CIC HOLDINGS PLC

Looking Ahead

ANNUAL REPORT **2013/14**

CONTENTS

Looking Ahead

VISION, MISSION & VALUES

Vision

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

Mission

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

Values

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

CIC
nurturing life

CHAIRMAN'S STATEMENT

As Chairman, it is one of my first and certainly most unenviable tasks to present to you the Financial Statements of CIC Holdings PLC for the financial year 2013/14, in which the Company sustained its first annual loss since 1997. The Group too recorded a loss for the first time since 1997. In the year under review, total revenue amounted to Rs. 23.4 billion, a decrease of Rs. 0.4 billion from the previous year's figures. Company and Group profitability decreased from a profit of Rs. 209 million and Rs. 167 million to a loss of Rs. 847 million and Rs. 1,089 million respectively. Details of the various business units and their respective performance are provided in the CEO's report.

Shareholders as well as other stakeholders will, of course, wish to know as to why such a startling reversal has taken place. Simply stated, it arises from the decision that the Board took to close down and/or to dispose of several unprofitable subsidiaries or business units which had lower profit making potential in the long term and to take the aggregate of their losses to our books. In the year under review, after a detailed study and long and anxious deliberation by your Board, we took the decision to dispose and/or wind down several facets of our business and in keeping with that, Kelani Valley Canneries was disposed of and several other business units have been shut down awaiting disposal. The losses arising from the disposal, revamping and closure of business units, taken together with the provision for losses that may arise from other subsidiaries and business units that have been ear-marked for disposal, make up the losses reported both at the Company and at Group level.

These companies and the business units were launched to explore areas of business that - in the opinion of the management at the time - showed promise. We embarked upon diversification projects at a time when the Company and the Group were not under pressure financially; but due to the delay in receiving the fertilizer-subsidy payments the Company had to re-look at the manner in which it allocated its resources. In so doing, it became clear that several of our ventures were not paying their way and probably could not remain viable over the long term without further injections of cash from the parent Company which might have further aggravated the situation.

The warning signs were evident in last year's results, as many of the Companies within the Group registered losses or a below par performance. Some of this was due to natural factors such as weather or due to economic factors such as the contraction in the markets for pesticides and for paints as well as agricultural machinery.

The message was nonetheless clear; the mere factor of diversification was failing to protect us from the ups and downs of the business world - which is an important reason as to why we diversified in the first place.

With these facts in mind, during the last financial year, the Board spent considerable time in assessing the performance of the business units and that of its Group companies with a view to optimising the resources allocated to them. In reviewing the scope and ambit of the businesses that your Company was then engaged in, the Board set a yard stick by which each of the business units or subsidiary companies would be measured against in three years time and engaged the services of the international consultancy Group MTI to study, evaluate and then recommend to the Board the steps that need to be taken to rationalise the businesses across the Company and the Group.

As part of the restructuring plan as envisaged, the Board decided that rather than expose our shareholders to the risk of diminished profits over the years to come, which may add in the end to a much larger cumulative loss, it was more prudent to liquidate and/or dispose these Companies or business units and to take the resultant loss 'up front'. I am firmly of the view that this very difficult decision that your Board took is the right one and the results of the Company and Group over the coming months and year will vindicate that decision.

Your Board realises that in the short term the restructuring plan that was undertaken has caused us considerable pain, both to our shareholders as well as to our employees and in that context, I regret to announce that, given the current condition of our balance sheet, it has not been possible to declare a dividend this year. It is our aim to be able to more than make up for this over the next few years following our return to optimum profitability consequent to the restructuring exercise that we have undertaken and which is as yet ongoing.

At Board level and as a part of the same restructuring, we have instituted certain important changes in governance. In future, CIC will have a Non-Executive Chairman presiding over the Board, whose remit will be confined to policy and governance. The Directors will concentrate on policy, strategy and long-term goals by bringing to bear the varied and considerable expertise in their core areas while the management and business decisions will be the province of the CEO and the heads of our various subsidiaries and business units under the constant oversight of the Board. A new management structure is being put in place to ensure better sharing of information and responsibility.

Internally, Group Companies have had to implement various cost cutting measures. In particular, we have just concluded an employment rationalisation scheme for some of the subsidiaries of the Group in order to reduce payrolls across the Group. In that light, we owe a debt of gratitude to our employees, who, for the greater part, have accepted the need of the scheme and participated willingly in implementing it, though it did result in many of them foregoing some of the quantifiable benefits that they had hitherto enjoyed.

The overall rationalising of the Group's business was set in motion by your Board consequent to the studies done by MTI and I would like to record the Board's appreciation to MTI for the important role that they have played in this endeavour.

I also convey the Board's thanks to the Senior Officers and Managers of our Group inclusive of the CEO Mr. Samantha Ranatunga for the active and unstinting support they lent the Company in recognising the need for change and in accepting decisions which affected them financially for the greater good of the Company and the Group in order for it to re-emerge as a vibrant business entity. At this difficult time, it was they who managed the details of the employment rationalisation scheme and other measures taken to cut costs, improve cost efficiencies and to close down or divest the loss-making operations.

It remains only for me to thank my colleagues on the Board for their help, guidance and support through this extremely difficult time. Their willingness to spend the time as was necessary to go through the restructuring exercises as well as for the expertise and experience and above all, their will to take hard decisions was what made the whole exercise possible.

I would in particular like to record the Board's appreciation of the services rendered by Mr. Lakshman Fernando, our Chairman for 18 profitable years. He retired on the 31st of December 2013 from the position of Non-Executive Chairman, but as you are aware had a distinguished career before that as Chairman/Managing Director. During those years, Sri Lanka and CIC experienced many changes while at the same time facing some crises. During his tenure, it was Mr. Fernando's vision and passion that changed the dynamics of this Company and of the Group and made the Company and the Group a responsible corporate citizen and a much admired company.

Mr. Fernando has always been at heart, an agriculturist and the Company in the coming years, will continue with some of his landmark projects such as the Pelwehera and the Hingurakgoda farms which have acquired national importance. I know I speak for my colleagues on the Board when I say that he will be sorely missed and we wish him the very best in retirement.

In conclusion, I also extend the Board's appreciation to our bankers, business partners and most importantly to our shareholders for being with us during this difficult year.

Harsha Amarasekera
Chairman

23rd May 2014

MANAGING DIRECTOR/ CEO'S REVIEW

Cost control, synergy, productivity and increased sensitivity to market forces will be the key milestones on our journey back to profitability

The year under review was a watershed in the history of the Company. Due to adversity faced, the Board decided to take drastic steps to re-invent the business and go back to basics in terms of a leaner and better governed structure.

Our Company had enjoyed many years of profitability relying predominantly on an agriculture related business model and organic growth in ancillary business areas. The financial strain brought about in the agriculture sector due to unpredictable weather conditions and other policy related issues, made it abundantly clear that the Company was placing itself at serious risk unless some hard business decisions were taken to re-engineer the business. The Company sorely needed to chart a new course which would ensure that the Company could quickly return to its traditional reputation of being a profitable venture built on solid fundamentals.

The Board of Directors having thoroughly considered and discussed the issues faced by the Company concluded that the Company needed a fundamental change in the business model. In order to facilitate a systematic constructive change process a firm of outside consultants was hired. The Company undertook a month-long market assessment study as well as an in depth survey of internal resources. They were armed with the remit to identify the core businesses that CIC should be in the next 5-10 years. The business units had detailed interactions with the consultants, to enable an evaluation of their sustainability, business potential, resource capability and other relevant factors. The underpinning assumptions were scrutinised and stress tested under varying circumstances. Six main domains of businesses namely agencies, agri, dairy, animal feed, healthcare, and strategic were selected as a 'Business Profile' to be the bedrock to build a business for the Group. The rest of the businesses were segregated to be discontinued or if possible disposed of for a fair consideration. The resultant losses were to be absorbed in the current year.

Choosing which businesses to get out of was not easy. We are no newcomers to the business scene and our fiftieth year as a business entity is ahead of us. Consumers in many of the sectors where we have been active know us well and rely on us, in particular on the CIC brand name. In some cases this brand-loyalty went back more than a generation, and withdrawing from the relevant sector was an option which had to receive great thought and much pain for the management.

In deciding on the businesses to exit from, the Board relied on the detailed analysis done by the consultants on the viability and the future potential of each business. The agriculture sector is a politically sensitive one and it was imperative that the Company be always mindful of repercussions, corporate strategies could have externally. Certain consumer and social concerns had also to be factored into our strategies for the future.

Agricultural Sector

Such considerations are especially related to our fertilizer business which, given the right conditions is a lucrative one. This is a core area from which it would be impracticable to exit given its place as a vital part of State intervention in promoting food security as well as rural development. We have decided to concentrate on selected key customers to exercise better control over working capital and ensure better utilisation, as well as prudent management of resources to ensure a healthier bottom line. With interest rates low and seemingly set to remain so, we expect added returns during the FY 2014/15.

CIC remains as the largest seed producer in the country commanding nearly 30% of the market share in the paddy seed organised market. The seed paddy was impacted by the weather during the last year and the Company established its position as the leading Maize and Vegetable seed marketer in the country. During the year the Company obtained rights to market Sakata Seeds Japan and Tokita Seeds Japan, as the local agent. Our presence in the Maize seed and grain drying market also has been significant as it dovetails into our feed operation. The possibility of this value addition creates new market opportunities for our seeds business in the future. The strategising exercise has phased out most of the non-value adding parts of the seeds business in order for us to compete successfully in the future. The farm operations continued successfully despite the challenges brought about by the inclement weather. In order to offset some of the production shortfalls, more outgrowers were brought into our system in the vegetable seed sector. The rice operation which has both local and export components had a very successful year. This has been identified as an area of growth for the future and will have significant investments in the coming year. The rice operation is expected to contribute 15% to the consolidated results of the agri domain in the future.

Yoghurt and banana production recorded profits. With the establishment of a new production facility in Dambulla in August, yoghurt production capacity is now more than 200,000 cups per day. Sales and distribution operations expanded rapidly during the year and today cover the entire island, while our product has captured a substantial market share. A new advertising and marketing campaign is now being developed.

Our animal feed operation was challenged due to high raw material prices as well as lowering of demand for DOC (day old chicks) and chicken during the third quarter of 2013. However, prudent management of costs and strength of a strong brand have helped us to record a healthy profit in the year under review. The combined feed and poultry operations will be one of the key focus sectors of the future. The market opportunity created by the increasing tourism industry and resultant rising of per-capita consumption of chicken will ideally place our Company in a preeminent position in these expanding markets. The Company is going through a major expansion during the current year in order to position ourselves to benefit from the opportunities anticipated. This sector will be the single largest contributor to the Group going forward with close to 30% contribution.

CIC Crop Guard and Crop Solutions faced issues brought about by regulation changes and public debate due to the chronic kidney disease on unknown etiology (CKDU) which has been blamed by some on the use/over use of pesticides. As a company and through our industry association, we have been working towards educating farmers and communities on safe and effective use of chemicals. Our Group has the advantage of representing the two foremost research based agricultural companies in the world. Namely Syngenta (Switzerland) and Dow Chemicals (USA) who have an impeccable record of safe chemicals and a commitment for continuing research into achieving the highest standards of safety. These companies have in their pipeline some of even safer low volume application chemicals which have side benefits of better vegetative growth.

Through our business rationalisation process, the management has critically evaluated all distribution channels, warehousing costs and other factors, in order to optimise services at the best possible prices. The agro chemical business which expects a supply of new and safer chemicals will be a beneficiary of the rationalisation process in the coming year. In order to supplement this business and to create a better safety regime, the production facility was relocated to a new premises in Godagama.

The Fresheez and Juiceez retail operations were rationalised and strategically important outlets were retained whilst low potential outlets were closed down.

CIC Agri Machinery, CIC Tea Factory, Kelani Valley Canneries, Yasui Lanka, foods and selected personal care products had been highlighted as areas of low potential with no growth prospects. They have been therefore chosen for closing down or held for sale and all losses have been absorbed in the current year. This has resulted in a loss of Rs. 644 million to the Company and Rs. 1,052 million to the Group. Also scaling down of the continuing businesses to be a fit for our future strategy has generated a loss of Rs. 145 million to the Company and Rs. 188 million to the Group.

The food business was discontinued as it was not financially workable and related charges were taken into the current year which has substantially contributed to the loss of the Company. Other than in the dairy and poultry, the focus of food will be mainly on to ingredients on a business to business basis.

Non-Agricultural Businesses

Industrial Chemicals

The industrial chemical business of CIC consists of a cluster of businesses, manufacturing and marketing chemical raw materials and intermediate for paints, construction, rubber, textiles, packaging and food industry. Prudent product selection and development, customer development and use of effective technology have given the business strengthened market position. The divisional turnover increased by more than 10% when compared to last year.

In product development we were successful in launching new 'paint lattices' which has been very well accepted in the paint market. In the future, greater focus will be made to develop products as key raw materials for the 'coating industry'.

Our subsidiary Chemanex which manufactures chemicals and other chemical based raw materials for both the local and export markets had a moderate year with a significant profit coming from the investment made in to Chemcel (Pvt) Limited by a leading US chemical company. The capital infusion reduced our percentage of shares during the third quarter of the year. Chemanex Exports, the chemical exporting subsidiary, suffered due to political unrest in their key market in Pakistan. Yasui Lanka which made losses last several years is under liquidation.

Nalco, another related business retained its high market share in specialty chemicals while diversifying into water treatment projects, services and trading of basic chemicals. The department is gradually transforming itself into a one-stop provider of water-treatment solutions. It is also important to note that globally Nalco has merged with Ecolab, one of the leading laundry and cleaning chemical companies in the world to become one of the largest value added industrial chemical suppliers in the world. This will give our Company an added advantage especially in serving the expanding tourism sector.

Healthcare

This cluster is led by Link Natural Products that had an exceptional year with more than 100% increase in profit after tax, in comparison to the previous year. Whilst Link Natural's flagship product *Samahan* continues to perform consistently well, the oral care product *Sudantha* made a substantial leap in gaining market share. Both these products are poised for continued growth. The company also has an interesting pipeline of breakthrough products, which will be launched in the ensuing years. Streamlining of distribution and launching a new hair oil range, continuing clinical trials to test efficacy of key products with the medical community, are some of the main initiatives during this year. The products have also attracted a lot of overseas interest which is now being looked at through an internationalisation strategy. The company has been focusing deeply on research and development and has been one of the major partners of the Government-Private Sector Research Collaboration. The Company's outgrower system which also enhances the sustainability aspect of the business expanded rapidly during the current year by adding more than fifty additional out growers.

In western pharmaceuticals, two new agencies were acquired during the last quarter; their full potential will be realised by the third quarter of the financial year 2014/15. Our aim is to introduce the latest technology at affordable prices in order to revolutionise the surgical facet of the medical industry.

More generally, we focused on consolidating our current business, improving internal processes in logistics and customer service and continuing with new product development. The cost rationalisation was also a key focus area for the Business Unit.

Healthcare is a core area in which we foresee considerable future growth and strong business potential. Looking forward, given the changing economic and regulatory landscape, it is clear that the future, for healthcare and pharmaceuticals companies, lies in domestic manufacturing and distribution. We are currently negotiating with various third-party manufacturers to create our own brands in order to be ready for these changes when they occur, this is in addition to our own manufacturing facility in CIC Lifesciences.

CIC Lifesciences

It was one of the most difficult years for CIC Lifesciences. Demand was low for most of our products, particularly the antibiotics range, which comprises 60% of the current portfolio. As of December 2013, sales & marketing of the company's products have been rationalised to maximise synergies. The company is now working with a consulting firm in India to introduce the technology to manufacture non-penicillin based pharmaceuticals in Sri Lanka.

Johnson & Johnson

One of the top three unlisted brands in the country, J&J made gains in market share in certain categories despite generally declining business and consumer confidence. The principal strategic imperative of the year was the need to convert the brand to suit Sri Lankan tastes so as to win consumers. One very successful move in this direction was the launch of a popular new Sinhala TV programme, 'Johnsons' Baby First Lesson in Love', which was widely watched by consumers in our target group. We also launched a trade loyalty programme, Johnsons' Elite, to drive the trade channel and build a positive platform for future business. Overall Johnsons USA forms a significant part of our healthcare portfolio as well. Hence it has become a valuable business partner of the Company. In order make to business more competitive, rationalisation of stock holding, manpower planning and logistics were comprehensively assessed and newer solutions have been suggested for implementation in the coming year.

CISCO Speciality Packaging

Business remained stable at this subsidiary, with net turnover and profits increased by 14% since the previous year. Margins were affected by continuously increasing raw-materials. Key customers have stood by the Company over the years and it also added the Horlicks container business from GSK during the current year.

Akzo Nobel Paints

Akzo Nobel faced a very challenging year with increased competition and the general slowdown in the construction industry. The fight for market share intensified during the year with many players establishing market positions. Our associate Akzo Nobel is confident that they will be able to overcome some of these challenges.

Looking Forward

Having completed a thorough and a complete review of the Group, its constituent companies and their operations, we were able to determine risk profiles for each company and sector. Where the risks were unacceptably high, as in food wholesale and distribution, we have moved out. In areas with strong profit potential and relatively manageable risks, we have stayed. In areas like pharmaceuticals and animal feeds, we have actually expanded our capacities and capabilities.

We will rationalise our presence in agricultural input supply and produce marketing. Healthcare is designated as a growth area, while we will continue to build our industrial-chemicals business by seeking out new markets and developing and introducing new products to meet consumer demand. Cost control, synergy, productivity and increased sensitivity to market forces will be the key milestones on our journey back to profitability.

Sustainability

We look at sustainability as a core part of our business. As a company whose products are designed to support agriculture and industry, the environment and the human community are of particular concern to us. The largest segment of our stakeholders, constitute rural folk who are extremely vulnerable to threats to the environment or to their livelihoods.

We take a balanced approach towards sustainability, keeping the needs and aspirations of all our stakeholders in mind. We also take into account government policy changes, as well as the shareholder expectations we have been challenged to meet for the last two or three years. As we re-focus our businesses to make us more competitive, more profitable and better prepared for the long-haul, our sustainability activities will also be restructured to harmonise with our new strategy and approach.

In formulating our corporate strategies we welcome the views of all stakeholders and look forward to engage them in a mutually valuable dialogue.

Acknowledgments

At the end of this difficult year, my thanks go out, especially, to both the Chairman and former Chairman and my fellow Directors, for their courage, commitment and decisiveness. The decisions which were taken needed long hours of debate and the independence with which the Non-Executive Directors approached their tasks has to be acknowledged. A special word of thanks to the current Chairman who was compelled to spend more hours than a Non-Executive Chairman would normally devote in order to assist me in bringing the management of the operations in line with the Board policy. I would also like to thank the Board Subcommittees for their valuable work to bring the Company in line with Rules of Good Governance.

To our management and our employees, all of whom have weathered a tempest of change and continued to perform with exemplary energy and dedication, to them I offer my heartfelt thanks. We believe that all our efforts will be rewarded by a return to profitability in the Financial Year 2014/15, and that CIC may go from strength to strength thereafter.

S.P.S. Ranatunga
Managing Director/CEO

23rd May 2014

Stewardship

S.H. Amarasekera
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 Courts, specialising in Commercial Law, Business Law, Securities Law, Banking Law and Intellectual Property Law. He also serves as an Independent Director in several leading listed companies in the Colombo Stock Exchange, including Vallibel One PLC, Expo Lanka Holdings PLC, Chevron Lubricants Lanka PLC, Amãna Bank PLC, Keells Food Products PLC, Amaya Leisure PLC and Vallibel Power Erathna PLC. He also serves as an Independent Director in several unlisted companies including a company within the Group.

S.P.S. Ranatunga
Managing Director/CEO

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

In addition, he had been a pioneer in cordinating and setting up of CIC Agri Businesses which is the premier agricultural company in Sri Lanka. He has helped in developing the 'seed to shelf' concept where 20,000 farmer families are helped to bring produce to end consumers. He has also studied the agricultural measurement and productivity systems in Australia, India, Thailand, Portugal, Chile, South Africa and in many other countries.

E.F.G. Amerasinghe
Director

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

R.N. Asirwatham
Director

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

R.S. Captain
Director

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

S.M. Enderby
Director

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

He has served on the Boards of many leading businesses in India and Sri Lanka including John Keells Holdings, Lion Brewery and Punjab Tractors.

He joined Hemas Holdings PLC in 2013 to head up the group efforts in mergers, 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. Morison Son & Jones (Ceylon) PLC.

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

M.P. Jayawardena
Director

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

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

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

Ms P.D.S. Ruwanpura
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 Jayewardenepura. She is also a Director of many unquoted subsidiaries of CIC Group.


LOOKING
AHEAD

S.P.S. Ranatunga
Managing Director/CEO

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

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

A. Mapalagama
Managing Director
(Chemanex)

C.P. Wegiriya
Director
(CISCO Speciality Packaging)

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

I. Gunawardena
Divisional Director
(Crop Solutions)

D. Mutugala
Divisional Director
(Industrial Chemicals)

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

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

P.D.S. Ruwanpura
CFO

W.A. Assiriyage
Managing Director
(CIC Cropguard)

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

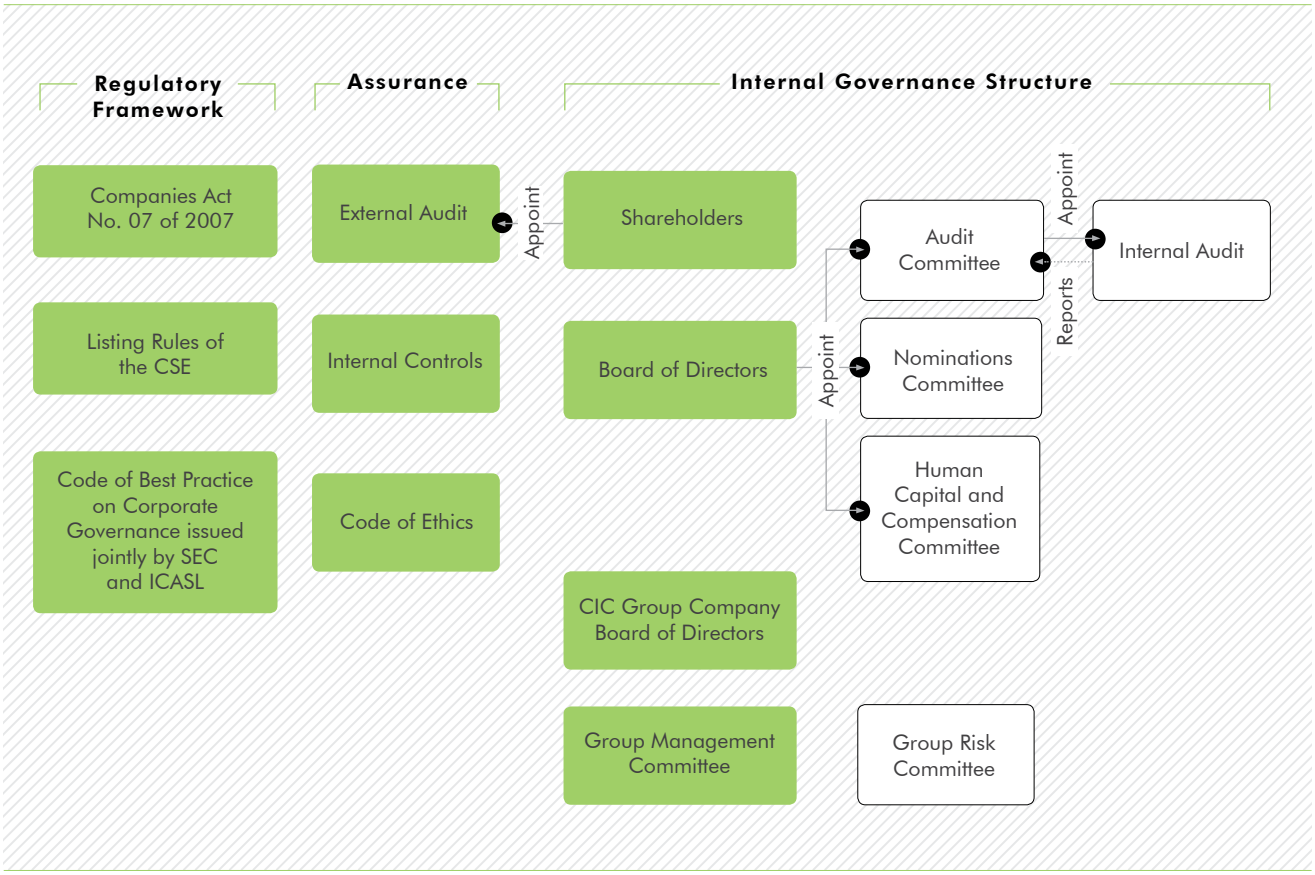
Good Corporate Governance practices are not just a concern for the Board but it is at the heart of everything that we do at CIC. It is the system by which a Company is directed, controlled and managed. At CIC, the Corporate Governance Framework guides our Group and drives towards progress by way of developing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

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

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

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

CORPORATE GOVERNANCE FRAMEWORK



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

Code of Best Practice on Corporate Governance	Company's Adherence
A — Directors	
A. 1 - The Board	
Composition of the Board (Principle A.1)	CIC Holdings PLC is headed by an effective Board of Directors and comprises of the Chairman and seven Directors. All the Directors are professionals who have acquired a wealth of experience and have proven ability in the fields of Management, Marketing, Finance and Legal. The Board of Directors is accountable for the governance of the Company.
Holding of Regular Board Meetings (Principle A.1.1)	The Board meets on a quarterly basis to review the performance of the Company and Group and take strategic decisions or even more frequently if the necessity arises. Details of the meetings and attendance of the members are given on page 31.
Role of the Board (Principle A.1.2)	The Company has a formal schedule of matters as it is necessary given the scale, nature and complexity of the businesses concerned for - • — Deciding, formulating, implementation and review of business strategy. • — Ensure effectiveness of the systems to secure integrity of the information, internal controls and risk management. • — Ensure compliance with legal requirements and ethics. • — Approval of budgets and corporate plans. • — Approval of interim and annual Financial Statements for publication. • — Deciding and approval of investments and divestments. • — Reviewing HR processes 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. • — Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and compliance with financial regulations.
Compliance with Laws of the country as applicable to the business and procedure to obtain independent professional advice. (Principle A.1.3)	The Board collectively and Directors individually, act in accordance with the laws of the country, as applicable to the business enterprise. The Board obtains professional advice from external independent parties at the expense of the Company. During the year under review, professional advice was sought on various matters including, business restructuring, employee satisfaction survey, legal, tax and accounting aspects, engineering, architectural, actuarial valuation etc.
Company Secretary (Principle A.1.4)	All Directors have access to the advice and services of the Company Secretary as necessary. A Chartered Management Accountant with an adequate experience functions as the Secretary of the Board. She ensures that proper Board procedures are followed and the relevant rules, regulations and requirements are complied with which are relevant to them as individual Directors and collectively to the Board. The Articles of the Company specify that the Board may at their discretion remove the Company Secretary.
Independent Judgment of Directors (Principle A.1.5)	Directors are required to bring an independent judgment to bear on decisions of the Company. Their duties are to be performed without any influence from other persons. The Directors are not a party to any decisions-made on areas of personal interests. Transactions of the Directors and their family members (arm's length basis) with the Company are required to be disclosed.

Code of Best Practice on Corporate Governance	Company's Adherence
Dedication of Adequate Time and Effort by the Directors (Principle A.1.6)	Board meetings are held on a quarterly basis. Sufficient time is dedicated at every meeting to ensure all responsibilities are discharged satisfactorily. Procedures exist to ensure that Directors receive timely information before each meeting with a clear agenda and papers within guidelines on content and presentation. Directors dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification and to follow up on issues.
Training for the Directors (Principle A.1.7)	The Directors are provided with adequate relevant training opportunities for continuous development. Expert advice is sought from external parties when there are major changes affecting the Company. Every Director is aware of the need for continuous training and expansion of the knowledge to effectively perform their duties.
A. 2 - Chairman and CEO	
Clear Division of Responsibilities in Running the Board and Executive Responsibilities of Running the Company's Business (Principle A. 2)	The position of the Chairman and the CEO are separated, preventing unfettered powers for decision-making in one person. Chairman is a Non-Executive Director while the CEO is an Executive Director. Chairman takes the responsibility for the Board composition, ensuring that the Board focuses on its key tasks and supports the CEO in his role in managing the day-to-day operations of the Company. The Chairman and the CEO have been identified on page 12 of the Annual Report.
A Decision to Combine the Posts of Chairman and Chief Executive Officer in one person should be justified and highlighted (Principle A.2.1)	The position of the Chairman and the CEO are separated, preventing unfettered powers for decision-making in one person.
A. 3 - Chairman's Role	
Preserving Good Corporate Governance (Principle A.3)	The Chairman is responsible for effective conduct of meetings of the Board. He ensures good Governance and effective discharge of Board functions by the Board Members at all times and implementation of decisions taken.
Conducting Board Proceedings in a Proper Manner (Principle A.3.1)	The Chairman conducts the Board meetings in a proper manner and ensures, inter alia, that - • — the effective participation of both Executive and Non-Executive Directors is secured, • — 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 views of Directors on issues, under consideration, are ascertained, • — the Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders.
A. 4 - Financial Acumen	
Financial Acumen of the Board (Principle A.4)	There are two senior Chartered Accountants and one Chartered Management Accountant who provide guidance on the financial matters.
A. 5 - Board Balance	
Balance of the Board (Principle A.5)	The Board comprises of one Executive Director and seven Non-Executive Directors. Of the Non-Executive Directors, five members are Independent Non-Executive Directors. The composition ensures the inability of individuals or small groups to dominate the decision-making of the Company. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent.

Code of Best Practice on Corporate Governance	Company's Adherence
Presence of Non-Executive Directors (Principle A.5.1)	The Board comprises of one Executive Director and seven Non-Executive Directors.
Independent Non-Executive Directors (Principle A.5.2)	Five of the seven Non-Executive Directors are independent which is above the minimum prescribed by the code, which is two or one-third of the Non-Executive Directors appointed to the Board whichever is higher. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent.
Independence of Non-Executive Directors (Principle A.5.3)	All Independent Non-Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.
Annual Declaration (Principle A.5.4)	Each Non-Executive Director submits a signed declaration of independence/ non-independence against the specified criteria.
Determination of Independence of the Directors (Principle A.5.5)	The Board has determined the independence of Directors based on the declaration made of decided criteria and other information available. This is done annually. One Independent Non-Executive Director has exceeded the stipulated period of service. However, the Board of Directors of the Company has taken all other matters into consideration and has considered the said Director to be independent. The details are given on page 29.
Appointment of an Alternative Director (Principle A.5.6)	No such appointment at present has arisen. When the situation arises the code would be complied with.
Senior Independent Director (Principle A.5.7)	The position of the Chairman and the CEO are separated. Therefore, the necessity has not arisen to appoint a Senior Independent Director.
Confidential Discussions with Senior Independent Director (Principle A.5.8)	The position of the Chairman and the CEO are separated. Therefore, the necessity has not arisen to appoint a Senior Independent Director. However, if the need arises the Non-Executive Directors meet without the presence of the Executive Director.
Chairman's meetings with the Non-Executive Directors (Principle A.5.9)	Chairman in an informal manner meets the Non-Executive Directors without the Executive Director being present and formally meets if necessary.
Recording of Concerns in Board Minutes (Principle A.5.10)	Provision is available to record any issues in the minute book that could not be unanimously resolved.
A. 6 - Supply of Information	
Provision of Quality Information in a timely manner (Principle A.6)	Procedures exist to ensure that Directors receive timely information on a quarterly basis or even more frequently and a clear agenda and papers with guidance on contents and presentation for all meetings to facilitate effective conduct. Monthly accounts are circulated and key financial parameters and performance of each division/subsidiary are discussed and remedial action taken where necessary. Senior Managers make presentations quarterly on the performance of the business in their charge. When the Board finds that the information provided is insufficient or not clear, they call for additional information.
Management has an obligation to provide the Board with appropriate and timely information (Principle A.6.1)	
Provision of information to Directors with adequate time to facilitate effective conduct of Board Meetings (Principle A.6.2)	

Code of Best Practice on Corporate Governance	Company's Adherence
A. 7 - Appointments to the Board	
Procedure for Appointment of New Directors (Principle A.7)	A list of suitable/eligible candidates are forwarded to the Nominations Committee which in turn scrutinises and makes recommendations to the Board.
Availability of a Nominations Committee for Making Recommendations on all New Board Appointments (Principle A.7.1)	Nominations Committee comprises of 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 34 of this Annual Report. The terms of reference for Nominations Committee are similar to one set out in Schedule A in this code.
Assessment of Board composition by the Nominations Committee (Principle A.7.2)	The Nominations Committee assesses the composition of the Board to ascertain whether the combined knowledge and experience of the Board, matches with the strategic demands facing the Company. The findings are taken into account when new appointments are considered.
Disclosure of Details of New Directors to Shareholders (Principle A.7.3)	Names of the new Directors, a brief résumé, nature of his/her expertise in relevant functional areas, names of companies in which the Director holds directorships or memberships in Board Committees and independence are made available to the shareholders on their appointment by making announcements at the Colombo Stock Exchange. A Profile of the Directors' qualification, experience and the other directorships are given on pages 12 to 14 of this 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 (Principle A.8)	In terms of the Articles of Association, all Directors are elected by the shareholders at the first Annual General Meeting immediately after their appointment. Thereafter, each year one-third of the Directors, other than the Managing Director retire by rotation. The Directors who hold office for the longest period retire and offer themselves for re-election with the recommendation of the Board of Directors. Although, these Directors are not re-appointed for a specific period, when they are re-elected at the AGM, immediately after their appointment, they have to come up for re-election in 3 years or a shorter period. The Managing Director neither retires by rotation nor is he counted to determine Directors retiring and coming up for re-election according to the Articles of Association. In terms of Section 210 of the Companies Act No. 07 of 2007, Directors reaching the age of 70 years are recommended for re-election on a substantive motion by a shareholder. The biographical details of the Directors who are subject to re-election at the forthcoming AGM are given in their profiles on pages 12 to 14 of this Annual Report in order to enable shareholders to make an informed decision on their election.
Non-Executive Directors should be appointed for specific terms, subject to re-election and to Companies Act Provisions (Principle A.8.1)	
Articles of Association of the Company, should provide for, all Directors including the Chairman of the Board to be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. (Principle A.8.2)	
A. 9 - Appraisal of Board Performance	
The Board should periodically appraise their own performance (Principle A.9)	The Non-Executive Directors evaluate the Executive Directors through the Human Capital and 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, management letter from the External Auditors etc. These reviews would cover the following areas: • — Reviewing/formulating and monitoring implementation of a sound business strategy; • — Ensuring that the CEO and management team are competent and the adoption of an effective CEO and senior management succession strategy; • — Securing effective information, control and audit systems; • — Ensuring compliance with legal/ethical standards; • — Ensuring prevention and management of risks; and • — Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned. The Board of Directors individually completes a self-evaluation form annually.
The Board should annually appraise itself in the key responsibilities (Principle A.9.1)	
The Board should annually undertake a self-evaluation of its own performance and that of its Committees (Principle A.9.2)	

Code of Best Practice on Corporate Governance	Company's Adherence
Disclosure of performance evaluation criteria (Principle A.9.3)	Refer Human Capital and Compensation Committee Report on page 35 of this Report.
A. 10 - Disclosure of Information in Respect of Directors	
Details in Respect of Directors (Principle A.10.1)	The following information in relation to the Directors is disclosed in this Annual Report: • — Name, qualifications and brief profile (pages 12 to 14) • — The nature of his expertise (pages 12 to 14) • — Directors' interest in contracts (page 90) • — Executive/Non-Executive/Independence (page 30) • — Names of listed companies each Director serves as a Director (page 12 to 14) • — Names of other companies each Director serves as a Director (page 12 to 14) • — Total Board seats held by each Director (page 30) • — Number of Board and Committee meetings held and attendance (page 31) • — Names of Committees in which the Director serves as the Chairman or a member (pages 34, 35, & 36)
A. 11 - Appraisal of the CEO	
The Board should be required, at least on an annual basis to assess the performance of the CEO (Principle A.11)	Prior to commencement of the financial year, the Human Capital & Compensation Committee sets objectives in consultation with the CEO based on long, short and medium-term business targets (financial and non-financial) in relation to all stakeholder interest. These are confirmed by the Board. The personal goals set for the CEO is assessed annually by the Human Capital and 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.
Setting of annual targets for the CEO at the commencement of every fiscal year (Principle A.11.1)	
Performance of the CEO should be evaluated by the Board at the end of each fiscal year (Principle A.11.2)	
B — Directors' Remuneration	
B. 1 - Remuneration Procedure	
Policy for Directors' Remuneration (Principle B.1)	The Human Capital and 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. Non-Executive Directors' fees is a percentage of the CEO's remuneration. No Director is involved in deciding perquisites to themselves.
Establishment of Remuneration Committee (Principle B.1.1)	The Human Capital and Compensation Committee consists of four Non-Executive Directors and the Company CEO attend meetings by invitation. The Committee sets policies on remuneration, perquisites and allowances based on the market and industry.
Composition of the Remuneration Committee (Principle B.1.2)	The Human Capital and Compensation Committee consists of four Non-Executive Directors who bring independent judgment on the issues. The Chairman of the Committee is appointed by the Board.
The members of the Remuneration Committee (Principle B.1.3)	A complete list of the members of Human Capital and Compensation Committee is given in the Report of the Human Capital and Compensation Committee on page 35.

Code of Best Practice on Corporate Governance	Company's Adherence
Determination of remuneration of Non-Executive Directors (Principle B.1.4)	Non-Executive Directors' fees is a percentage of the CEO's remuneration. The Board believes that it is in line with the current market conditions. Shareholders of the Company approve the remuneration through approval of the Financial Statements.
Consultation of the Chairman and/or CEO and access to professional advice (Principle B.1.5)	The CEO of the Company attends the meetings by invitation. The Committee has access to obtain professional advice from external sources.
B. 2 - Level and Make-up of Remuneration	
Determination of the Level of Remuneration of both Executive and Non-Executive Directors (Principle B. 2)	Remuneration of all staff including Executive Directors is based on the achievements of the Company and on individual achievements. A balance is maintained between fixed and variable percentage. Non-Executive Directors' fees is a percentage of the CEO's remuneration.
Executive Director's remuneration package (Principle B. 2.1)	The Human Capital and Compensation Committee provides the package needed to attract, retain and motivate Executive Directors of the required quality.
B. 2 - Level and Make-up of Remuneration	
Comparison of remuneration with other companies (Principle B. 2.2)	Members of the Human Capital and 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.
Comparison of remuneration with other companies in the Group (Principle B.2.3)	The Human Capital and Compensation Committee reviews the policies concerning executive benefits among the Group Companies.
Performance related elements of remuneration of Executive Directors (Principle B.2.4)	Performance based benefits have been designed by the Human Capital and Compensation Committee to ensure that the total earnings of the Executive Directors are aligned with the performance of the Company.
Executive share Options (Principle B.2.5)	The Employee Share Option Scheme of the Company which is extended to the Executive Directors are offered as per the guidelines of the Listing Rules of the CSE where exercise price is based on the market price and it is uniformly applicable to all staff members (as per the individual category). Details are given on page 89.
Executive Directors' remuneration (Principle B.2.6)	The Human Capital and Compensation Committee follows the provisions set out in Schedule E of the code as required.
Early termination of Executive Directors (Principle B.2.7)	No special provision is made. Executive Directors are entitled to the gratuity payment in an uniform manner available to all employees of the Company.
Early termination of Executive Directors excluding poor performance as a reason (Principle B.2.8)	
Levels of remuneration for Non-Executive Directors (Principle B.2.9)	Non-Executive Directors are paid a monthly fee and a compensation on a fixed basis for Committee participation. Market practices are followed. Non-Executive Directors are not included in the Employee Share Option Scheme.

Code of Best Practice on Corporate Governance	Company's Adherence
B. 3 - Disclosure of Remuneration	
Disclosure of Remuneration to the Board as a whole and Statement in the Annual Report on the Policy Adopted in Remuneration (Principle B.3)	The Report issued by the Human Capital and Compensation Committee is disclosed on page 35.
Disclosure of remuneration (Principle B.3.1)	Names of the Directors comprising the Human Capital and Compensation Committee are given on page 35. Remuneration and fees paid to both Executive and Non-Executive Directors are given on page 63.

C — Relationships with Shareholders

C. 1 - Constructive use of the General Meetings and Conduct of General Meetings	
Building up Relationships with Shareholders (Principle C.1)	The Company always encourages active participation of the shareholders at the General Meetings and solicits their views all the time, thus promoting a healthy dialogue.
Use of proxy votes at the General Meetings (Principle C.1.1)	All proxy votes are counted and documented when a resolution is proposed at the AGM.
Separate resolution at the AGM on each substantially separate issue (Principle C.1.2)	Each substantially different issue is proposed as separate resolutions. The adoption of the Annual Report of the Board of Directors on the Affairs of the Company and Financial Statements with Independent Auditors' Report is also proposed as a separate resolution.
Availability of Board Sub-Committee Chairmen at the AGM (Principle C.1.3)	The Chairman of the Audit Committee, Chairman of the Human Capital and Compensation Committee and the Chairman of the Nominations Committee are generally present at the AGM.
Adequate Notice of AGM (Principle C.1.4)	According to the Companies Act No. 07 of 2007, the period for notice required to be given to the Shareholders is 15 working days. In addition, as per the Articles of Association of the Company, 3 more days have to be kept for posting.
Procedures Governing Voting at General Meetings (Principle C.1.5)	A summary of the procedures governing voting at the Annual General Meeting is given on the Proxy Form.
C. 2 - Communication with Shareholders	
A channel to disseminate timely information to shareholders (Principle C.2 & 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 would disclose the price sensitive information on a timely manner to the shareholders. Quarterly and Annual Financial Statements, press notices and CSE announcements would be used as the mode.
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 and disclosing same (Principle C.2.5)	All major issues and concerns of the shareholders are always referred to the Directors.

Code of Best Practice on Corporate Governance	Company's Adherence
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.
Disclosure process for responding to shareholder matters (Principle C.2.7)	Details are given in the shareholder and investor section of this Annual Report.
C. 3 - Major Transactions	
Disclosure of Major Transactions and their Impact on the Consolidated Net Assets (Principle C. 3)	There were no major transactions that materially affected the Company's net asset base, other than what is disclosed in this Annual Report.
Disclosure on 'Major Transactions' (Principle C.3.1)	This will be practiced where relevant. The Company has not committed for such transaction as per Section 185 of the Companies Act No. 07 of 2007 during the financial year 2013/14.

D — Accountability and Audit

D. 1 - Financial Reporting	
Disclosure of an Assessment on the Position and Prospects of the Company (Principle D. 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 publications include specified printed documents, newspaper advertisements and the website of the Company.
The Board's Responsibility for Statutory and Regulatory Reporting (Principle D. 1.1)	
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 38.
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 43. Independent Auditors' Report on the Financial Statements of the Company for the year ended 31st March 2014 containing the Auditor's reporting responsibility is given on page 45.
Management Discussion and Analysis (Principle D. 1.4)	This information is given under MD/CEO Review starting from page 6.
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 38.
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 transactions adequately and accurately (Principle D. 1.7)	Please refer note 43 on page 90 of this Annual Report for related party transactions.

Code of Best Practice on Corporate Governance	Company's Adherence
D. 2 - Internal Controls	
Maintaining a sound system of Internal Controls (Principle D. 2)	The Board of Directors has overall responsibility for the Company's systems of internal control and for reviewing its effectiveness. Systems have been designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either prevented or detected within a timely period.
Reviewing of the Effectiveness of Internal Controls Periodically by the Directors and Reporting thereon to the Shareholders (Principle D. 2.1)	The Board is responsible for the effectiveness of the internal controls. The system is designed to give assurance, inter alia, safeguarding of assets, the maintenance of proper accounting records and the reliability of the financial information generated. However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period. The effectiveness of the internal control systems is periodically reviewed by the Board Audit Committee and major observations are reported to the Board. The internal audit function is outsourced to Messrs PricewaterhouseCoopers (previously Messrs Ernst & Young Advisory Services (Private) Limited). The Board reviews the reports arising from the internal and external audits and monitors the progress of the Company by evaluating the actual results against the budgets and industry standards. The Board having reviewed the system of internal control, is satisfied with the Group's adherence to and effectiveness of these controls for the period up to the date of signing the Financial Statements.
Reviewing the need for Internal Audit function (Principle D. 2.2)	The Company has an Audit Committee and the internal audit function is outsourced to Messrs PricewaterhouseCoopers (previously Messrs Ernst & Young Advisory Services (Private) Limited).
D. 3 - Audit Committee	
Establish Formal and Transparent Arrangements for Considering how they should apply the Financial Reporting and Internal Control Principles and for maintaining an Appropriate Relationship with the Company's Auditors (Principle D. 3)	The Audit Committee among other functions review the operation and effectiveness of internal control systems, ensuring that a good financial reporting system is in place and is well managed and monitor the internal and external audit functions. The internal controls within the Company are designed to provide reasonable, though not absolute, assurance to the Directors and assist them to monitor the financial position of the Group. The Company ensures cordial relationship with the External Auditors, Messrs KPMG.
Composition of the Audit Committee (Principle D. 3.1)	The Audit Committee comprises of four Independent Non-Executive Directors. The CEO 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 36.
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 36.
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 36.

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

Code of Best Practice on Corporate Governance	Company's Adherence
F — Other Investors	
F. 1 - Investing/Divesting Decision	
Individual investors (Principle F.1)	Individual investors are encouraged to carry out adequate analysis or seek independent advice in investing or divesting decision. The investors are provided information through Company website, CSE website and other public announcements.
F. 2 - Shareholder Voting	
Individual shareholder voting (Principle F.2)	Individual shareholders are encouraged to participate at the General Meetings of the Company and exercise their voting rights.
G — Sustainability Reporting	
G.1 - Principles of Sustainability Reporting	
Reporting of Economic Sustainability (Principle G.1.1)	Please refer Sustainability Report on Company website.
Reporting on the Environment (Principle G.1.2)	Please refer Sustainability Report on Company website.
Reporting on Labour Practices (Principle G.1.3)	Please refer Sustainability Report on Company website.
Reporting on Society (Principle G.1.4)	Please refer Sustainability Report on Company website.
Reporting on Product Responsibility (Principle G.1.5)	Please refer Sustainability Report on Company website.
Reporting on Stakeholder Identification, Engagement and Effective Communication (Principle G.1.6)	Please refer Sustainability Report on Company website.
Sustainability Reporting to be Formalised as Part of the Reporting Process and to Take Place Regularly (Principle G.1.7)	Please refer Sustainability Report on Company website.

1. In terms of Section 7.10.2 (b) of the Listing Rules of the Colombo Stock Exchange, each Non-Executive Director is required to submit a declaration annually on his Independence/Non-Independence, against the criteria specified by the Colombo Stock Exchange. Accordingly, the Company has obtained declarations from the Non-Executive Directors. The related entries were made in the Interest Register during the year under review.
2. Listing Rule 7.10.4 requires the Board to make a determination annually, as to the Independence or Non-Independence of each Non-Executive Director, based on such declaration and other information available to the Board.

On perusal of the declarations the Board noted that -

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

(b) The specified criteria categorise the following Directors as Non-Independent Directors:

Name of Director	Specific criteria, with the application of which, the Director shall not be considered independent
Mr. R.S. Captain	Director of another company which has a significant shareholding in the Company
Mr. M.P. Jayawardena	Since he is a Director of sub-subsidiaries of the Company
Mr. E.F.G. Amerasinghe	Served on the Board for a period exceeding 9 years.

3. According to Rule 7.10.3 (b), in the event a Director does not qualify as 'Independent' against any of the criteria, but if the Board, taking into account all the circumstances, is of the opinion that the Director is nevertheless 'Independent', the Board shall specify the criteria not met and the basis for its determination in the Annual Report.

4. When applying 7.10.4 the Board considered all related issues and the contribution made by such Directors, including the application of the following tests, to determine whether the Directors, whose names are given in (b) above could be considered independent.

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

i. Whether a Director uses his position (e.g. 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. E.F.G. Amerasinghe, too, could be considered Independent.

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 Unlisted Companies Executive	No. of Board Seats held in Unlisted Companies Non-Executive
Mr. S.H. Amarasekera	NED/ID	No	No	No		7		12
Mr. S.P.S. Ranatunga	ED	Yes	Yes	No		3		19
Mr. E.F.G. Amerasinghe	NED/ID	No	No	No		1		1
Mr. R.N. Asirwatham	NED/ID	No	No	No		7		6
Mr. R.S. Captain	NED	Yes	No	Yes		2	15	
Mr. S.M. Enderby	NED/ID	No	No	No	1	4		21
Mr. M.P. Jayawardena	NED	Yes	No	No		4		10
Prof. P.W.M.B.B. Marambe	NED/ID	No	No	No		–		–
Mr. B.R.L. Fernando (retired w.e.f. 31st December 2013)	NED	Yes	No	No				

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

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

Committee/Composition	Main Board Committee		Audit Committee		Remuneration Committee		Nominations Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mr. S.H. Amarasekera	10	10	7	6	2	2	3	3
Mr. S.P.S. Ranatunga	10	10						
Mr. E.F.G. Amerasinghe	10	10	7	7	2	2	3	3
Mr. R.N. Asirwatham	10	9	7	7	2	2	3	3
Mr. R.S. Captain	10	10			2	2		
Mr. S.M. Enderby	10	8	7	6	1	1		
Mr. M.P. Jayawardena	10	10						
Prof. P.W.M.B.B. Marambe	10	7						
Mr. B.R.L. Fernando (retired w.e.f. 31st December 2013)	7	7					2	2

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
Directors	
Non-Executive Directors (a) The Board of Directors of a listed company shall include at least - (i) Two Non-Executive Directors; or (ii) Such number of Non-Executive Directors equivalent to one-third of the total number of Directors whichever is higher	Complied with.
(b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied with.
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not applicable.
Independent Directors	
(a) Where the constitution of the Board of Directors includes only two Non-Executive Directors as mentioned above, both such Non-Executive Directors shall be 'independent'. In all other instances two or one-third of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	Complied with. As per the Board's determination on independence of each Director, based on Directors' Declarations, as provided by Section 7.10.3 (a) of the Listing Rules.
(b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the criteria specified in the Code.	Complied with.

Corporate Governance Rule	Company's Adherence
Disclosures Relating to Directors	
(a) The Board shall make a determination annually as to the independence or non-independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'independent'.	Complied with. Please refer page 30 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 12 to 14 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.
Corporate Governance **Remuneration Committee** A listed Company shall have a Remuneration Committee in conformity with the following requirements:	
(a) Composition The Remuneration Committee shall comprise a minimum of - (i) Two Independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied with.
Remuneration Committee of the Parent Company may be permitted to function as the Remuneration Committee of the subsidiary. However, if the Parent Company is not a listed company, then the Remuneration Committee of the Parent Company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary shall have a separate Remuneration Committee.	Complied with.
One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Complied with.
(b) Functions The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the listed company and/or equivalent position thereof, to the Board of the listed company, which will make the final determination upon consideration of such recommendations.	Complied with.
(c) Disclosures The Annual Report should set out the names of Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors. The term 'remuneration' shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the listed company (excluding statutory entitlements such as Employees' Provident Fund and Employees' Trust Fund).	Complied with. Please refer page 35 of this Annual Report for the names of the Committee Members and Note 11 to the Financial Statements for the details on remuneration paid.

Corporate Governance Rule	Company's Adherence
Audit Committee	
A listed company shall have an Audit Committee in conformity with the following requirements:	
(a) Composition	
The Audit Committee shall comprise a minimum of - (i) Two Independent Non-Executive Directors (in instances where a company has only two Directors on its Board); or (ii) Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Complied with. Please refer the 'Board Audit Committee Report' on page 36 of this Annual Report for the details.
In a situation where both the Parent Company and the Subsidiary are 'listed companies', the Audit Committee of the Parent Company may function as the Audit Committee of the Subsidiary. However, if the Parent Company is not a listed company, then the Audit Committee of the Parent Company is not permitted to act as the Audit Committee of the Subsidiary. The Subsidiary should have a separate Audit Committee.	Complied with.
One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with.
Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the listed company shall attend Audit Committee meetings.	Complied with.
The Chairman or one member of the Committee should be a Member of a recognised professional accounting body.	Complied with.
(b) Functions	
Shall include –	
(i) Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a listed company, in accordance with the Sri Lanka Accounting Standards.	Complied with.
(ii) Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting – related regulations and requirements.	Complied with.
(iii) Overseeing of the processes to ensure that the Company's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards.	Complied with.
(iv) Assessment of the independence and performance of the Company's External Auditors.	Complied with.
(v) To make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Complied with.
(c) Disclosures in the Annual Report	
The names of the Directors (or persons in the Parent Company's Committee in the case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report.	Complied with.
The Committee shall make a determination of the independence of the Auditors and shall disclose the basis for such determination in the Annual Report.	Complied with. Please refer the 'Board Audit Committee Report' on page 36 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.

NOMINATIONS COMMITTEE REPORT

The Nominations Committee consists of the Non-Executive Chairman, Mr. S.H. Amarasekera and two Non-Executive Directors, namely, Messrs E.F.G. Amerasinghe and R.N. Asirwatham.

The role and responsibilities of the Committee are -

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

During the year under review, the Committee met three times.

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

During the course of its deliberations the Committee has recommended suitable persons for appointment to the Board of subsidiaries. The Committee also ratifies the appointment of any Director selected by them in order to ensure that required competencies are available in such companies.

S.H. Amarasekera
Chairman
Nominations Committee

23rd May 2014

HUMAN CAPITAL AND COMPENSATION COMMITTEE REPORT

The Committee comprised the following members of the Board:

E.F.G. Amerasinghe - Chairman

S.H. Amarasekera

R.N. Asirwatham

R.S. Captain

S.M. Enderby

The Committee was assisted at meetings by the CEO, Samantha Ranatunge and the Board Secretary/CFO, Priyanthi Ruwanpura, who acted as the Secretary.

The Committee met when necessary and also interacted with each other, and with Management in order to perform its work diligently. The Committee confirms that there was strict compliance with the Regulations set by the CSE and that it ensured that good governance was maintained through its work. Remuneration Certificates have been duly prepared and the Interest Register maintained.

Recommendations of the Committee made to the Board were duly implemented. Reports were made from time to time for this purpose.

Reconstituted as a Human Capital and Compensation Committee, our work has been expanded and the Committee carried out its responsibility with great care. The Company has now linked Compensation to Performance, Development and Retention of talent. The issue of identifying talent for promotion and succession planning is constantly reviewed by the Committee and the CEO has satisfied the Committee that for every key position there is provision made for succession.

The Committee has attempted to implement a uniform policy for the Group both in relation to Compensation and HR Development. The Committee examines the HR policies of the Company and the Group to ensure fairness, motivation and development of people. The Committee also monitors the policies of the HR Department and ensures that Board strategies are communicated to the employees and they are consulted in the planning processes which take place annually. The Balanced Scorecard is also examined and the CEO discusses performance of the staff with the Committee. The Committee had no reason to doubt that management of the people was handled with due care and there were no risks created by bad handling of people.

The Committee also performed its annual role of evaluating the CEO and deciding on his compensation. The compensation due to the CFO and the Group Consultant were also determined by the Committee.

The Committee also reviews the bonuses to management staff and has related them to financial targets set by the Board. The Board and Committee examined the reasons for the drop in performance of the Group, which would be commented on elsewhere.

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

Franklyn Amerasinghe
Chairman
Human Capital and Compensation Committee

23rd May 2014

Composition of the Committee

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

Role of the Committee

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

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

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

Meetings

The Committee held 7 meetings during the year. The attendance of the Committee members are given on page 31. The Internal Auditors, Messrs PricewaterhouseCoopers who were appointed during the year 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 10 reports forwarded by the former Internal Auditors, Messrs Ernst & Young Advisory Services (Pvt) Limited. The reports are submitted monthly as they carry out the audits according to a scheduled programme. In addition, they carry out special audits if the need arises. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded.

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

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

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

The Audit Committee has recommended to the Board of Directors, that Messrs KPMG, be re-appointed as Auditors for the financial year ending 31st March 2015 subject to the approval of shareholders at the Annual General Meeting to be held on 30th June 2014.

Conclusion

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

Finally, I would like to thank my present colleagues in the Committee, Harsha Amarasekera, Franklyn Amerasinghe and Steven Enderby for their immense contribution with their vast commercial experience and professional expertise, the former internal auditors, Messrs Ernst & Young Advisory Services (Pvt) Limited and also the Managing Director, CFO of the Company and the Secretary to the Committee for their contribution.

R.N. Asirwatham
Chairman
Audit Committee

23rd May 2014

Financial Reports

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

The Directors have pleasure in presenting to members the 51st Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2014 of CIC Holdings PLC, a public limited liability Company.

General

CIC Holdings PLC (formerly known as Chemical Industries (Colombo) PLC) was incorporated on 12th May 1964 under the Companies Ordinance No. 51 of 1938, quoted in the Colombo Brokers Association (now Colombo Stock Exchange) from 1964 and re-registered as per the Companies Act No. 07 of 2007 on 21st November 2007. The name of the Company was changed to CIC Holdings PLC from 14th January 2011.

The Registered Office of the Company is at No. 199, Kew Road, Colombo 02, at which the Company's head office is situated.

Review of the Year

The Statement of Accounts was approved by the Board of Directors on 23rd May 2014. The Chairman's Statement, Managing Director's Statement (including Review of the Business) set out the state of affairs and performance of the Company during the year and incorporates events subsequent to the reporting date.

Principal Activities

The Company carries on the business of merchandising and manufacturing as its principal activities. There were no significant changes in the activities of the Company in the year under review. There have been no changes in subsidiary companies which include Chemanex PLC and its subsidiaries, CIC Agri Businesses (Private) Limited and its subsidiaries, CISCO Speciality Packaging (Private) Limited, CIC Feeds (Private) Limited and its subsidiaries, Link Natural Products (Private) Limited, CIC Cropguard (Private) Limited, Crop Management Services (Private) Limited, Colombo Industrial Agencies Limited and CIC Lifesciences Limited. (Other than which is given below)

Ultimate Parent

The ultimate holding company is Paints & General Industries Limited.

Subsidiaries

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

  CIC Seeds (Private) Limited, Wayamba Agro Fertilizers Company Limited, CIC Agri Biotech (Private) Limited, CIC North & East Agri Development (Private) Limited, CIC Agri Produce Exports (Private) Limited, Sunhill Tea Factory (Private) Limited, CIC Dairies (Private) Limited and N. Chandraratne (Decorators) Limited. CIC Dairy Breeding & Manufacturing (Private) Limited and CIC Agri Produce Marketing (Private) Limited are subsidiaries of CIC Seeds (Private) Limited. Chandraratne Constructors Limited is a subsidiary of N. Chandraratne (Decorators) Limited, Rahimafrooz CIC Agro Limited is a joint venture of CIC Agri Businesses (Private) Limited. Kelani Valley Canneries Limited was disposed during the year.

- CIC Feeds (Private) Limited markets animal feeds and day-old chicks, while its subsidiaries market Veterinary Medicines and produce and process Poultry Products. 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, 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.

Principal Activities of the Equity Accounted Investees

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

Corporate Donations

Donations made during the year amounted to Rs. 1,196,110/- (2013 - Rs. 1,062,000/-).

Future Developments

Group companies look to further market access for fresh fruits, processed food 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 the 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 46 to 102 of this Annual Report.

Profits and Appropriations

(In thousands of Rupees)

For the year ended 31st March	2014		2013	
	Company	**Group**	Company	Group
Profit/(loss) for the year after depreciation	**(247,474)**	**31,190**	427,611	588,759
From which a (deduction)/addition is made for taxation and	**44,534**	**(68,239)**	(70,288)	(175,595)
discontinued operations	**(644,309)**	**(1,052,499)**	(147,908)	(246,530)
	(847,249)	**(1,089,548)**	209,415	166,634
From which a deduction is made for non-controlling interests	**–**	**140,034**	–	49,339
	(847,249)	**(949,514)**	209,415	215,973
To which must be added Other Comprehensive Income	**(3,980)**	**(1,372)**	(7,361)	(25,377)
Total Comprehensive Income	**(851,229)**	**(950,886)**	202,054	190,596
To which must be added the unappropriated profit brought forward from the previous year and	**1,244,160**	**4,170,518**	1,253,443	4,207,797
Interest payable written back and	**–**	**–**	–	20,295
From which a deduction is made for changes in effective holding and	**–**	**–**	–	(36,980)
Transfers on disposal of assets/subsidiaries and	**–**	**20,447**	–	147
Making available for appropriation an amount of	**392,931**	**3,240,079**	1,455,497	4,381,855
out of which a final dividend of Rs. 1.00 (2013) per share (2012 - Rs. 1.60 per share)	**(94,770)**	**(94,770)**	(151,632)	(151,632)
and an interim dividend of Rs. 0.63 (2013) per share	**–**	**–**	(59,705)	(59,705)
So that the unappropriated profit carried forward will be	**298,161**	**3,145,309**	1,244,160	4,170,518

Dividends

For the year ended 31st March 2014, the Directors have not recommended a final dividend.

Independent Auditors' Report

The Company's Auditors Messrs KPMG, Chartered Accountants performed the audit on the Consolidated Financial Statements for the year ended 31st March 2014 and the Independent Auditors' Report on the Financial Statements is given on page 45 of this Annual Report as required by Section 168 (1) (c) of the Companies Act No. 07 of 2007.

Significant Accounting Policies and Changes during the year

The Company and the Group prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The significant Accounting Policies adopted in the Financial Statement is given on pages 52 to 59 of this Annual Report as required by the Section 168 (1) (d) of the Companies Act No. 07 of 2007, the Board of Directors wish to confirm that there were no changes to the Accounting Policies used by the Company and the Group during the year.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the said Act. The related entries were made in the Interests Register during the year under review.

The share ownership of the Directors is indicated on Page 40 of this Annual Report.

Directors' interest in contracts and remuneration paid to Directors, etc., have been included in the Interests Register which is made available for inspection under the Companies Act No. 7 of 2007 under reference. The details are given on pages 63 and 90 of this Annual Report.

Directors

The qualifications and experience of the Directors are provided on pages 12 to 14. 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*
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
S.M. Enderby
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

Appointments and Resignations

- Mr. S.M. Enderby was appointed to the Board during the year. Mr. B.R.L. Fernando retired from the Board of Directors with effect from 31st December 2013.

Retirement by Rotation and Re-election

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

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

  "That Mr. R.N. Asirwatham, who reached the age of 71 years on 26th August 2013 be re-elected a Director of the Company and it is hereby declared that the provision of Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R.N. Asirwatham."

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

- Mr. E.F.G. Amerasinghe 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. 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.

Directors' Remuneration

Directors' remuneration in respect of the Group and the Company, for the financial year ended 31st March 2014 are given in Note 11 of the Financial Statements on page 63 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 111 of this Annual Report.

Related Party Transactions

Related party transactions have been declared at meetings of the Directors and are detailed in Note 43 to the Financial Statements.

Employee Share Option 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 up to 2% of the issued share capital. The option granted under this plan has to be exercised within 5 years of such grant. No employees have been provided with any financial assistance to exercise the option.

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

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

Directors' Shareholding

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

As at 31st March	**2014**		2013	
	Voting	**Non-Voting**	Voting	Non-Voting
S.H. Amarasekera	**–**	**–**	–	–
S.P.S. Ranatunga	**–**	**22,950**	–	22,950
E.F.G. Amerasinghe	**–**	**–**	–	–
R.N. Asirwatham	**–**	**–**	–	–
R.S. Captain	**80**	**139**	80	139
S.M. Enderby	**–**	**–**	–	–
M.P. Jayawardena	**–**	**16,200**	–	16,200
Prof P.W.M.B.B. Marambe	**–**	**–**	–	–
B.R.L. Fernando *(retired w.e.f. 31.12.2013)*			237,942	39,765

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 43.

Audit Committee

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

Mr. R.N. Asirwatham (Chairman)
Mr. S.H. Amarasekera
Mr. E.F.G. Amerasinghe
Mr. S.M. Enderby

Mr. S.P.S. Ranatunga and Ms. P.D.S. Ruwanpura attended the meetings by invitation. Details of the Audit Committee are given on page 36.

Human Capital & Compensation Committee (Remuneration Committee)

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

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

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

Nominations Committee

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

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

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

Enterprise Governance

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

The practices in this regard are given in Enterprise Governance of this Annual Report on pages 18 to 33.

Vision, Mission and Corporate Conduct

The Company's Vision and Mission are given on page 3 of this Annual Report. The business activities of the Company are conducted with the highest level of ethical standards in achieving its Vision and Mission. The Company issues a copy of its Code of Ethics to each and every employee who are required to abide by the Company's code of conduct.

Equitable Treatment to Shareholders

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

Risk Management

Risk Management is given due focus by the Company and the Group. The Group Risk Management Committee evaluates the risk and suggest appropriate preventive and mitigatory actions.

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.

Tax Expense

Tax expense has 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. 23.41 billion (2013 - Rs. 23.81 billion). A detailed analysis of the Group revenue that identifies the contributions from different segments of the Group businesses is given in Note 5 to the Financial Statements.

Capital Expenditure

Details of property, plant & equipment and their movements during the year are listed in Note 16 to the Financial Statements. Capital Expenditure approved and contracted for are given in Note 39.

Market Value of Freehold Properties

All freehold land of the Group Companies were revalued by professionally qualified independent valuers as at 31st March 2013 and brought into Financial Statements. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties and remain unchanged as at 31st March 2014. Details of revaluations are listed in Note 16 to the Financial Statements.

Investments

Details of investments and their movements during the year are listed in Notes 23, 24, 25 and 29 to the Financial Statements.

Reserves

Total reserves of the Group stood at Rs. 5,720.27 million as at 31st March 2014 (Rs. 6,766.19 million as at 31st March 2013) details of which are given in the Statements of Changes in Equity.

Stated Capital

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

Share Information

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

Shareholding

A list of top 20 shareholders for both Voting and Non-Voting is given on page 107 of this Annual Report.

Environmental Protection

The Company has not engaged in any activity which is harmful to the environment.

Compliance with Laws and Regulations

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

Statutory Payments

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

Human Resources

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

Corporate Social Responsibility

The Company and the Group has carried out many CSR activities during the year.

Going Concern

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

Events after the Reporting Date

No material events have taken place after the Reporting Date which require an adjustment to or a disclosure in the Financial Statements other than contributing to the rights issue of CIC Lifesciences Limited.

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. 2.68 million was paid to them as consolidated audit fees during the year under review (Company - Rs. 1.32 million) and a sum of Rs. 0.23 million was paid by the Company for tax and other related services.

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

Re-appointment of Auditors

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

Notice of Meeting

Notice of Meeting of the Fifty-First 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

23rd May 2014

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

1. Appropriate accounting policies have been selected and applied based on the new financial reporting framework on a consistent basis while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected. Material departures, if any, are disclosed and explained. The Board of Directors accepts responsibility for the integrity and objectivity of the Financial Statements presented in this Annual Report.

2. Financial Statements prepared and presented in this Annual Report have been prepared based on new Sri Lanka Accounting Standards (SLFRS/ LKAS) which came to effect from 1st January 2012 and are in agreement with the underlying books of account and in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka (CASL) and the Securities and Exchange Commission (SEC) of Sri Lanka.

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

4. The Directors are required to prepare the Financial Statements and the Company's External Auditors, Messrs KPMG who were appointed in terms of Section 158 of the Companies Act No. 07 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 45.

5. As required by 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.

6. 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

23rd May 2014

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

The Financial Statements are prepared in conformity with requirements of the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Sri Lanka Auditing Standards, the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

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

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

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

S.P.S. Ranatunga
Managing Director/CEO

P.D.S. Ruwanpura
Chief Financial Officer

23rd May 2014

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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TO THE SHAREHOLDERS OF CIC HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of CIC Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statements of financial position as at March 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2014 and the financial statements give a true and fair view of the financial position of the Company as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

KPMG

Chartered Accountants
Colombo

23rd May 2014

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31st March	Note	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000 (Restated)
Continuing operations					
Revenue	6	**5,827,098**	5,461,461	**21,902,485**	21,735,557
Cost of sales		**(4,360,308)**	(3,888,768)	**(16,620,074)**	(16,349,544)
Gross profit		**1,466,790**	1,572,693	**5,282,411**	5,386,013
Other income	7	**333,095**	291,330	**577,864**	135,102
Distribution expenses		**(843,669)**	(563,495)	**(2,249,825)**	(1,918,402)
Administrative expenses		**(744,017)**	(688,510)	**(2,142,139)**	(2,137,003)
Other expenses	8	**(259,238)**	(1,500)	**(347,215)**	(16,599)
Results from operating activities		**(47,039)**	610,518	**1,121,096**	1,449,111
Financing cost (net)	9	**(200,435)**	(182,907)	**(1,371,447)**	(1,152,068)
Share of profit of equity accounted investees (net of tax)	10	**–**	–	**281,541**	291,716
Profit/(loss) before tax	11	**(247,474)**	427,611	**31,190**	588,759
Tax expense	12	**44,534**	(70,288)	**(68,239)**	(175,595)
Profit/(loss) from continuing operations		**(202,940)**	357,323	**(37,049)**	413,164
Discontinued operations					
Loss from discontinued operations (net of tax)	13	**(644,309)**	(147,908)	**(1,052,499)**	(246,530)
Profit/(loss) for the year		**(847,249)**	209,415	**(1,089,548)**	166,634
Other comprehensive income					
Net gains/(losses) on remeasuring available for sale financial assets		**(2,747)**	3,066	**(2,280)**	5,841
Actuarial losses on retirement benefit obligations		**(3,980)**	(7,361)	**(1,104)**	(32,945)
Actuarial gains on retirement benefit obligations - discontinued operations		**–**	–	**825**	–
Surplus on revaluation of land		**–**	198,413	**2,807**	628,114
Exchange difference on translation of foreign operations		**–**	–	**1,076**	(1,210)
Tax on other comprehensive income		**–**	–	**–**	1,068
Other comprehensive income for the year		**(6,727)**	194,118	**1,324**	600,868
Total comprehensive income for the year		**(853,976)**	403,533	**(1,088,224)**	767,502
Profit/(loss) attributable to:					
Equity holders of the Company		**(847,249)**	209,415	**(949,514)**	215,973
Non-Controlling interests		**–**	–	**(140,034)**	(49,339)
Profit/(loss) for the year		**(847,249)**	209,415	**(1,089,548)**	166,634
Total comprehensive income attributable to:					
Equity holders of the Company		**(853,976)**	403,533	**(951,021)**	703,528
Non-Controlling interests		**–**	–	**(137,203)**	63,974
Total comprehensive income for the year		**(853,976)**	403,533	**(1,088,224)**	767,502
Earnings/(deficit) per share	14				
Basic/diluted earnings per share (Rs.)		**(8.94)**	2.21	**(10.02)**	2.28
Earnings/(deficit) per share - continuing operations					
Basic/diluted earnings per share (Rs.)		**(2.19)**	3.77	**(0.73)**	4.45
Dividend per share	15				
Interim paid (Rs.)		**–**	0.63	**–**	0.63
Final proposed (Rs.)		**–**	1.00	**–**	1.00

Notes from pages 52 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at 31st March	Note	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000 (Restated)	Group 2012 Rs. '000 (Restated)
ASSETS							
Non-current assets							
Property, plant & equipment	16	**2,287,251**	2,009,858	1,784,511	**9,427,335**	8,720,522	7,504,776
Investment property	17	**–**	–	–	**51,400**	14,607	98,999
Capital work-in-progress	18	**50,920**	118,943	12,881	**763,412**	1,072,154	531,459
Deposit on leasehold property	19	**–**	–	–	**–**	16,152	13,678
Biological assets	20	**–**	–	–	**67,366**	86,262	78,737
Intangible assets	21	**–**	–	–	**27,683**	147,911	159,017
Deferred tax assets	22	**69,268**	–	–	**133,721**	18,382	37,478
Investments in subsidiaries	23	**734,983**	812,633	614,133	**–**	–	–
Investments in equity accounted investees	24	**36,000**	36,000	36,000	**1,440,488**	789,585	708,179
Other non-current financial assets	25	**120,000**	125,100	96,600	**9,425**	8,883	4,730
		3,298,422	3,102,534	2,544,125	**11,920,830**	10,874,458	9,137,053
Current assets							
Inventories	26	**2,193,778**	1,771,830	1,450,223	**5,100,338**	5,450,425	4,963,599
Trade receivables	27	**1,383,226**	2,276,380	2,035,110	**3,293,276**	4,999,511	4,282,234
Other receivables	28	**327,340**	548,991	339,024	**4,125,327**	6,450,266	6,921,940
Other current financial assets	29	**24,606**	27,353	24,287	**66,460**	69,308	68,530
Cash in hand and at bank	30	**186,916**	95,343	52,934	**965,648**	1,021,123	657,602
		4,115,866	4,719,897	3,901,578	**13,551,049**	17,990,633	16,893,905
Assets classified as held for sale	13	**213,272**	78,843	78,843	**489,488**	118,383	78,843
		4,329,138	4,798,740	3,980,421	**14,040,537**	18,109,016	16,972,748
Total assets		**7,627,560**	7,901,274	6,524,546	**25,961,367**	28,983,474	26,109,801
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Stated capital	31	**1,008,450**	1,008,450	1,008,450	**1,008,450**	1,008,450	1,008,450
Capital reserves	32	**1,016,018**	1,016,018	817,605	**1,718,941**	1,737,424	1,231,163
Revenue reserves	33	**1,071,894**	2,020,640	2,026,857	**4,001,327**	5,028,767	5,060,352
		3,096,362	4,045,108	3,852,912	**6,728,718**	7,774,641	7,299,965
Non-controlling interests		**–**	–	–	**1,410,539**	1,659,508	1,683,939
Total equity		**3,096,362**	4,045,108	3,852,912	**8,139,257**	9,434,149	8,983,904
Non-current liabilities							
Loans and borrowings	34	**276,115**	159,245	58,347	**942,827**	1,000,262	651,613
Retirement benefit obligations	35	**201,568**	171,426	143,406	**522,760**	473,205	374,970
Grants	36	**–**	–	–	**23,409**	31,512	22,774
Deferred tax liabilities	22	**–**	76,228	87,096	**280,883**	296,052	341,052
		477,683	406,899	288,849	**1,769,879**	1,801,031	1,390,409
Current liabilities							
Trade payables	37	**1,296,011**	1,011,419	701,451	**4,604,820**	5,836,676	6,698,369
Income tax payable	38	**–**	–	–	**40,227**	39,500	76,586
Accruals and other payables		**331,786**	204,102	178,722	**1,118,176**	727,497	637,626
Loans & borrowings	34 (g)	**2,411,339**	2,233,746	1,502,612	**9,843,833**	11,144,621	8,322,907
		4,039,136	3,449,267	2,382,785	**15,607,056**	17,748,294	15,735,488
Liabilities classified as held for sale	13	**14,379**	–	–	**445,175**	–	–
		4,053,515	3,449,267	2,382,785	**16,052,231**	17,748,294	15,735,488
Total liabilities		**4,531,198**	3,856,166	2,671,634	**17,822,110**	19,549,325	17,125,897
Total equity and liabilities		**7,627,560**	7,901,274	6,524,546	**25,961,367**	28,983,474	26,109,801
Net assets per share		**32.67**	42.68	40.66	**71.00**	82.04	77.03

Notes from pages 52 to 102 form an integral part of these Financial Statements.

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

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board;

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

S.H. Amarasekera
Chairman

S.P.S. Ranatunga
Managing Director/CEO

23rd May 2014, Colombo

STATEMENTS OF CHANGES IN EQUITY

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserves Rs. '000	Available for sale Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Company						
As at 1st April 2012	1,008,450	817,605	782,604	(9,190)	1,253,443	3,852,912
Profit for the year	–	–	–	–	209,415	209,415
Other comprehensive income	–	198,413	–	3,066	(7,361)	194,118
Total comprehensive income for the year	–	198,413	–	3,066	202,054	403,533
Dividends (Note 15)	–	–	–	–	(211,337)	(211,337)
Total contributions by and distributions to owners of the Company	–	–	–	–	(211,337)	(211,337)
As at 31st March 2013	1,008,450	1,016,018	782,604	(6,124)	1,244,160	4,045,108
Loss for the year	–	–	–	–	(847,249)	(847,249)
Other comprehensive income	–	–	–	(2,747)	(3,980)	(6,727)
Total comprehensive income for the year	–	–	–	(2,747)	(851,229)	(853,976)
Dividends (Note 15)	–	–	–	–	(94,770)	(94,770)
Total contributions by and distributions to owners of the Company	–	–	–	–	(94,770)	(94,770)
As at 31st March 2014	**1,008,450**	**1,016,018**	**782,604**	**(8,871)**	**298,161**	**3,096,362**

Notes from pages 52 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

	Attributable to the Owners of the Company								
	Stated Capital	Capital Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	General Reserve	Retained Earnings	Total	Non-controlling interests	Total Equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group									
Balance as at 1st April 2012 as reported previously	1,008,450	1,230,470	693	(9,043)	861,598	4,222,218	7,314,386	1,686,690	9,001,076
Prior year adjustment (Note 44)	–	–	–	–	–	(14,421)	(14,421)	(2,751)	(17,172)
Re-stated balance as at 1st April 2012	**1,008,450**	**1,230,470**	**693**	**(9,043)**	**861,598**	**4,207,797**	**7,299,965**	**1,683,939**	**8,983,904**
Profit/(loss) for the year	–	–	–	–	–	215,973	215,973	(49,339)	166,634
Other comprehensive income	–	507,811	(720)	5,841	–	(25,377)	487,555	113,313	600,868
Total comprehensive income for the year	**–**	**507,811**	**(720)**	**5,841**	**–**	**190,596**	**703,528**	**63,974**	**767,502**
Transfers on disposal of assets	–	(830)	–	(147)	–	147	(830)	(770)	(1,600)
Interest payable written back	–	–	–	–	–	20,295	20,295	–	20,295
Dividends paid to equity holders of the parent (Note 15)	–	–	–	–	–	(211,337)	(211,337)	–	(211,337)
Subsidiary dividends to non-controlling interest	–	–	–	–	–	–	–	(22,115)	(22,115)
Total contributions by and distributions to owners of the Company	**–**	**(830)**	**–**	**(147)**	**–**	**(190,895)**	**(191,872)**	**(22,885)**	**(214,757)**
Change in effective holding	–	–	–	–	–	(36,980)	(36,980)	(65,520)	(102,500)
Changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**(36,980)**	**(36,980)**	**(65,520)**	**(102,500)**
Transactions with owners of the Company	**–**	**(830)**	**–**	**(147)**	**–**	**(227,875)**	**(228,852)**	**(88,405)**	**(317,257)**
As at 31st March 2013	**1,008,450**	**1,737,451**	**(27)**	**(3,349)**	**861,598**	**4,170,518**	**7,774,641**	**1,659,508**	**9,434,149**
Loss for the year	–	–	–	–	–	(949,514)	(949,514)	(140,034)	(1,089,548)
Other comprehensive income		1,455	641	(2,231)	–	(1,372)	(1,507)	2,831	1,324
Total comprehensive income for the year	**–**	**1,455**	**641**	**(2,231)**	**–**	**(950,886)**	**(951,021)**	**(137,203)**	**(1,088,224)**
Dividends paid to equity holders of the parent (Note 15)	–	–	–	–	–	(94,770)	(94,770)	–	(94,770)
Subsidiary dividend to non-controlling interest	–	–	–	–	–	–	–	(31,538)	(31,538)
Total contributions by and distributions to owners of the Company	**–**	**–**	**–**	**–**	**–**	**(94,770)**	**(94,770)**	**(31,538)**	**(126,308)**
Adjustment due to disposal of subsidiaries	–	(17,847)	–	–	–	17,715	(132)	(90,613)	(90,745)
Changes in effective holding of the subsidiary	–	–	–	–	–	–	–	10,385	10,385
Changes in ownership interests in subsidiaries	**–**	**(17,847)**	**–**	**–**	**–**	**17,715**	**(132)**	**(80,228)**	**(80,360)**
Transactions with owners of the Company	–	**(17,847)**	**–**	**–**	**–**	**(77,055)**	**(94,902)**	**(111,766)**	**(206,668)**
Realisation of revaluation surplus on disposal	–	(2,234)	–	–	–	2,234	–	–	–
Realisation of the capital reserve of the subsidiary	–	(498)	–	–	–	498	–	–	–
As at 31st March 2014	**1,008,450**	**1,718,327**	**614**	**(5,580)**	**861,598**	**3,145,309**	**6,728,718**	**1,410,539**	**8,139,257**

Notes from pages 52 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
Cash flow from operating activities				
Cash generated from/(used for) operations (Note A)	**207,792**	(38,378)	**3,982,911**	488,036
Interest paid (net)	**(301,903)**	(224,934)	**(1,552,608)**	(1,277,913)
Retirement benefits paid	**(9,454)**	(10,008)	**(32,098)**	(24,132)
Income tax paid	**(262)**	(62,133)	**(105,252)**	(190,063)
Net cash inflow/(outflow) from operating activities	**(103,827)**	(335,453)	**2,292,953**	(1,004,072)
Cash flow from investing activities				
Addition to property, plant & equipment	**(48,552)**	(129,270)	**(687,075)**	(773,685)
Addition to capital work-in-progress	**(392,641)**	(108,960)	**(1,254,012)**	(989,674)
Addition to biological assets	**–**	–	**(80,576)**	(95,935)
Deposit on leasehold property	**–**	–	**–**	(2,807)
Proceeds from disposal of property, plant & equipment	**87,349**	17,585	**298,155**	35,472
Proceeds from disposal of assets held for sale	**83,328**	–	**83,328**	54,650
Proceeds from disposal of subsidiary	**–**	–	**129,443**	–
Proceeds from disposal of investments	**–**	–	**–**	643
Proceeds from sale of biological assets	**–**	–	**98,115**	90,009
Change in cash reserve due to deemed disposal	**–**	–	**(4,804)**	–
Grants received	**–**	–	**–**	14,753
Dividend received from subsidiaries	**44,763**	39,516	**–**	–
Dividend received from equity accounted investees	**221,400**	207,360	**221,400**	208,655
Dividend received from other companies	**1,260**	681	**7,051**	5,086
Investment in subsidiaries and equity accounted investees	**(1,200)**	(198,500)	**(1,200)**	(21,885)
Other investments	**–**	(30,000)	**–**	(2,230)
Subsidiary dividends to non-controlling interest	**–**	–	**(31,538)**	(22,115)
Net cash outflow from investing activities	**(4,293)**	(201,588)	**(1,221,713)**	(1,499,063)
Net Cash inflow/(outflow) before financing activities	**(108,120)**	(537,041)	**1,071,240**	(2,503,135)
Cash flow from financing activities				
Dividends paid to equity holders of the parent	**(94,770)**	(211,337)	**(94,770)**	(211,337)
Capital payment on finance leases	**(54,486)**	(45,570)	**(235,980)**	(144,292)
Long-term borrowings obtained	**323,000**	127,000	**3,365,660**	3,553,147
Repayment of long-term borrowings	**(88,540)**	–	**(2,879,656)**	(2,645,109)
Net cash inflow/(outflow) from financing activities	**85,204**	(129,907)	**155,254**	552,409
Net increase/(decrease) in cash and cash equivalents during the year	**(22,916)**	(666,948)	**1,226,494**	(1,950,726)
Cash and cash equivalents at the beginning of the year	**(2,087,869)**	(1,420,921)	**(8,710,424)**	(6,755,674)
Effect of exchange rate fluctuations on cash and cash equivalents	**–**	–	**(13,420)**	(4,024)
Cash and cash equivalents at the end of the year (Note 30)	**(2,110,785)**	(2,087,869)	**(7,497,350)**	(8,710,424)

(Carried forward to next page)

Notes from pages 52 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
Note A - Cash generated from/(used for) operations				
Profit/(loss) before interest and tax from continuing operations	**(47,039)**	610,518	**1,121,096**	1,449,111
Loss before interest and tax from discontinued operations	**(648,987)**	(161,169)	**(952,928)**	(196,099)
Adjustments for:				
Depreciation on property, plant & equipment	**130,912**	137,059	**790,091**	693,048
Capital work-in-progress expensed	**–**	–	**–**	3,647
Impairment of property, plant & equipment	**30,000**	–	**48,799**	3,193
Depreciation on investment property	**–**	–	**–**	89
Fair value gain on investment property	**–**	–	**–**	(1,878)
Gain on disposal of property, plant & equipment	**(24,481)**	(8,165)	**(17,469)**	(16,807)
Gain on disposal of assets held for sale	**(4,485)**	–	**(4,485)**	(8,009)
Loss on share transfer - Chemcel (Private) Limited	**–**	–	**13,874**	–
Gain on deemed disposal of subsidiary	**–**	–	**(451,257)**	–
Loss on disposal of long-term investments	**–**	–	**–**	7
Provision for retirement benefit	**35,616**	30,667	**94,794**	89,422
Impairment of goodwill	**–**	–	**96,489**	11,106
Amortisation of deposit paid on leasehold property	**–**	–	**212**	333
Provision for fall in value of investments	**83,950**	1,500	**26**	2,300
Provision for intercompany receivables	**73,919**	–	**–**	–
Provision for bad and doubtful debts	**212,541**	7,243	**367,126**	89,670
Provision for write-down value of inventories	**306,280**	40,560	**528,147**	52,674
Gain from changes in fair value of biological assets	**–**	–	**(2,478)**	(13,666)
Grants amortised	**–**	–	**(8,103)**	(6,015)
Dividend income	**(267,423)**	(247,557)	**(7,051)**	(5,086)
Net loss on translation of foreign currency	**–**	–	**14,496**	2,814
Operating profit before working capital changes	**(119,197)**	410,656	**1,631,379**	2,149,854
(Increase)/decrease in trade and other receivables	**749,700**	(422,215)	**3,422,148**	(382,858)
Increase in inventories	**(849,366)**	(362,167)	**(417,800)**	(527,433)
Increase/(decrease) in trade and other payables	**426,655**	335,348	**(652,816)**	(751,527)
Cash generated from/(used for) operations	**207,792**	(38,378)	**3,982,911**	488,036

1 Reporting Entity

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

The Consolidated Financial Statements of CIC Holdings PLC, as at and for the year ended 31st March 2014 comprise the Company and its Subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in Equity Accounted Investees. Descriptions of the nature of the operations and principal activities of the Company, its Subsidiaries and Equity Accounted Investees are given on page 111.

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

The Financial Statements of all companies in the Group as mentioned in Notes 23 and 24 to the Financial Statements are prepared for a common financial year, which ends on 31st March, other than Commercial Insurance Brokers (Private) Limited which has been prepared up to 31st December, as per their reporting requirements.

The Board of Directors of the Company is responsible for the preparation and presentation of the Financial Statements. The Consolidated Financial Statements were authorised for issue by the Directors on 23rd May 2014.

2 Basis of Preparation

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments and Assumptions

The preparation of Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/LKAS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.4.1 Revaluation of Property, Plant & Equipment

The Group carries its land at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31st March 2013. The key assumptions used to determine the fair value of the land are further explained in Note 16.

2.4.2 Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 45.

2.4.3 Retirement Benefits

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation and the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the weighted average cost of capital. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates of the respective country.

2.4.4 Fair Value of Financial Instruments

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

2.4.5 Development Costs

Development costs are capitalised in accordance with the accounting policy in Note 21 Initial capitalisation of cost is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

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

- Note 21 - Measurement of the recoverable amounts of cash-generating units containing goodwill
- Note 12 - Utilisation of tax losses
- Note 35 - Measurement of retirement benefit obligations
- Note 39 - Commitments and contingencies

3 Summary of Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these Consolidated Financial Statements and have been applied consistently by Group entities.

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

3.1 Business Consolidation

a. Business Combinations

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

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; less
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration 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 award is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

b. 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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net asset of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

c. Subsidiaries

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

d. Loss of Control

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

e. Equity Accounted Investees (Associates)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

The Income Statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit of an associate is shown on the face of the Income Statement. This is the profit attributable to equity holders of the associate and therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate. The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the Income Statement.

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

f. Jointly Controlled Operations

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

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

g. Transactions Eliminated on Consolidation

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

3.2 Foreign Currency

a. Foreign Currency Transactions

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the Income Statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

b. Group Companies

On consolidation the assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their Income Statements are translated at exchange rate prevailing at the 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 recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(iii) Interest Income

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

(iv) Dividend Income

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

(v) Rental Income

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

(vi) 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 instalments.

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:

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if

new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

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

(i) Assets Held For Sale

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

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

(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:

- represents a separate major line of business or geographical area of operations;
- is part of a single cordinated 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 resale.

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

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

3.7 Property, Plant & Equipment

Initial Recognition and Measurement

Items of property, plant & 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 & equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

The cost of self-constructed assets includes the following:

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

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

Subsequent Costs

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

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

Land is measured at fair value. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recorded in other comprehensive income hence, credited to the 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 & equipment are depreciated on a straight-line basis over the estimated useful lives of each component.

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

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

- Buildings 15 to 20 years
- Plant & equipment 5 to 15 years
- Computers and allied equipment 3 to 5 years
- Motor vehicles 3 to 5 years
- Furniture & fittings 5 to 10 years

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

Derecognition

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

3.8 Leased Assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment 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 incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.10 Investment Properties

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

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

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

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

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

3.11 Intangible Assets

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

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

The useful lives of intangible assets are assessed as either finite or indefinite. Except for goodwill, intangible assets with finite lives are amortised on a straight-line basis in profit or loss over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

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

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

Research and Development Costs

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

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete and the ability to use or sell the asset;
- Probability of generating future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

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

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

3.12 Impairment of Non-Financial Assets

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

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

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 31st March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses

relating to goodwill cannot be reversed in future periods.

Intangible Assets

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

3.13 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 Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in profit or loss as finance income. The losses arising from impairment are recognised in profit or loss.

Cash and Cash Equivalents

Cash and 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.

Derecognition of Financial Assets

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

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

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

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

Impairment of Financial Assets

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

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present

value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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

Available For Sale Financial Investments

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

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

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

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

Subsequent Measurement

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

Loans and Borrowings

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

Derecognition of Financial Liabilities

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

(iii) Offsetting of Financial Instruments

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

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair Value of Financial Instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 45.

3.14 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of finished goods is computed, based on the weighted average cost method and includes material, labour and appropriate share of production overheads, based on normal operating capacity. In the case of purchased inventories, cost includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. The cost of raw material is computed at weighted average cost.

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

Provisions for Inventory

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

3.15 Provisions

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

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

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

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

3.17 Share Based Payment Transactions - ESOS

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

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

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves in equity if management intended that the eligible employees will exercise the option right in foreseeable future. (Further details are given in Note 41).

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

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 Yet Effective

The following SLFRS have been issued by The Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

(i) SLFRS 9 - Financial Instruments

Classification and Measurement SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This Standard was originally effective for annual periods commencing on or after 1st January 2015. However, effective date has been deferred subsequently.

(ii) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This Standard will be effective for the financial period beginning on or after 1st January 2014.

However, use of fair value measurement principles contained in this Standards are currently recommended.

In addition to the above, following Standards will also be effective for the annual periods commencing on or after 1st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three Standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - 'Consolidated and Separate Financial Statements', LKAS 28 - 'Investments in Associates', LKAS 31 - 'Interest in Joint Ventures' and SIC - 12 and SIC-13 which are on consolidation of Special Purpose Entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly-controlled entities are the changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

	Construction		Agriculture & Livestock		Industrial Raw Material	
	2014 Rs. '000	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000
5 Segmental Information						
Income statement						
Revenue	**717,507**	665,085	**14,093,090**	14,770,359	**1,725,773**	1,529,761
Inter segmental revenue	**–**	–	**(189,810)**	(386,971)	**(1,974)**	(21,031)
Total revenue to external customers	**717,507**	665,085	**13,903,280**	14,383,388	**1,723,799**	1,508,730
Segmental results	**64,816**	52,799	**618,834**	921,574	**385,943**	26,252
Impairment loss on property, plant & equipment	**–**	–	**–**	–	**–**	–
Financing cost (net)	**(31,381)**	(30,240)	**(1,078,269)**	(893,759)	**(25,775)**	310
Share of profit of equity accounted investees	**295,422**	294,568	**–**	–	**–**	–
Profit/(loss) before tax	**328,857**	317,127	**(459,435)**	27,815	**360,168**	26,562
Income tax	**(18,859)**	(5,531)	**(30,279)**	(35,701)	**(42,638)**	(43,000)
Profit/(loss) after tax	**309,998**	311,596	**(489,714)**	(7,886)	**317,530**	(16,438)
Loss from discontinued operations	**–**	–	**(387,965)**	(92,333)	**(25,144)**	(6,289)
Profit/(loss) for the year	**309,998**	311,596	**(877,679)**	(100,219)	**292,386**	(22,727)
Attributable to:						
Equity holders of the Company	**310,516**	317,444	**(444,724)**	(14,854)	**172,636**	20,010
Non-controlling interests	**(518)**	(5,848)	**(432,955)**	(85,365)	**119,750**	(42,737)
Profit/(loss) for the year	**309,998**	311,596	**(877,679)**	(100,219)	**292,386**	(22,727)
Assets and Liabilities						
Non-current assets						
Property, plant & equipment	**323,110**	388,773	**6,010,499**	5,368,752	**211,540**	321,315
Unallocated property, plant & equipment	**–**	–	**–**	–	**–**	–
Other non-current assets	**886,114**	789,597	**875,251**	693,245	**439,973**	215,478
Total non-current assets	**1,209,224**	1,178,370	**6,885,750**	6,061,997	**651,513**	536,793
Current assets	**275,340**	335,101	**8,387,384**	12,263,588	**1,796,509**	1,396,519
Total assets	**1,484,564**	1,513,471	**15,273,134**	18,325,585	**2,448,022**	1,933,312
Non-current liabilities	**–**	–	**1,121,345**	986,682	**89,209**	107,934
Current liabilities	**32,695**	33,741	**11,135,662**	13,542,294	**807,899**	792,580
Total Liabilities	**32,695**	33,741	**12,257,007**	14,528,976	**897,108**	900,514

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

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

	Packaging Material		Consumer & Pharmaceuticals		Others		Group	
	2014 Rs. '000	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000
	922,468	811,202	**4,711,294**	4,435,357	**1,274**	3,267	**22,171,406**	22,215,031
	(76,177)	(69,522)	**(960)**	(1,950)	**–**	–	**(268,921)**	(479,474)
	846,291	741,680	**4,710,334**	4,433,407	**1,274**	3,267	**21,902,485**	21,735,557
	125,353	137,179	**(25,060)**	314,579	**9**	(79)	**1,169,895**	1,452,304
	(18,799)	(3,193)	**(30,000)**	–	**–**	–	**(48,799)**	(3,193)
	(48,341)	(66,874)	**(187,669)**	(161,499)	**(12)**	(6)	**(1,371,447)**	(1,152,068)
	–	–	**–**	–	**(13,881)**	(2,852)	**281,541**	291,716
	58,213	67,112	**(242,729)**	153,080	**(13,884)**	(2,937)	**31,190**	588,759
	(7,979)	(18,408)	**31,528**	(72,949)	**(12)**	(6)	**(68,239)**	(175,595)
	50,234	48,704	**(211,201)**	80,131	**(13,896)**	(2,943)	**(37,049)**	413,164
	–	–	**(639,390)**	(147,908)	**–**	–	**(1,052,499)**	(246,530)
	50,234	48,704	**(850,591)**	(67,777)	**(13,896)**	(2,943)	**(1,089,548)**	166,634
	26,006	27,538	**(1,000,052)**	(131,200)	**(13,896)**	(2,965)	**(949,514)**	215,973
	24,228	21,166	**149,461**	63,423	**–**	22	**(140,034)**	(49,339)
	50,234	48,704	**(850,591)**	(67,777)	**(13,896)**	(2,943)	**(1,089,548)**	166,634
	657,303	696,646	**843,096**	839,891	**–**	–	**8,045,548**	7,615,377
	–	–	**–**	–	**–**	–	**1,381,787**	1,105,145
	8,672	–	**87,617**	118,322	**195,868**	337,294	**2,493,495**	2,153,936
	665,975	696,646	**930,713**	958,213	**195,868**	337,294	**11,920,830**	10,874,458
	287,460	279,606	**2,580,789**	2,526,012	**713,055**	1,308,190	**14,040,537**	18,109,016
	953,435	976,252	**3,511,502**	3,484,225	**908,923**	1,645,484	**25,961,367**	28,983,474
	146,728	176,565	**235,939**	270,113	**176,658**	259,737	**1,769,879**	1,801,031
	323,200	337,330	**2,221,993**	1,462,545	**1,530,782**	1,579,804	**16,052,231**	17,748,294
	469,928	513,895	**2,457,932**	1,732,658	**1,707,440**	1,839,541	**17,822,110**	19,549,325

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
6 Revenue				
Revenue	**5,827,098**	5,461,461	**21,902,485**	21,735,557
Net Revenue				
Local	**5,818,917**	5,456,443	**21,384,994**	21,134,502
Exports	**8,181**	5,018	**517,491**	601,055
Total	**5,827,098**	5,461,461	**21,902,485**	21,735,557
7 Other Income				
Rent	**30,773**	33,620	**29,569**	32,604
Dividend income				
Quoted	**12,772**	6,636	**7,051**	5,086
Unquoted	**254,651**	240,921	**–**	–
Net gain on disposal of property, plant & equipment	**24,481**	8,165	**16,220**	16,807
Gain on disposal of assets held for sale	**4,485**	–	**4,485**	8,009
Gain from change in fair value of biological assets	**–**	–	**2,478**	13,666
Gain on deemed disposal of subsidiary*	**–**	–	**451,257**	–
Change in fair value of investment property	**–**	–	**–**	1,878
Grants amortised	**–**	–	**8,103**	6,015
Sundry income	**5,933**	1,988	**58,701**	51,037
Total	**333,095**	291,330	**577,864**	135,102

* Further to a special resolution passed by Chemcel (Private) Limited, 195,360,000 shares were issued to Archer Daniels Midland BV for a consideration of Rs. 1,866 million. The Group's effective holding in Chemcel (Private) Limited reduced to 21.93% as a result of the same and has therefore been reflected as an equity accounted investee as at 31st March 2014. The profit on deemed disposal of subsidiary amounting to Rs. 451 million has been reflected within other income.

8 Other Expenses				
Impairment loss on property, plant & equipment	**30,000**	–	**48,799**	3,193
Impairment of goodwill	**–**	–	**96,489**	11,106
Provision for diminution in value of investments	**83,950**	1,500	**26**	2,300
Provisions relating to scaling down of continuing operations	**145,288**	–	**188,027**	–
Loss on share transfer - Chemcel (Private) Limited	**–**	–	**13,874**	–
Total	**259,238**	1,500	**347,215**	16,599
9 Financing Cost (Net)				
Finance Cost				
On long-term loans	**17,244**	3,073	**270,907**	248,250
On finance leases	**8,589**	12,875	**57,567**	47,038
On short-term loans and overdrafts	**183,827**	213,360	**1,013,375**	1,135,808
On staff loans	**4,259**	3,001	**8,026**	6,075
Loss on foreign currency translation	**–**	–	**92,826**	7,028
	213,919	232,309	**1,442,701**	1,444,199
Finance Income				
On staff loans	**4,359**	3,325	**9,324**	8,179
Gain on foreign currency translation	**6,504**	46,014	**13,732**	225,711
On deposits	**2,621**	63	**48,198**	58,241
	13,484	49,402	**71,254**	292,131
Financing cost (net)	**200,435**	182,907	**1,371,447**	1,152,068

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
10 Share of Profit of Equity Accounted Investees (Net of Tax)				
Commercial Insurance Brokers (Private) Limited			**7,898**	7,539
Akzo Nobel Paints Lanka (Private) Limited			**295,422**	294,567
Rainforest Ecolodge (Private) Limited			**(7,027)**	(10,390)
Chemcel (Private) Limited			**(14,752)**	–
Total			**281,541**	291,716
11 Profit Before Tax is Stated after Charging All Expenses Including the Following:				
Directors' emoluments and retirement benefits	**24,463**	27,240	**137,261**	183,285
Depreciation on property, plant & equipment	**130,912**	137,059	**790,091**	693,048
Depreciation on investment property	**–**	–	**–**	89
Directors' fees	**18,121**	13,519	**27,547**	20,169
Donations	**1,000**	1,062	**5,966**	11,961
Staff training & development	**5,179**	5,370	**11,104**	17,813
Legal fees	**3,018**	1,899	**7,427**	5,947
Auditors' remuneration				
Statutory audit fees	**1,315**	1,210	**8,274**	7,362
Audit-related Fees	**677**	1,280	**3,615**	3,350
Non-audit fees	**1,465**	1,238	**7,085**	3,308
Professional fees	**37,851**	14,758	**58,396**	38,705
Provision for impairment of trade receivables	**212,541**	7,243	**367,126**	89,670
Provision for impairment of inventories and inventories written-off	**306,280**	40,560	**528,147**	52,674
Personnel costs * (Note 11.1)	**425,252**	400,343	**1,742,792**	1,557,815

* Includes Directors' emoluments and retirement benefits

11.1 Personnel Costs

Salaries	**331,358**	293,326	**1,382,440**	1,229,463
EPF/MSPS - Defined contribution plan	**33,961**	28,824	**121,215**	108,653
ETF - Defined contribution plan	**8,503**	7,206	**30,235**	27,163
Bonus	**15,814**	40,320	**114,108**	103,114
Provision for retirement benefits	**35,616**	30,667	**94,794**	89,422
Total	**425,252**	400,343	**1,742,792**	1,557,815
The number of employees as at the end of the year	**414**	442	**2,190**	2,191

12 Tax Expense

Current tax expense on ordinary activities for the year				
Current tax expense on profits for the year	**–**	37,459	**91,757**	122,856
Over provision in respect of previous years	**(5,184)**	(11,591)	**(14,224)**	(26,815)
Irrecoverable ESC written off	**–**	–	**3,871**	1,716
Tax on dividend income	**–**	–	**30,934**	25,311
	(5,184)	25,868	**112,338**	123,068
Deferred Tax Expense				
Origination/(reversal) of temporary differences	**(39,350)**	44,420	**(44,099)**	52,527
Total	**(44,534)**	70,288	**68,239**	175,595

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
12.1 Reconciliation of Accounting Profit and Taxable Profit				
Profit/(loss) before tax - continuing operations	**(247,474)**	427,611	**31,190**	588,759
Loss before tax - discontinued operations	**(750,455)**	(203,196)	**(1,134,089)**	(321,944)
Intra-group adjustments	**–**	–	**(323,506)**	250,217
	(997,929)	224,415	**(1,426,405)**	517,032
Share of profit of equity accounted investees	**–**	–	**(281,541)**	(291,716)
Dissallowable expenses	**968,078**	294,551	**3,226,877**	1,235,034
Tax deductible expenses	**(252,487)**	(137,586)	**(1,867,762)**	(912,734)
Tax exempt income	**(265,030)**	(247,536)	**(636,509)**	(310,372)
Tax loss for the year	**547,368**	–	**1,358,282**	286,535
Tax loss utilised during the year	**–**	–	**(37,649)**	(16,990)
Taxable profit	**–**	133,844	**335,293**	506,789
Income tax @ 12%	**–**	13	**1,645**	15,823
Income tax @ 28%	**–**	37,446	**90,044**	108,982
	–	37,459	**91,689**	124,805
Current tax expense on discontinued operations	**–**	–	**68**	(1,949)
Current tax expense on continuing operations	**–**	37,459	**91,757**	122,856
Tax loss brought forward	**–**	–	**211,928**	–
Tax loss for the year	**547,368**	–	**1,358,282**	286,535
Tax loss written off	**–**	–	**–**	(57,617)
Tax loss utilised during the year	**–**	–	**(37,649)**	(16,990)
Tax loss carried forward	**547,368**	–	**1,532,561**	211,928
Effective tax rate		17%		24%

12.2 Irrecoverable Economic Service Charge has been charged in the Statement of Comprehensive Income.

12.3 Details of the Current Tax Computation

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

The profits and income of CIC Feeds (Private) Limited is liable for income tax at the rate of 12% (2013 - 12%) 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% (2013 - 12%) and other income are liable for income tax at the rate of 28%.

In terms of Sections 51and 52 of the Inland Revenue Act, profits from qualifying exports of Chemanex Exports (Private) Limited, enjoys a concessionary rate of tax of 12%.

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.

The Group 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.

13 Discontinued Operations

Discontinued operations include Kelani Valley Canneries Limited, CIC AgriBiotec (Private) Limited, CIC North and East Agri Development (Private) Limited, Yasui Lanka (Private) Limited and food and selected personal care product lines of CIC Holdings PLC.

Disposal transaction of Kelani Valley Canneries Limited was completed by 31st March 2014, and Yasui Lanka (Private) Limited is under liquidation.

The final negotiations for the disposal of other discontinued assets and liabilities are in progress and is due to be completed by 31st December 2014.

The results of aforesaid operations for the year are presented below:

	Company		Group	
For the year ended 31st March	**2014 Rs. '000**	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000
13.1 Loss after Tax from Discontinued Operations				
Revenue	**793,001**	1,128,387	**1,509,652**	2,078,470
Cost of sales	**(785,006)**	(1,033,268)	**(1,403,675)**	(1,784,930)
Gross profit	**7,995**	95,119	**105,977**	293,540
Other income	**–**	–	**9,373**	8,079
Expenses	**(656,982)**	(256,288)	**(1,068,278)**	(497,718)
Financing costs (net)	**(101,468)**	(42,027)	**(181,161)**	(125,845)
Loss before tax from discontinued operations	**(750,455)**	(203,196)	**(1,134,089)**	(321,944)
Tax expense				
Current tax	**–**	–	**68**	(1,949)
Deferred tax	**106,146**	55,288	**86,409**	77,363
Loss on sale of discontinued operations	**–**	–	**(4,887)**	–
Loss for the year from discontinued operations	**(644,309)**	(147,908)	**(1,052,499)**	(246,530)
Other Comprehensive Income				
Actuarial gains on retirement benefit obligations	**–**	–	**825**	–
Total comprehensive Income	**(644,309)**	(147,908)	**(1,051,674)**	(246,530)

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

	Company		Group	
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	**2014 Rs. '000**	2013 Rs. '000
Assets				
Property, plant & equipment	**8,043**	78,843	**79,617**	118,383
Trade receivables	**64,241**	–	**150,975**	–
Other receivables	**19,851**	–	**30,469**	–
Inventories	**121,137**	–	**220,040**	–
Cash in hand and at bank	**–**	–	**8,387**	–
Assets classified as held for sale	**213,272**	78,843	**489,488**	118,383
Liabilities				
Loans and borrowings	**–**	–	**10,858**	–
Retirement benefit obligations	**–**	–	**7,718**	–
Trade and other payables	**14,379**	–	**64,490**	–
Bank overdrafts	**–**	–	**362,109**	–
Liabilities directly associated with assets classified as held for sale	**14,379**	–	**445,175**	–
Net assets directly associated with disposal group	**240,196**	78,843	**85,616**	118,383

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
13.3 Cash Flows Used in Discontinued Operations				
Net cash used in operating activities	**(318,400)**	(479,864)	**(367,634)**	(474,964)
Net cash from investing activities	**–**	–	**9,172**	1,869
Net cash used for financing activities	**(5,390)**	(1,953)	**(5,390)**	(1,953)
Net cash outflows for the year	**(323,790)**	(481,817)	**(363,852)**	(475,048)
13.4 Earnings/(Deficit) Per Share				
Basic/diluted Deficit per share for the year from discontinued operations	**(6.75)**	(1.56)	**(9.29)**	(2.17)

14 Earnings/(Deficit) Per Share

Profit/(loss) attributable to equity holders of the Company	**(847,249)**	209,415	**(949,514)**	215,973
The share capital is as follows:				
Ordinary Shares				
Weighted average number of shares	**72,900,000**	72,900,000	**72,900,000**	72,900,000
Non-Voting (Class X) shares				
Weighted average number of shares	**21,870,000**	21,870,000	**21,870,000**	21,870,000
Total weighted average number of shares	**94,770,000**	94,770,000	**94,770,000**	94,770,000
Basic/diluted earnings/(deficit) per share (Rs.)	**(8.94)**	2.21	**(10.02)**	2.28

Basic Earnings/(Deficit) per Share

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

Diluted Earnings/(Deficit) per share

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

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

There is no material impact on diluted earnings per share arising from Employee Share Option Scheme.

For the year ended 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000
15 Gross Dividends				
Interim Dividend				
No interim dividend was paid (2013 - Rs. 0.63 per share)				
- 72,900,000 Ordinary Shares	**–**	45,927	**–**	45,927
- 21,870,000 Non-Voting (Class X) Shares	**–**	13,778	**–**	13,778
	–	59,705	**–**	59,705
Final Dividend				
Final dividend proposed and paid (2013) Rs. 1.00 per share (2012 - Rs. 1.60)				
- 72,900,000 Ordinary Shares	**72,900**	116,640	**72,900**	116,640
- 21,870,000 Non-Voting (Class X) Shares	**21,870**	34,992	**21,870**	34,992
	94,770	151,632	**94,770**	151,632
Total	**94,770**	211,337	**94,770**	211,337

The final dividend of Rs. 1.00 per share for 2012/13 distributed to shareholders are paid out of dividends received from companies within the Group on which 10% withholding tax has been paid.

16 Property, Plant & 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	**Total 2014 Rs. '000**	Total 2013 Rs. '000	Total 2012 Rs. '000
Freehold										
Cost/Valuation										
At the beginning of the year	1,185,500	517,259	171,036	243,268	89,955	35,416	114,967	**2,357,401**	2,037,847	1,858,140
Additions	–	808	238	18,845	4,658	5,032	18,971	**48,552**	129,270	191,151
Adjustment on revaluation	–	–	–	–	–	–	–	**–**	198,413	–
Disposals	–	–	–	(2,833)	(192)	–	(73,340)	**(76,365)**	(11,027)	(11,444)
Transferred from capital work-in-progress	–	409,130	5,674	42,239	–	3,621	–	**460,664**	2,898	–
Transferred to assets classified as held for sale	–	–	–	–	–	–	(5,966)	**(5,966)**	–	–
At the end of the year	1,185,500	927,197	176,948	301,519	94,421	44,069	54,632	**2,784,286**	2,357,401	2,037,847
Depreciation/Impairment										
At the beginning of the year	–	50,080	76,232	158,469	71,992	10,941	62,326	**430,040**	334,787	256,967
Depreciation	–	26,890	16,056	29,528	10,169	3,299	17,366	**103,308**	103,589	83,404
Impairment	–	–	30,000	–	–	–	–	**30,000**	–	–
On disposals	–	–	–	(455)	(163)	–	(41,420)	**(42,038)**	(8,336)	(5,584)
Transferred to assets classified as held for sale	–	–	–	–	–	–	(223)	**(223)**	–	–
At the end of the year	–	76,970	122,288	187,542	81,998	14,240	38,049	**521,087**	430,040	334,787
Leasehold										
Cost/Valuation										
At the beginning of the year	–	–	–	–	–	–	156,366	**156,366**	125,398	57,052
Additions	–	–	–	–	–	–	–	**–**	41,245	71,933
Disposals	–	–	–	–	–	–	(68,250)	**(68,250)**	(10,277)	(3,587)
Transferred to assets classified as held for sale	–	–	–	–	–	–	(17,055)	**(17,055)**	–	–
At the end of the year	–	–	–	–	–	–	71,061	**71,061**	156,366	125,398
Depreciation/Impairment										
At the beginning of the year	–	–	–	–	–	–	73,869	**73,869**	43,947	15,388
Depreciation	–	–	–	–	–	–	27,604	**27,604**	33,470	31,488
On disposals	–	–	–	–	–	–	(39,709)	**(39,709)**	(3,548)	(2,929)
Transferred to assets classified as held for sale	–	–	–	–	–	–	(14,755)	**(14,755)**	–	–
At the end of the year	–	–	–	–	–	–	47,009	**47,009**	73,869	43,947
Carrying value as at 31st March 2014	1,185,500	850,227	54,660	113,977	12,423	29,829	40,635	**2,287,251**		
Carrying value as at 31st March 2013	1,185,500	467,179	94,804	84,799	17,963	24,475	135,138		2,009,858	
Carrying value as at 31st March 2012	973,568	479,469	66,253	80,382	10,989	20,470	153,380			1,784,511

i. Carrying amount of property, plant and equipment pledged as securities for bank facilities obtained amounted to Rs. 290 million (2013 - Rs. 290 million).

ii. Borrowing costs capitalised during the year was Rs. 19.96 million (2013 - Rs. 1.57 million).

B. Group

	Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Equipment Rs. '000	Computers Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	**Total 2014 Rs. '000**	Total 2013 Rs. '000	Total 2012 Rs. '000
Freehold										
Cost/Valuation										
At the beginning of the year	2,873,178	2,627,447	2,472,503	925,075	254,727	103,872	887,482	**10,144,284**	8,457,129	7,146,012
On acquisition of subsidiary	–	–	–	–	–	–	–	**–**	–	6,063
Additions	96,252	38,919	129,540	118,206	21,462	16,189	104,369	**524,937**	662,112	1,073,723
Adjustment on revaluation	2,807	–	–	–	–	–	–	**2,807**	628,114	76,166
Reclassification to assets held for sale	–	–	(97,493)	(27,046)	(2,522)	(2,639)	(21,074)	**(150,774)**	–	–
Impairment	–	–	(68,324)	(8,583)	–	–	–	**(76,907)**	(12,456)	–
Transferred from leasehold	–	–	–	–	–	–	273,537	**273,537**	–	–
Transferred from capital work-in-progress	281	582,225	623,393	50,561	–	3,844	–	**1,260,304**	445,332	327,658
On account of disposal of subsidiary	(33,000)	(39,508)	(18,290)	(7,203)	(2,417)	(6,214)	(7,115)	**(113,747)**	–	–
Reclassification to investment property	(37,500)	–	–	–	–	–	–	**(37,500)**	–	–
Disposals/write off	–	(1,433)	(15,010)	(19,662)	(3,144)	(363)	(521,062)	**(560,674)**	(35,947)	(172,493)
At the end of the year	2,902,018	3,207,650	3,026,319	1,031,348	268,106	114,689	716,137	**11,266,267**	10,144,284	8,457,129
Depreciation/Impairment										
At the beginning of the year	–	339,888	886,910	541,339	204,324	49,823	415,504	**2,437,788**	1,940,842	1,602,713
On acquisition of subsidiary	–	–	–	–	–	–	–	**–**	–	544
Depreciation	–	117,389	191,844	118,726	29,851	14,807	147,760	**620,377**	528,617	444,037
Impairment	–	–	(23,647)	(4,461)	–	–	–	**(28,108)**	(9,264)	–
Transferred to revaluation reserve	–	–	–	–	–	–	–	**–**	–	(5,846)
Transferred from leasehold	–	–	–	–	–	–	189,400	**189,400**	–	–
Reclassification to assets held for sale	–	–	(78,469)	(27,046)	(2,159)	(2,536)	(12,416)	**(122,626)**	–	–
On account of disposal of subsidiary	–	(4,182)	(9,818)	(4,045)	(1,420)	(5,351)	(5,752)	**(30,568)**	–	–
On disposals/write off	–	(657)	(9,612)	(9,105)	(2,524)	(141)	(292,477)	**(314,516)**	(22,407)	(100,606)
At the end of the year	–	452,438	957,208	615,408	228,072	56,602	442,019	**2,751,747**	2,437,788	1,940,842
Leasehold										
Cost/Valuation										
At the beginning of the year	232,898	617,402	2,280	–	–	–	669,339	**1,521,919**	1,346,513	1,085,636
Additions	–	162,138	–	–	–	–	19,707	**181,845**	196,696	292,169
Transferred to freehold	–	–	–	–	–	–	(273,537)	**(273,537)**	–	–
Transferred from capital work-in-progress	–	18,500	–	–	–	–	–	**18,500**	–	–
Reclassification to assets held for sale	–	(11,796)	–	–	–	–	(34,200)	**(45,996)**	–	–
On account of disposal of subsidiary	–	–	(2,280)	–	–	–	(862)	**(3,142)**	–	–
Disposals	–	–	–	–	–	–	(79,130)	**(79,130)**	(21,290)	(31,292)
At the end of the year	232,898	786,244	–	–	–	–	301,317	**1,320,459**	1,521,919	1,346,513

	Land Rs. '000	Buildings Rs. '000	Plant & Machinery Rs. '000	Equipment Rs. '000	Computers Rs. '000	Furniture & Fittings Rs. '000	Motor Vehicles Rs. '000	**Total 2014 Rs. '000**	Total 2013 Rs. '000	Total 2012 Rs. '000
Depreciation/Impairment										
At the beginning of the year	25,316	149,568	683	–	–	–	332,326	**507,893**	358,024	226,343
Depreciation	2,932	57,239	285	–	–	–	109,258	**169,714**	164,431	143,795
Transferred to freehold	–	–	–	–	–	–	(189,400)	**(189,400)**	–	–
Reclassification to assets held for sale	–	(11,770)	–	–	–	–	(23,004)	**(34,774)**	–	–
On account of disposal of subsidiary	–	–	(968)	–	–	–	(219)	**(1,187)**	–	–
On disposals	–	–	–	–	–	–	(44,602)	**(44,602)**	(14,562)	(12,114)
At the end of the year	28,248	195,037	–	–	–	–	184,359	**407,644**	507,893	358,024
Carrying value as at 31st March 2014	3,106,668	3,346,419	2,069,111	415,940	40,034	58,087	391,076	**9,427,335**		
Carrying value as at 31st March 2013	3,080,760	2,755,393	1,587,190	383,736	50,403	54,049	808,991		8,720,522	
Carrying value as at 31st March 2012	2,287,773	2,490,846	1,458,747	355,302	35,988	45,738	830,382			7,504,776

i. Carrying amount of property, plant & equipment pledged as securities for bank facilities obtained amounted to Rs. 1,247.52 million (2013 - Rs. 1,384.61 million).

ii. Borrowing cost capitalised during the year is Rs. 33.93 million (2013 - Rs. 16.65 million).

iii. Impairment losses - During the year, a subsidiary carried out a review of the recoverable amount of its manufacturing plant and machinery. The assets for which an impairment loss is recognised are used in the Group's Packaging material reportable segment. The review led to the recognition of an asset which is impaired and the entire asset was de-recognised from its asset base. The net loss on the impairment is Rs. 18.79 million which has been recognised in the Statement of Comprehensive Income. Further, the Company has recognised as impairment loss of Rs. 30 million against plant & machinery.

C. Carrying Value

	Company			Group		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
At cost	**1,077,699**	741,861	729,492	**5,643,817**	4,833,326	4,575,369
At valuation	**1,185,500**	1,185,500	973,568	**2,870,703**	2,873,170	1,940,918
On finance lease	**24,052**	82,497	81,451	**912,815**	1,014,026	988,489
Total	**2,287,251**	2,009,858	1,784,511	**9,427,335**	8,720,522	7,504,776

D. The Values of Land if it had been Carried under Cost Model

	Company			Group		
As at 31st March	**2014 Rs. million**	2013 Rs. million	2012 Rs. million	**2014 Rs. million**	2013 Rs. million	2012 Rs. million
Land	**208.31**	208.31	194.79	**1,125.00**	891.84	752.95

Unexpired lease period of land belongs to CIC Agri Businesses (Private) Limited is 77 years.

E. Value of Land and Ownership

Company	Location	Land Extent in Acres/Roods/Perches	Carrying Value Rs. million
CIC Holdings PLC	Kew Road, Colombo 2	1 rood and 30.25 perches	456.50
	Sri Sasanajothi Mawatha, Ratmalana	4 acres, 3 roods and 21 perches	259.50
	Sirimavo Bandaranaike Mawatha, Colombo 14	1 acre and 32 perches	288.00
	Pellanwatta, Piliyandala	7 acres, 2 roods and 15.45 perches	106.50
	Lenagala Estate, Dedigamuwa	10 acres, 1 rood and 29.9 perches	75.00
Chemanex PLC	Sri Sasanajothi Mawatha, Ratmalana	2 acres and 2 roods	99.89
CIC Agri Businesses (Private) Limited	Mahiella, Kurunegala	2 acres, 3 roods and 31.25 perches	37.70
	Aluwihare, Matale	3 acres, 1 rood and 38 perches	22.99
	New Nuge Road, Peliyagoda	1 acre and 4 roods	182.00
Wayamba Agro Fertilizer Company Limited	Maho	16 acres and 30.8 perches	90.00
Sunhill Tea Factory (Private) Limited	Udadelwala, Delwala, Ratnapura	2 acres and 1 rood	1.70
CIC Seeds (Private) Limited	Udahaduwa Naula	15 acres, 3 roods and 39.9 perches	13.50
CISCO Speciality Packaging (Private) Limited	Pellanwatta, Pannipitiya	2 acres, 3 roods and 18.07 perches	86.00
CIC Vetcare (Private) Limited	Galla Estate, Ekala	90.75 perches	10.95
	Madampalle Estate, Madampalle	15 acres	37.50
CIC Poultry Farms Limited	Molahena Estate, Badalgama	25 acres and 29.95 perches	63.00
	Iswetiya Elies, Horakandawila, Dunagaha	17 acres and 16.8 perches	54.80
	Amunuwela Estate, Kuliyapitiya	41 acres 2 roods and 25 perches	92.13
	Katuwahenawatta, Walpita, Waradala	50 acres and 1 rood	122.00
CIC Bio Security Breeder Farms Limited	Molahena Estate, Badalgama	27 acres,1 rood and 57.6 perches	70.50
CIC Feeds (Private) Limited	Galla Estate, Ekala	6 acres and 33.4 perches	109.75
	Heeralugedara, Kotadeniyawa	18 acres and 2 roods	46.25
	Madampalle Estate, Madampalle	25 acres	62.50
	Nabirithankadawara, Welipennagahamulla, Pannala	50 acres, 1 rood and 32.5 perches	126.00
	Agalagedarawatta, Walpita, Kotadeniyawa	48 acres, 3 roods and 17.9 perches	122.00
Colombo Industrial Agencies Limited	Temple Lane, Ekala	3 acres	124.40
Link Natural Products (Private) Limited	Malinda, Kapugoda	4 acres and 24.9 perches	54.70
	Dambukanda	21 acres, 2 roods and 24 perches	56.25
	Dompe, Giridara	2 acres and 17.6 perches	18.50
	Kahatagahawatte, Dompe	3 roods and 37.80 perches	11.50
			2,902.01

The last revaluation of land has been as follows:

CIC Holdings PLC	March 2013
Chemanex PLC	April 2013
CIC Agri Businesses (Private) Limited and Subsidiaries	March 2013
CISCO Speciality Packaging (Private) Limited	March 2013
CIC Feeds (Private) Limited and Subsidiaries	March 2013
Link Natural Products (Private) Limited	March 2013
Colombo Industrial Agencies Limited	March 2013

All above revaluations are based on market value and those were carried out by Perera Sivaskantha & Company, an incorporated valuer. The revalued figures were incorporated in these Financial Statements from effective dates.

F. Depreciation has been Provided on a Straight-Line Basis at the Following Rates:

Company	Buildings Years	Plant & Machinery Years	Equipment Years	Computers Years	Motor Vehicles Years	Furniture & Fittings Years
CIC Holdings PLC	20	8	5	3	5	10
Chemanex PLC	10	6	3	3	4	4
CISCO Speciality Packaging (Private) Limited	20	20,12,10	20	3	5	20
CIC Agri Businesses (Private) Limited*	20	8	4	3	5	10
Colombo Industrial Agencies Limited	20	–	–	–	–	10
CIC Feeds (Private) Limited	40	20	20	5	5	8
Link Natural Products (Private) Limited	40	10	10,8,5	3	4	10
CIC Cropguard (Private) Limited	–	–	5	5	5	10
CIC Lifesciences Limited	–	8	4	4	–	4

* Land development cost is depreciated over 30 years.

G. Cost of Fully Depreciated Property, Plant & Equipment still in use at the reporting date is as follows:

	Company			Group		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Buildings	**–**	–	–	**64,524**	24,109	23,400
Plant & machinery	**94,569**	71,330	71,330	**243,859**	279,602	262,607
Equipment	**120,997**	83,875	67,963	**459,168**	336,373	207,044
Furniture & fittings	**4,300**	3,791	3,869	**21,391**	21,567	26,558
Motor vehicles	**3,885**	19,528	16,980	**249,183**	198,926	189,200
Computers	**64,883**	58,411	53,854	**113,406**	103,943	126,418
Total	**288,634**	236,935	213,996	**1,151,531**	964,520	835,227

17 Investment Property

Cost			
At the beginning of the year	**14,792**	99,095	97,148
Reclassification from property, plant & equipment	**37,500**	–	–
Reclassification to assets held for sale	**(892)**	(86,181)	–
Additions	**–**	–	1,947
Gain on fair value adjustments	**–**	1,878	–
At the end of the year	**51,400**	14,792	99,095
Depreciation			
At the beginning of the year	**185**	96	7
Charge for the year	**–**	89	89
Reclassification to assets held for sale	**(185)**	–	–
At the end of the year	**–**	185	96
Carrying value	**51,400**	14,607	98,999

A. Details of Investment Property

Ownership	Location	Land Extent	Carrying Value		
As at 31st March			**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Chemanex PLC	Pinwatte, Pohaddaramulla, Panadura, Wadduwa	2 acres, 1 rood and 12.15 perches	**–**	–	46,641
	Nugape, Pillagasowita, Uswetakeiyawa, Kandana	8 acres, 1 rood and 15 perches	**–**	–	39,540
	Building at Nugape		**–**	707	796
CIC Agri Businesses (Private) Limited	Pagoda, Nugegoda	15.5 perches	**11,500**	11,500	10,075
	Bogahapitiya Estate, Kengalle	12 perches	**2,400**	2,400	1,947
	Galle Road, Weligama	2 roods and 20.06 perches	**37,500**	–	–
Total			**51,400**	14,607	98,999

B. Income and Expenditure on Investment Property

For the year ended 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Rental income	**16,133**	17,121	20,510
Direct operating expenses	**(1,075)**	(1,740)	(3,532)
Total	**15,058**	15,381	16,978

C. Market value of investment property is Rs. 55 million. (2013 - Rs. 15 million).

D. There has been no impairment on investment property which requires a provision.

	Company			Group		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
18 Capital Work-in-Progress						
At the beginning of the year	**118,943**	12,881	8,743	**1,072,154**	531,459	199,877
Expenditure incurred	**392,641**	108,960	4,138	**1,254,012**	989,674	659,386
Amount capitalised	**(460,664)**	(2,898)	–	**(1,278,804)**	(445,332)	(327,658)
Amount expensed	**–**	–	–	**–**	(3,647)	(146)
Disposal of subsidiaries	**–**	–	–	**(283,950)**	–	–
At the end of the year	**50,920**	118,943	12,881	**763,412**	1,072,154	531,459
19 Deposit on Leasehold Property						
At the beginning of the year				**16,152**	13,678	13,964
Additions				**–**	2,807	–
Disposal of subsidiaries				**(15,940)**	–	–
Amortisation				**(212)**	(333)	(286)
At the end of the year				**–**	16,152	13,678

The above deposit related to Chemcel (Private) Limited was an up front payment for right to use the land and was stated at cost, less amortisation. The deposit was derecognised due to loss of control of subsidiary during the year.

A. Details of Lease Rentals

Company	Chemcel (Private) Limited
Location	Board of Investments of Sri Lanka in Mirigama Export Processing Zone
Land extent	6 acres, 3 roods and 27 perches
Lease period	50 years commencing from 22nd January 2010
Rental	US$ 3,700 per acre per annum

B Lease Payments Recognised as an Expense

For the year ended 31st March	2013 Rs. '000	2012 Rs. '000
Total lease payments made	13,840	8,892
Amount recognised as an expense	10,476	6,703

C. Future minimum lease payments under operating lease of land in US$ is as follows:

As at 31st March	2013 US$	2012 US$
Not later than one year	33,947	25,599
Later than one year and not later than five years	135,790	102,397
Later than five years	1,296,810	1,075,157
Total	1,466,547	1,203,153

			Group
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
20 Biological Assets			
At the beginning of the year	**86,262**	78,737	74,524
Additions	**80,576**	95,935	24,260
Reclassifications to inventories	**(3,835)**	–	–
Gain from changes in fair value	**2,478**	1,599	4,841
Disposals	**(98,115)**	(90,009)	(24,888)
At the end of the year (Note 20.1)	**67,366**	86,262	78,737

Note 20.1

	Poultry	Cattle	Teak	Total
Mature (Rs. '000)	18,500	11,635	–	30,135
Immature (Rs. '000)	–	29,500	7,731	37,231
Total	18,500	41,135	7,731	67,366

20.2 Nature of Group's Biological Assets

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

20.3 Non-Financial Measures of Biological Assets

Quantities	Poultry No. of Birds	Pigs No. of Animals	Cattle No. of Animals	Goats No. of Animals	Teak Cubic Metres
At the end of the period					
2014	**31,431**	**–**	**946**	**–**	**1,717**
2013	65,114	166	984	94	1,717
2012	60,529	449	814	155	1,717
Produced during the year					
2014	**5,806,007**	**166**	**278**	**94**	**–**
2013	7,878,112	232	190	55	–
2012	4,474,225	474	171	117	–

20.4 There are no commitments for development or acquisition of biological assets.

As at 31st March	**2014 Rs. '000**	2013 Rs. '000	Group 2012 Rs. '000
21 Intangible Assets			
Goodwill			
Gross Amount			
At the beginning of the year	**158,346**	158,346	94,584
Goodwill on acquisition during the year (i)	**11,585**	–	63,762
Disposal of subsidiaries	**(2,638)**	–	–
At the end of the year	**167,293**	158,346	158,346
Impairment			
At the beginning of the year	**43,121**	32,015	32,015
Charge for the year	**96,489**	11,106	–
At the end of the year	**139,610**	43,121	32,015
Net Goodwill (ii)	**27,683**	115,225	126,331
Development cost capitalised (iii)	**–**	32,686	32,686
Total	**27,683**	147,911	159,017

	2014 Rs. million	2013 Rs. million	2012 Rs. million
i. Goodwill on Acquisition Originated from the Following Investments:			
Investment by the Company in CIC Lifesciences Limited	**11.58**	–	63.76
ii. Aggregate Carrying Amounts of Goodwill Allocated to Each Unit is as Follows:			
CIC Holdings PLC	**11.06**	74.82	74.82
CIC Agri Businesses (Private) Limited	**–**	23.78	34.89
CIC Feeds (Private) Limited	**16.62**	16.62	16.62

iii. The research and development expenditure on a super absorbent with technical collaboration from a multinational company is capitalised by Chemcel (Private) Limited. However, this amount was derecognised due to loss of control of subsidiary during the year.

As at 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
22 Deferred Tax						
At the beginning of the year	**76,228**	87,096	93,103	**277,670**	303,574	291,563
Amount origination/(reversal) of temporary differences						
- Recognised in Income Statement	**(39,350)**	44,420	(6,007)	**(44,099)**	52,527	5,207
- Recognised in Income Statement - discontinued operations	**(106,146)**	(55,288)	–	**(86,409)**	(77,363)	–
- Recognised in other comprehensive income	**–**	–	–	**–**	(1,068)	–
- Recognised in equity	**–**	**–**	**–**	**–**	–	6,804
At the end of the year	**(69,268)**	76,228	87,096	**147,162**	277,670	303,574
Deferred tax assets	**69,268**	–	–	**133,721**	18,382	37,478
Deferred tax liabilities	**–**	76,228	87,096	**280,883**	296,052	341,052
Net liabilities/(assets)	**(69,268)**	76,228	87,096	**147,162**	277,670	303,574

A. Deferred Tax (Assets)/Liabilities Originated Due to Temporary Timing Differences on Following Asset and Liability Bases:

As at 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
On property, plant & equipment	**140,434**	124,227	127,250	**522,404**	418,624	416,354
On retirement benefit obligations	**(56,439)**	(47,999)	(40,154)	**(123,234)**	(86,271)	(91,734)
On tax losses	**(153,263)**	–	–	**(252,008)**	(54,683)	(21,046)
At the end of the year	**(69,268)**	76,228	87,096	**147,162**	277,670	303,574

The Group recognised deferred tax assets of Rs. 133.72 million (2013 - Rs. 18.38 million) as at the reporting date, as the management is confident that the deferred tax asset would be realised in the future due to the availability of taxable profits in future periods.

B. Unrecognised Deferred Tax Assets

As at 31st March	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Deductible temporary differences	**–**	2,181	1,018
Tax losses	**212,419**	78,245	65,271
Total	**212,419**	80,426	66,289

As at 31st March				2014		2013		2012
	Market Value Rs. '000	**Holding %**	**No. of Shares**	**Cost Rs. '000**	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
23 Investments in Subsidiaries								
Company								
Quoted								
Chemanex PLC	**650,235**	**50.41**	**7,939,373**	**136,683**	7,939,373	136,683	7,939,373	136,683
			7,939,373	**136,683**	7,939,373	136,683	7,939,373	136,683
Unquoted								
Crop Management Services (Private) Limited		**100.00**	**780,000**	**202,144**	780,000	202,144	120,000	4,144
CISCO Speciality Packaging (Private) Limited		**50.00**	**5,525,005**	**55,250**	5,525,005	55,250	5,525,005	55,250
CIC Agri Businesses (Private) Limited		**50.76**	**8,040,000**	**62,800**	8,040,000	62,800	8,040,000	62,800
Colombo Industrial Agencies Limited		**83.06**	**830,598**	**9,130**	830,598	9,130	830,598	9,130
CIC Feeds (Private) Limited		**82.44**	**3,710,000**	**217,434**	3,710,000	217,434	3,710,000	217,434
CIC Environmental Management Liquid (Private) Limited		**–**	**–**	**–**	–	–	193,800	1,938
Link Natural Products (Private) Limited								
Ordinary Shares		**47.76**	**2,675,000**	**66,875**	2,675,000	66,875	2,675,000	66,875
Non-Voting Shares		**100.00**	**2,333,333**	**46,667**	2,333,333	46,667	2,333,333	46,667
CIC Cropguard (Private) Limited		**100.00**	**500,000**	**5,000**	500,000	5,000	500,000	5,000
CIC Lifesciences Limited		**92.35**	**1,570,018**	**11,850**	1,450,018	10,650	1,399,998	10,150
				677,150		675,950		479,388
Provision for fall in value of investments				**(78,850)**		–		(1,938)
Total				**734,983**		812,633		614,133

(i) The Company made a provision against the investment in CIC Lifesciences Limited of Rs. 11.85 million and Rs. 67 million against the investment in Crop Management Services (Private) Limited during the year.

(ii) The subsidiaries of the Company are incorporated in Sri Lanka.

(iii) The Company's holding in the voting shares of Link Natural Products (Private) Limited was 47.76% as at 31st March 2014. However, due to Board control, the company was treated as a subsidiary in the accounts.

(iv) The Company has neither contingent liabilities nor capital commitment in respect of subsidiaries.

(v) The main activities of the subsidiary companies are given on page 38.

(vi) Investments made by the Company were as follows:

For the year ended 31st March		2014		2013		2012
	Shares	**Cost Rs. '000**	Shares	Cost Rs. '000	Shares	Cost Rs. '000
CIC Lifesciences Limited	**120,000**	**1,200**	50,020	500	1,399,998	10,150
Crop Management Services (Private) Limited	**–**	**–**	660,000	198,000	61,200	3,556
Total		**1,200**		198,500		13,706

The Company acquired further 7.06% equity stake in CIC Lifesciences Limited during the year.

(vii) Inter-Company Shareholdings

Investor	Investee	% Holding			Number of Shares		
As at 31st March		**2014**	2013	2012	**2014**	2013	2012
Chemanex PLC	CIC Agri Businesses (Private) Limited	**16.92**	16.92	16.92	**2,680,001**	2,680,001	2,680,001
Chemanex PLC	CIC Feeds (Private) Limited	**11.11**	11.11	11.11	**500,000**	500,000	500,000
CIC Agri Businesses (Private) Limited	Chemanex PLC	**2.84**	2.84	2.84	**446,604**	446,604	446,604
Crop Management Services (Private) Limited	CIC Feeds (Private) Limited	**6.44**	6.44	6.44	**290,100**	290,100	290,100

(viii) Investment in Joint Venture by CIC Agri Businesses (Private) Limited

(a) 49% equity shareholding with equivalent voting power in Rahimafrooz CIC Agro Limited, a joint venture established in year 2011/12 in Bangladesh.

(b) The followings are included in the Group Financial Statements as of the proportionate consolidation of Rahimafrooz CIC Agro Limited:

As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Current assets	**197,109**	156,694	11,186
Non-current assets	**12,600**	22,454	111
Current liabilities	**161,214**	184,198	–
Non-current liabilities	**85,778**	3,597	–

For the year ended 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Income	**173,995**	153,209	–
Expenses	**215,176**	170,551	11,185

As at 31st March			**2014**		2013		2012
	Holding %	**No. of Shares**	**Cost Rs. '000**	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
24 Investments in Equity Accounted Investees							
Company							
Unquoted							
Akzo Nobel Paints Lanka (Private) Limited							
Ordinary Shares	**49.37**	**2,340,000**	**23,400**	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	**100.00**	**1,260,000**	**12,600**	1,260,000	12,600	1,260,000	12,600
Total			**36,000**		36,000		36,000
Group							
Unquoted							
Akzo Nobel Paints Lanka (Private) Limited							
Ordinary Shares	**49.37**	**2,340,000**	**23,400**	2,340,000	23,400	2,340,000	23,400
Non-Voting Shares	**100.00**	**1,260,000**	**12,600**	1,260,000	12,600	1,260,000	12,600
Group Share of net assets on deemed disposal			**280,922**		280,922		280,922
Rainforest Ecolodge (Private) Limited	**24.40**	**9,950,968**	**99,510**	9,950,968	99,510	7,812,500	78,125
Commercial Insurance Brokers (Private) Limited	**40.00**	**239,999**	**200**	239,999	200	239,999	200
Chemcel (Private) Limited	**33.00**	**97,897,143**	**615,362**		–		–
			1,031,994		416,632		395,247
Share of equity accounted investees' retained earnings			**408,494**		372,953		312,932
Total			**1,440,488**		789,585		708,179

(i) The equity accounted investees are incorporated in Sri Lanka.

(ii) There are no unrecognised share of losses of the equity accounted investees as at 31st March 2014 (2013 - Nil).

(iii) The main activities of the equity accounted investees are given on page 38.

(iv) The Company has neither contingent liabilities nor capital commitments in respect of its equity accounted investees.

(v) Summarised financial information of equity accounted investees:

			Group
For the year ended 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Revenue	**5,893,568**	5,765,889	5,262,960
Expenses	**5,421,852**	5,290,718	4,882,650
Profit after tax	**471,716**	475,171	380,310
As at 31st March			
Non-current assets	**1,013,700**	650,658	556,395
Current assets	**4,051,084**	2,154,188	2,168,024
Total assets	**5,064,784**	2,804,846	2,724,419
Non-current liabilities	**155,048**	146,804	149,289
Current liabilities	**1,216,901**	1,131,072	1,191,152
Total liabilities	**1,371,949**	1,277,876	1,340,441
Net assets	**3,692,835**	1,526,970	1,383,978

25 Other Non-Current Financial Assets

			Company			Group
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Equity securities - available for sale	**120,000**	125,100	96,600	**9,425**	8,883	4,730
	120,000	125,100	96,600	**9,425**	8,883	4,730

As at 31st March		**2014**		2013		2012
	No. of Shares	**Cost Rs. '000**	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
Company						
Unquoted						
Yasui Lanka (Private) Limited	**660,000**	**6,600**	660,000	6,600	660,000	6,600
Chemcel (Private) Limited	**29,369,142**	**120,000**	12,000,000	120,000	9,000,000	90,000
		126,600		126,600		96,600
Provision for diminution in value of investments		**(6,600)**		(1,500)		–
Total		**120,000**		125,100		96,600

Company made a full provision against the investment in Yasui Lanka (Private) Limited, Rs. 6.6 million.

As at 31st March	2014		2013		2012	
	No. of Shares	**Fair Value Rs. '000**	No. of Shares	Fair Value Rs. '000	No. of Shares	Fair Value Rs. '000
Group						
Quoted						
CT Land Development PLC	**–**	**–**	–	–	24,999	604
Commercial Bank of Ceylon PLC						
Non-Voting	**41,663**	**4,041**	40,847	4,020	40,000	2,933
Voting	**20,334**	**2,501**	20,000	2,298	–	–
Muller & Phipps PLC	**300**	**0.00**	300	2	300	2
Chevron Lubricants Lanka PLC	**8,000**	**2,115**	8,000	1,735	8,000	340
Dipped Products PLC	**2,500**	**218**	2,500	278	2,500	243
		8,875		8,333		4,122
Unquoted						
Ceylon Tapes (Private) Limited	**80,000**	**400**	80,000	400	40,000	400
Equity Investments (Lanka) Limited	**15,000**	**150**	15,000	150	15,000	150
Roma Cosmetics (Private) Limited	**–**	**–**	200,000	2,000	200,000	2,000
Ceylon Tapes (Private) Limited - 10% Debentures	**–**	**–**	–	–	4,600	46
Dev-Fern (Private) Limited	**–**	**–**	–	–	1,200	12
NTS Interlining (Private) Limited	**650,000**	**6,500**	650,000	6,500	650,000	6,500
		7,050		9,050		9,108
Provision for diminution in value of investments		**(6,500)**		(8,500)		(8,500)
		9,425		8,883		4,730

In the opinion of the Directors the net realisable value of unquoted investments other than those investments for which provisions have been made are higher than their cost. Any reduction in market value below cost is considered to be of a temporary nature. The Group has made a full provision for NTS Interlining (Private) Limited as at end of the year.

26 Inventories

As at 31st March	Company			Group		
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Raw materials and consumables	**140,898**	147,032	184,300	**1,292,371**	1,768,143	1,700,157
Work-in-progress	**–**	–	–	**162,368**	211,637	167,750
Finished goods	**2,045,989**	1,628,393	1,253,350	**3,125,869**	2,729,406	2,479,562
Biological assets	**–**	–	–	**408,977**	311,722	267,595
Goods-in-transit	**113,208**	11,987	14,501	**276,877**	458,778	354,263
	2,300,095	1,787,412	1,452,151	**5,266,462**	5,479,686	4,969,327
Provision for inventories	**(106,317)**	(15,582)	(1,928)	**(166,124)**	(29,261)	(5,728)
Total	**2,193,778**	1,771,830	1,450,223	**5,100,338**	5,450,425	4,963,599

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

	Company			Group		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
At cost	**2,162,170**	1,771,830	1,441,659	**4,980,217**	5,450,425	4,941,632
At Net realisable value*	**31,608**	–	8,564	**120,121**	–	21,967
Total	**2,193,778**	1,771,830	1,450,223	**5,100,338**	5,450,425	4,963,599
*Cost of inventories carried at NRV	**36,375**	–	10,186	**256,436**	–	24,123
Inventories written off against opening provision	**7,787**	1,928	6,599	**65,736**	5,338	7,350

Bank facilities have been obtained on negative pledge over inventories.

27 Trade Receivables

Trade receivables from group companies (Note 27.1)	**561**	4,272	7,618	**–**	–	–
Other trade receivables	**1,512,410**	2,354,821	2,137,811	**3,588,016**	5,267,935	4,600,065
Bills receivable	**–**	–	–	**77,207**	76,797	103,998
Total	**1,512,971**	2,359,093	2,145,429	**3,665,223**	5,344,732	4,704,063
Less: Provision for doubtful debts	**(129,745)**	(82,713)	(110,319)	**(371,947)**	(345,221)	(421,829)
Total	**1,383,226**	2,276,380	2,035,110	**3,293,276**	4,999,511	4,282,234

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

27.1 Trade Receivables from Group Companies

	Company		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
CIC Agri Businesses (Private) Limited & subsidiaries	**2,521**	3,545	4,563
Chemanex PLC	**250**	338	3,051
CIC Feeds (Private) Limited & subsidiaries	**211**	389	–
Link Natural Products (Private) Limited	**–**	–	4
	2,982	4,272	7,618
Less: Provision for doubtful debts	**(2,421)**	–	–
Total	**561**	4,272	7,618

27.2 Trade Receivables - Currency-wise

	Company			Group		
As at 31st March	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Sri Lankan Rupees	**1,383,226**	2,276,380	2,035,110	**3,181,318**	4,850,160	4,137,793
US Dollars	**–**	–	–	**105,133**	149,351	144,441
Aus. Dollars	**–**	–	–	**2,539**	–	–
Euros	**–**	–	–	**4,286**	–	–
Total	**1,383,226**	2,276,380	2,035,110	**3,293,276**	4,999,511	4,282,234

As at 31st March	Company 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	Group 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
28 Other Receivables						
Non-trade receivables from group companies (Note 28.2)	**35,881**	72,914	93,252	**–**	–	–
Other non-trade receivables	**188,356**	340,479	147,647	**540,322**	655,535	1,071,734
Short-term loans granted to subsidiaries	**64,000**	74,600	69,400	**–**	–	–
Subsidy receivable	**–**	–	–	**3,311,538**	5,548,329	5,617,645
VAT receivable	**36,099**	494	33	**81,396**	67,777	110,148
Income tax receivable (Note 38)	**45,417**	39,971	3,706	**120,311**	102,002	51,002
Loans to employees (Note 28.1)	**13,431**	15,518	18,936	**52,958**	55,937	53,314
Pre-paid staff cost	**4,156**	5,015	6,050	**18,802**	20,686	18,097
Less: Provision for doubtful debts*	**(60,000)**	–	–	**–**	–	–
Total	**327,340**	548,991	339,024	**4,125,327**	6,450,266	6,921,940

* The Company made a provision of Rs. 60 million against the short-term loan granted to CIC Lifesciences Limited.

28.1 Loans to Employees

The number of employees who have obtained loans as at 31st March	**116**	131	127	**375**	338	307

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

28.2 Non-Trade Receivables from Group Companies

As at 31st March	Company 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
CISCO Speciality Packaging (Private) Limited	**208**	20	39
CIC Agri Businesses (Private) Limited	**769**	6,629	6,891
CIC Feeds (Private) Limited	**810**	528	200
Colombo Industrial Agencies Limited	**26,571**	31,922	34,533
CIC Environmental Management Liquid (Private) Limited	**–**	–	46,292
CIC Cropguard (Private) Limited	**7,503**	33,797	51,572
Link Natural Products (Private) Limited	**20**	18	17
CIC Lifesciences Limited	**13,919**	–	–
	49,800	72,914	139,544
Less: Provision for doubtful debts	**(13,919)**	–	(46,292)
Total	**35,881**	72,914	93,252

As at 31st March	2014		2013		2012	
	No. of Shares	**Fair Value Rs. '000**	No. of Shares	Fair Value Rs. '000	No. of Shares	Fair Value Rs. '000
29 Other Current Financial Assets						
Company						
Quoted						
Ceylon Hospitals PLC	**5,628**	**647**	5,628	563	5,628	260
Renuka Agri Foods PLC	**153,200**	**475**	153,200	628	153,200	919
Hatton National Bank PLC - Voting	**144,794**	**21,719**	144,794	24,224	144,794	21,757
Hatton National Bank PLC - Non-Voting	**14,709**	**1,765**	14,709	1,938	14,709	1,351
Total		**24,606**		27,353		24,287
Group						
Quoted						
Ceylon Hospitals PLC	**5,628**	**647**	5,628	563	5,628	260
Renuka Agri Foods PLC	**153,200**	**475**	153,200	628	153,200	919
Hatton National Bank PLC - Voting	**221,314**	**33,197**	221,314	37,025	221,314	33,255
Hatton National Bank PLC - Non-Voting	**14,709**	**1,765**	14,709	1,938	14,709	1,351
Commercial Bank of Ceylon PLC - Non-Voting	**345**	**34**	332	32	332	27
Kelani Tyres PLC	**400**	**21**	400	14	400	11
Tokyo Cement Company (Lanka) PLC	**2,970**	**107**	2,970	63	2,970	100
Hotel Services (Ceylon) PLC	**350,000**	**4,480**	350,000	4,690	350,000	6,090
John Keells Hotels PLC	**450,000**	**5,625**	450,000	5,940	450,000	5,670
Hydro Power Free Lanka PLC	**6,300**	**30**	6,300	35	6,300	45
Merchant Bank of Sri Lanka PLC	**300,000**	**4,167**	300,000	4,830	300,000	8,790
Odel PLC	**2,500**	**48**	2,500	53	2,500	50
Laugfs Gas PLC - Voting	**106,900**	**3,474**	106,900	2,619	106,900	2,757
Laugfs Gas PLC - Non-Voting	**5,900**	**156**	5,900	105	5,900	92
National Development Bank PLC	**40,024**	**7,164**	40,024	6,603	40,024	4,913
Lanka Orix Leasing Company PLC	**50,000**	**3,750**	50,000	2,850	50,000	2,700
Richard Pieris Distributors PLC	**200,000**	**1,320**	200,000	1,320	200,000	1,500
Colombo Land & Development Company PLC	**–**	**–**	101,500	–	101,500	–
Investments at market value		**66,460**		69,308		68,530

As at 31st March	Company			Group		
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
30 Cash and Cash Equivalents						
30.1 Favourable Cash and Cash Equivalents						
Cash and bank balances	**186,916**	95,343	52,934	**965,648**	1,021,123	657,602
30.2 Unfavourable Cash and Cash Equivalents						
Bank overdrafts	**(571,059)**	(844,461)	(644,129)	**(2,609,989)**	(3,884,893)	(2,495,380)
Short-term bank loans	**(1,726,642)**	(1,338,751)	(829,726)	**(5,499,287)**	(5,846,654)	(4,917,896)
	(2,297,701)	(2,183,212)	(1,473,855)	**(8,109,276)**	(9,731,547)	(7,413,276)
Cash and cash equivalents as assets held for sale	**–**	–	–	**(353,722)**	–	–
Cash and cash equivalents for the purpose of cash flow statements	**(2,110,785)**	(2,087,869)	(1,420,921)	**(7,497,350)**	(8,710,424)	(6,755,674)

As at 31st March	Company/Group 2014		Company/Group 2013		Company/Group 2012	
	No. of Shares	**Rs.**	No. of Shares	Rs.	No. of Shares	Rs.
31 Stated Capital						
Issued and Fully-Paid Ordinary Shares						
At the beginning of the year	**72,900,000**	**789,750,000**	72,900,000	789,750,000	72,900,000	789,750,000
At the end of the year	**72,900,000**	**789,750,000**	72,900,000	789,750,000	72,900,000	789,750,000
Non-Voting (Class X) Shares						
At the beginning of the year	**21,870,000**	**218,700,000**	21,870,000	218,700,000	21,870,000	218,700,000
At the end of the year	**21,870,000**	**218,700,000**	21,870,000	218,700,000	21,870,000	218,700,000
Total	**94,770,000**	**1,008,450,000**	94,770,000	1,008,450,000	94,770,000	1,008,450,000

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

The holders of Ordinary Shares (Non-Voting) are entitled to receive dividend as declared from time to time and are not entitled to vote at meetings of the Company.

As at 31st March	Company			Group		
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
32 Capital Reserves						
At the beginning of the year	**1,016,018**	817,605	817,605	**1,737,424**	1,231,163	1,206,900
Surplus on revaluation	**–**	198,413	–	**1,455**	507,811	28,857
Realisation of surplus on disposal	**–**	–	–	**(2,234)**	(830)	–
Adjustment due to changes in effective holding	**–**	–	–	**–**	–	1,414
Translation of a foreign entity	**–**	–	–	**641**	(720)	693
Effect due to changes in accounting policy	**–**	–	–	**–**	–	(6,701)
Disposal of subsidiaries	**–**	–	–	**(18,345)**	–	–
Total	**1,016,018**	1,016,018	817,605	**1,718,941**	1,737,424	1,231,163

Capital reserves consist of revaluation reserve, reserve on scrip issue, and the foreign currency translation reserve.

Revaluation reserve relates to revaluation of land and represents the fair value changes in lands.

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

The foreign currency translation reserve arise on the translation of foreign joint venture into reporting currency.

33 Revenue Reserves

This 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 arise on the fair value changes of available for sale financial assets recognised in the other comprehensive income.

34 Loans and Borrowings

As at 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
A. Long-term loans and borrowings repayable after one year						
Long-term loan	**266,780**	108,530	–	**865,290**	767,409	350,594
Finance lease obligation	**9,335**	50,715	58,347	**77,537**	232,853	301,019
	276,115	159,245	58,347	**942,827**	1,000,262	651,613
B. Long-term loans and borrowings repayable within one year						
Long-term loans	**94,680**	18,470	–	**1,671,907**	1,283,786	789,338
Finance lease obligations	**18,958**	32,064	28,757	**62,650**	129,288	120,293
Total	**113,638**	50,534	28,757	**1,734,557**	1,413,074	909,631
C. Bank Loans						
At the beginning of the year	**127,000**	–	–	**2,051,193**	1,139,932	747,065
On acquisition of subsidiary	**–**	–	–	**–**	–	37,775
Transfers	**–**	–	–	**–**	3,225	–
Obtained during the year	**323,000**	127,000	–	**3,365,660**	3,553,147	918,321
Repayment during the year	**(88,540)**	–	–	**(2,879,656)**	(2,645,109)	(563,229)
At the end of the year	**361,460**	127,000	–	**2,537,197**	2,051,195	1,139,932
Less: Repayable within one year	**(94,680)**	(18,470)	–	**(1,671,907)**	(1,283,786)	(789,338)
Repayable after one year	**266,780**	108,530	–	**865,290**	767,409	350,594

There are no bank loans payable after 5 years in the Company or Group.

D. Finance lease obligations						
At the beginning of the year	**82,779**	87,104	38,476	**362,141**	421,312	338,752
Obtained during the year	**–**	41,245	71,933	**19,707**	85,121	190,584
Disposal of subsidiaries	**–**	–	–	**(1,217)**	–	–
Repayments	**(54,486)**	(45,570)	(23,305)	**(235,980)**	(144,292)	(108,024)
Transferred to liabilities classified as held for sale	**–**	–	–	**(4,464)**	–	–
At the end of the year	**28,293**	82,779	87,104	**140,187**	362,141	421,312
Less: Repayable within one year	**(18,958)**	(32,064)	(28,757)	**(62,650)**	(129,288)	(120,293)
Repayable after one year	**9,335**	50,715	58,347	**77,537**	232,853	301,019
E. Analysis of finance lease obligations by year of repayment						
Finance lease obligations repayable within 1 year from the year end						
Gross liability	**21,724**	41,365	38,005	**81,819**	162,987	157,045
Finance charges unamortised	**(2,766)**	(9,301)	(9,248)	**(14,705)**	(33,699)	(36,752)
Transferred to liabilities classified as held for sale	**–**	–	–	**(4,464)**	–	–
Net lease obligations	**18,958**	32,064	28,757	**62,650**	129,288	120,293
Finance lease obligations repayable between 1 to 5 years from the year end						
Gross liability	**10,258**	57,381	66,294	**90,224**	263,901	342,662
Finance charges unamortised	**(923)**	(6,666)	(7,947)	**(12,687)**	(31,048)	(41,643)
Net lease obligations	**9,335**	50,715	58,347	**77,537**	232,853	301,019

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

F. Analysis of loans and borrowings payable after one year

Bank loans

Company	Lender	Interest Rate %	Currency	**2014 Rs. million**	2013 Rs. million	2012 Rs. million	Security
CIC Holdings PLC	Commercial Bank of Ceylon PLC	AWPLR+0.9	LKR	**266.78**	108.53	–	Project land and plant & machinery
CISCO Speciality Packaging (Private) Limited	Commercial Bank of Ceylon PLC	AWPLR+2.5	LKR	**30.71**	92.27	29.04	Land & Building
	NDB Bank PLC	AWPLR+2	LKR	**22.19**	–	77.24	Land & buildings and machinery
CIC Agri Businesses (Private) Limited	Hatton National Bank PLC	AWPLR (monthly review)	LKR	**1.03**	13.53	26.00	Letter of comfort
	Bank of Ceylon	15.00	LKR	**83.41**	128.38	–	Corporate guarantee
	Lanka Puthra Development Bank	8.00	LKR	**15.42**	21.67	–	Land
	IDLC Finance Limited Bangladesh	16.75	Taka	**6.21**	2.53	–	
	Investment Limited Bangladesh	16.75	Taka	**39.40**	–	–	
	EBL Bank Limited bangladesh	15.50	Taka	**40.09**	–	11.67	
Link Natural Products (Private) Limited	People's Bank	AWPLR+1	LKR	**37.53**	101.45	48.95	Secondary Mortgage over Property - Factory Premises
	Hatton National Bank PLC	AWPLR+1	LKR	**0.30**	3.86	7.42	Mortgage over stocks and book debtors
	DFCC Bank PLC	AWPLR+1	LKR	**11.88**	19.38	26.88	Mortgage over Machineries & Promissory Notes, primary mortgage over the motor vehicle
CIC Feeds (Private) Limited	Commercial Bank of Ceylon PLC	AWPLR+1.5	LKR	**280.37**	275.81	56.07	Negative pledge over stocks, debtors and project related assets
	People's Leasing Company PLC		LKR	**–**	–	3.18	
	Amana Investments Limited		LKR	**–**	–	26.38	
CIC Lifesciences Limited	Ceylinco leasing Corporation Limited		LKR	**–**	–	36.76	
	Ceylinco Investment and Reality Limited		LKR	**–**	–	1.00	
	Seylan Bank PLC	17.00	LKR	**29.97**	–	–	Mortgage over machinery and fixed deposits
Total				**865.29**	767.41	350.59	

Finance lease obligations

Company	Lender	**2014 Rs. million**	2013 Rs. million	2012 Rs. million
CIC Holdings PLC	Commercial Leasing Company PLC	**1.38**	5.34	9.91
	Central Finance Company PLC	**0.01**	3.92	6.82
	DFCC Bank PLC	**7.95**	41.46	41.62
CIC Feeds (Private) Limited	Commercial Leasing Company PLC	**–**	–	1.30
CISCO Speciality Packaging (Private) Limited	Central Finance Company PLC	**11.38**	16.44	12.60
CIC Cropguard (Private) Limited	Central Finance Company PLC	**12.10**	23.39	4.35
	DFCC Bank PLC	**2.23**	3.36	31.84
	Bank of Ceylon	**9.17**	12.63	–
CIC Agri Businesses (Private) Limited	Hatton National Bank PLC	**3.49**	5.10	3.61
	Central Finance Company PLC	**19.43**	121.21	186.63
	Commercial Leasing Company PLC	**–**	–	2.34
	Siyapath Leasing	**10.40**	–	–
Total		**77.54**	232.85	301.02

G. Loans and borrowings repayable within one year from the year end

As at 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
Long-term loans	**113,638**	50,534	28,757	**1,734,557**	1,413,074	909,631
Bank overdrafts	**571,059**	844,461	644,129	**2,609,989**	3,884,893	2,495,380
Short-term loans	**1,726,642**	1,338,751	829,726	**5,499,287**	5,846,654	4,917,896
Total	**2,411,339**	2,233,746	1,502,612	**9,843,833**	11,144,621	8,322,907

35 Retirement Benefit Obligations

Present Value of Gratuity

At the beginning of the year	**171,426**	143,406	126,085	**473,205**	374,970	309,797
On acquisition of subsidiaries	**–**	–	–	**–**	–	2,425
(Over)/under provision for previous year	**–**	–	–	**(2,126)**	3,271	(1,654)
Current service cost	**17,616**	15,609	13,119	**50,990**	47,829	51,581
Interest cost	**18,000**	15,058	13,239	**45,930**	38,322	31,643
Actuarial (gains)/losses	**3,980**	7,361	(4,907)	**279**	32,945	65
Benefits paid by the plan	**(9,454)**	(10,008)	(4,130)	**(32,098)**	(24,132)	(18,887)
Classified as liability on behalf of assets held for sale	**–**	–	–	**(7,718)**	–	–
Disposal of subsidiaries	**–**	–	–	**(5,702)**	–	–
At the end of the year	**201,568**	171,426	143,406	**522,760**	473,205	374,970

A. Retirement benefit cost is recognised in the following line items in the Statement of Comprehensive Income

Cost of sales	**4,271**	2,016	2,698	**14,107**	14,803	18,234
Distribution expenses	**3,461**	984	2,606	**8,716**	6,725	17,337
Administrative expenses	**27,884**	27,667	21,054	**71,971**	67,894	45,999
	35,616	30,667	26,358	**94,794**	89,422	81,570
Other comprehensive income	**3,980**	7,361	(4,907)	**279**	32,945	65
Total	**39,596**	38,028	21,451	**95,073**	122,367	81,635

The gratuity liability of the Company, Chemanex PLC, CIC Agri Businesses (Private) Limited, CIC Feeds (Private) Limited, Link Natural Products (Private) Limited is based on the actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries.

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% (2013 - 10.5%)
Salary increase	10% (2013 - 11%)
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 would change the present value of the retirement benefit obligations as follows:

	Increase by 1%	Decrease by 1%
Company	190,335	207,184
Group	491,268	540,246

As at 31st March	Group 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
36 Grants			
At the beginning of the year	**31,512**	22,774	6,125
Received during the year	**–**	14,753	19,502
Amortised during the year	**(8,103)**	(6,015)	(2,853)
At the end of the year	**23,409**	31,512	22,774

Grants are amortised over the useful life of the asset. Details of grants are as follows:

Beneficiary	Purpose	Grantor	Amount Received Rs. '000	Carrying Value 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
CIC Agri Businesses (Private) Limited	Dairy development in the Eastern Province	Land O'Lakes Inc.	33,600	**22,919**	28,233	17,642
CIC Agri Businesses (Private) Limited	Purchase of environmental friendly dust extraction system	Ceylon Chamber of Commerce	5,000	**–**	1,719	2,500
CIC Poultry Farms Limited	Construction of waste management system	Ceylon Chamber of Commerce	5,000	**–**	999	2,000
Link Natural Products (Private) Limited	Out grower medicinal crops cultivation and processing project in Monaragala and Ampara District.	Connecting Regional Economies (USAID/CORE)	655	**490**	561	632
Total				**23,409**	31,512	22,774

As at 31st March	Company 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	Group 2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
37 Trade Payables						
Trade payables to Group companies (Note 37.1)	**6,160**	10,162	27,458	**–**	–	–
Bills payable	**645,608**	532,032	359,045	**3,413,400**	4,524,022	5,802,616
Other trade payables	**644,243**	469,225	314,948	**1,191,420**	1,312,654	895,753
Total	**1,296,011**	1,011,419	701,451	**4,604,820**	5,836,676	6,698,369
37.1 Trade Payable to Group Companies						
CISCO Speciality Packaging (Private) Limited	**6,160**	10,100	10,670			
CIC Lifesciences Limited	**–**	–	16,788			
Chemanex PLC	**–**	62	–			
	6,160	10,162	27,458			
37.2 Currency-Wise Trade Payables						
US Dollars	**592,079**	460,615	313,778	**3,249,482**	4,382,852	5,751,795
Euros	**13,669**	43,644	17,854	**61,051**	54,397	17,854
Sterling Pounds	**629**	4,150	–	**646**	4,150	–
Singapore Dollars	**21,741**	20,141	24,002	**22,678**	20,141	24,002
Swiss Franc	**12,290**	3,481	3,424	**12,290**	3,481	3,424
Bangalidesh Taka	**–**	–	–	**18,458**	–	–
Sri Lankan Rupees	**655,603**	479,388	342,393	**1,240,215**	1,371,655	901,294
Total	**1,296,011**	1,011,419	701,451	**4,604,820**	5,836,676	6,698,369

As at 31st March	Company 2014 Rs. '000	Company 2013 Rs. '000	Company 2012 Rs. '000	Group 2014 Rs. '000	Group 2013 Rs. '000	Group 2012 Rs. '000
38 Income Tax Payable/(Receivable)						
At the beginning of the year	**(39,971)**	(3,706)	82,993	**(62,502)**	25,584	126,783
On acquisition	**–**	–	–	**–**	–	46
Provision made during the year - continuing operations	**(5,184)**	25,868	91,862	**112,338**	123,068	361,752
Provision made during the year - discontinued operations	**–**	–	–	**(68)**	1,949	–
Other Comprehensive Income	**–**	–	–	**–**	–	(395)
Tax on dividends received from associates	**–**	–	–	**(24,600)**	(23,040)	(19,200)
Payments made during the year	**(262)**	(62,133)	(178,561)	**(105,252)**	(190,063)	(443,402)
At the end of the year	**(45,417)**	(39,971)	(3,706)	**(80,084)**	(62,502)	25,584
Income tax payable	**–**	–	–	**40,227**	39,500	76,586
Income tax receivable	**45,417**	39,971	3,706	**120,311**	102,002	51,002
Total	**(45,417)**	(39,971)	(3,706)	**(80,084)**	(62,502)	25,584

39 Capital Expenditure Commitments

Following material capital commitments were existed at the Statement of reporting date.

Company	Nature
CIC Feeds (Private) Limited	Civil construction of four broiler houses, processing plant building - Rs. 179.8 million
	New hatchery machinery and equipment - Rs. 185 million

40 Contingent Liabilities

40.1 Financial Commitments

As at 31st March	Company 2014	Company 2013	Group 2014	Group 2013
Letter of Credits ('000)				
US Dollars	**2,028**	4,204	**9,627**	9,392
Euros	**16**	–	**16**	286
Sterling Pounds	**–**	20	**–**	20
Sri Lankan Rupees	**121,229**	43,624	**131,658**	440,144
Singapore Dollars	**284**	–	**284**	–
Shipping Guarantees not under Letter of Credits ('000)				
Sri Lankan Rupees	**63,630**	63,630	**6,760**	51,730
BID Bonds ('000)				
Sri Lankan Rupees	**84,270**	76,702	**84,270**	76,702
US Dollars	**250**	–	**250**	–

40.2 Contingencies

CIC Agri Businesses (Private) Limited has issued a corporate guarantee of Rs. 177 million to CIC Seeds Limited to secure the banking facility obtained from Bank of Ceylon PLC.

CIC Agri Businesses (Private) limited has issued a bank guarantee of Rs. 210 million (USD 1,611,000) to secure the banking facilities obtained from Commercial Bank of Ceylon PLC and Eastern Bank Limited, Bangladesh by Rahimafrooz CIC Agro Limited as at 31st March 2014.

Except for the above there were no material contingent liabilities as at the reporting date which require adjustment to or disclosure in the Financial Statements.

41 Employee Share Option Scheme

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

Ordinary Shares	- Rs. 136.12
Non-Voting (Class X) Shares	- Rs. 95.19

The fair value at the grant date was Rs. 146.60 for Ordinary Shares and Rs. 104.30 for Non-Voting (Class X) Shares.

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

- The Company has issued share options directly to specified employees of the Company, Managing Directors and Executive Directors of Subsidiaries where the Company holds 50% or more in Ordinary Voting Shares.
- Employees are eligible for ESOS based on eligibility criteria decided by the Board of Directors which are as follows:

Ordinary (379,080 shares)	- Executive Staff on average 3 years performance
Non-Voting (Class X) (1,516,320 shares)	- 303,264 shares for Non-Executive staff on length of service (minimum 10 years)
	- 303,264 shares for Executive Staff on length of service (minimum 10 years) 909,792 Executive Staff on average 3 years performance

- No option with regard to Ordinary and Non-Voting Shares were exercised as at the reporting date.

42 Events After the Reporting Date

The Company invested Rs. 119 million, in a rights issue of CIC Lifesciences Limited, subsequent to the reporting date.

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

43 Related Party Transactions

A. Parent and Ultimate Controlling Party

Ultimate Parent Company of the Company is Paints and General Industries Limited.

	2013/14 Rs. million	2012/13 Rs. million	2011/12 Rs. million
Dividend paid	**39.59**	88.28	142.51
Sale of goods	**479.68**	496.84	535.87
Trade receivables	**231.72**	166.51	283.08

B. Transactions with Key Management Personnel

(i) **Loans to Directors**

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

(ii) **Key Management Personnel Compensation**

Key Management Personnel include members of the Board of Directors of the Company and subsidiaries. The details of compensation are given in Note 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 other subsidiaries and the equity accounted investees, are as follows:

S.P.S. Ranatunga
R.S. Captain
S.H. Amarasekera
M.P. Jayawardena
S.M. Enderby

(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 40.

(c) The Directors of the Company were also Directors of the following companies and the Company has carried out transactions in the ordinary course of business. Details are as follows:

Company	Name of the Director	Nature of the transaction	**2013/4 Rs. million**	2012/13 Rs. million	2011/12 Rs. million
Commercial Bank of PLC	M.P. Jayawardena	Current account	**(1,038.38)**	(1,947.61)	(853.16)
		Long-term loan	**837.50**	446.18	356.08
		Short-term loan	**1,379.40**	900.35	1,185.83
Seylan Bank PLC	S.P.S. Ranatunga	Current account	**(85.87)**	(19.47)	(11.00)
		Long-term loan	**40.00**	49.89	2.52
		Short-term loan	**543.43**	617.13	440.00
Hemas Travels (Private) Limited	S.M. Enderby	Payment for services	**17.66**	–	–
CEI Plastics (Private) Limited	R.S. Captain	Payments for purchase of goods	**0.26**	3.21	7.25
Polypack Secco Limited	R.S. Captain	Payments for purchase of goods	**22.12**	23.41	21.33

(d) CIC Agri Businesses (Private) Limited utilises around 5 acres of land in North Western Province, which belongs to Mr. B.R.L. Fernando free of any rentals. (Mr. B.R.L. Fernando retired with effect from 31st December 2013).

(e) Mr. S.M. Enderby is a Director of Paints and General Exports (Private) Limited a related party to Paints General & Industries Limited.

(f) Key Management Personnel interest in the employee share option scheme of the Company (ESOS) - Key Management Personnel held options to purchase Voting Shares and Non-Voting (Class X) shares as at 31st March 2014 under the ESOS as follows:

Voting Shares - 92,372 at a price of Rs. 136.12 each.

Non-Voting (Class X) Shares - 270,380 at a price of Rs. 95.19 each.

(g) There were no other transactions with Key Management Personnel other than disclosed above.

C. Transactions with Subsidiaries and Equity Accounted Investees

(i) Companies within the Group engage in trading transactions under normal commercial terms and conditions.

(ii) Company provides office space to some of its subsidiaries and equity accounted investees and charges rent. In addition, the Company provides certain shared services such as data processing, personnel and administration functions. The related costs are allocated to subsidiaries and equity accounted investees.

Company	Relationship	Nature of the Transaction	**2013/14 Rs. million**	2012/13 Rs. million	2011/12 Rs. million
Chemanex PLC	Subsidiary	Sale of goods	**1.97**	19.80	5.00
		Dividend received	**11.51**	5.95	13.89
		Secretarial fees paid	**1.16**	1.86	1.00
		Payable - non-trade	**1.82**	0.55	1.71
		Receivable - trade	**0.25**	0.34	3.05
CIC Agri Businesses (Private) Limited	Subsidiary	Sale of goods	**0.21**	1.30	0.98
		Dividend received	**–**	–	18.25
		Rent paid	**6.45**	4.16	3.54
		Staff costs paid	**46.71**	46.42	35.11
		Network charges received	**0.61**	0.42	0.42
		Receivable - trade	**–**	0.48	0.14
		Receivable - non-trade	**0.77**	6.63	6.89
		Rent deposit	**1.20**	1.20	1.20
CISCO Speciality Packaging (Private) Limited	Subsidiary	Dividend received	**–**	–	47.21
		Purchase of goods	**40.44**	31.82	42.25
		Staff costs paid	**8.91**	8.86	7.35
		Network charges received	**0.43**	0.34	0.34
		Rent received	**0.33**	0.30	0.25
		Payable - trade	**6.16**	10.10	10.67
		Receivable - non-trade	**0.21**	0.02	0.04
		Receivable - short-term loan	**4.00**	54.60	69.40
CIC Cropguard (Private) Limited	Subsidiary	Sale of goods	**11.94**	2.44	–
		Dividend received	**–**	3.60	18.00
		Staff costs paid	**12.90**	9.56	8.80
		Handling commissions & service charges	**21.14**	14.47	26.27
		Receivable - non-trade	**7.50**	33.80	51.57
CIC Feeds (Private) Limited	Subsidiary	Sale of goods	**0.27**	0.26	0.44
		Dividend received	**16.70**	12.98	43.04
		Staff costs paid	**8.88**	2.40	2.40
		Receivable - non-trade	**0.81**	0.53	0.20
		Receivable - trade	**–**	0.04	–
CIC Lifesciences Limited	Subsidiary	Purchase of goods	**–**	–	145.67
		Receivable - non-trade	**13.92**	–	–
		Rent received	**0.66**	0.51	–
		Receivable - short-term loans	**60.00**	20.00	–
		Payable - non-trade	**–**	0.73	–
		Payable - trade	**–**	–	16.79
		Provision for bad and doubtful debts	**73.92**	–	–
Link Natural Products (Private) Limited	Subsidiary	Sale of goods	**–**	0.56	3.65
		Dividend received	**15.78**	15.78	13.52
		Rent received	**0.21**	0.19	0.17
		Receivable - non-trade	**0.02**	0.02	0.02
CIC Environmental Management Liquid (Private) Limited	Subsidiary	Receivable	**–**	–	46.29
		Provision for bad and doubtful debts	**–**	–	46.29

Company	Relationship	Nature of the Transaction	**2013/14 Rs. million**	2012/13 Rs. million	2011/12 Rs. million
Colombo Industrial Agencies Limited	Subsidiary	Rent paid	**8.51**	8.51	2.06
		Royalty	**0.69**	1.36	3.00
		Receivable - non-trade	**26.57**	31.92	34.53
Crop Management Services (Private) Limited	Subsidiary	Dividend received	**0.78**	1.20	0.45
Agri Produce Marketing (Private) Limited	Sub-Subsidiary	Sale of goods	**0.58**	1.46	1.64
		Receivable - trade	**0.06**	0.06	0.75
Kelani Valley Canneries Limited	Sub-Subsidiary	Sale of goods	**0.27**	0.37	0.31
		Receivable - trade	**2.46**	2.87	3.38
Agri Produce Exports (Private) Limited	Sub-Subsidiary	Sale of goods	**–**	0.16	0.08
CIC Seeds (Private) Limited	Sub-Subsidiary	Sale of goods	**1.35**	2.75	4.35
		Receivable - trade	**–**	0.12	0.30
CIC Poultry Farms Limited	Sub-Subsidiary	Sale of goods	**0.14**	0.24	0.17
		Receivable - trade	**–**	0.07	–
Chemanex Exports (Private) Limited	Sub-Subsidiary	Sale of goods	**–**	–	0.25
CIC Vetcare (Private) Limited	Sub-Subsidiary	Sale of goods	**0.99**	1.41	0.65
		Receivable - trade	**0.21**	0.28	–
Akzo Nobel Paints Lanka (Private) Limited	Equity accounted investee	Sale of goods	**0.03**	–	–
		Rent received	**29.88**	28.74	29.16
		Dividend received	**221.40**	207.36	172.80
		Staff costs paid	**5.03**	1.23	2.70
		Handling commission and service charges	**35.99**	34.52	38.45
		Receivable - non-trade	**15.99**	20.31	11.48
		Receivable - trade	**0.02**	–	–

44 Prior Year Adjustment

The Consolidated Financial Statements of the Group for the previous years were restated consequent to correction of errors in the Financial Statements of the subsidiaries. The impact of the correction of errors on the profit for the year and other comprehensive income is given below:

For the year ended 31st March	2013 Rs. '000	2012 Rs. '000
Profit for the year		
Depreciation on property, plant & equipment	1,608	4,103
Under provision of revenue tax	8,171	–
Under provision of deferred tax on biological assets	8,083	13,069
	17,862	17,172
Other comprehensive income for the year		
Revaluation of land not accounted for	57,544	–
Fair value gain of available for sale financial assets	2,775	–
	60,319	–
Total comprehensive income for the year	78,181	17,172

Further, the comparative information was reclassified where necessary to conform with the current year's classification in order to provide a better presentation.

The effect of the restatement on the Financial Statement is summarised in the next page.

44.1 Reconciliations - Statements of Financial Position

		As at 31st March, 2013			As at 31st March, 2012		
	Note	As Disclosed in 2013 Rs. '000	Adjustment Rs. '000	Restated in 2013 Rs. '000	As Disclosed in 2012 Rs. '000	Adjustment Rs. '000	Restated in 2012 Rs. '000
ASSETS							
Non-current assets							
Property, plant & equipment	44.1.1	8,668,689	51,833	8,720,522	7,508,879	(4,103)	7,504,776
Investment property		14,607	–	14,607	98,999	–	98,999
Capital work-in-progress		1,072,154	–	1,072,154	531,459	–	531,459
Deposit on leasehold property		16,152	–	16,152	13,678	–	13,678
Biological assets		86,262	–	86,262	78,737	–	78,737
Intangible assets		147,911	–	147,911	159,017	–	159,017
Deferred tax assets		18,382	–	18,382	37,478	–	37,478
Investment in equity accounted investees		789,585	–	789,585	708,179	–	708,179
Other non-current financial assets	44.1.2	6,108	2,775	8,883	4,730	–	4,730
Total non-current assets		10,819,850	54,608	10,874,458	9,141,156	(4,103)	9,137,053
Current assets							
Inventories		5,450,425	–	5,450,425	4,963,599	–	4,963,599
Trade receivables		4,999,511		4,999,511	4,282,234	–	4,282,234
Other receivables		6,450,266	–	6,450,266	6,921,940	–	6,921,940
Other current financial assets	44.1.3	71,587	(2,279)	69,308	70,619	(2,089)	68,530
Cash in hand and at bank	44.1.3	1,018,844	2,279	1,021,123	655,513	2,089	657,602
		17,990,633	–	17,990,633	16,893,905	–	16,893,905
Assets classified as held for sale		118,383	–	118,383	78,843	–	78,843
Total assets		28,928,866	54,608	28,983,474	26,113,904	(4,103)	26,109,801
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the Company							
Stated capital		1,008,450	–	1,008,450	1,008,450	–	1,008,450
Capital reserves	44.1.4	1,696,030	41,394	1,737,424	1,231,163	–	1,231,163
Revenue reserves	44.1.5	5,055,369	(26,602)	5,028,767	5,074,773	(14,421)	5,060,352
		7,759,849	14,792	7,774,641	7,314,386	(14,421)	7,299,965
Non-controlling interests	44.1.6	1,649,015	10,493	1,659,508	1,686,690	(2,751)	1,683,939
Total equity		9,408,864	25,285	9,434,149	9,001,076	(17,172)	8,983,904
Non-current liabilities							
Loans and borrowings		1,000,262	–	1,000,262	651,613	–	651,613
Retirement benefit obligations		473,205	–	473,205	374,970	–	374,970
Grants		31,512	–	31,512	22,774	–	22,774
Deferred tax liabilities	44.1.7	274,900	21,152	296,052	327,983	13,069	341,052
		1,779,879	21,152	1,801,031	1,377,340	13,069	1,390,409
Current liabilities							
Trade payables		5,836,676	–	5,836,676	6,698,369	–	6,698,369
Income tax payable		39,500	–	39,500	76,586	–	76,586
Accruals and other payables	44.1.8	719,326	8,171	727,497	637,626	–	637,626
Loans and borrowings		11,144,621	–	11,144,621	8,322,907	–	8,322,907
		17,740,123	8,171	17,748,294	15,735,488	–	15,735,488
Total liabilities		19,520,002	29,323	19,549,325	17,112,828	13,069	17,125,897
Total equity and liabilities		28,928,866	54,608	28,983,474	26,113,904	(4,103)	26,109,801

44.1.1 Property, Plant & Equipment

One of the subsidiaries has erroneously accounted plant and machinery depreciation and revaluation gain on lands. Corrections have been made retrospectively to the Financial Statements in accordance with LKAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' under SLFRS.

	Group	
	2013 Rs. '000	2012 Rs. '000
Previously disclosed	8,668,689	7,508,879
Error correction	(5,711)	(4,103)
Revaluation of land	57,544	–
Restated balance	8,720,522	7,504,776

44.1.2 Other Non-Current Financial Assets

Available for sale financial investments have been erroneously accounted at cost as at 31st March 2013, whereas after the initial measurement available for sale financial assets should have been accounted under fair value (with unrealised gains or losses) in accordance with Sri Lanka Accounting Standards (LKAS 39) 'Financial Instruments: Recognition and Measurement'.

	Group	
	2013 Rs. '000	2012 Rs. '000
Previously disclosed	6,108	4,730
Error correction	2,775	–
Restated balance	8,883	4,730

44.1.3 Other Current Financial Assets

Investment in Repo was previously classified under other current financial assets and it has been reclassified as cash in hand and at bank in the current year due to the short-term nature of the investment.

	Group	
	2013 Rs. '000	2012 Rs. '000
Other current financial assets	(2,279)	(2,089)
Cash in hand and at bank	2,279	2,089

44.1.4 Capital Reserve

Capital reserve is adjusted to reflect the revaluation gain.

	Group
	2013 Rs. '000
Previously disclosed	1,696,030
Revaluation gain	41,394
Restated balance	1,737,424

44.1.5 Revenue Reserves

Revenue reserves were adjusted to reflect the changes in profit due to errors.

	Group	
	2013 Rs. '000	2012 Rs. '000
Previously disclosed	5,055,369	5,074,773
Error in depreciation of machinery	(2,856)	(2,052)
Deferred tax impact on biological assets	(20,020)	(12,369)
AFS reserve adjustment on current financial assets	2,775	–
Sales tax amendment	(6,501)	–
Restated balance	5,028,767	5,060,352

44.1.6 Non-Controlling Interests

Non-controlling interest was adjusted to reflect the changes in profit and loss.

	Group	
	2013 Rs. '000	2012 Rs. '000
Previously disclosed	1,649,015	1,686,690
Error in depreciation of machinery	(2,856)	(2,052)
Deferred tax impact on biological assets	(1,131)	(699)
Sales tax amendment	(1,670)	–
Revaluation gain	16,150	–
Restated balance	1,659,508	1,683,939

44.1.7 Deferred Tax Liabilities

One of the subsidiaries has not recognised the Deferred tax liability arising from biological assets in the profit for the year ended 31st March, 2012 and 2013. However, in accordance with LKAS 12, 'Income Tax' the Group is required to recognise the deferred tax asset/(liability) arising from the deductible temporary difference/taxable temporary difference in the Statement of Comprehensive Income. The error has now been corrected relating to the Financial Statements.

	Group	
	2013 Rs. '000	2012 Rs. '000
Previously disclosed	274,900	327,983
Deferred tax impact on biological assets	21,152	13,069
Restated balance	296,052	341,052

44.1.8 Accruals and other Payables

One of the subsidiaries has not recognised the revenue tax (Nation Building Tax) relating to revenue and this error has been adjusted retrospectively.

	Group
	2013 Rs. '000
Previously disclosed	719,326
Sales tax amendment	8,171
Restated balance	727,497

44.2 Reconciliations- Statements of Comprehensive Income

		For the year ended 31st March, 2013			
	Note	As disclosed in 2013 Rs. '000	Adjustment Rs. '000	Discontinued operations Rs. '000	Restated in 2013 Rs. '000
Continuing operations					
Revenue	44.2.1	23,822,198	(8,171)	(2,078,470)	21,735,557
Cost of sales	44.2.2	(18,132,866)	(1,608)	(1,784,930)	(16,349,544)
Gross profit		5,689,332	(9,779)	(293,540)	5,386,013
Other income		143,181	–	(8,079)	135,102
Distribution expenses		(2,228,337)	–	(309,935)	(1,918,402)
Administrative expenses		(2,324,786)	–	(187,783)	(2,137,003)
Other expenses		(16,599)	–	–	(16,599)
Financing cost (net)		(1,277,913)	–	(125,845)	(1,152,068)
Share of profit of equity accounted investees (net of tax)		291,716	–	–	291,716
Profit/(loss) before tax		276,594	(9,779)	(321,944)	588,759
Tax expense	44.2.3	(92,098)	(8,083)	(75,414)	(175,595)
Profit/(loss) from continuing operations		184,496	(17,862)	(246,530)	413,164
Discontinued operations					
Loss from discontinued operations (net of tax)		–	–	–	(246,530)
Profit/(loss) for the year		184,496	(17,862)	–	166,634
Other comprehensive income					
Net gains on remeasuring available for sale financial assets	44.2.4	3,066	2,775	–	5,841
Actuarial losses on retirement benefit obligations		(32,945)	–	–	(32,945)
Surplus on revaluation of land	44.2.4	570,570	57,544	–	628,114
Exchange difference on translating foreign entities		(1,210)	–	–	(1,210)
Tax on other comprehensive income		1,068	–	–	1,068
Other comprehensive income for the year		540,549	60,319	–	600,868
Total comprehensive income for the year		725,045	42,457	–	767,502

44.2.1 Revenue

	Group
	2013 Rs. '000
Previously disclosed	23,822,198
Sales tax amendment	(8,171)
Discontinued operations	(2,078,470)
Restated balance	21,735,557

44.2.2 Cost of Sales

	Group
	2013 Rs. '000
Previously disclosed	18,132,866
Error in depreciation of machinery	1,608
Discontinued operations	(1,784,930)
Restated balance	16,349,544

44.2.3 Tax Expense

	Group
	2013 Rs. '000
Previously disclosed	92,098
Deferred tax impact on biological assets	8,083
Discontinued operations	75,414
Restated balance	175,595

44.2.4 Other Comprehensive Income

	Group
	2013 Rs. '000
Previously disclosed	540,549
AFS Reserve adjustment	2,775
Gain on revaluation of land	57,544
Restated balance	600,868

45 Financial Instruments

Financial 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 has exposure to the following risks arising from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Risk Management Framework

The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Financial Risk Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Credit Risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to Credit Risk

			Company
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Equity securities available for sale	**120,000**	125,100	96,600
Trade receivables	**1,383,226**	2,276,380	2,035,110
Other receivables	**327,340**	548,991	339,024
Current financial assets available for sale	**24,606**	27,353	24,287
Cash and cash equivalents	**186,916**	95,343	52,934
Total	**2,042,088**	3,073,167	2,547,955

			Group
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Equity securities available for sale	**9,425**	8,883	4,730
Trade receivables	**3,293,276**	4,999,511	4,282,234
Other receivables	**4,125,327**	6,450,266	6,921,940
Current financial assets available for sale	**66,460**	69,308	68,530
Cash and cash equivalents	**965,648**	1,021,123	657,602
Total	**8,460,136**	12,549,091	11,935,036

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and area in which customers operate, as these factors may have an influence on credit risk.

The Risk Management Committee has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

Significant percentage of the Group's customers have been transacting with the Group for over four years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are Government or Non-Government, whether they are wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list and monitored by the Risk Management Committee, and future sales are made on a prepayment basis.

The Group is closely monitoring the economic environment in the country and is taking actions to limit its exposure to customers in the country experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for company of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those trade receivables.

The maximum exposure to credit risk for trade receivables of the Company at the end of the reporting period by geographical region is as follows:

			Company
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Western	**942,149**	1,284,522	1,206,207
Eastern	**96,538**	212,555	174,484
North-Western	**37,604**	113,748	108,451
Central	**84,813**	163,018	166,874
Sabaragamuwa	**40,332**	97,430	72,670
North	**49,359**	119,149	106,145
Southern	**125,396**	168,732	124,880
Uva	**55,409**	62,244	59,686
North-Central	**81,371**	137,695	126,032
Total	**1,512,971**	2,359,093	2,145,429

The Group is engaged in different business industries to mitigate its business risk. So that the credit risk of trade and other receivables varies widely. Therefore, the credit risk is analysed based on domestic and foreign basis.

			Group
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Domestic	**3,553,265**	5,195,381	4,559,622
Foreign	**111,959**	149,351	144,441
Total	**3,665,224**	5,344,732	4,704,063

Impairment Losses

Company has not got neither past due nor impaired trade receivables and past due but not impaired trade receivables as at 31st March 2014, 31st March 2013 and 31st March 2012.

The aging of trade receivables of the Group that were not impaired were as follows:

			Group
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Neither past due nor impaired	**3,162**	323,356	181,827
Past due 1 - 30 days	**143,975**	24,736	18,390
Past due 31 - 60 days	**5,197**	9,225	13,556
Past due 61 - 90 days	**–**	3,462	–
Past due 91 - 180 days	**–**	510	769
	152,334	361,289	214,542

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

			Company
	Individual Impairments Rs. '000	Collective Impairments Rs. '000	Total Rs. '000
Balance as at 1st April 2013	52,213	30,500	82,713
Charge for the year	80,974	141,471	222,445
Utilised/unused amounts reversed	(7,360)	(28,922)	(36,282)
Transferred to assets classified as held for sale	(41,303)	(97,828)	(139,131)
Balance as at 31st March 2014	**84,524**	**45,221**	**129,745**
Balance as at 1st April 2012	93,071	17,248	110,319
Charge for the year	3,922	22,045	25,967
Utilised/Unused amounts reversed	(44,780)	(8,793)	(53,573)
As at 31st March 2013	52,213	30,500	82,713

			Group
	Individual Impairments Rs. '000	Collective Impairments Rs. '000	Total Rs. '000
Balance as at 1st April 2013	98,503	246,718	345,221
Charge for the year	107,574	232,045	339,619
Utilised/unused amounts reversed	(9,490)	(126,052)	(135,542)
Transferred to assets classified as held for sale	(41,303)	(136,048)	(177,351)
Balance as at 31st March 2014	**155,284**	**216,663**	**371,947**
Balance as at 1st April 2012	113,200	308,629	421,829
Charge for the year	30,454	79,452	109,906
Utilised/Unused amounts reversed	(45,151)	(141,363)	(186,514)
As at 31st March 2013	98,503	246,718	345,221

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

Based on the Group's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

Debt Securities

The Group limits its exposure to credit risk by investing only in liquid debt securities.

The Group did not have any debt securities that were past due but not impaired at 31st March 2014. (2013 and 2012 - Nil).

Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs. 186,916 as at 31st March 2014 (2013 - Rs. 95,343 and 2012 - Rs. 52,934) (in thousands) and Group held Rs. 965,648 as at 31st March 2014 (2013 - Rs. 1,021,123 and 2012 - Rs. 657,602) (in thousands) which represents its maximum credit exposure on these assets. Cash and cash equivalents are held with banks which are rated AA to AA+, based on rating agency's ratings.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter 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 risk of damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities.

A Risk Management policy is set so as to limit the net financial liabilities to a pre-approved amount. The Group maintains the net financial liabilities to these specified upper limits and any deviation to these upper limits requires prior approval.

The Company and the Group held the following short-term financial liabilities as at 31st March 2014; (Refer Note 34 for maturity analysis of non-current financial liabilities).

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Currency Risk

The Group is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of entities. The currencies in which these transactions primarily are denominated in US Dollars and Sterling Pounds.

Effects of currency rate fluctuations of imported materials and the finished goods are transferred in a reasonable manner keeping in line with prices in the market.

Subsidiary companies of the Group settle all import bills and the financial liabilities denominated in a currency other than functional currency, out of US Dollars, Sterling Pounds and Euro receipts from their overseas customers.

				Company
	Maturity	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Trade payables	Less than 90 days	**1,296,011**	1,011,419	701,451
Accruals and other payables	0 - 30 days	**331,786**	204,102	178,722
Loans and borrowings payable within one year	On demand	**113,638**	50,534	28,757
Short-term loans	0 - 90 days	**1,726,642**	1,338,751	829,726
Bank overdrafts	On demand	**571,059**	844,461	644,129

				Group
	Maturity	**2014 Rs. '000**	2013 Rs. '000	2012 Rs. '000
Trade payables	Less than 90 days	**4,604,820**	5,836,676	6,698,369
Accruals and other payables	0 - 30 days	**1,118,176**	727,497	637,626
Loans and borrowings payable within one year	On demand	**1,734,557**	1,413,074	909,631
Short-term loans	0 - 90 days	**5,499,287**	5,846,654	4,917,896
Bank overdrafts	On demand	**2,609,989**	3,884,893	2,495,380

Following are the exchange rates used for the translation of transactions denominated in foreign currencies:

	2014			2013			2012		
Currency	**Selling Rate**	**Buying Rate**	**Average Rate**	Selling Rate	Buying Rate	Average Rate	Selling Rate	Buying Rate	Average Rate
US Dollar (in Rs.)	**132**	**129**	**131**	131	128	130	114	112	113
Euro (in Rs.)	**183**	**177**	**180**	170	164	167	159	155	157
Sterling Pound (Rs.)	**220**	**214**	**217**	208	202	205	184	179	182

Sensitivity Analysis

A strengthening (weakening) of the Euro and USD, against all other currencies as at 31st March would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on major two foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2013 and 2012, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

Interest Rate Risk

Senior finance management of the Group monitors its exposure to the interest rate risk on a continuous basis and makes necessary decisions where necessary. The Company and the Group adopt a policy of ensuring that between 50% and 60% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates.

Profile

At the end of the reporting period, the interest rate profile of the Group's interest-bearing financial instruments as reported to the Management of the Group is disclosed in Note 34 to the Financial Statements.

	Equity		Profit or Loss	
	Strengthening Rs. '000	Weakening Rs. '000	Strengthening Rs. '000	Weakening Rs. '000
31st March 2014				
USD (10% movement)	(324,948)	324,948	(324,948)	324,948
Euro (10% movement)	(6,105)	6,105	(6,105)	6,105
31st March 2013				
USD (10% movement)	(423,350)	423,350	(423,350)	423,350
Euro (10% movement)	(5,440)	5,440	(5,440)	5,440
31st March 2012				
USD (10% movement)	(560,735)	560,735	(560,735)	560,735
Euro (10% movement)	(1,785)	1,785	(1,785)	1,785

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

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 Group's operations.

The Group's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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 return on capital as well as level of dividends to Ordinary Shareholders.

The Board of Directors seek to maintain a balance between higher returns that might be possible with higher levels of borrowings and advantages and security afforded by a sound capital position.

The Group monitors capital using an adjusted net debt to equity ratio, which is adjusted net debt divided by adjusted equity. For this purpose, adjusted net debt is defined as total liabilities (which includes interest-bearing loans and borrowings and obligations under finance leases) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

The Company's adjusted net debt to equity ratio at the end of the reporting period was as follows:

			Company
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Total liabilities	**2,687,454**	2,392,991	1,560,959
Less: Cash and cash equivalents	**(186,916)**	(95,343)	(52,934)
Net debt	**2,500,538**	2,297,648	1,508,025
Total equity	**3,096,362**	4,045,108	3,852,912
Adjusted equity	**3,096,362**	4,045,108	3,852,912
Net debt to adjusted equity ratio as at 31st March (Times)	**0.81**	0.57	0.39

			Group
	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000
Total liabilities	**10,786,660**	12,144,883	8,974,520
Less: Cash and cash equivalents	**(965,648)**	(1,021,123)	(657,602)
Net debt	**9,821,012**	11,123,760	8,316,918
Total equity	**8,139,257**	9,434,149	8,983,904
Adjusted equity	**8,139,257**	9,434,149	8,983,904
Net debt to adjusted equity ratio as at 31st March (Times)	**1.21**	1.18	0.93

Accounting classification and fair values

Fair value vs carrying amounts

The value of financial assets and liabilities, together with carrying amount shown in the Statement of Financial Position are as follows:

	Note	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
Company								
As at 31st March 2014								
Cash and cash equivalents	30	–	–	186,916	–	–	186,916	186,916
Trade receivables	27	–	–	1,383,226	–	–	1,383,226	1,383,226
Other receivables	28	–	–	327,340	–	–	327,340	327,340
Equity securities - available for sale	25/29	–	–	–	144,606	–	144,606	144,606
		–	–	1,897,482	144,606	–	2,042,088	2,042,088
Secured bank loans	34	–	–	–	–	(2,088,102)	(2,088,102)	(2,088,102)
Finance leases	34	–	–	–	–	(28,293)	(28,293)	(28,293)
Trade payables	37	–	–	–	–	(1,296,011)	(1,296,011)	(1,296,011)
Bank overdrafts	34	–	–	–	–	(571,059)	(571,059)	(571,059)
		–	–	–	–	(3,983,465)	(3,983,465)	(3,983,465)
As at 31st March 2013								
Cash and cash equivalents	30	–	–	95,343	–	–	95,343	95,343
Trade receivables	27	–	–	2,276,380	–	–	2,276,380	2,276,380
Other receivables	28	–	–	548,991	–	–	548,991	548,991
Equity securities - available for sale	25/29	–	–	–	152,453	–	152,453	152,453
		–	–	2,920,714	152,453	–	3,073,167	3,073,167
Secured bank loans	34	–	–	–	–	(1,465,751)	(1,465,751)	(1,465,751)
Finance leases	34	–	–	–	–	(82,779)	(82,779)	(82,779)
Trade payables	37	–	–	–	–	(1,011,419)	(1,011,419)	(1,011,419)
Bank overdrafts	34	–	–	–	–	(844,461)	(844,461)	(844,461)
		–	–	–	–	(3,404,410)	(3,404,410)	(3,404,410)
As at 31st March 2012								
Cash and cash equivalents	30	–	–	52,934	–	–	52,934	52,934
Trade receivables	27	–	–	2,035,110	–	–	2,035,110	2,035,110
Other receivables	28	–	–	339,024	–	–	339,024	339,024
Equity securities - available for sale	25/29	–	–	–	120,887	–	120,887	120,887
		–	–	2,427,068	120,887	–	2,547,955	2,547,955
Secured bank loans	34	–	–	–	–	(829,726)	(829,726)	(829,726)
Finance leases	34	–	–	–	–	(87,104)	(87,104)	(87,104)
Trade payables	37	–	–	–	–	(701,451)	(701,451)	(701,451)
Bank overdrafts	34	–	–	–	–	(644,129)	(644,129)	(644,129)
		–	–	–	–	(2,262,410)	(2,262,410)	(2,262,410)

								Group
	Note	Fair Value Through Profit or Loss Rs. '000	Held to Maturity Rs. '000	Loans and Receivables Rs. '000	Available for Sale Rs. '000	Other Financial Liabilities Rs. '000	Total Carrying Value Rs. '000	Fair Value Rs. '000
Group								
As at 31st March 2014								
Cash and cash equivalents	30	–	–	965,648	–	–	965,648	965,648
Trade receivables	27	–	–	3,293,276	–	–	3,293,276	3,293,276
Other receivables	28	–	–	4,125,327	–	–	4,125,327	4,125,327
Equity securities - available for sale	25/29	–	–	–	75,885	–	75,885	75,885
		–	–	8,384,251	75,885	–	8,460,136	8,460,136
Secured bank loans	34	–	–	–	–	(8,036,484)	(8,036,484)	(8,036,484)
Finance leases	34	–	–	–	–	(140,187)	(140,187)	(140,187)
Trade payables	37	–	–	–	–	(4,604,820)	(4,604,820)	(4,604,820)
Bank overdrafts	34	–	–	–	–	(2,609,989)	(2,609,989)	(2,609,989)
		–	–	–	–	(15,391,480)	(15,391,480)	(15,391,480)
As at 31st March 2013								
Cash and cash equivalent	30	–	–	1,021,123	–	–	1,021,123	1,021,123
Trade receivables	27	–	–	4,999,511	–	–	4,999,511	4,999,511
Other receivables	28	–	–	6,450,266	–	–	6,450,266	6,450,266
Equity securities - available for sale	25/29	–	–		78,191	–	78,191	78,191
			–	12,470,900	78,191	–	12,549,091	12,549,091
Secured bank loans	34	–	–	–	–	(7,897,849)	(7,897,849)	(7,897,849)
Finance leases	34	–	–	–	–	(362,141)	(362,141)	(362,141)
Trade payables	37	–	–	–	–	(5,836,676)	(5,836,676)	(5,836,676)
Bank overdrafts	34	–	–	–	–	(3,884,893)	(3,884,893)	(3,884,893)
		–	–	–	–	(17,981,559)	(17,981,559)	(17,981,559)
As at 31st March 2012								
Cash and cash equivalent	30	–	–	657,602	–	–	657,602	657,602
Trade receivables	27	–	–	4,282,234	–	–	4,282,234	4,282,234
Other receivables	28	–	–	6,921,940	–	–	6,921,940	6,921,940
Equity securities - available for sale	25/29	–	–		73,260	–	73,260	73,260
		–	–	11,861,776	73,260	–	11,935,036	11,935,036
Secured bank loans	34	–	–	–	–	(6,057,828)	(6,057,828)	(6,057,828)
Finance leases	34	–	–	–	–	(421,312)	(421,312)	(421,312)
Trade payables	37	–	–	–	–	(6,698,369)	(6,698,369)	(6,698,369)
Bank overdrafts	34	–	–	–	–	(2,495,380)	(2,495,380)	(2,495,380)
		–	–	–	–	(15,672,889)	(15,672,889)	(15,672,889)

Annexes

	2014 SLFRS Rs'000	Restated 2013 SLFRS Rs'000	Restated 2012 SLFRS Rs'000	2011 SLFRS Rs'000
Income Statement				
Turnover	**21,902,485**	21,735,557	22,477,151	21,045,301
Operating profit after interest	**(828,215)**	161,941	943,637	1,171,896
Other income	**577,864**	135,102	152,888	226,936
Share of profit of equity accounted investees	**281,541**	291,716	277,896	231,179
Profit before tax	**31,190**	588,759	1,374,421	1,630,011
Taxation	**(68,239)**	(175,595)	(353,890)	(466,894)
Profit for the year from continuing operations	**(37,049)**	413,164	1,020,531	1,163,117
Profit/(loss) for the year from discontinued operations	**(1,052,499)**	(246,530)	–	–
Non-controlling interests	**140,034**	49,339	(157,447)	(236,569)
Profit attributable to equity holders of the Company	**(949,514)**	215,973	863,084	926,548
Statement of Financial Position				
Stated capital	**1,008,450**	1,008,450	1,008,450	1,008,450
Capital reserves	**1,718,941**	1,737,424	1,231,163	1,206,900
Revenue reserves	**4,001,327**	5,028,767	5,060,352	4,526,194
Negative goodwill	**–**	–	–	–
Non-controlling interests	**1,410,539**	1,659,508	1,683,939	1,641,515
Total equity	**8,139,257**	9,434,149	8,983,904	8,383,059
Property, plant & equipment	**9,427,335**	8,720,522	7,504,776	6,404,586
Investment property	**51,400**	14,607	98,999	97,141
Biological assets	**67,366**	86,262	78,737	74,524
Deposit on leasehold property	**–**	16,152	13,678	13,964
Capital work-in-progress	**763,412**	1,072,154	531,459	199,877
Intangible assets	**27,683**	147,911	159,017	95,255
Investments	**1,449,913**	798,468	712,909	623,147
Net current assets	**(2,011,694)**	360,722	1,237,260	2,084,896
	9,775,415	11,216,798	10,336,835	9,593,390
Deferred liabilities	**(693,331)**	(782,387)	(701,318)	(603,471)
Long-term liabilities	**(942,827)**	(1,000,262)	(651,613)	(606,860)
	8,139,257	9,434,149	8,983,904	8,383,059
Cash Flow Statement				
Net cash inflow/(outflow) from operating activities	**2,292,953**	(1,001,983)	(1,307,519)	(299,377)
Net cash inflow/(outflow) from investing activities	**(1,221,713)**	(1,499,063)	(1,663,267)	(837,282)
Net cash inflow/(outflow) from financing activities	**155,254**	552,409	(94,104)	(214,538)
Other Information				
Earnings/(deficit) per share (Rs.)	**(10.02)**	2.28	9.11	9.78
Dividends per share (Rs.)	**–**	1.63	3.20	2.75
Net assets per share (Rs.)	**71.00**	82.04	77.02	71.14
Market capitalisation (Rs. million)	**4,132.70**	5,466.04	8,392.98	13,661.46
Interest cover (No. of times)	**0.29**	1.21	2.98	4.26
Current ratio (No. of times)	**0.88**	1.02	1.08	1.20
Dividend cover (No. of times)	**–**	1.40	2.85	3.56
Price earnings ratio (No. of times)				
- Ordinary	**(4.54)**	26.75	10.49	15.85
- Non-Voting (Class X)	**(3.72)**	20.44	7.15	11.05

2010 SLAS Rs. '000	2009 SLAS Rs. '000	2008 SLAS Rs. '000	2007 SLAS Rs. '000	2006 SLAS Rs. '000	2005 SLAS Rs. '000
16,610,474	15,684,055	14,121,787	13,953,749	12,909,060	10,637,758
386,111	93,512	702,661	1,006,283	919,961	543,784
484,852	411,487	131,761	120,174	99,894	131,180
212,642	264,479	261,385	107,219	123,807	106,752
1,083,605	769,478	1,095,807	1,233,676	1,143,662	781,716
(356,256)	(278,429)	(323,591)	(435,944)	(356,580)	(267,713)
727,349	491,049	772,216	797,732	787,082	514,003
17,900	(23,710)	(27,522)	–	–	–
(155,678)	(64,488)	(234,911)	(304,396)	(270,150)	(201,937)
589,571	402,851	509,783	493,336	516,932	312,066
1,008,450	1,008,450	1,008,450	1,008,450	186,300	186,300
627,402	583,535	603,638	615,120	855,628	225,277
3,405,699	2,958,283	2,686,203	2,295,007	1,994,467	1,527,553
–	–	–	–	41,529	80,502
1,321,402	1,092,982	1,081,772	1,159,499	1,122,717	855,455
6,362,953	5,643,250	5,380,063	5,078,076	4,200,641	2,875,087
4,473,240	4,159,885	3,916,380	2,867,626	2,880,564	1,954,198
83,731	–	–	–	–	–
60,765	58,833	19,755	9,654	–	–
15,109	–	–	–	–	–
90,668	52,408	102,775	412,843	41,642	17,611
79,882	49,541	2,748	2,181	2,702	293
545,598	537,919	980,205	538,155	464,432	352,290
1,937,514	1,750,165	1,273,776	2,129,424	1,495,845	1,220,963
7,286,507	6,608,751	6,295,639	5,959,883	4,885,185	3,545,355
(431,201)	(408,581)	(371,328)	(360,827)	(190,782)	(175,598)
(492,353)	(556,920)	(544,248)	(520,980)	(493,762)	(494,670)
6,362,953	5,643,250	5,380,063	5,078,076	4,200,641	2,875,087
1,341,368	(1,052,191)	(132,611)	176,838	1,638,969	(441,567)
(533,763)	306,739	(1,132,965)	(791,462)	(544,387)	(801,505)
(333,403)	(90,137)	172,181	613,547	(50,926)	204,832
6.22	4.25	5.38	5.23	5.78	3.49
1.85	1.50	1.50	1.44	1.14	4.75
53.20	48.01	45.36	41.75	34.40	22.57
5,908.55	2,745.00	2,980.00	4,370.96	1,714.57	1,547.91
2.58	2.00	3.50	5.00	4.23	3.84
1.22	1.24	1.22	1.50	1.35	1.25
3.36	2.83	3.59	3.60	6.96	6.24
10.93	7.40	6.28	17.21	30.94	44.52
6.99	4.82	4.41	11.42	19.00	34.27

1 Stock Exchange Listing

CIC Holdings PLC is a Public Quoted Company. The issued share capital of the Company consists of 72,900,000 (2013 - 72,900,000) ordinary shares and 21,870,000 (2013 - 21,870,000) non-voting (Class X) shares listed in the Colombo Stock Exchange.

2 Shareholders

There were 2,617 (2013 - 2,728) ordinary shareholders and 3,093 (2013 - 3,188) non-voting (Class X) shareholders as at 31st March 2014, distributed into different categories as follows:

Ordinary Shares

	2014			2013		
Shares Held	**No. of Shareholders**	**Total Shareholding**	**%**	No. of Shareholders	Total Shareholding	%
1 - 1000	**1,619**	**493,416**	**0.67**	1,682	527,934	0.72
1001 - 10000	**734**	**2,648,405**	**3.64**	772	2,799,515	3.84
10001 - 100000	**222**	**7,031,511**	**9.65**	230	7,288,114	10.00
100001 - 1000000	**36**	**8,715,385**	**11.95**	38	8,594,184	11.79
Over 1000000	**6**	**54,011,283**	**74.09**	6	53,690,253	73.65
Total	**2,617**	**72,900,000**	**100.00**	2,728	72,900,000	100.00
Resident	**2,559**	**71,429,763**	**97.98**	2,667	71,374,382	97.91
Non-Resident	**58**	**1,470,237**	**2.02**	61	1,525,618	2.09
Total	**2,617**	**72,900,000**	**100.00**	2,728	72,900,000	100.00

Percentage of shares held by public - 46.62% (includes 6.04% held by Employees' Provident Fund).

Percentage of shares held by the Directors and employees together with the members of their families - 0.07%.

Percentage of shares held by the Parent Company - 53.31%.

Non-Voting (Class X) Shares

	2014			2013		
Shares Held	**No. of Shareholders**	**Total Shareholding**	**%**	No. of Shareholders	Total Shareholding	%
1 - 1000	**1,856**	**632,136**	**2.89**	1,897	660,866	3.02
1001 - 10000	**923**	**3,347,879**	**15.31**	975	3,503,545	16.02
10001 - 100000	**280**	**7,860,676**	**35.94**	282	7,969,147	36.44
100001 - 1000000	**33**	**7,592,220**	**34.72**	33	7,299,353	33.38
Over 1000000	**1**	**2,437,089**	**11.14**	1	2,437,089	11.14
Total	**3,093**	**21,870,000**	**100.00**	3,188	21,870,000	100.00
Resident	**2,997**	**20,325,950**	**92.94**	3,092	20,541,182	93.92
Non-Resident	**96**	**1,544,050**	**7.06**	96	1,328,818	6.08
Total	**3,093**	**21,870,000**	**100.00**	3,188	21,870,000	100.00

Percentage of shares held by public - 96.22%. (Includes 11.14% held by Employees' Provident Fund).

Percentage of shares held by the Directors and employees together with the members of their families - 0.46%.

Percentage of shares held by the Parent Company - 3.32%.

3 Twenty Largest Shareholders - Ordinary Shares

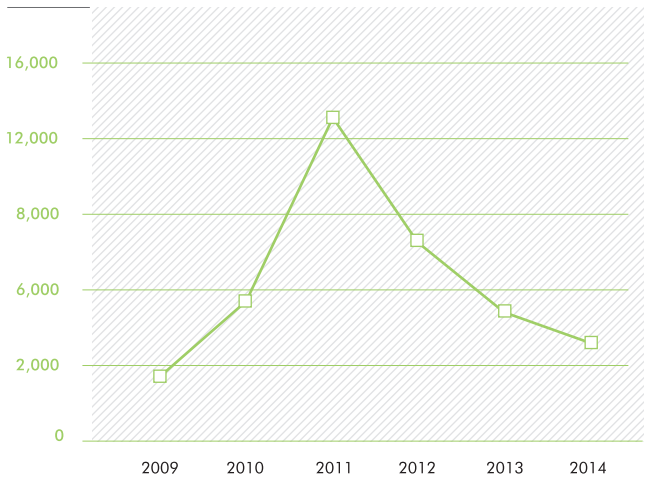
As at 31st March		2014		2013	
		No. of Shares	**%**	No. of Shares	%
1.	Paints & General Industries Limited	**38,860,349**	**53.31**	38,860,349	53.31
2.	Employees' Provident Fund	**4,669,314**	**6.41**	4,404,740	6.04
3.	Sri Lanka Insurance Corporation Limited - Life Fund	**3,409,594**	**4.68**	3,409,594	4.68
4.	Associated Electrical Corporation Limited	**2,810,113**	**3.85**	2,753,657	3.78
5.	Employees' Trust Fund Board	**2,763,891**	**3.79**	2,763,891	3.79
6.	Mr. S.K. Wickremesinghe	**1,498,022**	**2.05**	1,498,022	2.05
7.	Bank of Ceylon No. 01 Account	**650,100**	**0.89**	650,100	0.89
8.	Sri Lanka Insurance Corporation Limited - General Fund	**439,300**	**0.60**	439,300	0.60
9.	Mrs. K.J.M. De Silva	**377,850**	**0.52**	377,850	0.52
10.	Bank of Ceylon A/C Ceybank Century Growth Fund	**361,830**	**0.50**	354,221	0.49
11.	HSBC International Nom Limited - SSBT - Russell Institutional	**352,900**	**0.48**	352,900	0.48
12.	Waldock Mackanzie Limited/Hi-Line Trading (Pvt) Limited	**341,530**	**0.47**	328,020	0.45
13.	Mrs. L.K. Goonewardena	**327,303**	**0.45**	327,303	0.45
14.	Trading Partners (Private) Limited	**321,516**	**0.44**	–	–
15.	Colombo Fort Investments PLC	**315,000**	**0.43**	315,000	0.43
16.	HSBC International Nom Limited - SSBT - Russell Trust Company	**311,400**	**0.43**	311,400	0.43
17.	Dr. H.R. and Mr. V.K. Wickremasinghe Custodian Trustees Martin Wickremasinghe Trust Fund	**310,491**	**0.43**	310,491	0.43
18.	Estate of M. Radhakrishnan (Deceased)	**303,750**	**0.42**	303,750	0.42
19.	People's Bank	**300,000**	**0.41**	159,434	0.22
20.	Mr. G.N. Wikramanayake	**265,625**	**0.36**	265,625	0.36
	Total	**58,989,878**	**80.92**	58,185,647	79.82

4 Twenty Largest Shareholders - Non-Voting (Class X) Shares

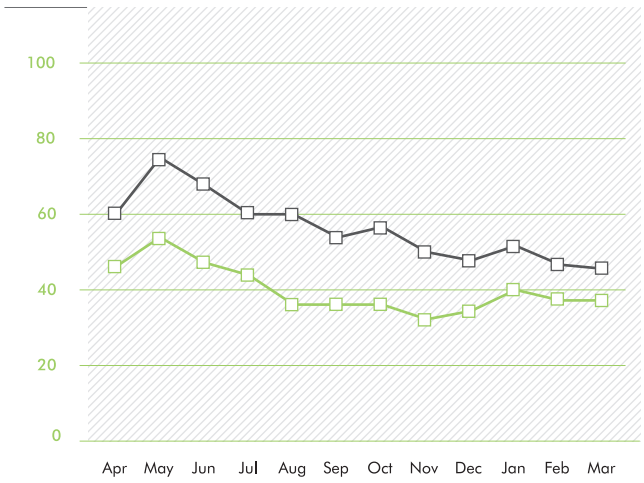
As at 31st March		2014		2013	
		No. of Shares	**%**	No. of Shares	%
1.	Employees' Provident Fund	**2,437,089**	**11.14**	2,437,089	11.14
2.	Paints & General Industries Limited	**726,301**	**3.32**	726,301	3.32
3.	E.W. Balasuriya & Co. (Private) Limited	**632,600**	**2.89**	632,600	2.89
4.	Deutsche Bank AG as trustee for JB Vantage value E	**556,417**	**2.54**	326,446	1.49
5.	Employees' Trust Fund Board	**479,477**	**2.19**	479,477	2.19
6.	Mrs. M.S.E.V.E.A.U. Von Stumm	**399,219**	**1.83**	390,000	1.78
7.	DFCC Bank A/C No. 01	**389,400**	**1.78**	389,400	1.78
8.	Nuwara Eliya Property Developers (Private) Limited	**304,000**	**1.39**	304,000	1.39
9.	Mrs. C. Jayawardene	**261,713**	**1.20**	231,763	1.06
10.	Ceylinco Insurance PLC A/C No. 01 (Life Fund)	**240,000**	**1.10**	240,000	1.10
11.	Mrs. K.J.M. De Silva	**238,710**	**1.09**	238,710	1.09
12.	Mr. K.C. Vignarajah	**218,225**	**1.00**	218,225	1.00
13.	Standard Capital PLC	**210,198**	**0.96**	155,900	0.71
14.	Genesiis Software (Private) Limited	**194,799**	**0.89**	191,200	0.88
15.	Aruna Equity Care (Private) Limited	**188,942**	**0.86**	188,942	0.87
16.	National Savings Bank	**183,700**	**0.84**	183,700	0.84
17.	Mr. M.J. Fernando	**163,500**	**0.75**	163,500	0.75
18.	Commercial Bank of Ceylon PLC A/C No. 04	**161,400**	**0.74**	161,400	0.74
19.	Mrs. N.H. Abdul Husein	**155,000**	**0.71**	121,515	0.56
20.	Miss. N.K.R.H. De Silva	**151,233**	**0.69**	151,233	0.69
		8,291,923	**37.91**	7,931,401	36.27

As at 31st March	Ordinary Shares 2014	Ordinary Shares 2013	Non-Voting Shares 2014	Non-Voting Shares 2013
5 Market Value				
Share price (Rs.)				
As at the end of the year	**45.50**	61.00	**37.30**	46.60
Highest price traded	**77.70**	103.50	**54.20**	69.10
Lowest price traded	**45.00**	58.80	**30.50**	45.00
6 Share Trading				
No. of shares traded	**1,845,357**	4,627,943	**1,862,595**	2,203,689
No. of transactions	**1,948**	2,514	**2,536**	2037
Value of shares traded (Rs.)	**103,308,869**	379,118,998	**78,903,435**	130,646,349

Market Capitalisation
Rs. million



Closing Share Price (2013 - 14)
Price (Rs.)



If you need help with the following:

- Corporate information
- Dividend payments into your bank account
- Change of address
- Transfer of shares
- Loss of share certificates
- Consolidation of multiple mailing to one shareholder

Contact the Secretaries

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Colombo 03, Sri Lanka

Telephone : +94 11 232 6845
Fax: +94 11 244 5050

If you need help with the following:

- Latest news releases
- Company developments
- Financial results and clarifications

Contact the Finance Team

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Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03, Sri Lanka

Movement in Issued Capital and Dividend Distribution

Year to 31st March	Proportion	Bonus Issue (No. of Shares) Voting	Bonus Issue (No. of Shares) Non-Voting	Share Capital (No. of Shares) Voting	Share Capital (No. of Shares) Non-Voting	Dividend Rs.
1965 (Initial issue)				50,000		
1966				50,000		2.00
1967				50,000		2.00
1968	1:1	50,000		100,000		2.00
1969				100,000		2.00
1970	1:2	50,000		150,000		2.00
1971				150,000		1.75
1972				150,000		2.00
1973				150,000		2.00
1974				150,000		2.00
1975	1:3	50,000		200,000		2.00
1976	1:2	100,000		300,000		2.00
1977				300,000		2.00
1978				300,000		2.00
1979	1:2	150,000		450,000		2.00
1980	7:9	350,000		800,000		2.00
1981				800,000		2.00
1982				800,000		2.00
1983				800,000		2.00
1984				800,000		2.00
1985	1:2	400,000		1,200,000		2.00
1986	1:2	600,000		1,800,000		2.50
1987	1:1	1,800,000		3,600,000		2.50
1988				3,600,000		2.75
1989				3,600,000		2.50
1990	1:2	1,800,000		5,400,000		3.00
1991				5,400,000		3.25
1992				5,400,000		4.00
1993	3 N-V:10 V (Rights)		1,620,000	5,400,000	1,620,000	3.50
1994				5,400,000	1,620,000	4.00
1995				5,400,000	1,620,000	4.00
1996				5,400,000	1,620,000	4.00
1997				5,400,000	1,620,000	4.00
1998				5,400,000	1,620,000	2.50
1999				5,400,000	1,620,000	3.50
2000	1:6	900,000	270,000	6,300,000	1,890,000	3.75
2001				6,300,000	1,890,000	4.00
2002				6,300,000	1,890,000	4.00
2003	1:7	900,000	270,000	7,200,000	2,160,000	4.25
2004				7,200,000	2,160,000	4.75
2005	1:8	900,000	270,000	8,100,000	2,430,000	4.75
2006				8,100,000	2,430,000	4.75
2007	1:1 (Rights)	8,100,000	2,430,000	16,200,000	4,860,000	1.44*
	3:2 (Bonus)	24,300,000	7,290,000	40,500,000	12,150,000	
2008	4:5 (Bonus)	32,400,000	9,720,000	72,900,000	21,870,000	1.50
2009				72,900,000	21,870,000	1.50
2010				72,900,000	21,870,000	1.85
2011				72,900,000	21,870,000	2.75
2012				72,900,000	21,870,000	3.20
2013				72,900,000	21,870,000	1.63
2014				**72,900,000**	**21,870,000**	**–**

** Effective rate (Rs. 1.44 per share).*

Subsidiaries and Equity Accounted Investees

Company	Directors	Principal Activity	Segment	Stated Capital Rs. million
Chemanex PLC	M.D. Wickramasinghe - Acting Chairman A. Mapalagama - MD/CEO D. Chandrasekera Prof. U.P. Liyanage S.P.S. Ranatunga A.V.P. Silva	Diversified business Industry	Construction Industry, Industrial Raw Materials,Consumer, Pharmaceuticals and Others	126.25
CIC Agri Businesses (Private) Limited	B.R.L. Fernando - Chairman K.B. Kotagama - Managing Director S.H. Amarasekera D.S.J.S. Dematagoda W.P. Madawanaarachchi J.D. Pieris S.P.S. Ranatunga	Importation, Blending and Marketing of Fertilizers	Agriculture & Livestock Industry	205.50
CIC Feeds (Private) Limited	B.R.L. Fernando - Chairman A.V.P. Silva - Managing Director S.P.S. Ranatunga S.M. Enderby Ms. P.D.S. Ruwanpura	Manufacture of Animal Feeds and Hatchery	Agriculture & Livestock	450.50
Link Natural Products (Private) Limited	Dr. D. Nugawela - Chairman C.L. De Alwis Prof. Tuley De Silva B.R.L. Fernando K.A. Jayawardena S.P.S. Ranatunga K. Shakthidasan R.O.B. Wijesekara Dr. Anura Ekanayake	Manufacture of Natural Healthcare Products, Ayurvedic Pharmaceuticals, Herbal Cosmetics and Neutraceuticals	Consumer Products	102.67
CISCO Speciality Packaging (Private) Limited	S.P.S. Ranatunga - Chairman R.S. Captain Ms. L.A. Captain L. De Mel S. De Silva W.S. Premakumar D.P.G.C.P. Wegiriya	Manufacture of Polyethylene Terephthalate Containers for Domestic and Export Markets	Packaging Industry	110.50
CIC Cropguard (Private) Limited	W.A. Assiriyage - Managing Director B.R.L. Fernando P.S.C. Fernando R. Ganesalingam R.S.I. Gunawardene K.B. Kotagama Ms. P.D.S. Ruwanpura R.P.L. Weerasinghe	Importation, Repacking & Marketing of Agrochemicals	Agriculture & Livestock Industry	5.00
Crop Management Services (Private) Limited	B.R.L. Fernando S.P.S. Ranatunga Ms. P.D.S. Ruwanpura A.V.P. Silva R.P.L. Weerasinghe W.P. Madawanaarachchi	Managing Assets - Plantations & Investment Company	Agriculture & Livestock Industry	199.20
Colombo Industrial Agencies Limited	Ms. L.I. Fernando - Chairperson S. De Silva Ms. P.D.S. Ruwanpura	Manufacture of Writing Instruments	Consumer Products	10.57
CIC Lifesciences Limited	B.R.L. Fernando - Chairman W.S. Premakumar S.P.S. Ranatunga Ms. P.D.S. Ruwanpura	Manufacture and Importation of Pharmaceuticals	Consumer	17.00
Akzo Nobel Paints Lanka (Private) Limited	B.R.L. Fernando - Chairman G.F.C. De Saram - Managing Director Jeremy Rowe Jeyakumar Krishnawamy S.P.S. Ranatunga	Trading in Paints and Surface Coatings	Construction Industry	88.80

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙළ කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, සී.අයි.සී. හෝල්ඩින්ග්ස් පීඑල්සී, අංක 199, කිව් පාර, කොළඹ 2 යන ලිපිනයට 2014, 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 2014 இற்கு முன்னர் அறிவிக்கவும் செயலாளர், சீ.ஐ.சீ. கோல்டிங்ஸ் பீஎல்சீ, இல 199 கியூ வீதி, கொழும்பு 02.

This Report is entirely in English. If you require a translated copy of the Chairman's Message in Sinhala or Tamil, please make a request by a letter addressed to the Secretary, CIC Holdings PLC, No. 199, Kew Road, Colombo 2 on or before the 23rd June 2014.

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)
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
S.M. Enderby
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

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
ICICI Bank
NDB Bank PLC
Nations Trust Bank PLC
People's Bank
Pan Asia Bank PLC
Standard Chartered Bank

Legal Advisers

Julius & Creasy
Attorneys-at-Law
41, Janadhipathi Mawatha, Colombo 1.

Nithya Partners
Attorneys-at-Law
97A, Galle Road, Colombo 3.

Executive Director

S.P.S. Ranatunga (MD/CEO)

Non-Executive Directors

S.H. Amarasekera (Chairman)
E.F.G. Amerasinghe
R.N. Asirwatham
R.S. Captain
S.M. Enderby
M.P. Jayawardena
Prof. P.W.M.B.B. Marambe

Audit Committee

R.N. Asirwatham (Chairman)
S.H. Amarasekera
E.F.G. Amerasinghe
S.M. Enderby

Human Capital & Compensation Committee

E.F.G. Amerasinghe (Chairman)
S.H. Amarasekera
R.N. Asirwatham
R.S. Captain
S.M. Enderby

Nominations Committee

S.H. Amarasekera (Chairman)
E.F.G. Amerasinghe
R.N. Asirwatham

Credit Rating

A/P2 (RAM rating)

CIC
nurturing life

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