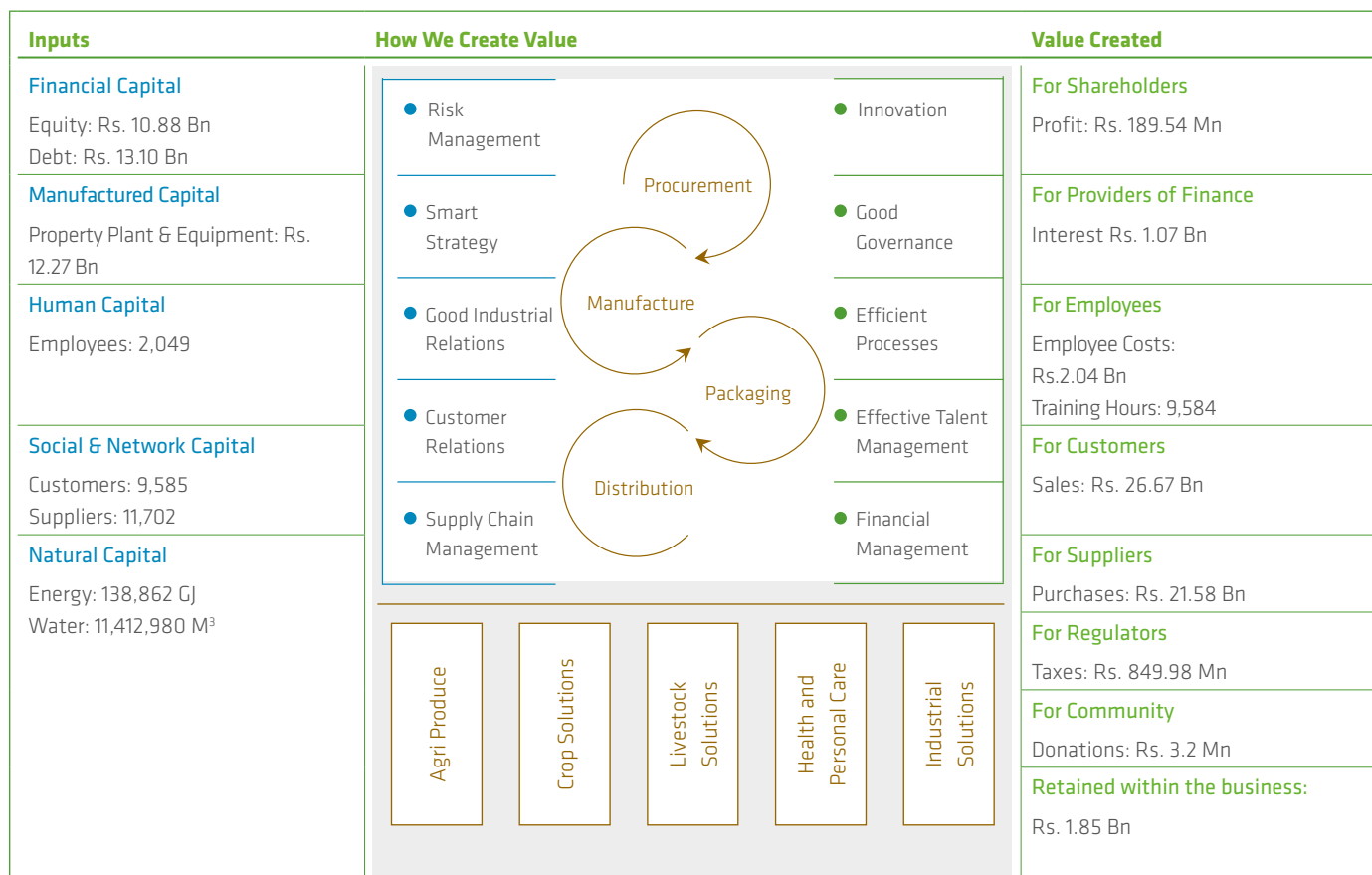


**R N Asirwatham**  
Chairman  
Audit Committee

24th May 2016  
Colombo

## Creating Value for our Stakeholders

### How We Create Value



Value addition to employees increased by

**17%**

Retained within the business improved by

**49%**

### Stakeholder Engagement

CIC maintains an open and meaningful relationship with its key stakeholders, namely customers, employees, shareholders, suppliers, the Government and the communities in its various areas of operation.

These groups are considered to be our most important stakeholders and are continually engaged with according to the rationale described below:

## Stakeholder Engagement

Stakeholder Group	Importance to the Group	Methods of Engagement	Areas discussed through Engagement
Customers	As the focus of our business	<ul style="list-style-type: none"> <li>Regular visits to customers</li> <li>Training sessions on technical matters and on-going technical advice</li> <li>Educational programs</li> <li>Partner development programs – e.g. educating farmers on financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Improvement to product quality and widening their application, including new product developments</li> <li>Better prices for customers have been agreed upon</li> <li>Better credit terms for customers have been negotiated and agreed on</li> <li>Dialogue and training on correct use of fertilizers and use and safe disposal of chemicals through the agriculture, crop protection and industrial chemicals divisions</li> <li>An informative website <a href="http://www.navagoviya.org">www.navagoviya.org</a> was established for rural farmers, in order to spread knowledge of agriculture of common crops, management practises and pest and disease control.</li> </ul>
Employees	Employees drive Company strategy and are our most valuable asset	<ul style="list-style-type: none"> <li>Performance reviews</li> <li>Employee Opinion Surveys</li> <li>In-house newsletters</li> <li>Formal and informal team building sessions</li> <li>Informal gatherings in the form of picnics, Christmas parties, etc.</li> <li>Monthly meetings, reviews, etc.</li> <li>An open door policy is maintained so that staff can share their concerns with the relevant parties at any time</li> </ul>	<ul style="list-style-type: none"> <li>Development of skills and knowledge to match the demands of the job.</li> <li>Career Development</li> <li>Succession planning</li> <li>Engagement with employees, has helped understand underlying issues and thereby avoid industrial disputes</li> </ul>
Shareholders	Shareholders are the owners of the company and provide equity	<ul style="list-style-type: none"> <li>Annual General Meetings</li> <li>Extraordinary General Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders are kept informed of the progress of the company through the AGM. Here they get an opportunity to raise concerns and get clarifications of issues concerning them</li> </ul>

## Creating Value for our Stakeholders

Stakeholder Group	Importance to the Group	Methods of Engagement	Areas discussed through Engagement
<b>Suppliers</b>	Our supply chain is integral to our operations and our suppliers help us keep the customer happy with reliable products available at the right time, at the expected levels of quality.	<ul style="list-style-type: none"> <li>• Supplier visits both local and foreign to their offices and factories</li> <li>• Inviting suppliers to visit our premises in return</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers are informed of changes in regulations imposed by regulators and their support is sought in order to conform to the requirements</li> <li>• Suppliers are also informed of changing market requirements and changes in end consumer needs</li> <li>• Constant dialogue, particularly with agro chemicals, industrial chemicals, and pharmaceuticals suppliers, to ensure product quality and safety</li> <li>• Out-grower farmers are provided with training and knowledge sharing opportunities</li> <li>• Better terms and conditions are negotiated</li> </ul>
<b>Government/Regulators</b>	The Government and other regulators are the implementers of policy and regulation, which can impact on our strategy formulation and business operations	<ul style="list-style-type: none"> <li>• Advising the Government on agricultural and livestock policy setting</li> <li>• Meetings with Government officials as the need arises - on community investment activities, utilisation of state land, taxes, subsidies, national issues such as ground water contamination, excess use of fertilizer etc.</li> <li>• Sharing world trends and knowledge with regulators</li> </ul>	<ul style="list-style-type: none"> <li>• On-going discussions on fertilizer pricing and subsidy schemes</li> <li>• On-going discussions on the increased regulation and tightening of the registration process for crop protection chemicals</li> <li>• Discussion on price controls as and when required</li> <li>• CIC is present on Advisory Boards on agriculture and livestock policy</li> </ul>
<b>Local Communities</b>	Local communities are the wider population whose lives we impact through our operations	<ul style="list-style-type: none"> <li>• Regular dialogue is undertaken with these parties</li> <li>• Regular educational focus on agriculture to provide exposure to farmers</li> <li>• Internship programs for students in our factories and farms</li> <li>• Community investment activities</li> <li>• Providing employment opportunities – through direct employment as well as through our out-grower programs</li> </ul>	<ul style="list-style-type: none"> <li>• CIC recruits staff as far as possible from the environs of the company operations to ensure adequate infusion of local knowledge and culture</li> <li>• CIC engages in numerous community development activities</li> <li>• We are also involved in raising the financial literacy of farmers</li> </ul>
<b>Environmental groups</b>	Engagement with environmental groups helps us to ensure that we uphold our commitments towards protecting the environment	<ul style="list-style-type: none"> <li>• Discussions</li> </ul>	<ul style="list-style-type: none"> <li>• Any concerns raised by these groups are evaluated and are attended to immediately</li> </ul>



## Determining Materiality

### Identified Material Aspects and Boundaries

All entities included in the Company's consolidated financial statements can be found listed on page 139 of this Annual Report. Of this list, our subsidiaries CIC Cropguard (Pvt) Ltd, Crop Management Services (Pvt) Ltd, Colombo Industrial Agencies Limited, and CIC Lifesciences Limited, as well as our associate company Akzo Nobel Paints Lanka (Pvt) Ltd are not covered by this Report.

Steps will be taken to include these entities in future reports of CIC Holdings PLC.

Prior to deciding on what aspects should be included within the scope of this report, CIC analysed the full list of aspects as set out in

the GRI G4 Guidelines against the activities of CIC Holdings and its key subsidiaries, taking into account areas where the Group entities could cause significant actual or potential impacts. Last year having undertaken this exercise at Group level, the Company then went on to hold discussions with key representatives from each subsidiary in order to validate the identified aspects. Through this process, material aspects were determined for each key entity of the Group, and aspect boundaries were determined as shown below. This year too, the material aspects and aspect boundaries were determined to be the same as the previous year.

CIC also took into account the extent to which stakeholders are affected by each entity's

impacts, as well as the aspects that would be most relevant to report on from the point of view of the Company's key stakeholder groups, when determining aspects to be reported.

As a Group that markets fertilizer and crop protection chemicals and manufactures PET Bottles, we are aware of the impact these have on the environment and health of the people of this country and have taken this too into consideration when determining the material aspects to be included in this report

The Company strives to make its reporting process as complete as possible, but recognises that some gaps may still prevail.

The identified material aspects and corresponding aspect boundaries are as follows:

Categories	Aspects	CIC Holdings	CIC Agri	CIC Feeds	Chemanex	Link Natural	Cisco
Materiality and Aspect Boundary							
<b>Economic</b>							
	Economic performance	✓	✓	✓	✓	✓	✓
	Market presence	✓	✓	✓	✓	✓	✓
	Indirect economic impacts	✓	✓	✓	✓	✓	✓
	Procurement practices	✓	✓	✓	✓	✓	✓
<b>Environmental</b>							
	Materials			✓	✓	✓	✓
	Energy	✓	✓	✓	✓	✓	✓
	Water	✓	✓	✓	✓	✓	✓
	Biodiversity	✓	✓			✓	
	Emissions				✓		
	Effluents and waste	✓	✓	✓	✓	✓	✓
	Products and services	✓	✓	✓		✓	✓
	Transport	✓	✓	✓	✓	✓	✓
	Supplier environmental assessment	✓	✓				
<b>Labour Practices and Decent Work</b>							
	Employment	✓	✓	✓	✓	✓	✓
	Occupational health and safety	✓	✓	✓	✓	✓	✓
	Training and education	✓	✓	✓	✓	✓	✓
	Diversity and equal opportunity	✓	✓	✓	✓	✓	✓
	Labour practices grievance mechanisms	✓	✓	✓	✓	✓	✓

## Creating Value for our Stakeholders

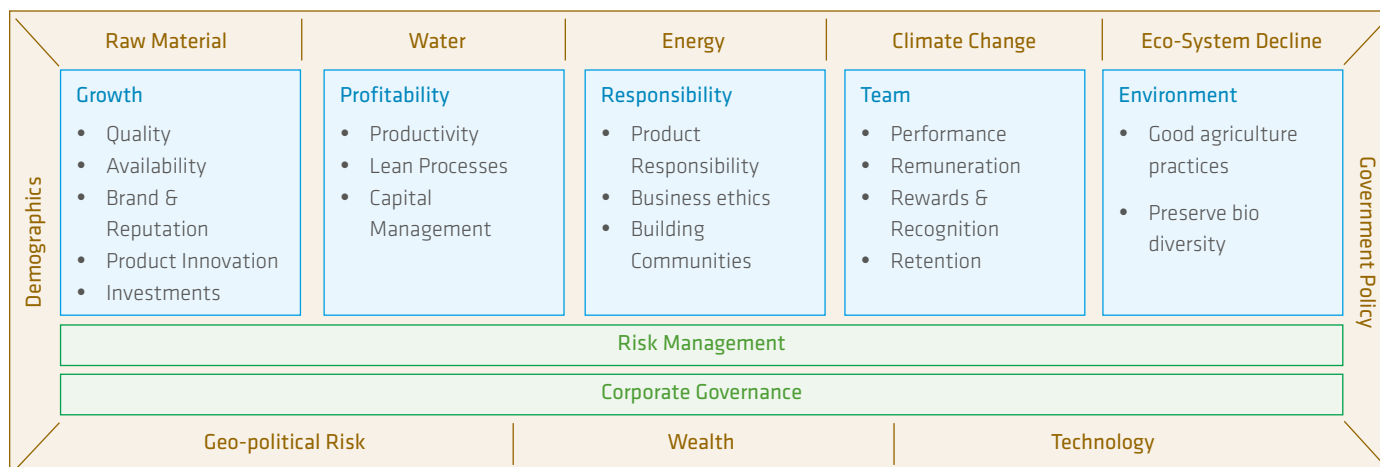
Categories	Aspects	CIC Holdings	CIC Agri	CIC Feeds	Chemanex	Link Natural	Cisco
Materiality and Aspect Boundary							
<b>Human Rights</b>							
	Non discrimination	✓	✓	✓	✓	✓	✓
	Freedom of association and collective bargaining	✓	✓	✓	✓	✓	✓
	Child labour		✓			✓	
	Supplier human rights assessment		✓			✓	
<b>Society</b>							
	Local communities	✓	✓	✓	✓	✓	✓
	Compliance	✓	✓	✓	✓	✓	✓
<b>Product Responsibility</b>							
	Customer health and safety	✓	✓	✓		✓	✓
	Product and service labeling	✓	✓	✓	✓	✓	✓
	Marketing communications		✓	✓		✓	
	Compliance	✓	✓	✓	✓	✓	✓

Some limitations regarding aspect boundaries do exist within the Company as there are some entities of the business that have not yet been included in the reporting process, as described previously. In addition, at this stage materiality has only been determined for within the Company and not outside of the Company. For all identified aspects however, it is deemed that the aspect is material for the entire geographical boundary of each entity to which it is relevant.

### An Inclusive Strategy

Our strategic planning process takes in to account the identified materials aspects, factors shaping our businesses which are beyond our control and our value creation processes which are discussed and deliberated in the strategy formulation process. The outcome of our strategic planning process is graphically depicted below. The periphery defines the forces shaping our businesses

which are largely beyond our control to ensure it remains in our radar to respond at need. Corporate Governance and Risk Management form a solid foundation for the Group, defining how we will conduct business with external parties. All strategic initiatives have been prioritised and categorised in to four pillars of Growth, Profitability, Responsibility and Team which are the key areas of performance which we need to deliver.



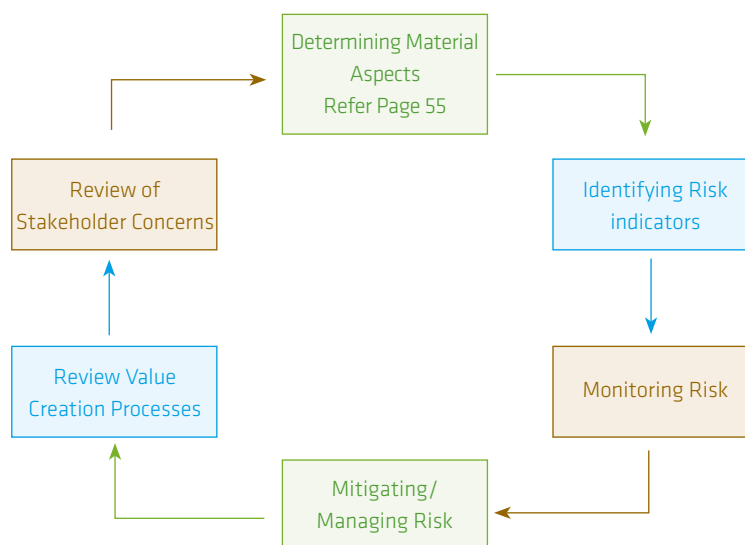
## Managing Risk

Sustained delivery of shareholder value relies on effective management of risk as it represents both an opportunity and a threat. While the ultimate responsibility for effectively managing risks lies with the Board, numerous employees within the group accept, mitigate and manage a wide range of risks on a daily basis. In recognition of this the Board has set in place a risk management framework comprising a risk governance structure, policies, monitoring and assessment processes to manage the same. The Board is fully aware that risk management is a dynamic and evolving aspect of the business, requiring monitoring of both internal factors and external factors that impact our diverse businesses. Risk awareness is key to managing it and CIC Group possesses an experienced team of professionals whose knowledge of the dynamics of their respective spheres of activity fosters a keen awareness of risk in their respective teams.

The Audit Committee has responsibility for risk and internal control with each business sector responsible for identifying and managing risk their respective areas of operation which are

reviewed on an overall basis by the Corporate Management Team and the Board on a monthly basis. Some risk factors are monitored at more frequent intervals if determined necessary by the respective sectors with escalation of the same on reaching specified thresholds to identified officials with the authority and judgment to respond appropriately within specified guidelines.

Businesses identify and assess the risks impacting their operations on an annual basis giving due consideration to its value creation processes, operating environment and results from the stakeholder engagement activities. Those risks which are assessed to have a moderate to high probability of occurrence and/or a moderate to high impact on the operations of the company are monitored and managed actively.



## Principal Risks & Uncertainties

The Top Risks to the Group's capacity to deliver value to its stakeholders are summarised below.

Impact	Mitigating Activities	Net Risk Assessment
<b>Climate Change</b>		
Temperatures, humidity and rainfall impact all businesses in the agriculture sector as a good harvest depends greatly on favourable climatic conditions.	<ul style="list-style-type: none"> <li>Drip irrigation systems set in place in the farms to combat drought as the farms are in dry zone.</li> <li>Investments in greenhouses to grow vegetables</li> <li>Facilitating crop protection insurance for farmers</li> </ul>	<b>High</b> Based on the limited impact of possible mitigating activities and limited range of tools to manage this risk.
<b>Eco system decline</b>		
Eco system decline affects the yields of the agricultural sector and have negative social impacts on the communities in which we operate.	<ul style="list-style-type: none"> <li>Educating farmers on sustainable agricultural practices, particularly the judicious use of fertilizer and other agro chemicals</li> <li>Implementing sustainable agricultural practices in our own farms</li> <li>Introducing high yielding seed varieties to maximise yield</li> </ul>	<b>High</b> Based on degree of difficulty in changing behavior of farmers

## Managing Risk

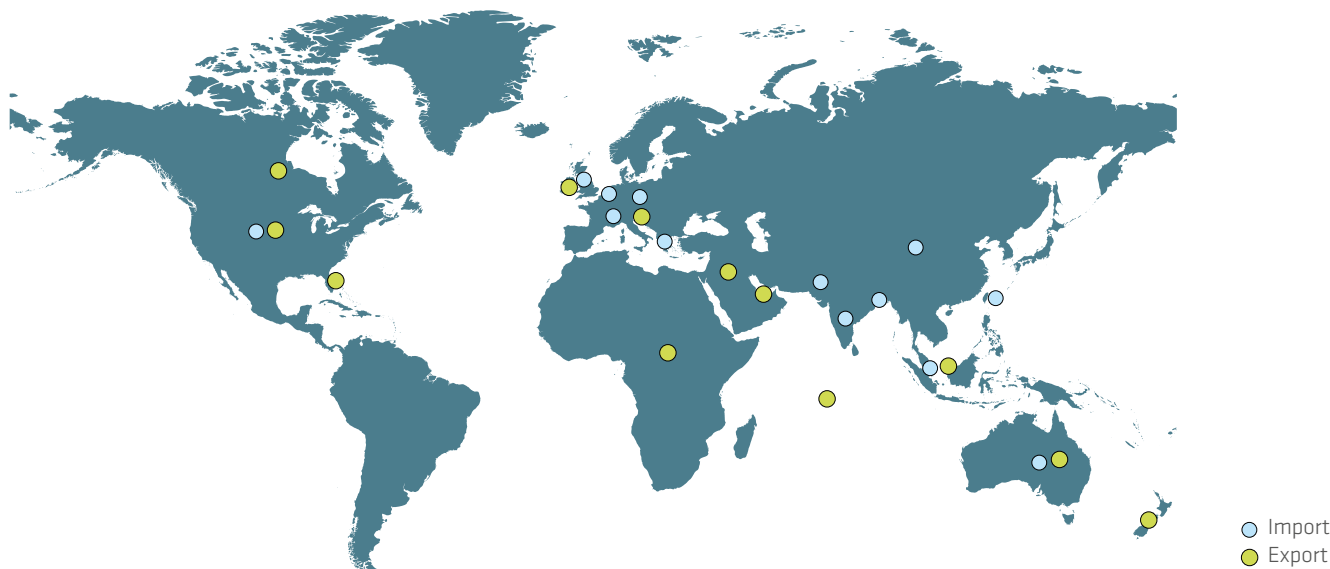
Impact	Mitigating Activities	Net Risk Assessment
<b>Availability of Water</b>		
Water is required for many of our factories and farms.	<ul style="list-style-type: none"> <li>The principal source of water for our factories is from municipal sources which have the capacity to provide a stable supply of water</li> <li>Our farms have drip irrigation systems in place which can be switched on when required to mitigate dry weather conditions</li> <li>Recycle water withdrawn from source for cooling and heating purposes</li> </ul> <p>Refer page 61 of the Natural Capital segment for further information.</p>	<p><b>Moderate</b></p> <p>Based on rainfall patterns and investments in reducing water footprint</p>
<b>Raw Material</b>		
Raw materials directly impact the quality of our wide range of manufactured products	<ul style="list-style-type: none"> <li>Work with globally renowned suppliers of raw materials</li> <li>Ensure that suppliers of raw material have certifications for their manufacturing processes</li> <li>Quality control processes from receiving point to ensure a match with specifications</li> <li>Monitoring market trends for raw materials to ensure we receive competitive pricing</li> </ul> <p>Refer page 116 on Creating Value for Suppliers for further information.</p>	<p><b>Moderate</b></p> <p>Based on supplier screening and quality control processes</p>
<b>Customer Satisfaction</b>		
Customer satisfaction is key to business growth	<ul style="list-style-type: none"> <li>High levels of customer engagement to understand areas of concern including market research</li> <li>High levels of product responsibility maintained throughout the entire Group</li> <li>Regular review of product portfolios and product launches to introduce new products to market</li> <li>Monitoring customer rankings</li> </ul> <p>Refer Creating Value for Customers on page 103</p>	<p><b>Moderate</b></p> <p>Based on processes in place and adjusted to recognise the rapid pace of change in customer requirements</p>
<b>Government Policy</b>		
Government policies in diverse areas varying from agriculture, interest rates, inflation, energy and wages has a direct impact on the CIC Group.	<ul style="list-style-type: none"> <li>Government policy is monitored and group strategy is aligned accordingly</li> <li>Participating in joint industry panels and government panels to create awareness of prevailing issues and formulating appropriate strategies to resolve them</li> </ul>	<p><b>Moderate</b></p> <p>Based on assessment current levels of impact</p>

Impact	Mitigating Activities	Net Risk Assessment
<b>Energy</b>		
Energy is required at every stage of our manufacturing operations and has a direct impact on our carbon footprint	<ul style="list-style-type: none"> <li>• Review energy requirements and supply from the main grid</li> <li>• Investing in energy efficient machinery and equipment</li> <li>• Continuous monitoring of energy intensity ratio to drive required action</li> <li>• Back-up energy generating equipment being installed.</li> <li>• Investing in energy audits to explore energy saving improvements and opportunities.</li> <li>• Refer page 61 of the Natural Capital segment for further information</li> </ul>	<b>Low</b> Based on availability of energy and country's plans to increase capacity
<b>Employee Health &amp; Safety</b>		
We value our employees and recognise our responsibility to provide a safe working environment. We also understand that specific aspects of our processes present higher levels of risk to employees' health and safety.	<ul style="list-style-type: none"> <li>• Establishment of worker management health and safety committees to ensure their views are understood and addressed</li> <li>• Establishing safety procedures for all operations that present risks to employees and ensuring implementation of the same</li> <li>• Maintaining and monitoring employee health and safety statistics</li> </ul> <p>Refer page 108 of the Human Capital Report for further information.</p>	<b>Low</b> Based on established structures, procedures, monitoring and review mechanisms
<b>Employee Relations</b>		
Employee relations are a key concern we rely on their skills and commitment to deliver value to stakeholders	<ul style="list-style-type: none"> <li>• Open door policy for employees to discuss areas of concern</li> <li>• Balanced HR policies applied in a consistent manner building trust with employees</li> <li>• Policy of giving preference to internal candidates for vacancies</li> <li>• Mentoring culture</li> <li>• High retention rates</li> </ul> <p>Refer page 108 of the Human Capital Report for further information.</p>	<b>Low</b> Based on established structures, procedures, monitoring and review mechanisms
<b>Effluents &amp; Waste</b>		
Effluents from our processes contain chemicals and are discharged to the river after treatment which can affect the community and the bio diversity of the surrounding area.	<ul style="list-style-type: none"> <li>• Investing in effluent treatment and solid waste management</li> <li>• Monitoring quality of effluents to ensure conformity with CEA requirements</li> </ul> <p>Refer Natural Capital Report on page 61</p>	<b>Low</b> Based on investments and rigorous monitoring processes in place

## Managing Risk

Impact	Mitigating Activities	Net Risk Assessment
<b>Product Responsibility</b>		
Product responsibility is critical to our reputation and growth	<ul style="list-style-type: none"> <li>Compliance with regulatory and certification requirements</li> <li>Monitoring of customer complaints</li> <li>Supplier screening for financial, social and environmental criteria</li> <li>Quality control processes</li> </ul> <p>Refer Creating Value for Customers on page 103</p>	<p><b>Low</b></p> <p>Based on processes in place</p>
<b>Community Relations</b>		
As key player in the country's agricultural sector supporting livelihoods of many farmers, community relations are vital for our growth.	<ul style="list-style-type: none"> <li>High levels of engagement with community and farmer networks at all levels</li> <li>Strong community value propositions to maintain an appropriate balance</li> <li>Building pride in the organisation with farmers and community</li> </ul> <p>Refer Creating Value for the Community on page 119.</p>	<p><b>Low</b></p> <p>Based on high levels of engagement with communities</p>
<b>Emissions</b>		
Directly impacts our carbon footprint, compliance with CEA license and the quality of air in the community.	<ul style="list-style-type: none"> <li>Investments in energy efficient technology</li> <li>Continuous monitoring of emissions to ensure compliance with CEA requirements and certifications</li> </ul> <p>Refer Natural Capital Report on page 61 for more information</p>	<p><b>Low</b></p> <p>Based on current requirements and plans in place for reducing the carbon footprint</p>
<b>Relationships with Principals</b>		
A significant proportion of our businesses rely on relationships with principals of global repute	<ul style="list-style-type: none"> <li>High levels of engagement with principals at senior levels</li> <li>Compliance with varying requirements of principals for storage, marketing and distribution of their products and other administrative aspects</li> <li>Consistent delivery of value to principals</li> </ul>	<p><b>Low</b></p> <p>Based on processes in place for compliance and proven track record for performance</p>
<b>Marketing Communications</b>		
Marketing communications are key to growth requiring a fine balance that does not over promise while conveying our capability to potential and existing customers	<ul style="list-style-type: none"> <li>Marketing communications are reviewed at Corporate Management level to ensure accuracy, integrity and appeal</li> <li>Monitoring fines, if any.</li> </ul>	<p><b>Low</b></p> <p>Based on high level team engaged in the process and zero fines.</p>

## Operating Environment



***Group's alliances with powerhouses in diverse fields of activity, ranging from medical devices to agriculture and chemicals, provide access to the latest research and development in the respective fields.***

Global economic developments impact CIC Group operations as we derive 6% of our revenue from diverse markets overseas and import a variety of products and industry intermediates from reputed overseas manufacturers to local consumers and corporates. Global trends and developments also impact the Sri Lankan economy which is our principal market accounting for 94% of group revenue. In this section of the report, we review relevant trends and developments impacting the operations of CIC to provide context to our performance which are identified as the following:

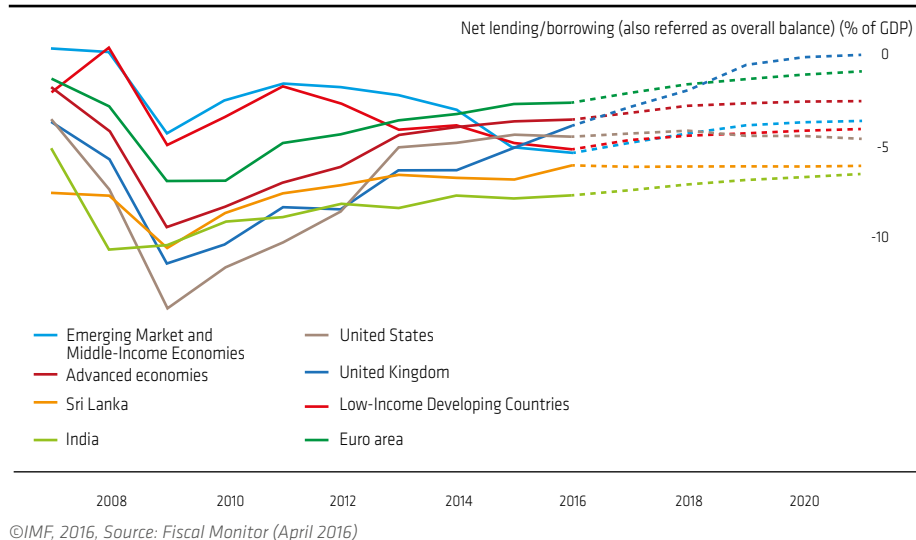
- Economy
- Government Policy
- Demographics & Wealth
- Availability of Raw Materials
- Availability of Water
- Energy
- Climate Change & Eco-System Decline
- Food Security
- Technology

### Economy

Global economic growth declined from 3.4% in 2014 to 3.1% in 2015 as estimated by the IMF in its April 2016 publication of the World Economic Outlook which draws attention to the softening of activity in the 4th quarter of 2015 in advanced economies. Factors shaping global growth include stresses in several large emerging market economies, falling commodity prices, geopolitical tensions and impacts from rebalancing of China's economy. Advanced economies growth of 1.9% was strongly supported by 2.4% growth in the USA although there is increasing concern over internal issues within both USA and the Euro Zone stemming from income inequality, effects of globalisation and terrorism. Growth in Developing and Emerging Market economies slowed down to 4% in 2015 from 4.6% in 2014 reflecting declining tradeflows, particularly in India and China due to lower investments in commodity exports as markets declined. A noteworthy development was China moving up as the world's largest economy on a purchasing power parity basis as USA became the second largest economy although on a per capita income basis a wide gap still exists between the two countries ranging around \$50,000 in the USA and US\$ 5,000 in China. Currencies in advanced economies strengthened including

## Operating Environment

### IMF Data Mapper



the US dollar, Euro and the Yen while those of commodity exporters weakened. The British Pound depreciated due to expectations of a normalisation in monetary policy and concerns over a potential Brexit dependent on the referendum scheduled for June 2016. The Chinese Renminbi depreciated by around 2% reflecting repayment of dollar denominated debt by corporates and increased acquisition of assets by residents due to expectations of currency depreciation while the Indian Rupee remained relatively stable.

The same report projects global growth at a modest 3.2% in 2016 increasing to 3.5% in 2017 with emerging market and developing economies continuing to account for the greater part of global growth albeit at a modest pace of 4.1% in 2016 increasing to 4.6% in 2017. Advanced economies are expected to grow at 3%-5% benefitting from lower energy prices and accommodative monetary policies despite the increasing of policy rates by the Federal Reserve in December 2015 after a decade. It is noteworthy that the IMF has revised its global growth forecasts downwards by 0.4% for 2016 and 0.3% for 2017 from its October 2015 forecast reflecting increasing uncertainties and risks of weaker growth scenarios becoming more tangible.

	GDP Growth Rate %
Sri Lanka	5.0
World	3.1
Emerging & Developing Markets	4.0
Emerging & Developing Asia	6.6

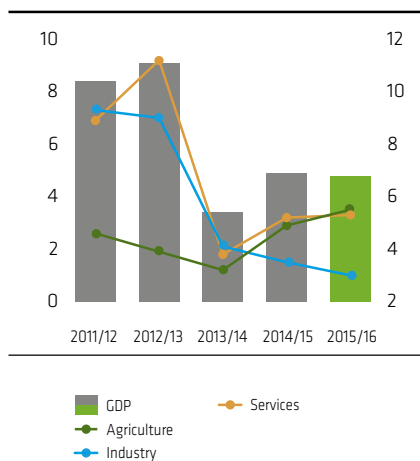
Source: IMP World Economic Outlook April 2016

### Sri Lanka

Sri Lanka's economic growth in 2015 was 4.8%, marginally lower than the growth rate recorded in 2014 of 4.9%. Economic growth in 2015 was supported by growth in the agriculture and services sectors while industry sector growth moderated. The value of exports declined by 9.8% impacted by lower demand in traditional markets and declining commodity prices adversely impacting both the agriculture and industry sectors. It is noteworthy that the volume index moved up 4.6% reflecting the impact of declining prices. Strengthening of the US dollar during the year resulted in capital outflows in Sri Lanka and other emerging markets resulting in pressure on

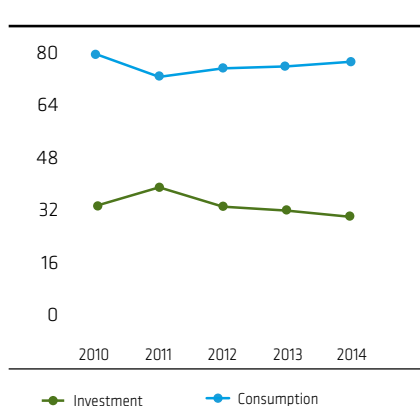
the rupee. However, lower commodity prices in international markets off-set these shocks were to a great degree. Inflation moved up from 2.1% at end of 2014 to 2.9% by end 2015 with Clothing & Footwear and Healthcare costs offsetting declining prices of transport, housing, water, electricity, gas and other fuels. Capital outflows and declining worker remittances exacerbates balance of payment issues offsetting the gains from reduced oil prices and a growing tourism industry. Consequently, the budget deficit at the end of 2015 was 7.4% of GDP compared to 5.4% in the previous year.

### GDP Growth (%)



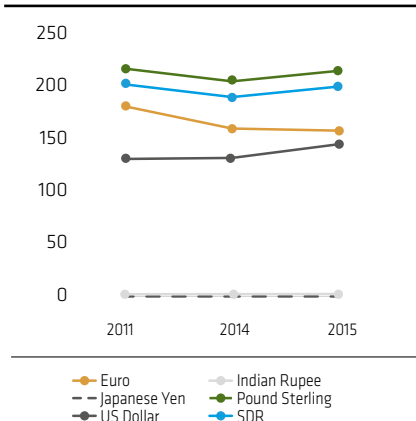
Source: CBSL

### Consumption & Investment



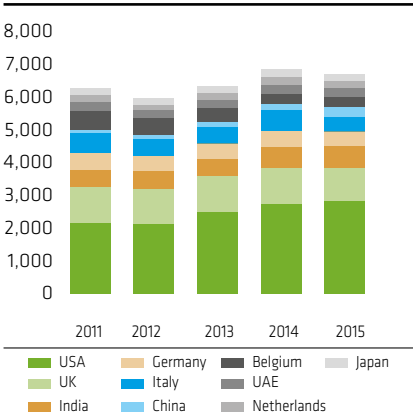


## Exchange Rate Movement



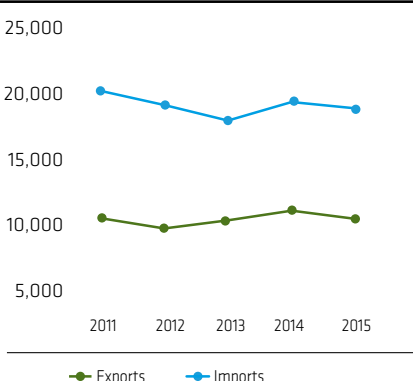
## Top Ten Export Destinations

(USD Mn.)

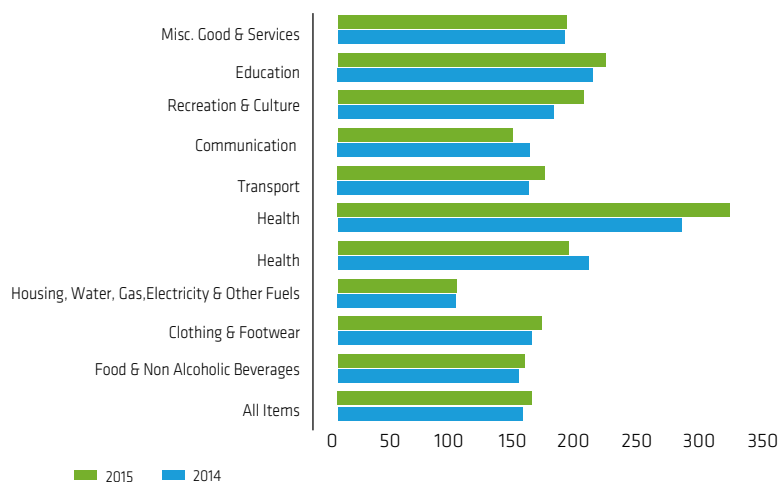


## Imports & Exports

(Rs. Mn.)



## Colombo Consumer Price Index (CCPI Analysis)



## Government Policy

As a group deriving 49% of revenue from the agriculture sector which creates livelihoods for many and employs a further substantial percentage of the population, the government is a significant stakeholder and its policy direction can significantly impact various aspects of the Group's performance. Policies that impact the agriculture sector include fertilizer subsidies, regulation of fertilizer, regulation of pesticides and weedicides, access to finance for small scale farmers, infrastructure development and price regulation for inputs or outputs. Additionally, monetary policy affects interest rates and exchange rates which impact our competitiveness for exports and demand for imports.

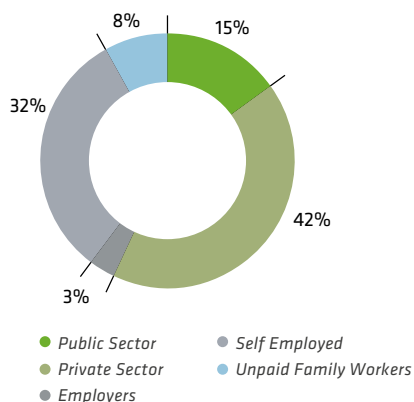
## Demographics & Wealth

Socio economic factors drives demand for our products, impact our productivity, availability of talent and have a strong impact on government policy. A steady increase in per capita income, which was US\$ 3,924 in 2015, has made the Sri Lankan consumer more discerning in their spending habits with a shift to lifestyle products. Real wage increases during the year supported consumption. Unemployment averaged 4.6% in 2015 varying across age groups with a high levels of 23.8% and 19.7% in the 15-19 age group and the 20 - 24 age group respectively. Labour force participation increased marginally from 53.3% in 2014 to 53.8% in 2015 of which male and female participation rates are 74.7% and 36.6% respectively. Unemployment amongst youth and educationally qualified persons combined with Business Outlook Survey findings of skills shortages points to a skills mismatch in the labour market, aggravating shortages of talent from an employer perspective.

## Operating Environment

**Strong performance of the agriculture sector in 2015 supported by a favourable climate ensured a sufficiency of locally produced inputs for processes.**

### Status of Employment 2015



### Availability of Raw Materials

Principal raw material inputs in to the Group businesses comprise of agricultural produce and a wide range of chemicals.

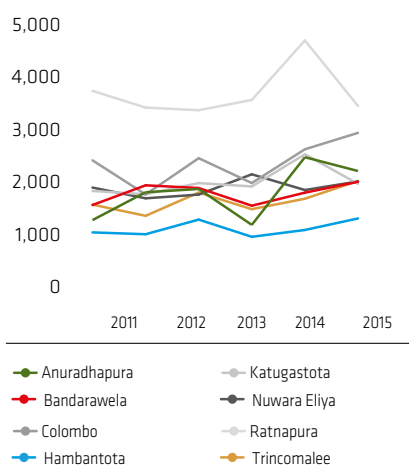
Strong performance of the agriculture sector in 2015 supported by a favourable climate ensured a sufficiency of locally produced inputs for processes. Whilst weather and disease factors remain the largest inherent risk for availability of sufficient produce, renewed interest and investment in agriculture together with a greater awareness of the need for crop protection and yield maximisation serve to mitigate the downside risks to availability of agricultural raw materials.

With chemicals involved in the production of 96% of manufactured goods globally, availability of chemicals, in general terms, is promising. Chemical industry growth was moderate in 2015 with declining crude oil prices and uneven demand and supply factors impacting both prices and production. The American Chemical Council estimates global growth in 2015 to be 2.8% marginally lower than the 3% in 2014. Industry growth is expected to improve to 3.3% in 2016 and 3.7% in 2017 spurred by stronger growth rates from developing nations in Asia-Pacific, Middle East & Africa.

### Availability of Water

Water is a key input for almost all sectors within the Group and availability is a critical aspect of their operations. The Metereology Department forecasts higher variability of rainfall with wet areas getting wetter and dry areas getting dryer with a strong possibility of water scarcity in the dry regions, aggravated by projected increases in mean temperatures due to increased emissions of Greenhouse gases. The impact on the agricultural sector is significant as the dry zone generates significant activity in the sector in the country.

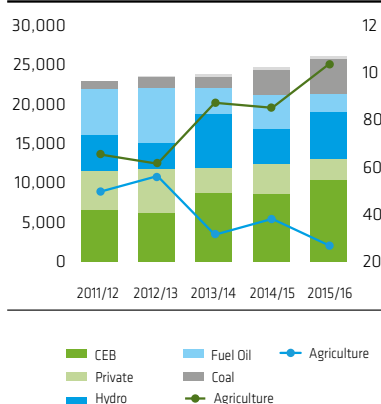
### Annual Average Rainfall



	2015 %	2016 %	2017 %
Chemicals (Excl. pharma)	2.8	3.3	3.7
Agricultural Chemicals	3.3	2.5	3
Consumer Products	0.9	2.7	3.7
Basic chemicals	2.4	3.2	3.6
Inorganics	2.6	3.5	3.5
Bulk Petroleum & Organics	2.1	3.6	3.8
Plastic Resins	3	3.1	3.9
Synthetic Rubber	3.4	3.3	3.2
Manmade Fibres	4.1	3.5	3.4
Specialties	3.8	3.9	4.1
Coatings	1.7	2.8	3.1
Other Specialties	4.7	4.3	4.6

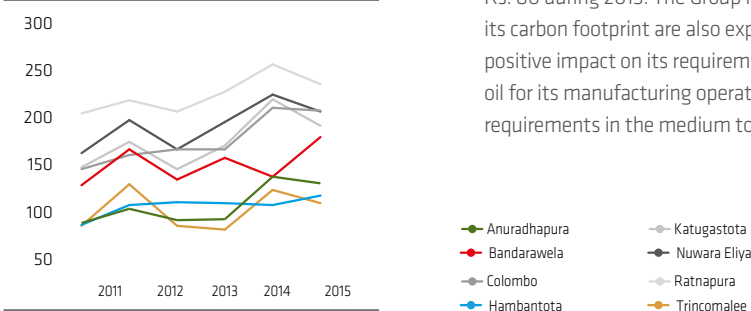
**Local and global focus on food security has favourable impacts on the Group's agri produce and livestock sectors, expanding opportunities and growing demand for its products.**

### Electricity Generation

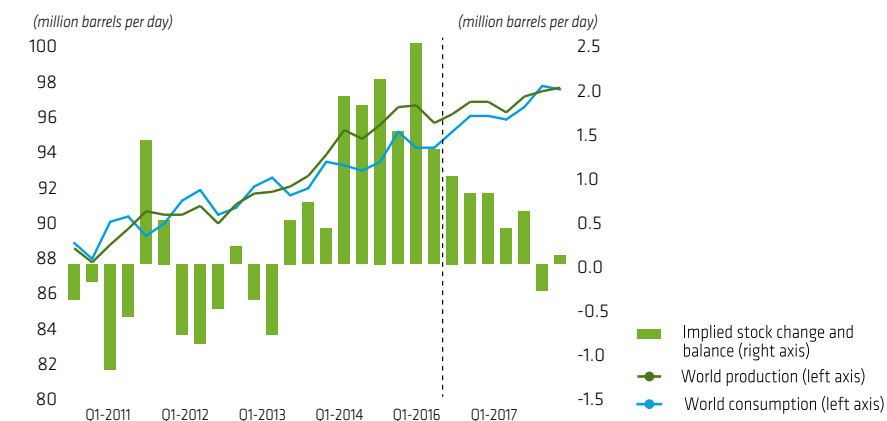


### No. of Rainy Days

(Rs. Mn.)



### World Liquid Fuels Production and Consumption Balance



Source: Short-Term Energy Outlook, April 2016

### Energy

The Group consumed 25,805 MWh of electricity from the main grid and 601,274 Litres of furnace oil to generate power required for their operations. Sri Lanka's total electricity generation in 2015 was 13,090 GWh an increase of 5.9% from 12,357 GWh in 2014, facilitating the increased demand for energy. Increasing investments in energy efficient technology within the Group coupled with the operationalising of the Norochcholai power plant, high rates of electrification (98.5%) and a strong pipeline of power projects in the country provides comfort regarding the availability of power for the Group's requirements.

Availability of fuel has improved significantly as global oil production exceeds demand as demonstrated in the chart below resulting in the price of furnace oil declining from Rs.90 per litre to Rs. 80 during 2015. The Group initiatives to reduce its carbon footprint are also expected to have a positive impact on its requirements of furnace oil for its manufacturing operations, reducing its requirements in the medium to long term.

## Operating Environment

### Climate Change & Eco-System Decline

Climate change and eco-system decline impacts the Group directly through supply and demand for raw materials which are derived from natural sources, availability of water and impacting the demand for agro chemicals in numerous ways. Sri Lanka's CO<sub>2</sub> emissions in 2014 were 0.73 MT per capita comparing well with 1.41 and 4.95 MT per capita for South Asia and the World making it a relatively low contributor to global emissions. These factors also drive environmental regulation, government policy and changing consumer preferences in diverse ways, impacting the supply of raw material, demand for the Group's products. These factors also drive the Group's investment in effluent treatment plants and solid waste management systems as we strive to reduce the Group's carbon footprint and drive environmental compliance nurturing a growing understanding of the issues and their urgency in building a conglomerate that can deliver sustainable value to its stakeholders.

### Food Security

Local and global focus on food security has favourable impacts on the Group's agri produce and livestock sectors, expanding opportunities and growing demand for its products. As Sri Lanka imports around 25% of its food requirement, areas for growth centre around import substitution and exports. The country's agricultural policy is focussed on meeting the total requirements of maize, gram, potatoes, chillies, big onions by 2018 which are major food commodities that are partly met through imports. Launched in March 2016, the programme "A Wholesome Agriculture, A Healthy Populace and A Toxin Free Nation" will give rise to a number of strategies which will be favourable to the Group. Withdrawal

of the fertilizer subsidy and introduction of a cash grant for small farmers with plots below 2 acres in extent is viewed as a positive move to improve yields with the right inputs and serves to progress the country towards this goal.

### Technology

Shaping business constantly, technology is a game changer and a dynamic source of competitive advantage in every sector. The agriculture businesses provide lucrative opportunities as the level of technology in agriculture is relatively low and there is increasing awareness of the need to maximise yields through use of appropriate technology. The Group's alliances with powerhouses in diverse fields of activity, ranging from medical devices to agriculture and chemicals, provide access to the latest research and development in the respective fields. It has the capacity to be a catalyst in the country's quest to introduce cutting edge technology to a wide spectrum of economic activity and endeavours to fulfil this role in a sustainable manner, delivering value to the stakeholders involved in the process. Technology also enables operational efficiencies in a range of activities facilitating efficient use of resources such as raw materials, energy and water and the Group continues to invest in the same.

## Business Performance

CIC Holdings PLC has diversified business interests which are segmented in to the following key business lines.

### Key Business Lines



#### Agri Produce

- Agri Produce contributes negatively to the Groups Profits
- The sector has an extensive product range for the Agriculture industry, with such products as seed paddy, rice, fruit, vegetables, eggs, yoghurt, curd, etc which are marketed under the CIC brand name, both in the local and international market. Along with the products various technological parks, resorts and CIC specialty outlets boasts this segment.



#### Livestock Solutions

- Live Stock Solution contributes 13% to the Groups Profits.
- Company's under this sector manufactures, formulates and supply's animal feed and day old chicks.



#### Crop Solutions

- Crop Solution contributes 28% to Groups Profits.
- This segment provides protection solutions catering to the management of weeds, insects, and diseases (ranging from organic and bio pesticides to synthetic chemicals), and also includes plant stimulants and liquid fertilizers.



#### Health & Personal Care

- Health Care and Personal Care contributes 24% to Groups' profits.
- This segment includes the pharmaceutical products range, medical devices, Link Natural herbal and healthcare range and international brands such as Johnson and Johnsons, Clean & clear, Neutrogena, Stay Free etc.



#### Industrial Solutions

- Industrial Solutions contributes 38% to Group Profits.
- The segment includes construction material such as Dulux, Pentalite paints, manufacture, merchandising and export of chemicals and manufacturing of speciality plastic packaging and stationery products.



**CIC** | Agri  
Produce





***The Agri Produce sector includes agri-produce retail, agricultural resorts, dairy production and fruit and vegetable cultivation. This is a key sector for the Group, which caters to the country's food security, nutrition and import substitution initiatives. Our businesses in this segment are market leaders with a portfolio of household brands trusted by our customers.***



## Agri Produce

***CIC is the only company in Sri Lanka that manages the entire supply chain from seed to shelf connecting rural farmers to urban consumers and facilitating the socio economic progress of rural communities with the guarantee of CIC quality.***



**CIC Yoghurt Drink captured approximately 30% of the yoghurt drinking market.**

---

# 158%

*Asset growth portrays the investment for the future*

---

---

# 9%

*Contribution to the Group Revenue*

---



CIC Agribusiness manages over 10,000 acres of farmland and work with over 20,000 rural farmers in producing a wide range of Agri Produce including milk which caters to the country's food security, nutrition and import substitution initiatives. It is the only company in Sri Lanka that manages the entire supply chain from seed to shelf connecting rural farmers to urban consumers and facilitating the socio economic progress of rural communities with the guarantee of CIC quality. We also make substantial investments in our research and development facilities which include rice breeding, soil labs, seed labs, food labs and tissue culture labs and work with reputed overseas principals for developing modern technologies comprising high yielding and pest resistant crop varieties into the country.

Recently re-structured, the Agri Produce sector contributes less than 15% to the Groups turnover and comprises of the following sub-sectors.







**2.4<sup>Bn</sup>**  
**Revenue**



**(36)<sup>Mn</sup>**  
**PBT**



**3.2<sup>Bn</sup>**  
**Assets**



**2.7<sup>Bn</sup>**  
**Liabilities**



**293**  
**Employees**

Clusters in Sector	Operations
<b>Agri Produce Retail Chain</b>	The retail chain operated under the re-branded name “Fresheez” is the only business of the Group that has direct contact with the consumer and it is our utmost priority to ensure that CIC’s reputation of exceptional quality of products and services are maintained. All of the products sold in our retail chain have a traceability that connects consumers to farmers ensuring high standards.
<b>Agricultural Resorts</b>	Situated in a 1380 acre agriculture farm in Hingurakgoda, CIC Agri Resorts is where serenity and education meets. One can enjoy the luxuries of a star class resort and learn all about agricultural processes at our resorts.
<b>Farms</b>	The three major agricultural Seed farms operated under CIC Seeds (Pvt) Ltd at Talawa, Hingurakgoda and Pelwehera are reported under this category. The farms produce over 3000 metric tons of high quality rice seed per annum for the local market and are considered to be the best managed farms in Sri Lanka demonstrating the most modern agricultural technologies and research. With yields above national average, this cluster has 35% market share in the seed paddy market facilitating livelihoods of thousands of rural farmers.
<b>Dairy Production</b>	CIC Dairies (Pvt) Ltd. collects milk from CIC’s own farms and over 4,000 out growers for manufacture of yoghurt, yoghurt drinks and curd and distributes island-wide with a network over 100 distributors. Maintaining the cold chain is vital for the quality of the product. We use state of the art technology and enforce stringent hygienic conditions in the production centres and are proud to have the largest systematic milk out grower farmer network in the country.

## Agri Produce

Clusters in Sector	Operations
<b>Fruit and Vegetable cultivation</b>	The 150 acres of land producing over 2,000 metric tons of superior quality bananas per annum for local and export market is reported under this cluster. A market with high growth potentials CIC team is focusing in achieving optimum yield productivity to maximise its profitability.
<b>Grains</b>	CIC provides the total production package from seeds to fertilizer and modern cultivation technology and know-how such as ICT technology in transferring technical know-how to farmers, to produce 50,000 metric tons of high quality maize annually for animal feed formulations. The Company purchases wet corn from farmers on a pre-determined quality standard and processes it under the latest technologies to produce high quality corn for the animal feed industry and for human food consumption.
<b>High tech agriculture</b>	Managed under the registered name Cropwiz (Pvt) Ltd, this project will use the most advanced technology in producing vegetables under protected environments to ensure year round supply consistency, optimum utilisation of inputs, highest productivity, and product safety for the export market.
<b>Rice</b>	Established in 2006, CIC Agri Produce Export (Pvt) Ltd supplies high quality rice to local and export markets. A farmer network of over 1500 farmers produce high quality paddy according to CIC specifications and produce is purchased at an agreed price. Technical support is provided by CIC to the farmers to improve their productivity. The processing factory in Maho with a capacity of 6000 tons of rice per annum processes the paddy into rice and packages for retail markets. Our factory is fully equipped with modern machinery and spacious warehouses which are operated by a professional team of staff. Management systems are endorsed with certifications such as HACCP, ISO 22000 and US FDA testimony to the high standards maintained.

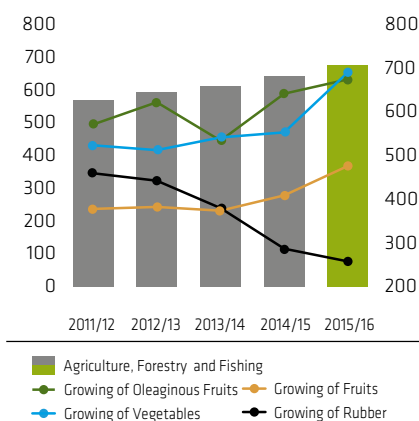
### Key challenges in 2015/16

- Change in Government Policy for fertilizer subsidy
- Declining commodity price
- Weather and currency fluctuations

### Operating Context

The country's agriculture sector is a key sector in the economy despite its relatively low contribution to GDP which amounted to 7.9% in 2015 as it provides income, employment, foreign exchange, food and raw materials. It is the mainstay of the rural economy in Sri Lanka absorbing nearly 28.2% of the total labour force in 2015 and utilising 43% of the total land area of the country. The sector grew by 5.5% compared to a mere 4.9% recorded in the previous year as favourable weather supported a revival in this key sector resulting in increased production of paddy, vegetables and fruits which compensated for the lacklustre performance of tea and rubber. Operations of CIC's Agri Produce sector focuses on paddy,

### Performance of Agriculture Sector and Selected Sub-sectors (Rs. Mn. ('000))



### Company Invested

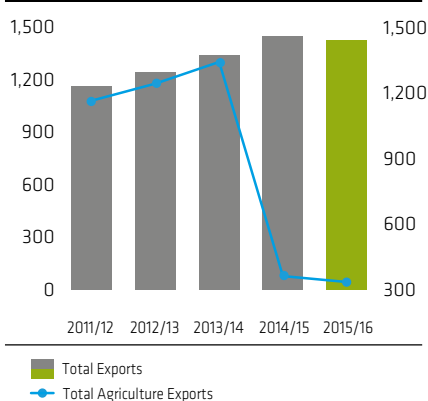
# 1 Bn

in two state-of-the-art drying and storing facilities

***Planned investments for the sector include investment on research and development of healthy rice options such as low GI options and new production facilities in the Dairy, Grains and Seeds clusters which are expected to enhance our market share in the respective sectors.***



**Performance of Agriculture Exports**  
(USD Mn)



fruits and vegetables sub-sectors which have all evinced encouraging growth during the year as depicted in the chart below. Further the milk production also grew by 12.1% compared to 1.4% recorded in 2014 and the Poultry production grew by 8.1% compared to 3.1% in 2014 mainly due to the expansion of production facilities. Agricultural exports accounted for 24% of total exports amounting to US\$ 2,481 Mn in 2015, marginally declining in from US\$ 2,794 Mn in 2014 which accounted for 25% of total exports. The extent of land cultivated for paddy increased during the year as farmers were encouraged by the increase in the guaranteed price for paddy by the Paddy Marketing Board which contributed to the growth in this key sub sector. The outlook for this sector is favourable with government policy support for rural development, agriculture and food security such as increased import tariffs for imported rice and increased guaranteed price for rice to support farmers.

## Agri Produce

### Strategy and Performance

The Agri Produce sector delivered a commendable performance with revenue and profit growth of 5% and 117% respectively.

### Agri Produce Retail Chain

The retail chain cluster has contributed closer to a quarter of the segment's turnover. Re-branding and refurbishment of the retail outlets to "Fresheez" have proven to be progressive, enabling the increase of the product range from CIC fruits and vegetables, yoghurts, curd, chicken, fresh juices to recently introduced fresh fruit platters and healthy food options such as sandwiches, salads, soups and porridge. The ten retail outlets have brought in a revenue growth of 19% compared to previous year. The introduction of a wider product range and various staff incentive programs have contributed to the growth. Keeping to CIC's reputation we have also ensured that our farmers are looked after by ensuring continuous knowledge sharing to our out-growers for superior product output. With these initiatives commenced during the year and the focused goals set, we are confident of continuous growth in the existing outlets in the coming year and "Fresheez" to becoming a household name.

### Dairy Production

The Dairy production cluster gained growth during the year contributing substantially to the segment's turnover. The introduction of the drinking yoghurts by the Company has captured approximately 30% of the Drinking Yoghurt market. However, even with the growth in market share the net profit has not increased in line due to the increase in cost of raw milk and imported packing materials. During the year the project IFARD was commenced to support farmer capacity building by providing chilling tanks and in partnership with Hatton National Bank for financing for the farmers to grow the herds of cows to increase milk collection. CIC uses only locally produced milk for its operations and its production is certified now by ISO 22000, Halal certification and CEA certification for water quality. The company expects its growth trends to remain in the coming year even with higher visibility of competitors. Planned product launches/innovations, promotional campaigns, strengthening of trade capabilities and product visibility, increase productivity and improvement of collection efficiency and increasing capacity and efficiency of waste water treatment plant are strategies for growth.

### Fruit & Vegetable Cultivation

The Banana cultivation falling under the Fruits and Vegetable cluster contributed 3% to the segment turnover. During the year the growth of this cluster was severely impacted by the weather conditions, a dry spell and high winds experienced from the months of May to September which reduced the harvest of bananas by approximately 30% compared to previous year. The decreased international market prices of bananas also impacted margins resulting in a breaking-even situation during the year. With the expected trend of increasing prices in the export market and stable weather conditions the business is confident to rebound in the coming year.

### Grains

The Grains cluster operating under CIC Grains (Pvt) Ltd contributes 14% to the segment turnover. During the year the company has invested Rs. 1 Bn in two state-of-the-art drying and storing facilities. Under this, cultivation programs will be conducted in the Maha & Yala seasons with the assistance of around 10,000 out-grower farmers to cultivate approximately 20,000 acres of farmland and produce 50,000 metric tons of corn in the Anuradhapura and Monaragala districts. The Company expects returns on the investments in the coming year.





---

## Rice

The Rice cluster operated under CIC Agri Produce Exports (Pvt) Ltd contributes closer to a quarter of the sector's turnover. The weather conditions had an impact on the specialised varieties of rice produced by the company and exports were restricted to approximately 20% of the total sale. Weakening of the Canadian dollar and Australian dollar also impacted the margins and volumes of the exports. Locally CIC commands a premium for its high quality products, operating in a niche market of health conscious consumers. Focusing on modern retail chains and superior quality the growth of 19% is progressive. The Company continues its research and development of new healthy rice products to fulfill the growing requirement of the health conscious society and expects continued demand.

## Way Forward

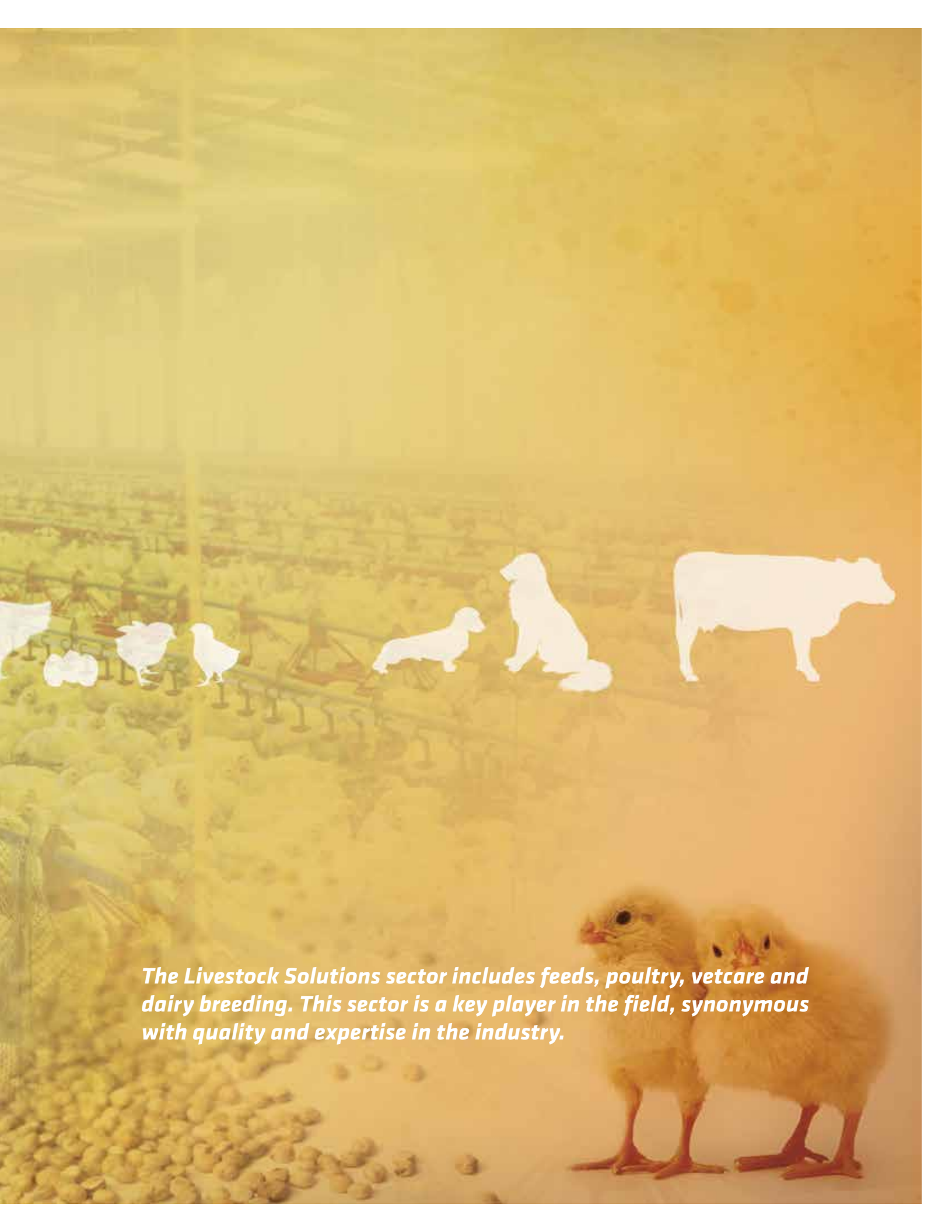
The Agri Produce sector is expected to grow as global concerns over food security are at high levels and self-sufficiency becomes a national priority to arrest the growth of imports. Capacity building of farmers remain a key challenge but one towards which significant resources are directed in public-private partnerships and we expect to see a significant improvement in the coming year. Planned investments for the sector include investment on research and development of healthy rice options such as low GI options and new production facilities in the Dairy, Grains and Seeds clusters which are expected to enhance our market share in the respective sectors.





**CIC** | Livestock  
Solutions





***The Livestock Solutions sector includes feeds, poultry, vetcare and dairy breeding. This sector is a key player in the field, synonymous with quality and expertise in the industry.***



Livestock Solutions

The CIC Livestock Solutions sector is a key player in the field, synonymous with quality and expertise in the industry.



23% of the Group assets are deployed in this sector

The CIC Livestock Solutions sector is a key player in the field, synonymous with quality and expertise in the industry. Activities of the sector include formulation and manufacture of animal feeds, poultry farming and processing, marketing of animal health products manufactured by globally renowned principals, breeding and sale of day old chicks for poultry farmers in the country and dairy breeding . Key competitive advantages include

strong relationships with small and medium scale livestock farmers as well as an island wide distribution network coupled with an understanding of the issues along the entire supply chain.

Recently carved out of the former agriculture and livestock sector of the Group to facilitate growth, this sector comprises the following clusters:

Clusters in Sector	Operations
Feeds	The CIC Feeds cluster manufactures, formulates and supplies animal feed and day-old broiler chicks for livestock farms. Established as a source of quality products and the feed operation is accredited with ISO 22000/HACCP certifications.
Poultry	CIC Poultry rears, processes and markets frozen and chilled chicken and related products and the Processing facility is certified by ISO 22000/HACCP.
Vetcare	This highly specialised cluster imports and distributes high quality veterinary pharmaceuticals and feed additives that cater to the requirements of livestock farmers and a growing household pet market.
Dairy Breeding	This sector supports the dairy farmers by breeding higher milk yielding cattle.

466%

Growth in Net Profit After Tax YoY





## Operating Context

The Livestock sub sector has witnessed growth in the recent years supported by increased per capita income of the country and government policy supporting better nutrition and import substitution. Self-sufficiency in milk and eggs was a key program supporting the growth of this sector and has attracted both small and large players in to dairy farming. The country now produces nearly all of its requirement of eggs and chicken as demonstrated in the graphs below although milk production is yet to reach its target. Production of milk grew by 12.1% even the long term effects of the foot and mouth disease epidemic that prevailed in the previous year. Production of eggs and chicken reflected strong growth of 9.4% and 10.3% respectively supporting the nutrition goals of the country.



**7.1Bn**  
Revenue



**286Mn**  
PBT



**7.4Bn**  
Assets



**4.7Bn**  
Liabilities



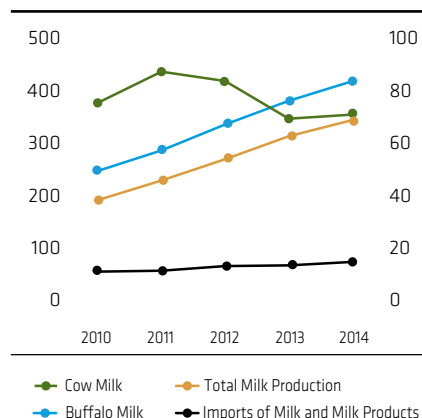
**255**  
Employees

### Key challenges in 2015/16

- Building Capacity
- Regulatory Policies
- Weather Patterns



### Milk Production Vs. Exports of Milk & Milk Products (Litres Mn)



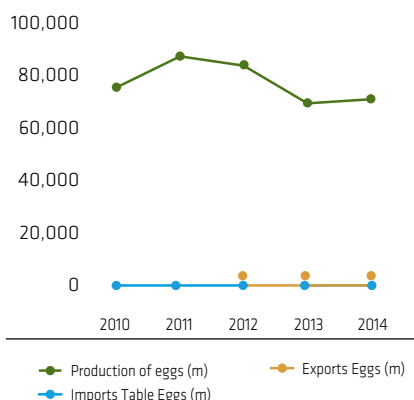
Source: Department of Animal Health

## Livestock Solutions

**Traceability of CIC's product is unmatched in the market providing a significant competitive edge as more discerning consumers seek safer food products.**

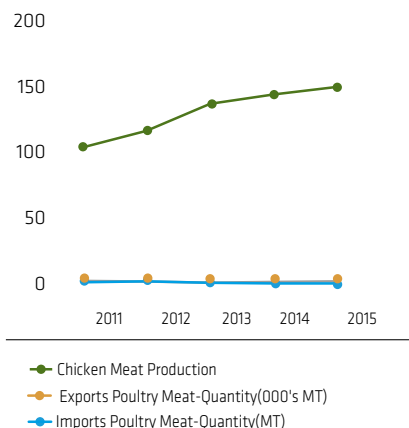
### Production, Import and Exports of Eggs

(Mn)



### Production, Imports and Exports of Chicken Meat

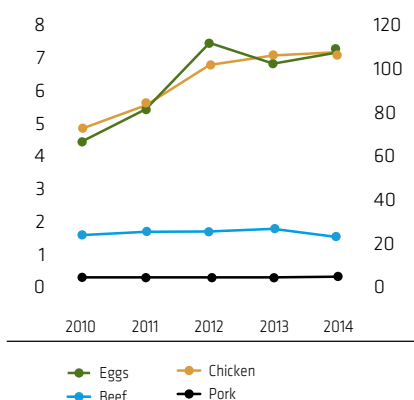
(MT)



Source: Department of Animal Health

### Per Capita Availability of Meat & Eggs

(Kg/Year)



### Strategy and Performance

The Livestock solutions segment demonstrated growth in revenue and profitability. Revenue grew by 24% and the profitability grew by 466%

### Feeds

The Feeds cluster reached the full capacity of the production facility recording an increase of 22%. With the completion of the 2nd expansion project of breeder farms during the year the breeder operations assisted by the



increased demand performed well in terms of profitability which contributed to the positive performance of the cluster. Even with increased competition in the market, management is confident of its ability to maintain the growth momentum and has planned to invest a further Rs. 120 Mn to embark on additional two breeder cages to meet growing demand. With growth in disposable incomes, we expect per capita consumption of chicken and eggs to drive demand and revenue for this cluster and look forward to another favourable year ahead.

### Poultry

Operating with two farms, one of which commenced during the year, irrespective of the increased capacity and the unprecedented demand for our products due to high quality parameters, the performance was much desired mainly due to the stagnant controlled price on chicken and increased cost of feeds and day old chicks. However, synergy of the cluster has helped to negate the effect of these increases to a greater extent when judged together. Potential for the sector remains high as current per capita consumption is relatively low and rising disposable income indicates increased consumption. Additionally, the traceability of CIC's product is unmatched in

the market providing a significant competitive edge as more discerning consumers seek safer food products. We expect the profitability of this cluster to increase in the ensuing financial year hoping for an increase of the control price for chicken presently under discussion with the authorities, which will augur well for the future of the poultry enterprises if granted.

### Vetcare

The Vetcare cluster performed commendably during the year contributing to the segments revenue and net profit. The increase in market share and the introduction of new products resulted in the increase in growth in revenue and net profits. Long relationships with manufacturers of global repute with access to evolving research and development provide a distinct advantage in a market that is growing as the country seeks self-sufficiency in dairy products and better nutrition for its people. We continue to introduce new and improved products to the market gaining visibility, recognition and trust for high quality vet care products, catering to the needs of a rapidly growing, highly specialised market which requires knowledge, specialised infrastructure and networks for success.

### Way Forward

Growth potential for the Livestock Solution segment is promising with the CIC investment of nearly Rs. 2.3 Bn in the cluster during the last 3 years to enhance capacities and indulge in automation coming into fruition from now onwards. The sector is challenged by regulatory policies, the threat of disease and weather patterns inherent to the sector. However, increasing focus on nutrition requirements and the role of protein in the diet drives demand in this sector coupled together with higher per capita income and population growth. The Corn project described in the Chairman's Message on page 20 will drive growth of this sector in the coming year, with far reaching benefits to diverse stakeholders.





**CIC** | Health &  
Personal Care







*The Health & Personal Care sector includes baby care, herbal care, medical devices and personal care. A unique blend of indigenous and globally reputed brands ensures that this sector remains relevant to changing consumer preferences and across many market segments.*

## Health & Personal Care

*Link Natural Products, a knowledge based research oriented Company is driven by the challenging and inspiring corporate philosophy of providing innovative, safe and effective herbal products that are of exceptionally high international standards.*



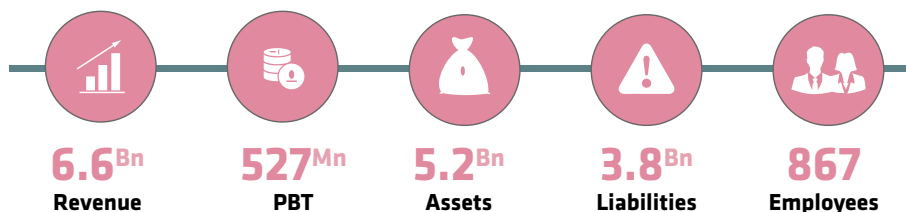
**“1st Lesson in Love”**  
was rated one of the  
most educational  
programs for mothers.

The Group's Health & Personal Care sector caters to the needs of increasingly discerning Sri Lankan consumers supporting their health and well-being through a range of locally manufactured and imported products. Comprising a range of trusted brands, these products are made available island wide through a distribution network that is ranked amongst the top ten networks in the country. A unique blend of indigenous and globally reputed brands ensures that this sector remains relevant to changing consumer preferences and across many market segments. This lucrative business segment comprises the following clusters:

# 44%

Growth in Net Profit After Tax and the third largest contributor to the Group results





Clusters in Sector	Operations
<b>Baby Care</b>	Marketing and distributing the world renowned Johnsons baby care range from Johnson & Johnson as the exclusive agent in the country.
<b>Herbal Care</b>	Link Natural Products (Pvt) Ltd., takes ancient ayurvedic wisdom to the modern world providing innovative, safe and effective herbal health care, herbal personal care and wellness products and generic ayurveda pharmaceuticals with a range of over 200 products including household names such as Samahan, Paspanguwa, Gotukola Tea and Link Sudantha which are sold both locally and in overseas markets.
<b>Medical Devices</b>	The Medical Devices cluster provides surgical theatre equipment and blood screening equipment to the country's healthcare sector together with trained staff to operate the equipment, 24 hour troubleshooting support, advice on upgrade decisions, regular monitoring of capital equipment usage and audits on the accuracy. Representing world renowned multinationals such as Johnson & Johnson Medical Devices, Baxter, Ortho Diagnostics, Smith & Nephew are some of many.
<b>Personal Care</b>	Markets and distributes a range of personal care products for globally reputed brands such as Clean & Clear, Listerine, Neutrogena and Stay Free.
<b>Pharmaceuticals</b>	This cluster comprises companies engaged in manufacturing, marketing and distribution of pharmaceuticals in Sri Lanka. It represents world renowned manufacturers of both researched based and branded products, manufactures own brands and generic products and imports analgesics, antiulcer drugs, diabetic drugs and cough expectorants under own brand names from leading pharmaceutical manufactures from India.

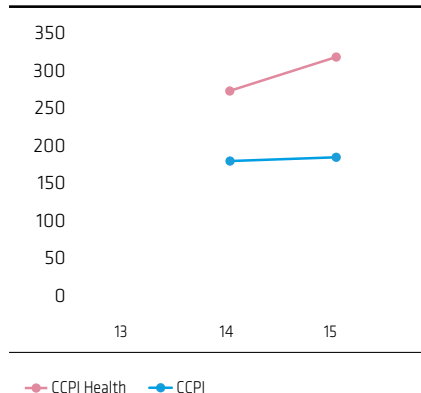
## Health & Personal Care

*One of the leading players in the market with a strong distribution network covering around 98% of the country's pharmacies, this cluster is well positioned for growth.*

### Key challenges in 2015/16

- Intensifying competition
- Rupee depreciation
- Regulatory policies
- Building Capacity

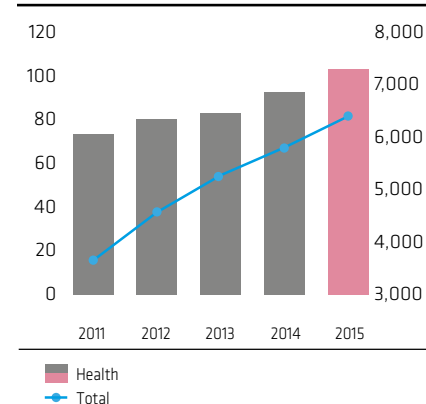
### Price Index Movements: CCPI & Health



Source: CBSL

### Operating Context

Performance of this sector is mainly driven by consumer confidence which increased during 2015 supported by wage increases and declining energy costs. Consumption is estimated to account for 60% of GDP recording a growth of 10.8% reflecting high levels of consumer confidence. A shift to more lifestyle oriented products instead of the basics by the Sri Lankan consumer as observed in the Nielsen Sri Lanka 2015 Review and the latest Nielsen Consumer Confidence Index recorded an increase of three basis points in March 2016; are positive impacts to the lucrative FMCG segment. It is noteworthy that the costs of healthcare included CCPI with a weightage of 3.1%, increased by 16.% during the year compared with 2.7% growth in CCPI reflecting the rising costs of health care and its rising importance in Sri Lankan households. Similarly, consumer spending on health has also increased significantly as depicted in the chart below.



Source: CBSL

Favourable weather resulted in an abundant supply of medicinal plants and herbs facilitating price stability for the herbal care. Exchange rate fluctuations favoured the competitiveness of exports in the herbal care cluster whilst making the imports more expensive in other clusters.

### Strategy and Performance

The Health & Personal Care Cluster recorded revenue growth and profit growth strongly supported by the consumption boom that prevailed in the market.

### Baby Care

The Baby Care cluster with product range from Johnson and Johnson contributes relatively smaller percentage of the segment's turnover. During the year the cluster re-evaluated its products to ensure compliance with the Sri Lanka Standards Institution guidelines and withdrew and re-launched most of its product lines resulting in a slow growth in revenue and net profits compared to previous year. The cluster invested substantially on advertising campaigned for its re-launched products and for its educational program "1st Lesson in Love" hosted by Yahali Sangakkara discussing topical issues shown on ITN television, rated as one of the most educational programs for mothers. CIC further strengthen its long term partnership of over 40 years by becoming the sole distributor of Johnson and Johnson products from April 1st 2016 and is optimistic for a successful year ahead.

### Herbal Care

Link Natural Products achieved encouraging results for the year despite a challenging year due to volatile market conditions. Our healthcare brands continued to perform well retaining strong market positions. However, there was a significant drop in Export sales mainly due to the shortage of raw materials for essential oil exports. The Profit before Tax reflected a growth of 9.70% over previous year and is the highest profit achieved by the



Company since inception. Established in 1982, Link Natural Products, a knowledge based research oriented Company is driven by the challenging and inspiring corporate philosophy of providing innovative, safe and effective herbal products that are of exceptionally high international standards. The Company takes pride in its modern Research and Development facility and in maintaining uncompromised standards in total quality management. LNP has a comprehensively integrated manufacturing facility which complies to ISO 9001, ISO 14001, GMP Standards and HACCP for products. A strong emphasis is placed on caring for the community, employee satisfaction, protection of the environment and sound investor relationship.

The Company received several noteworthy recognitions and awards for the year under review, which included Best Sustainability Projects award (2015) presented by The Ceylon Chamber of Commerce, Social Dialogue Workplace Cooperation Silver award (2015) presented by Ministry of Labour and Trade Union Relations and the Presidential Export award (2013) for best Exporter in Ayurvedic health and personal care products presented by the Sri Lanka Export Development Board.

Our future business growth would depend on the success of exports and our strong foothold in the highest quality healthcare products would support the sustainable growth strategy. The Company hopes to introduce at least two new products each year. Our focus for the next three years would be upgrading our manufacturing, warehousing and research and development facilities to CGMP standards and we are planning to invest up to rupees one billion for these investments.

### Personal Care

The Personal Care cluster with product portfolios from world renowned brands such as Clean & Clear, Listerine, Neutrogena and Stay Free contributes marginally to the segment's turnover. During the year the cluster re-

launched its product line Clean and Clear and streamlined its processes to facilitate efficient working capital management resulting in a growth in revenue and net profits compared to previous year. Additionally, the increased consumption spending observed during 2015 also provided a conducive environment for growth. This cluster expects to increase investments in advertising in the coming year to reach new customers and increase market share, driving revenue growth and profitability.

### Medical Devices

Medical Devices cluster continued its growth trends in revenue and net profits. During the year growth of over 30% compared to previous year was visible supported by the increase in per capita income and the resulting demand for better healthcare facilities coupled together with increased government expenditure on health care. Regulations and bottle necks in infrastructure are an inherent challenge in the industry requiring significant time and resources to introduce new technology to the market, requiring a long term view of performance and delivery of results. With globally renowned principals who invest significantly in research, development and innovation, this division continues to introduce new technology and new products to the market, continuously developing the market and improving standards of healthcare in the country.

### Pharmaceuticals

Pharmaceuticals division recorded a turnover growth of 16% compared to previous year. One

of the leading players in the market with a strong distribution network covering around 98% of the country's pharmacies, this cluster is well positioned for growth. Its Lifesciences division was re-structured in 2015/16 changing its product portfolio from antibiotics to lifestyle products, stabilising income and fully aligned to the government's plans for import substitution of these vital medications. The Group invested Rs.100 Mn in new machinery, refurbishment of the manufacturing and storage facilities which enhanced capacity and positioning the cluster for growth. Inherent challenges for this sector include regulation of pharmaceuticals, price control and exchange rate fluctuations which are held in careful balance.

### Way Forward

The Health and Personal Care segment of CIC is estimated to contribute a growing share of revenue and profits to the Group given the potential for growth in the market. Increasing per capita income, growing demand for better and improved products, globally renowned principals and a deep insights of the industry support the growth of the Baby Care, Personal Care, Medical Devices and Pharmaceutical clusters. Herbal care is also well positioned for growth with renewed interest in alternative medicine and health and well-being products supported by increasing disposable income. Key challenges will be a growing demand and supply gap that may attract competitors, speed to market, and exchange rate fluctuations. A portfolio of household brands, strong distribution networks and a focus on recurrent use provides for revenue growth and stability in earnings.





**CIC** | Industrial  
Solutions





*The Industrial Solutions sector includes construction material, industrial raw material, water treatment, stationery and packaging. Strong relationships and island wide distribution networks support the growth of this lucrative sector supported by an increasingly wide portfolio of products.*



## Industrial Solutions

*Strong relationships support the growth of this lucrative sector supported by an increasingly wide portfolio of products.*



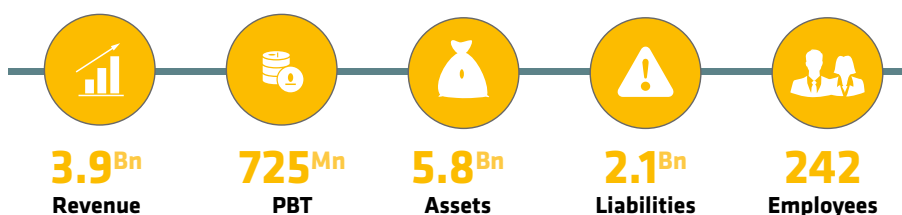
Stationery cluster focuses mainly on education and higher education

The Industrial Solutions sector manufactures and imports a range of chemicals and chemical products for the local and export markets and distributes writing instruments. Business under globally renowned Akzo Nobel Paints also classified under this sector. The Sector has market leadership in a number of clusters, driving growth of the country's industrial sector as a key supplier of raw materials for various processes and packaging for their finished products. Strong relationships support the growth of this lucrative sector supported by an increasingly wide portfolio of products.

# 38%

Highest contributor to Group results





This sector comprises the following clusters:

Clusters in Sector	Operations
<b>Construction Material</b>	This cluster comprises of Akzo Nobel, the world's largest performance coatings company-producers of specialty products and coatings which has been operating for over two decades as the market leader in decorative paints in Sri Lanka through the brand of Dulux for house, Sikkens and Duco automotive coatings.
<b>Industrial Raw Material</b>	Comprising Chemanex PLC and CIC Holdings PLC's Industrial Solutions division, this cluster trades imported and locally produced chemicals and industrial intermediates, and specialty chemicals, binders and adhesives for local manufacturers and export markets, raw materials for rubber industry, personal care, food, paint and printing inks.
<b>Water Treatment</b>	Comprises the operations of Nalco, the water treatment department of CIC. This cluster deals in specialty chemicals while diversifying into services & basic chemicals to become a One Stop Solution Provider, totally focusing on sustainable chemistry solutions.
<b>Stationery</b>	Manufacture, import and distribution of stationery items for offices and schools.
<b>Packaging</b>	Supplying to a B2B market, a pioneer in PET operations, Cisco Specialty Packaging focuses in manufacture of PET bottles and PET preforms, plastic containers and HDPE/PP containers and water bottles. The products are certified by ISO22000 and 9001 and under the annual license of CEA.

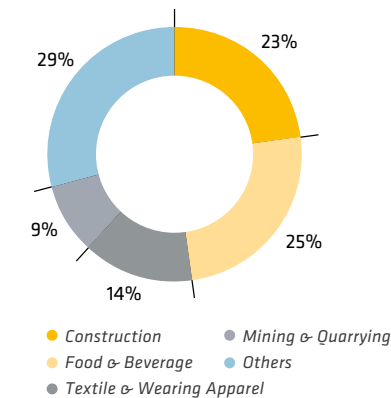
## Industrial Solutions

**Industrial raw material cluster is focused on the production of emulsion polymers for construction sector, new and improved product development and to enhance the scale of operations to achieve economies of scale.**

### Operating Context

Industry sector growth drives the Industrial Solutions sector as it is primarily a B2B business. Sri Lanka's industry sector growth was 3.0% in 2015 with strong growth witnessed in subsectors for electricity related activities, manufacture of sewerage, waste treatment and disposal, machinery and equipment, basic and fabricated metal as depicted in the chart below. However, areas of growth were subsectors that typically contribute approximately 1% each to the industry sector. Large sectors such as construction and mining and quarrying recorded negative growth while textiles and wearing apparel and food and

**Composition of Industry Sector 2015**

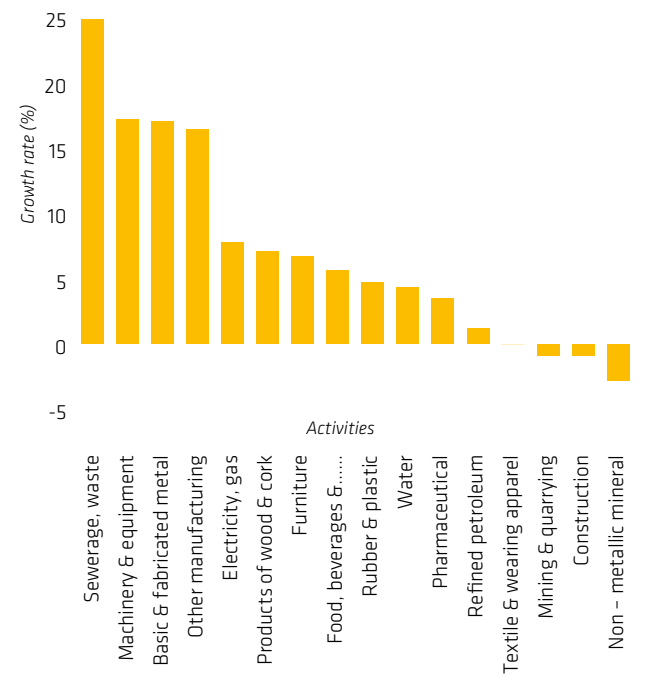


beverage recorded low rates of growth. The apparel sector growth was curtailed due to slow recovery of key markets particularly in the Europe while the construction sector was impacted by reduced activity in government funded infrastructure projects. Expansion of activity in smaller sectors is encouraging as it would facilitate broadbasing of industrial activity, widening the scope for this sector.

### Strategy and Performance

Industrial Raw Materials cluster was the main contributor to the performance of the Industrial Solutions sector which recorded a reduction in profit in comparison to the previous year. This was mainly due to decreased activity in the construction sector of the country which resulted in decreased profits of the Construction Materials cluster which was previously the highest contributor to profits.

**Industry - Growth Rates by Economic Activity for 2015**



Source: Department of Census & Statistics

### Key challenges in 2015/16

- Reduced activity in construction sector
- Slow recovery of demand in key export markets
- Environmental concerns
- Exchange rates fluctuations

## Construction Materials

The Construction Material Cluster reported growth in net profit compared to previous year, mainly due to the production efficiencies with new technologies and methods and the continued research and development bringing in high performance, high functionality and high end product lines. Also our expanded customer service and technology support department has assisted in gaining growth. With the changes in business plans the Company is optimistic about future growth potentials even with the intensified competition in the market.

## Industrial Raw Materials

The Industrial Raw Material Cluster reported strong growth in revenues and net profit compared to previous year contributing. This cluster has long standing relationships with manufacturers of global repute such as KAO Japan, Sudarshan Chemical India, Ashland, Evonik, Huntsman, PureCircle, BASF Germany, Coventry Chemical UK and a well established customer base locally. Growth in market share of non-traditional manufacturing materials, growth of the customer base and increasing requirements from existing customers contributed to revenue growth while stringent management of administration and distribution costs facilitated growth of the bottom line. During the year the Ratmalana factory was strategically relocated to Godagama Industrial Park which facilitated expansion, driving economies of scale and enhanced environment management. It also released 4 acres of prime land in an urban location which can be used for development or sold improving asset utilisation. The cluster is challenged by the exchange rate fluctuations, slow global recovery and importation irregularities with cheap, low quality products reaching the market. The cluster is focused on the production of emulsion polymers for construction sector, new and improved product development and to enhance the scale of operations to achieve economies of scale. We will continue to look for opportunities in the country and in export markets for future growth.

## Water Treatment

Revenue growth in the cluster was sluggish due to various environmental factors. Nalco will continue to focus on water treatment and specialty chemicals and services related to water treatment and are confident of its growth opportunities.

## Stationery

The Stationery cluster increased its revenue by 18% strongly supported by an increasing focus on education and higher education. A wide product offering combining items manufactured by the Group, sourced and branded with CIC brands and agency businesses provide multiple avenues of growth. Market leadership in felt-tipped pens with the well known Platignum brand which has been trusted by students for over two decades and the well known Cial brand of ballpoint pens, pencils, colour pencils and stationery are staples in many students school bags. Demand for stationery is driven by student behaviour, teaching methods and education systems and the cluster is focused on ensuring that its product range is fit for the future with range of innovative products which cater to education, arts and crafts and business requirements. Several new products are to be launched to the market in the coming months providing more options for consumers. The sale of the Chemifix brand to Pidilite as described in the Chairman's Message was a key development enabling growth in manufacture of the product for a larger market and creating a one-off contribution to the profits of the cluster. Rights to distribute Pidilite's products in Sri Lanka also enabled widening of the product range to include art and craft items. New products launched during the year included Unik, Xpress, i-teen and Premio ballpoint pens, Duos double sided colour pencils, 2B pencils and Cial Highlighters which have significantly expanded the product range. The cluster obtained the exclusive agency for Copy and Laser paper in Sri Lanka filling a lacuna in their product portfolio which is expected to boost revenue in the coming year. A strong institutional presence and penetration of modern retail chains has been a key factor in driving growth. Seasonality in demand is a key issue as more than 50% of

the sales occur in the months of December and January in readiness for a new academic year with market share being determined at during this critical period. The outlook for the cluster is positive due to growth opportunities in the market and sound strategies for growth in market share.

## Packaging

A pioneer in the PET bottles industry, with a revenue growth of 23% the cluster net profits declined during the year mainly due to the exchange rate fluctuations impacting the cost of raw materials which could not be passed to customers immediately due to fixed price contracts. Further the increase in wages costs as a result of the regulations set by the government impacted the bottom line. Due to the growing environmental concerns the demand growth is expected to be marginal. However, the cluster is confident of exceeding its capacities and has expanded by around 25% in production capacity with an investment of Rs.300 Mn which will become operational in the 3rd quarter of the financial year. With the fixed term pricing agreements ending in the coming years and the enhanced capacities the cluster has a positive outlook for 2016/17 financial year and going forward.

## Way Forward

A leading player in providing industrial intermediates and packaging solutions with a portfolio of brands that have been trusted by consumers and manufacturers alike, this cluster has a positive outlook for 2016 and 2017. Strong relationships with principals and customers provide a solid foundation for future growth as we expect the industry sector in the company to grow in the coming year. Increasing environment regulation poses both a threat and an opportunity as demand for general chemicals decline but demand for specialised chemicals increase necessitating higher levels of knowledge about evolving products, regulation and customer requirements. New technologies, constant re-launch of products and new product development is the key for capturing market share. We expect the performance of this sector to demonstrate strong growth driven by improved market fundamentals and smart strategy.





**AGRISHINE**

## Crop Solutions







***Crop Solutions includes plant nutrition, plant protection, seeds and lawn and garden clusters that plays a vital role in supporting the country's agriculture sector aiding yield maximization and resilience against adverse factors.***



## Crop Solutions

***The business has continued its investments in capacity building to develop in-house technology and recruitment of scientists to strengthen the research and development facilities with an intention of further developing the market.***



**CIC recently signed a research agreement with SLINTEC, to develop a novel herbicide formulation.**

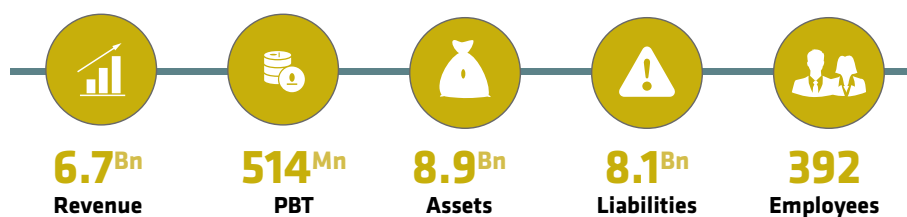
# 25%

*Contributor to Group Revenue*



The Crop Solutions sector plays a vital role in supporting the country's agriculture sector aiding yield maximisation and resilience to disease, weeds and pests. Activities in the cluster comprises importing, formulating and distributing a range of agro chemicals comprising weedicides, fungicides, pesticides, plant stimulants and fertilizer. It is the leading private sector player in the crop protection and fertilizer market. An early mover in the field, CIC's tacit knowledge of the industry is a key competitive advantage together with its portfolio of agencies with leading global chemical manufacturers such as Syngenta Inc., Switzerland and Dow Agro Sciences, USA, who provide access to the latest research and innovations in this field.





The Crop Solutions sector was recently re-structured to ensure sufficient focus for growth and comprises the following sub-sectors.

Clusters in Sector	Operations
<b>Plant Protection (Agro Chemicals)</b>	<p>Comprises of a main Strategic Business unit of CIC Holdings PLC and the subsidiary, CIC CropGuard. Crop Solutions SBU is the exclusive partner for Syngenta Inc., Switzerland and is the one and only total solution provider for cultivators when comes to pest problems. The ICS strategy implement by the division gave increased returns for paddy and corn cultivators of the country. The business is ISO 9000 and 14000 certified and during the year was accredited with OHSAS for its repacking and formulation facility.</p> <p>CIC CropGuard imports, formulates and markets agricultural pesticides, including non-residual pesticides, that work effectively against pests and diseases affecting crops. Educating farmers on safe use of technology in agriculture and effective use of pesticides is a key aspect of the sector's operations which serves to maximise productivity and yields.</p>
<b>Plant Nutrition (Fertilizer)</b>	<p>This cluster comprises Wayamba Agro Fertilizer (Pvt) Ltd and CIC Agri Businesses (Pvt) Ltd which imports and blends fertilizer to meet the requirements of the country's agriculture sector. The market leaders and the pioneers in computerised blending technology in fertilizer industry we are committed to introducing a balanced plant nutrition concept. Operating in a B2C model also provides free advisory services to farmers on the correct use of fertilizer via a mobile team of qualified and trained employees. We are ISO 9000 and 14000 accredited for all blending facilities and our soil labs are accredited by the Sri Lanka Agrarian Accreditation Board.</p>
<b>Lawn &amp; Garden</b>	<p>An SBU of CIC Holdings PLC. The Lawn &amp; Garden division is the number one supplier to registered pest control institutions in Sri Lanka. It also derives revenue from providing pest control management solutions, nutrition solutions to crop cultivators using new technologies and nutrition supplements of slow release fertilizer for home gardens in urban and rural areas with a product range offered by reputed overseas principals and a limited range manufactured locally by the group.</p>

## Crop Solutions

Clusters in Sector	Operations
Seeds	This cluster develops, produces, tests and markets high yielding and pest resistant seed varieties which serve to enhance the country's land productivity contributing directly to the nation's food security. Market leaders in rice seed and corn seed with an estimated market share of around 35% is the exclusive distributors to Sakata Seeds Japan, Tokita Seeds Japan, Syngenta and Chia Tai who are leading innovators in the field. This cluster tests new products from these companies in controlled environments at farms to assess the adaptability of these seeds to Sri Lankan conditions prior to marketing the same. An out grower scheme is in operation to grow seeds and produce under CIC's supervision for the local market.

***We are encouraged by our success in including all large distributors of plant protection products in the country to our distributor network which is largely attributable to the continuous introduction of new products and blockbuster products.***

### Key challenges in 2015/16

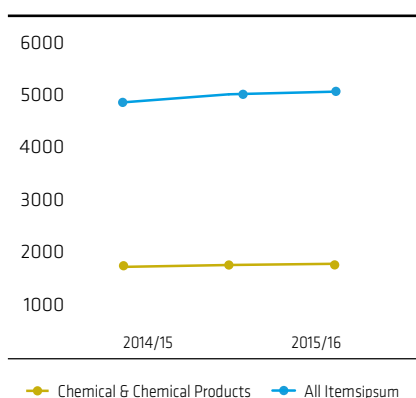
- Slow recovery of demand in key export markets
- Environmental concerns
- Exchange rates fluctuations

### Operating Context

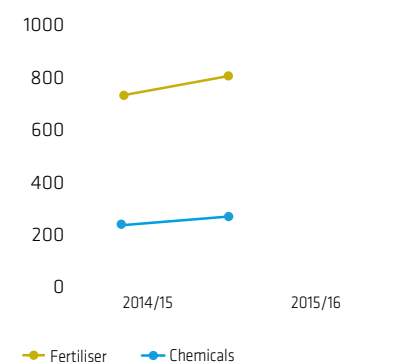
Crop Solutions supports the country's agriculture sector which grew at 5.5% in 2015. Supplying the plantations sector and the farming sector, the crop solutions sector impacts the entire agriculture sector. Activities are regulated by the Office of the Registrar of Pesticides and the Department of Agriculture. Increasing focus on food security which requires maximising yield while balancing the environmental impacts arising from residual chemicals, drives both innovation and regulation in this sector at a rapid pace, attracting the attention of investors, regulators and activists. Farmer education and good agricultural practices are key to the sustainable development of this sector. Fertilizer, which accounts for a substantial part of the Crop Solution segment has been liberalised and could expect to benefit the sector with more innovative, safer and better products resulting in increasing yields. Favourable weather conditions supported increased agriculture activity providing favourable conditions for growth of this sector. Diversification by plantation companies, increasing investments in agriculture and good agricultural practices are shaping the future of this industry which impacts a number of the sustainable development goals in very different ways.

Imports of fertilizer increased during the year as reflected in the graphs below. Prices remained stable with the wholesale price index moving up marginally due to exchange rate fluctuation.

### Wholesale Price Index



### Imports (Rs. Mn.)



---

## Strategy and Performance

The Crop Solutions sector achieved revenue and profit growth of 7% and 18% respectively supported by all clusters which demonstrated strong growth as detailed below. The farmer education programs conducted by the sector reached to a wider number as we redoubled efforts to promote the safe use of agro chemical and mechanisation of farming in order to maximise yields. Our mobile team of agriculture experts also received training during the year to ensure that all speak a common language.

### Lawn & Garden

Lawn & Garden cluster contributes substantially to the segments turnover and net profits respectively. The substantial growth in net profits was mainly due to the growing market trends, the results of the awareness programs conducted and the introduction of two new products to control insects that were well accepted by the market. With the anticipated increases in disposable income and the number of tourist arrivals the demand for our products is expected to grow. The company continues its efforts to provide new and improved products to the market.

### Plant Nutrition

Plant Nutrition cluster contribution has declined in terms of turnover compared to previous year. The introduction of the non-quota fertiliser in March 2016 and the cash grants system to peasant farmers for selected crops and the liberalisation of the fertiliser market represent a welcome change in policy direction facilitating innovation and farmer education on good agricultural practices. Players are now motivated to provide new and better products and enhance its farmer capacity building programs. The sales and marketing teams have been strengthened and the number of distributors for this sector increased from 1,900 to 3,200 including agrarian service centres to cater to the liberalised market.

## Plant Protection

The Plant Protection cluster contributes significantly to the segment turnover demonstrating higher levels of market penetration from the previous financial year. Our research and development team introduced six new products to the market which supported revenue and profit growth. Also the "grow more" cultivation model introduced three years ago gained acceptance by farmers in paddy and corn driving growth of this cluster. We are encouraged by our success in including all large distributors of plant protection products in the country to our distributor network which is largely attributable to the continuous introduction of new products and blockbuster products. Net profit of the cluster grew by 62% compared to previous year becoming the largest contributor to profitability of the sector. We expect sustained growth of revenues of this sector in the coming year as we widen our offering to maximise yields, contributing to resolving the country's food security issues.

### Seeds

The Seeds cluster revenue has grown by 9.5% compared to previous year which was mainly volume driven with corn registering the highest area of growth. Expanding the sector is a challenge as farmers tend to save their paddy seed for planting and due to the continuous policy changes by authorities. However the business has continued its investments in capacity building to develop in-house technology and recruitment of scientists to strengthen the research and development facilities with an intention of further developing the market.

## Way Forward

The Crop Solution sector growth is expected to grow although its current growth trajectory may change during the year due to the recent market liberalisation and a paradigm change in regulation which is expected to change the market dynamics and structure. However, it is

a key sector that impacts the country's food security, export earnings and yields of the agricultural sector and we expect revenue and profit growth in the medium term. Innovation will be key to success as the sector grapples with the inherent problems of damage to eco systems and contamination of waterways and soil from product residue. CIC recently signed a research agreement with the Sri Lankan Institute of Nano Technology (SLINTEC), to develop a novel herbicide formulation for CIC's Crop Solutions Division, stepping forward as a pioneer in the agriculture industry, and is taking the necessary measures to help the local industry develop and align itself with the highest global standards and latest trends. This sector will continue its efforts of research and development to introduced new and improved products to fulfill the low volume safer products trending market.

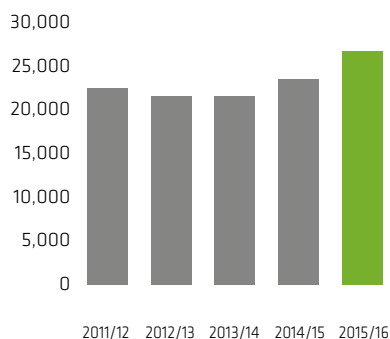
## Creating Value for Our Shareholders

CIC Group is pleased to announce another successful financial year with growth in revenue of 13%, growth in net profits of 57% and growth in assets of 23%. The successful year endorses managements re-structuring decisions, initiatives taken for new product development and introduction of alternative products to the markets.

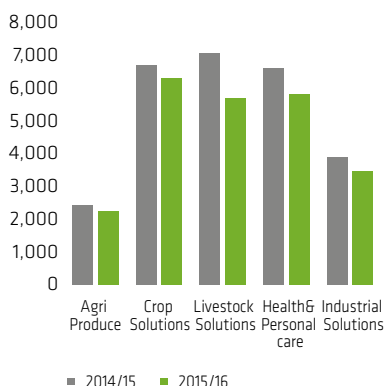
### Revenue

Revenue of the Group increased by 13%; from Rs.23.5 Bn in 2014/15 to Rs.26.7 Bn during the year. The main contributors to revenue were the Live Stock segment amounting to 26% and the Crop Solution segment and the Health and Personal Care segment amounting to 25% each. The commendable growth was mainly due to capacity expansions in these segments, new product development and capitalisation on prevalent the market conditions. (See segmental reporting for further details)

**Revenue**  
(Rs. Mn.)



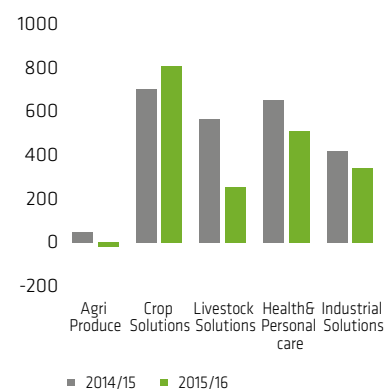
**Revenue by Segment**  
(Rs. Mn.)



### Gross Profit

The Group's Gross Profit Margin of 24% is a reduction of approximately 1% compared to the previous year's mainly due to increase in cost of imported raw materials coupled with selling price restrictions in sectors such as CIC Agri Produce and Livestock Solutions. The cumulative revenues of the highest sectorial contributors to the gross profits of the Group, the Livestock Solutions, Health and Personal Care and Crop Solutions sectors have increased by 14% compared to 2014/15, above the total revenue growth of the Group.

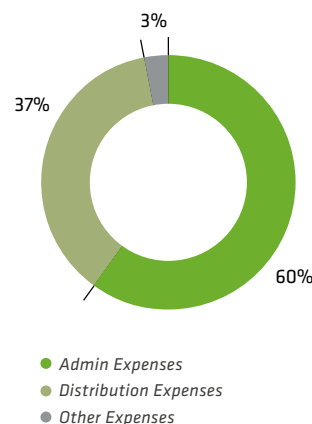
**Segment Results**  
(Rs. Mn.)



### Operating Expenses

Overall the Groups' operating expenses have increased by 7% mainly due to the increase in other expenses by Rs.56 Mn. Stringent controls in cost have resulted in the Group's administration costs only marginally increasing by 2% to Rs. 1.69 Bn despite the robust growth in revenues. The increase in distribution cost of 8% is due to the increase in business volumes during the year.

**Operating Cost**  
(%)



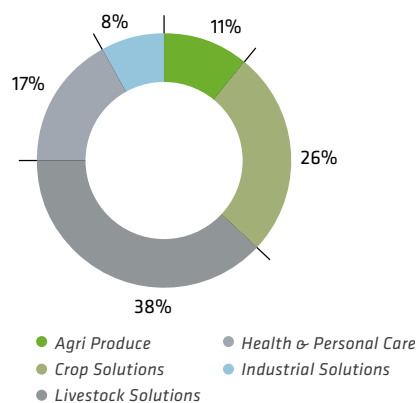
### EBIT

The Group is pleased to highlight a commendable growth in profits before interest costs during the year, from Rs.1.4 Bn in 2014/15 to Rs.2.01 Bn, an increase of 42%. The major contributors to the net profit of the Group continue to be the Industrial Solution sector amounting to 36%, and the Crop Solution Sector and Health and Personal Care sector amounting to 26% each. The Livestock sector's contribution to EBIT was encouraging having increased from 5% in 2014/15 to 14% during the year.



### Finance cost by Segment

(%)



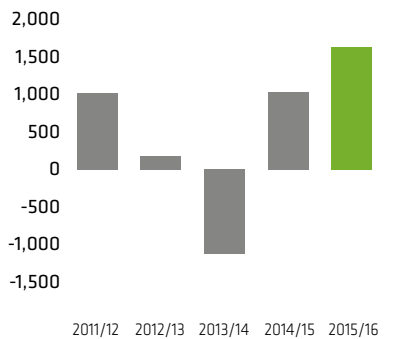
The total interest bearing debts have increased by 27% compared to previous year mainly due to the investments made in the CIC Agri Produce sector, a Rs.1 Bn investment in two state of the art corn drying and storing facilities, investments in the Livestock Solution sector including the completion of the 2nd expansion project of breeder farms. Even with the significant increase in borrowings the Group has manage to broadly maintain its gearing ratio.

### Pre & Post Tax Profit

Growth of Revenue by 13% and stringent management of Operating and Administration expenses have resulted in a commendable bottom line to the Group of Rs.1.673 Bn net profit during the year. This 57% growth is an endorsement of the commitment of our Group's management towards its shareholders.

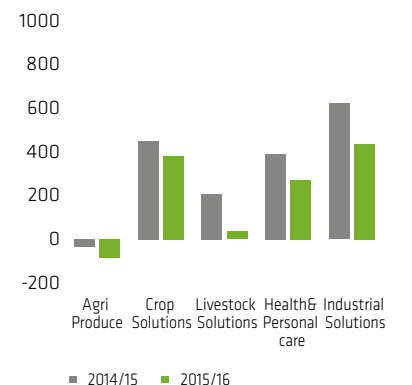
### Net Profit/Loss

(Rs. Mn.)



### Net Profit/Loss by Segment

(Rs. Mn.)



### Shareholders' Funds

Shareholders' funds have grown by 23% during the year as the Group performed remarkably during the year, strengthening the balance sheet.

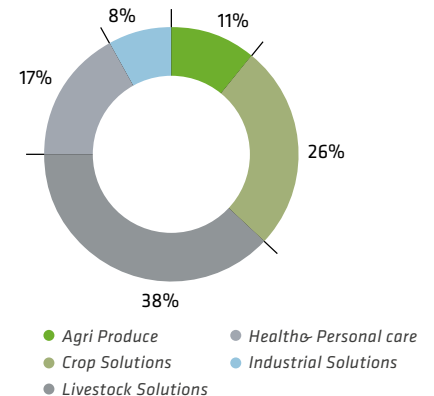
### Dividends

Endorsing a successful financial year, CIC proposed a final dividend of Rs. 2.00 per share for the recently concluded financial year, which makes a cumulative annual dividend of Rs.4.00 per share. In 2014/15 a cumulative annual dividend of Rs.3.00 per share was declared.

### Capital Expenditure

The Group has continued to look for growth opportunities and investments to take advantage of market opportunities. The Rs. 1 Bn invested by the CIC Agri Produce sector in corn storage and drying facilities amounted for bulk of the group capex in 2015/16 is an example of such a timely investment.

### Capital Expenditure by Segment



### Cash flow

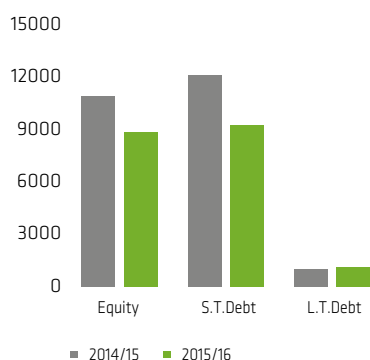
The Group's cash flow from operating activities was impacted by increase in inventories. Inventories increased by approximately Rs.3.7 Bn, mainly owing to the removal of the fertilizer subsidy which pushed up the cost of purchases. This together with Investments in property plant and equipment of approximately Rs.1.51 Bn and repayment of loans of Rs.2.95 Bn resulted in an increase in negative net cash flows.

## Creating Value for Our Shareholders

### Liquidity position

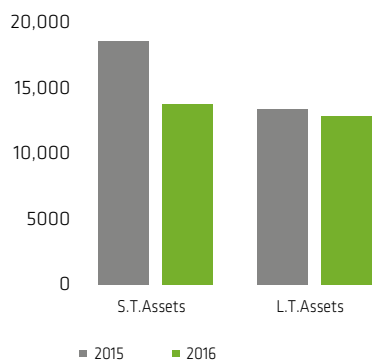
#### Capital Structure

(Rs. Mn.)



#### Capital Structure

(Rs. Mn.)



The Groups' Current Ratio at 0.90 and Quick Asset Ratio at 0.41 was impacted by the huge increase of inventory on hand. Trade Receivables have increased by 28% while Other Receivables have reduced by 32% compared to previous year. The government policy change in subsidy of fertilizer and the collection of subsidy receivable has resulted in the reduction in other receivables.

### Return to Shareholders

During the year under review, the Group return on capital employed (ROCE) remained at 11%.

	2016	2015	% change
Market price per share – Rs.			
Voting	95.50	76.00	25.7%
Non-Voting	71.50	57.60	24.1%
Market capitalisation	8,525.66 Mn	6,800.11 Mn	25.4%
No. of shares in issue			
Voting	72,900,000	72,900,000	–
Non-Voting	21,870,000	21,870,000	–
Earnings per share Rs.	14.29	8.04	77.7%
Dividend per share Rs.	4.0	3.0	33.3%
	Over 1 year	Over 3 years	Over 5 years
Benchmarks:			
ASI	(11%)	6%	(16%)
MPI	(17%)	(3%)	n/a



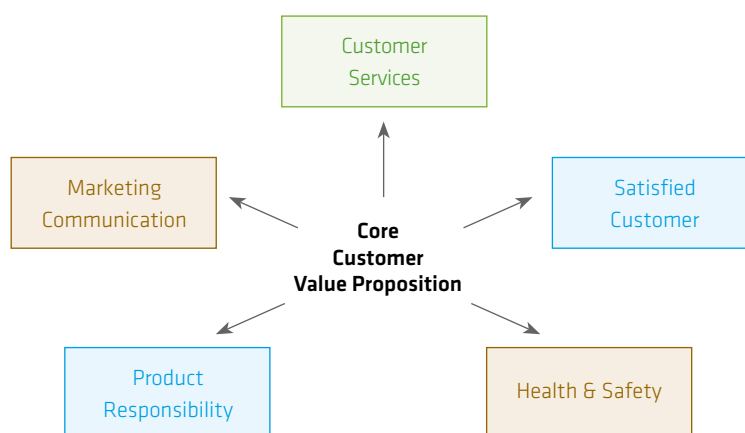
## Creating Value for Our Customers

***CIC prides itself on its product responsibility and allocate significant resources to facilitate traceability and quality of its products.***

CIC Group has diverse customers ranging from farmers in the rural areas who purchase seeds and fertilizer to B2B customers in export markets and consumers in high-end niche markets. A philosophy of delivering sustainable value to customers is the common thread that connects all our businesses enabling our growth. Every customer is important and we strongly stand by our mission not to

compromise on the standards of our products and services.

While acknowledging that different customer segments have varying needs, these are built on top of the base value proposition which is applicable to all our customers as depicted below.



### Customer Health & Safety

Customer health and safety is a priority because many of our products are consumed directly or indirectly by people or have a significant impact on their health and well-being. Consequently, all products manufactured and marketed by the Group go through stringent health and safety testing. Further steps are also taken to ensure customer health and safety through the use of these products and by frequently education on the safe use of the products. Necessary certifications have also been obtained by the various entities within the Group, where required.

More specifically, the Healthcare segment does not import pharmaceuticals that have less than 75% shelf life remaining and recalls pharmaceuticals 3 months prior to their expiry dates. At CIC Agri Produce and Crop Solutions segments, products are test sampled from each batch for all products manufactured and these products must comply with the standards set out by the Sri Lanka Standards Institute, ISO, National Fertilizer Secretariat, and the Agriculture Department.

## Creating Value for Our Customers

At CIC Feeds all products are made to ensure that it meets the requirements of Government bodies and local authorities such as the Department of Animal Production and Health, SLSI, BOI, CEA, Industrial Technology Institute, etc.

At CISCO, PET bottles manufactured undergo stringent testing to ensure that all products released to the market are of food and beverage packaging grade.

The necessary certifications have also been obtained by the various entities within the Group, where required. For example, all pharmaceuticals and devices imported by the Healthcare Division of CIC Holdings should have a product registration certificate from the NMRA. Companies operating in the CIC Agri Produce, Crop Solutions and Livestock Solutions sectors hold ISO 22000:2005 and

HACCP food safety management system certifications, while Link Natural also holds HACCP certification.

In terms of analysis of products for customer health and safety at the disposal stage, any crop protection chemicals not sold within 2 years of manufacture, are recalled and disposed of by the Company in a safe manner. However, though farmers have been educated on the safe disposal of fertilizer and crop protection chemical products, actual methods of disposal by consumers of our products across the Group have not been assessed thus far.

While customer health and safety is of utmost important to the CIC Group and all products have undergone the necessary testing procedures, on a global level, certain products of Johnson and Johnson have recently

faced scrutiny. Johnson's baby powder and baby shampoo have been purported to being cancer causing during court proceedings in the USA. However, this allegation is not clinically proven and thus Johnson and Johnson global is currently in the process of appealing this verdict. CIC continues to ensure that all products imported and marketed in Sri Lanka meet the highest local and international consumer health and safety standards.

### Product Responsibility

CIC prides itself on its product responsibility and allocate significant resources to facilitate traceability and quality of its products. The following certifications obtained by the Group highlight the commitment of the Group.

Certification	Business Sector	What it means
Kosher	Link Natural	Food and drink complies with Jewish religious dietary law with each ingredient, food additive and processing aid used in its production also being kosher in a production process that is suitable for kosher requirements and approved by a kosher auditor.
Organic EU 2092/91	Agri Businesses Link Natural CIC Holdings	Complies with the requirements for the formulation and maintenance of an EMS which helps to control the company's environmental aspects, reduce impacts and ensure legal compliance
USDA - NOP	Agri Businesses Link Natural CIC Holdings	Complies with the requirements for a quality management system facilitating compliance with regulatory requirements
ISO 22000	Agri Businesses Cisco Speciality Pkg CIC Feeds	ISO 22000 is a Food Safety Management System that can be applied to any organisation in the food chain, farm to fork. Becoming certified to ISO 22000 allows a company to show their customers that they have a food safety management system in place.
HACCP	Link Natural CIC Feeds	Hazard analysis and critical control points or HACCP is a systematic preventive approach to food safety from biological, chemical, and physical hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level.

***CIC considers it is of vital importance to provide as much information on its products and services as possible ensuring all statutory requirements are strictly adhered to.***

### Labelling

CIC considers it is of vital importance to provide as much information on its products and services ensuring all statutory requirements are strictly adhered to.

In particular, the Healthcare cluster ensures that it provides information, including details on manufacturers as well as information on safe usage of products such as dosage, etc. At Crop Solutions segment, product information on fertilizer is made available as per the National Fertilizer Secretariat regulations and SLS and ISO requirements. Rice, yoghurt and eggs marketed and sold carry specific information through their product labelling as per the Consumer Affairs regulations, SLS and ISO. Similarly at Chemanex, information is maintained and communicated for raw materials. Dot 3 Break Oil is manufactured according to the international standard of SAE

71703, and for Nexobleech a quality assurance certificate is obtained from the Rubber Research Institute for each batch. Though information on ingredients is not required by any standard for ayurvedic products, all Link Natural products that have a healthcare application have information on ingredients is made available through the product packaging and labelling.

### Customer Satisfaction

Customer satisfaction is monitored by the Group by its standardised systems and procedures to ensure high quality products and services are being marketed under the CIC brand. In addition to specific channels to engage with customers to ascertain their levels of satisfaction, companies within the CIC group also maintain open channels through which customers could provide their feedback as and when desired.

### Standardized Systems and Procedures:

Company/ Division	Frequency of measuring customer satisfaction	Methodology	Other mechanisms by which customers provide feedback	Customer feedback and actions taken
CIC Holdings – Industrial Chemicals	Annually	Interviews, questionnaires		Customer feedback brought to light the necessity to improve the colour of some of the paint binders produced. As a result, root cause analysis was undertaken and corrections were made so that the colour produced would be within the accepted limits.
CIC Holdings – Crop Solutions	Biannually	Surveys & Interviews	Questionnaires	The needs of most of the customers are portable pack sizes for products and concessionary rates for products specially during season times. Also organising customer awareness programs during off-season is beneficial.

## Creating Value for Our Customers

Company/ Division	Frequency of measuring customer satisfaction	Methodology	Other mechanisms by which customers provide feedback	Customer feedback and actions taken
CIC Holdings – Healthcare Division	For medical devices – monthly, and upon the introduction of new products. For pharmaceuticals – monthly.	Face to face interviews		Customer satisfaction is obtained for all product categories. In general, feedback has been positive.
Consumer Division	Weekly	Dealer visits.	We maintain a customer complaints and feedback report and send it back to the factory	We visit the dealer or customer in order to personally solve their problems
Johnson & Johnson	Daily, weekly, and annually	Usage and attitude surveys, through independent research agencies	Mom helpline, telephone, social media	Examples of feedback received include top of mind awareness, consumer behaviour patterns, and feedback on specific products.
	Daily, monthly, quarterly, and annually	Social media activities / Research Organisations	Through professional marketing activities and the sales team	Make consumers aware of products and their features and benefits
CIC Agri Businesses	Monthly	Monthly visits by marketing and field staff	One on one meetings, email, and telephone	Formal complaints regarding any product are dealt with by either the production team or the marketing team as appropriate
CIC Feeds	Monthly	Dealer and customer visits are made once a month by our field force	We have dedicated a 24 hour customer care hotline	Our field force regularly visits customers and feedback on customer satisfaction is received on a continuous basis
Chemanex	Monthly	Customer visits by Product Managers	E-mails , letters, telephone calls, and visits	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
CISCO	Monthly	Telephone calls, visits, surveys	By email or telephone call	Quality and delivery
Link Natural	Annually	Qualitative research on usage and attitudes, validated by quantitative research if relevant	Telephone calls, email, and correspondence	Currently on going for Sudantha. Samahan and Kesha will be considered this financial year.

## Marketing Communications

Companies within the CIC Group do not market or sell any products that are banned, or that are disputed. However, the use of fertilizer and crop protection chemicals continues to be a matter of stakeholder question and public debate on a national level, due to the alleged link to Chronic Kidney Disease particularly in the North Central Province of Sri Lanka.

The biggest challenge faced by the agriculture industry today is the over use of certain agricultural inputs by the farming community, which by now has escalated to the extent where ground water, rivers and reservoirs have become contaminated.

We continue to believe that the solution to this problem lies in education and awareness, and we continuously educate the farming community on scientific crop management and on the judicious use of our products. In addition, we ensure that the products we market consist of raw materials that are sourced from the best manufacturers, are widely researched and have minimal negative impacts on humans and the environment.

None of the entities within our Group have faced any incidents of non-compliance with regulations or voluntary codes concerning marketing communications, including advertising, promotion, or sponsorships, within the period under review. Entities within the Group have varying regulations in this regard based on the nature of their products.

For example, pharmaceuticals marketed by the Healthcare division of CIC Holdings cannot be advertised through mass media, nor can the agro chemical products of Crop Solutions. For the latter, new regulations are in place with regard to pesticide branding and promotion, and only farmer based communication is allowed, through the sharing of technical information. J&J must also obtain

prior approval from the Media Ministry for telecasting foreign television commercials. All regulatory restrictions related to marketing communications are strictly followed across the CIC Group.

## Product and Service Related Compliance

The CIC Group ensures that all products and services offered, satisfy the requirements of all relevant government organisations and local authorities, including the Sri Lanka Standards Institute, Board of Investment, Central Environmental Authority, Industrial Technology Institute and so on. Companies within the group have also obtained the necessary certifications related to their products or services.

As previously mentioned, all pharmaceuticals and devices imported by the Healthcare Division of CIC Holdings should have a product registration certificate from the NMRA. Companies operating in the food and beverage sector under CIC Agri Businesses and CIC Feeds hold ISO22000:2005 and HACCP food safety management system certifications. Link Natural holds HACCP certification as well, and must also maintain GMP which is concerned with both production and quality control. For J&J, SLSI certification is compulsory for baby soaps, powders, and colognes. In fact, SLSI has amended its existing standard for baby cologne, and therefore new formulation was required in order to remain on par with the standard. J&J has already achieved this new formulation accordingly, and the respective products are now in the market.

During the year under review, at Crop Solutions a controversy surrounding a consignment of its fertilizer imports was a matter of concern. The consignment was imported into Sri Lanka following the specified import procedure, whereby several pre-shipment test reports

confirmed that the shipment in question met the specified standards. However, an initial test of a sample done in Sri Lanka by the National Fertilizer Secretariat (NFS) allegedly indicated a level of cadmium higher than was permitted, consequent to which the fertilizer store was sealed.

Subsequently, CIC got samples tested at an international accredited laboratory for testing of heavy metals in Sri Lanka and confirmed that the cadmium levels were in fact below the stipulated maximum. The issue was resolved through discussions between the Management of CIC and CIC Agri Businesses, and the NFS and other Statutory Authorities, and the fertilizer store was re-opened thereafter.

Apart from the sealing of the fertilizer store, CIC Agri Businesses did not face any monetary fines over this issue. Additionally, no other entity covered by the boundary of this report faced any monetary fines for non-compliance with laws or regulations concerning the provision and use of their products or services. Also, no other entity faced any monetary fines or non-monetary sanctions for non-compliance with laws and regulations in general during the period under review.

## Creating Value in 2016/17

The Group has invested in research and development for new and improved products for the future market in anticipation of customer demands. The re-launch of the retail business, developing improved/ environmentally friendly products in the Crop Solution segment, investment on research and development of healthy rice options such as low GI in the Agri Produce segment, developing products to meet the growing trends in Industrial Solution Segment are few of the initiatives taken to date.

## Creating Value for Employees

***CIC Group considers employees to be its most important priority. We have a truly diverse team comprising 2,049 employees***

It is gratifying to note that every employee of CIC Group has contributed towards the growth of the Group and that our strength lies on the unconditional tasks our employees have undertaken to rebound from a Rs.1.13 Bn net loss in 2013/14 to a Rs. 1.63 Bn net profit in 2015/16 – within two years. Likewise the Group has made every effort to ensure that our employees are looked after providing a balanced work life environment

and an unbiased rewards and recognition mechanism.

CIC Group has a truly diverse team comprising 2,049 employees who are located throughout the country. As the Group evolved to its current structure, companies within the Group had a high degree of autonomy over various aspects of its functions including HR. However, the value proposition is broadly similar across the Group and has the following common features.

How We Create Value for Employees				
Recruitment and Remuneration	Reward and Recognition	Employee Development	Opportunity	Awareness on Social Issues
Rs. 1,540 Mn	Bonuses Rs. 314 Mn	9,584 Training Hours	28 Promotions 113 training opportunities	First aid training fire and emergency evacuation training
Dignity, Health & Safety				
Freedom of Collective Bargaining				

### Our Team Profile

CIC Group considers employees to be its most important priority. All employment undertaken by the Group falls within the nationally established institutional and legal frameworks and all statutorily required payments towards provident funds are made on behalf of its

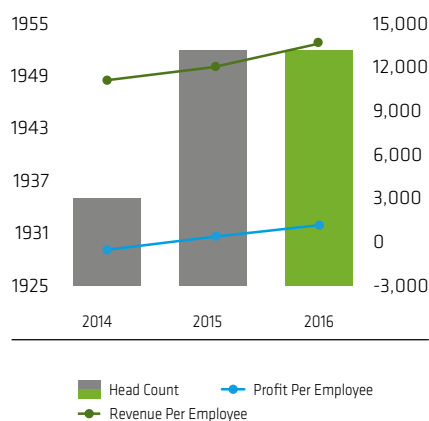
employees. CIC Group strictly adheres to all labour laws of Sri Lanka including the Shop and Office Employees' Act, Factories Ordinance and Gratuity Act. The Company ensures that a safe, healthy, and decent working environment is provided for all categories of employees without any discrimination.



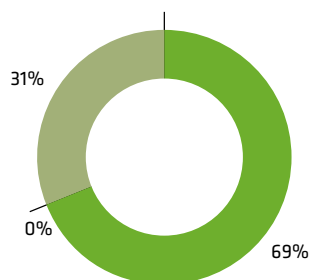
*Achievers of Crop Solutions*

## Creating Value for Employees

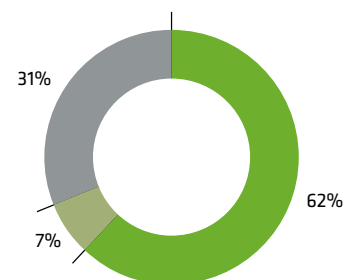
(Rs. Mn. ('000))



## Employees by Category



- Full-time employees
- Part-time employees
- Outsourced employees



- Permanent employees
- Fixed term/ contract employees
- Outsourced employees

## Number of Employees by Region (Including outsourced staff)

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Central Province	55	31	190	-	-	-
Eastern Province	20	11	1	-	-	-
North Central Province	28	7	125	-	-	-
Northern Province	23	9	3	-	-	-
North Western Province	17	30	26	-	-	-
Sabaragamuwa Province	23	28	10	-	-	-
Southern Province	40	24	20	-	-	-
Uva Province	12	9	42	-	-	-
Western Province	483	543	165	569	130	172
<b>Total</b>	<b>701</b>	<b>692</b>	<b>582</b>	<b>569</b>	<b>130</b>	<b>172</b>

Note: Above includes 797 nos of outsourced staff

## Gender and age diversity

### Governing bodies by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Board of Directors (%)	100%	0	100%	0	100%	0	90%	10%	100%	0	85%	15%
Senior Management Team (%)	89%	11%	70%	30%	85%	15%	91%	9%	100%	0	100%	0

### Employees by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Gender Diversity (%)	88%	12%	75%	25%	85%	15%	87%	13%	82%	18%	100%	0



## Creating Value for Employees

### Employees by age

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Under 30 years	33%	48%	42%	22%	16%	71%
30 – 49 years	58%	45%	53%	70%	61%	29%
50 years and above	9%	7%	5%	8%	23%	0

***CIC Group is committed to paying our employees a fair and reasonable wage above the industry minimum, with no wage disparities made based on gender.***

### Recruitment and remuneration

Equivalent opportunity, human rights and codes of conduct are upheld at CIC and are in place at all locations creating a conducive work environment. Whilst we are an equal opportunity employer, local hiring is encouraged across the CIC Group. Technical and professional positions including for senior managers, are hired from the local community by taking into consideration skills, competencies, capabilities, knowledge and experience. Close proximity to the location is considered as an added advantage. Out-sourced labour is contracted through reputed labour supplying companies. We also encourage internal promotions in order to provide a career path for talented and capable employees. Gender equality is of most importance to us. However the Group's

business is such that in most instances the job description is not suitable for a female worker and evidently the hire of male category is much greater.

Companies across the Group provide equal remuneration for work of equal value, and there is no disparity in remuneration paid to women and men. The ratio of basic salary and remuneration of women and men at all locations of operation and across all employee categories is 1:1.

### Comparative Entry Level Wage Structures

CIC Group is committed to paying our employees a fair and reasonable wage above the industry minimum, with no wage disparities made based on gender.

Every effort is taken to ensure that employees are paid over and above what is defined by law. For CIC Feeds Group, there is no minimum wage rate defined for entry level employees as the industry does not come under a wages board. However the company maintains a fair and reasonable entry level wage for each category of staff when compared to the generally acceptable industry standards, and the Group's entry level staff earn around 8 – 15% above the industry average. Every financial year the Group reviews employee benefits by taking into consideration factors such as cost of living, government statutory requirements, and existing industry standards.

Entry level employees enjoy most of the benefits provided for other job categories such as accommodation, overtime pay, meals, and transport. Once probationary employees are made permanent, they are also entitled to other benefits including comprehensive medical insurance cover for the staff member and their immediate family, un-utilised leave encashment for non-executive staff, and annual bonuses.

Within the CIC Feeds Group, medical insurance, bonuses, meals, and welfare facilities are benefits accrued by full time employees that are not available to part time or contract employees.

At Chemanex, standard entry level salaries are based on the minimum salary standards set by the BOI for BOI approved companies, and as per the Shop and Office Act No. 19 of 1954 for other companies. Benefits provided to full time employees of Chemanex include reimbursement of education expenses for selected streams, reimbursement of medical and healthcare expenses, financial assistance in the event of an employee or close family member's death, and loan schemes at subsidised rates for selected purposes.

At CISCO, entry level wage is equal to the wage set by the Government for unskilled labour, while it is 25% more for skilled labour. There is no difference in the benefits provided to full time employees vs. part time or contract

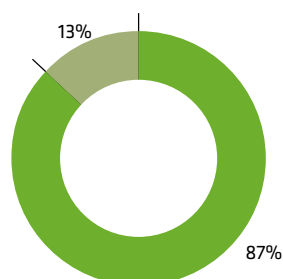
### Percentage by which entry level wage exceeds national minimum wages, by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Approximate Ratios (%)	36%	36%	40%	40%	15 – 20%	15 – 20%	8 – 15%	8 – 15%	66%	66%	0	N/A

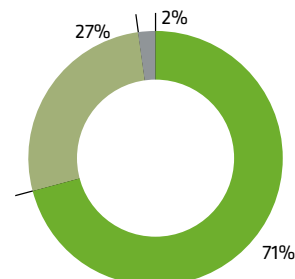
employees of CISCO with the exception of being entitled to loan facilities.

Similarly at Link Natural, contract employees are offered all the same benefits as full time employees, while outsourced employees are not eligible to benefit from the Company's medical insurance scheme.

### New Hires by Gender and Age



● Males  
● Females



● Under 30 years  
● 30 - 49 years  
● 50 years and above

### New Hires by Region

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	8	1.7%	1	0.1%	45	7.7%	-	-	-	-	-	-
Eastern Province	2	0.45%	2	0.4%	0	0	-	-	-	-	-	-
North Central Province	3	0.6%	1	0.1%	48	8.2%	-	-	-	-	-	-
Northern Province	1	0.1%	2	0.4%	0	0	-	-	-	-	-	-
North Western Province	3	0.6%	3	0.5%	0	0	-	-	-	-	-	-
Sabaragamuwa Province	2	0.45%	2	0.4%	1	0.2%	-	-	-	-	-	-
Southern Province	6	1.3%	2	0.4%	3	0.6%	-	-	-	-	-	-
Uva Province	1	0.1%	0	0	26	4.5%	-	-	-	-	-	-
Western Province	28	6%	7	1.3%	29	4.9%	11	5%	17	14.7%	0	12.2%

## Creating Value for Employees

### Non-discrimination

Equal opportunities in the workplace is an important characteristic of CIC, and the Company prides itself on respecting its workforce equally, regardless of gender, age, race, religion, sexual orientation, political beliefs, or any other factor.

All group companies fill vacancies only on the basis of the right fit for the job, and all staff have equal access to training and development accordingly. The CIC Group also believes in equal pay for work of equal value, as described in previous sections of this report.

There have been no incidents of discrimination reported within the CIC Group during the year under review.

Though there is currently no formal channel for voicing such incidents if they do occur, the Group operates an open door policy where any employee can access and voice their concerns to any member of management within the Company. Additionally, issues can be raised through weekly management meetings, departmental meetings, through the annual performance appraisal, as well as through other informal channels within the group.

### Employee Development

CIC recognises the fundamental importance of training, education and development for the well-being and progress of its employees and each entity is committed to providing timely and relevant training for their respective employees.

During the year, amongst other routine training programs employees at Link Natural received training in areas including ISO standards, accounting standards, HACCP, and GMP, in addition to usual job specific training received. CIC Agri Produce and Crop Solutions employees received specific training on sales, marketing, SHE, firefighting, and accounting systems during the year under review.

### Average training hours by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		ChemaneX		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total Hours of Training	1,905	385	3,845	1,320	1,465	28	200	-	374	52	10	N/A
Average Hours of Training	4.75	6.75	9.5	9.5	3	0.5	1.03	-	4.5	2.5	0.25	N/A

### Average hours of training by employee category

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	ChemaneX	CISCO
Executive Board Members		15.0	-	-	-	-
Divisional Directors	7.5	25.5	3.5	-	-	-
Group Heads/ General Managers	20.25	17.25	3.0	40	26.5	-
Senior Managers/ Managers	3.25	14.25	2.5	40	18.75	-
Junior Managers/ Senior Executives	13.0	28.0	1.5	-	11.0	2

## Employee Health & Safety

At CIC occupational and general health and safety is priority. Senior level staff are held responsible for managing these areas within their respective businesses. All staff across the Group are involved in annual fire drills and are entitled to annual health checks at a predetermined medical centre contracted by the Company.

Staff working in factories, repacking centres and similar operations are also provided with annual first aid training and staff working in operations that are considered to be potentially hazardous, are trained on the health and safety aspects related to their job at the time of recruitment and on a regular basis thereafter. All necessary uniforms, safety shoes and helmets, have been provided for lab and factory staff in order to protect them from injuries. Training on the proper use of safety equipment is also given to all employees

At Chemanex and CIC Agri Businesses employees are made aware of what safety measures they must take through regular education done during both internal and external SHE audits, safety signage and written instructions.

The repacking Centre of CIC Holdings has also implemented the requirements of OHSAS 18001:2007 for further stringency in their health and safety management. The corresponding audit has now been completed and the Repacking Centre is currently awaiting the receipt of the confirmation certificate.

At Agri Businesses, all Health & Safety Policies are covered under OHSAS, ISO, SLS or SHE certifications and procedures, all of which are internally audited on a quarterly basis and externally on an annual basis.

No significant accidents, injuries, occupational diseases or lost days were reported throughout the Group except at Link Natural where a worker suffered an injury to his finger which resulted in 2 lost days.

## Employee Engagement



## Rewards & Recognition

The Group conducts regular performance and career development reviews for all categories of employees other than out sourced employees with an aim to encourage further development.

Annual performance and career development appraisals are performed for all employees of the Group, where by each individual assess themselves against the previous year's appraisal, self-assess their strengths and weaknesses and discuss their future training requirements and concerns if any. All remuneration in the form of salary increments and bonuses are based on employees' achievement of objectives stated through appraisals. The reward system of the Group is

therefore directly connected to the appraisal system, driving employees to achieve their stated objectives.

The Company is also able to identify top performers through this process, and potential candidates to be developed to higher levels of management.

At Chemanex until last year, performance evaluation was done only for Management staff. However from this year onwards, all staff including Management staff and General staff will receive annual performance and career development reviews

Percentage of employees who received a formal performance review is 100% of males and females

## Creating Value for Employees

### Retention

Labour turnover across the Group can be considered an indication of the satisfaction of our employees, and their commitment to continue to serve the Company. Low rates of turnover are observed within most subsidiaries of the Group except for CIC Holdings PLC, CIC Agri Businesses and Chemanex PLC. The higher turnover rate at CIC Holdings is due to closure of two operations and at Chemanex it is due to restructure of the business. At CIC Agri Businesses, the high turnover is a result of the nature of business, especially with regard to staff at retail outlets.

### Employee turnover by gender

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Turnover (No.)	91	6	12	3	73	26	14	3	38	7	-	N/A
Turnover Rate (%)	19.4%	1.3%	2.2%	0.5%	12.5%	4.5%	6.3%	1.4%	33%	6%	-	N/A
Total Turnover Rate (%)	20.7%		2.7%		17%		7.7%		39%		-	

### Employee turnover by age

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 30 years	41	8.70%	14	2.60%	83	14.30%	12	5.40%	5	4.20%	-	-
30 – 49 years	43	9.20%	1	0.10%	16	2.70%	5	2.30%	23	20%	-	-
50 years and above	13	2.80%	-	-	-	-	-	-	17	14.80%	-	-

### Employee turnover by region

	CIC Holdings		Link Natural		CIC Agri Businesses		CIC Feeds		Chemanex		CISCO	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Central Province	7	1.50%	1	0.10%	36	6.20%	-	-	-	-	-	-
Eastern Province	1	0.30%	-	-	-	-	-	-	-	-	-	-
North Central Province	4	0.80%	-	-	27	4.60%	-	-	-	-	-	-
Northern Province	-	-	1	0.10%	2	0.30%	-	-	-	-	-	-
North Western Province	1	0.30%	-	-	5	1%	-	-	-	-	-	-
Sabaragamuwa Province	5	1%	2	0.45%	2	0.30%	-	-	-	-	-	-
Southern Province	6	1.20%	2	0.45%	-	-	-	-	-	-	-	-
Uva Province	1	0.30%	1	0.10%	2	0.30%	-	-	-	-	-	-
Western Province	72	15.30%	8	1.50%	25	4.30%	17	7.70%	45	39%	-	-

## Employee Relations

Currently there are no formal channel in place within the CIC Group whereby employees could voice their grievances with regards to labour practices. However, an open door culture is in place across the Group, and any employee can access any other member of staff or management, in order to voice any concerns they may have. Additionally, non-management staff of CIC Holdings PLC are unionised and are covered by a collective agreement which seeks to protect their labour related interests. Of the total employees within the CIC Group, approximately 4% are covered by collective bargaining agreements

During the year, there have been no grievances relating to labour practices filed at any of the companies within the Group.

### Freedom of Association and Collective Bargaining

CIC recognises its employees' rights to freedom of association and collective bargaining. Non-management employees of CIC Holdings are covered by a collective agreement, though employees recruited under the management category are automatically excluded from joining trade unions due to the unions themselves being created solely for non-management grades.

While unions are not present within the subsidiary companies – CIC Agri Businesses, CIC Feeds, Link Natural, Chemanex, or CISCO – employees of these businesses are free to collectively voice their concerns or opinions to the management through weekly, monthly, and quarterly meetings, through suggestion boxes, through committees, or through direct communication with the management facilitated by the Group's open communication policy.

At Link Natural, employees collectively voice their concerns via three employee associations which have been established, namely an in-house union for staff, an in-house union for workers, and a welfare association. However as stated, Link Natural, like the other subsidiaries of the Group, does not have any politically affiliated unions operating within the Company.

During the year, there have been no grievances relating to labour practices filed at any of the companies within the Group.

### Child Labour and Forced or Compulsory Labour

The CIC Group has a strict policy that child labour does not and will not occur within its operations. The Company conforms to the labour laws of Sri Lanka, and as such, does not employ any person under the age of 18 years. Prior to the commencement of formal interviews with potential new recruits, ages of applicants are always verified. This policy is also followed when it comes to working with outsourced contract employees and relevant clauses are in place within the agreements entered into with our labour contractors. There have been no incidents of child labour reported within the Group to date.

The Company is equally concerned with ensuring that forced or compulsory labour does not occur, and neither is tolerated within the Group. Towards ensuring this, the Group as a policy neither retains any original documents belonging to its employees, nor requires any form of guarantee or cash deposit. No employee is made to work against his or her will or is subject to corporal punishment or coercion of any sort. As a consequence, no incidents of forced or compulsory labour have been reported within the CIC Group to date.

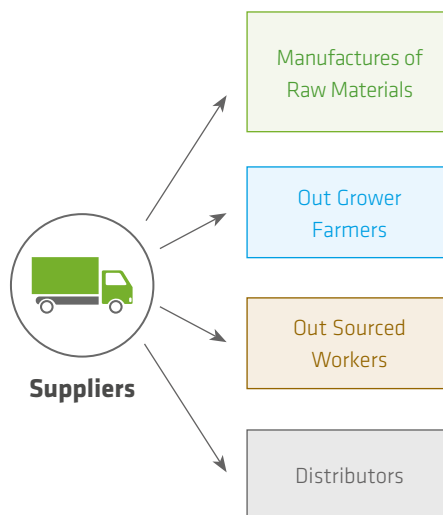
## Creating Value in 2016/17

The Group has hired consultants AON, India to conduct a detailed audit of the Groups' Human Resource policies and procedures and to make recommendations. The Group intends on formalising its Human Resource policies and procedures following this audit to ensure that there is uniformity throughout the Group and best practices are implemented, monitored and documented for references. The Group has already established a more formal centralised Human Resource department for this purpose.

## Creating Value for Suppliers

***As a company operating in the food, poultry and healthcare industries, CIC follows the precautionary approach very strictly.***

As the continuity of the various businesses in the Group is dependent on it, the smooth running of the supply chain is essential to CIC.



The supply chain consists of manufacturers of raw material, finished goods and packing material and labour suppliers that provide outsourced workers for certain manufacturing operations. Once the goods are ready for sale, transport suppliers provide transportation facilities to wholesaler, distributor warehouses and to retail supermarkets and shops. Labour suppliers provide some outsourced labour for product promotion activities.

Potential suppliers both local and foreign are assessed for the quality and safety of their products, cost, reliability of delivery, reputation, credit terms, minimum order quantities, and lead times. Once selected, supplier agreements are entered into and the supply of goods and services begin. In order to ensure business continuity, more than one supplier is identified for a given product and service. Periodic assessments are carried out by business heads/operation heads to evaluate supplier performance. If performance is not satisfactory and performance cannot be improved by further negotiations the supplier is discontinued and another chosen.

### CIC and the Precautionary Principle

As a company operating in the food, poultry and healthcare industries, CIC follows the precautionary approach very strictly.

The “precautionary principle” is a notion which supports taking protective action before there is complete scientific proof of a risk; that is, action should not be delayed simply because full scientific information is lacking.

At CIC, we put this to practice in the following ways: if there is an indication of disease to our poultry, the entire flock is culled. If there is the slightest doubt of contamination to our food products i.e. rice and yoghurt all batches are recalled and destroyed. No drug or devise can be imported to this country unless approval is obtained by the National Medicines Regulatory Authority. Even so, in the event a contamination or product defect is suspected or identified in a batch imported subsequently, all stocks are recalled and destroyed. In the Crop Protection chemicals industry, every imported consignment is tested (ROP for Crop Protection chemicals, National Fertilizer Secretariat for fertilizer). If any of these samples fail to pass the quality assurance test, the entire consignment is shipped back to the supplier. In the Crop Protection industry, all chemicals are recalled 3 months before their expiry date. In the industrial chemical too if a product defect is suspected all batches are recalled.



***The policy of the CIC Group is to source the highest quality materials, ingredients, and other supplies necessary for its operations. Whilst preference is given to local suppliers wherever possible.***

### **Procurement Practices**

The policy of the CIC Group is to source the highest quality materials, ingredients, and other supplies necessary for its operations. Whilst preference is given to local suppliers wherever possible, in some instances due to the nature of operations, the company is compelled to import items from reputed and reliable international suppliers. This is also necessary at times in order to maintain the high standards of quality required, when appropriate local supplies are not available.

### **Policy, practices and proportion of spending on locally-based suppliers**

At CIC Agri Businesses Group, procurement from local suppliers is given preference, keeping in mind product availability, quality, price, as well as the track record of the supplier. Currently within the Group, approximately 18% of procurement is local in the case of fertilizer, approximately 40% in the case of Seed and local procurement ranges from 85 – 100% in the cases of FMCG products such as rice, yoghurt, curd, etc. At an overall level, local procurement at CIC Agri Businesses increased to 58% this year compared to 15% last year, due to the increase in purchase of milk, as well as due to the increased sales budgets for all products.

At the CIC Feeds Group, priority is given to local raw material suppliers and service providers as long as the quality standards of products are not compromised. Corn, rice polish and wheat midds are the main ingredients that are commercially available in the local market. Approximately 60% of raw materials used for animal feed production are locally sourced. Additionally, the raw material requirement for chicken production including feeds, Day Old Chicks (DOCs), and vaccines are sourced from within the CIC Feeds Group.

However, when it comes to deciding on the latest technological requirements and specialised jobs, the Company will favour the most optimum solution regardless of whether it is locally available or imported. The reliability and credibility of the supplier, as well as trustworthiness, cost, transportation cost, quality, environmental and social performance, technical soundness, and financial stability are the main factors considered when selecting a supplier for CIC Feeds Group.

At Link Natural, supplier reliability and on time delivery are considered important factors when choosing a supplier. The Company sources material from local herbal cultivators and also works with out-grower farmers.

### **Local Procurement**

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Proportion of spending on locally based suppliers (%)	28%	58%	58%	60 – 65%	52%	20%

## Creating Value for Suppliers

***The CIC Group ensures that all products and services offered, satisfy the requirements of all relevant government organizations and local authorities.***

### Supplier Environmental Assessment

All products and raw materials sourced by the CIC Group are from reputed suppliers, where extensive research is done on their safety and efficacy. Being in the crop protection and industrial chemicals and inputs industry, it is of the utmost importance that the products we market have minimal negative impacts on consumer safety and the environment.

An independent environmental assessment and impact report issued by the United States Environmental Protection Agency is one report among many that is submitted to the Registrar of Pesticides, when the company registers a new crop protection chemical in Sri Lanka.

Link Natural informs suppliers on practices that should be followed, and their compliance is assessed during visits to their operations. If suppliers' products do not meet the required specifications, they are informed of this status and the consignment is rejected.

At Agri Businesses, since a large percentage of fertilizer suppliers are based overseas, the Company has minimal control over their practices. Most other products are sourced from household farmers where environmental impacts are minimal.

At Chemanex and CIC Feeds, as of now there is no procedure for undertaking audits or assessments of the environmental standards and practices of suppliers. However, we are working with reputed suppliers where such standards are maintained. CISCO too, purchases from ISO certified suppliers.

### Supplier Human Rights Assessment

CIC, and particularly CIC Agri Businesses and Link Natural who work closely with farming families through their out-grower networks, recognise that though child labour may not be present within their own operations, this could still be a potential area of risk in the supply chain.

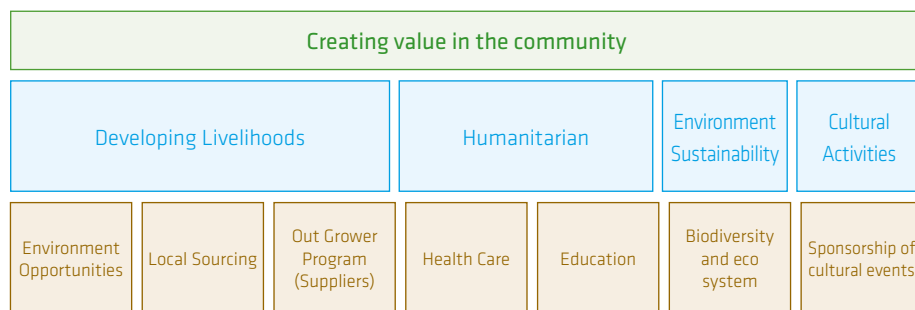
The Group also recognises the inherent nature of small holder farming, which is typically a family activity where all members of a family would participate. In this regard, CIC acknowledges that family labour, where children assist their parents with farming activities after having completed their daily schooling and education requirements, may occur within the Company's supply chain. While this is permitted, child labour, where children are forced to engage in work rather than pursuing their education, is not permitted within the supply chain of the Group.

For other companies within the Group, potential human rights risks in the supply chain are currently not assessed. However the Group ensures to work only with reputed suppliers in all areas of the business.

## Creating Value for Communities

***The Group gives preference to investing in education as it believes that education and knowledge will help raise the standards of living of rural communities, in which we predominantly operate.***

The Group strongly believes in giving back to society and the community. Whilst investing in varied community need projects, the Group gives preference to investing in education as it believes that education and knowledge will help raise the standards of living of rural communities, in which we predominantly operate. Some of these initiatives are as follows:



### Developing Livelihoods

- Providing direct jobs and indirect jobs through the out-growers projects
- CIC Agri Businesses works with a network of over 25,000 farmer families covering over 15,000 acres through its out-grower programs for seed paddy, consumption paddy, soya, maize and milk. In addition, Link Natural's out-grower network in the areas of Anamaduwa and Ampara consists of over 350 farmer families spanning over 120 acres of herbal plants. We provide seeds, financial assistance to upgrade the agricultural technology, technical assistance and training in good agricultural practices and buy back agreements for their harvests and have been able to get quality raw materials while contributing livelihood development of farmers and rural economic development.
- CIC Manussakama' (Humanity) programme

This program is set-up by the Agri Prodcue sector for uplifting of social and economic status of the rural communities in which we operate to enhancing knowledge and skills of the rural farmers and their families. Under this program

- The Shoora Givuya competition is held annually to attract and popularize farming amongst youth and winners are awarded with overseas training.
- Nucleus farms have been established around the country which practices modern technology and farmers are free to visit these farms to enhance their knowledge.
- In association with the Ministry of Education model farms are set-up in schools to educate future generations.
- Navagoviya, a trilingual website, [www.navagoviya.org](http://www.navagoviya.org), Agri bi-annual magazine, telephone advisory service, Agri media fusions – Agri Radio and Agri Television have been designed to freely access technological knowledge.



## Creating Value for Communities

### Humanitarian

#### Education

- “Ugathamana” - Student Competency Development Project
- Link Natural has initiated “Ugathamana” Student competency development project with the objective of building an excellent school and competent students. In initial phase project was focused to enhance the results of students in Year 5 scholarship, O/L and A/L examinations. Now this project is further expanded to uplift student's personality, leadership skills and attitudes and to strengthen the relationships between students and teachers.
- Under CIC Manussakama (Humanity) Program financial assistance is provided for building renovations, supplying drinking water, improving library facilities, distribution of books financial assistance to volunteer teachers are provided and educational programmes are sponsored under the Danuma Danaya seminars for development of English, literature, aesthetic studies and folk.
- The CIC Charitable and Educational Trust Fund supports' children of employees and other deserving children. The Fund presently

focuses on supporting children who excel at the Grade 5 Scholarship Examination, the Ordinary Level Examination, and deserving undergraduates.

- Further CIC Feeds has invested in human capital during the past year through providing scholarships for students, while Chemanex has taken a long term mantle of improving the standard of English education in the Sangabodhi Vidyalaya situated in Mahiyanganaya. Additionally through the Chemanex Trust Fund, students in secondary and higher education are supported as the Company provides commercial training for undergraduates from various local universities, thereby providing them with practical work experience and making them more employable and attractive to recruiters.
- English classes are conducted twice a week at the Hingurakgoda Kanishta Vidyalaya for young students of the area. Hingurakgoda Kanishta Vidyalaya was refurbished recently and pipe borne water was provided for the students. CIC Agri Businesses was recognised when it received a silver award for the steps taken to uplift Rural Education at the annual Community Leader awards organised by the Sunday Times and CIMA Institute.

#### Health Care

- In view of combating diabetes the Group implemented an extensive awareness program for employees of the Group as well as for community members in certain locations, on the causes and prevention of diabetes. Employees were also encouraged to make at least one of 3 pledges: to walk daily, eat healthy, and live actively, in an effort towards preventing diabetes and CIC Agri Business concentrates on promotion of healthy food consumption such as fresh fruits and vegetables and high in fibre G1 and G2 red basmati rice.
- Efforts are being made to minimise actual or potential impact on local communities by the localities of the end users of our fertilizer and crop protection products. Continuous educational and free give-aways of safety products are being done for this purpose.
- Link Natural contributes to uplift the healthcare by constantly seeking opportunities to raise awareness on better health specially among the less privileged people who do not have access to health education. Common health problems are being addressed through our awareness programmes. Health awareness programs



are conducted island wide reaching over 500,000 people annually. The dental clinics focusing the people who do not have access to professional dental care and donation of toothpaste to rural communities has been widely appreciated.

#### Promotion of good oral health

- The Group supports the infrastructure development of less privileged rural hospitals and selected urban hospitals. Renovation of the school dental clinic at Galenbindunuwewa Maha Vidyalaya, donation of dental equipments to the Lady Ridgeway Hospital for Children in Colombo, renovation of the children's ward at Dompe District Hospital are among the recent CSR activities by Link Natural.

#### Cultural Activities

- Sponsorship of sports tournaments, debate competitions and community programs are among the important initiatives. During the year the Group invested in many such programs and events.
- The Group extends its helping hands to the people in need, when situations such as, adverse
- One of our most successful projects within the Group, the Dulux Child Protection Trust Fund (DCPTF) was launched in 2001 by Akzo Nobel Paints Lanka (Pvt) Limited to aid the prevention of child abuse. The DCPTF provides financial assistance to needy children and to institutions engaged in caring for abused children, while creating public awareness on the rights of children with the aim of eradicating child abuse in Sri Lanka. Parents and adults, including teachers and caregivers, are also educated on the dangers abused children may encounter and potential signs of abuse



#### Infrastructure Investment

- During the year, CIC Feeds Group contributed towards the village temple in its locality by constructing the roofing for the temple and also built a community centre in Thawalla village in Amunuwela where the Company has a broiler farm. This centre is used for various activities and meetings of the villagers, which contributes towards their social and economic development.



## Creating Value for Communities



### Involvement in external initiatives and organisations

The Group upholds values and principles as per international charters and respects the United Nations Universal Declaration of Human Rights and supports the Principles of the UN Global Compact

In addition, CIC and its subsidiary companies are involved in industry associations operating in Sri Lanka, as follows:

	CIC Holdings	Link Natural	CIC Agri Group	CIC Feeds Group	ChemaneX	CISCO
Associations in which the Company holds a position on the Board	<ul style="list-style-type: none"> <li>Corporate:</li> <li>Ceylon Chamber of Commerce –President</li> <li>Healthcare:</li> <li>Sri Lanka Chamber Of Medical Devices – Past President</li> <li>Crop Solutions:</li> <li>CropLife Sri Lanka – Chairman</li> <li>Department of Agribusiness Management, Faculty of Agriculture, Sabaragamuwa University of Sri Lanka – Board member</li> </ul>	<ul style="list-style-type: none"> <li>Exporters' Association of Sri Lanka – Vice Chairman</li> </ul>	<ul style="list-style-type: none"> <li>National Agri Business Council: Secretary</li> <li>CSR Lanka – Board member</li> </ul>	None	None	None

	CIC Holdings	Link Natural	CIC Agri Group	CIC Feeds Group	Chemanex	CISCO
Associations in which the Company participates as a member	<ul style="list-style-type: none"> <li>Corporate:</li> <li>National Chamber of Commerce</li> <li>Healthcare:</li> <li>Ceylon Chamber of Commerce</li> <li>Sri Lanka Pharmaceutical Manufacturing Association</li> <li>Sri Lanka Pharmaceutical Importers Association</li> <li>Crop Solutions:</li> <li>CropLife Asia</li> <li>National Toxicological Association</li> <li>National Agribusiness Council</li> <li>National Research Council &amp; Department of Agriculture</li> <li>National Apprentice and Industrial Training Authority</li> <li>Corporate:</li> <li>National Chamber of Commerce</li> <li>Healthcare:</li> <li>Johnson &amp; Johnson - Listerine:</li> <li>World Dental Association</li> <li>American Dental Association</li> <li>Indian Dental Association</li> </ul>	<ul style="list-style-type: none"> <li>Ceylon Chamber of Commerce</li> <li>International Federation of Essential Oils and Aroma Traders</li> <li>Export Development Board</li> <li>The National Chamber of Exporters of Sri Lanka</li> <li>The Spice Council of Sri Lanka</li> <li>International Chamber of Commerce of Sri Lanka</li> <li>The Ceylon National Chamber of Industries</li> <li>Industrial Technology Institute</li> <li>Sri Lanka Association of Testing Laboratories</li> <li>Sri Lanka Association for the Advancement of Science</li> <li>Royal Society of Chemistry</li> <li>International Chamber of Commerce - Sri Lanka</li> <li>Sri Lanka Australia - New Zealand Business Community</li> <li>Perfumer &amp; Flavorist</li> <li>British Herbal Medicine Association</li> </ul>	<ul style="list-style-type: none"> <li>Ceylon Chamber of Commerce</li> <li>National Chamber of Industries</li> </ul>	<ul style="list-style-type: none"> <li>Ceylon Chamber of Commerce</li> <li>National Chamber of Commerce</li> <li>Sri Lanka Poultry Forum</li> <li>Sri Lanka Poultry Producers Association</li> <li>World Poultry Science - Sri Lanka</li> </ul>	<ul style="list-style-type: none"> <li>Ceylon Chamber of Commerce</li> <li>National Chamber of Commerce</li> <li>Ceylon National Chamber of Industries</li> <li>National Chamber of Exporters of Sri Lanka</li> <li>United Nations Global Compact</li> <li>Sri Lanka Institute of Directors</li> <li>Sri Lanka Institute of Packaging</li> <li>Plastic &amp; Rubber Institute</li> <li>Exporter's Association of Sri Lanka</li> <li>Sri Lanka-Germany Business Council</li> <li>Sri Lanka-Malaysia Business Council</li> <li>Sri Lanka-Nordic Business Council</li> <li>Sri Lanka-China Business Council</li> </ul>	None



## Creating Value for Communities

### Community Impacts

Local communities are a vital stakeholder of the CIC Group, particularly for CIC Agri Businesses and Link Natural where out-grower networks are in place. Through these programs, the company reaches and engages with a large number of small scale farmers, thereby uplifting their living standards and contributing towards their economic and social development as a whole. Out-growers are typically family units, whereby both men and women are involved. Both CIC Agri Businesses and Link Natural engage with out-grower farmers on a regular and constant basis, ensuring that the companies become immediately aware of any issues they might face.

At CIC Agri Businesses, this out-grower model varies by product or crop. Where rice and milk is concerned, the Company offers small holder farmers an advisory service along with a buy back agreement. For maize however, there is a complete extension service in place where the Company has entered into an agreement with HNB, and provides seed, fertilizer and other agro chemicals, as well as advisory services. Small holder farmers of maize are assured of a price plus a buyer for their crop.

Apart from our farms, other locations of operations across the Group are not within residential areas, and thus, it is deemed that they do not have any significant negative impacts on local communities through business operations. All companies within the Group take steps to ensure this as is legally required, for example by conducting regular noise testing, etc.

Where we do have an actual or potential impact on local communities is in the localities of the end users of our fertilizer and crop protection chemicals, where it is alleged that products of the agricultural inputs industry as a whole is contributing towards Chronic Kidney Disease prevalent in the North Central province of Sri

Lanka. This, as well as how we respond to this concern, is described in more detail under the Marketing Communications section of this report on page 107.

Whilst investing in varied community needs projects, the company gives preference to investing in education. This is because we believe that education and knowledge will help raise the standards of living of rural communities, and it is from these communities that our future farmers, out-growers, and employees will emerge.

Chemanex has been involved in a long term program since 2011, which aimed to make a lasting difference in the education standards of the Mahiyanganaya area. The company works towards improving the standards of English language education in the Sangabodhi Vidyalaya of that area. The Chemanex Trust Fund also continued its support towards students and staff in secondary and higher education. The Company also continues to provide commercial training for undergraduates from a multitude of local universities. Chemanex has also made donations towards the Colombo Centre for Special Education, as well as towards the Sri Lanka Council for the Blind. Chemanex expects to positively impact approximately 1000 families through these activities, and the Company identifies these activities through brain storming sessions with various stakeholders.

Johnson and Johnson invests in educational initiatives based on its core business. As such, the Company takes steps to raise awareness and promote education amongst pregnant mothers on health and development for themselves and their babies. The Company supports the conducting of educational sessions for pregnant mothers at the De Soysa Maternity Hospital, Kethumathi Maternity Hospital, and Castle Street Hospital for Women on a weekly and monthly basis. J&J also invests in mothers and mothers to be

through the production and telecasting of a popular television talk show, which has covered most issues in pre and post pregnancy and baby care with the participation of healthcare professionals.

Link Natural has also been involved in a philanthropic initiative where the Company assisted a family suffering from Thalassaemia by constructing a house for them.

Formal impact assessments have not been conducted thus far in terms of community development activities conducted by the Group's companies.

Refer environmental focus on page 61 for details.

### Environment impact of Products and Services

CIC Group is committed to supplying highest quality products to its customers, but is aware of the fact that some of these products may impact the environment in a negative manner. The Company strives to source raw materials and products from reputed suppliers, where extensive research is done to ensure that minimal damage is caused to humans and the environment.

### Extent of impact mitigation of environmental impacts of products and services

Fertilizer and crop protection chemicals are produced and marketed by both CIC Holdings and CIC Agri Businesses, which if not properly used, could cause harm to the environment. This has become an issue of controversy affecting the whole agricultural inputs industry, particularly in the North Central province of Sri Lanka. CIC take steps to combat this by educating the farming community on the proper application and disposal of these products. However, over use of such agricultural inputs by farmers remains a principal challenge faced by the industry as a whole.

---

Crop Solutions has made significant commitments to combat the issue of their products impacting the environment negatively. The Company has set a goal for 30% of its turnover to be earned from bio based products by 2018. Crop Solutions has already succeeded in developing and launching one such product. This product, which has been branded 'BASCA' is a para-pheromone made using plant extracts in order to control the population of fruit and melon flies which affect crops.

Meanwhile, CIC Feeds has taken steps to minimise the environmental impacts of its product packaging by ensuring that the packaging used for feeds and for DOCs is recyclable, while Chemanex has over the years become known as the pioneers of safe, lead-free pigments and innovative products that have no negative impact to the environment.

CISCO recognises the negative environmental impacts of providing PET bottles to the market, and is therefore now in the research stage of introducing biodegradable resin and master batches into its production. At CISCO, 10% of rejects are also reused as input material within the production process.

### **Way forward**

CIC's efforts of creating value to its communities will continue to be of top most priority. Our working culture has been developed and will continue to be developed to keep in mind the well-being of our communities.

## Impact Report

***This “out grower” model of training suppliers (farmers) and then linking them to the supply chain helps us to meet both stakeholder and shareholder expectations.***

### Managing Directors Message

Sustainability has always been intertwined in the core business model of CIC, and we take pride in operating our businesses, responsibly managing the impact on the economy, society and environment.

This year's Sustainability Report is G4 compliant.

This year the Group achieved Turnover of Rs. 26.67 Bn and profits of Rs. 1,633.83 Mn.

As the only agriculture company that manages its supply chain from 'Seed to shelf' CIC believes that the future of agriculture depends on the people engaged in it- their knowledge and in the way they perceive their role as farmers. To this end, we continue to be committed to uplifting rural communities, through education and knowledge sharing and also work towards positioning and recognising farming as a prestigious vocation.

This year too, we worked with over 25,000 out-growers in our agriculture and herbal-care businesses, imparting to them technical knowhow on sustainable farming and harvesting methods and then buying back their produce at a competitive price. Our “out-grower” model adopted in the above sectors, have given farmers the financial security they need, as they are assured of a market for their crops, while CIC benefits because we get produce that meet our high standards of quality.

This “out grower” model of training suppliers (farmers) and then linking them to the supply chain helps us to meet both stakeholder and shareholder expectations.

With the population growing and agricultural lands dwindling and demand for nutritious food increasing, food security is becoming a very real threat all over the world. CIC has for many year's been concerned about our nation's food security and have been working towards overcoming this challenge. We believe that the only way to overcome this challenge is to increase the yield of agricultural lands. Through our seeds business, we have introduced a series of high quality seed paddy and vegetable seeds to the market, which are also high yielding. These seeds enable farmers to reap better yields and increase the productivity of their land.

The overuse of fertilizer and crop protection chemicals by the farming community continues to be the biggest challenge faced by the agriculture industry today. This problem has intensified to the extent that ground water, rivers and reservoirs have become polluted. As we see it, the solution to this issue lies in educating the farmer on scientific crop management and the prudent use of inputs. At CIC we firmly believe in this principle and are committed to share this message with the farming community. We also ensure that our products are sourced from the best global manufacturers. These manufactures, supply products that have been widely researched and have minimum negative effect to humans and the environment, whilst having a constant desire to make the product volume smaller, whilst making the product more effective.

During the year under review, our poultry business invested substantially in their broiler operations, installing environment-friendly incinerators. We also continued to train and provide technical assistance to approximately 2,500 poultry farmers.

We are committed see this country self-sufficient in milk and thus have invested heavily in the dairy sector. Our new state-of-the-art milk processing facility commissioned in Dambulla continues to produce approximately 200,000 cups of Yoghurt a day. We also manage dairy farms located in Mutuwella and Siddhapura and work closely with over 5000 out-grower farmers in the North and East.

The Group's interest in herbal health care is carried out through Link Natural and our leading brands 'Samahan' and 'Sudantha', continue to do well. Link Natural through its "out grower" model works with 350 farmers who are engaged in cultivating 120 acres of herbal plants.

This year saw us commence work on a corn drying project aimed at supplying the local feed industry. Our facilities located at Thalawa and Siyambalanduwa are now operational.

In the coming years, the Group will continue to invest in the following focused industry sectors: Agri Produce, Livestock Solutions, Health & Personal Care, Industrial Solutions and Crop Solutions.

***Value generation is of the utmost importance to CIC, and the Company believes in sharing this value across the widest possible cross section of its stakeholder community.***

As CIC moves into this new phase of sustained, profitable and competitive growth, it is clear that our brands will be among our most important assets. Hence the launch of our new corporate logo.

The new "Starburst" symbol depicts both the convergence of CIC's various business entities towards one common purpose, which is "Nurturing Life", and the divergent positive impact of these businesses in their respective sectors.

The new corporate logo will embrace and unify the wide and varied businesses of the group in to one powerful entity.



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

## Impact Report

### Organisational Profile

CIC Holdings PLC, is a public quoted Company with limited liability incorporated in Sri Lanka in 1964 and re-registered under the Companies Act of No.7 of 2007 on 21st November 2007. The headquarters of the company are housed at 'CIC House', 199, Kew Road Colombo 2.

The products and services offered, markets catered to and customers served by key entities of the Company are presented below:

CIC Holdings	Link Natural	CIC Agri Group	CIC Feeds Group	Chemanex	CISCO
<p>The Crop Solutions business markets brands such as Solito and Virtako. The pharmaceutical brands marketed by the healthcare Division include Sita, Betaserc, Orslim and Duphaston, while neutraceuticals include Ensure Glucerna and Pediasure. CIC Holdings are also the local agent for the surgical appliances of DepuySynthes. Oppo and Smith and Nephew -Advanced Wound care, endoscopy and sports medicine reconstruction products. Writing instruments are marketed under the recognised 'Platignum' and 'Cial' brands, while Johnson's baby is the flagship Personal care product. Industrial inputs offered include Nalco water treatment products. All products are marketed island-wide in Sri Lanka</p>	<p>Some of the products manufactured and retailed by Link Natural Products as part of their herbal health and personal care ranges are, Link Samahan, Link Sudantha Link Kesha, Samahan Balm, Muscle Guard, SwasthaThripala, Five Herbs, Link Hair Care Cool, Gotukola Tea and Earth Essence.</p> <p>The company's products are exported to several countries, including the UK, USA, UAE, Europe, East Asia, South America, and India.</p>	<p>The Brands under CIC Agri Businesses are CIC Pohora, CIC Seeds, Golden Crop, Juiceez, Fresheez, and CIC Yoghurt., whilst the main products the Group deals with are fertilizer, seeds, rice, poultry products, and milk based products.</p> <p>The Company also offers advisory services.</p> <p>Our products and services are mainly sold in Sri Lanka, but we do export to countries such as USA, Canada, Australia, Singapore, Maldives and the Middle East.</p> <p>The chief beneficiaries of these products and services are the farmers, plantations and retail consumers.</p>	<p>The Feeds group brands include CIC Feeds, CIC Day Old Chicks and CIC Chicken.</p> <p>The Group are agents for international brands in the veterinary health sector.</p> <p>The products the Group deals with are animal feed, day old chicks, chicken, veterinary medicine, vaccines etc.</p> <p>Advisory services offered are in the area of animal health.</p> <p>Operations of the company are all within Sri Lanka and cater to small and medium scale livestock farmers, retail outlets, supermarkets, hotels, veterinarians, and pet owners</p>	<p>The brands marketed by Chemanex Group include Stop Brake Oil &amp; NexoBleech.</p> <p>Products include specialty chemicals and additives, break oil, bleaching agents, yarn sizing chemicals, seamless knitted gloves &amp; liners.</p> <p>The Group's export markets are in Europe, the Middle East, Africa, Asia, Australia and New Zealand.</p> <p>Customers are industries and business entities (B2B Category)</p>	<p>CISCO operated solely within Sri Lanka and manufactures PET bottles and bottle caps.</p> <p>Customers are industries (B 2 B category,) and are all locally based.</p>

Due to the area surrounding the Emulsion Polymerization Plant belonging to CIC Holdings in Ratmalana becoming residential, a decision was taken to shift the Plant to Panagoda. Though at present operations at Panagoda are being carried out in a small scale, the entire operation will be shifted from Ratmalana to Panagoda in the coming year.

In December 2015, Pidilite Lanka Ltd. acquired the PVAC Adhesive business, associated trademarks such as Chemifix and others, and associated commercial and technical know-how from CIC Holdings. CIC will however continue manufacturing a range of products for Pidilite Lanka under a tolling agreement.

In addition, two Juiceez and Fresheez outlets belonging to CIC Agri Businesses Group in Pelawatte and Narahenpita ceased to operate. The Company's Jawatte Road outlet was upgraded within the year under review in order to better serve customers' needs.

At Chemanex, the bakery ingredients department and safety equipment department were closed within the year under review due to unsatisfactory performance.

Beyond this, there have been no other changes reported within the Group in terms of share capital structure, and no significant changes in the nature and structure of the Group's supply chain.

### Scale of the Company

The CIC Group consists of 30 number of operations, including 10 within the CIC Agri Businesses Group, and 4 within the CIC Feeds Group. Net sales/ net revenues for the year were Rs. 26.67 Bn. The Number of employees across the Group stood at 2,049 at the year's end.

An indication of the scale of the organisation is presented below, by way of employment numbers of CIC Holdings, Link Natural, CIC Agri Businesses, CIC Feeds, Chemanex, and CISCO. Refer "Creating Value for Our Employees".

Work in the Company is mainly carried out by workers who are legally recognised as full-time employees of the Group, or who are supervised contract workers.

### Economic Performance

Value generation is of the utmost importance to CIC, and the Company believes in sharing this value across the widest possible cross section of its stakeholder community.

We are aware of the impact we create on the local economy through our business operations, and strive to generate economic benefits in the most sustainable manner possible.

The chart below depicts the economic value generated by CIC Group during the year under review.

### Economic Value Generated

Value Added Statement (Rs '000)	2015/16	%	2014/15	%
Revenues	26,666,284		23,496,259	
Adjustment for -				
Other Income	548,473		266,765	
Share of profit of equity accounted investees	362,478		207,636	
Less: Cost of materials and services purchased	(21,575,799)		(18,941,040)	
<b>Total Value Added</b>	<b>6,001,436</b>		<b>5,029,620</b>	
Distributed as follows:				
To employees as remuneration	2,035,721	33.92	1,737,270	34.54
To the Government as taxes	849,984	14.16	830,343	16.51
To providers of capital				
as interest on loans	792,040	13.20	745,886	14.83
as minority interest	279,542	4.66	278,916	5.55
To shareholders as dividends	189,540	3.16	189,540	3.77
Donations and community investments	3,204	0.05	3,743	0.07
Retained within the business				
as depreciation and impairment losses	686,653	11.44	671,535	13.35
as reserves	1,164,752	19.41	572,387	11.38
<b>Total Value Distributed</b>	<b>6,001,436</b>	<b>100.00</b>	<b>5,029,620</b>	<b>100.00</b>

## Impact Report

### Employees' Benefit Plan

Companies within the CIC Group contribute 12% of gross salary towards the Mercantile Services Provident Society (MSPS) Fund, or towards the Employees' Provident Fund (EPF). All companies within the Group contribute 3% of gross salary towards the Employees' Trust Fund (ETF)

The defined benefit obligation that is reflected in the Balance Sheet is calculated annually by a qualified actuary according to SLAS 16 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 Mn)	2015/16	2014/15
EPF/MSPS (12%)	47.88	34.03
ETF (3%)	12.05	8.50
Gratuity	35.62	38.71

Retirement Benefit Obligations (Rs Mn)	2015/16	2014/15
Opening Balance	565.93	522.68
Acquisitions from Subsidiary	-	-
Provision for the Year	113.63	92.08
Benefits paid by the Plan	(75.74)	(48.83)
Closing Balance	603.82	565.93

### Significant financial assistance received from the Government

No reporting entity within the CIC Group has received financial assistance from the Government. However for the CIC Feeds Group, though specific financial assistance has not been received, the policies of the Government for the industry have positively impacted the business. For example, restrictions imposed on importation of processed chicken and eggs helps safeguard the industry as cheap unsafe products are restricted from entering the market, which also helps with preventing the potential infiltration of poultry diseases. The zero duty granted on importation of hatchery and poultry keeping equipment also encourages players in the industry to expand and upgrade operations which results in improving the overall stability of the industry.

### Ethics and Integrity

CIC Holding's vision, mission, and values are described on pages 10 and 11 of this annual report. While these values apply across the group, each subsidiary provides further guidance to their employees through their own codes of conduct

### Environment Focus

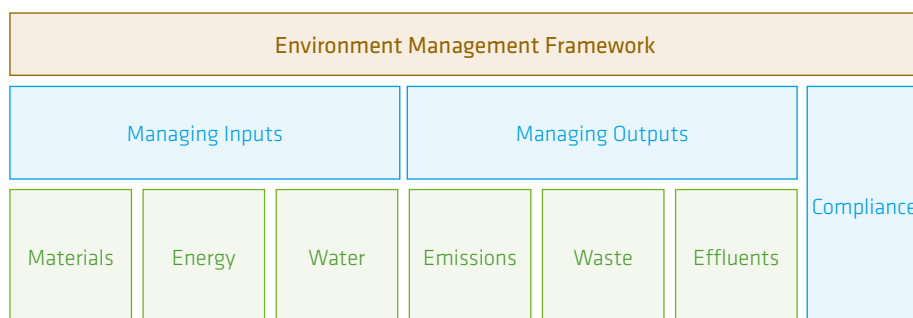
CIC Group recognises the essential role played by the environment for its operations, including being the source for its raw materials and is aware of how it impacts the environment

through outputs from its operations, and strives to minimise any negatives that occur, to as great an extent as possible.

### Raw Materials

The Group recognises that at times, environmental impacts can occur from the material stage of its production process and is mindful of the materials used. At Link Natural, dried herbs, green herbs, and different types of additives are used which are of food grade and there are no hazardous materials used. The quantities used are as per given formulas for each product. The facility is in compliance to ISO 14001 Environmental Management System, which ensures an effective waste management programme, identification and mitigation of environmental impacts and establishment of environmental programmes.

The fertilizer marketed by CIC Agri Businesses segment includes some ingredients that could be considered hazardous only when not used according to the recommended usage guidelines. The Company engages in extensive awareness programs for its farmers in order to educate them on the judicious use of fertilizer and other inputs, in order to prevent this from occurring to as great an extent as possible. At CISCO, PET Resin, HDPE, PP Resin, and master batches are used and high tech machinery are being used to ensure that wastage of materials is at the lowest possible level.





Chemanex has always placed emphasis on building relationships between manufacturers and end users, facilitating a dialogue that could lead to a culture of continuous product improvement and development. This has resulted in Chemanex becoming known as the pioneer of safe, lead-free pigments and innovative products what have no negative impact on the environment.

### Use of recycled material

CIC strives to use recycled input materials in the production process wherever possible and continuous research efforts are being made. At CIC Feeds 25% of the chicken processing waste is recycled and reused as a raw material in manufacturing process and at Chemanex, recycled waste is reused for manufacturing in-house products such as Corrugel and Acamyl PG products. At Link Natural, approximately 1.5% of input material is recycled, while the production process of CISCO too, uses recycled input materials at an amount of 10%.

### Energy

CIC strives to optimise its energy usage in relation to its operations and also takes steps to use renewable energy sources where it can. In general, employees are briefed on the importance of conserving energy in areas of operation, and on the importance of minimal wastage of resources. Energy efficient lighting are also been installed to reduce electricity consumption.

At Head Office electricity consumption is monitored on a daily basis, in order to take further action in terms of reducing usage. Power consumption is also controlled through the check list for lighting shut-down times, on a daily basis via the security and maintenance department and installed temperature controllers in each floor maintains temperature at 25° C which helps to cut down the extra power energy for central air conditioning. Diesel is used for the stand by generator which is operational for load testing once a week. The

generator consumes 5 litres of diesel per 10 minutes of use.

At the Ekala pharmaceutical stores, due to the nature of operations and the importance of storage conditions for pharmaceuticals products, 21 air conditioners are operational at all times. However these are maintained at 24° C which is considered an energy efficient temperature setting for air conditioner units. At the repacking centre, boilers are also regularly checked and adjusted for maximum efficiency in terms of fuel usage.

Link Natural's main energy sources are wood for the steam boiler, as well as electricity. Diesel is used for the generator while petrol is used for internal transportation and LP gas is used for the cookers. A new capacitor bank system was installed in order to reduce maximum demand.

CIC Agri Businesses in addition to the usage of electricity, petrol, diesel, and furnace oil, Paddy husks is used, which is a waste material of its production process, as a source of fuel in its boilers. The consumption of diesel by CIC Agri Businesses this year has reduced to 206,574 litres from 259,965 litres last year. This is due to the discontinuation of some business operations well.

CIC Feeds meets its energy demand through the use of petrol, diesel, furnace oil, and LP

Gas. The segment is now operating according to the recommendations made through the audit in order to reduce energy consumption at all locations of operation.

At Chemanex, an Energy Committee is in place which observes and initiate all energy conservation measures. The Committee meets monthly or more frequently when the need arises. Reports of the Energy Committee are discussed at the Management Committee meetings and at monthly factory meetings. Chemanex also aims to reduce energy consumption by switching off lights and fans during lunch time, using transparent roofing sheets which bring in natural light. The consumption of both diesel and electricity reduced at Chemanex this year compared to last year due to energy saving initiatives put into place.

CISCO is aware of its heavy energy consumption as a result of its 24 hour a day operation, and has taken steps to minimise this by replacing old machines with new energy saving machinery during the year.

None of the companies within the CIC Group have any industry specific regulations or policies with regards to energy usage.

### Energy Consumption in significant cluster

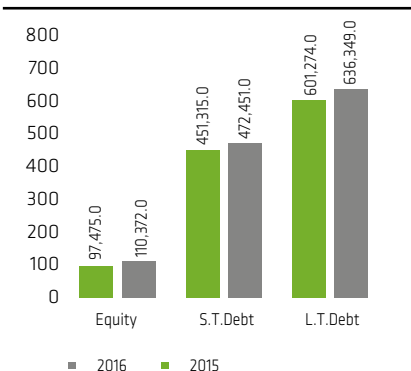
	Energy Consumed					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Petrol used (litres)	316	2,859	46,678	4,680	42,142	800
Diesel used (litres)	13,607	5,000	206,574	164,784	15,150	46,200
Furnace oil used (litres)	147,234	-	20,735	433,305	-	-
Electricity consumption (kWh)	1,656,879	1,024,661	7,394,232	9,731,723	217,619	5,780,000
Energy consumption (Gj)	12,649.3	3,981.8	37,105.3	59,665.6	2,836.6	22,624

## Impact Report

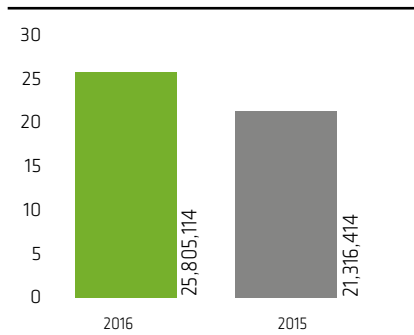
***Maintaining the delicate balance of Sri Lanka's biodiversity is of utmost concern to us, and we strive to ensure that this is not affected by our operations.***

### Energy Consumption compared to previous year

#### Petrol, Diesel and Oil (Litres)



#### Electricity consumption (kWh)



Electricity consumption has increased mainly due to the expansion of production facilities and increase in production.

### Water

CIC being a predominant player in the agriculture industry is well aware of the need to optimise its consumption of water. Water usage is being monitored on a daily basis and compared with previous data in order to identify areas of waste and control water consumption. At head office building water for toilet usage is sourced through a tube well and at Link Natural, over 90% of the water requirement is well water and all waste water and liquid waste generated through the production process is treated at an effluent treatment plant, and is reused for gardening purposes. The solid sludge generated through this plant is used as fertilizer.

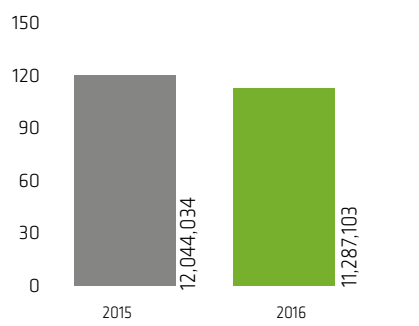
At Agri Businesses, water is primarily used in the farms for cultivation, and ground water is the primary source. Fluctuations in water usage depends mainly on rainfall during each Yala and Maha cycle. Approximately 2% of treated waste water at the Dairy Plant is reused for gardening.

At CIC Feeds, all farms and plants use a combination of pipe borne water and water sourced through tube wells and dug wells for their normal course of operations. All waste water from the processing plant is treated and reused for gardening.

CISCO uses purified Municipal water for daily drinking purposes. 20% of the total water consumption is used for machines, which

## Water Consumption

(M3)



## Water withdrawn and Reused

	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Volume of water withdrawn for use (m <sup>3</sup> )	18,723	26,294	11,230,953	125,877	4,113	7,020
Percentage of water recycled or reused (%)	0.2%	57%	2%	7%	0	10%

is totally reused through the chiller system. Hence, no waste water from the operations is released into the environment.

Chemanex uses the Municipal water delivery system and therefore does not affect any natural water sourced.

## Biodiversity

The policy of the CIC Group is to ensure that biodiversity in any habitat interacted with our operations, is protected and nourished.

Maintaining the delicate balance of Sri Lanka's biodiversity is of utmost concern to us, and we strive to ensure that this is not affected by our operations. In fact, we take active steps to promote biodiversity, particularly across the eco-systems prevalent on our farms, where green zones are in place to ensure that biodiversity thrives.

Most companies within the Group do not own or have any interests in properties within or adjacent to areas of sensitivity in terms of biodiversity. However, CIC Agri Businesses Hingurakgoda farm is a heaven for the resident spotted deer population of Sri Lanka.

As a responsible corporate citizen, CIC has taken on a national biodiversity concern and is funding the study of Sloth Bears in the Wilpattu National Park, which is now onto its 2nd phase. CIC Holdings is conducting this study in partnership with the Sri Lanka Business and Biodiversity Platform and Biodiversity Education and Research (BEAR). The project is funded by CIC and implemented under the supervision of the Department of Wildlife Conservation (DWC)

## Emissions

CIC Group is mindful of how its operations result in emissions and in an effort to reduce their negative effect, is taking steps to reduce fossil fuels used as well as energy sourced from other non-renewable sources. These efforts have been described in more detail under the Energy and Transport sections of this report.

In addition the Group ensures that boilers are maintained at optimal conditions to minimise flue gas emissions. CIC Feeds also maintains a green belt around the boundaries of the farm area which minimises the emission of dust to the environment. Dust trap systems and specially designed water curtains are also in place to absorb dust thereby further minimising air pollution.

## Effluents and Solid Waste

CIC Group has taken many initiatives to minimise the liquid and solid substances that are emitted into the environment as a result of its operations, in the form of effluents and waste by steps taken to reduce these to as great an extent as possible and by making improvements in the quality and quantity of these substances that are discharged into the environment.

- At the Ratmalana facilities of CIC Holdings, quantity of waste produced is recorded and monitored on a monthly basis. Waste is also separated for recycling or composting. Johnson and Johnson also ensures that all waste paper is recycled by an external agency, while at the Platinum operations, waste plastic is recycled and added into the daily production process.
- At the Healthcare division, Crop Solutions, as well as Johnson and Johnson, damaged and expired products are disposed of as per the rules and regulations, through incineration. Products are sent to Holcim Geocycle, where they are incinerated at the high temperatures required for safe and responsible disposal. Crop

## Impact Report

Solutions is also in the process of introducing an environmentally friendly empty agrochemical containers disposal procedure along with the CEA and the Agrochemical Industry Association. Through this initiative, the Company is facilitating the collection of empty agrochemical containers from the field, which are handed over to manufacturers of small electrical items, where they are recycled and reused as an input material.

- At Link Natural, the majority of waste generated is from herbal materials. This is used either for fuelling the boiler, is composted, or else sent to landfill due to its organic and biodegradable nature. Other types of solid waste such as used barrels, plastic, cardboard, scrap metal, packaging materials, and bottles, are segregated and subsequently sold to third party buyers.
- CIC Feeds has taken considerable measures to deal with the waste generated through its operations. 100% of poultry processing waste is further processed into value added by-products such as render meal and poultry fat, which is used in feed production.
- An additional component of organic waste is litter from the breeder farm, poultry farm and hatchery. This is sold as agriculture fertilizer, to farmers who use it as an alternative organic fertilizer. The waste conversion rate here too is 100%.
- CIC Feeds also produces feed raw material waste and used paddy husks from the poultry cages. Approximately 60% of paddy husks are collected onto a network of soakage pits.
- Of the Company's non-organic waste, around 95% paper waste is sent to the hatchery to be laid on chick boxes, while 80% of raw material packaging material is recycled, 10% is reused, and the balance is discarded.
- There is no hazardous waste generated through CIC Feed's operations.
- At Chemanex, a number of programs focusing on waste and water management have been successfully implemented. All production related waste is disposed of after obtaining approval at factory meetings, and is disposed of through a CEA authorised third party. Recycled production waste is reused for manufacturing in house products such as Corrugel and Acamyl PG products, which inevitably reduces the usage of additional raw materials. Waste produced at the factory is non-hazardous.
- At CIC Agri Businesses, paddy husks which are a waste product are used as an energy source to fuel boilers instead of using furnace oil or diesel. The company has therefore found an effective use for the waste it generates, while also reducing its use and dependence on fossil fuels. 100% of waste generated by CIC Agri Businesses is non-hazardous.
- Similarly at CISCO too, all waste produced is non-hazardous. The company recycles and reuses 10% of rejects as an input material in the production process, while bottle scraps, resin purge and polybags are sold for use by manufacturers of small plastic items.

### Waste generated by significant clusters

	Waste Generated by Type					
	CIC Holdings	Link Natural	CIC Agri Businesses	CIC Feeds	Chemanex	CISCO
Hazardous waste (kg)	4,110	-	-	-	-	-
Non-hazardous waste (kg)	40,087	161,879	1,663,000	3,660,582	19,859	2640

### Total number and volume of significant spills

No significant spills have occurred during the reporting period by any of the companies within the CIC Group.

### Transport

CIC Group strives to minimise the negative environmental effects of transportation and logistics, by pre-planning routes and using new more environmentally friendly and fuel efficient vehicles for its transportation needs.

---

The Company ensures that across the Group, goods to be transported are clubbed together into one delivery run, and that maximum vehicle space is utilised, thereby reducing the need for multiple vehicle runs. Vehicles are also randomly checked for emissions, and are regularly maintained in order to ensure minimal impact in terms of air pollution. The Group makes all attempts to minimise vehicle movement by combining a number of tasks to each route or vehicle, so that unnecessary movements within the same route will be avoided or minimised.

At CIC Feeds, the old vehicle fleet has been replaced with new efficient vehicles which have minimised vehicle pollution. In addition while transportation is outsourced at CISCO, the Company checks emission test reports and also undertakes monthly evaluations of lorry conditions in order to ensure the lowest possible environmental impact of transport activities



**Our values  
create value**

# **Financial Statements**

Annual Report of the Directors on the Affairs of the Company **139**

Directors' Responsibility for Financial Reporting **145**

Chief Executive Officer's and Financial Director's Responsibility Statement **146**

Independent Auditors' Report **147**

Statements of Profit or Loss and Other Comprehensive Income **148**

Statements of Financial Position **149**

Statements of Changes in Equity **150**

Cash Flow Statements **152**

Notes to the Financial Statements **154**

Shareholder and Investor Information **221**

Subsidiaries and Equity Accounted Investees **226**

Ten Year Group Performance **228**



## Financial Calendar

1st Quarter Financial Results	Released on 04/08/2015
2nd Quarter Financial Results	Released on 13/11/2015
3rd Quarter Financial Results	Released on 08/02/2016
4th Quarter Financial Results	Released on 31/05/2016
53rd Annual General Meeting	30/06/2016
1st Interim Dividend Paid	04/12/2015
2nd Interim Dividend Paid	07/04/2016
Final Dividend Propose	12/07/2016

## Annual Report of the Directors on the Affairs of the Company

The Directors have pleasure in presenting to members the 53rd Annual Report together with the Audited Financial Statements for the year ended 31st March 2016 of CIC Holdings PLC, a public limited liability Company.

### General

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

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

### Review of the Year

The Statement of Accounts was approved by the Board of Directors on 24th May 2016. 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 date of the Balance Sheet.

### Principal Activities

The Company carries on the business of merchandising and manufacturing as its principal activities. There were no significant changes in the activities of the Company in the year under review. There has been no changes in subsidiary companies which include Chemanex PLC and its subsidiaries, CIC Agri Businesses (Pvt) Limited and its subsidiaries (other than disposal of N. Chandraratne (Decorators) Limited and formation of CIC Grains (Pvt) Ltd), CISCO Speciality Packaging (Pvt) Limited, CIC Feeds (Pvt) Limited and its subsidiaries, Link Natural Products (Pvt) Limited, CIC Cropguard (Pvt) Limited, Crop Management Services (Pvt) Limited,

Colombo Industrial Agencies Limited and CIC Lifesciences Limited. During the year under review, new subsidiaries were formed under the names of CIC Properties (Pvt) Ltd. and Cropwiz (Pvt) Ltd.

### Ultimate Parent

The ultimate holding Company is Paints & General Industries Limited.

### Subsidiaries

- CIC Agri Businesses (Private) Limited and its subsidiaries blends and markets fertilizer, seeds, planting material, fruit, vegetable, animal based farm produce and grains, namely, rice and corn. Subsidiary companies of CIC Agri Businesses (Private) Limited are:

CIC Seeds (Private) Limited, Wayamba Agro Fertilizers Company Limited, CIC Agri Biotech (Private) Limited, CIC Agri Produce Exports (Private) Limited, CIC Dairies (Pvt) Ltd and CIC Grains (Private) Ltd. CIC Dairy Breeding & Manufacturing (Private) Limited and CIC Agri Produce Marketing (Private) Limited are subsidiaries of CIC Seeds (Private) Limited. Rahimafrooz CIC Agro Limited is a long term investment of CIC Agri Businesses (Private) Limited.

- CIC Feeds (Private) Limited markets animal feed and day old chicks, while its subsidiaries market veterinary medicines and produces and processes 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 export Chemicals. The subsidiary companies of Chemanex PLC are:

CAL Exports Lanka (Private) Limited and Chemanex Exports (Private) Limited. Subsidiary company Yasui Lanka (Private) Limited is under liquidation.

The associate companies are Commercial Insurance Brokers (Private) Limited, Rainforest Eco Lodge (Private) Limited and Chemcel (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 manufactures and markets Pharmaceuticals.
- CIC Properties (Pvt) Ltd owns properties for the group.
- Cropwiz (Pvt) Ltd. grows and exports vegetables.

Principal Activities of the Equity Accounted Investees;

Akzo Nobel Paints Lanka (Pvt) Ltd markets Surface Coatings, Automotive Paints and ancillaries.

## Annual Report of the Directors on the Affairs of the Company

### Corporate Donations

Donations made during the year amounted to Rs. 3.2 Mn (2015 – Rs. 3.7 Mn)

### Future Developments

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

### 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 Chairman, CEO together with the Company Secretary in compliance with the requirements of Sections 151, 152 and 168 of the Companies Act No 07 of 2007 are given on pages 148 to 220 of the Annual Report.

### Profits and Appropriations

(In thousands of Rupees)

### Dividends

For the year ended 31st March 2016, the Directors have recommended the payment of a final dividend of Rs. 2 per share amounting to Rs. 189.54 Mn on Ordinary & Non-Voting (Class X) shares.

As required by Section 56 (2) and 56 (3) of the Companies Act No. 7 of 2007, the Board of Directors signed a certificate stating that in their opinion that the Company, based on the information available as at present, satisfies the solvency test immediately after distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the Auditors, prior to recommending the final dividend of Rs. 2 per share for the year ended 31, March 2016, which is to be approved by the shareholders at the Annual General Meeting to be held on 30th June 2016.

### Independent Auditor's Report

The Company's Auditors Messrs KPMG, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31, March 2016 and the Independent Auditors' Report on the Financial Statements is given on page 147 of the Annual Report as required by Section 168(1) (C) of the Companies Act No 07 of 2007.

### Significant Accounting Policies and changes during the year

The Company and the Group prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The significant Accounting Policies adopted in the Financial Statements is given on pages 154 to 167 of the Annual Report as required by the Section 168 (1) (d) of the Companies Act No. 7 of 2007, the Board of Directors wish to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year.

For the Year ended 31st March	2016		2015	
	Company	Group	Company	Group
Profit for the year after depreciation	835,948	2,014,884	605,056	1,423,115
from which a deduction is made for taxation and for discontinued operations	(100,394)	(366,777)	(98,233)	(397,697)
	(22,163)	(14,273)	5,728	15,425
	713,391	1,633,834	512,551	1,040,843
From which a deduction is made for non-controlling interest	-	279,542	-	278,916
	713,391	1,354,292	512,551	761,927
To which must be added Other Comprehensive income	11,532	266	2,568	3,380
Total comprehensive income	724,923	1,354,558	515,119	765,307
To which must be added the unappropriated profit brought forward from the previous year and	623,740	3,524,485	298,161	3,128,231
added transfer to revaluation reserve on disposal of subsidiary	-	-	-	12,526
and deducted due to change in effective holding in subsidiary	-	-	-	(191,385)
and deducted for stamp duty on rights issue	-	-	-	(654)
added realisation of revaluation reserve	-	8,322	-	-
Making available for appropriation amount of	1,348,663	4,887,365	813,280	3,714,025
Out of which an interim dividend of Rs. 2.00 per share was paid	(189,540)	(189,540)	(189,540)	(189,540)
So that the unappropriated profit carried forward will be	1,159,123	4,697,825	623,740	3,524,485

## Interests Register

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

The share ownership of the Directors is indicated on Page 142 of the Annual Report.

Directors' interest in contracts and remuneration paid to Directors, etc., have been included in the Interests Register which is made available for inspection under the Companies Act No. 7 of 2007 under reference. The details are given on pages 172 and 210 of this Annual Report.

## Directors

The qualifications and experience of the Directors is provided on page 26. The following persons were Directors of the Company at the end of the financial year.

S.H. Amarasekera – Chairman  
S.P.S. Ranatunga – Managing Director /  
Chief Executive Officer  
R N Asirwatham  
R.S. Captain  
S.M. Enderby  
M.P. Jayawardena  
K.B. Kotagama  
Prof P W M B B Marambe  
Dr. R C W M R D Nugawela  
A.V.P. Silva  
D.S. Weerakkody

## Appointments and Resignations

There were no appointments and resignations to/ from the Board during the year.

## Retirement by Rotation and Re-election

- Mr. R N Asirwatham, retires in pursuant to Section 210 of the Companies Act No.7 of 2007.

Pursuant to Section 211 of the Companies Act No.7 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.7 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 R S Captain retires in terms of Article 25 (6) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.
- Prof. P W M B B Marambe 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 K B Kotagama retires in terms of Article 25 (6) & (7) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

- Mr A V P Silva retires in terms of Article 25 (6) & (7) of the Articles of Association of the Company and being eligible, offers himself for re-election with the unanimous support of the Board.

## Directors' Remuneration

Directors' remuneration in respect of the Group and the Company, for the financial year ended 31st March 2016 are given in Note 11 of the Financial Statement on page 172 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 226 of this Annual Report.

## Related Party Transactions

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

## Employee Share Option 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. The scheme was concluded on 31st December 2015.

The Directors have recommended and approved a new Employee Share Option Plan subject to approval of the Colombo Stock Exchange. Under this plan the Company will issue upto 20% of Non-Voting share capital. The option granted under this plan can be exercised only after two years from the grant date, but before 3 years. No employees have been provided with any financial assistance to exercise the option.

## Annual Report of the Directors on the Affairs of the Company

### Directors' Shareholding

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

As at 31st March	2016		2015	
	Voting	Non-Voting	Voting	Non-Voting
S.H. Amarasekera	--	-	-	-
S.P.S. Ranatunga	-	22,950	-	22,950
R N Asirwatham	-	-	-	-
R.S. Captain	80	139	80	139
S.M. Enderby	-	-	-	-
M.P. Jayawardena	-	16,200	-	16,200
K.B. Kotagama	-	17,100	-	17,100
Prof P W M B B Marambe	-	-	-	-
R. C. W. M. R. D. Nugawela	-	-	-	-
A.V.P. Silva	-	13,500	-	13,500
D.S. Weerakkody	-	-	-	-

### Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the state of affairs. The Directors' Responsibility in relation to the Financial Statements is detailed on page 145.

### 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 and Mr. S M Enderby.

Mr. S.P.S. Ranatunga, Mr. J N Weerakoon and Ms. P.D.S. Ruwanpura attended the meetings by invitation. Details of the Audit Committee are given on page 46.

### Human Capital and Compensation Committee (Remuneration Committee)

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

Mr. D.S. Weerakkody (Chairman), Mr. S.H. Amarasekera, Mr R N Asirwatham, Mr. R S Captain and Mr. S M Enderby.

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

### Nominations Committee

The following Non-Executive Directors of the Board and the Chairman of the Company are members of the Nominations Committee. M/s S.H. Amarasekera (Chairman), R.S. Captain and R N Asirwatham.

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

### Related Party Review Committee

The following Non-Executive Directors of the Board and the Executive Director are members of the Related Party Review Committee. M/s R.N. Asirwatham (Chairman), S.M. Enderby and D.S. Weerakkody and S.P.S. Ranatunga.

### 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 32 to 45.

### Vision, Mission and Corporate Conduct

The Company's Vision and Mission are given on pages 10 and 11 of this Report. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission. The Company issues a copy of its code of ethics to each and every employee who are required to abide by the Company's code of conduct.

### Equitable Treatment to Shareholders

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

### Risk Management

Specific actions taken by the Group in this regard are given under Risk Management section of this Report on page 214.

### 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 Expenses

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

## Revenue

The revenue of the Group was Rs 26.67 Bn (2015 – Rs 23.50 Bn). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 05 to the Financial Statements.

## Capital Expenditure

Details of property, plant and equipment and their movements during the year are listed in Note 38 to the Financial Statements. Capital Expenditure approved and contracted for are given under Note 16.

## Market Value of Freehold Properties

All freehold land of the Group Companies were re-valued by professionally qualified independent valuers as at 31, March 2016 and brought into Financial Statements. The Directors are of the opinion that the re-valued amounts are not in excess of the current market values of such properties. Details of revaluations are listed in Note 16.E to the Financial Statements.

## Investments

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

## Reserves

Total reserves of the Group stood at Rs 7,846.64 Mn as at 31st March 2016 (Rs.6,112.49 Mn as at 31st March 2015) details of which are given in the Statement of Changes in Equity.

## Stated Capital

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

## Share Information

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

## Shareholding

A list of top 20 shareholders for both Voting and Non-Voting is given on pages 222 and 223 of the Annual Report.

## Environmental Protection

The Company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given under Sustainability Report of this Annual Report on page 61.

## Compliance with Laws and Regulations

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

## Statutory Payments

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

## Human Resource

The Company's Human Resource Management Policies and Practices are designed to improve efficiency, effectiveness and productivity and also nurture collaborative teams that enrich the work and learning environment of all our staff.

Information relating to Human Resource and Employment Policies is given under Sustainability Report of this Annual Report on page 108.

## Corporate Social Responsibility

All activities embarked by the Company in this regard are given under Sustainability Report of this Annual Report on page 120.

## Going Concern

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

## Events after Reporting Date

No material events have taken place after the Reporting date other than what is disclosed under Note 40 which require an adjustment to or a disclosure in the Financial Statements..

## Auditors' Remuneration and Interest in Contracts with the Company

The Company's auditors during the period under review were Messrs KPMG, Chartered Accountants. A sum of Rs. 4.7 Mn was paid to them as consolidated audit fees during the year under review (Company – Rs. 1.7 Mn) and a sum of Rs. 0.6 Mn was paid by the Company for tax and other related services.

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

## Annual Report of the Directors on the Affairs of the Company

### 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 authorizing the Directors to fix their remuneration will be proposed at the upcoming Annual General Meeting.

### Notice of Meeting

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

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

By Order of the Board



**S H Amarasekera**  
*Chairman*



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



**P D S Ruwanpura**  
*Company Secretary*

May 24th 2016



## Directors' Responsibility for Financial Reporting

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

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

1. Appropriate accounting policies have been selected and applied based on the new financial reporting 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/LKAS) which came to effect from 1st January 2012 and are in agreement with the underlying books of account and in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.
3. The Company keeps sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and that of the Group and to enable them to ensure that the Financial Statements comply with the Companies Act No. 07 of 2007. Also reasonable steps are taken to safeguard the assets of the Company and to establish appropriate systems of internal controls, which provide reasonable though not absolute assurance to the Directors that assets are safeguarded and internal controls are in place with a view to the prevention and detection of frauds and errors.
4. As required by Sections 56 (2) and 56 (3) of the Companies Act No. 07 of 2007, the Board of Directors signed a certificate stating that in their opinion the Company, based on the information available as at present, satisfies the solvency test immediately after distribution, in accordance with Section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the Auditors, prior to recommending the final dividend of Rs. 2 per share for this year, which is to be approved by the Shareholders at the Annual General Meeting to be held on 30th June 2016.
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 139.

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**  
Company Secretary

24th May 2016

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

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

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



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



**J.N. Weerakoon**  
*Group Finance Director*

24th May 2016

## Independent Auditors' Report



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

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 6058  
+94 - 11 254 1249  
+94 - 11 230 7345  
Internet : [www.lk.kpmg.com](http://www.lk.kpmg.com)

### TO THE SHAREHOLDERS OF CIC HOLDINGS PLC

#### Report on the Financial Statements

We have audited the accompanying financial statements of CIC Holdings PLC, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31st March 2016, and the statements of profit or loss and other 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 148 to 220 of the annual report.

#### Board's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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 comply with ethical requirements and plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants

Colombo  
24th May 2016

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

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

## Statements of Profit & Loss and Other Comprehensive Income

For the year ended 31st March	Notes	Company		Group	
		2016 Rs.'000	2015 Rs. 000	2016 Rs.'000	2015 Rs. 000
<b>Continuing operations</b>					
Revenue	6	8,046,151	6,893,008	26,666,284	23,496,259
Cost of sales		(5,953,191)	(5,141,384)	(20,250,891)	(17,528,267)
<b>Gross profit</b>		<b>2,092,960</b>	<b>1,751,624</b>	<b>6,415,393</b>	<b>5,967,992</b>
Other income	7	696,582	443,977	534,705	209,971
Distribution expenses		(1,179,234)	(963,925)	(2,749,560)	(2,546,733)
Administrative expenses		(605,581)	(463,334)	(1,696,133)	(1,670,538)
Other expenses	8	(4,946)	(150)	(119,478)	(63,355)
<b>Results from operating activities</b>		<b>999,781</b>	<b>768,192</b>	<b>2,384,927</b>	<b>1,897,337</b>
Financing cost (net)	9	(163,833)	(163,136)	(732,521)	(681,858)
Share of profit of equity accounted investees (net of tax)	10	-	-	362,478	207,636
<b>Profit before tax</b>	11	<b>835,948</b>	<b>605,056</b>	<b>2,014,884</b>	<b>1,423,115</b>
Income tax expense	12	(100,394)	(98,233)	(366,777)	(397,697)
<b>Profit from continuing operations</b>		<b>735,554</b>	<b>506,823</b>	<b>1,648,107</b>	<b>1,025,418</b>
<b>Discontinued operations</b>					
Profit/(loss) from discontinued operations (net of tax)	13	(22,163)	5,728	(14,273)	15,425
<b>Profit for the year</b>		<b>713,391</b>	<b>512,551</b>	<b>1,633,834</b>	<b>1,040,843</b>
<b>Other comprehensive income</b>					
<b>Items that will never be reclassified to profit or loss</b>					
Actuarial gains/(losses) on retirement benefit obligations		16,017	3,566	(14,107)	8,895
Actuarial gains/(losses) on retirement benefit obligations- discontinued operations		-	-	-	250
Surplus on revaluation of land		246,918	-	712,798	10,994
Income tax on other comprehensive income		(4,485)	(998)	2,972	(3,792)
<b>Items that are or may be reclassified to profit or loss</b>					
Net gains/(losses) on remaining available for sale financial assets		(3,592)	11,340	(12,948)	25,737
<b>Other comprehensive income for the year</b>		<b>254,858</b>	<b>13,908</b>	<b>688,715</b>	<b>42,084</b>
<b>Total comprehensive income for the year</b>		<b>968,249</b>	<b>526,459</b>	<b>2,322,549</b>	<b>1,082,927</b>
<b>Profit attributable to:</b>					
Equity holders of the Company		713,391	512,551	1,354,292	761,927
Non- controlling interests		-	-	279,542	278,916
<b>Profit for the year</b>		<b>713,391</b>	<b>512,551</b>	<b>1,633,834</b>	<b>1,040,843</b>
<b>Total comprehensive income attributable to:</b>					
Equity holders of the Company		968,249	526,459	1,923,700	791,491
Non- controlling interests		-	-	398,849	291,436
<b>Total comprehensive income for the year</b>		<b>968,249</b>	<b>526,459</b>	<b>2,322,549</b>	<b>1,082,927</b>
<b>Earnings per share</b>					
Basic / Diluted earnings per share (Rs.)	14	7.53	5.41	14.29	8.04
<b>Earnings per share- continuing operations</b>					
Basic / Diluted earnings per share (Rs.)		7.76	5.35	14.47	7.93

Notes from pages 154 to 220 form an integral part of these financial statements.  
Figures in brackets indicate deductions.

## Statements of Financial Position

As at 31st March	Notes	Company		Group	
		2016 Rs.'000	2015 Rs. 000	2016 Rs.'000	2015 Rs. 000
<b>ASSETS</b>					
<b>Non- current assets</b>					
Property, plant and equipment	16	2,358,501	2,210,101	12,275,004	10,610,666
Investment property	17	-	-	51,400	51,400
Capital work-in-progress	18	-	46,088	72,153	353,518
Biological assets	19	-	-	226,382	307,728
Intangible assets	20	13,178	-	137,140	27,683
Deferred tax assets	21	-	25,610	41,697	52,498
Investment in subsidiaries	22	992,436	992,436	-	-
Equity accounted investees	23	236,900	36,000	934,969	1,444,484
Other non-current financial assets	24	-	120,000	10,248	12,622
		3,601,015	3,430,235	13,748,993	12,860,599
<b>Current assets</b>					
Inventories	25	2,406,197	1,880,689	9,363,404	5,598,796
Trade receivables	26	2,036,450	1,579,538	4,055,606	3,162,497
Other receivables	27	533,000	268,162	2,544,126	3,731,932
Other current financial assets	28	32,354	35,946	81,920	79,213
Cash in hand and at bank	29	284,100	134,901	1,413,773	737,353
		5,292,101	3,899,236	17,458,829	13,309,791
Assets classified as held for sale	13.2	440,658	20,580	492,951	94,319
Assets classified as held for distribution	13.5	120,000	-	598,341	-
		5,852,759	3,919,816	18,550,121	13,404,110
Total assets		9,453,774	7,350,051	32,299,114	26,264,709
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Stated capital	30	1,008,450	1,008,450	1,008,450	1,008,450
Capital reserves	31	1,262,936	1,016,018	2,281,833	1,711,501
Revenue reserves	32	1,940,604	1,408,813	5,564,815	4,400,987
		4,211,990	3,433,281	8,855,098	7,120,938
Non-controlling interests		-	-	2,029,199	1,722,310
Total Equity		4,211,990	3,433,281	10,884,297	8,843,248
<b>Non-current liabilities</b>					
Loans and borrowings	33	44,085	123,355	998,490	1,106,895
Retirement benefit obligations	34	206,188	209,387	603,825	565,933
Grants	35	-	-	13,704	18,175
Deferred tax liabilities	21	22,719	-	394,731	304,814
		272,992	332,742	2,010,750	1,995,817
<b>Current liabilities</b>					
Trade payables	36	1,364,548	1,112,312	6,268,827	5,070,780
Income tax payable	37	15,380	-	67,823	186,105
Accruals and other payables		448,468	311,937	950,387	894,467
Loans and borrowings	33	3,129,290	2,150,665	12,101,576	9,242,622
		4,957,686	3,574,914	19,388,613	15,393,974
Liabilities classified as held for sale	13.2	11,106	9,114	15,454	31,670
		4,968,792	3,584,028	19,404,067	15,425,644
Total liabilities		5,241,784	3,916,770	21,414,817	17,421,461
Total equity and liabilities		9,453,774	7,350,051	32,299,114	26,264,709
Net assets per share		44.44	36.23	93.44	75.14

Notes from pages 154 to 220 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.



J N Weerakoon

Group Finance Director

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

Signed for and on behalf of the Board,



S H Amarasekera

Chairman



S P S Ranatunga

Managing Director/ CEO



P D S Ruwanpura

CFO/Company Secretary

24th May 2016, Colombo

## Statements of Changes In Equity

	Stated Capital Rs. 000	Revaluation Reserve Rs. 000	General Reserve Rs. 000	Available For Sale Reserve Rs. 000	Retained Earnings Rs. 000	Total Rs. 000
<b>Company</b>						
As at 1st April 2014	1,008,450	1,016,018	782,604	(8,871)	298,161	3,096,362
Profit for the year	-	-	-	-	512,551	512,551
Other comprehensive income	-	-	-	11,340	2,568	13,908
<b>Total comprehensive income</b>	<b>1,008,450</b>	<b>1,016,018</b>	<b>782,604</b>	<b>2,469</b>	<b>813,280</b>	<b>3,622,821</b>
Dividend (Note 15)	-	-	-	-	(189,540)	(189,540)
<b>Total contributions by and distributions to the owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,540)</b>	<b>(189,540)</b>
<b>As at 31st March 2015</b>	<b>1,008,450</b>	<b>1,016,018</b>	<b>782,604</b>	<b>2,469</b>	<b>623,740</b>	<b>3,433,281</b>
Profit for the year	-	-	-	-	713,391	713,391
Other comprehensive income	-	246,918	-	(3,592)	11,532	254,858
<b>Total comprehensive income</b>	<b>-</b>	<b>246,918</b>	<b>-</b>	<b>(3,592)</b>	<b>724,923</b>	<b>968,249</b>
Dividend (Note 15)	-	-	-	-	(189,540)	(189,540)
<b>Total contributions by and distributions to the owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,540)</b>	<b>(189,540)</b>
<b>As at 31st March 2016</b>	<b>1,008,450</b>	<b>1,262,936</b>	<b>782,604</b>	<b>(1,123)</b>	<b>1,159,123</b>	<b>4,211,990</b>

Notes from pages 154 to 220 form an integral part of these financial statements.

	Attributable to the equity holders of the Company						Non-controlling Interests	Total Equity
	Stated Capital	Revaluation Reserve	Available for Sale Reserve	General Reserve	Retained Earnings	Total		
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
<b>Group</b>								
As at 1st April 2014	1,008,450	1,718,327	(5,580)	861,598	3,128,231	6,711,026	1,488,997	8,200,023
Profit for the year	-	-	-	-	761,927	761,927	278,916	1,040,843
Other comprehensive income	-	5,700	20,484	-	3,380	29,564	12,520	42,084
<b>Total comprehensive income for the year</b>	-	5,700	20,484	-	765,307	791,491	291,436	1,082,927
Dividend paid to equity holders of the Company (Note 15)	-	-	-	-	(189,540)	(189,540)	-	(189,540)
Subsidiary dividend to non-controlling interests	-	-	-	-	-	-	(51,061)	(51,061)
Total contributions by and distribution to the owners of the Company	-	-	-	-	(189,540)	(189,540)	(51,061)	(240,601)
Changes in effective holding of subsidiaries	-	-	-	-	(191,385)	(191,385)	(7,062)	(198,447)
Transfer of revaluation reserve on disposal of subsidiary	-	(12,526)	-	-	12,526	-	-	-
<b>Changes in ownership interests in subsidiaries</b>	-	(12,526)	-	-	(178,859)	(191,385)	(7,062)	(198,447)
<b>Transaction with owners of the Company</b>	-	(12,526)	-	-	(368,399)	(380,925)	(58,123)	(439,048)
Stamp duty on rights issue	-	-	-	-	(654)	(654)	-	(654)
<b>As at 31st March 2015</b>	1,008,450	1,711,501	14,904	861,598	3,524,485	7,120,938	1,722,310	8,843,248
Profit for the year	-	-	-	-	1,354,292	1,354,292	279,542	1,633,834
Other comprehensive income	-	578,654	(9,512)	-	266	569,408	119,307	688,715
<b>Total comprehensive income for the year</b>	-	578,654	(9,512)	-	1,354,558	1,923,700	398,849	2,322,549
Dividend paid to equity holders of the Company (Note 15)	-	-	-	-	(189,540)	(189,540)	-	(189,540)
Subsidiary dividend to non-controlling interests	-	-	-	-	-	-	(66,346)	(66,346)
<b>Total contributions by and distributions to the owners of the Company</b>	-	-	-	-	(189,540)	(189,540)	(66,346)	(255,886)
Adjustments due to disposal of subsidiary	-	-	-	-	-	-	(25,614)	(25,614)
<b>Transaction with owners of the Company</b>	-	-	-	-	(189,540)	(189,540)	(91,960)	(281,500)
Realisation of revaluation reserve	-	(8,322)	-	-	8,322	-	-	-
<b>As at 31st March 2016</b>	1,008,450	2,281,833	5,392	861,598	4,697,825	8,855,098	2,029,199	10,884,297

Notes from pages 154 to 220 form an integral part of these financial statements.



## Cash Flow Statements

For the year ended 31st March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Cash flow from operating activities</b>				
Cash generated from / (used for) operations (Note A)	(335,815)	775,825	696,709	2,877,393
Interest paid (net)	(163,833)	(163,136)	(732,521)	(704,703)
Retirement benefits paid	(25,067)	(27,326)	(75,742)	(52,323)
Income tax paid	(38,320)	(14,017)	(339,805)	(121,768)
Net cash inflow/(outflow) from operating activities	(563,035)	571,346	(451,359)	1,998,599
<b>Cash flow from investing activities</b>				
Additions to property, plant and equipment	(136,431)	(47,573)	(1,512,472)	(246,449)
Additions to capital work-in-progress	(287,926)	(14,801)	(538,699)	(1,354,737)
Additions to intangible assets	(13,178)	-	(109,457)	-
Additions to biological assets	-	-	(250,172)	(61,290)
Additions to other long-term investments	-	-	(114)	-
Proceeds from disposal of property, plant and equipment	640	7,543	232,640	111,342
Proceeds from disposal of assets held for sale	20,580	9,871	46,527	67,441
Payments made to liabilities held for sale	-	-	(16,216)	-
Proceeds from disposal of investments	-	-	1,595	20,230
Proceeds from sale of biological assets	-	-	277,606	8,943
Proceeds from disposal of brand name and know-how	345,000	-	345,000	-
Short term investments	-	-	(14,675)	(112)
Proceeds from disposal of subsidiaries (Note B)	-	-	10,600	318
Dividend received from subsidiaries	130,256	62,665	-	-
Dividend received from equity accounted investees	143,100	278,100	143,100	278,100
Dividend received from other financial assets	1,278	1,261	14,642	5,946
Investment in subsidiaries and equity accounted investees	(200,900)	(317,453)	-	(198,448)
Rights issue cost paid	-	-	-	(654)
Subsidiary dividend to non-controlling interests	-	-	(66,346)	(51,061)
Net cash inflow/(outflow) from investing activities	2,419	(20,387)	(1,436,441)	(1,420,071)
Net Cash inflow/(outflow) before financing activities	(560,616)	550,959	(1,887,800)	578,528
<b>Cash flow from financing activities</b>				
Dividend paid to equity holders of the Company	(189,540)	(189,540)	(189,540)	(189,540)
Capital payment on finance leases	(4,565)	(22,473)	(25,580)	(100,506)
Repayment of long-term borrowings	(78,015)	(144,680)	(2,955,412)	(9,815,354)
Long-term borrowings obtained	-	-	696,601	11,366,653
Net cash inflow/(outflow) from financing activities	(272,120)	(356,693)	(2,473,931)	1,261,253
Net increase / (decrease) in cash and cash equivalents during the year	(832,736)	194,266	(4,361,731)	1,839,781
Cash and cash equivalents at the beginning of the year	(1,916,519)	(2,110,785)	(5,548,394)	(7,388,175)
Cash and cash equivalents at the end of the year (Note 29)	(2,749,255)	(1,916,519)	(9,910,125)	(5,548,394)

Notes from pages 154 to 220 form an integral part of these financial statements.

For the year ended 31st March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Note A - Cash generated from / (used for) operations</b>				
Profit before interest and tax from continuing operations	999,781	768,192	2,384,927	1,897,337
Profit before interest and tax from discontinued operations	(22,163)	6,739	(14,273)	38,984
<b>Adjustments for:</b>				
Depreciation on property, plant and equipment	122,719	136,663	684,060	662,455
Loss on revaluation of land	-	-	2,593	9,080
(Gain)/loss on disposal of property, plant and equipment	4,946	150	(11,774)	(19,985)
Gain on disposal of assets held for sale	-	(1,828)	-	(31,894)
Gain on deemed disposal of subsidiary and equity accounted investees	-	-	(2,233)	(392)
Gain on disposal of subsidiary and equity accounted investees	-	-	(1,783)	(10,143)
Gain on disposal of investments	-	-	(87)	(9,939)
Gain on disposal of brand name and know-how	(345,000)	-	(345,000)	-
Provision for retirement benefit	37,885	38,711	106,458	102,708
Provision for impairment of equity accounted investees	-	-	116,885	-
Provision for impairment of available for sale investments	-	60,000	-	-
Reversal of inter-company receivables	(333)	(6,098)	-	-
(Reversal)/provision for impairment of trade receivables	19,758	(2,754)	43,774	48,670
Reversal for write-down of inventories	(106,558)	(97,963)	(75,010)	(56,630)
Gain from changes in fair value - biological assets	-	-	(1,903)	(4,858)
Grants amortised	-	-	(4,471)	(5,234)
Dividend income	(274,634)	(342,026)	(14,642)	(5,946)
Operating profit before working capital changes	436,401	559,786	2,867,521	2,614,213
(Increase)/decrease in trade and other receivables	(744,025)	(99,056)	208,266	477,667
(Increase)/decrease in inventories	(418,950)	523,908	(3,650,912)	(477,015)
Increase/(decrease) in trade and other payables	390,759	(208,813)	1,271,831	262,528
Cash generated from / (used for) operations	(335,815)	775,825	697,709	2,877,393

Note B - The Group disposed its subsidiaries N. Chandraratne Decorators (Private) Limited and Sunhill Tea Factory Limited during 2015/16 and 2014/15 respectively. The effect of disposals on the financial position of the Group are as follows;

For the year ended 31st March	Group	
	2016 Rs.'000	2015 Rs.'000
Property, plant and equipment	(32,190)	(60,213)
Capital work-in-progress	(4,965)	-
Deferred tax assets	(3,617)	(438)
Inventories	(17,129)	(12,333)
Trade receivables	(13,603)	(3,785)
Other receivables	(2,884)	(1,457)
Cash and cash equivalents	(19,154)	(1,318)
Interest-bearing loans and borrowings	12,048	-
Retirement benefit obligations	6,931	683
Deferred tax liability	3,111	-
Trade payables	8,368	-
Accruals and other payables	9,499	83,487
<b>Net (assets)/liabilities</b>	<b>(53,585)</b>	<b>4,626</b>
Purchase consideration received	29,754	1,636
Cash and cash equivalents at the date of disposal	(19,154)	(1,318)
<b>Net cash inflow</b>	<b>10,600</b>	<b>318</b>

## Notes to the Financial Statements

### 1. Reporting Entity

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

The consolidated financial statements of CIC Holdings PLC, as at and for the year ended 31st March 2016 comprise of Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity accounted investees. Descriptions of the nature of the operations and principal activities of the Company, its subsidiaries and equity accounted investees are given on page 226.

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

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

### 2. Basis of Preparation

#### 2.1 Statement of Compliance

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

The Board of Directors of the Company is responsible for the preparation and presentation of the financial statements. The consolidated financial statements were authorised for issue by the Directors on 24th May 2016.

#### 2.2 Basis of Measurement

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

#### 2.3 Functional and Presentation Currency

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

#### 2.4 Use of Estimates, Judgments and Assumptions.

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

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

##### 2.4.1 Judgments

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

- Note 7 – commission income: whether the group acts as an agent in the transaction rather as a principal;
- Note 33 – leases: whether an arrangement contains a lease;

- Note 23 – consolidation: whether the group has control over an investee; and
- Note 33 – lease classification

#### 2.4.2 Assumptions and estimation uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 31st March 2016 is included in the following notes.

- Note 34 – measuring of defined benefit obligations: key actuarial assumptions;
- Note 21 – recognition of deferred tax liability
- Note 39 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude; and

#### 2.4.3 Measurement of fair values

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

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

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

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

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the

asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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

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

#### 2.4.4 Impairment of non-financial assets

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

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

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

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future

cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset or cash generating unit.

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

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

#### 2.4.5 Retirement Benefits

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the weighted average cost of capital. The mortality rate is based on publicly available mortality tables for the country. Future salary increases are based on expected future inflation rates for the country.

#### 2.4.6 Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position that cannot be derived from the active markets, their fair value

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

#### 2.4.7 Development Costs

Development costs are capitalized in accordance with the accounting policy. Initial capitalization 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 capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

#### 2.4.8 Recognition of Deferred Tax Assets

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

### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, unless otherwise indicated. The Directors have made an assessment of the Group's ability to continue as a going concern in the

## Notes to the Financial Statements

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 recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

recognised in profit or loss.

If share based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

This determination is based on the market based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### b) Non-Controlling Interests

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

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

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

#### c) Subsidiaries

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

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

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

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

#### d) Loss of Control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized 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) Associates and Joint Venture**

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

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

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

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

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

the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.

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

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate or joint control over the joint venture and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any

difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

Details of the associates within the Group are provided in Note 23 to the financial statements.

**f) Intra-group transactions**

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

**g) Transactions Eliminated on Consolidation**

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

**3.2 Foreign Currency**

**a) Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part

## Notes to the Financial Statements

of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

### 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 rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

### 3.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the

fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

#### (i) Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, usually on delivery of the goods, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

#### (ii) Rendering of Services

Revenue from rendering of services is recognized 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) Commissions

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

#### (vii) Others

Other income is recognised on an accrual basis.

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

### 3.4 Grants

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



### 3.5 Tax

#### *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 assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised for all taxable temporary differences, except for:

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

- Taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible

temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

#### *(i) Assets held for sale*

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

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

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

#### *(ii) Discontinued operations*

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

## Notes to the Financial Statements

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

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

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

### 3.7 Property, Plant and Equipment Initial Recognition and Measurement

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

The cost of self-constructed assets includes the following:

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

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

#### Subsequent Costs

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

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgements, estimates and assumptions (Note ref. 2.4) and Provisions (Note ref. 3.16) for further information about the recorded decommissioning provision.

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

#### Depreciation

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

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

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

- Buildings 15 - 40 years
- Plant and equipment 5 - 15 years
- Computers and allied equipment 3-5 years
- Motor Vehicles 3-5 years
- Furniture & Fittings 5-10 years

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

#### De-recognition

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

### 3.8 Leased Assets

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

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item,

are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

### **3.9 Borrowing costs**

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

### **3.10 Investment properties**

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

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

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

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

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

### **3.11 Intangible assets**

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

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

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

## Notes to the Financial Statements

### ERP implementation cost

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

### Research and development costs

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete and the ability to use or sell the asset
- Probability of generating future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

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

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

### 3.12 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable

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

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs

recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized 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 (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Intangible assets

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

### 3.13 Financial Instruments

#### 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 short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

#### **Subsequent Measurement**

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

#### **Loans and Receivables**

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

#### **Cash and Cash Equivalents**

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

#### **Available-For-Sale Financial Investments**

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as

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

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is

amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

#### **De-recognition of Financial Assets**

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset

## Notes to the Financial Statements

is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### *Impairment of Financial Assets*

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

### *Financial Assets Carried at Amortised Cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is

objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' 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) Non-derivative Financial Liabilities Initial Recognition and Measurement*

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

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

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

#### **Subsequent Measurement**

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

#### **Financial Liabilities at Fair Value through Profit or Loss**

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

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

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

#### **Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains

and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss as finance costs.

#### **De-recognition of Financial Liabilities**

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

#### **iii) Off-setting of Financial Instruments**

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

- 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

#### **iv) Fair Value of Financial Instruments**

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

valuation techniques. Such techniques may include;

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

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

### **3.14 Biological assets**

Biological assets are measured at fair value less cost to sell, with any change therein recognized in profit or loss.

### **3.15 Inventories**

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate share of production overheads, based on normal operating capacity. In the case of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost.

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

#### **Provision for inventory**

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



## Notes to the Financial Statements

### 3.16 Provisions

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

### 3.17 Employment benefits

#### *Defined Benefit Plans*

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

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

The Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

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

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

### 3.18 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

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

A summary describing the operations of each reportable segments is given in pages 226 and 227.

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 Occurring after the Reporting Date

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

## 4 New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2016 or at a later date. Accordingly, these Standards have not been applied in preparing these Financial Statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
SLFRS 9 Financial Instruments	<p>SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets.</p> <p>SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.</p>	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.
SLFRS 15 Revenue from Contracts with Customers	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts.</p> <p>SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.</p>	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.

## Notes to the Financial Statements

### 5 Segmental Information

	Crop Solutions		Agri Produce	
	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
<b>Profit or Loss</b>				
Revenue	6,737,489	6,302,885	2,740,369	2,302,197
Inter segmental revenue	(44,053)	(1,410)	(308,787)	(74,059)
<b>Total revenue to external customers</b>	<b>6,693,436</b>	<b>6,301,475</b>	<b>2,431,582</b>	<b>2,228,138</b>
Segmental results	702,170	808,913	47,709	(20,204)
Impairment loss on property, plant and equipment	-	-	-	-
Financing cost ( net )	(188,365)	(265,774)	(83,242)	(61,174)
Share of profit of equity accounted investees	-	-	-	-
<b>Profit/(loss) before tax</b>	<b>513,805</b>	<b>543,139</b>	<b>(35,533)</b>	<b>(81,378)</b>
Income tax	(75,484)	(162,165)	(219)	(1,945)
<b>Profit/(loss) after tax</b>	<b>438,321</b>	<b>380,974</b>	<b>(35,752)</b>	<b>(83,323)</b>
Profit/(loss) from discontinued operations	11,085	-	-	-
<b>Profit/(loss) for the year</b>	<b>449,406</b>	<b>380,974</b>	<b>(35,752)</b>	<b>(83,323)</b>
<b>Attributable to :</b>				
Equity Holders of the Company	426,550	362,731	(53,056)	(83,323)
Non-controlling interests	22,856	18,243	17,304	-
<b>Profit /(loss) for the year</b>	<b>449,406</b>	<b>380,974</b>	<b>(35,752)</b>	<b>(83,323)</b>
<b>Assets and Liabilities</b>				
<b>Non -current assets</b>				
Property, plant and equipment	1,487,394	1,576,619	1,445,075	688,052
Unallocated property, plant and equipment	-	-	-	-
Other non-current assets	156,969	89,484	57,806	4,952
<b>Total non -current assets</b>	<b>1,644,363</b>	<b>1,666,103</b>	<b>1,502,881</b>	<b>693,004</b>
Current assets	7,261,813	6,336,412	1,776,768	580,535
<b>Total assets</b>	<b>8,906,176</b>	<b>8,002,515</b>	<b>3,279,649</b>	<b>1,273,539</b>
Non -current liabilities	336,824	343,339	308,090	364,088
Current liabilities	7,804,687	7,173,902	2,342,538	664,480
<b>Total liabilities</b>	<b>8,141,511</b>	<b>7,517,241</b>	<b>2,650,628</b>	<b>1,028,568</b>

Inter segment pricing are 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.

Live Stock Solutions		Industrial Solutions		Health & Personal Care		Group	
2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000	2016 Rs '000	2015 Rs '000
7,088,168 (30,017)	5,728,918 (32,277)	3,972,620 (91,747)	3,538,490 (74,223)	6,642,227 (39,985)	5,937,884 (132,146)	27,180,873 (514,589)	23,810,374 (314,115)
7,058,151	5,696,641	3,880,873	3,464,267	6,602,242	5,805,738	26,666,284	23,496,259
565,831 (1,649) (278,891) -	255,503 - (179,047) -	419,175 - (57,153) 362,478	351,250 (9,080) (59,636) 207,636	652,635 (944) (124,870) -	510,955 - (116,227) -	2,387,520 (2,593) (732,521) 362,478	1,906,417 (9,080) (681,858) 207,636
285,291 (78,871) 206,420 -	76,456 (40,017) 36,439 -	724,500 (99,353) 625,147 (3,195)	490,170 (65,177) 424,993 9,697	526,821 (112,850) 413,971 (22,163)	394,728 (128,393) 266,335 5,728	2,014,884 (366,777) 1,648,107 (14,273)	1,423,115 (397,697) 1,025,418 15,425
206,420	36,439	621,952	434,690	391,808	272,063	1,633,834	1,040,843
190,038 16,382 206,420	22,252 14,187 36,439	536,645 85,307 621,952	357,912 76,778 434,690	254,115 137,693 391,808	102,355 169,708 272,063	1,354,292 279,542 1,633,834	761,927 278,916 1,040,843
4,925,571 - 239,156 5,164,727	4,664,620 - 291,128 4,955,748	1,495,772 - 935,271 2,431,043	1,068,920 - 1,724,396 2,793,316	1,210,336 - 84,787 1,295,123	1,009,248 - 139,973 1,149,221	10,564,148 1,710,856 1,473,989 13,748,993	9,007,459 1,603,207 2,249,933 12,860,599
2,224,122 7,388,849	1,508,529 6,464,277	3,396,639 5,827,682	2,124,171 4,917,487	3,890,779 5,185,902	2,854,463 4,003,684	18,550,121 32,299,114	13,404,110 26,264,709
659,825 4,073,850 4,733,675	671,705 3,700,133 4,371,838	360,300 1,771,703 2,132,003	213,694 1,204,403 1,418,097	345,711 3,411,289 3,757,000	402,991 2,682,726 3,085,717	2,010,750 19,404,067 21,414,817	1,995,817 15,425,644 17,421,461

## Notes to the Financial Statements

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>6 Revenue</b>				
Revenue	8,046,151	6,893,008	26,666,284	23,496,259
<b>Net Revenue</b>				
Local	8,043,964	6,885,273	25,086,183	22,941,900
Exports	2,187	7,735	1,580,101	554,359
Total	8,046,151	6,893,008	26,666,284	23,496,259
<b>7 Other Income</b>				
Rent	27,806	34,218	27,335	33,568
Dividend Income				
Quoted	16,800	5,231	3,392	5,946
Unquoted	257,834	336,795	11,250	-
Net gain on disposal of property, plant and equipment	-	-	11,774	19,985
Gain on disposal of assets held for sale	-	1,828	-	3,218
Gain on disposal of other financial assets	-	-	87	9,939
Gain on deemed disposal of equity accounted investees	-	-	2,233	392
Changes in fair value in biological assets	-	-	1,903	4,858
Gain on disposal of subsidiary	-	-	1,783	3,881
Grants amortised	-	-	4,471	5,234
Reversal of provision relating to inter- company receivables	333	6,098	-	-
Gain from disposal of brand name and know-how*	345,000	-	345,000	-
Direct sales commission	46,961	54,481	46,961	54,481
Sundry income	1,848	5,326	78,516	68,469
Total	696,582	443,977	534,705	209,971

\* Gain from disposal of brand name and know-how relates to disposal of "Chemifix" Brand.

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>8 Other Expenses</b>				
Impairment loss on property, plant and equipment	-	-	2,593	9,080
Loss on disposal of property, plant and equipment	4,946	150	-	-
Provision for diminution in value of investment in Chemcel (Private) Limited	-	-	116,885	-
Provision relating to scaling down of continuing operations	-	-	-	54,275
Total	4,946	150	119,478	63,355

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>9 Financing Cost (Net)</b>				
<b>Finance Cost</b>				
Long -term loans	17,359	24,880	159,948	239,765
Finance leases	527	2,081	2,862	12,849
Short- term loans and overdrafts	151,372	153,690	628,313	470,427
Staff loans	3,905	2,501	9,361	6,429
Foreign exchange loss	-	-	24,528	3,220
	173,163	183,152	825,012	732,690
<b>Finance Income</b>				
Staff loans	3,435	2,302	9,070	7,230
Foreign exchange gain	5,073	16,312	72,321	25,155
Deposits	822	1,402	11,100	18,447
	9,330	20,016	92,491	50,832
Financing Cost (Net)	163,833	163,136	732,521	681,858

For the year ended 31st March	Group	
	2016 Rs. 000	2015 Rs. 000
<b>10 Share of Profit of Equity Accounted Investees ( Net of Tax)</b>		
Commercial Insurance Brokers (Private) Limited	4,036	826
Akzo Nobel Paints Lanka (Private) Limited	331,625	228,162
Rainforest Ecolodge (Private) Limited	(4,910)	(13,799)
Chemcel (Private) Limited	31,727	(7,553)
Total	362,478	207,636

## Notes to the Financial Statements

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>11 Profit before Tax is Stated after Charging all Expenses Including the Following:</b>				
Directors' emoluments and retirement benefits	26,548	21,928	142,350	154,158
Depreciation on property, plant and equipment	122,719	136,663	684,060	658,704
Loss on revaluation of land	-	-	2,593	9,080
Directors' fees	19,984	18,834	30,125	26,664
Donations	1,000	1,000	3,204	3,743
Staff training and development	5,252	3,120	12,233	4,592
Legal fees	2,367	2,828	6,720	7,962
Auditors' remuneration				
Statutory audit fees	1,717	1,541	10,106	7,760
Audit related fees	1,771	3,551	5,313	5,807
Non-audit fees	108	1,265	1,988	8,024
Professional fees	18,509	22,085	41,497	23,595
Provision/(reversal) for impairment of trade receivables	19,758	(2,754)	43,774	48,670
Reversal of provision for obsolete and slow moving inventories	(106,558)	(97,963)	(75,010)	(56,630)
Personnel costs * (Note 11.1)	558,053	445,998	2,035,721	1,737,270

\* Includes Directors' emoluments and retirement benefits

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>11.1 Personnel Costs</b>				
Salaries	388,185	336,831	1,381,575	1,357,761
EPF/MSPS - Defined contribution plan	47,887	34,030	134,560	123,008
ETF - Defined contribution plan	12,054	8,508	24,053	30,752
Bonus	74,309	27,918	313,910	123,715
Provision for retirement benefits	35,618	38,711	181,623	102,034
Total	558,053	445,998	2,035,721	1,737,270
Number of employees at the end of the year	475	441	2,049	1,952
<b>12 Income Tax Expense</b>				
<b>Current tax expense on ordinary activities for the year</b>				
Current tax expenses on profit for the year	55,000	59,489	212,750	248,015
Under/(over) provision in respect of previous years	1,550	(3,916)	(3,262)	204
Irrecoverable ESC written off	-	-	22,848	5,419
Tax on dividend income	-	-	31,257	40,335
	56,550	55,573	263,593	293,973
<b>Deferred Tax expense</b>				
Origination of temporary differences (Note 21)	43,844	42,660	103,184	103,724
	43,844	42,660	103,184	103,724
Total	100,394	98,233	366,777	397,697



For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>12.1 Reconciliation of the Accounting Profit and Taxable Profit</b>				
Profit before tax - continuing operations	835,948	605,056	2,014,884	1,423,115
Profit /(loss) before tax - discontinued operations	(22,163)	6,739	(14,273)	16,139
Intra - group adjustments	-	-	479,000	329,631
	813,785	611,795	2,479,611	1,768,885
Share of profit of equity accounted investees	-	-	(362,478)	(207,636)
Other sources of income	822	1,402	59,084	50,960
Disallowable expenses	402,070	348,555	1,516,032	1,816,809
Tax deductible expenses	(298,412)	(276,239)	(2,537,186)	(2,130,399)
Tax exempt income	(619,634)	(342,026)	(838,965)	(557,992)
Tax loss for the year	-	-	678,101	476,167
Tax loss utilised during the year	(102,202)	(127,544)	(206,501)	(292,219)
Taxable profit	196,429	215,943	787,698	924,575
Income tax @ 12%	-	49	5,854	5,514
Income tax @ 28%	55,000	60,451	206,896	246,015
	55,000	60,500	212,750	251,529
Current tax expense on discontinued operations	-	(1,011)	-	(3,514)
Current tax expense on continuing operations	55,000	59,489	212,750	248,015
Tax loss brought forward	718,938	846,482	2,440,052	2,306,683
Tax loss for the year	-	-	678,101	476,167
Tax loss on disposals	-	-	(26,344)	(50,579)
Tax loss utilised during the year	(102,202)	(127,544)	(206,501)	(292,219)
Tax loss carried forward	616,736	718,938	2,885,308	2,440,052
<b>Effective tax rate</b>	<b>28%</b>	28%	<b>27%</b>	27%

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

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

## Notes to the Financial Statements

### 12 Income Tax Expense Contd.

#### 12.4 Details of the Current Tax Computation

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

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

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

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

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

**12.5** As proposed in the budget 2016, current tax rate will be changed from 1st April 2016. However the Group has considered the existing tax rate for the calculation of deferred tax as the new rates are not substantially enacted.

### 13 Discontinued Operations and Disposal Group Classified as Held for Sale

Discontinued operations include CIC Agri Biotech (Private) Limited, CIC North and East Agri Development (Private) Limited, Sunhill Tea Factory, (Private) Limited, Yasui Lanka (Private) Limited and food and selected personal care product lines of CIC Holdings PLC. Disposal transaction of Sunhill Tea Factory (Private) Limited was completed by 31st March 2015. Yasui Lanka (Private) Limited is under liquidation.

The results of aforesaid are presented below:

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>13.1 Profit/(loss)after tax From Discontinued Operations</b>				
Revenue	4,982	113,006	63,710	286,440
Cost of sales	(45,269)	(209,294)	(85,276)	(362,468)
Gross loss	(40,287)	(96,288)	(21,566)	(76,028)
Other income	-	-	4,886	38,347
Reversal of provision for receivables and inventories	18,124	103,027	2,031	76,665
Financing cost (net)	-	-	(917)	(22,845)
Profit/(loss) before tax from discontinued operations	(22,163)	6,739	(15,566)	16,139
Tax expense				
Current tax	-	(1,011)	1,293	(3,514)
Deferred tax	-	-	-	2,800
Profit/(loss) for the year from discontinued operations	(22,163)	5,728	(14,273)	15,425
<b>Other Comprehensive income</b>				
Actuarial gains on retirement benefit obligations	-	-	-	250
Total comprehensive income/expense	(22,163)	5,728	(14,273)	15,675

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>13.2 Major Classes of Assets and Liabilities Classified as held for sale</b>				
<b>Assets</b>				
Property, plant and equipment (Note 13.2.1)	440,658	-	480,977	40,319
Trade receivables	-	12,299	271	16,995
Other receivables	-	-	935	3,446
Inventories	-	8,281	391	19,097
Cash in hand and at bank	-	-	10,377	14,462
Assets classified as held for sale	440,658	20,580	492,951	94,319
<b>Liabilities</b>				
Retirement benefit obligations	-	-	-	4,701
Trade and other payables	11,106	9,114	15,454	18,383
Bank overdraft	-	-	-	8,586
Liabilities directly associated with assets classified as held for sale	11,106	9,114	15,454	31,670
Net assets directly associated with disposal group	429,552	11,466	477,497	62,649
For the year ended 31st March		Extent	Company 2016 Rs. 000	Group 2016 Rs. 000
<b>13.2.1 Property, plant and equipment classified as held for sale</b>				
CIC Holdings PLC - Land at Sirimavo Bandaranaike Mawatha, Colombo 14.		1 acre and 32 perches	377,500	377,500
CIC Holdings PLC - Buildings at Sirimavo Bandaranaike Mawatha, Colombo 14.			63,158	63,158
Chemane PLC - Land at Uswetakeiyawa, Kandana.		8 acres, 1 rood and 15 perches	-	40,319
			440,658	480,977

The Board of Directors has decided to dispose the above detailed properties as there is no intention to use them in the business operations.

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>13.3 Cash Flows Generated From/(Used in) Discontinued Operations</b>				
Net cash generated from/(used in) operating activities	409	193,155	16,038	298,003
Net cash from investing activities	-	-	-	8,285
Net cash used for financing activities	-	-	-	(5,420)
Net cash inflow/(outflow)	409	193,155	16,038	300,868

## Notes to the Financial Statements

### 13 Discontinued Operations and Disposal Group Classified as Held for Sale Contd.

	Company		Group	
For the year ended 31st March	2016	2015	2016	2015
<b>13.4 Earnings/(Deficit) per Share:</b>				
Basic/diluted earnings/(deficit) per share for the year, from discontinued operations (Rs.)	(0.23)	0.06	0.18	0.11
<b>13.5 Assets Classified as held for distribution</b>				
The Company / Group has classified its investment in Chemcel (Pvt) Limited as held for distribution since the Board of Directors of Chemcel (Pvt) Limited has decided to proceed with distributing the assets to its owners.				
<b>14 Earnings per Share</b>				
Profit attributable to equity holders of the Company	713,391	512,551	1,354,292	761,927
The share capital is as follows :				
<b>Ordinary Shares</b>				
Weighted average number of shares	72,900,000	72,900,000	72,900,000	72,900,000
<b>Non-Voting (Class X) Shares</b>				
Weighted average number of shares	21,870,000	21,870,000	21,870,000	21,870,000
Total weighted average number of shares	94,770,000	94,770,000	94,770,000	94,770,000
Basic/Diluted earnings per share (Rs.)	7.53	5.41	14.29	8.04

### 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.

For the year ended 31st March	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
<b>15 Gross Dividend</b>				
<b>Interim Dividend</b>				
Interim dividend paid per share Rs.1.00 (2015-Rs.2.00 per share)				
72,900,000 Ordinary Shares	72,900	145,800	72,900	145,800
21,870,000 Non-Voting (Class X ) Shares	21,870	43,740	21,870	43,740
	94,770	189,540	94,770	189,540
<b>Final Dividend</b>				
Final dividend proposed and paid Rs.1.00per share (2015 -Nil )				
72,900,000 Ordinary Shares	72,900	-	72,900	-
21,870,000 Non-Voting (Class X ) Shares	21,870	-	21,870	-
	94,770	-	94,770	-
<b>Total</b>	<b>189,540</b>	<b>189,540</b>	<b>189,540</b>	<b>189,540</b>

The Company paid a further interim dividend of Rs.1.00 per share on 07th April 2016.

Directors have recommended the payment of a final dividend of Rs.2.00 per share on ordinary and non-voting (class x) shares for the year ended 31st March 2016. This proposed dividend has not been recognised as a liability as at 31st March 2016.

This would result in a total dividend per share of Rs. 4.00 (2015 - Rs.3.00) once it is approved at the Annual General Meeting

The interim dividend of Rs. 2.00 per share for 2015/2016 (2014/2015 -Rs. 3.00 total dividend) distributed to shareholders is paid out of dividend received from Companies within the Group on which 10% withholding tax has been paid.

## Notes to the Financial Statements

### 16 Property, Plant and Equipment

#### A. Company

	Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Equipment Rs. '000	Computers Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	<b>Total 2016 Rs. '000</b>	Total 2015 Rs. '000
<b>Freehold</b>									
<b>Cost/Valuation</b>									
At the beginning of the year	1,186,644	934,621	180,067	335,185	98,032	47,410	66,802	<b>2,848,761</b>	2,784,286
Additions	33,807	2,373	4,941	21,554	70,001	3,755	-	<b>136,431</b>	47,573
Revaluation surplus	246,918	-	-	-	-	-	-	<b>246,918</b>	-
Disposals	-	(2,334)	(10,122)	(64,627)	(44,068)	(7,699)	-	<b>(128,850)</b>	(2,731)
Transferred from capital work- in- progress	-	244,472	89,542	-	-	-	-	<b>334,014</b>	19,633
Transferred to assets classified as held for sale	(377,500)	(81,487)	-	-	-	-	-	<b>(458,987)</b>	-
Transfers	-	2,388	(2,388)	-	-	-	-	<b>-</b>	-
<b>At the end of the year</b>	<b>1,089,869</b>	<b>1,100,033</b>	<b>262,040</b>	<b>292,112</b>	<b>123,965</b>	<b>43,466</b>	<b>66,802</b>	<b>2,978,287</b>	<b>2,848,761</b>
<b>Depreciation/Impairment</b>									
At the beginning of the year	-	123,698	138,594	224,561	91,215	18,306	47,427	<b>643,801</b>	521,087
Depreciation	-	45,635	16,680	35,007	11,074	3,976	7,824	<b>120,196</b>	124,278
On disposals	-	(1,809)	(9,853)	(63,069)	(43,691)	(4,890)	-	<b>(123,312)</b>	(1,564)
Transferred to assets classified as held for sale	-	(18,329)	-	-	-	-	-	<b>(18,329)</b>	-
Transfers	-	1,393	(1,393)	-	-	-	-	<b>-</b>	-
<b>At the end of the year</b>	<b>-</b>	<b>150,588</b>	<b>144,028</b>	<b>196,499</b>	<b>58,598</b>	<b>17,392</b>	<b>55,251</b>	<b>622,356</b>	<b>643,801</b>
<b>Leasehold</b>									
<b>Cost/Valuation</b>									
At the beginning of the year	-	-	-	-	-	-	54,908	<b>54,908</b>	71,061
Disposals	-	-	-	-	-	-	(1,018)	<b>(1,018)</b>	(16,153)
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,890</b>	<b>53,890</b>	<b>54,908</b>
<b>Depreciation/Impairment</b>									
At the beginning of the year	-	-	-	-	-	-	49,767	<b>49,767</b>	47,009
Depreciation	-	-	-	-	-	-	2,523	<b>2,523</b>	12,385
On disposals	-	-	-	-	-	-	(970)	<b>(970)</b>	(9,627)
<b>At the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,320</b>	<b>51,320</b>	<b>49,767</b>
<b>Carrying value as at</b>									
<b>31st March 2016</b>	<b>1,089,869</b>	<b>949,445</b>	<b>118,012</b>	<b>95,613</b>	<b>65,367</b>	<b>26,074</b>	<b>14,121</b>	<b>2,358,501</b>	
<b>Carrying value as at</b>									
<b>31st March 2015</b>	<b>1,186,644</b>	<b>810,923</b>	<b>41,473</b>	<b>110,624</b>	<b>6,817</b>	<b>29,104</b>	<b>24,516</b>		<b>2,210,101</b>

i. Carrying amount of property, plant and equipment pledged as securities for bank facilities obtained amounted to Rs.106.52 million.  
(2015 - Rs.114.80 million)

## B. Group

	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2016	Total 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Freehold</b>									
<b>Cost/Valuation</b>									
At the beginning of the year	3,070,801	3,908,697	3,819,850	1,111,115	277,069	121,128	699,225	13,007,885	11,250,815
Additions	54,182	339,489	645,113	340,061	93,039	16,947	20,147	1,508,978	238,776
Revaluation surplus	712,798	-	-	-	-	-	-	712,798	-
Disposals	(144,755)	(75,617)	(58,769)	(129,093)	(81,097)	(19,538)	(79,282)	(588,151)	(125,245)
Transferred from capital work- in-progress	12,305	421,795	309,547	22,028	3,947	30,923	9,631	810,176	1,740,609
On disposal of subsidiary	-	(15,639)	(10,266)	(3,106)	(3,503)	(1,824)	(811)	(35,149)	(93,783)
Transfers from leasehold	-	-	-	-	-	-	6,158	6,158	17,910
Transferred to assets classified as held for sale	(377,500)	(81,487)	-	-	-	-	-	(458,987)	-
Transfers	-	2,388	(2,388)	-	-	-	-	-	-
Re-classifications	-	(4,165)	-	(8,141)	-	14	(3,175)	(15,467)	-
Revaluation loss/impairment	(2,593)	-	-	-	-	-	-	(2,593)	(21,197)
<b>At the end of the year</b>	<b>3,325,238</b>	<b>4,495,461</b>	<b>4,703,087</b>	<b>1,332,864</b>	<b>289,455</b>	<b>147,650</b>	<b>651,893</b>	<b>14,945,648</b>	<b>13,007,885</b>
<b>Depreciation/Impairment</b>									
At the beginning of the year	-	567,831	1,145,458	692,328	250,813	65,545	495,756	3,217,731	2,746,023
Depreciation	-	144,556	260,153	117,818	25,801	18,305	68,527	635,160	573,354
Impairment	-	-	-	-	-	-	-	-	(12,117)
On disposals	-	(32,227)	(56,757)	(117,904)	(80,436)	(16,059)	(64,080)	(367,463)	(66,763)
Re-classifications	-	(4,391)	-	(5,993)	-	-	(2,164)	(12,548)	-
Transfers from leasehold	-	-	-	-	-	-	5,279	5,279	10,804
Transferred to assets as held for sale	-	(18,329)	-	-	-	-	-	(18,329)	-
Transfers	-	1,393	(1,393)	-	-	-	-	-	-
On disposal of subsidiary	-	(5,843)	(5,874)	(2,010)	(2,208)	(1,205)	(811)	(17,951)	(33,570)
<b>At the end of the year</b>	<b>-</b>	<b>652,990</b>	<b>1,341,587</b>	<b>684,239</b>	<b>193,970</b>	<b>66,586</b>	<b>502,507</b>	<b>3,441,879</b>	<b>3,217,731</b>



## Notes to the Financial Statements

### 16 Property, Plant and Equipment Contd.

	Land	Buildings	Plant & Machinery	Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total 2016	Total 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Leasehold</b>									
<b>Cost/Valuation</b>									
At the beginning of the year	232,898	808,609	-	-	-	-	187,650	1,229,157	1,314,885
Additions	480	3,300	-	-	-	-	4,050	7,830	12,238
Disposals	-	(660)	-	-	-	-	(9,455)	(10,115)	(103,718)
Re-classifications	-	-	-	-	-	-	3,088	3,088	-
Transferred from capital work-in-progress	-	4,923	-	-	-	-	-	4,923	23,662
Transferred to freehold	-	-	-	-	-	-	(6,158)	(6,158)	(17,910)
On disposal of subsidiary	-	-	-	-	-	-	(31,648)	(31,648)	-
<b>At the end of the year</b>	<b>233,378</b>	<b>816,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147,527</b>	<b>1,197,077</b>	<b>1,229,157</b>
<b>Depreciation/Impairment</b>									
At the beginning of the year	31,174	228,373	-	-	-	-	149,098	408,645	404,942
Depreciation	2,937	28,276	-	-	-	-	17,687	48,900	85,350
On disposals	-	(530)	-	-	-	-	(9,407)	(9,937)	(70,843)
Re-classifications	-	-	-	-	-	-	169	169	-
On disposal of subsidiary	-	-	-	-	-	-	(16,656)	(16,656)	-
Transferred to freehold	-	-	-	-	-	-	(5,279)	(5,279)	(10,804)
<b>At the end of the year</b>	<b>34,111</b>	<b>256,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,612</b>	<b>425,842</b>	<b>408,645</b>
<b>Carrying value as at 31st March 2016</b>	<b>3,524,505</b>	<b>4,402,524</b>	<b>3,361,500</b>	<b>648,625</b>	<b>95,485</b>	<b>81,064</b>	<b>161,301</b>	<b>12,275,004</b>	
<b>Carrying value as at 31st March 2015</b>	<b>3,272,525</b>	<b>3,921,102</b>	<b>2,674,392</b>	<b>418,787</b>	<b>26,256</b>	<b>55,583</b>	<b>242,021</b>		<b>10,610,666</b>

- Carrying amount of property, plant and equipment pledged as securities for bank facilities obtained amounted to Rs. 950.81 million. (2015 - Rs.966.89 million).
- Borrowing cost capitalised by the Group during the year is Rs. 6.07 million.(2015 - Rs.79.37 million).
- Impairment losses - During the year the Company and the Group carried out the revaluation of lands which led to identification of three lands requiring impairment. The total impairment loss is Rs.2.59 million.
- Unexpired lease period of land belonging to CIC Agri Businesses (Private) Limited is 75 years.

### C. Carrying value

	Company		Group	
	2016 Rs. 000	2015 Rs. 000	2016 Rs. 000	2015 Rs. 000
At cost	1,266,064	1,018,316	7,844,617	6,810,166
At valuation	1,089,867	1,186,644	3,659,152	2,979,988
On finance lease	2,570	5,141	771,235	820,512
Total	2,358,501	2,210,101	12,275,004	10,610,666

### D. The values of the lands if it had been carried under cost model

	Company		Group	
	2016 Rs. million	2015 Rs. million	2016 Rs. million	2015 Rs. million
As at 31st March				
Land	243.26	209.45	1,164.00	1,153.36

## Notes to the Financial Statements

### 16 Property, Plant and Equipment Contd.

#### E Value of lands and ownership

Company	Location	Land Extent in Acres/Perches/Roods	Number of buildings	Carrying Value Rs. million
CIC Holdings PLC	Kew Road, Colombo 02	1 rood and 30.25 perches	1	527.00
	Sri Sasanajothi Mawatha, Ratmalana	4 acres, 3 roods and 21 perches	9	313.00
	Pellanwatta, Piliyandala	7 acres, 2 roods and 15.45 perches	17	123.91
	Lenagala Estate, Dedigamuwa	11 acres, 4 roods and 64.5 perches	20	125.99
Chemanex PLC	Sri Sasanajothi Mawatha, Ratmalana	3 acres	1	229.50
CIC Agri Businesses (Private) Limited	Mahiella, Kurunegala	2 acres, 3 roods and 31.25 perches	4	47.00
	Aluwihare, Matale	3 acres, 1 rood and 38 perches	1	23.70
	Dutugemunun Road, Peliyagoda	1 acre, 1 rood and 2.2 perches	1	202.50
Wayamba Agro Fertilizer Company Limited	Maho	16 acres and 30.8 perches	15	103.50
CIC Grains (Private) Limited	Siyambalanduwa	3 acres, 3 roods and 24 perches	-	11.34
CISCO Speciality Packaging (Private) Limited	Pellanwatta, Pannipitiya	2 acres, 3 roods and 18.07 perches	10	88.00
CIC Vetcare (Private) Limited	Galla Estate, Ekala	3 roods and 1 perch	3	22.85
	Madampalle Estate, Madampalle	15 acres	-	45.00
CIC Poultry Farms Limited	Molahena Estate, Badalgama	25 acres and 29.95 perches	31	75.50
	Iswetiya Elies, Horakandawila, Dunagaha	17 acres and 16.8 perches	17	83.90
	Amunuwela Estate, Kuliyaipitiya	47 acres 3 roods and 29 perches	25	144.00
	Katuwahanawatta, Walpita, Waradala	50 acres 1 rood	-	149.20
CIC Bio Security Breeder Farms Limited	Molahena Estate, Badalgama	27 acres, 1 rood and 57.6 perches	-	84.75
CIC Feeds (Private) Limited	Galla Estate, Ekala	6 acres and 33.4 perches	17	151.50
	Heeralugedara, Kotadeniyawa	18 acres and 2 roods	17	55.50
	Madampalle Estate, Madampalle	25 acres	25	75.00
	Nabirithankadawara, Welipennagahamulla, Pannala	50 acres, 1 rood and 32.5 perches	18	143.50
Colombo Industrial Agencies Limited	Temple Lane, Ekala	3 acres, 2 roods, 7.62 perches	4	225.30
Link Natural Products (Private) Limited	Malinda, Kapugoda	11 acres, 3 roods and 35.15 perches	38	196.50
	Kapugoda, Giridara	39 perches	1	5.80
	Dambukanda	21 acres, 5 roods and 64 perches	1	64.50
	Parakaduwa	23 acres, 2 roods and 5.8 perches	-	7.00
				3,325.24

The last revaluation of lands has been as follows;

CIC Holdings PLC	31st March 2016
Chemanex PLC	31st March 2016
CIC Agri Businesses (Private) Limited and Subsidiaries	31st March 2016
CISCO Speciality Packaging (Private) Limited	31st March 2016
CIC Feeds (Private) Limited and Subsidiaries	31st March 2016
Link Natural Products (Private) Limited	31st March 2016
Colombo Industrial Agencies Limited	31st March 2016

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

The revalued figures were incorporated in these Financial Statements.

**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	10	6	3	3	4	4
CISCO Speciality Packaging (Private) Limited	20	20,12,10,5	20	3	5	20
CIC Agri Businesses (Private) Limited*	20	8	4	3	5	10
Colombo Industrial Agencies Limited	20	-	-	-	-	-
CIC Feeds (Private) Limited	40	20	12.50	5	5	8
Link Natural Products (Private) Limited	40,25	10,15,20,40	10,8,5	3	4,8,10,20,25,30	10
CIC Cropguard (Private) Limited	-	-	5	5	5	10
CIC Lifesciences Limited	-	8	4	4	-	4

\* Land development cost is depreciated over 30 years.

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Building	1,404	-	59,597	68,243
Plant and machinery	49,430	103,900	234,672	309,282
Equipment	102,216	148,408	462,794	506,931
Furniture and fittings	1,490	4,488	21,016	22,454
Motor vehicles	78,901	23,419	400,016	306,967
Computers	39,887	72,882	94,562	134,976
Total	273,328	353,097	1,272,657	1,348,853

## Notes to the Financial Statements

As at 31st March	Group	
	2016 Rs.'000	2015 Rs.'000
<b>17 Investment Property</b>		
Cost	51,400	51,400
Amortisation	-	-
Carrying value	51,400	51,400

### A Details of Investment Property Group

As at 31st March	Ownership	Location	Land extent	Market value	Carrying value	2015 Rs.'000
				2016 Rs.'000	2016 Rs.'000	
	CIC Agri Businesses (Private) Limited	Pagoda, Nugegoda	15.5 perches	11,500	11,500	11,500
		Bogahapitiya Estate, Kengalle	12.0 perches	3,000	2,400	2,400
		Galle Road, Weligama	2 roods and 20.06 perches	45,000	37,500	37,500
Total				59,500	51,400	51,400

**B** There has been no impairment on investment properties which require a provision.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>18 Capital Work-in-Progress</b>				
At the beginning of the year	46,088	50,920	353,518	763,412
Expenditure incurred	287,926	14,801	538,699	1,354,377
Amount capitalised	(334,014)	(19,633)	(815,099)	(1,764,271)
Disposal of subsidiaries	-	-	(4,965)	-
At the end of the year	-	46,088	72,153	353,518
<b>19 Biological Assets</b>				
At the beginning of the year			307,728	278,410
Additions			250,172	266,309
Re-classified as inventory			(55,815)	(58,863)
Gain from changes in fair value			1,903	4,858
Disposals			(277,606)	(182,986)
At the end of the year (Note 19.1)			226,382	307,728

## 19.1

	Poultry	Cattle	Highland Crops	Teak	Total
Matured (Rs.'000)	93,660	37,784	13,125	-	144,569
Immature (Rs.'000)	69,622	2,188	-	10,003	81,813
Total	163,282	39,972	13,125	10,003	226,382

## 19.2 Nature of Group's Biological Assets

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

## 19.3 Non - Financial Measures of Biological Assets

Quantities	Poultry No. of birds	Cattle No. of animals	Teak cubic meters
------------	-------------------------	--------------------------	----------------------

### At the end of the period

2016	494,444	801	1,717
2015	368,802	1,044	1,717

Quantities	Poultry No. of birds	Cattle No. of animals
------------	-------------------------	--------------------------

### Produce during the year

2016	5,330,582	194
2015	5,379,148	72

## 19.4 Valuation of Biological Assets

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

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

Discount rate 13%-15%

CIC Feeds (Private) Limited uses market price per bird as the valuation technique of their biological assets.

## Notes to the Financial Statements

As at 31st March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>20 Intangible assets</b>				
Goodwill				
Gross Amount	-	-	167,293	167,293
Impairment	-	-	(139,610)	(139,610)
Net Goodwill (i)	-	-	27,683	27,683
ERP cost capitalized (ii)	13,178	-	109,457	-
Total	13,178	-	137,140	27,683

(i) Aggregate carrying amounts of goodwill allocated to each unit are as follows;

As at 31st March	2016	2015
	Rs. Millions	Rs. Millions
CIC Holdings PLC	11.06	11.06
CIC Feeds (Private) Limited	16.62	16.62
	27.68	27.68

(ii) The Company / Group capitalized the ERP implementation cost as at the year-end. This will be depreciated over 10 years.

(iii) There has been no permanent impairment of intangible assets that requires provision.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>21 Deferred Tax</b>				
At the beginning of the year	(25,610)	(69,268)	252,316	147,162
Amount origination /(reversal) of temporary differences	-	-		
Recognised in profit or loss	43,844	42,660	103,184	103,724
Recognised in profit or loss (discontinued operations)	-	-	-	(2,800)
Recognised in other comprehensive income	4,485	998	(2,972)	3,792
Disposal of subsidiaries	-	-	506	438
At the end of the year	22,719	(25,610)	353,034	252,316
Deferred tax assets	-	25,610	41,697	52,498
Deferred tax liabilities	22,719	-	394,731	304,814
Net liability/(assets)	22,719	(25,610)	353,034	252,316



**A Deferred tax (assets)/liabilities originated due to temporary timing differences of asset and liability bases.**

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
On property, plant and equipment	169,386	149,985	700,556	608,300
On Intangible assets	-	-	3,804	-
On biological assets	-	-	26,679	-
On retirement benefit obligations	(57,732)	(58,628)	(139,155)	(134,076)
On tax losses	(88,935)	(116,967)	(238,850)	(221,908)
At the end of the year	22,719	(25,610)	353,034	252,316

The Group recognised deferred tax assets of Rs. 41.70 million (2015-Rs.52.49 million) as at the reporting date, since the management is confident that the deferred tax asset would be realised in the future due to the availability of taxable profits in the future periods.

**B. Movement in Deferred Tax (Assets)/Liabilities**

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>Deferred tax assets</b>				
Deferred tax assets to be recovered after more than 12 months	(146,667)	(175,595)	(378,005)	(355,984)
	(146,667)	(175,595)	(378,005)	(355,984)
<b>Deferred tax liabilities</b>				
Deferred tax liabilities to be recovered after more than 12 months	169,386	149,985	731,039	608,300
	169,386	149,985	731,039	608,300
Deferred tax (assets)/liabilities-net	22,719	(25,610)	353,034	252,316

## Notes to the Financial Statements

### 21 Deferred Tax Contd.

#### C. Movement in deferred tax asset and liability bases

	Deferred tax assets			Deferred tax liabilities	
	Retirement benefit obligations	Tax losses	Total	Property, plant and equipment	Total
	Rs,000	Rs,000	Rs,000	Rs,000	Rs,000
<b>Company</b>					
As at 01st April 2014	(56,439)	(153,263)	(209,702)	140,434	140,434
Recognised in profit or loss and other comprehensive income	(2,189)	36,296	34,107	9,551	9,551
As at 31st March 2015	(58,628)	(116,967)	(175,595)	149,985	149,985
Recognised in profit or loss	(3,589)	28,032	24,444	19,401	19,401
Recognised in other comprehensive income	4,485	-	4,485	-	-
As at 31st March 2016	(57,732)	(88,935)	(146,667)	169,386	169,386
<b>Group</b>					
As at 01st April 2014	(123,234)	(252,008)	(375,242)	522,404	522,404
Recognised in profit or loss and other comprehensive income	(10,842)	30,100	19,258	85,896	85,896
As at 31st March 2015	(134,076)	(221,908)	(355,984)	608,300	608,300
Recognised in profit or loss	(2,107)	(16,942)	(19,049)	122,234	122,234
Recognised in other comprehensive income	(2,972)	-	(2,972)	-	-
Disposal of subsidiaries	-	-	-	506	506
As at 31st March 2016	(139,155)	(238,850)	(378,005)	731,039	731,039

#### D. Unrecognised Deferred Tax Assets

	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
As at 31st March				
Accumulated tax losses	83,752	84,335	569,036	461,306
	83,752	84,335	569,036	461,306

## 22 Investment in Subsidiaries

As at 31st March			2016		2015	
	Market Value Rs. '000	Holding %	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
<b>Quoted</b>						
ChemaneX PLC	500,180	50.41	7,939,373	136,683	7,939,373	136,683
			7,939,373	136,683	7,939,373	136,683
<b>Unquoted - Subsidiaries</b>						
Crop Management Services (Private) Limited.		100.00	780,000	202,144	780,000	202,144
CISCO Speciality Packaging (Private) Limited.		50.00	5,525,005	55,250	5,525,005	55,250
CIC Agri Businesses (Private) Limited		50.76	8,040,000	62,800	8,040,000	62,800
Colombo Industrial Agencies Limited.		83.06	830,598	9,130	830,598	9,130
CIC Feeds (Private) Limited		82.44	3,710,000	217,434	3,710,000	217,434
Link Natural Products (Private) Limited.		65.17	5,170,858	311,990	5,170,858	311,990
CIC Cropguard (Private) Limited		100.00	500,000	5,000	500,000	5,000
CIC Lifesciences Limited		99.89	120,554,928	130,855	120,554,928	130,855
				994,603		994,603
Provision for impairment of subsidiaries				(138,850)		(138,850)
Total				992,436		992,436

- i) The Company has made a provision against the investment in CIC Lifesciences Limited of Rs.71.85 million and Rs.67 million against the investment in Crop Management Services (Private) Limited.
- ii) The subsidiaries of the Company are incorporated in Sri Lanka.
- iii) The Company has neither contingent liabilities nor capital commitment in respect of subsidiaries.
- iv) The main activities of the subsidiary Companies are given in page 226.

## Notes to the Financial Statements

### 22 Investment in Subsidiaries Contd.

v) Investments made by the Company are as follows,

For the year ended 31st March	2016		2015	
	Number of Shares	Cost Rs. '000	Number of Shares	Cost Rs. '000
CIC Lifesciences Limited	-	-	119,004,900	119,005
Link Natural Products (Private) Limited	-	-	165,525	198,448
Total				317,453

vi) Inter company shareholdings

		2016		2015	
		% Holding	Number of Shares	% Holding	Number of Shares
<b>Investor</b>	<b>Investee</b>				
Chemanex PLC	CIC Agri Businesses (Private) Limited	16.92	2,680,001	16.92	2,680,001
	CIC Feeds (Private) Limited	11.11	500,000	11.11	500,000
CIC Agri Businesses (Private) Limited	Chemanex PLC	2.84	446,604	2.84	446,604
Crop Management Services (Private) Limited	CIC Feeds (Private) Limited	6.44	290,100	6.44	290,100

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

## 23 Equity Accounted Investees

		2016		2015	
	Holding %	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
Company					
Unquoted					
Akzo Nobel Paints Lanka (Private) Limited					
Ordinary Shares	49.37	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	100.00	1,260,000	12,600	1,260,000	12,600
CIC Grains (Private) Limited.	49.00	26,313,000	200,900	-	-
Total			236,900		36,000
Group					
Unquoted					
Akzo Nobel Paints Lanka (Private) Limited					
Ordinary Shares	49.37	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	100.00	1,260,000	12,600	1,260,000	12,600
Group share of net assets on deemed disposal			280,922		280,922
Rainforest Ecolodge (Private) Limited.	22.60	9,950,968	99,510	9,950,968	99,510
Commercial Insurance Brokers (Private) Limited.	40.00	239,999	200	239,999	200
Chemcel (Private) Limited.	33.07	68,528,001	705,847	97,897,143	705,847
Rahimafrooz CIC Agro Limited	49.00	212,928	32,573	212,928	32,573
			1,155,052		1,155,052
Share of equity accounted investees' retained earnings			510,608		307,130
Share of equity accounted investees' other reserves			14,875		14,875
Share of losses absorbed -Rahimafrooz CIC Agro Limited			(32,573)		(32,573)
Deemed disposal profit of Rainforest Ecolodge (Private) Limited			2,233		-
Provision for the diminution in value investment Chemcel (Private) Limited			(116,885)		-
Transferred to assets held for distribution			(598,341)		-
Total			934,969		1,444,484

The Group's interest in equity accounted investees relates to CIC Agri Businesses (Private) Limited's 49% interest in equity shareholding of Rahimafrooz CIC Agro Limited, an entity established in 2011/12 in Bangladesh. In adopting SLFRS 11- Joint Arrangements , the Group was

## Notes to the Financial Statements

### 23 Equity Accounted Investees Contd.

required to recognise its interest in a joint venture using the equity method in accordance with LKAS 28- Investment in Associates and Joint Ventures. When changing from proportionate consolidation to the equity method, the Group recognised its investment in the joint venture as at the beginning of the immediately preceding period. Such was measured at the aggregate of the carrying amounts of the assets and liabilities that the entity had previously proportionately consolidated. The opening balance of the investment determined is regarded as the deemed cost of the investment at initial recognition. As the total of proportionately consolidated assets and liabilities resulted in negative net assets, CIC Agri Businesses (Private) Limited assessed whether it has legal or constructive obligations in relation to the negative net assets. The consolidated financial statements have disclosed the cumulative unrecognised share of losses of its joint ventures as at the beginning of the immediately preceding period and other required disclosures in these financial statements.

- (1) Except for Rahimafrooz CIC Agro Limited incorporated in Bangladesh all other equity accounted investees are incorporated in Sri Lanka.
- (2) Unrecognised share of losses of the equity accounted investees as at 31st March 2016 is Rs.112.9million arising from Rahimafrooz CIC Agro Limited.
- (3) The main activities of the equity accounted investees are given in page 226.
- (4) The Group has neither contingent liabilities nor capital commitments in respect of equity accounted investees.
- (5) The Group transferred the investment in Chemcel (Private ) Limited to assets held for distribution as at 31st March 2016, since the Board of Directors of Chemcel (Private) Limited has decided to distribute the assets to its owners. A provision has been identified in the Group Financial Statements considering the recoverable amount as at 31st March 2016.
- (6) Summarised information of equity accounted investees

	2016 Rs.'000	2015 Rs.'000
Revenue	6,561,216	5,873,448
Expenses	5,910,783	5,736,223
Profit after tax	650,433	137,225
Non- current assets	1,008,583	1,046,664
Current assets	4,545,008	4,364,214
Total assets	5,553,591	5,410,878
Non- current liabilities	140,268	288,082
Current liabilities	1,409,621	1,761,661
Total liabilities	1,549,889	2,049,743
Net assets	4,003,702	3,361,135

## 24 Other Non current financial assets

As at 31st March	Company		Group	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Equity securities-available for sale	-	120,000	10,248	12,622
	-	120,000	10,248	12,622

	2016		2015	
	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
<b>Company</b>				
<b>Unquoted</b>				
Yasui Lanka (Private) Limited.	660,000	6,600	660,000	6,600
Chemcel (Private) Limited.	-	-	29,369,142	120,000
	-	6,600	-	126,600
Provision for diminution in value investment	-	(6,600)	-	(6,600)
Total	-	-	-	120,000

The Company transferred the investment in Chemcel (Private) Limited to assets held for distribution as at 31st March 2016.

The Company made a full provision against the investment in Yasui Lanka (Private) Limited Rs.6.6 mn.

## Notes to the Financial Statements

### 24 Other Non current financial assets Contd.

	2016		2015	
	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
<b>Group</b>				
<b>Quoted</b>				
Commercial Bank of Ceylon PLC				
Non-voting	43,003	4,859	42,454	5,570
Voting	20,859	2,618	20,653	3,416
Muller & Phipps PLC	300	-	300	-
Chevron Lubricants Lanka PLC	8,000	2,438	8,000	3,141
Dipped Products PLC	2,500	183	2,500	345
		10,098		12,472
<b>Unquoted</b>				
Equity Investments (Lanka)Limited	15,000	150	15,000	150
Roma Cosmetics (Private) Limited	200,000	2,000	200,000	2,000
NTS Interlining (Private) Limited	650,000	6,500	650,000	6,500
		8,650		8,650
Provision for diminution in value of investment		(8,500)		(8,500)
		10,248		12,622

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

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



As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>25 Inventories</b>				
Raw materials and consumables	601,058	162,974	4,001,271	1,407,361
Work-in-progress	127,536	-	347,528	224,241
Finished goods	1,741,600	1,754,944	3,940,976	2,808,640
Biological assets	-	-	215,137	231,588
Goods-in-transit	-	86,082	970,457	1,104,677
	2,470,194	2,004,000	9,475,369	5,776,507
Provision for inventories	(63,997)	(123,311)	(111,965)	(177,711)
Total	2,406,197	1,880,689	9,363,404	5,598,796

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	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
At Cost	2,406,197	1,872,825	9,363,404	5,590,932
At Net Realisable Value	-	7,864	-	7,864
Total	2,406,197	1,880,689	9,363,404	5,598,796

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>25.1 Provision for inventories</b>				
At the beginning of the year	174,380	272,343	230,312	332,150
Provision/(Reversal) during the year	(106,558)	(97,963)	(75,010)	(80,814)
Write off made during the year	(3,825)	-	(43,337)	(21,024)
At the end of the year	63,997	174,380	111,965	230,312
Provision relating to inventories classified as held for sale	-	51,069	-	52,601
Provision relating to continuing operations	63,997	123,311	111,965	177,711

Bank facilities have been obtained on negative pledge of inventories

## Notes to the Financial Statements

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>26 Trade Receivables</b>				
Trade receivables from Group Companies (Note 26.1)	23	698	-	-
Other trade receivables	2,299,643	1,728,792	4,514,706	3,516,661
Bills receivable	-	-	76,172	88,721
Total	2,299,666	1,729,490	4,590,878	3,605,382
Less: Provision for impairment for trade receivables (Note 26.2)	(263,216)	(149,952)	(535,272)	(442,885)
Total	2,036,450	1,579,538	4,055,606	3,162,497

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

As at 31st March	Company	
	2016 Rs. '000	2015 Rs. '000
<b>26.1 Trade Receivables from Group Companies</b>		
CIC Agri Businesses (Private) Limited	23	232
Link Natural Products (Private) Limited	-	21
CISCO Speciality Packaging (Private) Limited	-	411
CIC CropGuard (Private) Limited	-	34
	23	698

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>26.2 Provision for impairment for trade receivables</b>				
At the beginning of the year	266,121	268,875	573,368	549,307
Provision/(Reversal) during the year	19,758	(2,754)	43,774	40,740
Write off made during the year	(22,663)	-	(69,730)	(16,601)
Disposal of subsidiaries	-	-	-	(78)
At the end of the year	263,216	266,121	547,412	573,368
Less: Provision relating to trade receivables classified as held for sale	-	(116,169)	(12,140)	(130,483)
Provision relating to continuing trade receivables	263,216	149,952	535,272	442,885

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>26.3 Trade Receivables Currency-wise</b>				
Sri Lankan Rupees	2,036,450	1,579,538	4,018,523	3,098,475
US Dollars	-	-	37,076	63,314
Aus. Dollars	-	-	-	416
Euro	-	-	7	292
Total	2,036,450	1,579,538	4,055,606	3,162,497
<b>27 Other receivables</b>				
Non trade receivables from Group Companies (Note 27.1)	162,560	32,761	-	-
Other non trade receivables (Net)	372,700	201,383	910,401	630,901
Short term loans granted to subsidiaries	20,364	29,914	-	-
Subsidy receivable	-	-	1,431,260	2,915,423
VAT receivable	4,185	104	62,001	104
Income tax receivable (Note 37)	-	2,850	96,015	122,185
Loans to employees (Note 27.2)	16,236	18,283	71,707	63,851
Pre-paid staff cost	5,646	6,068	21,433	22,669
	581,691	291,363	2,592,817	3,755,133
Less: Provision for impairment of other receivables	(48,691)	(23,201)	(48,691)	(23,201)
Total	533,000	268,162	2,544,126	3,731,932

As at 31st March	Company	
	2016 Rs.'000	2015 Rs.'000
<b>27.1 Non Trade Receivable from Group Companies</b>		
Cisco Speciality Packaging (Private) Limited	11,989	2,382
CIC Agri Businesses (Private) Limited	72,738	3,931
CIC Feeds (Private) Limited	25,807	227
Colombo Industrial Agencies Limited	11,732	20,174
CIC Cropguard (Private) Limited	36,018	2,816
Crop Management Services (Private) Limited	76	8
CIC Lifesciences Limited	11,688	11,023
Link Natural Products (Private) Limited	-	21
	170,048	40,582
Less: Provision for impairment	(7,488)	(7,821)
Total	162,560	32,761
<b>27.2 Loans to employees</b>		
The number of employees who have obtained loans as at 31st March	272	109

## Notes to the Financial Statements

	2016		2015	
	No. of Shares	Fair value 'Rs. '000	No. of Shares	Fair value 'Rs. '000
<b>28 Other Current Financial Assets</b>				
<b>Company</b>				
<b>Quoted</b>				
Ceylon Hospitals PLC	5,628	507	5,628	647
Renuka Agri Foods PLC	153,200	475	153,200	721
Hatton National Bank PLC - Voting	144,794	28,857	144,794	32,144
Hatton National Bank PLC - Non-Voting	14,709	2,515	14,709	2,434
<b>Total</b>		<b>32,354</b>		<b>35,946</b>
<b>Group</b>				
<b>Quoted</b>				
Ceylon Hospitals PLC	5,628	507	5,628	647
Renuka Agri Foods PLC	153,200	475	153,200	720
Hatton National Bank PLC - Voting	321,314	54,071	219,944	49,131
Hatton National Bank PLC - Non-Voting	14,709	2,515	14,709	2,434
Commercial Bank of Ceylon PLC - Non-Voting	-	-	339	58
Kelani Tyres PLC	-	-	400	31
Tokyo Cement Company (Lanka) PLC	25,000	808	2,700	163
Hotel Services (Ceylon) PLC	350,000	5,250	350,000	5,600
John Keells Hotels PLC	450,000	5,400	450,000	6,435
Hydro Power Freelanka PLC	6,300	33	6,300	38
Merchant Bank of Sri Lanka PLC	300,000	3,060	300,000	4,740
Laugfs Gas PLC - Voting	106,900	3,902	106,900	3,635
Laugfs Gas PLC - Non-Voting	-	-	5,900	212
Odel PLC	2,500	54	2,500	53
National Development Bank PLC	24	4	24	6
Lanka Orix Leasing Company PLC	40,198	2,895	50,000	3,830
Richard Pieris Distributors Company PLC	200,000	1,440	200,000	1,480
Hayleys PLC	1,980	486	-	-
Dialog Axiata PLC	100,000	1,020	-	-
<b>Investment at market value</b>		<b>81,920</b>		<b>79,213</b>

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>29 Cash and cash equivalents</b>				
<b>29.1 Favourable cash and cash equivalents</b>				
Cash and bank balances	284,100	134,901	1,413,467	717,022
Short term deposits	-	-	306	20,331
	284,100	134,901	1,413,773	737,353
<b>29.2 Unfavourable cash and cash equivalents</b>				
Bank overdrafts	(1,210,040)	(170,492)	(4,267,276)	(1,462,115)
Short term bank loans	(1,823,315)	(1,880,928)	(7,066,999)	(4,829,508)
	(3,033,355)	(2,051,420)	(11,334,275)	(6,291,623)
Cash and cash equivalents classified as assets held for sale	-	-	10,377	5,876
Cash and cash equivalents for the purpose of cash flow statements	(2,749,255)	(1,916,519)	(9,910,125)	(5,548,394)

	Company/Group		Company/Group	
	2016 No.of shares	Rs.	2015 No.of shares	Rs.
<b>30 Stated Capital</b>				
<b>Ordinary Shares</b>				
As at the beginning of the year	72,900,000	789,750,000	72,900,000	789,750,000
As at the end of the year	72,900,000	789,750,000	72,900,000	789,750,000
<b>Non-Voting (Class X ) Shares</b>				
As at the beginning of the year	21,870,000	218,700,000	21,870,000	218,700,000
As at the end of the year	21,870,000	218,700,000	21,870,000	218,700,000
Total	94,770,000	1,008,450,000	94,770,000	1,008,450,000

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

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.

## Notes to the Financial Statements

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>31 Capital reserves</b>				
At the beginning of the year	1,016,018	1,016,018	1,711,501	1,718,327
Surplus on revaluation	246,918	-	578,654	5,700
Realization of surplus on disposal	-	-	(8,322)	-
Disposal of subsidiaries	-	-	-	(12,526)
Total	1,262,936	1,016,018	2,281,833	1,711,501

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

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

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

## 32 Revenue Reserves

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

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

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>33 Loans and Borrowings</b>				
<b>A Loans and borrowings repayable after one year</b>				
Bank loans	44,085	122,100	992,328	1,085,000
Finance lease obligations	-	1,255	6,162	21,895
	44,085	123,355	998,490	1,106,895

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>B Bank loans</b>				
At the beginning of the year	216,780	361,460	4,009,185	2,451,491
Obtained during the year	-	-	696,601	11,366,653
Repayments during the year	(78,015)	(144,680)	(2,955,412)	(9,808,959)
At the end of the year	138,765	216,780	1,750,374	4,009,185
Less: Repayable within one year	(94,680)	(94,680)	(758,046)	(2,924,185)
Repayable after one year	44,085	122,100	992,328	1,085,000
Finance lease obligations repayable after one year	-	1,255	6,162	21,895
Total	44,085	123,355	998,490	1,106,895

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>C Finance lease obligations</b>				
At the beginning of the year	5,820	28,293	48,709	140,186
Obtained during the year	-	-	4,336	4,565
Disposal of subsidiaries	-	-	(12,048)	-
Repayments during the year	(4,565)	(22,473)	(25,580)	(96,042)
At the end of the year	1,255	5,820	15,417	48,709
Less: Repayable within one year	(1,255)	(4,565)	(9,255)	(26,814)
Repayable after one year	-	1,255	6,162	21,895
<b>D Analysis of Finance lease obligations by year of repayment</b>				
<b>Finance Lease obligations repayable within 1 year</b>				
Gross liability	1,329	5,081	10,512	30,851
Finance charges unamortised	(74)	(516)	(1,257)	(4,037)
Net lease obligations	1,255	4,565	9,255	26,814
<b>Finance Lease obligations repayable between 1 to 5 years</b>				
Gross liability	-	1,329	7,255	24,231
Finance charges unamortised	-	(74)	(1,093)	(2,336)
Net lease obligations	-	1,255	6,162	21,895

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

## Notes to the Financial Statements

### 33 Loans and Borrowings Contd.

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

Company	Lender	Interest Rate	Currency	2016 Rs. million	2015 Rs. million	Security
CIC Holdings PLC	Commercial Bank Of Ceylon PLC	AWPLR+2%	LKR	44.09	122.10	Project Land & Plant & Machinery
CISCO Speciality Packaging (Private) Limited	NDB Bank PLC	AWPLR + 1%	LKR	7.78	21.11	Land & Buildings and Machinery
	Union Bank PLC	9.50%	LKR	134.54	-	Project Machinery
CIC Agri Businesses (Private) Limited	Commercial Bank of Ceylon PLC	8.00%	LKR	21.67	31.67	
	DFCC Bank	AWPLR + 0.75%	LKR	283.33	340.00	
	Lanka Puthra Bank	8.00%	LKR	5.42	10.42	Primary Mortgage over Land
Link Natural Products (Private) Limited	People's Bank	AWPLR+1%	LKR	22.78	35.83	Secondary Mortgage over Property-Factory Premises
	Hatton National Bank PLC	AWPLR+1%	LKR	-	3.36	Primary mortgage over the motor vehicle
		AWPLR	LKR	34.70	53.48	Primary Mortgage over Land
	DFCC Bank PLC	AWPLR+1%	LKR	-	4.38	Mortgage over Land & Buildings
	Commercial Bank Of Ceylon PLC	AWPLR	LKR	8.12	14.62	Mortgage over Machinery
CIC Feeds (Private) Limited	Commercial Bank Of Ceylon PLC	AWPLR+1.5%	LKR	399.61	442.90	Negative pledge over stock,debtors and project related assets
CIC Lifesciences Limited	Ceylinco Investment and Reality Limited		LKR	1.00	1.00	
	Seylan Bank PLC	AWPLR+1%	LKR	29.29	4.13	Mortgage over Machinery & Fixed Deposit
Total				992.33	1,085.00	

#### Finance Lease Obligations

CIC Holdings PLC	Commercial Leasing Company PLC	-	0.62
	DFCC Bank PLC	-	0.63
CISCO Speciality Packaging (Private) Limited	Central Finance Company PLC	2.93	1.07
Cropguard (Private) Limited	Central Finance Company PLC	-	0.73
	Bank of Ceylon	0.43	5.14
CIC Agri Businesses (Private) Limited	Hatton National Bank PLC	-	1.62
	Central Finance Company PLC	2.80	3.94
	Siyapath Leasing	-	8.14
		6.16	21.89



As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>F Loans and borrowings repayable within one year from the year end</b>				
Bank loans	94,680	94,680	758,046	2,924,185
Finance lease obligations	1,255	4,565	9,255	26,814
Bank overdrafts	1,210,040	170,492	4,267,276	1,462,115
Short term loans	1,823,315	1,880,928	7,066,999	4,829,508
Total	3,129,290	2,150,665	12,101,576	9,242,622

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>34 Retirement Benefit Obligations</b>				
Present value of gratuity				
At the beginning of the year	209,387	201,568	565,933	522,688
Current service cost	19,140	18,872	54,049	50,146
Benefits paid by the plan	(25,067)	(27,326)	(75,742)	(48,832)
Interest cost	18,745	19,839	52,409	51,888
Actuarial (gains)/ losses	(16,017)	(3,566)	14,107	(8,945)
Disposal of subsidiaries	-	-	(6,931)	(1,012)
At the end of the year	206,188	209,387	603,825	565,933

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

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Cost of sales	1,968	2,340	16,065	15,072
Distribution expenses	2,589	1,828	16,316	10,678
Administrative expenses	33,328	34,543	74,077	76,284
	37,885	38,711	106,458	102,034
Other comprehensive income	(16,017)	(3,566)	14,107	(8,895)
Total	21,868	35,145	120,565	93,139

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

## Notes to the Financial Statements

### 34 Retirement Benefit Obligations Contd.

#### 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% (2015 - 9%)
Salary increase	10% (2015 - 10%)
Retirement age	Management Staff - 55 years Clerical Staff - 60 years

Assumptions regarding future mortality are based on a 67/70 mortality table, issued by Institute of Actuaries, London.

The demographic assumptions underlying the valuation with respect to retirement age, early withdrawals from the services and retirement on medical grounds.

#### C. Sensitivity of Assumptions Used

A change in discount rate and in salary increase would change in the present value of the retirement benefit obligations as follows:

As at 31st March 2016	Increase by 1%		Decrease by 1%	
	Discount Rate	Future Salary Growth	Discount Rate	Future Salary Growth
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Company - the present value change in retirement benefit obligations	196,273	216,981	215,893	195,112
Group - the present value change in retirement benefit obligations	574,789	635,432	632,246	571,389

As at 31st March	Group	
	2016 Rs. '000	2015 Rs. '000
At the beginning of the year	18,175	23,409
Amortised during the year	(4,471)	(5,234)
At the end of the year	13,704	18,175

### 35 Grants

Grants are amortised over the useful life of the asset. Details of grants are as follows;

Beneficiary	Purpose	Grantor	Amount	Carrying value	
			Received	2016	2015
			Rs. '000	Rs. '000	Rs. '000
CIC Agri Businesses (Private) Limited	Dairy development in Eastern province	Land O'Lakes, Inc	33,600	13,355	17,755
Link Natural Products (Private) Limited	Out grower medicinal crops cultivation and processing project in Monaragala and Ampara	Connecting Regional Economies (USAID/CORE)	655	349	420
				13,704	18,175

As at 31st March	Company		Group	
	2016	2015	2016	2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>36 Trade Payables</b>				
Trade payables to Group Companies (Note 36.1)	8,901	22,484	-	-
Bills payable	779,938	660,426	5,032,412	4,132,439
Other trade payables	575,707	429,402	1,236,415	938,341
Total	1,364,546	1,112,312	6,268,827	5,070,780

As at 31st March	Company	
	2016	2015
	Rs.'000	Rs.'000
<b>36.1 Trade Payables to Group Companies</b>		
CISCO Speciality Packaging (Private) Limited	4,547	11,140
CIC Lifesciences Limited	3,024	11,344
ChemaneX PLC	1,330	-
	8,901	22,484

## Notes to the Financial Statements

### 36 Trade Payables Contd.

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>36.2 Currency-wise trade payables</b>				
US Dollars	4,983	597,607	3,723,831	3,926,130
Euros	86	662	32,079	22,750
Sterling Pounds	-	2,508	511	3,470
Singapore Dollars	73	4,486	73	4,486
Swiss Franc	22	31,607	22	31,607
Sri Lankan Rupees	1,359,382	475,442	2,512,311	1,082,337
	1,364,546	1,112,312	6,268,827	5,070,780

As at 31st March	Company		Group	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
<b>37 Income tax payable/ (receivable)</b>				
At the beginning of the year	(2,850)	(45,417)	63,920	(80,899)
Provision made during the year				
- continuing operations	56,550	55,573	263,593	293,973
- discontinued operations	-	1,011	-	3,514
Tax on dividends received from associates	-	-	(15,900)	(30,900)
Payments made during the year	(38,320)	(14,017)	(339,805)	(121,768)
At the end of the year	15,380	(2,850)	(28,192)	63,920
Income tax payable	15,380	-	67,823	186,105
Income tax receivable	-	2,850	96,015	122,185
Total	15,380	(2,850)	(28,192)	63,920

### 38 Capital Expenditure Commitments

Following material capital commitments were existed as at the reporting date.

CIC Feeds (Private) Limited has capital commitments of Rs. 116 million to construct two new breeder houses at Pannala and Rs. 19 million to construct two bins to accommodate required storage capacity at feed mills.

---

## 39 Contingent Liabilities

There were no material contingent liabilities as at the reporting date, which require adjustments or disclosures in the Financial Statements

## 40 Events after the Reporting Date

- 40.1** The Board of Directors has recommended a final dividend of Rs. 2 per share amounting to Rs. 189.54 mn on the issued capital of both Ordinary and Non-Voting (Class X) shares which is payable on 12th July 2016 if approved by the Shareholders at the Annual General Meeting.
- 40.2** The Board of Directors of the Company at its Meeting held on 24th May 2016 approved a proposal to introduce an ESOP for the benefit of all executive officers in the level premier manager and above by creating upto 20% of the Ordinary Non-Voting (Class X) shares at the rate specified in the proposed ESOP upon the Company achieving specified performance targets set for the years in the proposed ESOP. An Extraordinary General Meeting (EGM) is to be held on 30th June 2016 soon after the conclusion of the 53rd annual General Meeting of the Company to seek approval of the shareholders for the proposed ESOP.
- 40.3** The Company made a further investment in CIC Lifesciences Limited amounting to Rs. 60.35 mn in April 2016. Other than this, no other events have taken place which requires adjustments to or disclosure in the Financial Statements.

Other than those disclosed above there are no events taken place after the reporting date which require adjustments to or disclosures in the financial statements.

## 41 Comparative Information

### 41.1 Re-classification - Consolidated Statement of Profit or Loss and Other Comprehensive Income

Following re-classifications were made in the financial statements for the year in accordance with LKAS 8 "Accounting Policies, changes in Accounting Estimates and Errors".

#### 1. Re-classification of Direct Sales Commission

The Company and the Group has reclassified the direct sales commission of Rs. 54,841,491/- which was recognized under cost of sales in the financial statements for the year ended 31st March 2015, as other income for the year under review.

#### 2. Re-classification of Administrative Expense and Distribution Expenses

The Company and the Group has reclassified Nation's Building Tax (NBT) expense of Rs. 86,037,958/- which was recorded for the year ended 31st March 2015 in Administrative Expenses, as a deduction from Turnover in the financial statements for the year under review. The salaries of sales personnel amounting to Rs. 207,466,899/- which was recorded in Administrative Expenses in the financial statements for the year ended 31st March 2015, were reclassified as a Distribution Expenses for the year end 31st March 2016.

The above reclassification adjustments do not result in changes to the net assets previously reported by the Company.

## Notes to the Financial Statements

### 41 Comparative information contd.

The impact arising from above changes is summarised below,

	Company			Group		
	For the year ended 31st March 2015			For the year ended 31st March 2015		
	As disclosed in 2015 Rs'000	Adjustment Rs'000	Restated in 2015 Rs'000	As disclosed in 2015 Rs'000	Adjustment Rs'000	Restated in 2015 Rs'000
<b>Continuing operations</b>						
Revenue	6,979,046	(86,038)	<b>6,893,008</b>	23,582,297	(86,038)	<b>23,496,259</b>
Cost of sales	(5,086,903)	(54,481)	<b>(5,141,384)</b>	(17,473,786)	(54,481)	<b>(17,528,267)</b>
<b>Gross profit</b>	<b>1,892,143</b>	<b>(140,519)</b>	<b>1,751,624</b>	<b>6,108,511</b>	<b>(140,519)</b>	<b>5,967,992</b>
Other income	389,496	54,481	<b>443,977</b>	155,490	54,481	<b>209,971</b>
Distribution expenses	(756,280)	(207,645)	<b>(963,925)</b>	(2,339,088)	(207,645)	<b>(2,546,733)</b>
Administrative expenses	(757,017)	293,683	<b>(463,334)</b>	(1,964,221)	293,683	<b>(1,670,538)</b>
Other expenses	(150)	-	<b>(150)</b>	(63,355)	-	<b>(63,355)</b>
Results form operating activities	768,192	-	<b>768,192</b>	1,897,337	-	<b>1,897,337</b>
Net finance costs	(163,136)	-	<b>(163,136)</b>	(681,858)	-	<b>(681,858)</b>
Share of profit of equity accounted investees (net of tax)	-	-	<b>-</b>	207,636	-	<b>207,636</b>
<b>Profit before income tax</b>	<b>605,056</b>	<b>-</b>	<b>605,056</b>	<b>1,423,115</b>	<b>-</b>	<b>1,423,115</b>
Income tax expense	(98,233)	-	<b>(98,233)</b>	(397,697)	-	<b>(397,697)</b>
<b>Profit from continuing operations</b>	<b>506,823</b>	<b>-</b>	<b>506,823</b>	<b>1,025,418</b>	<b>-</b>	<b>1,025,418</b>
<b>Discontinued operations</b>						
Profit from discontinued operations (net of tax)	5,728	-	<b>5,728</b>	15,425	-	<b>15,425</b>
<b>Profit for the year</b>	<b>512,551</b>	<b>-</b>	<b>512,551</b>	<b>1,040,843</b>	<b>-</b>	<b>1,040,843</b>
<b>Other comprehensive income</b>						
Net gains on remeasuring available for sale financial assets	11,340	-	<b>11,340</b>	25,737	-	<b>25,737</b>
Actuarial gains on retirement benefit obligations	3,566	-	<b>3,566</b>	8,895	-	<b>8,895</b>
Actuarial gains on defined benefit plans discontinued operation	-	-	<b>-</b>	250	-	<b>250</b>
Surplus on revaluation of land	-	-	<b>-</b>	10,994	-	<b>10,994</b>
Income tax on other comprehensive income	(998)	-	<b>(998)</b>	(3,792)	-	<b>(3,792)</b>
<b>Other comprehensive income for the year</b>	<b>13,908</b>	<b>-</b>	<b>13,908</b>	<b>42,084</b>	<b>-</b>	<b>42,084</b>
<b>Total comprehensive income for the year</b>	<b>526,459</b>	<b>-</b>	<b>526,459</b>	<b>1,082,927</b>	<b>-</b>	<b>1,082,927</b>
<b>Profit attributable to:</b>						
Equity holders of the Company	512,551	-	<b>512,551</b>	761,927	-	<b>761,927</b>
Non- Controlling interests	-	-	<b>-</b>	278,916	-	<b>278,916</b>
<b>Profit for the year</b>	<b>512,551</b>	<b>-</b>	<b>512,551</b>	<b>1,040,843</b>	<b>-</b>	<b>1,040,843</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	526,459	-	<b>526,459</b>	791,491	-	<b>791,491</b>
Non- Controlling interests	-	-	<b>-</b>	291,436	-	<b>291,436</b>
<b>Total comprehensive income for the year</b>	<b>526,459</b>	<b>-</b>	<b>526,459</b>	<b>1,082,927</b>	<b>-</b>	<b>1,082,927</b>

## 41.2 Reconciliations- Consolidated Statements of Financial Positions

Group has reclassified Biological assets amounting Rs.242,020,000 from inventories to Biological assets as at 31st March 2015.

The impact arising from the change is summarised below,

	As disclosed in 2015 Rs. '000	Group As at 31st March 2015 Adjustment Rs. '000	Restated in 2015 Rs. '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10,610,666	-	10,610,666
Investment property	51,400	-	51,400
Capital work-in-progress	353,518	-	353,518
Biological assets	65,708	242,020	307,728
Intangible assets	27,683	-	27,683
Deferred tax assets	52,498	-	52,498
Investment in equity accounted investees	1,444,484	-	1,444,484
Other non- current financial assets	12,622	-	12,622
<b>Total non-current assets</b>	<b>12,618,579</b>	<b>242,020</b>	<b>12,860,599</b>
<b>Current assets</b>			
Inventories	5,840,816	(242,020)	5,598,796
Trade receivables	3,162,497	-	3,162,497
Other receivables	3,731,932	-	3,731,932
Other current financial assets	79,213	-	79,213
Cash in hand and at bank	737,353	-	737,353
<b>Total current assets</b>	<b>13,551,811</b>	<b>(242,020)</b>	<b>13,309,791</b>
Assets classified as held for sale	94,319	-	94,319
<b>Total assets</b>	<b>26,264,709</b>	<b>-</b>	<b>26,264,709</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to equity holders of the Company			
Stated capital	1,008,450	-	1,008,450
Capital reserve	1,711,501	-	1,711,501
Revenue Reserve	4,400,987	-	4,400,987
	7,120,938	-	7,120,938
Non-controlling interest	1,722,310	-	1,722,310
<b>Total equity</b>	<b>8,843,248</b>	<b>-</b>	<b>8,843,248</b>
<b>Non- current liabilities</b>			
Loans and borrowings	1,106,895	-	1,106,895
Retirement benefit obligations	565,933	-	565,933
Grants	18,175	-	18,175
Deferred tax liabilities	304,814	-	304,814
	1,995,817	-	1,995,817
<b>Current liabilities</b>			
Trade payables	5,070,780	-	5,070,780
Income tax payable	186,105	-	186,105
Accruals and other payables	894,467	-	894,467
Loans and borrowings	9,242,622	-	9,242,622
	15,393,974	-	15,393,974
Liabilities classified as held for sale	31,670	-	31,670
<b>Total liabilities</b>	<b>17,421,461</b>	<b>-</b>	<b>17,421,461</b>
<b>Total equity and liabilities</b>	<b>26,264,709</b>	<b>-</b>	<b>26,264,709</b>

## Notes to the Financial Statements

### 42. Related Party Disclosures

The Company carried out transactions in the ordinary course of the business on an arm's length basis at commercial rates with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures', except for the transactions that the Key Management Personnel (KMP) have availed under schemes uniformly applicable to all staff at concessionary rates

#### 42.1. Parent and Ultimate Controlling Party

Ultimate Parent Company of the Company is Paints and General Industries Limited.

	2016/15 Rs. million	2014/15 Rs. million
Dividend paid	79.18	79.18
Sale of goods	427.98	449.58
Trade receivable	155.50	212.79

#### 42.2. Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

##### KMP of the Company

The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Company.

##### KMP of the Group

The Board of Directors (including Executive and Non-Executive) of the Company and the Board of Directors of the holding company have been classified as KMP of the Group. The officers who are only Directors of subsidiaries and not of the company have been classified as KMP for that subsidiary.

#### 42.2.1. Transactions with KMP

##### (i) Loans to Directors

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

##### (ii) Key Management Personnel Compensation

The details of compensation are given in note 11 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 subsidiaries, sub-subsidiaries and the equity accounted investees, are as follows:

Mr. S.H. Amarasekera	Mr. S.P.S. Ranatunga
Mr. R.S. Captain	Mr. S.M. Enderby
Mr. M.P. Jayawardena	Mr. K.B. Kotagama
Prof. P.W.M.B.B Marambe	Dr. R.C.W.M.R.D Nugawela
Mr. A.V.P Silva	

(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 139.



#### 42.2. Key Management Personnel (KMP) Contd.

- (c) Transactions in the ordinary course of the business with the entities where Board of Directors of the Company and the Holding Company and their close family members have substantial holdings/ influence.

Company	Name of the Director	Nature of the Transaction	2015/16 Rs. million	2014/15 Rs. million
Polypak Secco Limited	R.S. Captain	Payments for purchases of goods	8.18	24.54
CEI Plastics (Private) Limited	R.S. Captain	Sale of goods	11.45	3.78
Asia Broadcasting Corporation (Private) Limited	A V P Silva	Payments for advertising and Promotions	45.89	36.74

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

#### 42.3. Transactions with Subsidiaries and Equity Accounted Investees

- (i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.
- (ii) Company provides office space to some of its subsidiaries and equity accounted investees and charges rent, in addition, the Company provides certain shared services such as data processing and administration functions. The related costs are allocated to subsidiaries and equity accounted investees.

##### 42.3.1. Non Recurring Transactions

There were no other non-recurrent Related Party Transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

## Notes to the Financial Statements

### 42. Related Party Disclosures Contd.

#### 42.3.2. Recurring Transactions

Company	Relationship	Nature of the Transaction	2015/16 Rs. million	2014/15 Rs. million
Chemanex PLC	Subsidiary	Sale of goods	0.02	-
		Purchases	6.74	-
		Dividend received	9.52	3.97
		Secretarial fees paid	1.41	2.17
		Payables-non-trade	0.57	0.56
		Payables-trade	1.33	-
CIC Agri Businesses (Private) Limited	Subsidiary	Sale of goods	0.13	-
		Dividend received	21.78	-
		Rent paid	6.48	6.16
		Staff cost paid	52.74	48.26
		Network charges received	0.68	0.61
		Receivable - trade	0.02	-
		Receivable-non-trade	21.29	3.93
		Rent deposit	-	1.20
CISCO Speciality Packaging (Private) Limited	Subsidiary	Sale of goods	-	0.44
		Dividend received	9.00	22.50
		Purchase of goods	41.5	39.29
		Staff costs paid	13.84	9.40
		Network charges received	0.48	0.43
		Rent received	0.25	0.36
		Payables- trade	7.83	11.22
		Receivable-non-trade	11.99	2.38
CIC Cropguard (Private) Limited	Subsidiary	Sale of goods	0.09	0.18
		Dividend received	2.79	0.50
		Staff costs paid	17.98	14.71
		Handling commission & service charges	63.17	58.86
		Receivable- trade	-	0.03
		Receivable-non-trade	36.16	2.82
CIC Feeds (Private) Limited	Subsidiary	Sale of goods	0.57	0.15
		Dividend received	59.83	16.70
		Staff cost paid	2.48	2.48
		Receivable-non-trade	25.81	0.23

Company	Relationship	Nature of the Transaction	2015/16 Rs. million	2014/15 Rs. million
CIC Lifesciences Limited	Subsidiary	Purchase of goods	38.21	131.04
		Payables - trade	3.02	11.34
		Receivable-non-trade	13.60	11.02
		Rent received	-	0.07
		Receivable short term loan	20.36	29.91
Link Natural Products (Private) Limited	Subsidiary	Sale of goods	0.03	0.05
		Purchase of goods	0.70	0.68
		Dividend received	20.94	18.62
		Rent received	0.27	0.26
		Receivable-non-trade	0.02	0.02
Colombo Industrial Agencies Limited	Subsidiary	Rent paid	8.51	8.51
		Royalty	1.77	1.06
		Receivable-non-trade	11.73	20.17
Crop Management Services (Private) Limited	Subsidiary	Dividend received	0.39	0.39
		Receivable-non-trade	0.07	0.01
CIC Agri Produce Exports (Private) Limited	Sub-Subsidiary	Receivable-non-trade	8.96	-
CIC Agri Produce Marketing (Private) Limited	Sub-Subsidiary	Sale of goods	1.08	0.39
		Receivable - trade	-	0.10
		Receivable-non-trade	7.19	-
CIC Seeds (Private) Limited	Sub-Subsidiary	Sale of goods	0.11	0.69
		Receivable - trade	-	0.13
CIC Poultry Farms Limited	Sub-Subsidiary	Sale of goods	0.21	-
CIC Dairies (Private) Limited	Sub Subsidiary	Sale of goods	0.21	-
Akzo Nobel Paints Lanka (Private) Limited	Equity accounted investee	Rent received	22.87	33.66
		Dividend received	143.10	278.10
		Handling commission and service charges	7.90	44.53
		Receivable-non-trade	8.31	0.64
		Receivable- trade	0.02	14.46

## Notes to the Financial Statements

### 43 Financial Instruments

#### Risk Management

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has trade and other receivables and cash and cash equivalents that derive directly from its operations. The Group also holds available for sale investments. Therefore, the Group is exposed to market risk, credit risk and liquidity risk.

#### Risk management framework

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial committee that advises on financial risks and appropriate financial risk governance framework for the Group. The Financial Risk Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by the appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and Group risk appetite. The Board of Directors review and agree policies for managing each of these risks which are summarised below

#### Credit risk.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

As at 31st March	Company	
	2016 Rs. '000	2015 Rs. '000
<b>Exposure to credit risk</b>		
Equity securities - available for sale	-	120,000
Trade receivables	2,036,450	1,579,538
Other receivables	533,000	268,162
Other current financial assets	32,354	35,946
Cash and cash equivalents	284,100	134,901
<b>Total</b>	<b>2,885,904</b>	<b>2,138,547</b>

As at 31st March	Group	
	2016 Rs. '000	2015 Rs. '000
Equity securities available for sale	10,248	12,622
Trade receivables	4,055,606	3,162,497
Other receivables	2,544,126	3,731,932
Other current financial assets	81,920	79,213
Cash and cash equivalents	1,413,773	737,353
	<b>8,105,673</b>	<b>7,723,617</b>

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographic 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.

A significant percentage of the Group's customers are transacting with the Group for more than four years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are government or non-government, whether they are wholesale, retail or end-customer, their geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's wholesale customers. Customers that are graded as 'high risk' are placed on a restricted customer list and monitored by the 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 necessary measures to limit its exposure to customers experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those trade receivables.

The Group is engaged in different business industries in order to mitigate its business risk so that the credit risk from the trade and other receivables varies widely. Therefore, the credit risk is analysed based on domestic and foreign basis.

As at 31st March	Group	
	2016 Rs. '000	2015 Rs. '000
Domestic	4,055,393	3,098,475
Foreign	213	64,022
Total	4,055,606	3,162,497

#### **Impairment losses**

All trade receivables that are past due, have been considered for impairment as at 31 March 2016.

The movement in the allowance for impairment of trade receivables is disclosed in Note No. 26.1.

#### **Debt securities**

The Group limits its exposure to credit risk by investing only in liquid debt securities.

The Group did not have any debt securities that were past due but not impaired at 31 March 2016. (2015 and 2014 - nil).

#### **Cash and cash equivalents**

The company held cash and cash equivalents of Rs. 284,100 as at 31 March 2016 (2015: Rs. 134,901) (in thousands) and Group held Rs. 1,413,773 as at 31st March 2016 (2015 - Rs. 737,353 and 2014 - Rs. 964,651) (in thousands) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counter-parties, which are rated AA to AA+, based on rating agency ratings.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

## Notes to the Financial Statements

### 43 Financial Instruments contd.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities

A Risk Management policy is set so as to limit the net financial liabilities to a pre-approved amount. The Group maintains the net financial liabilities to these specified upper limits and any deviation to these upper limits require prior approval.

The Company and the Group held the following short term financial liabilities as at 31st March 2016; (Refer note 33 for maturity analysis of non current financial liabilities).

As at 31st March		Company	
		2016 Rs. '000	2015 Rs. '000
Trade payables	Less than 90 days	1,364,548	1,112,312
Accruals and other payables	0-30 days	448,468	311,937
Loans and borrowings payable within one year	On demand	95,935	99,245
Short-term loans	0-90 days	1,823,316	1,880,928
Bank overdraft	On demand	1,210,040	170,492

As at 31st March		Group	
		2016 Rs. '000	2015 Rs. '000
Trade payables	Less than 90 days	6,268,821	5,070,780
Accruals and other payables	0-30 days	950,387	894,467
Loans and borrowings payable within one year	On demand	767,301	2,950,999
Short-term loans	0-90 days	7,066,999	4,829,508
Bank overdraft	On demand	4,267,276	1,462,115

#### Market risk

Market risk is the risk arising from changes in market prices such as foreign exchange rates, interest rates and equity prices, that will affect the Group's income or the value of its holdings of financial instruments. The objective of the management of market risk is to manage and control the 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 currencies other than the respective functional currencies of entities. The currencies in which these transactions primarily denominated are Euro, USD and Sterling Pound.

Effects of currency rate fluctuations of imported materials and finished goods are transferred in a reasonable manner keeping in line with the prices in the market.

Subsidiary Companies of the Group settle majority of their import bills and the financial liabilities denominated in a currency other than functional currency, out of foreign currency receipts from their overseas customers.

Following exchange rates were used to translate the transactions denominated in foreign currencies.

As at 31st March	2016			2015		
	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate
US Dollar	146.78	142.59	144.69	135.50	131.00	133.25
Euro	167.26	160.63	163.95	146.94	140.75	143.85
Sterling Pound	211.66	204.13	207.90	200.95	192.87	196.96

#### Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. For this purpose, adjusted net debt is defined as total liabilities (which includes interest bearing loans and borrowings and obligations under finance leases) plus un-accrued 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 un-accrued proposed dividends.

The company's adjusted net debt to equity ratio at the end of the reporting period was as follows.

As at 31st March	Company	
	2016 Rs. '000	2015 Rs. '000
Total debt	3,173,375	2,274,020
Less: cash and cash equivalents	(284,100)	(134,901)
Net debt	2,889,275	2,139,119
Total equity	4,211,990	3,433,281
Adjusted equity	4,211,990	3,433,281
Net debt to adjusted equity ratio at 31 March (Times)	0.69	0.62

As at 31st March	Group	
	2016 Rs. '000	2015 Rs. '000
Total debt	13,100,066	10,349,517
Less: cash and cash equivalents	(1,413,773)	(737,353)
Net debt	11,686,293	9,612,164
Total equity	10,884,297	8,843,248
Adjusted equity	10,884,297	8,843,248
Net debt to adjusted equity ratio at 31 March (Times)	1.07	1.09

## Notes to the Financial Statements

### 43 Financial Instruments contd.

#### Accounting classifications and fair value

The value of financial assets and liabilities, together with carrying amounts shown in the statement of financial position as follows:

	Fair value through profit or loss	Held to maturity	Loans and receivables	Company Available for sale	Other financial liabilities	Total Carrying amount	Fair Value
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>As at 31/03/2016</b>							
Cash and cash equivalents	-	-	284,100	-	-	284,100	284,100
Trade receivables	-	-	2,036,450	-	-	2,036,450	2,036,450
Other receivables	-	-	533,000	-	-	533,000	533,000
Other current financial assets	-	-	-	32,354	-	32,354	32,354
	-	-	2,853,550	32,354	-	2,885,904	2,885,904
<b>Secured bank loans</b>	-	-	-	-	(1,962,081)	(1,962,081)	(1,962,081)
<b>Finance leases</b>	-	-	-	-	(1,255)	(1,255)	(1,255)
<b>Trade payables</b>	-	-	-	-	(1,364,548)	(1,364,548)	(1,364,548)
<b>Bank overdraft</b>	-	-	-	-	(1,210,040)	(1,210,040)	(1,210,040)
	-	-	-	-	(4,537,924)	(4,537,924)	(4,537,924)
<b>As at 31/03/2015</b>							
Cash and cash equivalents	-	-	134,901	-	-	134,901	134,901
Trade receivables	-	-	1,579,538	-	-	1,579,538	1,579,538
Other receivables	-	-	268,162	-	-	268,162	268,162
Other non-current financial assets	-	-	-	120,000	-	120,000	120,000
Other current financial assets	-	-	-	35,946	-	35,946	35,946
	-	-	1,982,601	155,946	-	2,138,547	2,138,547
<b>Secured bank loans</b>	-	-	-	-	(2,097,708)	(2,097,708)	(2,097,708)
<b>Finance leases</b>	-	-	-	-	(5,820)	(5,820)	(5,820)
<b>Trade payables</b>	-	-	-	-	(1,112,312)	(1,112,312)	(1,112,312)
<b>Bank overdraft</b>	-	-	-	-	(170,492)	(170,492)	(170,492)
	-	-	-	-	(3,386,332)	(3,386,332)	(3,386,332)



	Fair value through profit or loss Rs. '000	Held to maturity Rs. '000	Loans and receivables Rs. '000	Group Available for sale Rs. '000	Other financial liabilities Rs. '000	Total Carrying amount Rs. '000	Fair Value Rs. '000
<b>As at 31/03/2016</b>							
Cash and cash equivalents	-	-	1,413,773	-	-	1,413,773	1,413,773
Trade receivables	-	-	4,055,606	-	-	4,055,606	4,055,606
Other receivables	-	-	2,544,126	-	-	2,544,126	2,544,126
Other non-current financial assets	-	-	-	10,248	-	10,248	10,248
Other current financial assets	-	-	-	81,920	-	81,920	81,920
	-	-	8,013,505	92,168	-	8,105,673	8,105,673
Secured bank loans	-	-	-	-	(8,817,373)	(8,817,373)	(8,817,373)
Finance leases	-	-	-	-	(15,417)	(15,417)	(15,417)
Trade payables	-	-	-	-	(6,268,827)	(6,268,827)	(6,268,827)
Bank overdraft	-	-	-	-	(4,267,276)	(4,267,276)	(4,267,276)
	-	-	-	-	(19,368,893)	(19,368,893)	(19,368,893)
<b>As at 31/03/2015</b>							
Cash and cash equivalents	-	-	737,353	-	-	737,353	737,353
Trade receivables	-	-	3,162,497	-	-	3,162,497	3,162,497
Other receivables	-	-	3,731,932	-	-	3,731,932	3,731,932
Other non-current financial assets	-	-	-	12,622	-	12,622	12,622
Other current financial assets	-	-	-	79,213	-	79,213	79,213
	-	-	7,631,782	91,835	-	7,723,617	7,723,617
Secured bank loans	-	-	-	-	(8,838,693)	(8,838,693)	(8,838,693)
Finance leases	-	-	-	-	(48,709)	(48,709)	(48,709)
Trade payables	-	-	-	-	(5,070,780)	(5,070,780)	(5,070,780)
Bank overdraft	-	-	-	-	(1,462,115)	(1,462,115)	(1,462,115)
	-	-	-	-	(15,420,297)	(15,420,297)	(15,420,297)

## Notes to the Financial Statements

### 43 Financial Instruments Contd:

#### Fair value measurement hierarchy

As at 31st March	Level 01		Level 02		Level 03	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Company</b>						
<b>Recurring fair value measurements -</b>						
<b>Assets measured at fair value</b>						
Freehold land	-	-	-	-	1,089,869	1,186,644
Other non-current financial assets (available-for-sale financial assets)	-	-	-	-	-	120,000
Other current financial assets	32,354	35,946	-	-	-	-
	32,354	35,946	-	-	1,089,869	1,306,644
<b>Non-recurring fair value measurement</b>						
Net asset classified as held for sale	-	-	-	-	429,552	11,466

As at 31st March	Level 01		Level 02		Level 03	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Group</b>						
<b>Recurring fair value measurements -</b>						
<b>Assets measured at fair value</b>						
Freehold land	-	-	-	-	3,325,238	3,070,801
Biological assets	-	-	-	-	226,382	307,728
Other non-current financial assets (available-for-sale financial assets)	10,098	12,472	-	-	150	150
Other current financial assets	81,920	79,213	-	-	-	-
	-	91,685	-	-	3,551,620	3,378,529
<b>Assets for which fair values are disclosed:</b>						
Investment property	-	-	-	-	51,400	51,400
<b>Non-recurring fair value measurements</b>						
Net asset classified as held for sale	-	-	-	-	477,497	56,773

#### Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

During the year there were no material issues pertaining to employees and industrial relation of the Company/Group.

## Shareholders & Investors Information

### 1. Stock Exchange Listing

CIC Holdings PLC is a Public Quoted Company. The issued share capital of the Company consists of 72,900,000 (2015 - 72,900,000) Ordinary Shares and 21,870,000 (2015 - 21,870,000) Non-Voting (Class X) Shares listed in the Colombo Stock Exchange.

### 2. Shareholders

There were 2,345 (2015 - 2,476) Ordinary shareholders and 2,665 (2015 - 2,847) Non-Voting (Class X) shareholders as at 31st March 2016, distributed into different categories as follows:

#### Ordinary Shares

Shares held	2016			2015		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,474	424,556	0.58	1,507	450,596	0.61
1001 - 10000	622	2,323,920	3.19	703	2,677,317	3.67
10001 - 100000	200	6,537,930	8.97	215	7,044,781	9.67
100001 - 1000000	44	9,962,432	13.67	46	12,477,251	17.12
Over 1000000	5	53,651,162	73.59	5	50,250,055	68.93
Total	2,345	72,900,000	100.00	2,476	72,900,000	100.00

Shares held	2016			2015		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,298	72,144,600	98.96	2,426	71,109,028	97.54
Non-Resident	47	755,400	1.04	50	1,790,972	2.46
Total	2,345	72,900,000	100.00	2,476	72,900,000	100.00

Percentage of shares held by public - 46.60%

Percentage of shares held by the Directors together with the members of their families - 0.0001%

Percentage of shares held by the Parent Company - 53.31%

Percentage of shares held by Employees' Provident Fund - 8.26%

#### Non-Voting (Class X) Shares

Shares held	2016			2015		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
1 - 1000	1,606	527,576	2.41	1676	560,452	2.56
1001 - 10000	789	2,942,132	13.45	861	3,231,052	14.78
10001 - 100000	242	7,462,825	34.13	275	8,334,411	38.11
100001 - 1000000	26	6,612,973	30.24	34	7,306,996	33.41
Over 1000000	2	4,324,494	19.77	1	2,437,089	11.14
Total	2,665	21,870,000	100.00	2,847	21,870,000	100.00

## Shareholders & Investors Information

Shares held	2016			2015		
	No. of Shareholders	Total Shareholding	%	No. of Shareholders	Total Shareholding	%
Resident	2,588	20,508,706	93.78	2,753	20,109,962	91.95
Non-Resident	77	1,361,294	6.22	94	1,760,038	8.05
Total	2,665	21,870,000	100.00	2,847	21,870,000	100.00

Percentage of shares held by public - 96.13%

Percentage of shares held by the Directors together with the members of their families - 0.33%

Percentage of shares held by the Parent Company - 3.32%

Percentage of shares held by Employees' Provident Fund - 12.7%

### 3. Twenty Largest Shareholders - Ordinary Shares

#### Employees Trust Fund Board

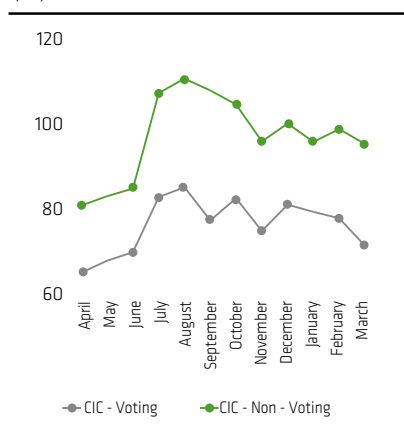
Name	2016		2015	
	No. of Shares	%	No. of Shares	%
1 Paints & General Industries Limited	38,860,349	53.31	38,860,349	53.31
2 Employees' Provident Fund	6,018,467	8.26	4,980,818	6.83
3 Chacra Capital Holdings (Pvt) Limited	3,276,240	4.49	-	-
4 Associated Electrical Corporation Limited	2,866,657	3.93	2,845,157	3.90
5 Hotel International Ltd	2,629,449	3.61	2,315,709	3.18
6 Bank of Ceylon No. 1 Account	742,865	1.02	670,275	0.92
7 Dr. H.R. & Mr. V.K.Wickremasinghe Custodian Trustees Martin Wickremasinghe Trust Fund	560,491	0.77	560,491	0.77
8 Hatton National Bank PLC A/C No. 05 (Trading	556,396	0.76	676,396	0.93
9 The Ceylon Chamber of Commerce A/C No. 02	486,531	0.67	518,030	0.71
10 Mr. S.K. Wickremesinghe	441,022	0.60	1,248,022	1.71
11 Mrs. L.K. Goonewardena	422,557	0.58	422,425	0.58
12 Mrs. K.J.M. De Silva	377,850	0.52	377,850	0.52
13 Estate of M. Radhakrishnan (Deceased)	303,750	0.42	303,750	0.42
14 Yoropa Investments (Pvt) Limited	300,311	0.41	500,000	0.69
15 Commercial Bank of Ceylon / Colombo Fort Investment PLC	300,000	0.41	-	-
16 Star Packaging (Pvt) Limited	300,000	0.41	-	-
17 Mr. G.N. Wickremanayake	265,625	0.36	265,625	0.36
18 DFCC Bank PLC A/C 01	247,900	0.34	247,900	0.34
19 Mrs. R.M.W. Rodrigo	243,486	0.33	243,486	0.33
20 National Development Bank PLC / Sakuvi Investment Trust	236,000	0.32	236,000	0.32
Total	59,435,946	81.52	55,272,283	75.82

## Twenty Largest Shareholders - Non-Voting (Class X) Shares

Name	2016		2015	
	No. of Shares	%	No. of Shares	%
1 Employees Provident Fund	2,778,424	12.70	2,437,089	11.14
2 Chacra Capital Holdings (Pvt) Limited	1,546,070	7.07	-	-
3 Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	769,356	3.52	769,356	3.52
4 Paints & General Industries Limited	726,301	3.32	726,301	3.32
5 E.W. Balasuriya & Co. (Pvt) Ltd	672,600	3.08	632,600	2.89
6 Bank of Ceylon No. 1 Account	416,189	1.90	141,400	0.65
7 Mrs. M.S.E.V.E.A.U. Von Stumm	399,219	1.83	399,219	1.83
8 DFCC Bank A/C No.01	389,400	1.78	389,400	1.78
9 Mrs. C. Jayawardene	261,713	1.20	261,713	1.20
10 Ceylinco Life Insurance Limited	240,000	1.10	-	-
11 Mrs. K.J.M. De Silva	238,710	1.09	238,710	1.09
12 Mr. K.C. Vignarajah	203,717	0.93	201,717	0.92
13 Genesiis Software (Pvt) Ltd	201,868	0.92	201,868	0.92
14 Aruna Equity Care (Pvt) Ltd	188,942	0.86	188,942	0.86
15 Mr. M.J. Fernando	163,500	0.75	163,500	0.75
16 Commercial Bank of Ceylon PLC A/C No. 04	161,400	0.74	161,400	0.74
17 Mr. V.T. De Zoysa	160,000	0.73	50,000	0.23
18 Perera and Sons (Bakers) Limited	150,000	0.69	150,000	0.69
19 Mr. D.A. Cabraal	150,000	0.69	150,000	0.69
20 Mr. N.K.A.D. De Silva	146,274	0.67	146,274	0.67
	9,963,683	45.57	7,409,489	33.89

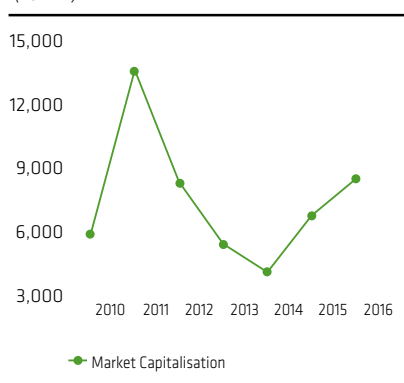
## Closing Share Price (2015/16)

(Rs.)



## Market Capitalisation

(Rs. Mn.)



As at 31st March	Ordinary Shares		Non-Voting Shares	
	2016	2015	2016	2015
<b>4. Market Value</b>				
Share price (Rs.)				
As at the end of the year	95.50	76.00	71.50	57.60
Highest price traded	120.00	93.00	93.00	72.00
Lowest price traded	75.00	45.10	55.70	37.20
<b>5. Share Trading</b>				
No. of shares traded	12,845,350	20,497,398	6,352,921	5,995,025
No. of transactions	2805	5,288	3850	3,357
Value of shares traded (Rs.)	1,291,406,240	1,500,220,753	511,631,762	359,319,141

## Movement in Issued Capital and Dividend Distribution

Year to 31st March	Proportion	Bonus Issue (No. of Shares)		Share Capital (No. of Shares)		Dividend Rs.
		Voting	Non-Voting	Voting	Non-Voting	
1965 (Initial issue)				50,000		
1966				50,000		2.00
1967				50,000		2.00
1968	1:1	50,000		100,000		2.00
1969				100,000		2.00
1970	1:2	50,000		150,000		2.00
1971				150,000		1.75
1972				150,000		2.00
1973				150,000		2.00
1974				150,000		2.00
1975	1:3	50,000		200,000		2.00
1976	1:2	100,000		300,000		2.00
1977				300,000		2.00
1978				300,000		2.00
1979	1:2	150,000		450,000		2.00
1980	7:9	350,000		800,000		2.00
1981				800,000		2.00
1982				800,000		2.00
1983				800,000		2.00
1984				800,000		2.00
1985	1:2	400,000		1,200,000		2.00
1986	1:2	600,000		1,800,000		2.50
1987	1:1	1,800,000		3,600,000		2.50
1988				3,600,000		2.75
1989				3,600,000		2.50
1990	1:2	1,800,000		5,400,000		3.00
1991				5,400,000		3.25
1992				5,400,000		4.00
1993	3 N-V:10 V (Rights)		1,620,000	5,400,000	1,620,000	3.50
1994				5,400,000	1,620,000	4.00
1995				5,400,000	1,620,000	4.00
1996				5,400,000	1,620,000	4.00
1997				5,400,000	1,620,000	4.00
1998				5,400,000	1,620,000	2.50
1999				5,400,000	1,620,000	3.50
2000	1:6	900,000	270,000	6,300,000	1,890,000	3.75
2001				6,300,000	1,890,000	4.00
2002				6,300,000	1,890,000	4.00
2003	1:7	900,000	270,000	7,200,000	2,160,000	4.25
2004				7,200,000	2,160,000	4.75
2005	1:8	900,000	270,000	8,100,000	2,430,000	4.75

Year to 31st March	Proportion	Bonus Issue (No. of Shares)		Share Capital (No. of Shares)		Dividend Rs.
		Voting	Non-Voting	Voting	Non-Voting	
2006				8,100,000	2,430,000	4.75
2007	1:1 (Rights)	8,100,000	2,430,000	16,200,000	4,860,000	1.44*
	3:2 (Bonus)	24,300,000	7,290,000	40,500,000	12,150,000	
2008	4:5 (Bonus)	32,400,000	9,720,000	72,900,000	21,870,000	1.50
2009				72,900,000	21,870,000	1.50
2010				72,900,000	21,870,000	1.85
2011				72,900,000	21,870,000	2.75
2012				72,900,000	21,870,000	3.20
2013				72,900,000	21,870,000	1.63
2014				72,900,000	21,870,000	-
2015				72,900,000	21,870,000	3.00
2016				72,900,000	21,870,000	4.00

\*Effective rate (Rs. 1.44 per share)

## Subsidiaries and Equity Accounted Investees

Company	Directors	Principal Activity	Segment	Stated Capital Rs. Mn
Chemane PLC	S H Amarasekera - Chairman S S Kulatunga S.P.S. Ranatunga A.V.P. Silva	Diversified business Industry	Industrial Solutions	126.25
CIC Agri Businesses (Private) Limited	S H Amarasekera - Chairman K.B. Kotagama - Managing Director R S I Gunawardhana W.P. Madawanaarachchi J.D. Pieris S.P.S. Ranatunga J. M. Swaminathan	Importation, Blending and Marketing of Fertilizers	Crop Solutions	205.5
CIC Feeds (Private) Limited	D. A. Cabraal - Chairman A.V.P. Silva - Managing Director S.P.S. Ranatunga S.M. Enderby Ms. P.D.S. Ruwanpura	Manufacture of Animal Feeds and Hatchery	Livestock Solutions	450.5
Link Natural Products (Private) Limited	Dr. D. Nugawela - Chairman S H Amarasekera C.L. De Alwis Prof. Tuley De Silva Dr. Anura Ekanayake Prof. P W M B B Marambe S.P.S. Ranatunga K. Shakthidasan R.O.B. Wijesekara	Manufacture of Natural Healthcare Products, Ayurvedic, Pharmaceuticals Herbal Cosmetics and Neutraceuticals	Health & Personal Care	102.67
CISCO Speciality Packaging (Private) Limited	S.P.S. Ranatunga - Chairman R.S. Captain Ms. L.A. Captain L. De Mel S. De Silva W.S. Premakumar D.P.G.C.P. Wegiriya	Manufacture of Polyethylene Terephthalate Containers for Domestic and Export Markets	Industrial Solutions	110.5
CIC Cropguard (Private) Limited	W.A. Assiriya - Managing Director 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 Agro chemicals	Crop Solutions	5



Company	Directors	Principal Activity	Segment	Stated Capital Rs. Mn
Crop Management Services (Private) Limited	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	Agri Produce	199.2
Colombo Industrial Agencies Limited	Ms. L.I. Fernando - Chairperson S. De Silva Ms. P.D.S. Ruwanpura	Manufacture of Writing Instruments	Industrial Solutions	10.57
CIC Lifesciences Limited	S.P.S. Ranatunga W.S. Premakumar Ms. P.D.S. Ruwanpura	Manufacture and Importation of Pharmaceuticals	Health & Personal Care	136.01
CIC Properties (Pvt) Ltd.	S.P.S. Ranatunga Ms. P.D.S. Ruwanpura J N Weerakoon	Renting properties to Group Companies	Agri Produce	-
Akzo Nobel Paints Lanka (Private) Limited	B.R.L. Fernando - Chairman J. Rowe G.F.C. De Saram - Managing Director R. Rajgopal S.P.S. Ranatunga	Trading in Paints and Surface Coatings	Industrial Solutions	88.8
Cropwiz (Pvt) Ltd	S.P.S. Ranatunga - Chairman K B Kotagama K A V Manatunga D P Senadheera E Shaked I Teiblum M S M Zubair	Cultivates & Exports Vegetable	Agri Produce	-

## Ten Year Group Performance

	2016 SLFRS Rs'000	2015 SLFRS Rs'000	Restated 2014 SLFRS Rs'000	Restated 2013 SLFRS Rs'000
Income Statement				
Turnover	26,666,284	23,496,259	21,559,839	21,582,348
Operating profit after interest	1,117,701	1,005,508	(832,986)	144,176
Other income	534,705	209,971	577,839	133,902
Share of profit of equity accounted investees	362,478	207,636	270,071	291,716
Profit before tax	2,014,884	1,423,115	14,924	605,324
Taxation	(366,777)	(397,697)	(72,047)	(174,818)
Profit for the year from continuing operations	1,648,107	1,025,418	(57,123)	430,506
Profit/(loss) for the year from discontinued operations	(14,273)	15,425	(1,069,716)	(246,530)
Non-controlling interest	(279,542)	(278,916)	155,126	49,339
Profit attributable to equity holders of the company	1,354,292	761,927	(971,713)	233,315
Statement of Financial Position				
Stated capital	1,008,450	1,008,450	1,008,450	1,008,450
Capital reserves	2,281,833	1,711,501	1,718,327	1,737,451
Revenue reserves	5,564,815	4,400,987	3,984,249	5,033,888
Non-controlling interest	2,029,206	1,722,310	1,488,997	1,663,008
Total equity	10,884,297	8,843,248	8,200,023	9,442,797
Property, plant and equipment	12,275,004	10,610,666	9,414,735	8,706,775
Investment property	51,400	51,400	51,400	14,607
Biological assets	226,382	307,728	67,366	86,262
Deposit on leasehold property	-	-	-	16,152
Capital work-in-progress	72,153	353,518	763,412	1,072,154
Intangible assets	137,140	27,683	27,683	147,911
Investments	945,217	1,457,106	1,540,398	798,468
Net current assets	(853,946)	(2,084,183)	(2,158,904)	261,136
	12,853,350	10,723,918	9,706,090	11,103,465
Deferred liabilities	(353,034)	(773,775)	(648,946)	(662,939)
Long-term liabilities	(1,616,019)	(1,106,895)	(857,121)	(997,729)
	10,884,297	8,843,248	8,200,023	9,442,797
Cash Flow Statement				
Net cash inflow/(outflow) from operating activities	(455,966)	1,998,599	2,354,581	(1,001,983)
Net cash inflow/(outflow) from investing activities	(1,431,834)	(1,420,071)	(1,231,110)	(1,499,063)
Net cash inflow/(outflow) from financing activities	(2,473,931)	1,261,253	77,112	552,409
Other Information				
Earnings/(Deficit) per share (Rs.)	14.29	8.04	(10.25)	2.46
Dividend per share (Rs.)	4.00	3.00	-	1.63
Net assets per share (Rs.)	93.44	75.14	70.81	82.08
Market capitalisation (Rs.mn)	8,525.66	6,800.11	4,132.70	5,466.04
Interest cover (No.of times)	4.26	2.75	0.08	1.22
Current Ratio (No.of times)	0.90	0.86	0.87	1.02
Dividend cover (No.of times)	3.57	2.68	-	1.51
Price earnings ratio (No.of times)				
Ordinary	6.68	9.46	(4.44)	26.75
Non-Voting (Class X)	5.00	7.17	(3.64)	20.44

Restated 2012 SLFRS Rs'000	2011 SLFRS Rs'000	2010 SLFRS Rs'000	2009 SLFRS Rs'000	2008 SLFRS Rs'000	2007 SLFRS Rs'000
22,477,151	21,045,301	16,610,474	15,684,055	14,121,787	13,953,749
943,637	1,171,896	386,111	93,512	702,661	1,006,283
152,888	226,936	484,852	411,487	131,761	120,174
277,896	231,179	212,642	264,479	261,385	107,219
1,374,421	1,630,011	1,083,605	769,478	1,095,807	1,233,676
(353,890)	(466,894)	(356,256)	(278,429)	(323,591)	(435,944)
1,020,531	1,163,117	727,349	491,049	772,216	797,732
-	-	17,900	(23,710)	(27,522)	-
(157,447)	(236,569)	(155,678)	(64,488)	(234,911)	(304,396)
863,084	926,548	589,571	402,851	509,783	493,336
1,008,450	1,008,450	1,008,450	1,008,450	1,008,450	1,008,450
1,231,163	1,206,900	627,402	583,535	603,638	615,120
5,060,352	4,526,194	3,405,699	2,958,283	2,686,203	2,295,007
1,683,939	1,641,515	1,321,402	1,092,982	1,081,772	1,159,499
8,983,904	8,383,059	6,362,953	5,643,250	5,380,063	5,078,076
7,504,776	6,404,586	4,473,240	4,159,885	3,916,380	2,867,626
98,999	97,141	83,731	-	-	-
78,737	74,524	60,765	58,833	19,755	9,654
13,678	13,964	15,109	-	-	-
531,459	199,877	90,668	52,408	102,775	412,843
159,017	95,255	79,882	49,541	2,748	2,181
712,909	623,147	545,598	537,919	980,205	538,155
1,237,260	2,084,896	1,937,514	1,750,165	1,273,776	2,129,424
10,336,835	9,593,390	7,286,507	6,608,751	6,295,639	5,959,883
(701,318)	(603,471)	(431,201)	(408,581)	(371,328)	(360,827)
(651,613)	(606,860)	(492,353)	(556,920)	(544,248)	(520,980)
8,983,904	8,383,059	6,362,953	5,643,250	5,380,063	5,078,076
(1,307,519)	(299,377)	1,341,368	(1,052,191)	(132,611)	176,838
(1,663,267)	(837,282)	(533,763)	306,739	(1,132,965)	(791,462)
(94,104)	(214,538)	(333,403)	(90,137)	172,181	613,547
9.11	9.78	6.22	4.25	5.38	5.23
3.20	2.75	1.85	1.50	1.50	1.44
77.02	71.14	53.20	48.01	45.36	41.75
8,392.98	13,661.46	5,908.55	2,745.00	2,980.00	4,370.96
2.98	4.26	2.58	2.00	3.50	5.00
1.08	1.20	1.22	1.24	1.22	1.50
2.85	3.56	3.36	2.83	3.59	3.60
10.49	15.85	10.93	7.40	6.28	17.21
7.15	11.05	6.99	4.82	4.41	11.42

## About this Report

This is our second Integrated Annual Report using the IR Framework issued by the International Integrated Reporting Council for the financial year ending 31st March 2016. The previous report available covers the period 1st April 2014 – 31st March 2015 and was published in June 2015. The financial statements have been presented in accordance with the Sri Lanka Accounting Standards on which the Auditors have provided assurance.

Both reports incorporate sustainability information which has been presented in accordance with the “Core” reporting requirements of GRI G4 Guidelines issued by Global Reporting Initiative. Up to date, CIC has not sought external assurance for its reporting process but hopes to do so in the future, recognising the evolutionary nature of financial/corporate reporting.

The information provided on waste generated by CIC Holdings last year was incorrectly reported as being 157,660kg of non-hazardous waste, and 0kg of hazardous waste, due to a miscalculation. The actual amount of non-hazardous waste generated by CIC Holdings during the 2014 – 2015 reporting period was 16,796kg, while 3000kg of hazardous waste was generated. Similarly, non-hazardous waste generated by CIC Agri Businesses was also incorrectly reported last year as being 3,453,379kg. The actual amount of non-hazardous waste generated by CIC Agri Businesses was 3,038,973kg.

Apart from this, there are no other restatements of information provided in previous reports of CIC Holdings PLC, and no significant changes in the Scope or Aspect Boundaries compared to the previous report.

Any questions regarding the report or its content could be directed to: Ms. P.D.S. Ruwanpura, CIC Holdings PLC, 199, Kew Road, Colombo 2, Tel: 011 2359359.

## GRI Content Index for 'In accordance' - Core

General Standard Disclosures		Page	External Assurance
<b>Strategy and Analysis</b>			
G4-1	Managing Director's Statement	126	None
<b>Organizational Profile</b>			
G4-3	Name of the Organization	128	None
G4-4	Primary brands, products, and services	128	None
G4-5	Location of Headquarters	128	None
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	61, 128	None
G4-7	Nature of ownership and legal form	128, 139	None
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	67, 128	None
G4-9	Scale of the organization	129	None
G4-10	Employment statistics	108-115	None
G4-11	Percentage of total employees covered by collective bargaining agreements	115	None
G4-12	Description of the organization's supply chain	116	None
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	08, 129	None
G4-14	How the precautionary approach or principle is addressed by the organization	116	None
G4-15	List of externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	122, 123	None
G4-16	Memberships of associations and international and national advocacy organizations in which the organization holds a position on the Governance body, participates in projects or committees, views membership as strategic etc.	122, 123	None
<b>Identified Material Aspects and Boundaries</b>			
G4-17	List of entities included in the organization's consolidated financial statements	139	None
G4-18	Process for defining the report content and the Aspect Boundaries	55, 56	None
G4-19	List of material Aspects identified in the process for defining report content.	55, 56	None
G4-20	Material Aspects-report the Aspect Boundary within the organization	56	None
G4-21	Material Aspects-report the Aspect Boundary outside the organization	56	None
G4-22	Effect of any reinstatement of information provided in previous reports and the reason for such reinstatements	126, 230	None
G4-23	Significant changes from previous reporting periods in Scope and Aspects Boundaries	126, 230	None
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organization	53, 54	None
G4-25	Basis and identification of stakeholders with whom to engage	53, 54	None
G4-26	The organization's approach to stakeholder engagement including frequency of engagement by type and by stakeholder group	53, 54	None
G4-27	Topics and concerns that have been raised through stakeholder engagement and how the organization has responded	53, 54	None

## GRI Content Index for 'In accordance' - Core

General Standard Disclosures		Page	External Assurance
<b>Report Profile</b>			
G4-28	Reporting period for information provided	230	None
G4-29	Date of most recent previous report	230	None
G4-30	Reporting cycle	230	None
G4-31	Contact point for questions regarding report content	230	None
G4-32	The "in accordance" option the organization has chosen and the GRI Content Index for the chosen option	230	None
G4-33	The organization's policy and current practice regarding seeking external assurance for the report.	230	None
<b>Governance</b>			
G4-34	Governance structure of the organization including committees of highest governance body	32	None
<b>Ethics and Integrity</b>			
G4-56	The organization's values, principles, standards and norms of behaviour such as codes of conduct and code of ethics	32	None

## Specific Standard Disclosures

Material Aspects	DMA and Indicators	Page	External Assurance
<b>Economic</b>			
Economic performance	G4-EC1, G4-EC3, G4-EC4	129	None
Market presence	G4-EC5, G4-EC6	110 - 111	None
Indirect economic impacts	G4-EC8	124, 125	None
Procurement practices	G4-EC9	117	None
<b>Environmental</b>			
Materials	G4-EN1, G4-EN2	130, 131	None
Energy	G4-EN3, G4-EN6	131	None
Water	G4-EN8, G4-EN10	132	None
Biodiversity	G4-EN11	133	None
Emissions		133	None
Effluents and waste	G4-EN22, G4-EN23, G4-EN24	133, 134	None
Products and services	G4-EN27	116	None
Transport	G4-EN30	134	None
Supplier environmental assessment	G4-EN33	118	None
<b>Social</b>			
<b>Labour Practices and Decent Work</b>			
Employment	G4-LA1	110	None
Occupational health and safety	G4-LA6	113	None
Training and education	G4-LA9, G4-LA11	112, 113	None
Diversity and equal opportunity	G4-LA12	114	None

Material Aspects	DMA and Indicators	Page	External Assurance
Equal remuneration for women and men	G4-LA13	110	None
Labour practices grievance mechanisms	G4-LA16	115	None
<b>Human Rights</b>			
Non discrimination	G4-HR3	112	None
Freedom of association and collective bargaining	G4-HR4	115	None
Child labour	G4-HR5	115	None
Forced or compulsory labour	G4-HR6	115	None
Supplier human rights assessment	G4-HR11	118	None
<b>Society</b>			
Local communities	G4-S01, G4-S02	119	None
Compliance	G4-S08	107	None
<b>Product Responsibility</b>			
Customer health and safety	G4-PR1	103	None
Product and service labelling	G4-PR3, G4-PR5	105	None
Marketing communications	G4-PR7	107	None
Compliance	G4-PR9	107	None

## Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙළ කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සහාපතිතුමාගේ පණිවුඩය, සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, සී.අයි.සී. හෝල්ඩින්ග්ස් පිවිල්සි, අංක 199, කීව් පාර, කොළඹ 2 යන ලිපිනයට 2016, 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 2016 இற்கு முன்னர் அறிவிக்கவும் செயலாளர், சී.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 2016.

## Corporate Information

### Name of the Company

CIC Holdings PLC

### Company Registration No.

PQ 88

### Legal Form

A Public Quoted Company with limited liability incorporated in Sri Lanka in 1964.

Re-registered under the Companies Act No. 07 of 2007 on 21st November 2007.

### Registered Office

199, Kew Road, Colombo 2.

### Directors

S.H. Amarasekera (Chairman)  
S.P.S. Ranatunga (MD/CEO)  
R.N. Asirwatham  
R.S. Captain  
S.M. Enderby  
M.P. Jayawardena  
K B Kotagama  
Prof. P.W.M.B.B. Marambe  
Dr. R C W M R D Nugawela  
A V P Silva  
D S Weerakkody

### Company 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  
DFCC Bank  
Hatton National Bank PLC  
ICICI Bank  
Muslim Commercial Bank  
NDB Bank PLC  
Nations Trust Bank PLC  
People's Bank  
Pan Asia Bank PLC  
Sampath Bank PLC  
Seylan Bank PLC  
Standard Chartered Bank

### Legal Advisers

Nithya Partners  
Attorneys-at-Law  
97A, Galle Road, Colombo 3.

Julius & Creasy  
Attorneys-at-Law  
41, Janadhipathi Mawatha, Colombo 1.

### Executive Director

S.P.S. Ranatunga (MD/CEO)

### Non-Executive Directors

S.H. Amarasekera (Chairman)  
R.N. Asirwatham  
R.S. Captain  
S.M. Enderby  
M.P. Jayawardena  
K B Kotagama  
Prof. P.W.M.B.B. Marambe  
Dr. R C W M R D Nugawela  
A V P Silva  
D S Weerakkody

### Audit Committee

R.N. Asirwatham (Chairman)  
S.H. Amarasekera  
S.M. Enderby

### Human Capital & Compensation Committee

D S Weerakkody (Chairman)  
S.H. Amarasekera  
R.N. Asirwatham  
R.S. Captain  
S.M. Enderby

### Nominations Committee

S.H. Amarasekera (Chairman)  
R.N. Asirwatham  
R.S. Captain

### Related Party Review committee

R.N. Asirwatham (Chairman)  
S.M. Enderby  
D S Weerakkody

Designed & produced by

**emagewise**

Digital Plates & Printing by  
Softwave Printing and Publishing (Pvt) Ltd  
Photography by Taprobane Street



**CIC Holdings PLC**

199, Kew Road,  
Colombo 2, Sri Lanka.

[www.cic.lk](http://www.cic.lk)