Richard Pieris & Company PLC
Annual Report 2012 / 2013

TOUCHING LIVES

81 Years

Since 1932

TOUCHING LIVES

81 Years

Since 1932

Touching Lives

For 81 years, Richard Pieris and Company has been touching the lives of Sri Lankans all over the island. We have made an indelible mark in the industry and together with a team that is focused on success, have taken our business to new heights. This year, as we celebrate a myriad of achievements, we look back on the illustrious years that have bought us to where we are today; a company that has stood the test of time, growing and adapting with time to become an unmistakable part of local lives. This is our legacy and our contribution to a budding economy, embodying the spirit and optimism of a growing nation while creating value for all.

Vision & Mission

Vision

To be a market driven, technologically oriented diverse group.

We will organise and operate to continually focus on exceeding the expectations of our customers, whilst excelling in profitability and we will attract, develop and retain talented people to ensure the continued growth and viability of all our business ventures.

Mission

To continually exceed the expectations of our customers.

To optimise the contribution from our employees by providing career and personal development opportunities, thereby creating an atmosphere that would motivate and internalise employee aspirations with corporate objectives.

To provide a satisfactory return to shareholders whilst retaining sufficient funds for reinvestment, thereby enhancing corporate wealth.

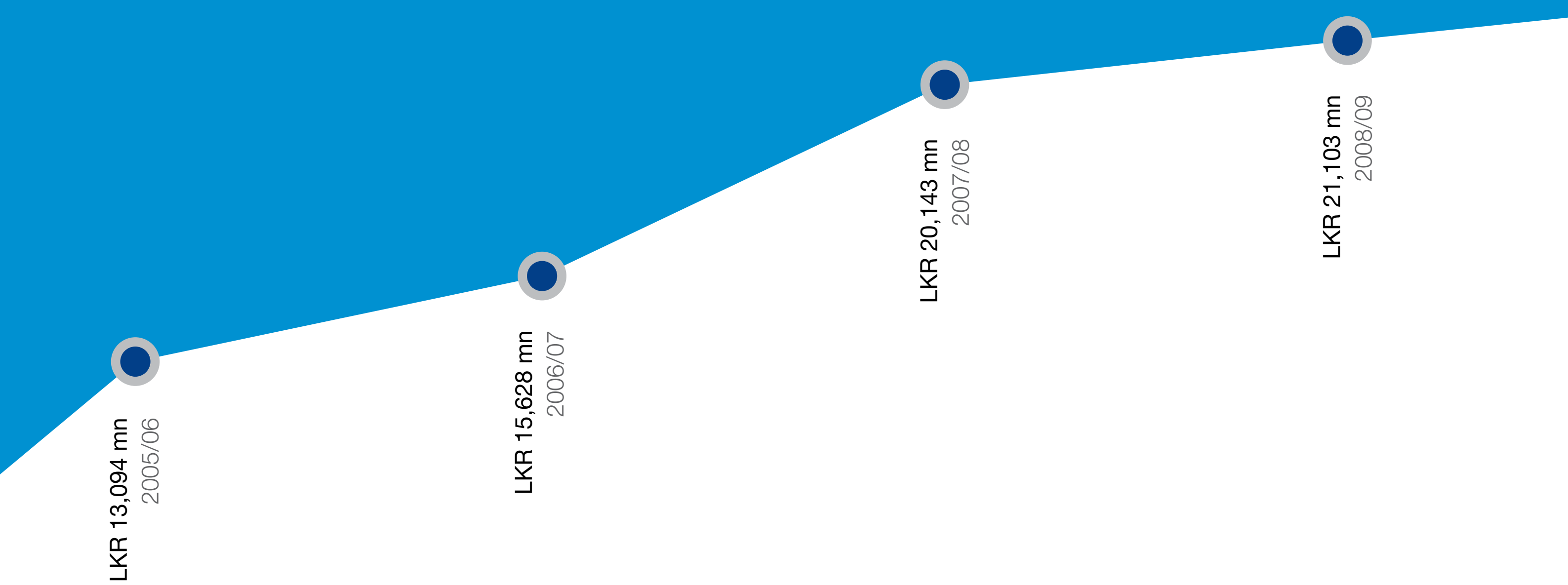
To ensure continuous growth by the planned expansion and diversification of business activities.

To continually strive for the upliftment of our community whilst adhering to high ethical standards in business.

Contents

Operational Highlights

"The recurring profits from operations was Rs 3.7 bn, an increase of 15% over the operational profit of Rs. 3.2 bn in the previous year excluding the capital gain of Rs. 717 mn."

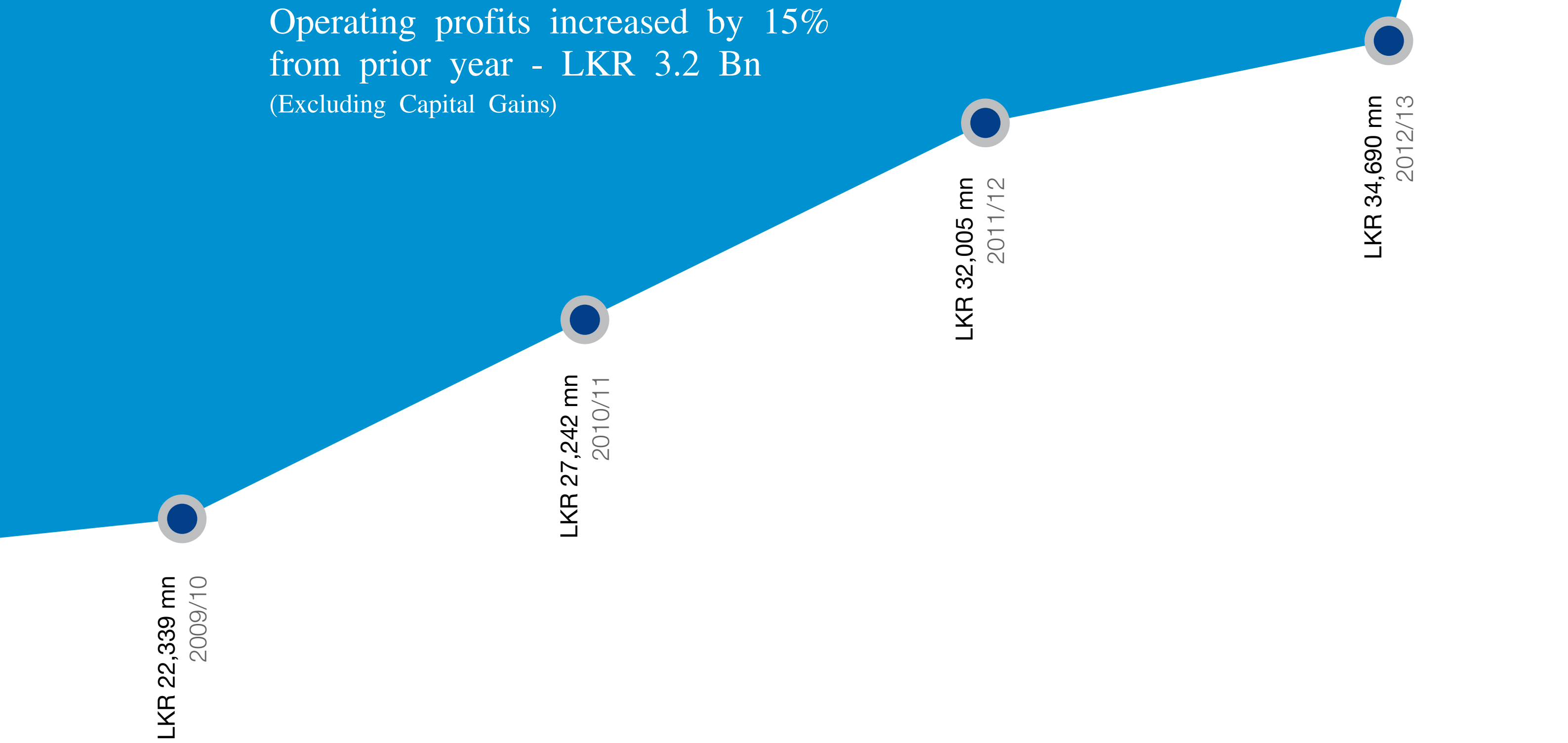


LKR 34.7 Bn

Sales Revenue growth of 8% YoY

LKR 3.7 Bn

Operating profits increased by 15% from prior year - LKR 3.2 Bn
(Excluding Capital Gains)

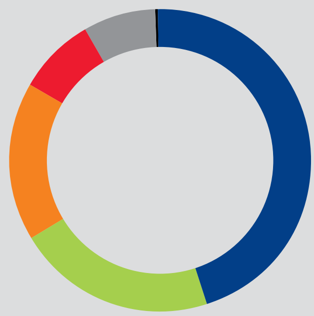


Our Group is enriched with a proud heritage and driven by strong principles, like quality, value, and integrity at the heart of our business strategy. We have reached out across the island from small villages to urban centres there by touching the life of every Sri Lankan across the island.

Financial Highlights

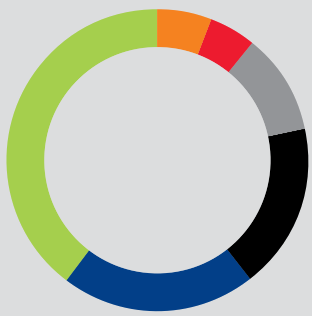
	2012/2013 Rs.'000	2011/2012 Rs.'000
Revenue	**34,690,340**	32,005,182
Profit from operations	**3,721,209**	3,952,638
Profit before tax from continuing operations	**3,055,507**	3,518,788
Income tax expense	**(770,237)**	(644,540)
Profit for the year from continuing operations	**2,285,270**	2,874,248
Loss after tax from discontinued operations	**(581)**	(4,374)
Profit for the year	**2,284,689**	2,869,874
Profit attributable to equity holders of the parent	**1,902,724**	2,576,061
Total assets	**27,273,536**	23,725,292
Shareholder funds attributable to equity holders of the parent	**7,949,442**	6,306,330
Market capitalisation	**12,798,968**	14,539,431
Total value addition	**11,195,621**	11,865,131
Per Ordinary Share		
Earnings (Rs.)	**0.98**	1.33
Net assets (Rs.)	**4.10**	3.25
Market value (Rs.)	**6.60**	7.50
Ratios		
Return on equity (%)	**26.69**	44.48
Interest cover (No of times)	**5.10**	7.96
Gearing ratio (%)	**29.50**	34.17

Turnover Composition



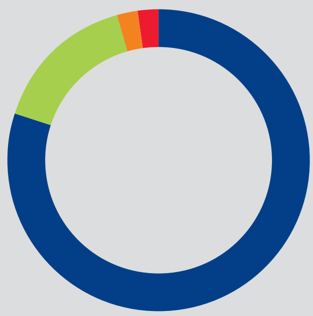
Retail	45.27%
Plantations	21.31%
LMD	17.01%
Tyre	8.18%
Rubber	7.69%
Financial and Other Services	0.54%

Segmental Assets



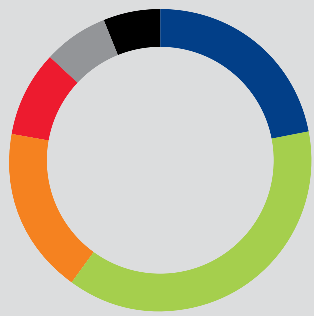
Retail	18.38%
Plantations	39.61%
Plastics	10.81%
Tyre	4.75%
Rubber	5.79%
Financial and Other Services	20.66%

Cost Structure



Cost of Sales	79.55%
Operational Expenses	15.90%
Net Finance Cost	2.21%
Tax	2.34%

Operating Profit Composition



Retail	21.97%
Plantations	38.19%
LMD	18.08%
Tyre	8.60%
Rubber	7.13%
Financial and Other Services	6.03%

Corporate Information

Name of the Company
Richard Pieris and Company PLC

Legal Form
A quoted public Company with limited liability, incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 on 11th May 1940. The Company registration number is PQ 138.

Stock Exchange Listing
The Ordinary shares of the Company are listed in the Colombo Stock Exchange of Sri Lanka.

Board of Directors
Dr. Sena Yaddehige - Chairman/ Managing Director/ CEO
Mr. J. H. Paul Ratnayeke - Director
Prof. Lakshman R. Watawala - Director
Prof. Susantha D. Pathirana - Director
Mr. W. J. Viville P. Perera - Director
Mr. S.S.G. Liyanage - Director
Dr. S.A.B. Ekanayake - Director (Appointed w.e.f. 01.09.2012)

Head/Registered Office
No. 310, High Level Road, Nawinna, Maharagama,
Sri Lanka.
Telephone : + (94) 114310500
Fax : + (94) 114310777
Website : www.arpico.com
E-mail : cpu@arpico.com

Secretaries
Richard Pieris Group Services (Private) Limited
No. 310, High Level Road, Nawinna, Maharagama,
Sri Lanka.

Auditors
Ernst & Young
Chartered Accountants
No. 201, De Saram Place, Colombo 10,
Sri Lanka.

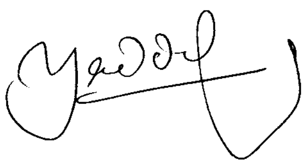
Bankers
Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank A G
DFCC Bank
DFCC Vardhana Bank PLC
Hatton National Bank PLC
Hongkong & Shanghai Banking Corporation PLC
Indian Bank
Nations Trust Bank PLC
National Development Bank PLC
Pan Asia Banking Corporation PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
State Bank of India

Legal Advisors
Paul Ratnayeke Associates
International Legal Consultants,
Solicitors and Attorneys-at-Law,
No. 59, Gregory's Road,
Colombo 7, Sri Lanka.

Nithya Partners
Attorneys-at-Law,
No. 97A, Galle Road, Colombo 3, Sri Lanka.

Chairman's Review

"Diversification has been the strategy for growth the Group perceives on. The Group has endeavoured into new business territories to consolidate its position by establishing Pharmaceuticals sector, Leisure sector and investing its resources in Financial Service Sector to strengthen the newly launch Insurance Business arm and the Finance Company of the Group."



Dr. Sena Yaddehige
Chairman/CEO/MD

LKR 8.5 bn

Gross profit signify a 15% YoY growth

Our Valued Shareholders,
I take great pleasure in presenting you the performance review of your Company for the financial year 2012/2013. As we step into the 81st year of our longstanding service to the nation, I am pleased to report the Group has recorded a profit before tax of Rs. 3.05 bn.

Revenue continued to grow by 8% to Rs. 34.7 bn from Rs. 32 bn in the previous year. Gross profit has increased by 15% from Rs. 7.4 bn to Rs. 8.5 bn. The recurring profits from operations was Rs. 3.7 bn, an increase of 15% over the operational profit of Rs. 3.2 bn in the previous year excluding the capital gain of Rs. 717 mn. Profit Before Tax amounts to Rs. 3.05 bn, an increase of 9% over the Rs. 2.8 bn from the corresponding period excluding the capital gain. Net profit has increased by 6 % from Rs. 2.15 bn to Rs. 2.28 bn, whilst Rs.717 mn was recorded as a capital gain during previous year.

The Global Landscape

The global economy was estimated to grow at 3.3% in 2012 as per the International Monetary Fund with an economic slowdown in European countries and other parts of the world. The contraction in output in major advance economies has also created an impact in the financial systems in the developing countries.

Sri Lankan Economic Climate

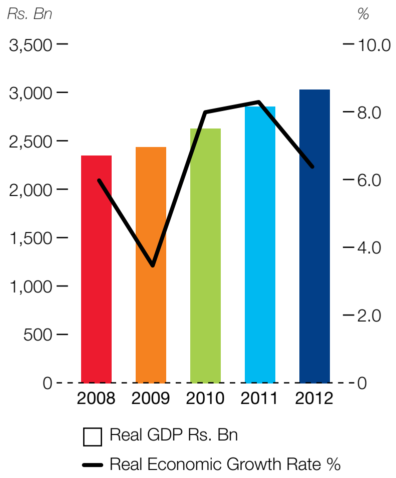
During last 5 years, the value of Sri Lankan economy has increased from Rs. 2,365 bn to Rs. 3,048 bn growing at an annual average rate of circa 5.80%. However, the country was able to record an economic growth of 6.4% in 2012 moderating after indicating a robust growth of 8.3% in 2011. Industries and Services sub-sectors grew by 10.3% and 4.6% respectively whilst Agricultural sector indicated a growth of 5.8%, an improvement compared to 1.5% of the previous year.

The contraction in developed nation's evidence through the modest growth in the global economy influenced the exports of the country subduing the growth potential for the country. Exports have declined to 6.6% of the GDP. However, increase in worker remittances reduced the current account deficit to 5.5% of GDP compared with 7.8% of the corresponding period. Hence, the local currency fluctuated sharply during the period against US dollar (the currency to which, the rupee is pegged) and eased out to be at Rs.126.50, appreciating from Rs.129 of its period of comparison.

Annual average inflation measured by the Colombo Consumer Price Index increased marginally from 6.7% to 7.6% by December 2012, while point-to-point inflation stood at 9.2%. Hikes in global commodity prices resulted in further upward pressure on inflation during the final quarter of the current financial year.

Chairman's Review Contd.

Real GDP vs. Real Growth Rate



"Retail Sector emerged as the most significant contributor to the Group Turnover accounting for 45% as opposed to 44% contribution made in the previous financial year."

Review of group performance

The Group Turnover reached Rs. 34.7 bn in 2012/2013 from Rs. 32 bn in 2011/2012, recording a growth of 8% from the comparative period.

The Retail Sector emerged as the most significant contributor to the Group Turnover accounting for 45% as opposed to 44% contribution made in the previous financial year. Total Turnover for the sector improved by 12% to reach Rs.15.7 bn.

The Plantation Sector ended the year being the second highest contributor to Group Turnover contributing 21% towards the cumulative. In absolute terms, the sector turnover was Rs. 7.39 bn, indicating a marginal decline of 0.32% from Rs. 7.42 bn in the previous year.

The Plastic Sector indicated a 15% growth in their turnover. Accordingly, Turnover of the sector increased from Rs. 5.1 bn to Rs. 5.9 bn, accounting for 16% of the Group Turnover.

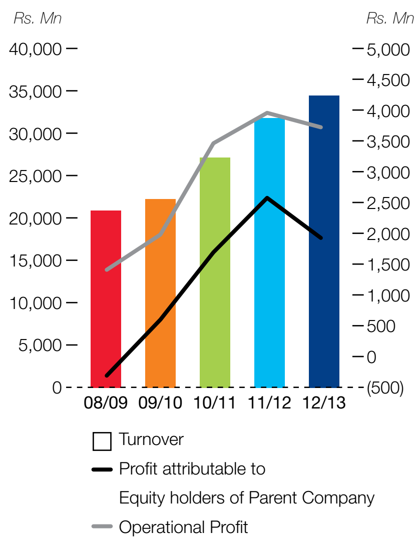
Turnover from the Tyre segment reached Rs. 2.8 bn in the financial year 2012/13, indicating a decline of 3%, and subsequently affecting its share for the Group Turnover to be at 8%, down from 9% from the financial year 2011/12.

The Rubber Sector continued its growth momentum during the year with its' Turnover growing by 10% to Rs. 2.7 bn, contributing 8% to the cumulative. The Service Sector contributed Rs.190 mn to the Group turnover, an increase of Rs. 87 mn in absolute terms from the previous year.

Gross profit indicated a 15% YoY growth to station at Rs. 8.5 bn maintaining a margin of 24%. Slight appreciation in local currency during the year resulted in a favourable position for our imports contributing towards a modest growth in cost of sales of 6% YoY to be at Rs. 26.2 bn.

The Group Operating Profit for the year showed a decline of 6% to Rs. 3.7 bn mainly due to the inclusion of a one off capital gain of Rs. 717 mn yielded through the disposal of Asian Alliance stake in the last year profits of Rs. 3.9 bn.

Group Performance



"Rubber Sector continued to be the best sector in terms of growth, with its Operating Profit rising by circa five folds."

The Plantation Sector indicated a robust growth of 32% to Rs. 1.7 bn accounting for 38% in operating profit of Group Operating Profit. Though the turnover did indicate a marginal decline, the effective cost management influenced the cost to be maintained at relatively constant level accordingly driving the profitability of the sector.

Despite being the largest contributor towards the Group top line, the Retail Sector contribution towards Group operating profit was 22% amounting to Rs. 965 mn. A part of the capital gain included in the prior year profits, increase in tariffs coupled with the new entailing of Value Added Tax on retail outlets during the latter part of the year has adversely affected the sector, resulting in a sharp decline in contribution to the Group operating profit.

Tyre Sector recorded a growth of 24% in terms of its Profits during the year and reached Rs. 378 mn, increasing its contribution to 9% of the Group operating profit.

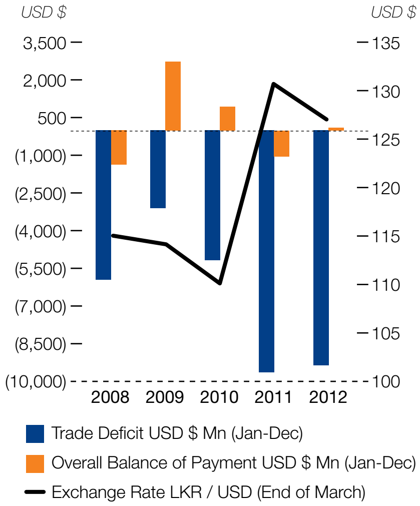
The Plastic Sector accounted for 18% of total profits and emerged as the third largest contributor of all segments. Its Operating Profit grew sharply by 18% to Rs. 794 mn with an Operating Profit Margin of 13%.

Rubber Sector continued to be the best sector in terms of growth, with its Operating Profit rising by circa five folds. This growth meant that the sector was successful in increasing the profitability from Rs. 59 mn recorded in the financial year 2011/12 to Rs. 313 mn during the financial year 2012/13.

Group profit before tax has declined by 13% to Rs. 3.1 bn. However, taking out the one off Capital Gain, profit before tax from recurring business operations indicated an increase of 9% from the prior year profit before tax of Rs. 2.8 bn excluding capital gain. The hike in market lending rates coupled up with the increase in gross borrowings of the Group muscled up the Group cost of funds to be at Rs. 1.1 bn for the year under review. The Group Net Profit from recurring operations generated a return of Rs. 2.3 bn compared to the recurring net profit of Rs. 2.15 bn in the comparative period indicating an increase of 6% for the period. Consequently, profit attributable to shareholders posted Rs. 1.9 bn compared to Rs.1.86 bn from continuing business operations indicating an increase of 2.4%.

Chairman's Review Contd.

Balance of Payments vs. Exchange Rates LKR/USD $



"The Total Asset base of the Group stood at Rs. 27.3 bn compared to Rs. 23.7 bn of the previous year."

The Total Asset base of the Group stood at Rs. 27.3 bn compared to Rs. 23.7 bn of the previous year. Total shareholder's funds strengthened by 26% to reach Rs. 7.9 bn at the year end. Groups' strategy to take the organic route of expanding its core business utilizing internally generated funds resulted in a marginal decline in the Group net debt position to be at Rs. 4.3 bn, a reduction of Rs. 53 mn from the corresponding period. The Gearing Ratio also recorded a positive change when it dropped from 34% to 30% during the year, and it is expected that this will enhance the Group's ability to aggressively expand its current business portfolio.

Human Capital

Our continued progress towards meeting our corporate goals will not happen without the effort, goodwill and co-operation of the team, to whom I remain indebted. My sincerest gratitude is therefore offered to the management team, employees, suppliers, customers and business partners who have all contributed in many ways. Also I take this opportunity to welcome Dr. Anura Ekanayake to the Board of Directors of Richard Pieris and Company PLC, an intellectual who is specialised in public service, agriculture, economics, irrigation, industries and policy studies.

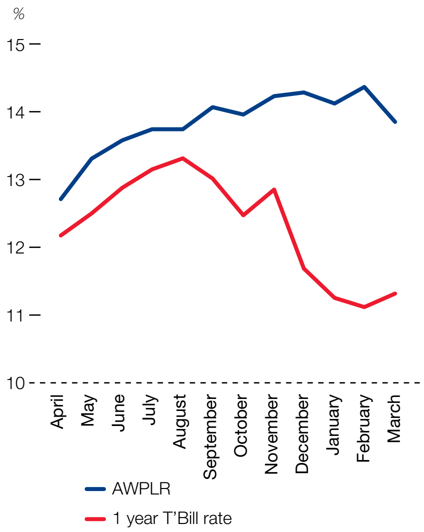
Going forward, the team needs to remain focused and enthusiastic and requires renewed encouragement in coming years on the development of a more customer-oriented culture.

Future Outlook

Taking into account the local context, the wage hike in the Plantation Sector will drive the personnel expenditure inclusive of gratuity provisions etc. which would adversely affect on the Group performance. The imposition of VAT on retail outlets from recent budget proposals would further create a negative impact and will be of a concern for the Group.

Furthermore, increase in tariffs, especially electricity would trigger cost escalation across the Group. Production lines of the Group, especially Tyre, Plastic,Rubber and Retail will be affected through these developments and needs to be addressed to maintain the cost structure.

Interest Rates - AWPLR



"As we are moving to a new era for our Group, let me assure you that we will stay ahead of our times to create wealth to our shareholders."

Special Achievements

Diversification has been the strategy for growth the Group perceives on. The Group has endeavoured into new business territories to consolidate its position by establishing Pharmaceuticals sector, Leisure sector and investing its resources in Financial Service Sector to strengthen the newly launch of Insurance Business arm and the Finance Company of the Group.

Dividends

During the year, the Group declared and paid an interim dividend of Rs. 0.20 in February for the financial year 2012/13, constituting a dividend yield of 3.03% as at the year end.

Conclusion

I hope that the Group's results give you the clarity about our performance and direction we are entailing on which enables you to share the confidence that I have for the Richard Pieris Group.

As we are moving to a new era for our Group, let me assure you that we will stay ahead of our times to create wealth to our shareholders.

Dr. Sena Yaddehige
Chairman/CEO/MD

29th May 2013

The Board of Directors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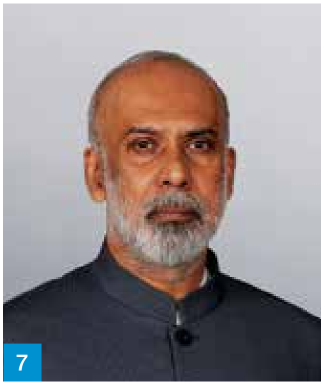
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[1] Dr. Sena Yaddehige
Chairman/Managing Director/Chief Executive Officer

Dr. Sena Yaddehige is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. He was the Managing Director of the largest automotive sensor manufacturing Company in UK, which was part of a group involved in the development of high technology, automated manufacturing, and export of automotive components and systems to Europe, China and the United States. He also had manufacturing plants in Canada, Brazil and China. He holds a large number of worldwide patents on radiation processing, contactless sensors and drive by wire systems along with a Sri Lankan patent for slow release fertiliser. He also was a director of a Swiss Pharmaceutical Company.

He is Founder, Chairman and Director of numerous companies in Sri Lanka and abroad.

Dr. Yaddehige is the Chairman of Richard Pieris Group of Companies comprising 5 Listed Companies and almost over 45 companies wholly or majority owned by Richard Pieris and Company PLC. He was appointed to the Board of Directors of National Development Bank PLC in December 2007 and was in the directorate until his resignation from the Bank in November 2010.

Dr. Yaddehige was conferred with Doctor of Science (D.Sc.) in consideration of his original research work in the fields of Radiation, Radiation processing, Electromechanical Sensor technology, non contact sensor technology and automotive pedal systems along with numerous patents in the above fields.

[2] Mr. J. H. P. Ratnayeke

Mr. Paul Ratnayeke is a Senior Corporate Lawyer who is also the Senior Partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

Mr. Ratnayeke is a Solicitor of the Supreme Court of England and Wales and an Attorney - at - Law of the Supreme Court of Sri Lanka. He holds a bachelors degree in law with honors and has been awarded a Masters Degree in Law by the University of London.

Currently Mr. Ratnayeke holds directorships in several companies of which 8 are public quoted companies. He has also been elected/appointed as Chairman/ Deputy Chairman to several of these companies. At Paul Ratnayeke Associates, he specializes in corporate and commercial areas of law, and also in the fields of aviation, insurance and maritime law.

[3] Prof. Lakshman R. Watawala

Prof. Lakshman R. Watawala is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Institute of Certified Management Accountants of Sri Lanka and Fellow of the Chartered Institute of Management Accountants in UK. He is the former Chairman and Director General of the Board of Investment of Sri Lanka, former Chairman of People's Bank, People's Merchant Bank, State Mining and Mineral Development Corporation and the Ceylon Leather Products Corporation, currently a Committee Member of the Ceylon Chamber of Commerce. He is also President of the Institute of Certified Management Accountants Sri Lanka. Past President of the Institute of Chartered Accountants of Sri Lanka and South Asian Federation of Accountants, Founder President of AAT Sri Lanka and Past President - Organisation of Professional Associations of Sri Lanka. He also serves on the Board of Directors of several public listed companies.

[4] Prof. Susantha Pathirana

Prof. Susantha Pathirana is a graduate in Production Engineering from the University of Peradeniya with a MSc in Automatic Control and a PhD in Mechanical Engineering. He is a Member of the Institute of Engineering & Technology - U.K, Fellow of the Institution of Engineers - Sri Lanka and a Member of the Institution of Electrical & Electronic Engineers – U.S.A. He is the former Head of the Department of Production Engineering and former Dean of the Faculty of Engineering at the University of Peradeniya, Sri Lanka. He is currently a Professor in the Department of Production Engineering at the University of Peradeniya, Sri Lanka.

[5] Mr. Viville Perera

Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr. Perera has over 30 years experience in senior managerial capacity in leading business organizations such as Associated Newspapers of Ceylon Limited, Middeleway Ltd (Ceylinco Group) and Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer and Vice President of Sri Lanka Institute of Packaging.

He is also on the Board of Directors of Several Companies of Richard Pieris Group.

[6] Mr. Sunil Liyanage

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds Diploma in Polymer Technology (Singapore), the Diploma of the Plastics Institute (LOND.) and a Licentiate of the Institute of Rubber Industry (LOND.). He has over 35 year's of management experience in the field of Rubber & Plastics. He is a past Chairman of the Ceylon National Chamber of Industries (CNCI) and a past President of the Plastics and Rubber Institute of Sri Lanka (PRISL). Mr. Liyanage is also a visionary business leader who has been instrumental in launching many innovative products in Polymer category and has the honour of being the first person to commercialise flexible polyurethane foam in this country in the form of mattresses, cushions and sheets. Currently, Mr. Liyanage heads the Local Manufacturing and Distribution Sector of the Richard Pieris Group as the Managing Director. He is also a Director of Richard Pieris Distributors Ltd., Richard Pieris Exports PLC and Arpico Interiors [Pvt.] Ltd.

[7] Dr. Anura Ekanayake

Dr. Ekanayake is the immediate past Chairman of Ceylon Chamber of Commerce (CCC),a former Chairman of Industrial Association of Sri Lanka, and Chairman of International Natural Rubber Council, based in Kuala Lumpur. He had an illustrious career in the Public Service as Senior Economist of Mahaweli Authority, Director in the Boards of State Plantation Corporation and JEDB, Director of Planning of Ministry of Plantation Industries and Director General of Ministry of Public Administration prior to joining the private sector in 1998. After a two decade long public service and he joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations for eight years.

Dr. Ekanayake, has held directorships in all 23 Regional Plantations Companies subsequent to their initial formation and over the years several other listed and non-listed companies in a diverse range of businesses from Agriculture to Finance, Exports and Manufacturing. In addition, he continues to serve as a member of the Governing Board of Governors of Institute of Policy Studies, Board of Studies on Public Administration of Postgraduate Institute of Management and is a member of Sovereign Rating Advisory Committee of the Central Bank of Sri Lanka. He is also a fellow member of Institute of Certified Professional Managers.

Dr. Ekanayake holds B.A. (Hons), and MSc (Agriculture) from University of Peradeniya and PhD. in Economics from Australian National University. His research work and publications cover agriculture, irrigation, environment, industries, and economic policy.

OUR BUSINESS

Retail

The selective expansion of its chain of Supercentres/stores and showrooms in targeted areas of the country will continue, amidst adverse short to medium term economic indicators and fresh challenges faced from the regulatory environment.

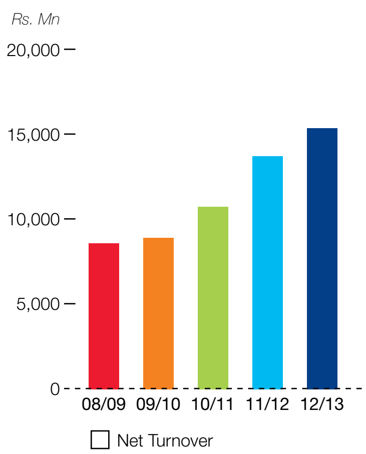
The Product Portfolio: Fast Moving Consumer Goods, Household Goods, Apparel, Furniture & Electronics

Super Center, Hyde Park

The Retail Sector is represented by Richard Pieris Distributors Limited, Arpimalls Development Company (Pvt.) Limited, RPC Retail Developments (Pvt.) Limited, RPC Real Estate Development Company (Pvt.) Limited and Arpico Interiors (Pvt.) Limited. The sector operates the well known Arpico Supercentres, Superstores and an island wide network of showrooms, and also provides interior decorating solutions for institutions.

The Retail Sector has been, and continues to be one of the significant contributors to the Turnover and Profits of the Group. It is considered as a sector with great growth potential. The sector reported a turnover of Rs. 15.7 bn recording a 12% growth over last year amidst a slow down of the economy.

Retail Sector



Richard Pieris Distributors Ltd.

Richard Pieris Distributors Ltd. manages the renowned Arpico chain of Supercentres, Superstores, and an island wide network of Showrooms. The network retails a wide array of fast moving consumer goods (FMCG), household goods, apparel, furniture & electronics, and provides a host of value added services such as bank service points, ATM's, credit card and mobile bill payment facilities etc. through its fifteen Super Centres / Stores and twenty four Showrooms.

The turnover of the Company improved steadily compared to the previous year even though the economy showed signs of a slow down. However, there is a drop in the operating profits of the company compared to the previous year mainly as a result of the imposition of Value Added Tax (VAT) on the retail and wholesale industry with effect from 01st of January 2013, the increase in the cost of operation as a result of energy/fuel price increases at the

Retail Contd.

beginning of 2012, and a non recurring capital gain included in the prior year operating profit figure. Furthermore, the reduction in consumer spending evident throughout the year resulted in a drop in demand for non essential items.

Customer convenience and product variety has enabled the Arpico Supercentres and Stores to gain a competitive edge over its rivals. All Supercentres and Stores have ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products. We continue to focus on improving levels of convenience and services and also strive to operate in an environmentally friendly manner.

The Company opened a Superstore in Piliyandala in July 2012 with a well attended grand opening. This new outlet was well received by the consumers and has started delivering results beyond expectations. The Piliyandala outlet provided people around the area the convenience of ample parking and the choice of shopping in a store that offer a wide range of products under one roof. The Company opened a new Showroom in the town of Higurakgoda and closed down Showrooms in Wattala, Piliyandala, & Wennapuwa, and also discontinued operations in the furniture outlet in Nawala.

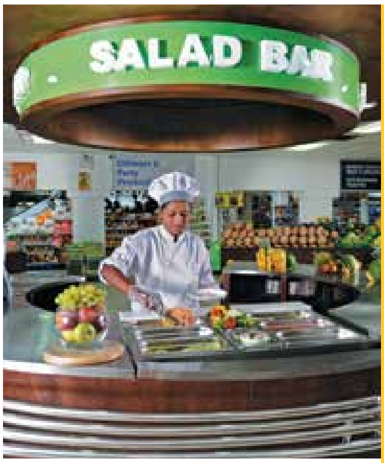
The flagship Supercentre at Hyde Park Corner was refurbished and re launched during the year in order to provide our customers a whole new experience in retailing. The outlet has a new coffee lounge, salad bar, live kitchen, personal care counter, and a kiddies play area and many more to add value to the customers shopping experience. The re-launched Hyde Park Corner outlet was very well received by the shoppers.

Special events were continuously organised throughout the year, including special activities for families in order to create an added level of excitement and provide customers a comfortable ambience in which to shop. The Arpico Family range of branded products, which is a value brand was further expanded and new products adapted to suit today's market.

Carefully targeted marketing and sales strategies over the years have led to better awareness of the Arpico Brand. The Company continued with its successful "Christmas Millionaires" seasonal campaign where a Millionaire was created on a weekly basis throughout the campaign period in the months of November and December. This had a very positive impact on the turnover growth of the Company.

The Arpico Privilege Card customer base continued to grow with its membership increasing to approximately 275,000 by the end of the year. Tempting rewards to members contributed towards the increasing popularity of the use of the Privilege Card. The Arpico Privilege family beach holiday, which was held for the third consecutive year was the key focus of the Privilege campaign as it entertained fifty Privilege card member families over an exciting weekend in a luxurious hotel. This was very well appreciated by all participants thus enhancing the commitment towards the loyalty programme.

The focus on cost management programmes has enabled the retail operation to run efficiently keeping expenses within budgeted proportions while continuing to improve the quality of its products and services. The constant development of the supply chain has helped to enhance the capability of selling a wide range of high quality products at competitive prices.



The unexpected imposition of VAT on the retail and wholesale industry challenged the Company both financially and operationally. The employees handled this transition in the regulatory environment from a VAT excluded era to a VAT liable era successfully demonstrating the capabilities of the people in adapting to changes of this magnitude. The training academy at Nawinna continued to provide training to all the employees thus helping to improve efficiency and customer service.

The selective expansion of its chain of Supercentres/Stores and Showrooms in targeted areas of the country will continue, amidst adverse short to medium term economic indicators and fresh challenges faced from the regulatory environment.

Arpimalls Development Company (Pvt.) Ltd.
Arpimalls Development Company (Pvt) Ltd. owns the two large Arpico Supercentres in Battaramulla and Dehiwela operated by Richard Pieris Distributors Ltd. The company continued its profitable record during the year under review.

RPC Retail Developments (Pvt.) Ltd.
RPC Retail Developments (Pvt) Ltd. owns the two large Arpico Supercentres in Negombo and Kadawatha and has continued recording profits in the year under review.

RPC Real Estate Development Company (Pvt.) Ltd.
RPC Real Estate Development Company (Pvt) Ltd. owns the Arpico Supercentre in Kandy. The Company also continued its profit making record in the year under review.

Arpico Interiors (Pvt) Limited
Arpico Interiors provides comprehensive services, to institutional / corporate customers in both the public and private sectors along with discerning individual customers with interior decorating solutions. Over the years, Arpico Interiors has built up a strong reputation as a provider of interior décor solutions and supplier of state of the art and purpose built furniture/s. It focuses on projects for hotels, apartments, hospitals, factories, offices and residences from concept planning to complete turnkey solutions.

The products are of high quality, sourced from reputed local manufacturers as well as those of personally hand picked suppliers from U.S.A, Europe, Dubai, China and Malaysia. Its wide range of products, are on display at the Interior Décor Showrooms at Hyde Park Corner. The Company continues to maintain its market share despite the slow recovery from the global economic slowdown which had a significant impact on the construction industry and the institutional sector in particular. The impact on its profitability was further compounded by the increasing cost of import duties and taxes. Consequently, the plans to introduce high-end items to its product portfolio have now been successfully launched because market conditions have become more favorable. While continuing to adopt a cautious approach during the coming year, Arpico Interiors is confident of improving its profitability with the recovery of economic activities. The company has drawn up plans to meet the opportunities of the coming year with increased offerings of a wider range of products and services.

OUR BUSINESS

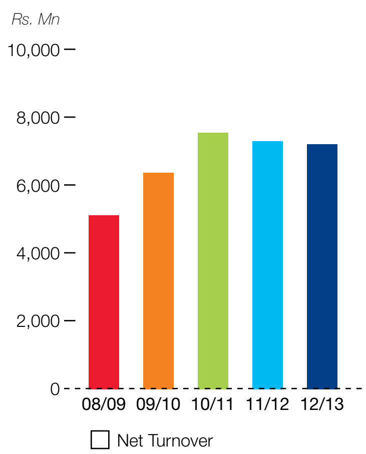
Plantations

Kegalle, Namunukula & Maskeliya plantations together produced 13.1Mn kg of Tea, 5.6 mn kg of Rubber & 14.4 mn kg of Oil Palm with a total revenue contribution of Rs.7.4 bn to the Group.

The Product Portfolio: Leasehold Ownership & Management of Tea, Rubber, Oil Palm, Coconut Plantations and Branded Tea

Maskeliya Plantation, Mousakela Estate

Plantations Sector

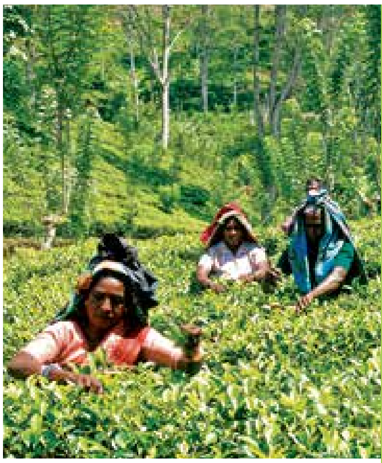


The plantation sector has emerged as the highest contributor to the groups' profitability for the year under review. The sector comprises three public quoted plantation companies namely Kegalle Plantation PLC, Maskeliya Plantation PLC and Namunukula Plantation PLC and their respective management companies. In addition, Maskeliya Tea Garden Ceylon Ltd is the export marketing arm of top quality pure Ceylon value added tea, selling globally as well as locally under the flagship brand name of St. Clair's. Kegalle, Namunukula & Maskeliya plantations together produced 13.1Mn kg of Tea, 5.6 mn kg of Rubber & 14.4 mn kg of Oil Palm with a total revenue contribution of Rs.7.4 bn to the Group.

Profit recorded during the period was exceptionally well despite absorbing 28 % wage hike in the previous year, coupled with European economic down turn, instability in middle east countries, and adverse weather conditions. Considering the above circumstances, the sector achieved very satisfactory results at operating level during the year under review, with a profit of Rs. 1.7 bn compared to Rs1.3 bn in the previous year. Continued challenges in this sector includes volatility in the global prices for commodities, upward trend in input costs, high cost of energy and escalating wage structure did not support the productivity.

The sector continues to invest in replanting and upgrading its manufacturing processes to be edge over the competition and to continue producing globally competitive products. During the year under review plantation sector invested Rs.742 mn as capital expenditure, which mainly focused on escalating replanting programs of Tea, Rubber & Oil Palm.

Plantations Contd.



The existing collective agreement was expired and a new agreement has been signed in the month of April 2013. Granted wage increase of 20 % will further increase the costs,keeping the industry at its tip of the toes.

Kegalle Plantations PLC

Kegalle plantations manage 17 estates in Kegalle, Kurunegala & Badulla districts. 63 % of revenue is contributed by Rubber, 31% by Tea & and the rest 6% by Coconut and other crops. It has the competitive advantage of having its six Tea estates located in three different agro-climatic areas.

National Rubber production in the year 2012 stood at 152,000 MT, which is less than the previous year production of 158,000 MT. Kegalle plantation continued to be the largest producer of natural Rubber in the country, but due to setbacks in weather patterns the production was 4,076 MT against the previous year crop of 4155 MT. High cropping season is during the months of October to December and regrettably heavy rain was experienced during this period, which being the reason for reduced crop during the year under review.

The Company invested in field developments of replanting 239 Ha of Rubber, soil conservation methods in draining, proliferation of leguminous cover crops and terracing during the year under review. The Company has replanted an extent of 1408 Ha of Rubber, since the resuming of replanting from the year 2004.The Company also installed rain guards at an expenditure of Rs. 5.17 mn in an extent of 355 Ha in the Rubber estates, whereby it has increased the tapping days and the crop intakes. Effluent Treatment Plants have been commissioned in all our Rubber Factories to treat the toxic waste within the estate boundaries, and these are being maintained according to the Environmental Policy.

Even though Company's total production has dropped by 18% to 2.2 mn kgs Tea prices have increased significantly comparing to the previous year. The production drop was mainly due to adverse weather condition prevailing in the Udapussellawa region. Kegalle"Marks" did hit top prices 172 times at the Tea auction during the year under review.

The Company continued to invest in its human resources through greater training and skill development believing that it's vital for its growth. In addition, the Company invested in workers housings, crèches and other welfare activities, including assisting the university education of children of all employees by way of scholarships.

Maskeliya Plantations PLC

The Company recorded a profit of Rs.269 mn which is a considerable improvement from a loss of Rs. 259 mn recorded in the previous year. Total revenue has improved from Rs. 3.1 bn to Rs. 3.6 bn in the year under review. The year under review witnessed an increase in demand for the Company Tea with a steep increase in Tea prices together with global prices, due to global supply of Tea come down with the crises in the Middle East and Recession experienced in the Europe. The last year was very challenging where the performance was severely affected by the down turn in Tea prices.

Maskeliya Plantation PLC produced 9 mn Kgs of tea during the year 2012/13 which is a drop compared to last year production of 9.2 mn kgs. The erratic weather pattern especially including a mini cyclone in Upcot region and dreadful long drought in Bandarawele region are the major contributory factors for poor crop harvest.

Basically quality improvement of harvesting and manufacturing process has contributed towards high quality output which is up to the market expectations. The Company continues with the strategies aiming long term cost reduction and measures have been taken to improve the end product to provide flexibility to manufacturing in order to meet and take full advantage of changing market demands. Four factories of the Company do have dual manufacturer capability, which optimizes the opportunity from price fluctuations in leafy and small leaf teas. Company's focus on quality is undeniable where to be in line with the global trends all 14 factories have obtained ISO22000 certification.

Further, four factories have obtained Fair Trade Labelling Organization (FLO) certification. Estates in the Upcot region are already in the process of obtaining Rain Forest Alliance Certification.

Company's all factories will also operate on solid fuel which will contribute not only towards an improved bottom line, but also meet the Company's goal of clean production.

The Company spent Rs. 211 mn on capital expenditure out of which Rs.199 mn was spent on replanting and upkeep, where 20 Ha of Rubber was planted in Ampitikanda estate and 24 Ha were planted in Poonagala Estate. Further, 35 Ha of Cinnamon also was cultivated in the lower sections of Uva range. Special project of fruit cultivation is underway in Bandarawela region. With the establishment of Dendro Power in Bandarawela region, all uncultivated land has been planted with Gliricidia. It is envisaged that the Company will be able to reap long term benefits upon the completion of crop diversification process.

Despite the effects of economic down turn in Europe and volatility in the Middle East, the Company is planned for its future and focused on its training and development activities to enhance the skills of its employees. There is a continuation in full range of worker welfare activities, to enhance the quality of life of the work force at estates.

Namunukula Plantation PLC

During the year under review the Company has recorded yet another good overall performance achieving a net profit of over Rs. 400 mn. The post-tax profit of Rs. 409 mn achieved in the current year is 16 % above that of the profit recorded in the previous year, despite the significant reduction in the profits generated from the Rubber sector by Rs. 117 mn comparing to the prior year. The achievement of Namunukula plantations was made possible because of the robust performance in the oil palm sector achieving profit of Rs. 318 mn comparing to Rs. 241 mn in the previous year signifying an increase of Rs. 77 mn.

Sri Lanka's Tea production for the year 2012 stood at 326.3Mn kg recording a negative variance of 1.25 mn kg against the total black Tea production evidenced in the previous year. Although the total production shows a deficit, it is noteworthy that the low grown sector achieved a crop of 201.2 mn kg. The significant production losses recorded in these sectors was mainly caused by extreme weather fluctuations. The Tea segment of Namunukula plantations recorded a profit of Rs. 16 mn at operational level, against a loss of Rs. 26 mn in the last year. The achievement is due to timely focus and continuous improvement in the manufacturing process which has positively affected sales average, whilst maintaining the required quality parameters in accepting and harvesting the raw material.

Plantations Contd.

Laxapana Tea Factory

The world Rubber production is projected to increase in the next few years. The national Rubber production is 152 mn kg during the year under review, against the total production of 158 mn kg in the previous year resulting in a 4% decline. The Company recorded a significant decline in the operational profit for Rubber causing an adverse impact on the net profit of the Company. The recorded profit of Rs. 189 mn, is Rs. 118 mn less than previous year 2011/12. The Company having realized the continued negative impact on the sales average, strategically focused on achieving improved worker productivity and outputs, thereby maintaining similar costs to last year.

Being the golden crop of the Company, Oil Palm production is 14,453 mn kg during the year which is the 2nd highest crop ever recorded, with an overall yield of 13,620 kg/ha. A profit of Rs. 318 mn was generated by the Company at operational level, which is well over the last year's record by Rs. 77 mn. Considering the potential of Oil Palm to generate higher income to the Company, the current extent is further expanded by additional 1,000 ha for planting during the next 03 years. In the financial year 2012/13 Namunukula plantations has invested Rs. 147 mn in the above area, comparing Rs. 103 mn in the previous year. The Company continues to invest in field and factory development considering the sustainability of plantations. Namunukula Plantation PLC invested Rs. 25 mn in capital assets compared to Rs. 60 mn investment in the last year.

The Company continued to invest in the improvement in quality of life and social well being of the employees, where by paying attention to their health, welfare housing, sanitation and education. The estate workers housing co-operative societies are strengthened further with the increased membership. The service of providing soft loans and food items at a very reasonable price/s are continued and expanded to resident and non resident worker population. The Company continues to grant monthly allocation to several university students who are children of Company employees, to pursue their studies and to develop their skills / knowledge to be a proud citizen of this country.

Maskeliya Tea Garden Ceylon Ltd

Maskeliya Tea Gardens Ceylon Ltd, the exporting arm of the plantation Companies of Richard Pieris Group offers a collective experience of more than 50 years of dedicated service, devoted to value added Tea business under the brand name of “St Clair’s”.
The year under review is yet another successful milestone in Maskeliya Tea Garden’s history. Belarus and Lithuanian markets were included in the Maskeliya Tea Garden’s export portfolio as new export destinations. Maskeliya Tea Garden’s initiated negotiations with few strategic partners to penetrate into potential markets worldwide. Local Tea distribution business had its kick start recently and the Group has a new hope for local food distribution.

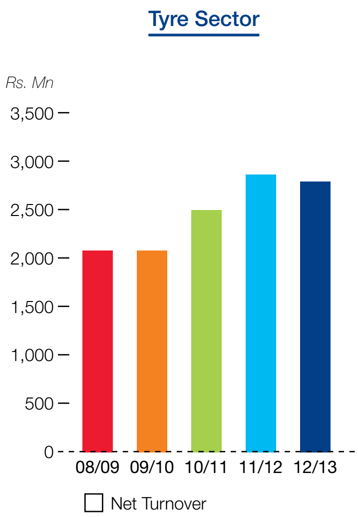
OUR BUSINESS

Tyre

Richard Pieris Tyre Sector is the pioneer in tyre retreading in Sri Lanka providing retreading solutions from three wheeler tyres to heavy industrial tyres.

The Product Portfolio: Retreaded Tyres for Light and Heavy Commercial Vehicles, Re-Manufactured Radial Tyres, Tubes and Flaps, trading in tubes, flaps and new tyres

Tyre Re-Treading



Richard Pieris Tyre Sector is the pioneer in tyre retreading in Sri Lanka and established its place as the leading tyre retreader in Sri Lanka, providing retreading solutions from three wheeler tyres to heavy industrial tyres. Every retread tyre contributes to the national economy by decreasing transport costs and outflow of foreign exchange on imported tyres. The Tyre sector comprises of three Companies, Richard Pieris Tyre Co Ltd, Arpidag International (Pvt) Ltd, and Richard Pieris Rubber Compounds Ltd.

The first ever truck tyre made was in solid Rubber which was augmented to a pneumatic tyre afterwards. However, this was again challenged by “Radial Tyres” which the entire world is moving towards nowadays. It’s prestigious enough to note that pioneers for radial tyre in Sri Lanka is our brand “Arpiradial”. The Company identified the changes in the market and introduced a unique compound with a modern radial design. It’s further expected to increase the awareness to end customer, on radial tyre maintenance and the benefits of radial tyres.

Richard Pieris tyre Company is an established market leader having the largest tyre distribution network in the Country for Retreading and Trading. Arpidag International (Pvt.) Ltd and Richard Pieris Rubber Compounds Ltd are the supportive Companies supplying pre-cured tread, cushion gum, cement and other related materials and customized mixing facilities to the tyre Company. Arpidag International also has extended its services by supplying treads and consumables to mini plants in the industry.

Tyre Contd.

In the period under review the sector was able to maintain its consistent performance on its products and services through the strategic locations of its factories.

Richard Pieris Tyre Company

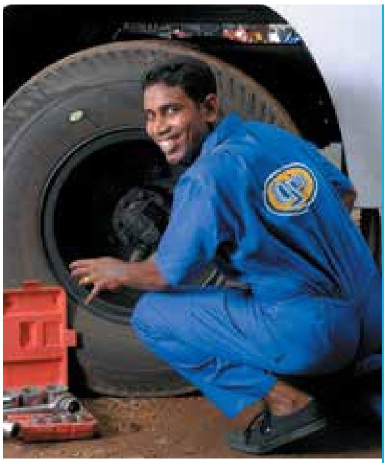
Richard Pieris Tyre Company earned its reputation as the largest tyre retreader in Asia, having a large dealer network with more than 1,300 dealers Island wide coupled to the strategic factory locations, rebuilding more than 500,000 Tyres per annum. Its operations involve retreading of tyres for a complete range of vehicles, in which it holds over 50% of the local market share,

The turnover of the Company consists 80% from retreading, and the rest 20% is from trading in which the Company entered few years back. During the year under review, retreading market was stagnant due to radial tyres and the entry of mini-trucks in to the market. Volume of the retreading tyres did not increase as expected. However, the Company was able to increase its gross margin to achieve expected results. The Company focused in its trading business to increase its market share and to achieve an organic growth.

Conventional tyre retreading in Sri Lanka identified as a declined market due to its disadvantages in the processes and performance, but agricultural and industrial segment under conventional category showed a promising performance. In the beginning of this year conventional operation further consolidated and started operating in one location while gaining high energy efficiency, labour efficiency and utilization of full capacity of machineries

The Company is the sole agent for Birla Tyres (India) which is a fast growing company in India. Birla Tyres (India) manufactures truck, light truck on bias ply and radial ply, agricultural, industrial vehicles, two wheeler and three wheeler tyres. Birla Radial truck tyres which were introduced recently are performing well in the market and is reaching premium product category in the country.

In the last quarter of the year, the Company introduced “Nexen” a passenger car radial (PCR) tyre manufactured in South Korea and offered a solution to a range of passenger cars especially SUV’s and 4X4 category. Nexen is phrased as Korea’s best selling tyre, and its entrance to the Sri Lankan market is foreseen as a favorable future to the tyre Company.



Arpidag International (Pvt.) Ltd

Arpidag International is a pioneer of the revolutionary change in cold process retreading in Sri Lanka with a technical collaboration of Bandag International USA since 1991. It supplies pre-cured treads mainly to the Richard Pieris Tyre Company and separate brand has formulated for external mini plants. The process quality certification of “ISO: 9001” is being maintained to standardise the process.

Richard Pieris Rubber Compounds Ltd.

Richard Pieris Rubber Compounds provides mixing services to the tyre sector, several other companies within the Group, and to various external customers. The Company was able to increase its volume of external customers to 40% of its operations during the second half of the year, which did improve the bottom line.

During the year continuous improvements were in place in milling and quality testing process, to ensure consistent quality which helped the other two companies in the sector to achieve a higher market share by providing an excellent mixing service.

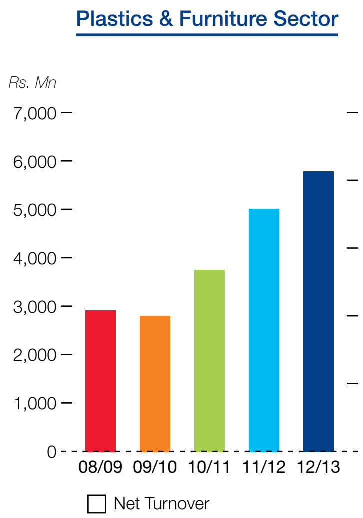
OUR BUSINESS

Plastics & Furniture

Plastic sector manufactures and trades an array of products and has also expanded its operation in the manufacture of sofas and panel furniture for the local market by commissioning a range of machinery and ancillary equipment to cater to increased demand.

The Product Portfolio: Water Tanks, Polyurethane Foam Mattresses, Cushions & Sheets, PVC pipes & fittings, Moulded Plastic & Expandable Rigid Polystyrene Products, Wooden, Panel and PU furniture, Water Pumps, CFL Bulbs.

Arpico Sofa



Plastics

The sector is represented by Arpitech (Pvt) Ltd, RPC Polymers (Pvt) Ltd, Plastishells Ltd and the Re-Distribution operation. Plastic sector manufactures and trades an array of products, ranging from furniture, household items, and water solutions to, day to day consumer durables.

The year under review was challenging, but the performance showed an improvement in terms of both turnover and profitability when compared to the previous year.

In the year under review the sector expanded its manufacturing operation in Polyurethane and Furniture.

Expanded rigid Polystyrene

RPC Polymers - Rigifoam manufacturing expanded its rigid polystyrene products, commonly known as “Rigifoam”. These products include containers, sheets and packaging for the local and export market.

The Rigifoam industry which mainly serves the fisheries industry continued to perform strongly despite the economic downturn, with commendable sales done to the export market. The Company maintained its market share despite intensified competition, and achieved a remarkable profit growth in the year under review compared to the prior year.

Plastics & Furniture Contd.

The Polyurethane Operation

The Polyurethane Foam operation includes foam related household, institutional and sports goods supplied to the local market. It is an ISO 9001:2000 certified operation, which also posses SLS 893 standard. The Company showed a positive growth in the specialized products such as sports related, bedding for hotel industry and furniture etc.

The Company installed its second manufacturing unit to cater the increased demand, and continue to maintain its profit record and market leadership position. Value addition to mattresses continued in response to identified customer demands, and the Company is maintaining its market share around 40%.

The Furniture Operation

The furniture operation comprises manufacturing of sofa, panel furniture and wooden furniture. The Company has set up several manufacturing units to manufacture office and household furniture to cater the Sri Lankan market. These units are progressing towards its fullest potential.

Rotational Mouldings

Arpico water tanks are the pioneers in the local moulded water tanks business. They have been the undisputed market leader since its introduction 21 years ago in 1992. The Company has achieved a dominant position in the local moulded water tank market, with the Arpico branded water tanks commanding 44% market share. The Company also produces and markets a wide range of bins and containers.

Products are manufactured at the factories in Horana, Pallakalle, Koggala and Dambulla which give easy access to island wide distribution. As a pioneering Company this plant has been the first to introduce several innovative products to the market, some of it being the rotational moulded water tank, compost bin, chemical tanks for storage of fuel, sump tanks as a solution for disposing waste water, etc. The compost bin introduced by Plastishells Ltd was a great success in terms of a positive perception of the Company's attitudes regarding the environment and was appreciated greatly by customers as being a breakthrough in environmentally friendly products.

The Company has aggressively marketed the eco friendly "Green Gas" concept which is paving the way to a cleaner and better energy system through generation of Bio Gas. The Company plans to further enhance its dominance in the market, by expanding in terms of adding value to the existing range and by the introduction of new products.

PVC Operation

Having received the Sri Lanka Standards (SLS) certification for its range of pipes, Arpitech (Pvt) Ltd manufactures a range of pipes and fittings under the brand name "Arpico PVC".

The Company's sales volumes grew strongly during the year under review, signifying the increased brand acceptance and market penetration. Turnover grew by 28% compared to prior year with profits growing steadily in the PVC operation.

Richard Pieris Rubber Products Ltd.

Richard Pieris Rubber Products represented by 3 divisions which are in the manufacture of Moulded Rubber items, Industrial Rollers and Re-rubberizing Printing rollers.

The Company's expansions in the Industrial Roller division and the Re-rubberizing divisions have led to a commendable increase in operating profits, which is a growth of 33% compared to the previous year.

Competitive prices along with timely and appropriate promotions helped in maintaining the market share for garden hoses and vehicle floor mats, where the Company is established as the market leader.

Re-Distribution Operation

The Re-Distribution division distributes products island-wide through a network of distributors and dealers. The Group is proud that the distribution channel is one of the largest in the Country, catering to over five thousand hardware & furniture outlets island-wide.

The Re-Distribution division achieved a growth in turnover of 9% compared to prior year. Turnover in most of the product categories grew compared to the previous year. Sales of the "Arpilight" CFL bulb, made steady progress during the year and it is anticipated that the product will soon become a household name."Arpitech" water pump is a dominant player in the market with a share of 35%.

Product innovation and enhanced customer service enabled this achievement of becoming a market leader in a short period of time. The division is projecting a growth through continued diversification into new areas of businesses, with the goal of being a dominant in the market especially in the furniture sector.

OUR BUSINESS

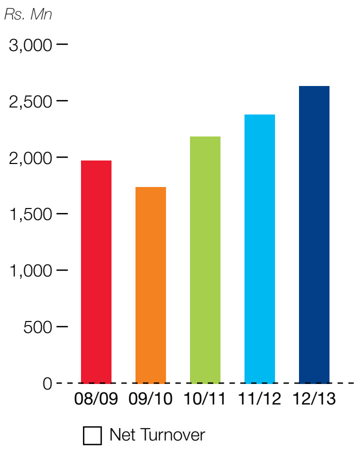
Rubber

The rubber sector having performed well in the financial year under review, It has recorded highest ever profits in its history.

The Product Portfolio: Natural Latex Foam Mattresses, Pillows, Rubber Mats for Industrial and Domestic Use, Jar Sealing Rings, Small Moulded Products and other Specialized Rubber Products.

Richard Pieris Exports, Jar Sealing packing process

Rubber Sector



This sector is represented by Richard Pieris Exports, Richard Pieris Natural Foams, Arpitalian Compact Soles, Micro Minerals, and Richard Pieris Rubber Products.

The Group's Rubber Sector provides a wide range of value added products for both export and local markets. This sector has traditionally played a major role in maintaining the Group's reputation by providing products of high quality with dependability. Due to its precise planning in the manufacturing process and management efficiencies that have been achieved during the year, enabled the sector to increase its productivity and offer products and services effectively responding to the market demands. Management and production efficiencies have been achieved through establishing appropriate controls at every stage of the manufacturing process, appropriate inventory controls and more importantly through product and process innovation.

Overall the Rubber sector performed with an unwavering commitment towards achieving excellence has made the year under review financially the most successful year in its recent history. Simultaneous attention was given by the management on the aspects of effective cost management, margin enhancement and efficient working capital management also helped strengthening its performance. These positive trends are expected to continue to the coming financial year as well. External factors such as less volatility of rubber prices, favourable exchange rates that prevailed during the first half of the year also contributed towards achieving healthy profit margins. Although in the second half of the year, the sector experienced a reduction in the raw material prices, adverse impact on exchange rates led to a reduction in profit margins. However, even in the these adversities it was able to maintain attractive pricing levels through improved productivity by eliminating unproductive practices, achieving energy efficiencies and minimizing overhead costs.

Rubber Contd.

In the global scenario, the perpetuating sovereign debt crisis in the European continent and the fiscal problems in USA with no positive sign of recovery in the immediate future, continue to cause a threat to the global economy. Shrinking demand for exports from the European and USA markets will be a major challenge to Sri Lanka which is to be faced in the ensuing year.

Richard Pieris Exports PLC

Richard Pieris Exports is set to record its 30th year in operations on 30th June 2013.The Company manufactures and exports various types of rubber mats, jar sealing rings and small moulded products to Europe, USA and Asia Pacific regions from its factory in Ekala since 1984. The Company also has established its presence in the local market by selling export quality rubber mats.

The Company's range of mats include specialized products for industrial use, entrance, agriculture, gymnasiums and specialty items such as fire retardant mats, electrical safety mats and anti-static mats. Product innovation remains a key area of the Company. Research and Development division of the company continued its efforts in the product development. It had been able to successfully introduce several new products, in response to the market demand in the industrial and the agricultural sector.

During the year under review sales volumes were affected by the decrease in demand in the European market and the Company experienced a volume drop by 10% compared to the last financial year. It is encouraging to note that despite a drop in sales volume Company was able to record a 86% growth in its operational profits which can be considered as a remarkable achievement in the year under review. This was possible mainly due to the management efficiencies achieved in the area of inventory controls and working capital management.

The Company remains optimistic that the sales volumes to European markets will increase with the full recovery of European economies. To further enhance growth in sales volume and margins new stable mats were introduced to Australian & New Zealand markets, and development of super soft anti-fatigue mats, soft cow mats are also in progress to cater the industrial & agricultural sectors. Improvements to energy efficiency have further strengthened its position.

The Company continuously invests in the work force and believes that efficient management of human resources are vital for its growth.

Richard Pieris Natural Foams Ltd.

Richard Pieris Natural Foams Limited (RPNF) manufactures and markets 100% natural latex foam blocks, sheets and pillows for international market from the factory located in the free trade zone, Biyagama. The Company has been able to consolidate its position as the leading contributor to the sector performance by reporting steady revenues and profits during the current financial year. The Company recorded the highest sales volume, turnover, operating profit and net profit since its inception during 2012/13 year exceeding prior year records. Aggressive market development, restructuring of distribution channels, enabled the company to achieve growth in sales volumes together with higher margins during the year.

Continuous effort in developing markets in North America as well as Asia helped the company to exceed budgeted sales targets. Simultaneous efforts on the reduction of wastage, energy and overhead cost, and continual improvements in quality levels broaden the profit margins.

The Company not only introduced new products such as Arpico organic latex foam certified by GOLS (Global organic latex standards) but also moved in to bio-mass energy sources and enhanced effluent treatment facility to make the total supply chain more greener during the period.

Re-structuring and optimum utilization of assets and resources during the period has resulted the company to manufacture highest volume in the recent history with minimal capital investment. Sound working capital management with recorded profitability enabled RPNF to reduce bank borrowing during the year under review.

Continuous research and development, technological advancement for value addition to the existing products will be prioritized. The company continues to further enhance its dominance in the global market with a mission to become the world's largest 100% Natural latex foam manufacturer.

Arpitalian Compact Soles (Pvt) Limited

Arpitalian Compact Soles manufactures shoe soling sheets for the International shoe manufacturers. The Company is a joint venture with Davos SPA, a globally reputed manufacturer for shoe soles.

Arpitalian performance has hampered but was able to reduce its operational loss considerably compared to the last year. It recorded a loss in the first 6 months of the year mainly due to the low sales volumes but, was able to record an operational break-even in the second half of the year indicating a positive trend for the future.

The Company continues its efforts in developing new products according to the latest trend in the fashion shoe industry. Deviating from the past, the Company has taken a strategic decision to concentrate more on the middle and the top end of the market in order to enhance the level of contribution from the business. As a result of this decision the Company lost certain volumes from markets such as Pakistan and certain regions in India. It is anticipated that the above decision will pay dividends in future with its intensified marketing efforts in countries like Vietnam , Bangladesh, West Asia, North India and certain regions in south India. Simultaneously efforts are being made to enhance sales to the local market with in the stipulated limits of the BOI. Meanwhile the Company is also building a new business line by using its excess machine capacity. Arpitalian expects to achieve a marginal growth in the upcoming financial year, where gradual recovery in the western economies in near future will have a positive impact on the Company's volumes

Micro Minerals (Pvt.) Ltd

Micro Minerals (Pvt.) Ltd produces mineral products which are essential raw material to the polymer industry. Manufacturing plant being located at Bandaragama, the Company mainly supplies to Richard Pieris Group of Companies.

The Company did not perform as desired during the year under review. It was an immense challenge for the Company to maintain its market share with the entry of few new local competitors with low price offers. To overcome this situation Micro Minerals is now looking at the possibility of expanding its product base while retaining the existing customers by offering better service. The buffing operation which is currently located at Richard Pieris Exports is to be shifted to Micro Minerals so that a separate business could be developed to cater external parties. The Company is confident in improving its performance in the upcoming year.

OUR BUSINESS

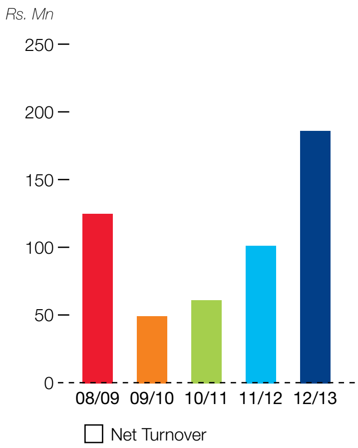
Services and Other

The Group's focused entry strategy to the Financial Services sector was further strengthened with the formation of Richard Pieris Arpico Finance (Pvt) Limited, commenced commercial operations in April 2013.

The Product Portfolio: Real Estate, Insurance, Freight Forwarding, Stock Broking, Margin trading and Financial Services.

Financial Services - The beginning of a new Era

Financial and Other Services Sector



This sector includes the Group's holding company, Richard Pieris and Company PLC, and subsidiary companies in various businesses outside the Group's main sectors of Plantations, Rubber, Tyre, Retailing and Plastics. It includes companies involved in Logistics, Insurance, Real Estate and Financial Services.

Richard Pieris and Company PLC

Richard Pieris and Company PLC is the holding company of the Group and is responsible for the overall corporate policy and direction of the Group. Richard Pieris and Company PLC generates a proportion of its income by way of dividends from its subsidiaries. It also owns and rents real estate, including the Hyde Park Corner retailing complex and the Nawinna complex which houses the Tyre factory, the head office and a Super Centre. The Group's focused entry strategy to the Financial Services sector was further strengthened with the formation of Richard Pieris Arpico Finance (Pvt) Limited, which commenced commercial operations in April 2013. Over the last two years the Group has established itself in Stock Broking, Insurance and Margin Trading businesses and is much focused on this new sector. The Company's various divisions provide support services to all companies in the Group. This includes services relating to information and communication technology, human resources and procurement.

The IT Division has continued to provide systems integration, managed services, "end-to-end" services and solutions for both Software and Hardware. This has enabled the Group to generate more value through an innovative approach to business processes, well-integrated supporting technologies and strategic investments. The technical staff has an in-depth

Services and Other Contd.

understanding of the Company's technological needs and businesses and a proven track record of delivering results in many industrial sectors. The division manages the data center, disaster recovery centre and central PABX. During the year under review, steps were taken in developing a sales force automation system, for the field sales staff of the Group's redistribution arm.

The Group Human Resource Division is responsible for the overall HR policy of the Group. It deals with the administrative work relating to employees and coordinates training and staff development. More details on its activities are to be found in the report "Our People" on page 55.

The Central Commercial Division handles the procurement of raw materials and consumables, both domestic and imports. It has been successful in passing on the low costs to our SBUs by maintaining sound supplier relations and maximizing economies of scale.

The Group Treasury supports funding requirements of all the businesses. It is also involved in negotiating bank facilities to the Group and manages the Group's foreign exchange exposure and interest rate risks.

The Group Corporate Planning Unit coordinates the Group's overall strategic planning process. It provides expertise to all SBUs to develop and monitor Key Performance Indicators. This unit also analyses all new business ventures, develops business plans and continuously monitors existing businesses in order to ensure optimal allocation of resources.

The internal audit function which is centralized, ensures that internal control systems are adequate; procedures are up- to- date and are adhered to by all group companies. Its activities are based on the risks faced by the Group in the different industries.

R P C Logistics Ltd.

R P C Logistics is primarily engaged in international freight forwarding and customs broking. At present, two thirds of the Company's revenue is generated from its freight forwarding and customs broking activities. The Company's portfolio of services includes airfreight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company's services include door-to-door cargo services with the assistance of the Company's overseas agents and a variety of other connected services.

With a view to expanding the service to Richard Pieris Group, the Company is presently looking forward to obtaining agencies for Machinery and Equipment used by the Plantation and other SBUs. During the year under review, the agency for Colour Sorter Machines from Anhui Zhonke Optic – electronic Colour Sorter Company China was secured.

Richard Pieris Securities (Pvt.) Ltd.

R P Securities had a very challenging year and its performance was hampered due to poor market conditions, which prevailed during the latter part of the year.

Arpico Insurance Limited

After launching on 11th January 2012 by defining a new market space "Insurance for the Living", Arpico Insurance has set new benchmarks in the industry. Total Revenue of the Company for the year ended 31st March 2013 exceeds Rs. 120 mn with highest ever gross written premium recorded by a life insurance company in the 1st year of operation.

The Company is planning to expand its presence in North and East after consolidating in Western and Southern zone. In an era of intense challenges and environment with increasing cost of living which affects life insurance amongst other factors, Arpico Insurance's performance was remarkable. Development of human resources and stringent performance management enabled Arpico Insurance to successfully sail through the rough seas.

Corporate Social Responsibility

The challenges our world faces nowadays go far beyond the financial statements. We believe at Arpico that every business we handle has an obligation, to address issues that impact the society as a whole.

Our Group is emblem by a proud heritage and driven by strong principles, like quality, value, and integrity at the heart of our business strategy. The Group is one of the largest and the oldest diversified conglomerates in Sri Lanka with a large number of stakeholders, which engages in a number of economic, social, and environmental support initiatives thereby contributing towards its responsibilities to all stakeholders.

We have a proud history of running our business in a socially responsible manner and making a difference in the communities we serve. We aspire to grow beyond boundaries and we have achieved so many mile stones in our business through diversification but still our commitment to corporate social responsibility continued to develop and strengthen year by year, where we have learned that looking at our customers from a sustainability perspective opens the world of new opportunities.

We aim to engage positively with all stakeholders, responding to them swiftly and efficiently while continuing to welcome their views.

Customers

Our greatest pride and our primary strength lies in our vast customer base and the strong and lasting relationships we have forged with them. The Group mobilises its competencies, energy, and resources to build a higher performing service to its customers, treating their needs and wants as the main priority.

All companies in the Group guarantee the highest quality in their products and services. Many companies have international and national certifications and strive to provide the maximum level of convenience, service, and value for money to its customers.

Food Safety

Being a leading retail chain in Sri Lanka, one of our key priorities is food safety. We have outclassed other entities by providing the best products to the customers with the theme “fresh ideas everyday”. The Arpico Supercentres maintain stringent policies on food safety and quality. More than 150,000 customers a week pass through our doors, and our colleagues across the business work hard each day to deliver great service to them.

The continued investments in local sourcing and maintenance of long term loyal relationships with shoppers and suppliers have not only benefited the local community but have ensured long term sustainability of the business. Food safety is also a key requirement in the plantation sector. Several of our tea factories have obtained certifications from Fair-Trade Labelling organization and the Ethical Tea Partnership, whose members are leading retailers in the U.K.

Fair and Competitive Trading Practices

Our policy is to be fair and honest, being accessible and forthright in our dealings and to always deliver what we promise.

Employees

Employees’ Health and Safety

The Richard Pieris Group is one of the largest private sector employers in the country considering the employees as key stakeholders whose contribution is vital for the continued success of the company and the country.

The health and safety of our employees is a key priority which is ensured in all factories and other workplaces by providing equipment that will ensure high safety standards. Training programs are conducted to educate employees on health and safety measures in the workplace. Medical facilities are provided to all employees.

Community & Country

The Richard Pieris Group carries out a wide range of diverse activities across all provinces in Sri Lanka contributing towards the goodwill of the entire country, which has enabled us to have a long held reputation of being a responsible corporate body. Its initiatives reach out across the island from small villages to urban centres thereby touching the life of every Sri Lankan across the island. The Group also provides employment for more than 27,000 people in the country. We have always promoted a positive attitude towards age diversity, believing that a blend of youth and maturity will benefit both the Company and employees at the same time.

CSR Initiatives

Welfare Activities

The Company donated a total water solution to Welewewa Sumedha Vidyalaya in Anamaduwa. Under this program, Arpico partnered with the UNIC (United Nations Information Centre) to assist the school in setting up a model farm for the benefit of the school children and to enhance their knowledge on Agriculture with the use of modern technology. A complete water storage solution was completed at Nallur Kovil, Jaffna, with the objective to benefit the worshippers and devotees who visit the Nallur festival each year. Further, Arpitec water pumps implemented a drinking water project for rural schools island wide, and as an initial step the brand sponsored a drinking water line system for Kolonna primary school in Ambilipitiya. All water solutions were completed using Arpico water tank, Arpitech water pump and Arpico PVC pipes & fittings.

“Giving Sounds to Silence” is a program that seeks to provide hearing aid to less fortunate children at an early age, because early intervention would ensure that the child would grow and develop as a normal child. If not they would have to live a life of dependency and isolation. Arpico Supercentre Privilege Care programme have been helping the hearing impaired

children by purchasing the hearing aids for them to live their lives in the hearing world. Shoppers were given the opportunity to contribute either Privilege points or cash and Arpico Supercentres doubled their contributions.

We have received continuous assistance from Plantations Human Development Trust to undertake many valuable projects in our estates. One such project was constructing houses for worker's families with an investment of over Rs 10 mn. Further, a building at Atale Estate had been converted to a Reception Hall/Community Centre to facilitate the workers to organize socials/ family functions, official meetings, etc.

A special weekend for senior citizens in the Kadawatha area was hosted where the event comprised of an eye clinic and free spectacles along with special entertainment for the elders. Over 140 spectacles were issued at the event. Arpico Super Center Gampaha organized and celebrated Vesak at elderly home offering morning heel dana and lunch. Arpico Supercentre Wattala celebrated its 2012 Christmas party with 50 orphans.

Further, a free Rabies vaccination program was conducted, to keep the puppies in the area healthy and happy. Dog lovers in the vicinity brought over 100 puppies to be vaccinated.

Supporting Health Care

The Health and Welfare staff attached to our estates, with the assistance of the Plantations Human Development Trust conducted Anti Natal & Post Natal Clinic program in all estates. Mid day meals, kola kenda, and milk were provided at most of our Child Care Centres in estates thereby sustaining a better care and nutrition maintenance for workers / village children. All the factories in the estates and other work places are equipped with necessary implementations to maintain the required safety standards.

To mark our motherland's 65th National Day celebrations Arpico Supercentre Wattala conducted a blood donation campaign.

Assisting Education

Financial assistance was given to all estate employees' children who qualified for University education, as done in prior years.

English and computer classes were conducted for workers children at estates to improve their knowledge. Books and uniforms were distributed to the school children of our estate workers as well. Further, granted scholarship to children of employees to pursue their studies at Universities.

Suppliers

Building lasting partnerships with our suppliers

Integration with the supply chain has enabled the group to purchase high quality input at its best price. By thoroughly understanding the supply chains in which we and our customers operate, we were able to promote sustainable development within those chains, which enabled us, to deepen the relationship with our customers and to build new and innovative partnerships.

We therefore aim to be a loyal customer to our suppliers. Arpico has a large number of suppliers from different parts of the world. Year after year, the Group strives to develop partnerships with Small and Medium sized Enterprises in Sri Lanka and supports small producers in Sri Lanka by providing them with guidance, in the use of appropriate technology for manufacture and channel to market.

Our Commitment towards the Environment

The Group recognises environmental management as an important aspect of our business and strives to conduct operations in an environmentally sound manner. This is achieved by, reducing our carbon footprint, saving energy, increasing transport efficiency, preventing waste, and increasing recycling.

Corporate Social Responsibility Contd.

The energy efficient machinery with the use of Trucco energy efficient heater, in Kirklees Estate in Kegalle Plantation, has helped to bring down fuel consumption substantially by way of higher thermal and optimum heat transfer. The effluent treatment plants constructed in our rubber factories has helped to treat toxic waste before it leaves our estate boundaries.

The Group inculcates environmental friendly practices in every employee in their work habits and their personal lives by encouraging them to, use energy conservation measures and recycle waste and by –products.

The introduction of degradable loyalty card, “Eco Privilege” in the Sri Lankan retail market was a fresh experience to the market and further encouraged the use of recyclable bags. Each of our stores is designed individually, built with style and character that are ideal to the locations in which they are situated. The integral store’s design enables the natural / sky light to spill through the building, eliminating the need for artificial light, which immensely contributes towards high energy savings. The new supercentres are opened with the concept of “Go Green” by using initiatives such as water treatment plants.

Arpico’s locally manufactured products were awarded the best locally manufactured product stall at the INCO 2011. The local innovation and introduction of environmental concepts like the Arpico Green Gas Unit contributed towards the achievement of this award. The Arpico Green Gas Unit won the Presidential award for innovative products in the year 2010. This product enables households, hotels, restaurants, etc to produce bio-gas through organic waste. The users could additionally benefit from the active 100% liquid compost fertilizer, which is a by-product of the system which could be used for agricultural and gardening purposes. Arpico has a range of industrial garbage bins and compost bins to better manage the domestic waste. Further, it’s essential to highlight that the Arpico Plastishells Water Tank is the only water tank to be ISO 9001: 2008 certified.

Sri Lanka’s first nano technological air purification CFL bulb was introduced during last year by Arpico. The Arpilight CFL bulb enhances the quality of life by purifying and eliminating germs / bacteria. Further, this product saves 80 % of the electricity and is perfect for areas with persistent odours such as restaurants, factories, etc. The Arpilight CFL bulbs won the best new product award at recently concluded CHEMEX 2011exhibition held at Colombo commemorating the United Nations “International year of Chemistry”. The product was rated as a highly environmental friendly CFL bulb. This was certified as a five star product by the Sri Lanka Sustainable Energy Authority.

As a Group that is engaged in plantations, we are intensely involved in forest conservation. The Group obtains environmental certifications from global and local environmental authorities, wherever applicable. This includes ISO 2000 certificate and certifications from the Forest Stewardship Council, the Central Environmental Authority.

Financial Review

Overall Group Performance

During the financial year 2012/13, the Group recorded a Turnover of Rs. 34.7 bn at a growth of 8% over the previous financial year. However, due to increase in productivity and the efficiency of the production lines led Cost of Sales only to increase marginally by 6% in turn affecting the Gross Profit to indicate an increase of 15% over the period of comparison. Thus the cost escalation coupled up with adverse market situation lead towards higher administrative expenditure affected the bottom line to decline by 20% to Rs. 2.3 bn by the year end. However, excluding the capital gains of Rs. 717 mn materialized through disposal of Asian Alliance Insurance from the prior year, the group net profit showed 6.1% growth in the bottom line.

This year's report being the first in the series for the group in presenting statement of accounts converging with IFRS as per the direction given by the Institute of Chartered Accountants Sri Lanka (ICASL), speaks of your company's ability of smoothing out the transition of reporting from old to new without much hindrance to the operations.

Turnover Analysis

Group Turnover for the year increased from Rs. 32 bn in the financial year 2011/12 to Rs. 34.7 bn in the financial year 2012/13, recording a growth of 8%.

The growth in the turnover moderated across all the clusters of the group. The momentous economic growth of 8.3% experienced during prior year was restrained to 6.4% reflecting the slowdown in the economy. External pressures thumped up the market risk in our country and certain fiscal measures were adopted which influenced on curbing down the market activities, thus adversely influencing on group top line. The effects of these developments were compounded to the Group's business operations by the expansion of its chain of retail outlets. Despite of these down beating effects, increase in volumes especially in the export line, better prices in the plantation sector coupled up with Service sector gradually reaping benefits contributed towards keeping a modest growth of 8% in the group top line. Further, the Turnover of the plastic sector continued its growth momentum, particularly supported by the boom in the construction industry, and the sector's expanded distributor coverage, and ensured that the Group reaped full benefits from the limited opportunities offered by the macro-economy.

Retail Sector

The retail sector emerged as the most significant contributor to the Group Turnover for yet another year, accounting for 45% as opposed to the 44% contribution made in the previous financial year. Total Turnover for the sector improved by 12% to Rs. 15.7 bn, enabling it to become the sector with the second best rate of growth. The sector took a selective policy on expansion and the opening of only one retail centre in Piliyandala speaks of the moderation when compared with the average of the expansion of its coverage experienced during the past. Thus the total network of large format retail outlets are 15 for the year under review. Throughout the year, the sector remained to be the value driver of the Group, attracting a larger portion of its risk weighted capital.

Plastic Sector

The plastic sector continued its strong performance for the year and will be rated among high growth sectors from all revenue generating sectors in the group. The sector indicated a 15% growth in their turnover though it showed a robust growth of 34% during financial year 2011/12. Accordingly, Turnover of the sector increased from Rs. 5.1 bn to Rs. 5.9 bn, accounting for 17% of Group Turnover.

The drivers behind this growth are manifold. Construction industry continued its momentum further during the year under review in post-war optimistic Sri Lanka. In addition, the sector's efforts to improve its performance, such as the expansion of its distribution coverage and the conducting of large scale promotional activities, also yielded results. Product innovation and enhanced customer service enabled the sector to maintain its profitability. Simultaneously, aggressive promotion of eco friendly 'Green gas' concept, paving way for cleaner and better way of energy utilization has been a clear value driver for the sector and the continuous product development, market penetration, etc. has also contributed heavily on sustaining the profitability.

Plantation Sector

The plantation sector ended the year by being the second highest contributor to Group Turnover by contributing 21%. However, its relative weight in aggregate Turnover compared with the comparative period has declined due to the bulky growth experienced in other sectors such as retail, plastic and rubber. In absolute terms, the Turnover for the sector was recorded at Rs. 7.39 bn, indicating a marginal decline of 0.32% from Rs. 7.42 bn in the previous year.

National tea production contracted marginally by 0.4% for the year, mainly due to adverse weather conditions. The Group Tea sector produced 6% below the period of comparison to record a production of 13.12 mn Kg. Tea prices increased sharply by 10% boosted the value together with the volume to record Rs. 5.2 bn in value from the tea cluster.

During the year under review, rubber production showed a marginal decline of 3% to 5.6 mn kg from 5.8 mn kg which is on par with the national rubber production to indicate a drop of circa 4% for the year under review. Revenue derived from the rubber segment experienced a significant decline of 18% eventually led towards average rubber price of Rs. 395 per kg from Rs. 475 per kg witnessed during prior year. Consequently, the decline in revenue has been resulted through the drop in prices, on average by 17% during the period, coupled up with the drop in volume led towards decline in the turnover.

Financial Review Contd.

On a positive note, Revenue from the palm oil segment increased by 20% and is identified as the best performing crop for the year. For the palm oil segment, total Revenue increased from Rs. 366 mn to Rs. 440 mn. The total crop indicated a marginal increase of 1% to be at 14.5 mn kg from the prior year volume of 14.4 mn kg. The price of palm oil also experienced an upward revision when it rose from Rs. 25 per kg to Rs. 30 per kg, due to increased use of palm oil as edible oil fuelling its demand.

Rubber Sector

The rubber sector continued its growth momentum during the year with its' Turnover growing by 10%, and its contribution to overall Revenue remained the same as the previous year at 8%. Within the sector, the natural latex segment continued its momentous growth recording a growth of 39% YoY from the prior year base of Rs. 1 bn to Rs. 1.4 bn indicating its highest ever growth since inception beating the achievement of the prior year. Aggressive marketing coupled up with re-structuring the distribution channels supported the growth in volume. The segment which is into stiff competition was able to compete on price due to its market leadership eventually led towards increase in volume sharply by 25% to record 345 containers for the period.

'Flooring Rubber and Mats' segment continued its decline for the year under review indicating a decline in value by 5%. The segment recorded negative growth in volume as well, dropping by 12%, primarily affected by the sluggish growth in economies in the European Union to which a large proportion of the produce from this segment is exported. This drop was aggregated further with the recent rupee appreciation to an extent though average container value indicated an 8% increase over the period of comparison.

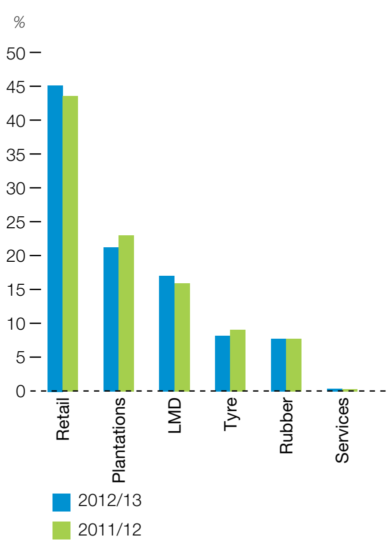
For the 'Shoe Soles Manufacturing' segment, Turnover declined by 10% to Rs. 468 mn. The volume of this segment declined sharply by 21%, whilst average container value grew by 13% mainly due to the increase in volume exported indicating glimpses of expectation of the outcome of its strategic decision of moving towards middle and high end of the market.

Tyre Sector

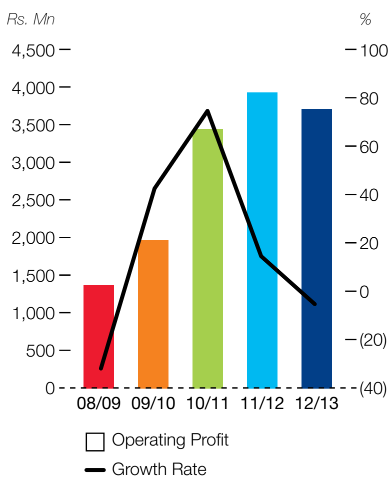
Turnover for the tyre segment reached Rs. 2.8 bn in the financial year 2012/13, indicating a decline of 3%, and subsequently affecting its share for the Group Turnover to be at 8%, down from 9% from the financial year 2011/12. The average value per unit grew by 20%, and this growth is attributable to the revision of selling prices to be in line with the increase in imported material and energy costs.

However, this segment was adversely affected by the rising competition from imported Radial tyres which offer a lower cost per kilo meter due to the quality of the tyre, and the volume resultantly dropped by 11% to 420,000 units of retreading during the year under review. Consequently, the value also declined marginally by 2% to Rs. 2.2 bn from the previous year value of Rs. 2.3 bn. However, adjustments were made to the prices in order to combat the cost escalation in the production lines which leads towards average unit value to be Rs.

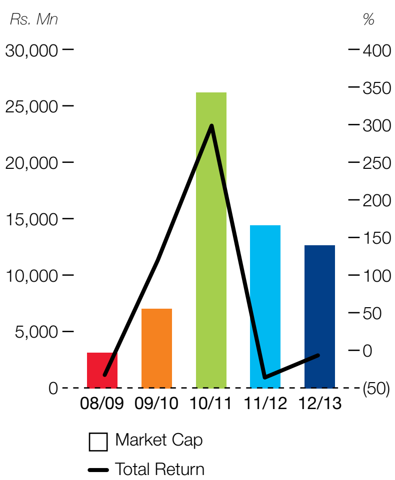
Segmental Turnover Composition



Operating Profit/Growth Rate



Market Cap & Total Return



5,244, an increase of 10% from the prior year unit value of Rs. 4,769. Meanwhile, the trading segment posted a marginal growth of 3% in volume during the year though value declined to Rs. 430 mn, a decline of 12% over the prior year base of Rs. 487 mn. Hence, the average unit value declined by 15% to Rs. 2,198 from the previous year comparative of Rs. 2,577.

Finance and Other Services Sector

The service sector consists of the newly added business arm of the Group, comprises of the Life Insurance, Stock Broking, Margin Trading and Assets Management clusters. Consolidation effect of these segments caused the sector to record 84% growth in Revenue. Despite the sector's Turnover growing from Rs. 104 mn to Rs. 190 mn, it remained to be the least contributor to the Group Turnover.

Cost of Sales and Operating Expense Analysis

Cost of Sales of the Group increased from Rs. 24.6 bn in the financial year 2011/12 to Rs. 26.2 bn in the financial year 2012/13, at a growth of 6%, and absorbed 76% of Group Turnover.

Cost of Sales increase of circa 6% is well below the period average inflation of 8.8%, speaks company's capabilities on checking on its production cost through increase in productivity and the efficiency in production lines. During a time of market activities are getting weaker, company's need to tighten their grip on their cost structure. Though the energy prices and the tariffs showed an increase, which directly influence on cost of production during the year and it is noteworthy that the company was able to maintain a moderate growth in production cost to be in line with the country's inflation.

Though Cost of Sales showed a moderate growth, Administration Costs of the Group showed a sharp increase of, 16% during the year under review, absorbing 11% of Group Turnover. This was affected mainly by the increase in cost relating to the formation of new business lines such as Finance and Asset management coupled up with the increase in personnel costs with the Insurance arm taking its momentum whilst continuous expansion in the production/ operational capacities in Plastic & Rubber sectors.

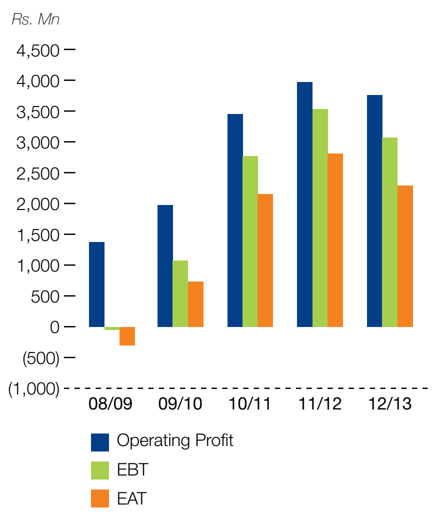
The Group's Distribution Cost also increased moderately by 11% to Rs. 1.5 bn during the year, accounting for 4.2% of total Turnover and was inclusive of advertising, promotional as well as commissions on the sales volume of the group.

In cumulative terms, the Administration, Distribution Costs along with the Cost of Sales constituted 90% of Group Turnover during the current financial year, declining from 91% in the previous financial year.

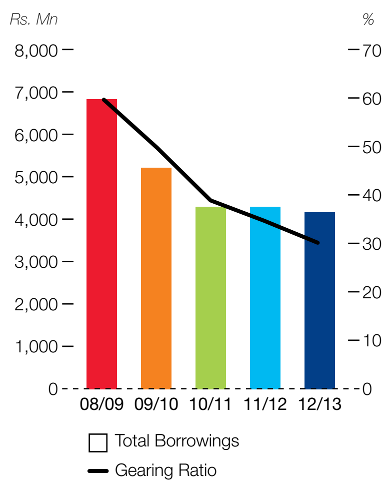
Profit from Operations

Gross Profit of the Group recorded a 15% increase during the year, re-instating its average level of 24% from 23% as explained before. Meanwhile, Other Operating Income declined by Rs. 675 mn indicating a decrease of 55% from prior year. Taking out one off capital gains of Rs. 717 mn arising from the disposal of the Group's stake in Asian Alliance PLC during the last year, other operating income has risen by Rs. 42 mn to be at Rs. 550 mn for the year under review from the restated value of Rs. 508 mn from the period of comparison.

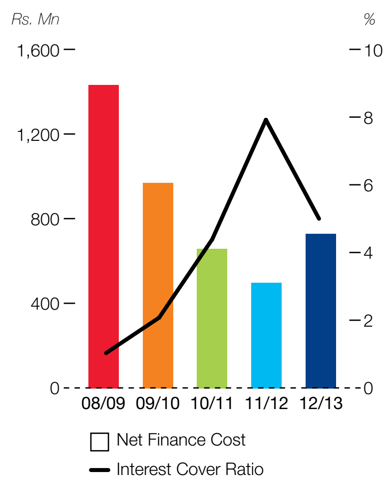
Operating Profit vs. EBT vs. EAT



Total Debt vs. Gearing Ratio



Net Finance Cost vs. Interest Cover Ratio



Financial Review Contd.

Despite of maintaining a confined cost structure, Profit from Operations declined marginally by 6% thus operating margin continued to stand at healthy level of over 11% in line with industry peers. However, recurring business profits indicated a robust 15% growth compared to last year stated profit of Rs. 3.2 bn.

Retail Sector

The retail sector was the second highest contributor to Group Profits, accounting for 22%, which will be a concern considering its' contribution of 29% last year. Imposing VAT on retail industry wiped out substantial amount from the retail sector profits during the last quarter along with the increase in tariffs during the early part of the financial year affected the sector to be beaten by the plantation sector to be the highest contributor during the financial year. In absolute terms, the Operating Profit of the retail sector recorded Rs. 964 mn, declining significantly by 35% from its comparative period. However, non –recurring capital gains through the disposal of 10% stake in Asian Alliance had over stated the last year profits significantly indicating an adverse scenario on the profit lines on the face of the financials.

Plantation Sector

The plantation sector, which experienced a dip in profitability during previous year, regained its crown yet again indicating a robust growth of 32% to Rs. 1.7 bn during the financial year under review, and accounted for 38% of Group Operating Profit. Though the turnover did indicate a marginal decline, the effective cost management backed by underlying factors influenced the cost to be maintained at relatively constant backing to reduce the overheads, accordingly benefited the profitability of the sector.

Plastic Sector

The plastic sector accounted for 18% of total Profit and emerged as the third largest contributor of all segments. Its Operating Profit grew sharply by 18% during the year whilst strengthening the Operating Profit Margins from 13.2% in the financial year 2011/12 to 13.5% in the financial year 2012/13.

Tyre Sector

The Group's tyre sector recorded a growth of 24% in terms of its Profits during the year and reached Rs. 377 mn, increasing its contribution to 9% to the group operating profit.

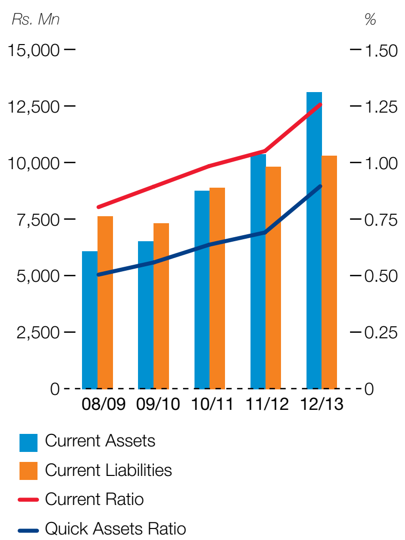
Rubber Sector

Sector continued its momentum gathered during the financial year 2011/12, emerging as the best sector in terms of growth, with its Operating Profit rising by circa five folds. This growth meant that the sector was successful in increasing the profitability from Rs. 59 mn recorded in the financial year 2011/12 to Rs. 313 mn during the financial year 2012/13. The sector's performance exceeded expectations in spite of the crises looming over the western world, and was mainly supported by the conversion towards the use of efficient energy sources coupled up with aggressive promotional activities. Thus the sector margins improved to 12% from the prior year margin of 2.4%.

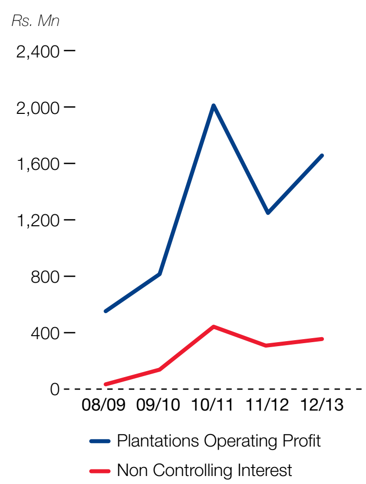
Finance Cost

The decision of the Central Bank of Sri Lanka to tighten its hold on the monetary policy following the significant decline in Gross Official Reserve due to its continuous intervention to maintain the currency peg, resulted in policy rates being increased by 25 basis points further in April 2012

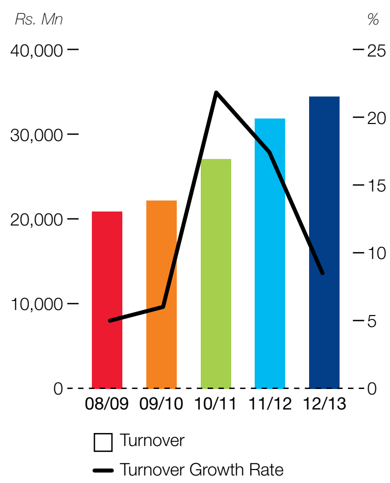
Working Capital Investment vs. Current Ratio



Non Controlling Interest vs. Plantations Profitability



Turnover vs. Turnover Growth



while a ceiling of 18% was placed on the credit growth of the banking sector. These developments resulted in interest rates increasing across all maturities during the year, with AWPLR, which indicates the cost of borrowing for corporate, continued its upward trend and touched its peak of 14.4% in December 2012 after moderating to 13.77% in March 2013, speaks to circa 1.4% increase from the corresponding point of comparison.

Due to such changes in policy measures, the Finance Cost reported on the face of the Income Statement of the Group escalated significantly from the previous year of Rs. 0.80 bn to Rs. 1.1 bn an increase of circa 33% despite the debt of the Group indicated a marginal decline to station at Rs. 4.3 bn.

Finance Income of the Group was recorded at Rs. 329 mn for the year, while it recorded Rs. 302 mn in the previous year. The 9% growth of Finance Income was mainly due to an increase in the cash balance from Rs. 2.9 bn to Rs. 4.6 bn. Meanwhile, the Net Finance Cost increased from Rs. 496 mn in 2011/12 to Rs. 729 mn in 2012/13, at a positive growth of 46%.

For the year, the interest cover for the Group deteriorated from 8 times to 5 times based on Net Finance Cost, while based on Finance Cost reported on the face of the Income Statement the interest cover relatively moved from 6 times to 4 times. EBITDA for the current year is 5 times of the Group's Net Debt serviceable within a year, signalling the position of the Group in terms of liquidity and solvency.

Share of Associates

The associate's share of the Group comprised of the 22% stake in AEN Palm Oil Limited. Accordingly, the share of profits of associates for the Group stood at Rs. 63 mn compared to Rs. 62 mn in the previous year indicating a marginal increase in contribution of 2% during the year under review.

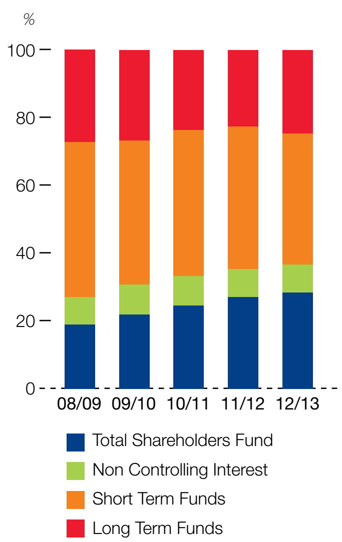
Minority Interest

Despite of the increase in the stake in plantation companies, the strong performance indicated in the plantation sector with regard to bottom line, the Minority Interest saw an increase from Rs. 295 mn to Rs. 382 mn during the year, recording a significant increase of 30%, mainly backed through the increase in percentage holding in the plantation companies.

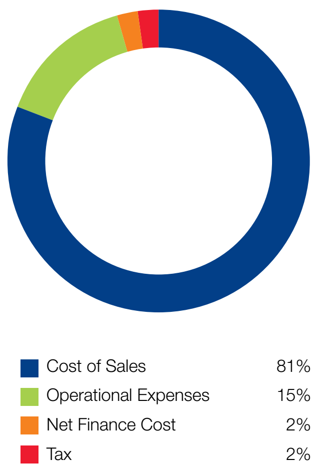
Investments/Acquisitions and Disposal
Several important investments were also made by the Group during the year. Accordingly, to strengthen the Group's identity in the financial services industry, the Group invested Rs. 400 mn in its new venture of Richard Pieris Arpico Finance Ltd. Expanding its coverage in the financial service sector along with propositions of linking it with the retail arm has made the Group optimistic about the future outlook of this investment.

In addition to above investments, the Group continued to invest in its most lucrative sector, retail. Despite of the adverse economic climate prevailed during the year, the group witnessed an opening of a new large format retail outlet in Piliyandala in July 2012. Furthermore, plantation sector continued its investments in replanting, with a view of improving yields.

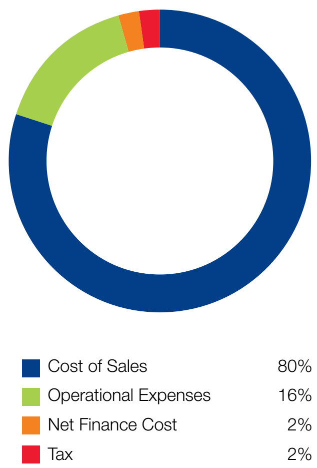
Capital Structure



Expenses Analysis 2011/2012



Expenses Analysis 2012/2013



Financial Review Contd.

Group Financial Position and Liquidity

Non Current Assets

The non-current assets of the Group increased from Rs. 13.3 bn to Rs. 14.1 bn at a growth of 6% during the year and represents 52% of total assets. The rise is also attributable to the Group's continued investments in property, plant and equipment, which grew by 7% and accordingly accounted for 43% of total assets by the year end. Major capital advances for proposed expansions which are on the pipeline has increased other long term investments to Rs. 590 mn thus boosted the non-current assets to its present level.

Key contributors to this growth were the retail sector, which speaks to over Rs. 514 mn investment in its expansion, and the plantation sector, recurrent capital expenditure of Rs. 744 mn, for replanting purposes.

Working Capital

During the year, the current assets of the Group increased by 26% to reach Rs. 13.1 bn, while 5% increase was observed in current liabilities, which reached Rs. 10.3 bn. Inventory increased by Rs. 227 mn, adequately off-setting the marginal increase in trade & other payables of Rs. 0.4 mn. The trade receivable balance also increased to Rs. 4.5 bn, following the sturdy growth in Turnover and the expansion of Group's operations. Accordingly, by the year-end, the total current assets of the Group accounted for 48% of its total assets while total current liabilities accounted for 38% of the same.

The Group's timely and forward looking strategies in terms of efficient working capital management, maintenance of strong cash profits, divestment of investments and selective expansion led cash and cash equivalents to increase to Rs. 4.6 bn by the year-end, while the net working capital investment stood at Rs. 2.7 bn, growing by 434% compared to the previous financial year. The current ratio of the Group improved from 1.05 to 1.27 and the acid test ratio followed suit from 0.70 to 0.91, both were below the targets of 2 and 1, respectively though later is on par with the stated targets.

Capital Structure

Equity

The Group's decision to conduct an Employees' Share Option Scheme resulted in its Stated Capital increasing by Rs. 3.4 mn, and the total number of shares increased from 1,938,590,800 to 1,939,237,625. During the year, Reserves of the Group increased by 35% to reach Rs. 6.3 bn, while Profit for the year was recorded at Rs. 1.9 bn.

During the year, the Group declared and paid an interim dividend of Rs. 0.20 in February for the financial year 2012/13, constituting a dividend yield of 3.03% as at the year end.

Borrowing

In terms of borrowings, the net debt including cash balances stationed at Rs. 4.3 bn, mainly due to the Group's conservative strategy with regard to debt. Apart from plantation sector and the holding company level, debt in other sectors declined mainly due to the group strategy of utilizing internally generated funds from the respective sectors for its own expansions. The debt of the plantation sector increased by Rs. 132 mn and at the holding company level, debt escalated by circa Rs. 1 bn utilizing the leeway's for the expected major capital advances.

Consequent to the reduction in overall debt levels, the Group's gearing ratio improved to 29% from 34%, indicating that the Group has a sound cushion to leverage and expand upon. However, debt-to-equity ratio weakens from 0.37 to 0.43. Out of the total debt, 95.6% was denominated in local currency whilst Foreign Currency debt speaks to circa 4.4% of the total debt providing sufficient buffer towards widening the foreign currency borrowings, given that circa 10% of the cash inflows to the group are in foreign denominations. The Group's conservative attitude has also ensured that 60% of its debt is secured.

Shareholders Return

Profit attributable to the shareholders through recurring operations showed a marginal increase of 2.40% to Rs. 1.9 bn. EPS declined by 26.32%, while diluted EPS also followed suit from Rs. 1.27 to Rs. 0.95 indicating a decline of 25.2%. The earnings yield for the year was recorded at 14.85%, while the dividend yield also showed a sharp decline to 3.03% on year end share price compared to 9% on the previous year. However, the total gain of shareholders was noted as being a negative 9%, due to the net effect of the capital loss of 12% and also in the positive dividend yield of 3%, on opening price.

Market Capitalization

The downward trend in the capital market led to a reduction of the Group's market capitalization by 12% to reach Rs. 12.8 bn from Rs. 14.5 bn in the previous year. Over the year under review, the highest traded price of the Group's share was Rs. 9.10 while the lowest price was observed at Rs. 5.50. 71.4 mn shares were traded during the year and the share closed the year at Rs. 6.60.

Financial Risks

Financial risks associated with the operations of the Group and its risk management processes are discussed in detail in the risk management report elsewhere in this report.

Risk Management

Managing business and financial risks are fundamentally important in maintaining sustainable growth and making steady progress towards the achievement of corporate goals and objectives. "Risk" being a factor which is not possible to "eliminate" completely, the Group ensures the "minimization" of risks by adopting various strategies for continuous reviewing of the Group operations. Various strategies are developed and implemented to achieve this goal.

Risk Exposure	Group Objectives	Risk Minimization Strategies
Financial Risk Management		
1. Liquidity and Cash Management	• To ensure faster response to market opportunities by ensuring instant funding ability. • To maintain a 'sufficient' liquidity position at all times.	• Funding of long term assets through Equity and Long Term Loans. • Availability of short term borrowing facilities to the Group at all times. • Funding of inventory by short term creditors. • The Group owns land and buildings with market values significantly in excess of its book values that can be offered as collateral for future funding requirements. • Sourcing of funding requirements through many financial institutions.
2. Interest Rate Risk	• To minimize adverse effects of interest rate volatility. • To ensure cost of borrowing is at minimum level. • To optimize the return on the Shareholder's Fund and Life Policy Fund of Insurance Company.	• Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings. Continuous monitoring is being done to match the mix of foreign and local denominated borrowings to the mix of export and local turnover of the group. • Using fixed and variable rate borrowings to strike a balance. • Centralized Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms. • Practicing effective hedging techniques such as interest rate swaps. • Centralized Treasury function to get the advantage of the total pooling of funds. • Matching the Assets and Liabilities of maturities. • Duration Management.
3. Currency Risk	• To minimize risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.	• Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge. • Ensuring effective Treasury operations through various hedging techniques such as forward bookings, forward sales, swaps and options contracts etc.

Risk Management Contd.

Risk Exposure	Group Objectives	Risk Minimization Strategies
Business Risk Management		
1. Credit Risk	• To minimize risks associated with debtor defaults.	• Obtaining insurance cover for export debtors. • Developing and implementing Credit Policies • Measuring the credit risk and maintaining risk rating system. • Obtaining bank guarantees, deposits and collateral for all major local customers. • Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit. • Demarcating the local areas and appointing new distributors thus increasing the number of customers with the objective of reducing credit exposure due to the reliance of a few customers. • Closely monitoring the debtor balances, laying action plans, and determining the same are under control.
2. Asset Risk	• To minimize risk from fire, theft and machinery and equipment breakdown.	• Obtaining comprehensive insurance covers for all tangible assets. • Adoption of stringent procedures with regards to the moving of assets from one location to another. • Carrying out mandatory preventive maintenance programs. • Carrying out frequent employee training programs in areas such as fire prevention.
3. Internal Controls	• To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.	• Carrying out of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department. • Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the Group's performance is in line with its targets.
4. Reputation Risk	• To prevent the causes that damage our reputation. • To minimize the impact if, despite our best endeavours, a reputation crisis should occur.	• Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the inputs, processes and outputs of own brand and in-house manufactured products. • Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large. • Providing the front line managers and the sales staff with adequate training in order to improve service standards as well as to educate staff on the importance of customer service.

Risk Exposure	Group Objectives	Risk Minimization Strategies
5. Human Capital and Labour Risk	• To ensure a smooth flow of operations without any undue disruptions. • To project ourself as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.	• Maintaining healthy relationships with trade unions through regular dialogue • Entering into collective agreements with trade unions. • Improving employee benefits by way of financial incentives and welfare activities. • Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs.
6. Technological Risk	• To keep pace with the current technological developments and safeguard against obsolescence.	• Continuous investment in new machines. • Investing in Research and Development activities throughout the year. • Investing in hardware and developing software in-house.
7. Procurement Risk	• To minimize risk associated with price and availability.	• Developing new products to improve quality and manage costs. • Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand. • Ensuring effective category management to reduce the risk of non-availability of goods at our retail outlets. • Adoption of backward integration strategies. • Centralized purchasing division which has enabled us to create a reliable network of global suppliers. • Entering into forward contracts for raw material purchases.
8. Inventory	• To reduce stock obsolescence and manage stock holding costs. • Reducing the risk associated with theft and shrinkage.	• Adopting a monthly declaration policy. • Identifying slow-moving stocks and effectively laying out a channel for these to be sold off. • Adopting security systems at the Retail outlets such as security tags with alarm systems, surveillance cameras and deployment of security to manage theft.
9. Risk of Competition	• To maximize our market share and maintain market leadership in the respective industries.	• Ensuring high standards of quality in the eyes of the customer. • Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs. • Carrying out Research and Development activities to identify needs. • Further strengthening our Arpico brand through aggressive advertising campaigns and target marketing. • Introducing pioneering products • The introduction of a CRM program in our retail chain. • The provision of various value added services at our key retailing outlets.

Risk Management Contd.

Risk Exposure	Group Objectives	Risk Minimization Strategies
10. Intellectual Capital Risk	• To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.	• Registering our brands and trade marks. • Successfully obtaining patents for manufactured radial tyres. • Furthering our Arpico brand image through promotions and advertising.
11. Capital Investments Risk	• To minimize risk of not meeting profit expectations.	• Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back. • Carrying out extensive feasibility studies for large scale investments. External expertise is obtained wherever required.
12. Information Systems Risk	• To minimize risk associated with Data Security, Hardware and Communication and Software.	• Maintaining of spare servers. • Mirroring of hard disks with critical data. • Data back-ups stored in off-site locations. • Vendor agreements for support service and maintenance. • Regular upgrading of Virus Scanners, Firewalls etc. • Compliance with statutory requirements for environmental preservations. • Carrying out Application Control Audits.
13. Environmental, Political and Regulatory Risk	• To minimize the negative impact from the changes in the external environment which are beyond our control. • To Comply with the Regulatory Requirements.	• Compliance with statutory requirements for all tax and other payments. • Prioritize the IT requirements for reporting • Set up internal dead-lines for each criterion • Meet the dead line for Statutory Returns and review all returns by Group Finance before the submission. • Continuous dialogue with statutory bodies to get the updated reporting requirements.
14. Underwriting Risk	• To Minimize the Claims and to ensure proper pricing.	• Assessing the risk exposed by accepting the policy and carrying out proper ratings and loadings before underwriting any policy. • Adhering to the guide lines provided by re-insurer • Referring any complicated matters to the re-insurer before accepting the risk. • Checking validity and accuracy of all the proofs given by the client before accepting the risk.

Our People

As the ARPICO Group surpasses all expectations and rejoices yet another successful year in its operations we commend and acclaim OUR PEOPLE who made this historic accomplishment a visible and tangible reality from an imaginary probability. Enriched with 80 Years of legendary heritage, culture and history, OUR PEOPLE at ARPICO have proven the norm that, what people can achieve is only limited by their imagination. OUR PEOPLE are able to enjoy a family culture in which their creativity and innovative thinking are encouraged and induced, their dedication and commitment are recognized and rewarded, their talents and skills are well nurtured and stimulated, whilst being proud of being a unique member of a truly - spirited family of 27,434 members.

Employee Relations

The key success factor of managing OUR PEOPLE at ARPICO has been the open door policy in addressing issues concerning based on the ideology of industrial democracy. Our Family tradition is deep rooted and thus the business leaders and managers within the Group are trained and expected to listen to grievances of OUR PEOPLE not only in relation to employment but also concerning personal issues and assist them finding viable solutions. With its relationship based strategy, the Group has won the hearts and minds of OUR PEOPLE so that the operations of any company amongst the 47 subsidiaries were never interrupted by any form of industrial dispute during the year. The Group's plantation sector takes pride in providing the leadership in manoeuvring the conclusion of plantation sector collective agreement in April 2013 without a dispute after many years of history in Sri Lanka.

The Group whilst adopting an open and convivial stance on freedom of association and collective bargaining is committed to strengthen relations with OUR PEOPLE and trade unions so that prevailing harmonious environment is preserved.

Nurturing and Grooming Talents

Customer satisfaction has been the key success factor behind our flourishing presence and existence in the country for eight decades. The ability of the Group to win the hearts and minds of consumers and become a leading household name was a result of the dedication of OUR PEOPLE to innovate and provide high quality products and services beyond the expectation of Sri Lankans. Hence it is of paramount importance that we nurture, groom and foster the pool of talents that we have at Arpico which not only benefits the Group but also the entire nation. The group invests heavily on human capital development in training and retraining of OUR PEOPLE ranging from employees of our stunning estates to pluck best quality leaves to provide most delicious cup of tea, to the staff of our Supercenters to provide amiable hospitality to our customers and extends to most senior Chief Executive Officers to manoeuvre respective subsidiaries in the path of success. Structured skills development programs in line with Group's Training Policy continue to be conducted at subsidiary levels. In order to ensure long term sustainability, the Group has a well identified succession plan intended at grooming talents of our own and creating future business leaders.

Recreation & Employee Motivation

The Group recognizes the significance of maintaining a steady balance between work and personal life of OUR PEOPLE since a relaxed mind enhances their performance whilst stimulating innovative ideas. The Group organizes recreational activities intended at increasing employee satisfaction and delighting them with opportunities and benefits whilst extending the same to their immediate families too. Recreational activities include staff outings, musical shows, sporting events and festivals, competitions, exhibitions, talent shows to exhibit the aesthetic capabilities of OUR PEOPLE, organising staff health camps as ongoing projects to sustain a balanced life.

Motivation of OUR PEOPLE plays a pivotal role in our strategic human resource management in the Group. The Group practices a performance based reward and recognition scheme following a comprehensive employee performance evaluation in order to enhance performance, productivity, quality, innovations, decision making process which in return enables the Group to achieve its objectives and targets. The process begins with a predetermined but dynamic set of Goals, objectives and targets agreed between the leader and the team member beginning of each financial year with subsequent evaluations periodically and as well as end of the financial year. Results of evaluations are used in recognizing, rewarding, training, retraining, and career progression of OUR PEOPLE. Due recognition is always given to the best performing PEOPLE by way of duly complementing and acknowledging their invaluable contribution to the success of the Group. The Group proudly felicitated the long standing committed services of a contingent of OUR PEOPLE in a ceremony named "Arpico Abhiman" whereby 279 employees across all subsidiaries who have dedicated more than 20 years of their lifetime to the Group were honoured in line with its 80th Anniversary.

Statement of Value Added

	2012/2013 Rs.'000	%	2011/2012 Rs.'000	%
Turnover (Gross)	34,998,062		32,288,773	
Cost of material & services purchased	(24,357,055)		(21,653,263)	
	10,641,007		10,635,510	
Other Income	554,614		1,229,621	
	11,195,621		11,865,131	
Distribution of value added				
To employees				
- Remuneration	5,438,528	49%	5,735,091	48%
To government				
- Duties & taxes	1,702,811	15%	1,859,332	16%
To providers of capital				
- Interest on loan capital	1,058,464	9%	798,277	7%
- Non controlling interest	378,813		306,470	
- Dividend to shareholders				
Retained in the business				
- Depreciation	707,916	6%	591,145	5%
- Profit/(loss) retained	1,909,089	17%	2,574,816	22%
	11,195,621		11,865,131	

Corporate Structure

1. RUBBER SECTOR

RICHARD PIERIS EXPORTS PLC	
Business Activity	Manufacture and export of rubber mats and sealing rings
Dr. Sena Yaddehige	Chairman/CEO
Shaminda Yaddehige	Director
J H P Ratnayeke	Director
S S G Liyanage	Director
W J V P Perera	Director
W R Abeysirigunawardena	Director
Kumar Abeysinghe	Director
Stated Capital	Rs. 220,262,000 represented by 11,163,745 shares
Group Holding	80.26%

ARPITALIAN COMPACT SOLES (PRIVATE) LIMITED	
Business Activity	Manufacture and export of resin rubber shoe soling sheets
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Lino Piccolo	Director
Fabio Piccolo	Director
Kumar Abeysinghe	Director appointed w.e.f 22.10.2012
Stated Capital	Rs. 542,371,660 represented by 60,471,499 ordinary shares ; 6,404,500 preferential shares
Group Holding	56.91%

RICHARD PIERIS NATURAL FOAMS LIMITED	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
J H P Ratnayeke	Director
S S Poholiyadde	Director
Stated Capital	Rs 640,822,600 represented by 64,082,260 shares
Group Holding	82.09%

ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
W J V P Perera	Director
Stated Capital	Rs. 90,000,000 represented by 9,000,000 shares
Group Holding	81.28%

RICHARD PIERIS RUBBER PRODUCTS LIMITED	
Business Activity	Manufacture of rubber products
Dr. Sena Yaddehige	Chairman
S S G Liyanage	Director
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director
Stated Capital	Rs. 27,000,000 represented by 2,700,000 shares
Group Holding	100%

* MICRO MINERALS (PRIVATE) LIMITED	
Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddehige	Chairman
W R Abeysirigunawardena	Director
B L P Jayawardana	Director
Stated Capital	Rs.9,126,000 represented by 912,600 shares
Group Holding	55.38%

2. TYRE SECTOR

RICHARD PIERIS TYRE COMPANY LIMITED	
Business Activity	Tyre retreading, Re-manufacturing & trading
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

ARPIDAG INTERNATIONAL (PRIVATE) LIMITED	
Business Activity	Manufacture of pre-cured tyre retreading material
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director appointed w.e.f 01.11.2012
Ms. M A Tirona	Director resigned w.e.f. 15.06.2012
Stated Capital	Rs. 45,999,800 represented by 459,998 shares
Group Holding	51%

RICHARD PIERIS RUBBER COMPOUNDS LIMITED	
Business Activity	Mixing rubber compounds
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director
Stated Capital	Rs. 17,000,000 represented by 1,700,000 shares
Group Holding	100%

Corporate Structure Contd.

3. PLASTICS SECTOR

PLASTISHELLS LIMITED	
Business Activity	Manufacture of rotational moulded products
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
S S G Liyanage	Managing Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
E A Senanayake	Director ceased w.e.f 31.12.2012
Stated Capital	Rs. 34,160,030 represented by 3,416,003 shares
Group Holding	98%

ARPICO PLASTICS LIMITED	
Business Activity	Manufacture of plastic products
Dr. Sena Yaddehige	Chairman
S S G Liyanage	Managing Director
J H P Ratnayeke	Director
P A S Kularatne	Director
E A Senanayake	Director ceased w.e.f 31.12.2012
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 29,000,000 represented by 2,900,000 shares
Group Holding	100%

ARPITECH (PRIVATE) LIMITED	
Business Activity	Manufacture of PVC pipes & fittings and polyurethane foam products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
L C Wijeyesinghe	Director
Prof. U Liyanage	Director
E A Senanayake	Director ceased w.e.f. 31.12.2012
Dr. K Weerapperuma	Director resigned w.e.f. 25.07.2012
Stated Capital	Rs. 35,000,020 represented by 3,500,002 shares
Group Holding	100%

R P C POLYMERS (PRIVATE) LIMITED	
Business Activity	Manufacturers, exporters and importers of all plastic products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 187,000,020 represented by 18,700,002 shares
Group Holding	100%

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED	
Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
P A S Kularatne	Director
Dr. Harsha Cabral	Director
Stated Capital	Rs. 1,096,760,960 represented by 106,676,096 shares
Group Holding	100%

ARPICO INTERIORS (PRIVATE) LIMITED	
Business Activity	Interior decorating
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director appointed w.e.f. 01.11.2012
F N Vithanage	Director ceased w.e.f. 30.09.2012
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

ARPICO FURNITURE LIMITED (Discontinued Business)	
Business Activity	Furniture industry
J H P Ratnayeke	Chairman
W J V P Perera	Director
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED			
Business Activity		Operates retailing centers	
Dr. Sena Yaddehige		Chairman	
J H P Ratnayeke		Director	
W J V P Perera		Director	
Company		RPD	RPC
No. of shares	Ord.	16,000,001	5,000,001
	Pref	22,000,000	-
Stated Capital		Rs. 430,000,020 represented by 43,000,002 shares	
Group Holding		100%	

RPC REAL ESTATE DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Property & Real Estate Development Projects
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
E M Andree	Director appointed w.e.f 01.11.2012
Stated Capital	Rs. 667,000,020 represented by 66,700,002 shares
Group Holding	100%

RPC RETAIL DEVELOPMENTS COMPANY (PRIVATE) LIMITED	
Business Activity	Construction, Property and Real Estate Development
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
E M Andree	Director appointed w.e.f 01.11.2012
Stated Capital	Rs. 387,000,020 represented by 38,700,002 shares
Group Holding	100%

5. PLANTATION SECTOR

RICHARD PIERIS PLANTATIONS (PRIVATE) LIMITED	
Business Activity	Managing agents of plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

RPC MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of the plantation companies
Dr. Sena Yaddehige	Director
J H P Ratnayeke (alternate director to Dr. Sena Yaddehige)	Deputy Chairman
J M A Ratnayeke	Director
Prof. K Goonesekera	Director
Stated Capital	Rs. 75,000,000 represented by 7,500,000 shares
Group Holding	100%

MASKELIYA PLANTATIONS PLC	
Business Activity	Tea Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Deputy Chairman
S S Poholiyadde	Director appointed w.e.f 15.08.2012
S P Jayakoddy	Director resigned w.e.f 13.08.2012
Dr. H S D Soysa	Director
Dr. S A B Ekanayake	Director resigned w.e.f 31.08.2012
Stated Capital	Rs. 673,720,950 represented by 53,953,490 shares
Group Holding	83.40%

KEGALLE PLANTATIONS PLC	
Business Activity	Rubber, Tea and Coconut Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Deputy Chairman
S S Poholiyadde	Director
Prof. R C W M P A Nugawela	Director
Dr. S S G Jayawardena	Director
Stated Capital	Rs. 250,000,010 represented by 25,000,001 shares
Group Holding	73.09%

EXOTIC HORTICULTURE (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Cultivation of fruits
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S Poholiyadde	Director
Stated Capital	Rs. 10,000,000 represented by 1,000,000 shares
Group Holding	100%

HAMEFA KEGALLE (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Manufacture & Export of furniture
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S.S.Poholiyadde	Director
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	73.09%

NAMUNUKULA PLANTATIONS PLC	
Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
N C Pieris	Director
S S Poholiyadde	Director
Ms. L D Senanayake	Director (Government nominee)
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	64.90%

RPC PLANTATION MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
J M A Ratnayeke	Director
M P Welihinda	Director
Stated Capital	Rs. 475,000,000 represented by 24,106,250 shares
Group Holding	100%

Corporate Structure Contd.

MASKELIYA TEA GARDENS (CEYLON) LIMITED	
Business Activity	Trading & marketing of value added tea
Dr. Sena Yaddehige	Chairman
R N Liyanage	Director appointed w.e.f 18.03.2013
Athula Herath	Director appointed w.e.f 18.03.2013
J H P Ratnayeke	Director resigned w.e.f 18.02.2013
Ms. Lilanthi C Herath	Director resigned w.e.f 14.02.2013
Stated Capital	Rs. 15,000,070 represented by 1,500,007 shares
Group Holding	100%

6. SERVICES

RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED	
Business Activity	Provides Company secretarial services
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Ms. R J Siriweera	Director
Stated Capital	Rs.20 represented by 2 shares
Group Holding	100%

ARPICO INDUSTRIAL DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Operates industrial estates
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
E M Andree	Director appointed w.e.f 01.11.2012
Stated Capital	Rs. 106,400,000 represented by 10,640,000 shares
Group Holding	100%

RPC LOGISTICS LIMITED	
Business Activity	Freight forwarding and allied services
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO EXOTICA ASIANA (PRIVATE) LIMITED	
Business Activity	Leisure
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RPC CONSTRUCTION (PRIVATE) LIMITED	
Business Activity	Business of construction nationally and internationally
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Deputy Chairman
W J V P Perera	Director appointed w.e.f 01.01.2013
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO HOMES LIMITED (Discontinued Business)	
Business Activity	Property & Real Estate Development
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

ARPICO HOTEL SERVICES (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	Carrying on IT related activities
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
S Kalugala	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RICHARD PIERIS SECURITIES (PRIVATE) LIMITED	
Business Activity	Stock-brokering
Dr. Sena Yaddehige	Chairman
H J C Perera	Director
Jagath Dissanayake	Director
Stated Capital	Rs. 100,000,000 represented by 10,000,000 shares
Group Holding	100%

RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED	
Business Activity	Margin provider
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 35,000,000 shares represented by 3,500,000 shares
Group Holding	100%

ARPICO HOSPITAL (PRIVATE) LIMITED	
Business Activity	Relating to human health care and allied services
Dr. Sena Yaddehige	Director
W J V P Perera	Director
S S Poholiyadde	Director
Stated Capital	Rs. 40 represented by 4 shares
Group Holding	68.27%

ARPICO WAREHOUSE (PRIVATE) LIMITED	
Business Activity	Warehousing
S S Poholiyadde	Director
W J V P Perera	Director
Stated Capital	Rs. 30 represented by 3 shares
Group Holding	68.27%

* ARPICO INSURANCE (PRIVATE) LIMITED	
Business Activity	Life Insurance
W J V P Perera	Director
Jagath Dissanayake	Director
Stated Capital	Rs. 503,000,000 represented by 50,300,000 shares
Group Holding	87.89%

ARPICO ATARAXIA ASSET MANAGEMENT (PRIVATE) LIMITED	
Business Activity	Asset management
Dr. Sena Yaddehige	Director resigned w.e.f 08.06.2012
W J V P Perera	Director
H J C Perera	Director
Savantha Sebastian	Director
Sharad Sridharan	Director
Stated Capital	Rs. 40,000,000 represented by 2,000,007 shares
Group Holding	51%

RICHARD PIERIS ARPICO FINANCE LIMITED	
Business Activity	Leasing, hire purchasing & other financial services
W J V P Perera	Director
J F Fernandopulle	Director
R N Liyanage	Director appointed w.e.f 19.02.2013
M A Abeynaike	Director resigned w.e.f 26.10.2012
A Hettiarachchy	Director appointed w.e.f 19.02.2013
D P J Hewavitharana	Director appointed w.e.f 19.02.2013
Stated Capital	Rs. 400,000,000 represented by 40,000,000 shares
Group Holding	91%

ARPICO FURNITURE DISTRIBUTORS (PRIVATE) LIMITED	
Business Activity	Buying and selling of furniture items
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO INFOSYS (PRIVATE) LIMITED	
Business Activity	Relating to information communication technology/business process outsourcing
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO PHARMACEUTICALS (PRIVATE) LIMITED	
Business Activity	Relating to trading of pharmaceutical products
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO DEVELOPMENTS (PRIVATE) LIMITED	
Business Activity	Construction of shopping malls and renting it out to retail business
W J V P Perera	Director
S S G Liyanage	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO DURABLES (PRIVATE) LIMITED	
Business Activity	Business of trading and distributing goods
S S G Liyanage	Director
P A S Kularatne	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

Financial Information

Annual Report of the Board of Directors

The Directors of Richard Pieris and Company PLC are pleased to present to their members the Annual Report together with the audited Financial Statements of its Group and the Company, for the year ended 31 March 2013.

The Directors approved the Financial Statements on 29th May 2013.

Principal Activities & Operational Review

Richard Pieris and Company PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Richard Pieris Group. The principal activities of the Group are described under the Group Structure on pages 57 - 61 of the report.

A review of the Group's business and its performance during the year, with comments on financial results and future developments, is contained in the Chairman and CEO's Review, Sector Reviews and the Financial Review of this Annual Report. The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 51 - 54 of this report.

Future Developments

The Group intends to continue to pursue a strategy of focusing on its core business activities. In order to achieve this, the Group will concentrate on enhancing the performance of its retail, plantation, tyre, rubber and plastics business sectors. Further information on future developments is provided in the Chairman and CEO's Review and Sector Review of this report.

Group Revenue

The turnover of the Group was Rs. 34.7 bn. A detailed analysis of the Group's turnover identifying the contributions from different sectors is given in Note 3 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 2.92 bn. Trade between Group companies is conducted at fair market prices.

Results & Dividends

Details relating to the Group profits are given in the table on Page 65. The Group reported a Profit after tax amounting to Rs. 2.28 bn.

Group Investments

The Group did not incur any expenditure on investments other than investments in subsidiary companies during the year. Details of this are given in Note 16 to Financial Statements.

Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 1.4 bn. Information relating to this is given in Note 12 to the Financial Statements. Land is included as described in Accounting Policies in the Financial Statements. Capital expenditure approved and contracted for after the year-end is given in Note 34 to the Financial Statements. The value of property stated in the Financial Statements is not in excess of its current market values.

Freehold Property

A description of the property owned by the Group is shown under the Group Real Estate portfolio on page 144.

Stated Capital

The stated capital of the Company as at 31 March 2013 was Rs. 1.64 bn. The details of the stated capital is given in Note 23 to the Financial Statements.

Reserves

Total Group Reserves as at 31st March 2013 amount to Rs. 6.2 bn. (Rs. 4.6 bn as at 31 March 2012). The details of which, is given in the Statement of Equity in page 77.

Corporate Donations

Donations made by the Company and Group to charitable organisations amounted to Rs. 0.21 mn and Rs. 2.1 mn respectively.

Taxation

The general corporate income tax rate in effect during the year was 28%. The rate of tax on qualified export profits was 12%. Agricultural profits were taxed at 10%. Companies that enjoy tax holiday status and other concessionary rates are listed in Note 8 to the Financial Statements.

In computing the Group's tax liability, the maximum relief available to investors under the provisions of the Inland Revenue Act has been claimed.

It is the Group's policy to provide for deferred taxation on all known temporary differences, on the liability method.

Details on the Group's exposure to taxation are disclosed in Note 8 to the Financial Statements.

Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Ten Year Summary on pages 140 - 141 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2013 are given in pages 142 and 143 under Shareholder Information.

Directors

The names of Directors who served during the year are given on pages 7, 14 and 15 of this report, under the caption of 'Board of Directors'. Dr. S. A. B. Ekanayake, who was appointed to the Board with effect from 1st September 2012, retires in terms of Article 91 of the Articles of Association of the Company and being eligible offer himself for election at the Annual General Meeting.

Mr. W. J. V. P. Perera retires by rotation in terms of Article 85 of the Articles of Association of the Company and being eligible offer himself for re-election at the Annual General Meeting.

Prof. Lakshman R Watawala and Prof. S. D Pathirana were appointed to the Directorate of the Company as independent directors. Prof. Lakshman R Watawala and Prof. S. D Pathirana declared that they have no significant shareholding or material business relationship with the Company. Therefore, as requested by the Board of Directors, Prof. Lakshman R Watawala and Prof. S. D Pathirana have agreed to continue in the Directorate of the Company as Independent Directors.

Group Profits	2012/13 Rs.'000	Restated 2011/12 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	**3,055,507**	3,518,788
From which the deduction of income tax and transfer to the deferred taxation account was	**(770,237)**	(644,540)
Leaving the Group with a profit after tax from continuing operations of	**2,285,270**	2,874,248
From which the loss after tax from discontinued operations deducted was	**(581)**	(4,374)
Leaving the Group with a profit for the year of	**2,284,689**	2,869,874
From which Non Controlling Interest deducted was	**(381,965)**	(294,813)
Leaving a profit attributable to the equity holders of the parent was	**1,902,724**	2,575,061
To which the retained profit brought forward from the previous year added was	**4,603,788**	3,579,348
Adjustments due to changes in shareholding of subsidiaries	**116,263**	-
Leaving a profit available for appropriation of	**6,622,775**	6,154,409
Appropriations		
The amount available has been appropriated as follows,		
Final Dividend 2010 - 11	**-**	(193,749)
Interim Dividend 2011 - 12	**-**	(1,356,871)
Interim Dividend 2012 - 13	**(387,848)**	-
Leaving a retained profit to be carried forward amounting to	**6,234,927**	4,603,788

* Other Comprehensive Income does not form a part of revenue reserves available for appropriations.

Directors' Interest in Contracts with the Company and the Interest Register

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on page 65, 138 and 139. These interests have been declared at the meetings of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company. The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

Transactions with Related Undertakings

Company	Name of the Director	Position Details	Transaction	2012/2013 Rs.'000	2011/2012 Rs.'000
Asian Alliance PLC	Mr. J.H.P. Ratnayeke	Deputy Chairman	Insurance Premium	**18,339**	17,965
Alpha Industries (Pvt) Ltd.	Dr. S. A. B. Ekanayake	Director	Purchases	**964**	-
Lanka Commodity Brokers	Dr. S. A. B. Ekanayake	Director	Services	**917**	-

The list of Directors at each of the subsidiary and associate Companies have been disclosed in the group structure on page 57 to 61.

Annual Report of the Board of Directors Contd.

Directors' Shareholding
Directors' Shareholding in Richard Pieris and Company PLC is stated in page 143.

Directors' Interest in Contracts
Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 38 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with the following entities having one or more Directors in common which is summarised above.

Directors' Remuneration
Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2013 are disclosed in Note 38.2 to the Financial Statements.

Vision & Long Term Goals
The Group's Vision and Long Term Goals are given in page 2 of this report.

Environmental Protection
The Company has not engaged in any activities detrimental to the environment. The Group's efforts in relation to environmental protection are set out in the Corporate Social Responsibility Report in pages 42 - 44.

Employment Policies
Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and to retain them with the Group as long as possible. Health and safety of the employees has always received priority in the HR agenda. The number of persons employed by the company and its subsidiaries at the year end was 27,434.

Statutory Payments
The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and in relation to employees have been made up to date.

Events After the Reporting Date
There have not been any material events that occurred subsequent to the Reporting date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 37 to the Financial Statements.

Board Committees
The Board has appointed two sub-committees namely, the Audit Committee and the Remuneration Committee. Their compositions and functions are given in pages 69 - 71 of the report.

Corporate Governance / Internal Control
The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The practices carried out by the Company in relation to corporate governance and internal controls are explained in pages 67 - 68 of this report. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

Directors' Responsibility for Financial Reporting
The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in page 72 of this report.

Compliance with Other Laws & Regulations
The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene the laws and regulations applicable in Sri Lanka.

Financial Statements are published quarterly in line with the listing rules of the Colombo Stock Exchange.

The Group has adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

Annual General Meeting
The Annual General Meeting will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama, on 28th June 2013. The Notice of the Annual General Meeting is on page 146 of this report.

Auditors
The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors to the Company and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

W. J. Viville Perera
Director

J.H.P. Ratnayeke
Director

Richard Pieris Group Services (Pvt) Limited
Secretaries

No. 310, High Level Road,
Nawinna, Maharagama.

29th May 2013

Corporate Governance

The Board of Directors of Richard Pieris and Company PLC is committed and takes responsibility to maintain the highest standards of Corporate Governance.

Richard Pieris' has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and the other communities in which it operates. The Group complies with the rules on Corporate Governance, included in the Listing Rules of the Colombo Stock Exchange, and is guided by the principles included in 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. This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

The Board and its Operations

The Company is governed by its Board of Directors, who directs and supervises the business and affairs of the Company on behalf of the shareholders.

The Board comprises seven Directors, of which four are Executive Directors whilst three are Non-Executive Directors who are Independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 14 and 15. The Board has assessed the independence of the Non-Executive Directors.

During the year the Board met on 7 occasions. Prior to each meeting, the Directors are provided with all relevant management information and background material relevant to the agenda to enable informed decisions. Board Papers are submitted in advance on Group performance, new investments, capital projects and other issues which require specific Board approval. A separate information memorandum is provided on statutory payments at each Board Meeting.

The Chairman, who is also the Chief Executive Officer, is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of the Company. He is responsible for all aspects of the Group's overall commercial, operational and strategic development and assisted by the Group Director Operations and an Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU). The Finance function evolves on the Group Chief Financial Officer, who is present by invitation at Board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems are in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Group.
- Determine and recommend interim and final dividends for the approval of shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

All Non-Executive Directors are independent with no direct or indirect material relationship with the Company. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to two Board Sub Committees which operate within clearly defined terms of reference.

Audit Committee

The Audit Committee is composed of three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala, Chairman, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake who was appointed to the committee in October 2012. The Chief Executive Officer, Group Director Operations, Group Chief Financial Officer, Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 70 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

The Remuneration Committee is composed of three Independent Non-Executive Directors - its Chairman, Prof. Lakshman R. Watawala, Susantha Pathirana. and Dr. S.A.B. Ekanayake who was appointed to the committee in October 2012.

The Report of the Remuneration Committee on page 69 highlights its main activities.

Appointment of Directors

The Company does not have a Nomination Committee to recommend additions to the Board. The Board as a whole decides on the appointments of new members. Dr. S.A.B. Ekanayake was appointed to

Corporate Governance Contd.

the Board with effect from 1st September 2012.

Relationship with Shareholders

The Board maintains healthy relationships with its key shareholders (individual and institutional) while maintaining a dialogue with potential shareholders as well. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the corporate website, the annual report, quarterly Financial Statements and press releases.

Internal Controls

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 51 - 54.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by all subsidiaries are, approved by the Board, at the commencement of a financial year, and its achievement monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

The Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Group as a whole inculcates this practice. Internal communication is mainly conducted through the quarterly newsletter, e-mails, memos and circulars.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Group promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 42 - 44.

Compliance

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Group are prepared in strict compliance with the guidelines of the new Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Going Concern

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of the Group. The Board of Directors believes that the Group has adequate resources to continue its operation for the foreseeable future.

Name of Director	Executive	Non- Executive	Independent
Dr. S. Yaddehige	✓		
Mr. J. H. P. Ratnayeke	✓		
Mr. W. J. V. P. Perera	✓		
Mr. S. S. G. Liyanage	✓		
Prof. Lakshman R. Watawala		✓	✓
Prof. Susantha Pathirana		✓	✓
Dr. S. A. B. Ekanayake		✓	✓

Corporate Governance Requirements under Section 7 of the Listing Rules issued by the Colombo Stock Exchange

Colombo Stock Exchange	Status of Richard Pieris and Company PLC
Non Executive Directors	In Compliance
Independent Directors	In Compliance
Disclosures relating to Directors	In Compliance
Remuneration Committee	In Compliance
Audit Committee	In Compliance

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non- Executive Directors, Prof. Lakshman R Watawala, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake who was appointed to the committee in October 2012. The Committee is chaired by Prof. Lakshman R Watawala. The Committee met on several occasions during the financial year.

The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff

2. Specific remuneration package for the Executive Directors

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Group. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Group.

Prof. Lakshman R. Watawala
Chairman

29th May 2013

Report of the Audit Committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.

2. Review the system of internal control and risk management.

3. Monitor the effectiveness of the internal audit function.

4. Review the Company's process for monitoring compliance with laws and regulations.

5. Review the independence and performance of the external auditors.

6. To make recommendations to the board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee consisted of three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala, Chairman, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake who was appointed to the Committee in October 2012. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

Meetings

The Audit Committee held 5 meetings during the year under review.

The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of the Strategic Business Units (SBUs) were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major business units of the Group.

The Chief Internal Auditor was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Managing Directors of the SBUs to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

The Committee also had the responsibility to review the loss making SBU's of the Group and strategies for turning round these Companies and recommending suitable corrective action.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. A comprehensive Management Report and Accounts are produced at month end highlighting all key performance criteria pertaining to the Company's SBUs which is reviewed by the Senior Management on a monthly basis.

SBU Boards review performance on a quarterly basis.

Financial Statements

The Committee reviewed the Group's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in the published Financial Statements.

The Group has adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. A diagnostic study was carried out across the Group to understand any gaps in the accounting and accordingly the comparative Financial Statements were re-stated . Training activities were conducted in house and members in finance divisions of Group Companies have attended seminars conducted by the leading accounting bodies in Sri Lanka in preparation towards this changeover.

External Auditors

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure their independence as Auditors has not been compromised.

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The external auditors kept the Audit Committee informed on an ongoing basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31st March, 2014 subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Group, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.

Prof. Lakshman R. Watawala
Chairman

29th May 2013

Statement of Directors' Responsibility

In keeping with the provisions under the Companies Act No. 7 of 2007, the Directors of Richard Pieris and Company PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, M/s. Ernst & Young, which are set out in their report, appearing on page 73 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2013 included in this report, have been prepared and presented in accordance with the new Sri Lanka Accounting Standards (LKAS and SLFRS), and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the financial statements exhibited on pages from 74 to 139 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these financial statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all companies within the Group maintain accounting records, which are sufficient to prepare financial statements that disclose with reasonable accuracy, the financial position of the Company and its Group. They also confirm their responsibility towards ensuring that the financial statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its Group as at 31st March 2013, and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors' are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going - concern basis in the preparation of these financial statements.

The Directors' have provided the Auditors M/s. Ernst & Young Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the financial statements together with all financial records and related data and express their opinion which appears as reported by them on page 73 of this report.

By Order of the Board,

R Sirir

Richard Pieris Group Services (Pvt) Limited
Secretaries

310, High Level Road, Nawinna,
Maharagama

29th May 2013

Independent Auditors' Report

ERNST & YOUNG

Chartered Accountants
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Sri Lanka
Tel : +94 11 2463500
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TO THE SHAREHOLDERS OF RICHARD PIERIS AND COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Richard Pieris and Company PLC ("Company"), the consolidated financial statements of the Company and its subsidiary, which comprise the statements of financial position as at 31 March 2013, and the income statements and statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and 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 as at 31 March 2013 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst + Young

29th May 2013
Colombo

Income Statement

		Group		Company	
For the year ended 31st March		2013	2012	2013	2012
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing operations					
Revenue	3	34,690,340	32,005,182	1,164,265	1,542,190
Cost of sales		(26,216,569)	(24,628,455)	-	-
Gross profit		8,473,771	7,376,727	1,164,265	1,542,190
Other operating income	4.1	550,194	1,225,105	-	515,832
Selling and distribution expenses		(1,454,437)	(1,306,746)	-	-
Administrative expenses	4.3	(3,783,849)	(3,249,903)	(366,425)	(327,492)
Other operating expenses	4.2	(64,470)	(92,545)	-	-
Operating profit		3,721,209	3,952,638	797,840	1,730,530
Finance costs	5	(1,058,464)	(798,277)	(436,705)	(217,202)
Finance Income	6	328,997	301,991	28,475	10,730
Share of profit of an associate	7	63,765	62,436	-	-
Profit before tax from continuing operations		3,055,507	3,518,788	389,610	1,524,058
Income tax expense	8	(770,237)	(644,540)	(11,314)	(19,683)
Profit for the year from continuing operations		2,285,270	2,874,248	378,296	1,504,375
Discontinued operations					
Loss after tax for the year from discontinued operations	9	(581)	(4,374)	-	-
Profit for the year		2,284,689	2,869,874	378,296	1,504,375
Attributable to:					
Equity holders of the parent		1,902,724	2,575,061		
Non-controlling interests		381,965	294,813		
		2,284,689	2,869,874		
Earnings per share					
Basic	10	Rs. 0.98	Rs. 1.33		
Diluted	10	Rs. 0.95	Rs. 1.27		
Earnings per share for continuing operations					
Basic	10	Rs. 0.98	Rs. 1.33		
Diluted	10	Rs. 0.95	Rs. 1.27		
Dividend per share	11	Rs. 0.20	Rs. 0.70		

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 139 form an integral part of these Financial Statements.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31st March	Notes	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Profit for the year		**2,284,689**	2,869,874	**378,296**	1,504,375
Other Comprehensive Income					
Exchange differences on translation of foreign operations		**(1,190)**	22,579	**-**	-
Net (Loss)/gain on available for sale financial assets		**4,403**	(11,165)	**(4,165)**	(11,165)
Other Comprehensive Income / (loss) for the year, net of tax		**3,213**	11,414	**(4,165)**	(11,165)
Total comprehensive income for the year, net of tax		**2,287,902**	2,881,288	**374,131**	1,493,210
Attributable to:					
Equity holders of the parent		**1,909,089**	2,574,818		
Non-controlling interests		**378,813**	306,470		
		2,287,902	2,881,288		

The accounting policies and notes from page 80 to 139 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Notes	Group 2013 Rs.'000	Group 2012 Rs.'000	Group 1st April 2011 Rs.'000	Company 2013 Rs.'000	Company 2012 Rs.'000	Company 1st April 2011 Rs.'000
Assets							
Non-current assets							
Property, plant and equipment	12	**11,768,456**	11,018,012	10,248,779	**38,382**	36,121	46,404
Leasehold properties	12	**562,124**	582,270	605,934	**-**	-	-
Investment properties	13	**140,404**	139,628	139,628	**690,641**	696,097	698,788
Intangible assets	14	**508,893**	518,494	469,487	**-**	-	-
Biological assets	15	**568,037**	507,191	452,761	**-**	-	-
Investment in subsidiaries		**-**	-	-	**2,906,343**	2,696,013	2,560,917
Investment in associates	16	**24,990**	74,143	456,186	**-**	-	159,756
Other non-current financial assets	17	**590,002**	503,922	24,000	**71,375**	71,375	89,750
Deferred tax assets		**-**	-	-	**36,953**	36,953	36,953
		14,162,906	13,343,660	12,396,775	**3,743,694**	3,536,559	3,592,568
Current assets							
Inventories	19	**3,745,361**	3,518,621	3,099,036	**-**	-	-
Trade and other receivables	20	**4,526,248**	3,676,637	2,910,424	**522,185**	39,955	52,706
Tax receivables		**142,680**	179,618	172,361	**-**	-	-
Amounts due from subsidiaries		**-**	-	-	**1,763,350**	1,761,629	984,541
Other current financial assets	17	**47,777**	51,942	59,540	**47,777**	51,942	59,540
Cash and short-term deposits	22	**4,648,564**	2,954,814	2,563,859	**332,280**	25,210	63,349
		13,110,630	10,381,632	8,805,220	**2,665,592**	1,878,736	1,160,136
Total assets		**27,273,536**	23,725,292	21,201,995	**6,409,286**	5,415,295	4,752,704
Equity and liabilities							
Equity							
Stated capital	23	**1,637,236**	1,633,853	1,627,612	**1,637,236**	1,633,853	1,627,612
Revenue reserves		**6,234,927**	4,603,788	3,579,348	**517,072**	526,624	572,870
Investment fund reserve	24	**2,222**	-	-	**-**	-	-
Other components of equity	25	**75,057**	68,692	68,935	**26,291**	30,456	41,621
Equity attributable to equity holders of the parent		**7,949,442**	6,306,333	5,275,895	**2,180,599**	2,190,933	2,242,103
Non-controlling interests		**2,217,100**	1,994,660	1,934,375	**-**	-	-
Total equity		**10,166,542**	8,300,993	7,210,270	**2,180,599**	2,190,933	2,242,103
Non-current liabilities							
Insurance provision	26	**67,575**	9,390	-	**-**	-	-
Interest bearing loans and borrowings	27	**3,368,878**	2,177,814	1,998,291	**683,390**	220,000	149,084
Net liability to the lessor	28	**628,159**	638,237	650,980	**-**	-	-
Provisions	29	**115,172**	92,062	42,286	**-**	-	-
Government grants	30	**564,992**	577,609	584,763	**-**	-	-
Deferred tax liabilities	18	**227,839**	126,517	135,002	**-**	-	-
Employee benefit liabilities	31	**1,797,278**	1,940,629	1,662,131	**54,328**	59,674	48,578
		6,769,893	5,562,258	5,073,453	**737,718**	279,674	197,662
Current liabilities							
Trade and other payables	33	**4,630,882**	4,630,481	3,713,464	**279,889**	896,755	283,212
Current portion of Interest bearing borrowings	27	**962,843**	893,957	1,075,241	**219,960**	209,083	275,000
Current portion of net liability to the lessor	28	**10,078**	12,398	21,978	**-**	-	-
Amounts due to subsidiaries		**-**	-	-	**436,366**	322,008	177,515
Income tax payables		**161,504**	133,902	301,655	**1,932**	9,654	5,880
Short term borrowings	21	**4,571,794**	4,191,303	3,805,934	**2,552,822**	1,507,188	1,571,332
		10,337,101	9,862,041	8,918,272	**3,490,969**	2,944,688	2,312,939
Total liabilities		**17,106,994**	15,424,299	13,991,725	**4,228,687**	3,224,362	2,510,601
Total equity and liabilities		**27,273,536**	23,725,292	21,201,995	**6,409,286**	5,415,295	4,752,704

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Jagath Dissanayake
Group Chief Financial Officer

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

W. J. V. P. Perera
Director

J. H. P. Ratnayeke
Director

The accounting policies and notes from pages 80 to 139 form an integral part of these financial statements.

29th May 2013

Statement of Changes in Equity

Group	Stated capital Rs.'000	Revenue reserves Rs.'000	Available -for-sale reserve Rs.'000	Foreign currency translation reserve Rs.'000	Investment fund reserve Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total equity Rs.'000
	Attributable to equity holders of the parent							
As at 1st April 2011	1,627,612	3,579,348	41,621	27,314	-	5,275,895	1,934,375	7,210,270
Profit for the period	-	2,575,061	-	-	-	2,575,061	294,813	2,869,874
Other comprehensive income	-	-	(11,165)	10,922	-	(243)	11,657	11,414
Total comprehensive income	-	2,575,061	(11,165)	10,922	-	2,574,818	306,470	2,881,288
Exercise of options	6,241	-	-	-	-	6,241	-	6,241
Dividends paid	-	(1,550,621)	-	-	-	(1,550,621)	-	(1,550,621)
Acquisition of non-controlling interests	-	-	-	-	-	-	(141,151)	(141,151)
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(105,034)	(105,034)
At 31st March 2012	1,633,853	4,603,788	30,456	38,236	-	6,306,333	1,994,660	8,300,993
As at 1st April 2012	1,633,853	4,603,788	30,456	38,236	-	6,306,333	1,994,660	8,300,993
Profit for the period	-	1,902,724	-	-	-	1,902,724	381,965	2,284,689
Other comprehensive income	-	-	4,403	1,962	-	6,365	(3,152)	3,213
Total comprehensive income	-	1,902,724	4,403	1,962	-	1,909,089	378,813	2,287,902
Exercise of options	3,383	-	-	-	-	3,383	-	3,383
Dividends paid	-	(387,848)	-	-	-	(387,848)	-	(387,848)
Adjustments due to changes in holding	-	116,263	-	-	-	116,263	(156,273)	(40,010)
Transfers during the year	-	-	-	-	2,222	2,222	-	2,222
Subsidiary dividend paid to minority shareholders	-	-	-	-	-	-	(100)	(100)
At 31st March 2013	1,637,236	6,234,927	34,859	40,198	2,222	7,949,442	2,217,100	10,166,542
Company								
As at 1st April 2011	1,627,612	572,870	41,621	-	-	2,242,103	-	2,242,103
Profit for the period	-	1,504,375	-	-	-	1,504,375	-	1,504,375
Other comprehensive income	-	-	(11,165)	-	-	(11,165)	-	(11,165)
Total comprehensive income	-	1,504,375	(11,165)	-	-	1,493,210	-	1,493,210
Exercise of options	6,241	-	-	-	-	6,241	-	6,241
Dividends paid	-	(1,550,621)	-	-	-	(1,550,621)	-	(1,550,621)
At 31st March 2012	1,633,853	526,624	30,456	-	-	2,190,933	-	2,190,933
As at 1st April 2012	1,633,853	526,624	30,456	-	-	2,190,933	-	2,190,933
Profit for the period	-	378,296	-	-	-	378,296	-	378,296
Other comprehensive income	-	-	(4,165)	-	-	(4,165)	-	(4,165)
Total comprehensive income	-	378,296	(4,165)	-	-	374,131	-	374,131
Exercise of options	3,383	-	-	-	-	3,383	-	3,383
Dividends paid	-	(387,848)	-	-	-	(387,848)	-	(387,848)
At 31st March 2013	1,637,236	517,072	26,291	-	-	2,180,599	-	2,180,599

The accounting policies and notes from page 80 to 139 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March 2013	Notes	Group 2013 Rs.'000	Group 2012 Rs.'000	Company 2013 Rs.'000	Company 2012 Rs.'000
Operating activities					
Profit before tax from continuing operations		**3,055,507**	3,518,788	**389,610**	1,524,058
Loss from discontinued operations	9	**(581)**	(4,374)	**-**	-
Profit before tax		**3,054,926**	3,514,414	**389,610**	1,524,058
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment	12/13	**684,570**	567,481	**22,495**	25,323
Impairment of property, plant and equipment	12	**-**	39,285	**-**	-
Amortization of Lease hold properties	12	**23,346**	23,664	**-**	-
Amortisation and impairment of intangible assets	14	**12,101**	7,867	**-**	-
(Gain)/ Loss on disposal of property, plant and equipment	4.1	**(8,424)**	(1,225)	**(80)**	-
Fair value adjustment of biological assets	4.1	**(49,061)**	(45,408)	**-**	-
Finance income	6	**(328,997)**	(301,991)	**(28,475)**	(10,730)
Finance costs	5	**1,058,464**	798,277	**436,705**	217,202
Profit on disposal of investment in associates	4.1	**-**	(717,178)	**-**	(515,832)
Share of profit of an associate	7	**(57,964)**	(62,436)	**-**	-
Provision for bad debts	4.3	**93,319**	91,125	**-**	-
Provision for slow moving stocks		**103,808**	79,334	**-**	-
Provision/ (reversal) for defined benefit plan	30	**81,077**	462,219	**(3,366)**	26,172
Provision for warranties	28	**23,962**	49,776	**-**	-
Provision for unrealised profit		**16,829**	(122)	**-**	-
Other provisions	4.3	**-**	24,000	**11,738**	57,529
Grants amortized	29	**(25,301)**	(25,898)	**-**	-
Exchange differences on translation of foreign currency		**(5,798)**	(9,520)	**-**	-
Loss on disposal of subsidiary		**-**	1,554	**-**	-
Operating profit before working capital changes		**4,676,857**	4,495,218	**828,627**	1,323,722
Working capital adjustments:					
Increase in trade and other receivables and prepayments		**(942,927)**	(857,335)	**(483,951)**	(768,520)
Increase in inventories		**(347,377)**	(498,797)	**-**	-
Increase/ (decrease) in trade and other payables		**400**	335,443	**(502,507)**	176,461
Increase in investment fund reserve		**2,222**	-	**-**	-
Increase in Insurance provision		**58,185**	9,390	**-**	-
Cash generated from/(used in) operations		**3,447,360**	3,483,919	**(157,831)**	731,663
Interest paid		**(1,058,464)**	(798,277)	**(436,705)**	(217,202)
Gratuity paid	30	**(224,428)**	(183,721)	**(1,980)**	(15,076)
Interest received		**328,997**	301,991	**28,475**	10,730
Income tax paid		**(604,373)**	(828,038)	**(19,037)**	(15,909)
Warranty claims paid	28	**(852)**	-	**-**	-
Net cash flows from/(used in) operating activities		**1,888,240**	1,975,874	**(587,078)**	494,206

For the year ended 31st March 2013	Notes	Group 2013 Rs.'000	Group 2012 Rs.'000	Company 2013 Rs.'000	Company 2012 Rs.'000
Investing activities					
Proceeds from sale of property, plant and equipment		**8,759**	1,225	**80**	-
Purchase of property, plant and equipment	12/13	**(1,453,703)**	(1,347,909)	**(19,301)**	(12,352)
Intangible assets acquired	14	**(2,500)**	(13,078)	**-**	
Purchase of financial instruments		**(146,524)**	(9,192)	**-**	(9,192)
Proceeds from sale of investment in associates		**-**	1,125,697	**-**	675,588
Dividend received	7	**107,117**	35,960	**-**	
Increase in holding in a subsidiary		**(112,986)**	(184,947)	**(222,067)**	(164,442)
Receipt of government grants	29	**12,684**	17,186		
Net cash flows from/(used) in investing activities		**(1,587,153)**	(375,058)	**(241,288)**	489,602
Net cash inflow/(outflow) before financing		**301,087**	1,600,816	**(828,366)**	983,808
Financing activities					
Proceeds from exercise of share options	23	**3,383**	6,241	**3,383**	6,241
Increase in non-controlling interest		**72,973**	-	**-**	-
Payment of finance lease liabilities		**(12,398)**	(22,323)	**-**	-
Proceeds from borrowings	26.1	**2,276,782**	1,055,733	**750,000**	300,000
Repayment of borrowings	26.1	**(1,009,632)**	(1,062,506)	**(275,733)**	(295,001)
Dividends paid to equity holders of the parent		**(387,848)**	(969,044)	**(387,848)**	(969,043)
Dividends paid to non-controlling interests		**(100)**	(105,034)	**-**	-
Net draw-down of financial instruments		**69,012**	(498,297)	**-**	-
Net cash flows from/(used in) financing activities		**1,012,172**	(1,595,230)	**89,802**	(957,803)
Net increase/(decrease) in cash and cash equivalents		**1,313,259**	5,586	**(738,564)**	26,005
Cash and cash equivalents at 1st April	22	**(1,236,489)**	(1,242,075)	**(1,481,978)**	(1,507,983)
Cash and cash equivalents at 31 March		**76,770**	(1,236,489)	**(2,220,542)**	(1,481,978)
Analysis of Cash & Cash equivalents at 31st March					
Bank and cash balances	22	**4,648,564**	2,954,814	**332,280**	25,210
Short term borrowings	22	**(4,571,794)**	(4,191,303)	**(2,552,822)**	(1,507,188)
		76,770	(1,236,489)	**(2,220,542)**	(1,481,978)

The accounting policies and notes from page 80 to 139 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

Richard Pieris & Company PLC ("company") is a public limited company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principle business place of the Company is situated at 310, High Level Road, Nawinna, Maharagama.

In the Annual Report of the Board of Directors and in the financial statements, "the company" refers to Richard Pieris and Company PLC as the holding company and "the Group" refers to the companies whose accounts have been consolidated therein.

1.2 Principle Activities and Nature of Operations

The principal activities of the Group are stated in the Annual Report of the Board of Directors.

1.3 Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent on its own.

1.4 Date of Authorisation for issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2013 were authorised for issue in accordance with a resolution of the directors on 29th May 2013.

2. STATEMENT OF COMPLIANCE

These Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards, as issued by the Institute of Chartered Accountants of Sri Lanka.

2.1 BASIS OF PREPARATION AND ADOPTION OF SLAS (SLFRS AND LKAS) EFFECTIVE FOR THE FINANCIAL PERIOD BEGINNING ON OR AFTER 01 JANUARY 2012

The Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter "SLFRS").

For all periods up to and including the year ended 31 March 2012, the Group prepared its Financial Statements in accordance with previous SLASs.

These Financial Statements for the year ended 31 March 2013 are the first, the Group has prepared in accordance with SLFRS effective for the periods beginning on or after 01 January 2012.

(Refer Note 2.9 for an explanation of the transition).

Subject to certain transition elections and exceptions disclosed in Note 2.8, the Group has consistently applied the accounting policies used in preparation of its opening SLFRS Statement of Financial Position at 1 April 2011 through all periods presented, as if these policies had always been in effect.

Note 2.8 discloses the impact of the transition to SLFRS on the Group's reported financial position, performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's Consolidated Financial Statements for the year ended 31 March 2012 prepared under SLAS.

The Financial Statements have been prepared on a historical cost basis except for Financial Instruments Available for Sale that has been measured at fair value. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR) and all values are rounded to the nearest thousand (Rs.000), except when otherwise indicated.

2.2 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2013.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in Other Comprehensive Income to profit or loss or retained earnings, as appropriate.

2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty exists at the date of preparation, about these assumptions and estimates and hence, may result in outcomes that require a material adjustment to the recorded carrying amount of the asset or liability as at the reporting date or in future periods.

2.3.1 Judgements

In the process of applying the Group's accounting policies, management has made following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going Concern

When preparing financial statements, management has made assessment of the ability of the constituents of the Group to continue as a going concern, taking into account all available information about the future, including intentions of curtailment of businesses, as decided by the Board, as disclosed in note 28 to the Financial statements.

Tax on SLFRS Financial Statements

The Group is subject to income taxes and other taxes. Significant judgement was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

Deferred tax assets Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 16.

Operating lease commitments-group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property,) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Impairment of debtors

The Group reviews at each Reporting date all receivables to assess whether an allowance should be recorded in the Income Statement. The management uses judgment in estimating such amounts in the light of the duration of, outstanding and any other factors management is aware of that indicates uncertainty in recovery

2.3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates, on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit 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, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. 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 disclosed and further explained in Note 17.

Defined Benefit Plans - Gratuity

The cost of gratuity is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are given in note 17.

Notes to the Financial Statements Contd.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements 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. See Note 17 for further discussion.

Intangible assets

For the purposes of impairment testing, goodwill is allocated to cash generating units when cash generating units to which goodwill has been allocated are tested for impairment annually, using Value in Use method. The calculation of value in use for the cash generating unit is most sensitive to the assumptions of sales growth, discount rates and cost increases due to inflation. Further details are given in note 4.

Inventory valuation - Produce inventory

The Group has valued part of unsold produce inventory at since realized prices. The balance unsold inventory remained as at the Reporting date valued at an estimated selling price based on the most recent selling prices available subsequent to the year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements:

2.4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred, the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4.2 Investment in Associates

The Group' investments is associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associate since acquisition date. 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 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, 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 the profit or loss of an associate is shown on the face of the Income Statement and represents profit or loss 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 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 'share of losses of an associate in the Income Statement.

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

2.4.3 Foreign currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

Transactions and Balances

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 re-translated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in Income Statement.

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

Prior to 1 April 2011, the date of transition to SLFRS, the Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

Group Companies

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their Income Statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation 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.

Foreign Operations

The Statement of Financial Position and Income Statement of subsidiaries which are deemed to be foreign operations are translated to Sri Lankan Rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

Arpitalian Compact Soles (Private) Limited uses US dollars as its functional currency as it conducts the majority of its business in US dollars and is entitled to the benefits provided to companies approved by the Board of Investment of Sri Lanka. Arpitalian Compact Soles (Private) Limited adopted US dollars as its measurement and functional currency in line with LKAS 21 which deals with "effects of Changes in Foreign exchange Rates" and has been translated to the presentation currency of the Group, Sri Lankan Rupees, for consolidation purpose.

Notes to the Financial Statements Contd.

2.4.4 Revenue Recognition

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, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

b) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

c) Construction Revenue

Revenue from rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

d) Plantation Companies

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.. Revenue is recorded at invoice value net of brokerage, public sale expenses and other levies related to turnover.

e) Insurance Revenue

Gross Premium

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business revenue is recognized on the date on which the policy is effective.

Reinsurance Premium

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with re-insurers.

Fees and Commission Income

Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due.

Investment Income

Interest incomes for all interest-bearing financial are recognised within 'investment income' in the Income Statement using the effective interest rate method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

f) Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Income Statement.

g) Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

h) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue due to its operating nature.

i) Royalties

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

j) Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are presented in aggregate basis.(reported and presented on a net basis).

k) Other income

Other income is recognized on an accrual basis.

2.4.5 Grants & Subsidies

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 as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as 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 profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

When loans or similar assistance are provided with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a grant.

2.4.6 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement. 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 provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.
Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Notes to the Financial Statements Contd.

- Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

2.4.7 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded 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.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Income Statement.

2.4.8 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the useful life of assets or components as follows.

Buildings	20-60 years
Plant, machinery tools and electrical installations	5-10 years
Furniture, fixtures and fittings	4-10 years
Office and other equipment	5-10 years
Computers	3-10 years
Motor vehicles	4-10 years
Land improvements	20 years
Replanting and new planting	
- Tea	33 years
- Rubber	20 years
- Coconut	50 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised.

2.4.9 Biological Assets

2.4.9.1 Immature and Mature Plantations

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Rubber, Tea and other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes rubber and tea plants and coconut palms, those that are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is possible that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant & Equipment as per the ruling issued by ICASL.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 15.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

2.4.9.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where such cost increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Comprehensive Income in the year in which they are incurred.

2.4.10 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for 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 or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2011, the date of inception is deemed to be 1 January 2011 in accordance with SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards (SLFRS and LKAS).

Group as a lessee

Finance leases that transfer to the Group substantially all of 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. 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 the Income Statement.

A leased asset is depreciated over the useful life of the asset as follows.

Bare land	53 years
Mature plantations	30 years
Leasehold buildings	25 years
Machinery	15 years
Land improvements	30 years

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 recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

2.4.11 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale, is capitalized.

2.4.12 Investment properties

Investment properties are measured initially at cost, including transaction 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 the Income Statement in the period of derecognition.

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. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2.4.13 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 accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives 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 is reviewed at least at the end of each reporting period. Changes in the expected

Notes to the Financial Statements Contd.

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 the Income Statement 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 de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

2.4.14 Financial instruments-initial recognition and subsequent measurement

2.4.14.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or, 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, in the case of assets not at fair value through profit or loss.

The Group's financial assets include cash and short term deposits, trade and other receivables, , quoted and unquoted equity instruments and other financial instruments.

Subsequent measurement

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the Income Statement.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Group evaluates its financial assets held-for-trading, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) 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 method (EIR), less impairment. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

c) Held-to-maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest 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 finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

d) Available-for-sale financial investments

Available-for-Sale financial investments held at the reporting date consists of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss.

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 determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement in finance costs and removed from the available-for-sale reserve.

Derecognition

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 (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company 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, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such 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.

2.4.14.2 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, 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 payments, the probability that they will enter bankruptcy or other financial reorganisation and where 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.

a) 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. 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. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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. The assets are written off when there is no realistic prospect of future recovery. 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 write off is later recovered, the recovery is credited to the Income Statement.

b) 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 values has been below its original cost. Where 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.

2.4.14.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or 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 and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and other financial instruments.

Notes to the Financial Statements Contd.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are derecognised as well as through the effective interest rate method (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 finance costs in the Income Statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

2.4.14.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

2.4.14.5 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 16.

2.4.15 Inventories

Inventories other than produce inventories are valued at the lower of cost and net realizable value after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition, are accounted for as follows;

a) Raw material

At actual cost on first-in-first-out and weighted average cost.

b) Work-in-progress

At the cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

c) Finished goods

At purchase cost and/or cost of direct materials, direct labour and an appropriate propotion of production overheads based on normal operating capacity.

d) Goods in transit

At actual cost

e) Purchase inventories

At estimated selling price or since realized price.

f) Growing Crop Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

g) Input Material

At average cost

h) Consumables and Spares

At actual cost

2.4.16 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's 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 Companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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 the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

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

2.4.17 Cash and short-term deposits

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 cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.4.18 Dividend Distributions

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in statement of comprehensive income.

2.4.19 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the Income Statement net of any reimbursement.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.4.20 Customer Loyalty Awards Points

The award points granted to customers at all Arpico Super centre/store retailing locations is recognized as a Liability in the Statement of Financial Position of the Group. When these award points are redeemed, the value redeemed is transferred from Liabilities in the Statement of Financial Position to the Income Statement. The difference of cumulative award points earned and cumulative award points redeemed as of a given date is recorded as a Liability in the Statement of Financial Position.

2.4.21 Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the Reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

2.4.22 Post Employment Benefits

Defined Benefit Plan - Gratuity:
Gratuity is a defined benefit plan. The Group is liable to pay gratuity in terms of the relevant statute.

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan using Projected Unit Credit method (PUC).

Notes to the Financial Statements Contd.

The service of a qualified actuary is obtained to determine the valuation once in every 2 years for plantation companies and every 3 years for other companies in the Group. Actuarial gains and losses are recognized in Income Statement immediately. This item is stated under Employee Benefit Liabilities in the Statement of Financial Position.

The basis of payment of retiring gratuity as follows:

Length of service (years) of service	No. of months salary for each completed year
00-04	0
05-10	½
11-20	¾
21-30	1
Over 30	1 ¼

The basis of payment of retiring Gratuity was revised for employees recruited on or after 1st August 2011 to be in line with the provisions of the Gratuity Act No.12 of 1983.

Defined Contribution Plans:

Employees are eligible for Arpico Employees' Provident Fund Contributions/ Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and Regulations. The Companies contribute 12% and 3% of gross emoluments of employees to the Arpico Employees' Provident Fund / Employees' Provident Fund and Employees' Trust Fund respectively.

2.5 SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF INSURANCE COMPANIES

2.5.1 Actuarial Valuations of the Insurance Provisions

The valuation of Long term Insurance Provision was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd and the directors agree to the long term nature of insurance business provisions on the recommendation of the said actuary.

The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the independent external actuary. the liability for life insurance contracts is based on current assumptions or on assumptions established at inception of the contract, incorporating regulator recommended minimum requirements.

The main assumptions used relate to mortality, morbidity, investment returns and discount rates. Industry and company experience on mortality and morbidity is considered, adjusted when appropriate to reflect the product characteristics, target markets and own claims severity and frequency experiences. Discount rates are based on current and historical rates, adjusted for regulator recommended basis.

2.5.2 Reinsurance Contracts

The Company cedes insurance risk in the normal course of business to recognised re-insurers through formal reinsurance arrangements.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the re-insurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the re-insurer. The impairment loss, if any is recorded in the Income Statement. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.5.3 Premium Receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

Life Insurance premiums (only the premiums due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

2.5.4 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

2.5.5 Liability Adequacy Test

As required by the SLFRS 4- Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of a qualified actuary. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. If that assessment that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Statement of Income by creating an additional provision in the Statement of Financial Position.

2.6 SEGMENT INFORMATION

2.6.1 Reporting segments

The activities of the segments are described in the segmental Review of operations. Segmentation has been determined based on primary format and secondary format. Primary format represents the business segments, identified based on the differences in the products and services produced which has a similar nature of process, risk and return while the secondary format is on the basis of geographical areas in which the products or services are sold. The operating results of the segments are described in note 21 to the financial statements. The geographical analysis is by the location of the customer. Since the manufacturing and marketing service as well as the assets and liabilities are located in Sri Lanka, only the turnover has been analysed into the geographical location.

2.6.2 Segment information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

2.7 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

a) 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.

b) SLFRS 13 - Fair Value Measurement

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

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2015 whilst SLFRS 13 will be effective for financial periods beginning on or after 1 January 2014.

In addition to the above, following standards have also been issued and will be effective from 01st January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interest in other entities.

2.8 EXEMPTIONS APPLIED

(a) SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011.

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

SLFRS 1 also requires that the previous SLAS carrying amount of goodwill must be used in the opening SLFRS Statement of Financial Position (apart from adjustments for goodwill

Notes to the Financial Statements Contd.

impairment and recognition or de-recognition of intangible assets). In accordance with SLFRS 1, the Group/Company has tested goodwill for impairment at the date of transition to SLFRS. No goodwill impairment was deemed necessary at 1 April 2011.

(b) The Group has revalued certain items of Property, Plant and Equipment at the date of transition and regard those values as deemed cost at the date of transition as permitted by "SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards (SLFRSs)". These includes items pertaining to plant and machineries.

(c) The Group/Company has elected to disclose the [following amounts prospectively from the date of transition (SLFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed)]: (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan.

(d) The Group has applied the transitional provisions in LKAS 23 Borrowing Costs and capitalised borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under previous SLAS on qualifying assets prior to the date of transition to SLFRS.

(e) At the date of transition, the Group also reassessed unrecognised deferred tax assets that resulted from unused tax losses, that were not recognised due to applying conservative accounting policies.

2.9 First time adoption of SLFRS

2.9.1 Reconciliation of Total Comprehensive Income for the year ended 31st March 2012

		Group			Company		
	Notes	SLAS for the year ended 31.03.2012 Rs.'000	Re-measurements Rs.'000	SLFRS for the year ended 31.03.2012 Rs.'000	SLAS for the year ended 31.03.2012 Rs.'000	Re-measurements Rs.'000	SLFRS for the year ended 31.03.2012 Rs.'000
Continuing operations							
Revenue	A	31,497,914	507,268	**32,005,182**	1,542,190	-	**1,542,190**
Cost of sales	B	(24,617,471)	(10,984)	**(24,628,455)**	-	-	**-**
Gross profit		6,880,443	496,284	**7,376,727**	1,542,190	-	**1,542,190**
Other operating income	C	1,481,016	(255,911)	**1,225,105**	515,832	-	**515,832**
Selling and distribution expenses	D	(1,063,422)	(243,324)	**(1,306,746)**	-	-	**-**
Administrative expenses	E	(3,190,562)	(59,341)	**(3,249,903)**	(327,974)	482	**(327,492)**
Other operating expenses	F	(103,710)	11,165	**(92,545)**	(11,165)	11,165	**-**
Operating profit		4,003,765	(51,127)	**3,952,638**	1,718,883	11,647	**1,730,530**
Finance costs	G	(794,264)	(4,013)	**(798,277)**	(206,472)	(10,730)	**(217,202)**
Finance Income	G	-	301,991	**301,991**	-	10,730	**10,730**
Share of profit of an associate		62,436	-	**62,436**	-	-	**-**
Profit before tax from continuing operations		3,271,937	246,851	**3,518,788**	1,512,411	11,647	**1,524,058**
Income tax expense	H	(706,128)	61,588	**(644,540)**	(19,683)	-	**(19,683)**
Profit for the year from continuing operations		2,565,809	308,439	**2,874,248**	1,492,728	11,647	**1,504,375**
Discontinued operations							
Loss after tax for the year from discontinued operations		(4,374)	-	**(4,374)**	-	-	-
Profit for the year		2,561,435	308,439	**2,869,874**	1,492,728	11,647	**1,504,375**
Attributable to:							
Equity holders of the parent		2,339,854	235,207	**2,575,061**			
Non-controlling interests		221,581	73,232	**294,813**			
		2,561,435	308,439	**2,869,874**			
Other comprehensive income							
Exchange differences on translation of foreign operations	C	-	22,577	**22,577**	-	-	**-**
Net loss on available for sale financial assets	F	-	(11,165)	**(11,165)**	-	(11,165)	**(11,165)**
Other comprehensive income / (loss) for the year, net of tax		-	11,412	**11,412**	-	(11,165)	**(11,165)**
Total comprehensive income for the year, net of tax		2,561,435	319,851	**2,881,286**	1,492,728	482	**1,493,210**

Notes to the Financial Statements Contd.

2.9 First time adoption of SLFRS

2.9.2 Reconciliation of equity as at 1st April 2011 (date of transition to SLFRS)

		Group				Company			
	Notes	SLAS as of 1st April 2011 Rs.'000	Re-classification Rs.'000	Re-measurements Rs.'000	SLFRS as at 1st Arpil 2011 Rs.'000	SLAS as of 1st April 2011 Rs.'000	Re-classification Rs.'000	Re-measurements Rs.'000	SLFRS as at 1st Arpil 2011 Rs.'000
Assets									
Non-current assets									
Property, plant and equipment	I	10,001,325	(169,816)	417,270	**10,248,779**	46,404	-	-	**46,404**
Leasehold Properties		605,934	-	-	**605,934**	-	-	-	**-**
Investment properties	I	-	139,628	-	**139,628**	691,393	-	7,395	**698,788**
Intangible assets	J	497,279	-	(27,792)	**469,487**	-	-	-	**-**
Biological assets	I/K	-	30,188	422,573	**452,761**	-	-	-	**-**
Investment in subsidiaries		-	-	-	**-**	2,560,917	-	-	**2,560,917**
Investment in associates		456,186	-	-	**456,186**	159,756	-	-	**159,756**
Other non-current financial assets	L	-	24,000	-	**24,000**	-	89,750	-	**89,750**
Other Investments	L	24,000	(24,000)	-	**-**	89,750	(89,750)	-	**-**
Deferred tax assets		-	-	-	**-**	36,953	-	-	**36,953**
		11,584,724	-	812,051	**12,396,775**	3,585,173	-	7,395	**3,592,568**
Current assets									
Inventories	M	3,341,884	-	(242,848)	**3,099,036**	-	-	-	**-**
Trade and other receivables	N	2,908,800	-	1,624	**2,910,424**	52,706	-	-	**52,706**
Tax receivables	O	180,650	(8,289)	-	**172,361**	-	-	-	**-**
Amounts due from subsidiaries		-	-	-	**-**	984,541	-	-	**984,541**
Other current financial assets	P	-	59,540	-	**59,540**	-	59,540	-	**59,540**
Short term investments	P	59,540	(59,540)	-	**-**	59,540	(59,540)	-	**-**
Cash and short-term deposits		2,563,859	-	-	**2,563,859**	63,349	-	-	**63,349**
		9,054,733	(8,289)	(241,224)	**8,805,220**	1,160,136	-	-	**1,160,136**
Total assets		20,639,457	(8,289)	570,827	**21,201,995**	4,745,309	-	7,395	**4,752,704**
Equity and liabilities									
Equity									
Stated capital		1,627,612	-	-	**1,627,612**	1,627,612	-	-	**1,627,612**
Capital reserves	Q	126,901	(126,901)	-	**-**	10,574	(10,574)	-	**-**
Revenue reserves	R	3,221,102	85,280	272,966	**3,579,348**	617,905	(31,047)	(13,988)	**572,870**
Foreign currency translation	S	27,314	(27,314)	-	**-**	-	-	-	**-**
Other components of equity	S	-	68,935	-	**68,935**	-	41,621	-	**41,621**
Equity attributable to equity holders of the parent		5,002,929	-	272,966	**5,275,895**	2,256,091	-	(13,988)	**2,242,103**
Non-controlling interests		1,860,693	-	73,682	**1,934,375**	-	-	-	**-**
Total equity		6,863,622	-	346,648	**7,210,270**	2,256,091	-	(13,988)	**2,242,103**
Non-current liabilities									
Interest-bearing loans and borrowings		1,998,291	-	-	**1,998,291**	149,084	-	-	**149,084**
Net liability to the lessor payable after one year		650,980	-	-	**650,980**	-	-	-	**-**
Provisions	T/V	-	42,286	-	**42,286**	-	-	-	**-**
Government grants		584,763	-	-	**584,763**	-	-	-	**-**
Deferred tax liabilities	U	10,589	-	124,413	**135,002**	-	-	-	**-**
Employee benefit liabilities		1,662,131	-	-	**1,662,131**	48,578	-	-	**48,578**
		4,906,754	42,286	124,413	**5,073,453**	197,662	-	-	**197,662**
Current liabilities									
Trade and other payables	V	3,653,146	(39,448)	99,766	**3,713,464**	258,991	2,838	21,383	**283,212**
Current portion of interest-bearing loans and borrowings		1,075,241	-	-	**1,075,241**	275,000	-	-	**275,000**
Current portion of net liability to the lessor		21,978	-	-	**21,978**	-	-	-	**-**
Deposits	V	2,838	(2,838)	-	**-**	2,838	(2,838)	-	**-**
Amounts due to subsidiaries		-	-	-	**-**	177,515	-	-	**177,515**
Income tax payables	O	309,944	(8,289)	-	**301,655**	5,880	-	-	**5,880**
Short Term Borrowings		3,805,934	-	-	**3,805,934**	1,571,332	-	-	**1,571,332**
		8,869,081	(50,575)	99,766	**8,918,272**	2,291,556	-	21,383	**2,312,939**
Total liabilities		13,775,835	(8,289)	224,179	**13,991,725**	2,489,218	-	21,383	**2,510,601**
Total equity and liabilities		20,639,457	(8,289)	570,827	**21,201,995**	4,745,309	-	7,395	**4,752,704**

2.9 First time adoption of SLFRS

2.9.3 Reconciliation of equity as 31st March 2012

		Group				Company			
	Notes	SLAS as of 31st March 2012 Rs.'000	Re-classification Rs.'000	Re-measurements Rs.'000	SLFRS as at 31st March 2012 Rs.'000	SLAS as of 31st March 2012 Rs.'000	Re-classification Rs.'000	Re-measurements Rs.'000	SLFRS as at 31st March 2012 Rs.'000
Assets									
Non-current assets									
Property, plant and equipment	I	10,731,588	(178,000)	464,424	**11,018,012**	36,121	-	-	**36,121**
Leasehold properties		582,270	-	-	**582,270**	-	-	-	**-**
Investment properties	I	-	139,628	-	**139,628**	688,458	-	7,639	**696,097**
Intangible assets	J	542,758	-	(24,264)	**518,494**	-	-	-	**-**
Biological assets	I/K	-	38,372	468,819	**507,191**	-	-	-	**-**
Investment in subsidiaries		-	-	-	**-**	2,696,013	-	-	**2,696,013**
Investment in associates		74,143	-	-	**74,143**	-	-	-	**-**
Other non-current financial assets	L	-	503,922	-	**503,922**	-	71,375	-	**71,375**
Other investments	L	5,625	(5,625)	-	**-**	71,375	(71,375)	-	**-**
Deferred tax assets		-	-	-	**-**	36,953	-	-	**36,953**
		11,936,384	498,297	908,979	**13,343,660**	3,528,920	-	7,639	**3,536,559**
Current assets									
Inventories	M	3,609,378	-	(90,757)	**3,518,621**	-	-	-	**-**
Trade and other receivables	N	3,675,232	(7,124)	8,529	**3,676,637**	39,955	-	-	**39,955**
Tax receivables	O	184,309	(4,691)	-	**179,618**	-	-	-	**-**
Amounts due from subsidiaries		-	-	-	**-**	1,761,629	-	-	**1,761,629**
Other current financial assets	P	-	51,942	-	**51,942**	-	51,942	-	**51,942**
Short term investments	P	51,942	(51,942)	-	-	51,942	(51,942)	-	-
Cash and short-term deposits	L	3,445,988	(491,174)	-	**2,954,814**	25,210	-	-	**25,210**
		10,966,849	(502,989)	(82,228)	**10,381,632**	1,878,736	-	-	**1,878,736**
Total assets		22,903,233	(4,692)	826,751	**23,725,292**	5,407,656	-	7,639	**5,415,295**
Equity and liabilities									
Equity									
Stated capital		1,633,853	-	-	**1,633,853**	1,633,853	-	-	**1,633,853**
Capital reserves	Q	126,901	(126,901)	-	**-**	10,574	(10,574)	-	**-**
Revenue reserves	R	4,010,335	96,445	497,008	**4,603,788**	560,011	(19,882)	(13,505)	**526,624**
Foreign currency translation	S	38,236	(38,236)	-	**-**	-	-	-	**-**
Other components of equity	S	-	68,692	-	**68,692**	-	30,456	-	**30,456**
Equity attributable to equity holders of the parent		5,809,325	-	497,008	**6,306,333**	2,204,438	-	(13,505)	**2,190,933**
Non-controlling interests		1,847,746	-	146,914	**1,994,660**	-	-	-	**-**
Total equity		7,657,071	-	643,922	**8,300,993**	2,204,438	-	(13,505)	**2,190,933**
Non-current liabilities									
Insurance Provision		9,390	-	-	**9,390**	-	-	-	**-**
Interest-bearing loans and borrowings		2,177,814	-	-	**2,177,814**	220,000	-	-	**220,000**
Net liability to the lessor		638,237	-	-	**638,237**	-	-	-	**-**
Provisions	T/V	-	92,062	-	**92,062**	-	-	-	**-**
Government grants		577,609	-	-	**577,609**	-	-	-	**-**
Deferred tax liabilities	U	63,692	-	62,825	**126,517**	-	-	-	**-**
Employee benefit liabilities		1,940,629	-	-	**1,940,629**	59,674	-	-	**59,674**
		5,407,371	92,062	62,825	**5,562,258**	279,674	-	-	**279,674**
Current liabilities									
Trade and other payables	V	4,600,058	(89,581)	120,004	**4,630,481**	873,129	2,482	21,144	**896,755**
Current portion of interest-bearing loans and borrowings		893,957	-	-	**893,957**	209,083	-	-	**209,083**
Current portion of net liability to the lessor		12,398	-	-	**12,398**	-	-	-	**-**
Deposits	V	2,482	(2,482)	-	**-**	2,482	(2,482)	-	**-**
Amounts due to subsidiaries		-	-	-	**-**	322,008	-	-	**322,008**
Income tax payables	O	138,593	(4,691)	-	**133,902**	9,654	-	-	**9,654**
Short Term Borrowings		4,191,303	-	-	**4,191,303**	1,507,188	-	-	**1,507,188**
		9,838,791	(96,754)	120,004	**9,862,041**	2,923,544	-	21,144	**2,944,688**
Total liabilities		15,246,162	(4,692)	182,829	**15,424,299**	3,203,218	-	21,144	**3,224,362**
Total equity and liabilities		22,903,233	(4,692)	826,751	**23,725,292**	5,407,656	-	7,639	**5,415,295**

Notes to the Financial Statements Contd.

2.9.4 Notes to the reconciliation of equity as at 1st April 2011,31st March 2012 and total comprehensive income for the year ended 31st March 2012

The Group adopted Sri Lanka Accounting Standards comprising LKAS and SLFRS effective from 01st January 2012. Prior to the adoption of SLFRS, the Group prepared its consolidated Financial Statements in accordance with previous Sri Lanka Accounting Standards. The Group prepared its opening SLFRS Consolidated Financial Statements as at 1st April 2011, the date of transition to SLFRS which forms the starting point for the Group's financial reporting under SLFRS. These Consolidated Financial Statements have been prepared in accordance with the accounting policies described in Note 1.

In preparing these Consolidated Financial Statements, the Group has applied the requirements of SLFRS 1 - First -time adoption of Sri Lanka Accounting Standards, including retrospective application of SLFRS effective for the Group on adoption, unless otherwise indicated. The resulting adjustments are described below.

A Revenue

As per SLFRS/LKAS the Group recorded Nation Building Tax (NBT) on a gross basis from the date of transition which was set off against Revenue under previous SLAS.

As per SLAS 32 the Profit & Loss of the perennial crop has been recognized in the financial period of harvesting, thus the unsold stock were treated as part of revenue. In terms of LKAS 18, the scope of revenue recognition was changed, therefore the revenue is recognized based on the date of auction where the recognition criterion are met and the quantity sold at auction is treated as sales.

B Cost of sales

According to SLFRS the recognition of Cost of sales changed concurrently to the changes in revenue recognition. Thus, Cost of sales consists of costs that are directly attributable to goods sold.

C Other operating income

According to LKAS 41 the Group has recorded the fair value gain of Biological assets for the year ended 31st March 2012.

As per SLAS Finance income has been classified under Other operating income. Under SLFRS/LKAS the Group is required to classify Finance income separately.

D Selling & distribution expenses

According to SLFRS/LKAS the Group recognized NBT under Selling & distribution expenses for the year ended 31st March 2012.

E Administrative expenses

The Group has elected to reassess useful life of certain items of Property, plant and equipments (PPE) as at the date of transition. The impact of depreciation due to review of useful lives of assets were recognized under Administrative expenses.

F Other operating expenses

As per SLAS the Group recognized fair value losses of mark to market adjustment of Available for sale investments (AFS) under Other operating expenses. However as per SLFRS the Group is required to treat such losses under Other Comprehensive Income.

G Finance cost/ Finance income

Under SLAS the Group has set off certain components of Finance income against Finance cost. As per SLFRS/LKAS the Group reclassified the Finance income separately.

H Income tax

A deffered tax effect arose due to the increase of the taxable temporary difference as a result of reassessment of the useful Life of PPE and fair valuation of biological assets which was remeasured under SLFRS/LKAS.

I Property, plant and equipment - PPE

As per SLFRS the Group reclassified certain items of Investment properties and Biological assets which were previously presented under PPE.

Further,the Group elected to reassess certain items of PPE as at the date of transition and the carrying values were adjusted accordingly.

J Intangible assets

With the adoption of SLFRS/LKAS the Group has written off Intangible assets which did not meet the definition criterion for Intangible assets under LKAS 38.

K Biological assets

According to LKAS 41 managed agricultural activities were recorded at fair value, which was ascertained by a Professionally Qualified Valuer.

L Other non current financial assets

Other investment of the Group were reclassified as other non current financial assets as per the requirement of SLFRS/ LKAS.

M Inventories

As per previous SLAS produce stocks were valued at its estimated selling price. However under SLFRS inventories measured at the lower of cost or NRV were remeasured accordingly.

N Trade and other receivables

According to SLFRS certain components of bad debt provision were remeasured.

O Tax receivables
With the implementation of SLFRS, the presentation of tax receivable was reclassified and set off against Tax payable.

P Other current financial assets
With the implementation of SLFRS, the Group reclassified its Short term Investments as Other current financial assets which were previously presented under Short term investments.

Q Capital reserves
According to SLFRS the Group identified Capital reserves which are of a revenue nature and reclassified under Revenue reserves.

R Revenue reserves
Certain components of Capital reserves were reclassified as Revenue reserves and fair value gain of mark to market adjustment of Available for sale investments was reclassified from Revenue Reserves to Other component of equity.

Further, as per SLFRS the Group has assessed the useful lives of some items of PPE and accounted under deemed cost through retained earnings accordingly.

S Other Component of Equity
This includes Available for sale investments reserve and Foreign currency translation reserve which were reclassified with adoption of SLFRS.

T Provisions
As per SLFRS Warranty provisions presented under Trade payables reclassified separately.

U Deferred tax liability
The deferred tax effects arose due to increase of the taxable temporary differences as a result of reassessment of useful life of Property, plant and equipment and Fair valuation of Biological assets were adjusted accordingly.

V Trade payables
As per SLFRS Warranty provisions and Deposits were reclassified accordingly. Further the impact of straight lining of rental payables were adjusted as per requirements of SLFRS.

Notes to the Financial Statements Contd.

3. Group Segmental Reporting

Year ended 31st March 2013 Business Segment	Rubber Rs.'000	Tyre Rs.'000	Plastics Rs.'000	Retail Rs.'000	Financial services Rs.'000	Other services Rs.'000	Plantations Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue										
External customers	2,666,231	2,837,449	5,901,072	15,703,432	180,086	10,652	7,391,418	34,690,340	-	34,690,340
Inter- segment	104,560	26,488	494,253	23,957	-	1,358,150	874,043	2,881,451	(2,881,451)	-
Intra - segment	2,360	1,324,325	2,291,674	461,605	-	-	347,160	4,427,124	(4,427,124)	-
Total revenue	2,773,151	4,188,262	8,686,999	16,188,994	180,086	1,368,802	8,612,621	41,998,915	(7,308,575)	34,690,340
Results										
Segment results	312,928	377,613	793,836	964,560	(158,008)	423,155	1,676,880	4,390,964	(669,755)	3,721,209
Finance costs										(1,058,464)
Finance income										328,997
Share of profit of an associate										63,765
Profit before tax from continuing operations										3,055,507
Income tax expense										(770,237)
Profit for the year from continuing operations										2,285,270
Discontinued operations										
Loss after tax for the year from discontinued operations										(581)
Profit for the year										2,284,689
Non-controlling interests										(381,965)
Attributable to Equity holders of the parent										1,902,724
Operating assets	2,281,242	1,872,483	4,260,946	7,246,631	1,305,776	6,840,146	15,612,131	39,419,355	(12,170,809)	27,248,546
Operating liabilities	728,910	678,224	1,563,568	4,019,366	171,648	3,735,720	6,300,771	17,198,207	(91,213)	17,106,994
Other disclosures										
Investment in an associate	227,905	-	-	-	-	64,045	29,960	321,910	(296,920)	24,990
Capital expenditure	16,178	5,700	85,402	514,099	6,195	82,054	744,075	1,453,703	-	1,453,703
Depreciation	54,584	36,328	54,515	171,946	6,527	89,847	294,169	707,916	-	707,916

Geographic information	Sri Lanka Rs.'000	USA Rs.'000	Europe Rs.'000	Other Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue	36,193,963	462,294	1,023,394	1,437,813	39,117,464	(4,427,124)	34,690,340

Segment Information

Year ended 31st March 2012	Rubber Rs.'000	Tyre Rs.'000	Plastics Rs.'000	Retail Rs.'000	Financial services Rs.'000	Other services Rs.'000	Plantations Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue										
External customers	2,427,626	2,915,151	5,116,940	14,026,390	94,439	9,428	7,415,208	32,005,182	-	32,005,182
Inter-segment	65,363	47,905	460,040	26,159	-	1,713,093	783,085	3,095,645	(3,095,645)	-
Intra - segment	198	1,486,999	2,097,882	204,367	-	-	322,265	4,111,711	(4,111,711)	-
Total revenue	2,493,187	4,450,055	7,674,862	14,256,916	94,439	1,722,521	8,520,558	39,212,538	(7,207,356)	32,005,182
Results										
Segment results	59,288	305,460	674,812	1,490,588	446	1,372,580	1,266,489	5,169,663	(1,217,025)	3,952,638
Finance costs										(798,277)
Finance Income										301,991
Share of profit of an associate										62,436
Profit before tax from continuing operations										3,518,788
Income tax expense										(644,540)
Profit for the year from continuing operations										2,874,248
Discontinued operations										
Loss after tax for the year from discontinued operations										(4,374)
Profit for the year										2,869,874
Non-controlling interests										(294,813)
Attributable to Equity holders of the parent										2,575,061
Operating assets	2,350,194	1,825,616	3,568,616	6,611,360	798,580	5,825,415	13,551,878	34,531,659	(10,880,510)	23,651,149
Operating liabilities	949,684	828,827	1,180,691	3,656,820	81,350	3,145,194	5,639,473	15,482,039	(57,740)	15,424,299
Other disclosures										
Investment in an associate	159,933	-	-	-	-	64,045	29,960	253,938	(179,795)	74,143
Capital expenditure	32,527	21,930	32,414	445,253	13,517	7,563	794,705	1,347,909	-	1,347,909
Depreciation	40,015	36,596	54,603	129,998	3,764	34,761	291,408	591,145	-	591,145
Impairment of Property ,Plant and Equipment	39,285	-	-	-	-	-	-	39,285	-	39,285

Geographic information	Sri Lanka Rs.'000	USA Rs.'000	Europe Rs.'000	Other Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue	33,346,199	353,925	1,055,559	1,361,210	36,116,895	(4,111,711)	32,005,182

Notes to the Financial Statements Contd.

4. Other Income/Expenses and Adjustments

4.1 Other Operating Income

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Government grants	20,949	25,898	-	-
Net gain on disposal of property, plant and equipment	8,424	1,225	-	-
Net Income on financial assets at FVTPL	3,263	-	-	-
Gain on disposal*	-	717,178	-	515,832
Exchange gain	-	36,189	-	-
Sundry income / Scrap sales	162,045	126,039	-	-
Rental income	212,558	184,306	-	-
Gain on change in fair value of biological assets	49,061	45,408	-	
Income from Partnership promotions	81,828	88,862	-	-
Gain on government acquisition of estate land	12,066	-	-	-
Total other operating income	550,194	1,225,105	-	515,832

*During 2011/12 the group disposed its stake in Asian Alliance Insurance PLC and it ceased to be an associate company.

4.2 Other Operating Expenses

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Net foreign exchange loss	6,190	-	-	-
Irrecoverable VAT on management fees of plantation companies	40,705	37,837	-	-
Loss on disposal of subsidiary	-	1,554	-	-
Amortisation and impairment of intangible assets	12,101	45,226	-	-
Others	5,474	7,928	-	-
Total other operating expenses	64,470	92,545	-	-

4.3 Profits from operations is stated after charging following expenses;

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Directors' remuneration & fees	27,750	31,885	8,147	11,454
Auditors' remuneration & fees	14,104	12,176	648	667
Depreciation	684,570	567,481	22,495	25,323
Amortisation of Leasehold properties	23,346	23,664	-	-
Impairment losses	-	39,285	-	-
Provision made/ (reversal) for retiring gratuity	81,077	462,219	(3,365)	26,172
Staff costs including EPF/ETF contributions	5,329,701	5,240,987	64,785	46,946
Legal fees	7,766	6,631	1,355	973
Donations	2,141	2,954	207	207
Allowances for impairment of receivables & debts written off	93,319	91,125	-	28,184
Allowance for fall in value of investments	-	24,000	11,738	29,345
Amortization of Intangible assets	12,101	7,867	-	-

5. Finance Costs

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Interest on long term loans	573,784	274,982	196,518	97,742
Interest on short term loans	484,680	523,295	240,187	119,460
Total finance costs	1,058,464	798,277	436,705	217,202

6. Finance Income

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Interest income from related companies	-	-	26,943	10,730
Interest income from third parties	328,997	301,991	1,532	-
Total finance income	328,997	301,991	28,475	10,730

7. Share of Results of Associates

The group can influence up to 33.33% of the voting rights (effective interest of 21.63%) of AEN Palm Oil Processing Pvt Ltd, an entity involved in the processing of oil palm.

The group held 25% of the ordinary share capital of the Asian Alliance PLC , which was an Associate of the group. The group adopted the equity method accounting on this investment which was disposed during 2011/12.

The Group's share of the assets and liabilities as at 31st March 2013 and 2012, and income and expenses of the entity for the years ending 31st March 2013 and 2012, which is accounted under the equity method are as follows.

	2013 Rs.'000	2012 Rs.'000
Turnover	1,540,874	1,882,579
Profit before tax	294,783	304,155
Group's share of profit before tax	63,765	62,436
Tax on associate results	(5,801)	-
Group's share of profit after tax	57,964	62,436
Associate's Statement of Financial Position:		
Current assets	89,527	205,199
Non-current assets	322,816	324,079
	412,343	529,278
Current liabilities	(69,665)	(83,464)
Non-current liabilities	(30,616)	(29,093)
	(100,281)	(112,557)

Notes to the Financial Statements Contd.

Investments in Associates

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Balance as at 01st April	**74,143**	456,186	180,919
New investments	**-**	-	203,527
Share of profits - current period	**63,765**	62,436	112,387
Taxation	**(5,801)**	-	-
Dividends received	**(107,117)**	(35,960)	(40,647)
Disposal during the period	**-**	(408,519)	-
Balance as at 31st March	**24,990**	74,143	456,186

8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2013 and 2012 are:

	Group		Company	
Consolidated Income Statement	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Current income tax:				
Current income tax charge	**565,214**	532,220	**-**	20,650
Adjustments in respect of current income tax of previous year	**19,740**	1,485	**11,314**	(967)
Deferred tax:				
Relating to origination and reversal of temporary differences	**103,292**	(8,485)	**-**	-
Associates	**5,801**	-	**-**	-
Dividend tax	**76,190**	119,320	**-**	-
Income tax expense reported in the Income Statement	**770,237**	644,540	**11,314**	19,683

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
A. Taxation on current year profit				
Profit before tax from continuing operations	**3,055,509**	3,518,788	**389,610**	1,524,058
SLFRS adjustments	**-**	(246,851)	**12,431**	(11,648)
Loss before tax from discontinued operations	**(581)**	(4,374)	**-**	-
Profit from associate companies	**(84,242)**	(62,436)	**-**	-
	2,970,686	3,205,127	**402,041**	1,512,410
Disallowed items	**1,230,000**	1,632,516	**196,142**	229,895
Allowable expenses	**(2,190,683)**	(2,697,174)	**(699,153)**	(1,113,012)
Tax exempt income	**(315,740)**	(1,520,235)	**-**	(515,832)
	1,694,263	620,234	**(100,970)**	113,461
Tax loss brought forward	**(3,193,871)**	(3,141,384)	**(441,184)**	(481,547)
Tax loss carried forward	**2,745,140**	3,250,181	**441,184**	441,836
Taxable Income	**1,245,532**	729,031	**(100,970)**	73,750

	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
A. Taxation on current year profit Contd.				
Income tax 28%	**475,832**	438,577	**-**	20,650
Income tax 15%	**15,069**	4,261	**-**	-
Income tax 12%	**37,245**	7,780	**-**	-
Income tax 10%	**35,421**	78,074	**-**	-
Income tax at other rates	**1,647**	3,528	**-**	-
	565,214	532,220	**-**	20,650
(Over) / under provision in the previous years	**19,740**	1,485	**11,314**	(967)
	584,954	533,705	**11,314**	19,683
Tax on associate results	**5,801**	-	**-**	-
Dividend tax	**76,190**	119,320	**-**	-
Deferred tax	**103,292**	(8,485)	**-**	-
	770,237	644,540	**11,314**	19,683
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose	**90,428**	(287)	**1,930**	(3,523)
Retirement benefits obligation	**22,604**	8,149	**1,497**	840
Benefit arising from tax losses	**8,869**	(4,707)	**(3,427)**	2,683
Other provisions	**(18,609)**	(11,640)	**-**	-
Total deferred tax Expense/(reversals)	**103,292**	(8,485)	**-**	-

8.1 Income tax rates and details of tax holidays enjoyed by the group

The tax liabilities of resident companies (quoted and unquoted) are computed at the standard rate of 28%. (Previous year manufacturing & services undertakings below the turnover threshold of Rs. 300 mn were taxed at 10 %).

The export profits of Richard Pieris Exports PLC is liable to income tax at a concessionary rate of 12% for a period of twenty years commencing from the year of assessment 1995/1996, in terms of Section 52 of the Inland Revenue Act No. 10 of 2006. The export profits of Richard Pieris Natural Foams Limited is also liable to income tax at 12% & other profit & income is liable to tax at 28%.

Under the Board of Investment Act No. 04 of 1978, the profits of Arpitalian Compact Soles (Private) Limited is liable to income tax at 12% for the year of assessment 2012/13. Other profits and income is liable to tax at 28%.

RPC Polymers Pvt Ltd has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the BOI Act No. 04 of 1978 and accordingly its profit and income is exempt from income tax for a period of three years commencing from the year of assessment 2008/09. Currently the Company is liable to tax at 10% for a period of 2 years immediately succeeding the last day of said exemption period and thereafter it will be liable at the reduced income tax rate of 20%.

In terms of an agreement entered in to with the Board of Investments of Sri Lanka under the BOI Act No. 04 of 1978, RPC Retail Development (Private) Limited was exempt from tax for a period of three years commencing from the year of assessment 2009/2010. Currently the Company is liable to tax at 10% for a period of 2 years immediately succeeding the last day of said exemption period and thereafter it will be liable at the reduced income tax rate of 20%.

The profits of Arpico Industrial Development Company (Private) Limited is subject to a concessionary income tax rate of 2% on turnover for a period of fifteen years from the financial year 2002/2003 in terms of the agreement entered into with the Board of Investment of Sri Lanka.

Notes to the Financial Statements Contd.

Micro Mineral (Private) Limited is taxed at a concessionary rate of 15%, in terms of an agreement entered into with the Board of Investment of Sri Lanka under the Board of Investment Act No. 04 of 1978. It is entitled to this concessionary rate for a period of twenty years commencing from 1st September 1996.

Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC are liable for income tax at the rate of 10% on manufacturing activities and profits from agriculture, commencing from 1st April 2011.

9. Discontinued Operations

The group continued to focus on its core business operations and restructure or exit from marginal businesses with limited potential. Accordingly operations of four businesses with incurring heavy losses were discontinued in previous years namely, Arpico Homes Limited, Hamefa Kegalle (Private) Limited, Arpico Hotel Services (Private) Limited, Arpico Natural Latexfoams (Private) Limited.

The results of discontinued operations are given below.

	2012/2013 Rs.'000	2011/2012 Rs.'000
Other Income	5,709	4,515
Expenses	(6,290)	(8,889)
Loss for the year from discontinued operations	(581)	(4,374)

The financial statements of the companies stated above have been prepared on a basis other than on a going concern reflecting the closure of operations.

Assets and liabilities classified as held for distribution as at 31 March 2013 are as follows:

	2013 Rs.'000	2012 Rs.'000
Total Assets	112,142	124,132
Total Liabilities	438,977	450,385

Cash flow implications for the year are presented below:

	2013 Rs.'000	2012 Rs.'000
Net cash flows from operating activities	3,216	2,143

Accordingly, adjustments have been made for a diminution in value of all property, plant and equipment so as to reduce their carrying value to their estimated realisable amount and for any further liabilities which could arise.

10. Earnings per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events, that have changed the number of ordinary shares outstanding.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of diluted potential ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2013 Rs.'000	2012 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,903,305**	2,579,435
Loss attributable to ordinary equity holders of the parent from discontinued operations	**(581)**	(4,374)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**1,902,724**	2,575,061
Weighted average number of ordinary shares for basic earnings per share	**1,938,979,423**	1,937,928,458
Effect of dilution;		
Effect of potential ordinary shares from share option	**63,603,791**	82,218,459
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,002,583,214**	2,020,146,917

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	2013 Rs.'000	2012 Restated Rs.'000	2012 Rs.'000
Basic earnings per share	**0.98**	1.33	1.21
Diluted earnings per share	**0.95**	1.27	1.16
Earnings per share from continuing operations - Basic	**0.98**	1.33	1.21
Earnings per share from continuing operations - Diluted	**0.95**	1.28	1.16

11. Dividend per Share

	2013 Rs.'000	2012 Rs.'000
Final dividend 2010/11 Rs. 0.10 per share	**-**	193,749
Interim dividend Rs. 0.20 per share (2011/12 Rs. 0.70 per share)	**387,848**	1,356,872
	387,848	1,550,621

1. The 1st interim dividend of Rs. 0.40 per share for the financial year ended 31.03.2012 was declared on 25th November 2011 and was paid on 15th December 2011.

2. The 2nd interim dividend of Rs. 0.30 per share for the financial year ended 31.03.2012 was declared on 29th March 2012 and was paid on 23rd April 2012.

3. A 1st interim dividend of Rs. 0.20 per share for the financial year ended 31.03.2013 was declared on 24th January 2013 and was paid on 15th February 2013.

Notes to the Financial Statements Contd.

12. Property Plant & Equipments

A. Group

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2012 Rs.'000
Cost / valuation						
Land / land improvements	1,735,966	103	-	-	-	1,736,069
Buildings	2,492,865	274,259	-	-	12,139	2,779,263
Immature / mature plantations	4,290,267	647,855	-	-	-	4,938,122
Plant, machinery, tools & electrical installations	4,006,231	190,204	-	-	74,715	4,271,150
Office & other equipment	548,189	116,596	-	-	-	664,785
Furniture, fixtures & fittings	438,692	12,837	-	-	1,646	453,175
Motor vehicles	521,121	146,280	-	(3,117)	180	664,464
Computers	336,935	31,203	-	-	-	368,138
Capital work in progress	273,971	32,659	-	(113,107)	-	193,523
	14,644,237	1,451,996	-	(116,224)	88,680	16,068,689

	As at 01.04.2012 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2013 Rs.'000
Cost / valuation						
Land / land improvements	1,736,069	211,560	-	(797)	-	**1,946,832**
Buildings	2,779,263	129,760	-	797	(1,072)	**2,908,748**
Immature / mature plantations	4,938,122	661,811	-	-	-	**5,599,933**
Plant, machinery, tools & electrical installations	4,271,150	143,367	-	(300)	(6,598)	**4,407,619**
Office & other equipment	664,785	107,268	-	(766)	-	**771,287**
Furniture, fixtures & fittings	453,175	7,413	-	(442)	(142)	**460,004**
Motor vehicles	664,464	50,625	-	(10,770)	(16)	**704,303**
Computers	368,138	30,713	-	(683)	-	**398,168**
Capital work in progress	193,523	225,077	-	(129,653)	-	**288,947**
	16,068,689	1,567,594	-	(142,614)	(7,828)	**17,485,841**

	As at 01.04.2011	Charge for the year	Impairment	On disposals	Effects of foreign currency translations	As at 31.03.2012
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation / amortization						
Land improvements	46,706	8,162	-	-	-	54,868
Buildings	492,798	83,621	-	-	3,755	580,174
Immature / mature plantations	599,408	106,139	-	-		705,547
Plant, machinery, tools & electrical installations	2,234,820	206,573	39,285	-	46,091	2,526,769
Office & other equipment	348,827	43,209	-	-	-	392,036
Furniture, fixtures & fittings	265,521	29,878	-	-	1,543	296,942
Motor vehicles	462,684	40,233	-	(3,117)	180	499,980
Computers	294,718	19,126	-			313,844
	4,745,482	536,941	39,285	(3,117)	51,569	5,370,160

	As at 01.04.2012	Charge for the year	Impairment	On disposals	Effects of foreign currency translations	As at 31.03.2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation / amortization						
Land improvements	54,868	21,328	-	-	-	**76,196**
Buildings	580,174	104,615	-	-	(393)	**684,396**
Immature / mature plantations	705,547	120,542	-	-	-	**826,089**
Plant, machinery, tools & electrical installations	2,526,769	229,990	-	(263)	(4,693)	**2,751,803**
Office & other equipment	392,036	54,253	-	(679)	-	**445,610**
Furniture, fixtures & fittings	296,942	30,972	-	(296)	(134)	**327,484**
Motor vehicles	499,980	75,315	-	(10,770)	(16)	**564,509**
Computers	313,844	19,899	-	(618)	-	**333,125**
	5,370,160	656,914	-	(12,626)	(5,236)	**6,009,212**

Net Book Values

	2013	2012	2011
	Rs.'000	Rs.'000	Rs.'000
Land / land improvements	**1,870,636**	1,681,201	1,689,260
Buildings	**2,224,352**	2,199,089	2,000,067
Immature / mature plantations	**4,773,844**	4,232,575	3,690,859
Plant, machinery, tools & electrical installations	**1,655,817**	1,744,381	1,771,411
Office & other equipment	**325,677**	272,749	199,362
Furniture, fixtures & fittings	**132,518**	156,233	173,171
Motor vehicles	**139,794**	164,484	58,437
Computers	**65,044**	54,294	42,217
Capital work in progress	**288,947**	193,523	273,971
	11,476,629	10,698,529	9,898,756

Notes to the Financial Statements Contd.

Assets acquired on finance leases	As at 01.04.2011 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2012 Rs.'000
Cost / valuation						
Immature / mature plantations	758,385	-	-	-	-	758,385
Plant & machinery	134,286	-	-	-	-	134,286
Office & other equipment	836	-	-	-	-	836
Motor vehicles	3,997	-	-	-	-	3,997
	897,504	-	-	-	-	897,504

Assets acquired on finance leases	As at 01.04.2012 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2013 Rs.'000
Cost / valuation						
Immature / mature plantations	758,385	-	-	-	-	**758,385**
Plant & machinery	134,286	-	-	-	-	**134,286**
Office & other equipment	836	-	-	-	-	**836**
Motor vehicles	3,997	-	-	-	-	**3,997**
	897,504	-	-	-	-	**897,504**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2012 Rs.'000
Depreciation / amortization						
Immature / mature plantations	415,957	24,831	-	-	-	440,788
Plant & machinery	127,158	5,693	-	-	-	132,851
Office & other equipment	369	16	-	-	-	385
Motor vehicles	3,997	-	-	-	-	3,997
	547,481	30,540	-	-	-	578,021

	As at 01.04.2012 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2013 Rs.'000
Depreciation / amortization						
Immature / mature plantations	440,788	26,205	-	-	-	**466,993**
Plant & machinery	132,851	1,435	-	-	-	**134,286**
Office & other equipment	385	16	-	-	-	**401**
Motor vehicles	3,997	-	-	-	-	**3,997**
	578,021	27,656	-	-	-	**605,677**

Net Book Values

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Immature / mature plantations	**291,392**	317,597	342,428
Plant & machinery	**-**	1,435	7,128
Office & other equipment	**435**	451	467
Motor vehicles	**-**	-	-
	291,827	319,483	350,023
Total carrying amount of property, plant & equipments	**11,768,456**	11,018,012	10,248,779

B. Leasehold Property

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2012 Rs.'000
Cost / valuation						
Right to use land	827,863	-	-	-	-	827,863
Buildings	201,281	-	-	-	-	201,281
	1,029,144	-	-	-	-	1,029,144

	As at 01.04.2012 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effects of foreign currency translations Rs.'000	**As at 31.03.2013 Rs.'000**
Cost / valuation						
Right to use land	827,863	-	-	-	-	**827,863**
Buildings	201,281	3,200	-	-	-	**204,481**
	1,029,144	3,200	-	-	-	**1,032,344**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effects of foreign currency translations Rs.'000	As at 31.03.2012 Rs.'000
Amortization						
Right to use land	272,531	16,574	-	-	-	289,105
Buildings	150,679	7,090	-	-	-	157,769
	423,210	23,664	-	-	-	446,874

Notes to the Financial Statements Contd.

	As at 01.04.2012 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2013 Rs.'000
Amortization						
Right to use land	289,105	16,168	-	-	-	**305,273**
Buildings	157,769	7,178	-	-	-	**164,947**
	446,874	23,346	-	-	-	**470,220**

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Right to use land	**522,590**	538,758	555,332
Buildings	**39,534**	43,512	50,602
Total carrying amount of leasehold properties	**562,124**	582,270	605,934

Of the 42 JEDB / SLSPC estates handed over to the Kegalle Plantations PLC and Maskeliya Plantations PLC, all estate leases except for that of Ambanpitiya estate has been executed as at the balance sheet date. With regard to Namunukula Plantations, lease agreements for 10 estates have been executed and memorandum of record has been signed for the balance 10 estates. All of these leases were retroactive to June 22, 1992 the date of formation of the companies. In terms of the ruling obtained from Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka the leasehold right to bare land and all immovable assets under finance lease in these estates have been taken into the books of the companies retroactive to June 22, 1992.

While the bare land has been accounted for based on a value established just prior to the formation of the companies upon a revaluation carried out by a valuation specialist, Mr. D. R. Wickremasinghe, all other immovable assets under finance leases have been taken into the books of the companies at their carrying values as they appeared in the accounts of JEDB /SLSPC, on the day immediately preceding the date of formation of the companies.

The assets are amortised on a straight-line basis over their estimated useful lives.

The other assets of the two companies included under Property, plant and equipment represents all other movable assets vested in the company by gazette notification at the date of formation of the company.

The unexpired period of the lease as at the balance sheet date was 32 years.

Property(excluding leasehold property)with a carrying amount of Rs. 4,531 mn (2012 - Rs. 6,199mn) are pledged as security for loans obtained. (Note 26.1)

Borrowing costs amounting to Rs. 52.4 mn (2012 Rs. 37.3 mn) have been capitalised which was incurred on long term loans related to immature plantations in the plantation sector using a capitalisation rate of 11.66% (2012: 11% - 12%).

C. Company

Summary	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2012 Rs.'000
Cost / valuation				
Plant, machinery, tools & electrical installations	59,272	485	-	59,757
Office & other equipment	26,047	176	-	26,223
Furniture, fixtures & fittings	16,710	341	-	17,051
Motor vehicles	66,776	148	(1,684)	65,240
Computers	27,621	1,700	-	29,321
Capital work in progress	-	4,325	-	4,325
	196,426	7,175	(1,684)	201,917

	As at 01.04.2012 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	**As at 31.03.2013 Rs.'000**
Cost / valuation				
Plant, machinery, tools & electrical installations	59,757	138	-	**59,895**
Office & other equipment	26,223	2,116	-	**28,339**
Furniture, fixtures & fittings	17,051	526	-	**17,577**
Motor vehicles	65,240	-	(201)	**65,039**
Computers	29,321	1,038	-	**30,359**
Capital work in progress	4,325	15,356	(2,245)	**17,436**
	201,917	19,174	(2,446)	**218,645**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2012 Rs.'000
Depreciation / amortization				
Plant, machinery, tools & electrical installations	46,815	2,820	-	49,635
Office & other equipment	20,988	1,193	-	22,181
Furniture, fixtures & fittings	10,251	1,129	-	11,380
Motor vehicles	50,568	8,841	(1,684)	57,725
Computers	21,400	3,476	-	24,876
	150,022	17,459	(1,684)	165,797

	As at 01.04.2012 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	**As at 31.03.2013 Rs.'000**
Depreciation / amortization				
Plant, machinery, tools & electrical installations	49,635	2,594	-	**52,229**
Office & other equipment	22,181	1,280	-	**23,461**
Furniture, fixtures & fittings	11,380	1,442	-	**12,822**
Motor vehicles	57,725	7,432	(201)	**64,956**
Computers	24,876	1,919	-	**26,795**
	165,797	14,667	(201)	**180,263**

Notes to the Financial Statements Contd.

Net Book Values

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Plant, machinery, tools & electrical installations	**7,666**	10,122	12,457
Office & other equipment	**4,878**	4,042	5,059
Furniture, fixtures & fittings	**4,755**	5,671	6,459
Motor vehicles	**83**	7,516	16,208
Computers	**3,564**	4,445	6,221
Capital work in progress	**17,436**	4,325	-
	38,382	36,121	46,404

13. Investment Property

13.1 Group

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2012 Rs.'000
Gross carrying amounts				
Freehold land	139,628	-	-	139,628
	139,628	-	-	139,628

	As at 01.04.2012 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2013 Rs.'000
Gross carrying amounts				
Freehold land	139,628	776	-	**140,404**
	139,628	776	-	**140,404**

Net Book Values	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Freehold land	**140,404**	139,628	139,628
Buildings on freehold land	**-**	-	
Total carrying amount of investment property	**140,404**	139,628	139,628

13.2 Company

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2012 Rs.'000
Gross carrying amounts				
Freehold land	474,424	-	-	474,424
Buildings and building integrals	293,192	5,177	-	298,369
	767,616	5,177	-	772,793

	As at 01.04.2012 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2013 Rs.'000
Gross carrying amounts				
Freehold land	474,424	-	-	**474,424**
Buildings and building integrals	298,369	2,372	-	**300,741**
Plant and machinery	-	-	-	**-**
	772,793	2,372	-	**775,165**

	As at 01.04.2011 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2012 Rs.'000
Depreciation				
Buildings on freehold land	68,828	7,868	-	76,696
	68,828	7,868	-	76,696

	As at 01.04.2012 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2013 Rs.'000
Depreciation				
Buildings on freehold land	76,696	7,828	-	**84,524**
	76,696	7,828	-	**84,524**

Net Book Values	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Freehold land	**474,424**	474,424	474,424
Buildings on freehold land	**216,217**	221,673	224,364
Total carrying amount of investment property	**690,641**	696,097	698,788

	2013 Rs. mn	2012 Rs. mn	2011 Rs. mn
Rental income derived from investment properties	**128**	127	128
Direct operating expenses incurred	**2.4**	2.3	1.4
Fair value of investment property	**5,923**	5,939	5,407

Notes to the Financial Statements Contd.

14. Intangible Assets

	Goodwill Rs.'000	Licences Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
At 1st April 2011	480,207	45,657	832	526,696
Acquired / incurred during the period	43,796	13,078	-	56,874
Retired / disposed during the period	-	-	-	-
At 31st March 2012	524,003	58,735	832	583,570
Acquired / incurred during the period	-	-	2,500	2,500
Retired / disposed during the period	-	-	-	-
At 31st March 2013	524,003	58,735	3,332	586,070
Amortisation and Impairment				
At 1st April 2011	43,125	13,729	355	57,209
Amortisation for the year	-	7,390	477	7,867
At 31st March 2012	43,125	21,119	832	65,076
Amortisation for the year	-	4,051	250	4,301
Impairment loss recognized	-	7,800	-	7,800
At 31st March 2013	43,125	32,970	1,082	77,177
Net book value				
At 31st March 2011	437,082	31,928	477	469,487
At 31st March 2012	480,878	37,616	-	518,494
At 31st March 2013	480,878	25,765	2,250	508,893

(a) Goodwill

Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. The Group Goodwill has been allocated to four cash-generating units, for impairment testing as follows;

1. Kegalle Plantations PLC
2. Namunukula Plantations PLC
3. Maskeliya Plantations PLC
4. Kandy Super Centre

Goodwill is not amortised, but is reviewed for impairment annually and whether there is an indication that goodwill may be impaired. For the purpose of testing goodwill for impairment, goodwill is allocated to the operating entity level, which is the lowest level at which the goodwill is monitored for internal management purpose.

The recoverable amount of the goodwill is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for one year, and forecast for the four years thereafter, covering a five year period.

(b) Licenses

Licenses include separately acquired five operating licenses stated at cost less accumulated amortizations and impairment losses. Licences acquired during the year have been amortized evenly over the validity period of the licence.

With the closure of the Super store in Kochchikade, the license to sell alcoholic beverages obtained for such Super store was fully impaired by Richard Pieris Distributors during the year as there are no expected future cash flows.

(c) Other intangible assets

Other intangible assets represents the brand 'Horizon' of Richard Pieris Tyre Company which is amortised over a period of six years commencing from the financial year 2004/05, which is fully amortised as of reporting date.

During the year Arpico Ataraxia Asset Management (Pvt) Limited developed an IT platform to manage its funds which is amortised over a period of fifteen years commencing from the financial year 2012/13.

Key assumptions used in Value in Use calculations

Volume growth - Volume growth is based on past performance, the approved budget and expected performance of such CGU based on the actual performance and to evaluate future investment proposals.

Discount rates - Discount rates reflect management's estimate of the risk specific to the unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Cost increase due to inflation - Expected inflationary levels over the next five years based on management judgement were used to estimate the increase in costs over similar periods.

15. Biological Assets

Consumable Biological Assets	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Balance as at 1st April	**507,191**	452,761	24,768
Increase due to new planting	**11,785**	9,020	46,895
Decrease due to harvesting	**-**	-	-
Gain in fair value	**49,061**	45,409	381,098
Balance as at 31st March	**568,037**	507,191	452,761

Biological assets include commercial timber plantations cultivated in estates of Kegalle Plantations PLC and Maskeliya Plantations PLC. The fair value of managed trees was ascertained by Messrs Ariyatilake & Company Pvt Ltd, Chartered Valuers. The Valuation was carried out using discounted cash flow method.

Key assumptions used in valuation are as follows:

1. Timber price was based on the price list of the State Timber Corporation of sawn timber logs.
2. Market price of the estimated output of standing timber was taken as an average value of the market prices after deducting costs of harvesting, transportation and administrative costs etc. at 50%.
3. Time period of maturity estimated at 20 years.
4. Discount rate used was 13%.

15.1 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

As at 31st March 2013	Rs.'000	Rs.'000	Rs.'000
	-10%	-	+10%
Managed Timber	514,457	568,037	622,035
Total	514,457	568,037	622,035

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

As at 31st March 2013	Rs.'000	Rs.'000	Rs.'000
	11.5%	13.0%	14.5%
Managed Timber	643,241	568,037	511,267
Total	643,241	568,037	511,267

Notes to the Financial Statements Contd.

16. Investments

A Company investments in subsidiaries

	% Holding			No of shares					Value Rs.'000				
	31.03.2013	31.03.2012	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011
Quoted investments													
Richard Pieris Exports PLC (Rs. 269 mn) *	**80**	80	80	**8,959,997**	-	8,959,997	-	8,959,997	**200,555**	-	200,555	-	200,555
Kegalle Plantations PLC (Rs. 2046 mn) *+	**-**	-	-	**9,500**	-	9,500	9,500	-	**1,441**	-	1,441	1,441	-
Unquoted investments													
Richard Pieris Distributors Ltd.	**100**	100	100	**106,673,960**	-	106,673,960	-	106,673,960	**812,130**	-	812,130	-	812,130
Arpidag International (Pvt) Ltd.	**51**	51	51	**234,598**	-	234,598	-	234,598	**27,110**	-	27,110	-	27,110
Richard Pieris Tyre Co. Ltd.	**100**	100	100	**4,000,000**	-	4,000,000	-	4,000,000	**50,000**	-	50,000	-	50,000
Richard Pieris Rubber Products Ltd.	**100**	100	100	**2,700,000**	-	2,700,000	-	2,700,000	**27,000**	-	27,000	-	27,000
Richard Pieris Rubber Compounds Ltd.	**100**	100	100	**1,700,000**	-	1,700,000	-	1,700,000	**17,000**	-	17,000	-	17,000
Arpico Furniture Ltd.	**100**	100	100	**4,000,000**	-	4,000,000	-	4,000,000	**40,000**	-	40,000	-	40,000
Arpico Plastics Ltd.	**100**	100	100	**2,900,000**	-	2,900,000	-	2,900,000	**29,000**	-	29,000	-	29,000
Arpico Industrial Development Co. Ltd.													
Ordinary Shares	**100**	100	100	**1,500,000**	-	1,500,000	-	1,500,000	**15,000**	-	15,000	-	15,000
12% Redeemable Cumulative preference shares	**-**	-	-	**9,140,000**	-	9,140,000	-	9,140,000	**91,400**	-	91,400	-	91,400
Plastishells Ltd.	**98**	98	98	**3,361,000**	-	3,361,000	-	3,361,000	**35,615**	-	35,615	-	35,615
Richard Pieris Natural Foams Ltd.	**22**	22	22	**14,022,253**	-	14,022,253	-	14,022,253	**143,479**	-	143,479	-	143,479
Arpico Flexifoam (Pvt) Ltd.	**-**	100	100	**-**	(25,000,018)	25,000,018	-	25,000,018	**-**	(250,000)	250,000	-	250,000
Arpitalian Compact Soles (Pvt) Ltd.													
Ordinary Shares	**18**	15	15	**10,666,666**	5,333,333	5,333,333	-	5,333,333	**80,000**	26,667	53,333	-	53,333
10% Redeemable Cumulative Preference Shares	**-**	-	-	**6,404,500**	-	6,404,500	-	6,404,500	**64,045**	-	64,045	-	64,045
RPC Management Services (Pvt) Ltd.	**100**	100	100	**3,750,000**	-	3,750,000	-	3,750,000	**550,250**	-	550,250	-	550,250
Richard Pieris Group Services (Pvt) Ltd.	**100**	100	100	**2**	-	2	-	2	**-**	-	-	-	-
Arp-Eco (Pvt) Ltd	**100**	100	100	**2**	-	2	-	2	**-**	-	-	-	-
RPC Logistics (Pvt) Ltd.	**100**	100	100	**2,000,002**	-	2,000,002	-	2,000,002	**20,000**	-	20,000	-	20,000
Richard Pieris Plantations (Pvt) Ltd.	**100**	100	100	**7**	-	7	-	7	**-**	-	-	-	-
R P C Real Estate Development Co. (Pvt) Ltd.	**100**	100	100	**2**	-	2	-	2	**-**	-	-	-	-
Arpico Homes (Pvt) Ltd.	**100**	100	100	**2**	-	2	-	2	**-**	-	-	-	-
Arpico Exotica Asiana (Pvt) Ltd.	**100**	100	100	**2**	-	2	-	2	**-**	-	-	-	-
RPC Hotel Services (Pvt) Ltd.	**100**	100	100	**600,000**	-	600,000	-	600,000	**6,000**	-	6,000	-	6,000
RPC Construction (Pvt) Ltd.	**100**	100	100	**2,000,000**	-	2,000,000	-	2,000,000	**20,000**	-	20,000	-	20,000
Arpitech Ltd.	**100**	100	100	**28,500,018**	25,000,018	3,500,000	-	3,500,000	**285,000**	250,000	35,000	-	35,000
Arpimall Development Co (Pvt) Ltd.	**24**	24	24	**5,000,000**	-	5,000,000	-	5,000,000	**50,000**	-	50,000	-	50,000
Arpico Interiors (Pvt) Ltd.	**83**	83	83	**2,500,000**	-	2,500,000	-	2,500,000	**25,000**	-	25,000	-	25,000
Richard Pieris Securities (Pvt) Ltd	**100**	100	100	**9,999,999**	-	9,999,999	3,500,000	6,499,999	**100,000**	-	100,000	35,000	65,000
Richard Pieris Financial Services (Pvt) Ltd	**100**	100	100	**3,499,999**	-	3,499,999	-	3,499,999	**35,000**	-	35,000	-	35,000
Arpico Insurance Ltd	**25**	25	-	**12,800,000**	-	12,800,000	12,800,000	-	**143,000**	15,000	128,000	128,000	-
Arpico Ataraxia Asset Management Pvt Ltd	**51**	-	-	**2,040,001**	2,040,001	-	-		**20,400**	20,400	-	-	-
Richard Pieris Arpico Finance (Pvt) Limited	**40**	-	-	**16,000,001**	16,000,001	-	-	-	**160,000**	160,000	-	-	-
Arpico Durables (Pvt) Limited	**50**	-	-	**1**	1	-	-	-	**-**	-	-	-	-
Arpico Furniture Distributors (Pvt) Limited	**50**	-	-	**1**	1	-	-	-	**-**	-	-	-	-
									3,048,425	222,067	2,826,358	164,441	2,661,917
Provision for fall in value of the investments in;													
Arpico Furniture Ltd.									**(40,000)**	-	(40,000)	-	(40,000)
Arpico Hotel Services (Pvt) Ltd.									**(6,000)**	-	(6,000)	-	(6,000)
RPC Construction (Pvt) Ltd.									**(20,000)**	-	(20,000)	-	(20,000)
Arpitech Ltd.									**(35,000)**	-	(35,000)	-	(35,000)
Arpitalian Compact Soles (Pvt) Ltd.									**(41,082)**	(11,737)	(29,345)	(29,345)	-
Company investments in subsidiaries									**2,906,343**	210,330	2,696,013	135,096	2,560,917

B Group investments in subsidiaries

	% Holding			No of shares					Value Rs.'000				
	31.03.2013	31.03.2012	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011
Investor													
Richard Pieris Distributors Ltd.													
Investee													
Playcraft Lanka (Pvt) Ltd.	-	-	36	-	-	-	(213,756)	213,756	-	-	-	(2,138)	2,138
Arpimalls Development Co (Pvt) Ltd.													
Ordinary shares	76	76	76	16,000,000	-	16,000,000	-	16,000,000	160,000	-	160,000	-	160,000
6% redeemable cumulative preference shares	-	-	-	22,000,000	-	22,000,000	-	22,000,000	220,000	-	220,000	-	220,000
Arpico Interiors (Pvt) Ltd.	17	17	17	500,000	-	500,000	-	500,000	5,000	-	5,000	-	5,000
RPC Real Estate Development (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-
6% redeemable cumulative preference shares	-	-	-	66,700,000	-	66,700,000	-	66,700,000	667,000	-	667,000	-	667,000
RPC Retail Development (Pvt) Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	
6% redeemable cumulative preference shares	-	-	-	38,700,000	-	38,700,000	-	38,700,000	387,000	-	387,000	-	387,000
Arpico Insurance (Pvt) Ltd	30	30	-	16,800,000	1,800,000	15,000,000	15,000,000	168,000	168,000	18,000	150,000	150,000	-
Richard Pieris Arpico Finance (Pvt) Limited	30	-	-	12,000,001	12,000,001	-	-	-	120,000	120,000	-	-	-
Arpico Durables (Pvt) Limited	50	-	-	1	1	-	-	-	-	-	-	-	-
Arpico Furniture Distributors (Pvt) Limited	50	-	-	1	1	-	-	-	-	-	-	-	-
Investor													
Arpico Industrial Development Company (Pvt) Ltd													
Investee													
R P C Polymers (Pvt) Ltd	31	31	31	5,700,000	-	5,700,000	-	5,700,000	57,000	-	57,000	-	57,000
Investor													
Richard Pieris Exports PLC													
Investee													
Richard Pieris Natural Foams Ltd	43	43	43	27,560,000	-	27,560,000	-	27,560,000	284,820	-	284,820	-	284,820
Playcraft Lanka (Pvt) Ltd.	-	-	36	-	-	-	(213,750)	213,750	-	-	-	(2,138)	2,138
Micro Minerals (Pvt) Ltd.	69	69	69	627,400	-	627,400	-	627,400	6,274	-	6,274	-	6,274
Arpitalian Compact Soles (Pvt) Ltd.	49	45	45	29,587,667	13,594,333	15,993,334	-	15,993,334	159,933	-	159,933	-	159,933
Arpico Natural Latex Foams (Pvt) Ltd.	44	44	44	4,000,000	-	4,000,000	-	4,000,000	40,000	-	40,000	-	40,000
Investor													
Richard Pieris Natural Foams Ltd.													
Investee													
Arpico Natural Latex Foams (Pvt) Ltd.	56	56		5,000,000	-	5,000,000	-	5,000,000	50,000	-	50,000	-	50,000
Investor													
Plastishells Ltd.													
Investee													
R P C Polymers (Pvt) Ltd	69	69		13,000,000	-	13,000,000	-	13,000,000	130,000	-	130,000	-	130,000
Investor													
Richard Pieris Plantations (Pvt) Ltd.													
Investee													
Exotic Horticulture (Pvt) Ltd.	100	100	100	1,000,000	-	1,000,000	-	1,000,000	10,000	-	10,000	-	10,000
Maskeliya Tea Garden Ltd.	100	100	100	1,500,000	-	1,500,000	-	1,500,000	15,000	-	15,000	-	15,000
RPC Plantation Management Services (Pvt) Ltd.	100	100	100	24,106,249	-	24,106,249	-	24,106,249	330,000	-	330,000	-	330,000
Investor													
RPC Management Services (Pvt) Ltd.													
Investee													
Maskeliya Plantations PLC (Rs. 544 mn) *	83	73	71	44,998,397	25,174,753	19,823,644	651,500	19,172,144	778,329	302,097	476,232	18,775	457,457
Kegalle Plantations PLC (Rs. 2046 mn) *+	-	-	-	3,900	-	3,900	3,900	-	591	-	591	591	-

Notes to the Financial Statements Contd.

B Group investments in subsidiaries

	% Holding			No of shares					Value Rs.'000				
	31.03.2013	31.03.2012	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011
Investor													
RPC Plantation Management Services (Pvt) Ltd.													
Investee													
Namunukula Plantations PLC (Rs. 1181 mn) *	65	63	59	15,412,737	489,337	14,923,400	973,400	13,950,000	517,621	38,280	479,341	82,178	397,163
Kegalle Plantations PLC (Rs. 2046 mn) *	73	70	68	18,258,331	666,831	17,591,500	576,500	17,015,000	347,636	74,703	272,933	81,959	190,974
Investor													
Kegalle Plantations PLC													
Investee													
Richard Pieris Natural Foams Ltd.	35	35	35	22,500,000	-	22,500,000	-	22,500,000	225,000	-	225,000	-	225,000
Hamefa Kegalle (Pvt) Ltd.	100	100	100	2,800,000	-	2,800,000	-	2,800,000	14,000	-	14,000	-	14,000
Arpico Insurance Ltd	45	45	-	25,200,000	2,700,000	22,500,000	22,500,000	-	252,000	27,000	225,000	225,000	-
Richard Pieris Arpico Finance (Pvt) Limited	30	-	-	12,000,001	12,000,001	-	-	-	120,000	120,000	-	-	-
									5,047,204	682,080	4,365,124	554,227	3,810,897
Provision for fall in value of investment in;													
Playcraft Lanka (Pvt) Limited									-	-	-	4,276	(4,276)
Namunukula Plantations PLC									(29,167)	-	(29,167)	-	(29,167)
Arpico Natural Latex Foams (Pvt) Ltd.									(50,000)	-	(50,000)	-	(50,000)
									4,968,037	682,080	4,285,957	558,503	3,727,454

C. Company / Group investment in associates

	% Holding			No of shares					Value Rs.'000				
	31.03.2013	31.03.2012	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011	31.03.2013	Movement	31.03.2012	Movement	31.03.2011
Company													
Quoted investments													
Asian Alliance Insurance PLC	-	-	15	-	-	-	(5,629,900)	5,629,900	-	-	-	(159,756)	159,756
Company investments in associates (at cost)									-	-	-	(159,756)	159,756
Group investments in associates													
Quoted Investments													
Investor													
Richard Pieris Distributors Ltd.													
Investee													
Asian Alliance Insurance PLC	-	-	10	-	-	-	(3,750,912)	3,750,912	-	-	-	(106,277)	106,277
Unquoted Investments													
Investor													
Namunukula Plantations PLC													
Investee													
AEN Palm Oil Processing (Pvt) Ltd.	33	33	33	2,696,012	-	2,696,012	-	2,696,012	29,960	-	29,960	-	29,960
Group investment in associates (at cost)									29,960	-	29,960	(266,033)	295,993
Group share of profits of associate companies													
Asian Alliance Insurance PLC									-	-	-	(129,170)	129,170
AEN Palm Oil Processing (Pvt) Ltd.									(4,970)	(49,153)	44,183	13,160	31,023
Group investment in associates (equity basis)									24,990	(49,153)	74,143	(382,043)	456,186

* Amounts stated within brackets correspond to market value as at 31st March 2013. In the opinion of the Directors, any reduction in market value below cost is considered to be of temporary nature.

\+ The holding stake of these investments are less than 1%.

The value of unquoted investments based on net assets amounted to Rs. 7,534 mn (Rs. 6,615 mn in 2011/12).

17. Other Financial Assets

	Group			Company		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Available-for-sale investments						
Unquoted equity shares						
Lanka Multy Moulds Ltd	**500**	500	-	**-**	-	-
RPC Timberline Limited	**55,000**	55,000	55,000	**55,000**	55,000	55,000
Asset Trust Management (Pvt) Ltd	**5,625**	5,625	-	**5,625**	5,625	-
Investment in Unit Trust	**53,263**	-	-	**-**	-	-
	114,388	61,125	55,000	**60,625**	60,625	55,000
Provision for fall in Value						
Lanka Multy Moulds Ltd	**(500)**	(500)	-	**-**	-	-
RPC Timberline Limited	**(55,000)**	(55,000)	(31,000)	**(55,000)**	(55,000)	(31,000)
	58,888	5,625	24,000	**5,625**	5,625	24,000
Quoted equity shares						
Commercial Bank PLC	**9**	8	-	**9**	8	-
John Keells Holdings PLC	**19**	16	26	**19**	16	26
Asian Hotel Properties PLC	**44,257**	49,314	59,399	**44,257**	49,314	59,399
Dialog Telecom PLC	**99**	78	115	**99**	78	115
National Development Bank PLC	**3,393**	2,526	-	**3,393**	2,526	-
	47,777	51,942	59,540	**47,777**	51,942	59,540
Unquoted debt securities						
Debentures -Richard Pieris Plantations (Pvt) Ltd.	**-**	-	-	**65,750**	65,750	65,750
Government Securities						
Treasury Bond Investments	**101,829**	-	-	**-**	-	-
Total available-for-sale investments at fair value	**208,494**	57,567	83,540	**119,152**	123,317	149,290
Loans and receivables						
Investments in Corporate Debts at amortised cost	**429,285**	498,297	-	**-**	-	-
Total loans and receivables	**429,285**	498,297	-	**-**	-	-
Total other financial assets	**637,779**	555,864	83,540	**119,152**	123,317	149,290
Total current	**47,777**	51,942	59,540	**47,777**	51,942	59,540
Total non-current	**590,002**	503,922	24,000	**71,375**	71,375	89,750

Notes to the Financial Statements Contd.

17.1 Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group that are carried in the financial statements.

	Carrying amount			Fair Value		
	2013 Rs.'000	2012 Rs.'000	1st April 2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	1st April 2011 Rs.'000
Financial assets						
Trade and other receivables	**4,526,248**	3,676,637	2,910,424	**4,526,248**	3,676,637	2,910,424
Other financial assets						
Loans and other receivables	**429,285**	498,297	-	**429,285**	498,297	-
Available-for-sale investments	**168,020**	21,488	17,919	**208,494**	51,942	59,540
Cash and short-term deposits	**4,648,564**	2,954,814	2,563,859	**4,648,564**	2,954,814	2,563,859
Total	**9,772,117**	7,151,236	5,492,202	**9,812,591**	7,181,690	5,533,823
Financial liabilities						
Net liability to the lessor	**638,237**	650,635	672,958	**638,237**	650,635	672,958
Interest-bearing loans and borrowings	**5,647,418**	4,520,268	5,077,674	**5,647,418**	4,520,268	5,077,674
Trade and other payables	**4,630,884**	4,630,481	3,713,466	**4,630,884**	4,630,481	3,713,466
Bank overdrafts	**3,256,097**	2,742,806	1,801,792	**3,256,097**	2,742,806	1,801,792
Total	**14,172,636**	12,544,190	11,265,890	**14,172,636**	12,544,190	11,265,890

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair value;

- Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments and Interest bearing borrowings, receivables are evaluated by the Group Treasury based on parameters such as interest rates, credit risk and other relevant risk factors. Based on the evaluation, allowances are taken to account for the expected losses of these receivables where the carrying amounts of which are not materially different from their calculated fair values.

- Fair value of available for sale financial assets is derived from quoted market prices in active markets where unrealized gains/losses recognized in Other Comprehensive Income.

- All unquoted available for sale equities are recorded at cost since its fair value cannot be reliably estimated.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31st March 2013, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets measured at fair value	31st March 2013 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets				
Equity Shares	**106,665**	47,777	-	58,888
Government Securities	**101,829**	101,829	-	-
	208,494	149,606	-	58,888

As at 31st March 2012, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31st March 2013 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets				
Equity Shares	**57,567**	51,942	-	5,625
	57,567	51,942	-	5,625

As at 1st April 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31st March 2013 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets				
Equity Shares	**83,540**	59,540	-	24000
	83,540	59,540	-	24,000

During the reporting periods ending 31st March 2012 and 31st March 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

18. Deferred Tax Liability/(Assets)

	Group			Company		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
At the beginning of the period	**126,517**	135,002	(37,764)	**36,953**	36,953	36,953
Acquisition from subsidiaries / Adjustments	**-**	(26)	3,738	**-**	-	-
Transfer from / (to) Income Statement	**101,322**	(8,459)	169,028	**-**	-	-
At the end of the year	**227,839**	126,517	135,002	**36,953**	36,953	36,953
Deferred tax liabilities						
Accelerated depreciation for tax purposes	**951,202**	954,216	869,032	**(33,638)**	(31,708)	(35,231)
Any other deferred liabilities	**22,774**	-	-	**-**	-	-
	973,976	954,216	869,032	**(33,638)**	(31,708)	(35,231)
Deferred tax assets						
Retirement benefit obligations	**(306,067)**	(362,062)	(321,163)	**15,212**	16,709	17,549
Unutilised tax losses	**(353,699)**	(382,018)	(346,479)	**55,379**	51,952	54,635
Other provisions	**(86,371)**	(83,619)	(66,388)	**-**	-	-
	(746,137)	(827,699)	(734,030)	**70,591**	68,661	72,184
Deferred Tax (Asset) / Liability	**227,839**	126,517	135,002	**36,953**	36,953	36,953

Deferred tax assets amounting to Rs. 68 mn (2012 Rs. 214 mn) for the Group and Rs. 68 mn (2012 Rs. 72 mn) for the Company have not been recognized since the companies do not expect these assets to reverse in the foreseeable future.

Notes to the Financial Statements Contd.

19. Inventories

	Group		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Raw materials	**805,810**	746,217	734,340
Growing crop-nurseries	**33,721**	33,224	27,283
Work in progress	**126,695**	142,118	144,849
Finished goods	**2,202,449**	2,071,028	1,603,118
Produce inventories	**599,141**	543,008	590,943
Other inventories	**46,779**	45,116	46,074
Goods in transit	**35,529**	6,818	7,028
	3,850,124	3,587,529	3,153,636
Provision for slow moving inventories	**(73,744)**	(54,717)	(40,287)
Provision for unrealized profits	**(31,019)**	(14,191)	(14,313)
Net Inventory	**3,745,361**	3,518,621	3,099,036

Inventories are net of allowances for slow moving and obsolete inventories.

The amount of write-down of inventories recognised as an expense is Rs. 85 mn (2012 Rs. 79 mn) which is recognised under administration expenses.

Inventories carried at net realisable value as at 31st March 2013 amounted Rs. 503 mn (2012 Rs. 736 mn) which is recognised in cost of sales and administrative expenses.

Inventories with a carrying amount of Rs. 760 mn (2012 Rs. 1,129 mn) are pledged as security for loans obtained, details of which are disclosed in Note 26.1 to the financial statements.

20. Trade and Other Receivables

As at 31 March, the ageing analysis of trade receivables is as follows:

	Group					
	Total Rs.'000	Current Rs.'000	30-60 days Rs.'000	61-90 days Rs.'000	91-120 days Rs.'000	> 120 days Rs.'000
2011	2,330,762	1,491,701	368,185	65,530	16,978	388,368
2012	2,867,357	1,794,057	569,861	149,826	25,146	328,467
2013	3,247,950	1,815,202	590,096	314,451	85,223	442,978

		Individual		Collective	
Allowance for doubtful debts	Total	Fully Impaired	Partially Impaired	Fully Impaired	Partially Impaired
As at 1st April 2011	213,783	166,517	268	(11,845)	58,843
Charge for the year	89,454	4,271	227	56,690	28,266
Utilised	(50,073)	(5,228)	-	(44,845)	-
Unused amounts reversed	(97)	(97)	-	-	-
At 1st April 2012	253,067	165,463	495	-	87,109
Charge for the year	52,528	31,994	-	-	20,534
Utilised	(4,225)	(1,483)	-	-	(2,742)
Unused amounts reversed	(463)	-	(183)	-	(280)
At 31st March 2013	300,907	195,974	312	-	104,621

	Group			Company		
	2013	2012	2011	**2013**	2012	2011
	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000
Net trade receivables	**2,947,043**	2,614,290	2,116,979	**-**	-	-
Advances, deposits and prepayments	**877,300**	451,633	370,638	**455,930**	-	-
Loans to employees	**13,222**	9,576	10,189	**4,954**	2,530	1,472
Reinsurance receivables	**4,189**	-	-	**-**	-	-
Other debtors	**684,494**	601,138	412,618	**61,301**	37,425	51,234
	4,526,248	3,676,637	2,910,424	**522,185**	39,955	52,706

21. Short Term Borrowings

	Group			Company		
	2013	2012	2011	**2013**	2012	2011
	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000
Commercial papers (a)	**-**	291,466	125,853	**-**	291,465	125,853
Import loans (b)	**50,532**	108,207	78,611	**-**	-	-
Other short term borrowings (c)	**1,265,165**	1,048,824	1,799,678	**950,000**	650,000	1,400,000
Bank overdrafts (d)	**3,256,097**	2,742,806	1,801,792	**1,602,822**	565,723	45,479
	4,571,794	4,191,303	3,805,934	**2,552,822**	1,507,188	1,571,332

(a) Repayment of commercial papers will be less than three months.

(b) Import loans have been obtained for the purpose of operations and is repayable within 30 - 90 days.

(c) Short term borrowings mainly consist of money market borrowings and will be repayable at maturity within 7 - 90 days.

(d) Bank overdrafts are repayable on demand.

22. Cash and Cash Equivalents

	Group			Company		
	2013	2012	2011	**2013**	2012	2011
	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000
Cash at banks and in hand	**4,648,564**	2,954,814	2,563,859	**332,280**	25,210	63,349
Short term borrowings (Note 22)	**(4,571,794)**	(4,191,303)	(3,805,934)	**(2,552,822)**	(1,507,188)	(1,571,332)
Cash and cash equivalents	**76,770**	(1,236,489)	(1,242,075)	**(2,220,542)**	(1,481,978)	(1,507,983)

23. Stated Capital

Ordinary shares issued and fully paid	No. of Shares in '000	Value of Shares Rs.'000
As at 1st April 2011	1,937,241	1,627,612
Share options exercised	1,349	6,241
As at 31st March 2012	1,938,590	1,633,853
Share options exercised	647	3,383
As at 31st March 2013	1,939,237	1,637,236

Notes to the Financial Statements Contd.

24. Investment Fund Reserve

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Transfers during the year	**2,222**	-	-
As at 31st March	**2,222**	-	-

Richard Pieris Arpico Finance Limited is liable to pay VAT on financial services as per section 25 A-G of the Value Added Tax Act No. 14 of 2002 and is required to deposit the respective sums in an investment fund account established by the respective Company as per the Central Bank Guidelines under the cover of letter no. 02/17/800/0014/01 dated 29th April 2011. The Company is required to deposit an amount equal to 8% of the value addition (profit) computed for financial VAT purposes on the same date of each month that on financial services is paid and 5% of the income tax liability on quarterly tax payment.

25. Other Components of Equity

	Group			Company		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
Available for sale reserve	**34,859**	30,456	41,621	**26,291**	30,456	41,621
Foreign currency translation reserve	**40,198**	38,236	27,314	**-**	-	-
	75,057	68,692	68,935	**26,291**	30,456	41,621

26. Insurance Provision

	2013 Rs.'000	2012 Rs.'000
Life Insurance fund at beginning of the year	**9,390**	-
Increase during the period	**58,185**	9,390
	67,575	9,390

Long duration contract liabilities included in the life insurance fund, result primarily from traditional non participating life insurance products.

The actuarial reserves have been established based on the following;

- Interest rates which vary by product and as required by regulations issued by the Insurance Board of Sri Lanka (IBSL).
- Mortality rates based on published Mortality tables adjusted for actual experience as required by regulations issued by the IBSL.

The amount of policyholder bonus to be paid is determined annually by the Company on the recommendation of the Actuary. The bonus includes Life policyholders' share of net income that is required to be allocated by the insurance contract or by insurance regulations.

The valuation of the long term Insurance business, as at 31.12.2012, was made by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd. In accordance with the consultant Actuary's report, the reserve for the year amounted to, Rs. 54 mn. In the opinion of the consultant actuary, the provision is adequate to cover the liabilities pertaining to Life Insurance.

27. Interest Bearing Loans and Borrowing

	Group			Company		
	2013	2012	2011	**2013**	2012	2011
	Rs.'000	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	Rs.'000
At beginning of the year	**3,071,771**	3,073,532	3,197,229	**429,083**	424,084	1,033,469
Effect of foreign currency translation	**(7,200)**	5,012	(8,433)	**-**	-	
Disposal of subsidiary	**-**	-	(1,087)			
New loans obtained	**2,276,782**	1,055,733	1,133,979	**750,000**	300,000	-
	5,341,353	4,134,277	4,321,688	**1,179,083**	724,084	1,033,469
Repayments	**(1,009,632)**	(1,062,506)	(1,248,156)	**(275,733)**	(295,001)	(609,385)
	4,331,721	**3,071,771**	**3,073,532**	**903,350**	**429,083**	**424,084**
Transferred to current liabilities	**(962,843)**	(893,957)	(1,075,241)	**(219,960)**	(209,083)	(275,000)
At the end of the year	**3,368,878**	2,177,814	1,998,291	**683,390**	220,000	149,084

Total Interest Bearing Loans & Borrowings						
Repayable with in one year	**962,843**	893,957	1,075,241	**219,960**	209,083	275,000
Repayable after one year	**3,368,878**	2,177,814	1,998,291	**683,390**	220,000	149,084
	4,331,721	**3,071,771**	**3,073,532**	**903,350**	**429,083**	**424,084**

27.1 Interest bearing loans and borrowings repayable after one year

Company	Lender	31.03.2013 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank PLC	**-**	76,000	234,800	Rs. 42 mn per quarter	Mortgage over Land and Buildings at Kandy & Battaramulla.
	Commercial Bank PLC	**-**	-	9,200	Rs. 7.5 mn per quarter	Mortgage over shares of Namunukula Plantation PLC.
	Commercial Bank PLC	**683,350**	-	-	Rs. 13.33 mn per month	Mortgage over land and buildings at Kandy & Battaramulla.
	DFCC Bank	**-**	29,332	61,333	Rs. 2.67 mn per month	Mortgage over machinery.
	Indian Bank	**-**	43,750	118,750	Rs. 6.25 mn per month	Mortgage over land and buildings at Mattegoda.
	Hatton National Bank PLC	**220,000**	280,000		Rs. 5 mn per month	Mortgage over land and buildings at Union Place, Colombo 02.
Richard Pieris Distributors Limited	Commercial Bank PLC	**419,465**	521,800	570,400	W.e.f. August 2011 Monthly repayment	Credit Card receivabels at Hyde Park Corner and Battaramulla Super Center.
	State Bank of India	**-**	97,900	170,000	W.e.f. August 2011 Monthly Repayment	
	NDB AVIVA Fund Management	**-**	-	14,979	W.e.f. August 2011 Monthly Repayment	
	National Development Bank PLC	**236,404**	259,600	259,600	W.e.f. February 2013	
	National Development Bank PLC	**90,000**	150,000	195,000	Rs. 15 mn per quarter	Clean Basis.
Arpitech (Pvt) Ltd	Pan Asia Bank PLC	**-**	-	28,496	Rs.1.25 mn per month	Mortgage over land, plant & machinery at Mattegoda.
RPC Retail Development Company (Pvt) Limited	LOLC PLC	**73,562**	118,562	163,562	Rs. 3.75 mn per month	Mortgage over land and building at Negombo.
Richard Pieris Exports PLC	Hatton National Bank PLC		29,327	76,760	US $ 125,000 per quarter	Mortgage over land and buildings at Union Place, Colombo 02 .
	State Bank of India			68,994	US $ 62,500 per month	Mortgage over stocks, debtors, plant & machinery and land & building at Ekala.
	DFCC Bank	**145,723**	-	-	US $ 21,666 per month	Mortgage over land and buildings and plant & machinery at Ekala.
Richard Pieris Natural Foams Ltd	Commercial Bank PLC	**27,492**	-	-	US D 2,500 per month	Clean Basis.
RPC Management Services (Pvt) Limited	DFCC Bank PLC	**37,724**	82,987	128,245	Rs. 3.772 mn per month	Mortgage over shares of Maskeliya Plantations PLC.
RPC Plantations Management Services (Pvt) Limited	Hatton National Bank PLC	**2,068**	14,572	27,076	Rs. 1 mn per month	Promissory Note.
Maskeliya Plantations PLC	ADB/ National Development Bank PLC	**-**	-	1,942	Rs. 0.28 mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray estates.
	ADB/ National Development Bank PLC	**-**	883	3,000	Rs. 0.18 mn per month	
	ADB/ National Development Bank PLC	**-**	348	1,738	Rs. 0.16 mn per month	
	ADB/ National Development Bank PLC	**2,067**	6,203	10,337	Rs. 0.35m n per month	Secondary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray estates. Primary mortgage over leasehold rights of Talawakelle estate.
	ADB/ National Development Bank PLC	**3,446**	8,616	13,786	Rs. 0.43 mn per month	
	ADB/ National Development Bank PLC	**917**	2,490	4,063	Rs. 0.13 mn per month	

Notes to the Financial Statements Contd.

Company	Lender	31.03.2013 Rs.'000	31.03.2012 Rs.'000	31.03.2011 Rs.'000	Repayment	Security
	ADB/ National Development Bank PLC	**4,480**	10,454	16,427	Rs. 0.50 mn per month	Tertiary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray estates.
	ADB/ National Development Bank PLC	**3,845**	8,972	14,099	Rs. 0.43 mn per month	
	ADB/ National Development Bank PLC	**1,258**	2,935	4,612	Rs. 0.14 mn per month	Secondary mortgage over leasehold rights of Talawakelle estate.
	ADB/Seylan Bank PLC	**10,467**	14,798	19,128	Rs. 0.36 mn per month	Primary mortgage over leasehold rights of Mousakelle estates.
	ADB/Seylan Bank PLC	**9,823**	13,889	17,954	Rs. 0.34 mn per month	
	ADB/Seylan Bank PLC	**2,040**	2,740	3,441	Rs. 0.06 mn per month	
	DFCC Bank	**1,021**	5,105	9,189	Rs. 0.34 mn per month	Corporate Guarantee given by RPC Management Services (Pvt) Ltd.
	Hatton National Bank PLC	**-**	563	4,313	Rs. 0.31 mn per month	
	Hatton National Bank PLC	**250,720**	320,800		Rs. 5.8 mn per month	Primary mortgage over leasehold rights of Ampitittiakande & Craig estates.
	National Development Bank PLC- E-Friend Loan	**4,621**	13,874	23,128	Rs. 0.77 mn per month	
	National Development Bank PLC Government Relief Package	**-**	-	27,000	As per monthly Trust Papers	Securitization of future tea receivables.
	NDB Investment Bank			112,600	As per monthly Trust Papers	Securitization of future tea receivables.
	National Development Bank PLC	**102,000**	119,000	119,000	W.e.f. April 2012 Rs.1.4 mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspy, Laxapana, Moray estates and Thalawakelle estates.
	NDB Investment Bank PLC	**300,000**	-		38 monthly payments in varied instalments	Securitization of future tea receivables.
	NDB Investment Bank PLC	**300,000**	-		38 monthly payments in varied instalments	Securitization of future tea receivables.
Kegalle Plantations PLC	ADB/ National Development Bank PLC	**-**	-	4,133	Rs. 0.46 mn per month	Corporate guarantee by Richard Pieris and Company PLC for Rs. 33 mn and primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yatederiya estates.
	ADB/ National Development Bank PLC	**3,057**	8,883	14,709	Rs. 0.49 mn per month	
	ADB/ National Development Bank PLC	**4,981**	11,315	17,649	Rs. 0.53 mn per month	
	ADB/ Seylan Bank PLC	**13,542**	19,111	24,681	Rs. 0.46mn per month	Primary mortgage over leasehold rights of Eadella estates.
	Hatton National Bank PLC - E friend Loan	**4,228**	7,384	10,540	Rs. 0.26 mn per month	Primary floating mortgage over leased hold property at Luckyland estate, Udupussellawa, Badulla estates.
	ADB/ National Development Bank PLC	**41,379**	50,811	56,313	Rs. 0.79 mn per month	Primary mortgage over leasedhold rights of Atale, Etana, Doteloya, Kirkless and secondary mortgage over Pallegama, Parambe, Weniwella and Yataderiya estates.
	ADB/ National Development Bank PLC	**22,014**	26,906	29,352	Rs. 0.47 mn per month	
	ADB/ National Development Bank PLC	**161,467**	173,000	173,000	Rs. 2.88 mn per month	Tertiary mortgage over leasedhold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya estates.
	ADB/ National Development Bank PLC	**-**	-	6,000	Rs. 1.83 mn per month	Securitized sales proceeds.
	LOLC PLC	**4,164**	5,679	7,193	Rs. 0.13 mn per month	Mortgage over plant and machineries at Luskeyland estate.
	National Development Bank PLC - E-Friend Loan	**4,000**	6,667	-	Rs. 0.22 mn per month	Quanternary Mortgge over leasedhold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya estates.
	National Development Bank PLC - Field Development	**443,144**	397,733	-	Rs. 6.15 mn per month	
	Indian Overseas Bank	**150,000**	-	-	W.e.f. January 2015 Rs.2.49mn per month	Primary mortgage over leasehold rights of Higgoda and Madeniya.
	Indian Bank	**100,000**	-	-	W.e.f. January 2015 Rs.1.66 mn per month	
	State Bank of India	**150,000**	-	-	W.e.f. January 2015 Rs.2.49mn per month	
Namunukula Plantations PLC	DFCC Bank	**16,082**	35,773	56,064	Rs. 2 mn per month	Primary mortgage over leasehold rights of Hulandawa,Pallegoda, Yatadola & Hallala estates and undertaking from RPC Plantations Management Services (Pvt) Ltd.
	ADB/LOLC PLC	**9,333**	12,133	14,932	Rs. 0.23 mn per month	Corporate Guarantee given by RPC Plantation Management Services (Pvt) Ltd.
	ADB/LOLC PLC	**5,290**	6,560	7,830	Rs. 0.10 mn per month	
	ADB/LOLC PLC	**4,935**	6,011	7,088	Rs. 0.08 mn per month	
	ADB/LOLC PLC	**12,981**	15,535	18,089	Rs. 0.212 mn per month	
	NDB Investment Bank			93,000	As per monthly Trust Paper	Promissory note/ Securitization of future tea receivables
	NDB Investment Bank	**48,630**	52,770	-	Rs. 0.67 mn per month	Primary mortgage over plant & machinery.
	Indian Bank	**100,000**	-	-	W.e.f. February 2015 Rs.1.65mn per month	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	**100,000**	-	-	W.e.f. February 2015 Rs.1.65mn per month	
	Total Term Loans	**4,331,721**	3,071,771	3,073,532		
	Transferred to Current Liabilities	**(962,843)**	(893,957)	(1,075,241)		
		3,368,878	2,177,814	1,998,291		

28. Net Liability to Make Lease Payments and Others

	Repayable within 1 year Rs.'000	Repayable after 1 year less than 5 years Rs.'000	Repayable after 5 years Rs.'000	Total Rs.'000
Gross liability	49,699	145,837	1,043,277	1,238,813
Less: finance charges	(27,721)	(101,634)	(436,500)	(565,855)
Net liability	21,978	44,203	606,777	672,958
Transferred to current liabilities				(21,978)
				650,980
Gross liability - other lease	-	-	-	-
Less: finance charges	-	-	-	-
	-	-	-	-
Transferred to current liabilities				-
				-
As at 31st March 2011	21,978			650,980
Gross liability	35,674	142,696	1,007,603	1,185,973
Less: finance charges	(25,984)	(99,902)	(412,160)	(538,046)
Net liability	9,690	42,794	595,443	647,927
Transferred to current liabilities				(9,690)
				638,237
Gross liability - other lease	2,795	-	-	2,795
Less: finance charges	(87)	-	-	(87)
	2,708	-	-	2,708
Transferred to current liabilities				(2,708)
				-
As at 31st March 2012	12,398			638,237
Gross liability	35,674	142,696	971,929	1,150,299
Less: finance charges	(25,596)	(98,191)	(388,275)	(512,062)
Net liability	10,078	44,505	583,654	638,237
Transferred to current liabilities				(10,078)
				628,159
Gross liability - other lease	-	-	-	-
Less: finance charges	-	-	-	-
	-	-	-	-
Transferred to current liabilities				-
				-
As at 31st March 2013	10,078			628,159

The leases of the estates have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/- per estate per annum.

Notes to the Financial Statements Contd.

The first rental payable under the revised basis was Rs. 6,744 mn, Rs. 13,186 mn and Rs. 15,744 mn for Maskeliya Plantations PLC, Namunukula Plantations PLC and Kegalle Plantations PLC respectively from 22nd June 1996 to 21st June 1997.

Rentals payable according to the original Lease agreement stipulated that the frozen Average GDP deflater for the Calendar Years 2002 to 2006 be used to calculate the lease rentals payable and to be reviewed at the time of the expiry of this agreement, in June 2008.

The Regional Plantation Companies were at the negotiation table during the previous financial year as well as the year under review to continue the same basis for the ensuing periods. Subsequently in their communication with Regional Plantation Companies in May 2010, Ministry of Plantation Industries stated that the lease rentals should be calculated on the GDP deflater from 2008/09 as stipulated in the original lease agreement.

The contingent rental charged to the Income Statement amounted to Rs. 22,671 mn, Rs. 25,063 mn and Rs. 29,925 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

29. Provisions

	Maintenance Warranties Rs.'000	Total Rs.'000
At 1st April 2011	42,286	42,286
Arising during the year	24,484	24,484
Other adjustments	25,292	25,292
At 31st March 2012	92,062	92,062
At 1st April 2012	92,062	92,062
Arising during the year	23,962	23,962
Utilised	(852)	(852)
At 31st March 2013	115,172	115,172

Maintenance Warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year.

Assumptions used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two year warranty period for all products sold.

30. Government Grants

	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
At 1st April	**577,609**	584,763	528,898
Received during the year	**12,684**	17,186	78,167
Released to the Income Statement	**(25,301)**	(25,898)	(22,302)
Disposal of a Subsidiary	**-**	1,558	-
At 31st March	**564,992**	577,609	584,763

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

31. Pensions and Other Post - Employment Benefit Plans

	Group			Company		
	2013	2012	2011	2013	2012	2011
Net benefit expense	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the period	**1,940,629**	1,662,131	1,529,685	**59,674**	48,578	50,141
Current service cost	**86,095**	308,005	212,406	**4,082**	4,529	4,818
Interest cost	**116,194**	100,789	63,711	**6,564**	5,101	6,017
Benefits paid	**(224,428)**	(183,721)	(150,397)	**(1,980)**	(15,076)	(4,788)
Actuarial losses/(gains) on obligation	**(121,212)**	53,425	6,726	**(14,012)**	16,542	(7,610)
Benefit liability	**1,797,278**	1,940,629	1,662,131	**54,328**	59,674	48,578

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2013 by Messrs. Actuarial and Management Consultants (Pvt) Ltd.

Appropriate and compatible assumptions were used in determining the cost of retirement benefits and the key assumptions used are as follows:

Assumptions	2012/2013	2011/2012	2010/2011
Demographic assumptions			
Retiring age:			
Executives	**55-60 years**	55-60 years	55-60 years
Non Executives	**55 years**	55 years	55 years
In respect of plantation companies,			
Retiring age:			
Workers (male and female)	**60 years**	60 years	60 years
Other categories of staff (male and female)	**55-58 years**	55-58 years	55-58 years
Financial assumptions			
Rate of interest net of tax per annum	**11%**	11%	10.5%
Rate of salary increment	**8%**	9%	9%
Rate of discount	**11%**	11%	10.5%
In respect of plantation companies,			
Rate of interest net of tax per annum	**11%**	11%	11%
Rate of salary increment:			
Workers	**16% every two years**	16% every two years	16% every two years
Staff employees	**10% per year**	10% per year	10% per year
Rate of discount	**11%**	11%	11%

31.1 Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for both the salary escalation rate and discount rate. Simulation made for retirement benefit obligation show that an increase or decrease by 1% of salary escalation rate and discount rate has the following effect of the retirement benefit obligation.

Notes to the Financial Statements Contd.

Salary Escalation Rate	Discount Rate	Present value of Defined Benefit Obligation Group Rs.'000	Company Rs.'000
One point increase	As given in report - 11%	1,889,607	57,761
One point decrease	As given in report - 11%	1,708,681	51,161
As given in Report - 8%	One point increase	1,669,512	51,480
As given in report - 8%	One point decrease	1,940,500	57,456

32. Contingent Liabilities

The contingent liabilities as at 31st March 2013 on corporate guarantee issued by the Company on loans obtained by subsidiary companies has decreased from Rs. 49 mn to Rs. 8 mn. Guarantees given by subsidiaries on loans obtained amounted to Rs. 234 mn.

Following a strike at Richard Pieris Exports PLC a subsidiary of the Group,which was considered as unjustifiable,160 workers were terminated on 28th December 2007.

Since negotiations failed, the matter has been referred to arbitration by Minister of Labour and contested at the court of appeal at present. The maximum amount demanded by the union on behalf of the workers is Rs.136 mn, which demand the Company has resisted/opposed.

Namunukula Plantations PLC, a subsidiary of the Group sub leased six (6) estates to Tusker Bottling Ltd .Tusker Bottling Ltd is currently being wound up pursuant to a Court Order.

In the event the sub lease agreement is cancelled and the Company takes possession of the six sub leased estates, Namunukula Plantaions PLC may be called upon to pay the arrears of statutory payments to the employees which the lessee; Tusker Bottling Ltd failed to pay which is estimated at Rs. 60 mn.

There are more than 47 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Ltd, Namunukula Plantations PLC and the superintendent of the estate regarding the payment of employees statutory dues , which the sub lessee has failed to pay in respect of the said 6 estates.

Namunukula Plantations PLC has filed objections that the Company is not liable to pay such dues. The Court has directed the Commissioner of Labour to find out the correct respondent who is liable to pay such dues and institute fresh legal action against the correct party.

33. Trade and Other Payables

	Group			Company		
	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000	**2013 Rs.'000**	2012 Rs.'000	2011 Rs.'000
Trade payables	**2,793,840**	2,285,858	1,925,211	**-**	-	-
Accrued Expenses	**1,214,550**	914,771	988,891	**-**	-	-
Other payables	**622,492**	1,429,852	799,362	**279,890**	896,756	283,212
	4,630,882	4,630,481	3,713,464	**279,890**	896,756	283,212

34. Capital and Lease Commitments

The capital commitments for property, plant and equipment incidental to the ordinary course of business as at 31st March 2013, approved by the Board are as follows:

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Contracted but not provided for	**344,113**	251,530	**-**	-
Approved but not contracted for	**1,273,395**	944,763	**-**	-
	1,617,508	1,196,293	**-**	-

34.1 Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31 March are as follows:

	Group	
	2013 Rs.'000	2012 Rs.'000
Within one year	**81,312**	76,384
After one year but not more than five years	**425,533**	425,533
More than five years	**275,105**	356,417
	781,950	858,334

35. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other receivables, trade and other payables, and financial guarantees. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors guide the Group Treasury which is centralized to provide assistance 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.

The Board of Directors reviews and agreed policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise following risks;

- Interest rate risk
- Currency risk
- Commodity price risk
- Credit Risk
- Liquidity Risk

Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Notes to the Financial Statements Contd.

Interest rate risk

Interest rate risk is the risk that the company is exposed due to change in absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, monetary policy and the policy rates, market liquidity, reforms in fiscal policies, imposition of possible credit ceilings on lending, average deposit rates, cost of utilizing funds etc are considered to be main determining factors on the quoted interest rates for short term and long term lending facilities. These external factors stresses on the market lending rates inserting pressure on the finance cost of the Group in turn having a down beating affect on the profit attributable to share holders.

Following measures and actions are usually undertaken in order to manage interest rate risk of the Group.

- Based on the studies and research on interest rate risk, the treasury division advises and takes appropriate measures to capitalize on the interest rate movements to be beneficial to the Group profitability. i.e. the facilities will be fixed for longer tenors when the market lending rates are in lower bound and take short term positioning when the market lending rates are in the higher bound.
- Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings to the mix of export and local turnover of the Group.
- Using fixed and variable rate borrowings to strike a balance.
- Centralized treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms.
- Practicing hedging techniques as and when required.
- Centralized treasury function to get the advantage of the total pooling of funds.

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings of the Group, primarily in US Dollars (USD), and also in EURO currency, Singapore Dollars (SGD) and Pound Sterling (GBP) especially with regard to trade related transactions.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using forwards contracts when it is deemed necessary.

The imported materials are mainly billed in USD, EUR, SGD GBP and other main currencies. Group treasury division continuously traces the exchange rate movement of the above currencies.

Following measures and actions will be taken in order to manage exchange rate risk of the group.

- Export proceeds exceeding the import payments and foreign currency debt repayments act as a natural hedge.
- Ensuring effective treasury operations through various techniques.

Commodity price risk

The Group is affected by the volatility of certain commodities. The volatility in prices of tea rubber etc in the auctions would trigger greater uncertainty in the contribution towards group turnover from the plantation sector. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

Credit risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading towards negative effect towards Group profitability. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including foreign exchange transactions and other financial instruments.

Group has continuously monitored the receivables through segregating the duty of controlling the receivables through SBU credit controllers. It is the responsibility of the person to continuously monitor the receivables and the receipts and recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with monthly provisioning to smooth out the unrecoverable debtor balances across the periods. Further details with regard to credit risk is given in Note 20.

Liquidity risk

Liquidity risk is the risk that the Group will encounter 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 maintain sufficient leeway's in the short term facilities and structuring new credit lines for short and long term tenors to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Year ended 31st March 2013	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest bearing borrowings	-	154,877	807,966	3,147,184	221,694	4,331,721
Net Liability to the lessor	-	-	10,079	44,505	583,653	638,237
Trade and other payables	1,637,868	2,959,313	33,703	-	-	4,630,884
Commercial papers	-	50,532	-	-	-	50,532
Other short term borrowings	21,357	59,877	1,183,930	-	-	1,265,164
Bank Overdrafts	3,103,473	29,726	122,898	-	-	3,256,097
	4,762,698	3,254,325	2,158,576	3,191,689	805,347	14,172,635

Year ended 31st March 2012	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest bearing borrowings	-	201,174	692,783	1,991,669	186,145	3,071,771
Net Liability to the lessor	-	-	12,398	42,793	595,444	650,635
Trade and other payables	2,181,602	2,430,915	17,964	-	-	4,630,481
Commercial papers	-	291,466	-	-	-	291,466
Import loans	-	108,207	-	-	-	108,207
Other short term borrowings	173,981	47,099	827,744	-	-	1,048,824
Bank Overdrafts	2,341,253	23,275	322,005	56,273	-	2,742,806
	4,696,836	3,102,136	1,872,894	2,090,735	781,589	12,544,190

Year ended 31st March 2011	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest bearing borrowings	-	259,152	816,089	1,858,348	139,943	3,073,532
Net Liability to the lessor	-	-	21,978	44,203	606,777	672,958
Trade and other payables	1,556,929	2,137,667	18,870	-	-	3,713,466
Commercial papers	-	-	-	291,466	-	291,466
Import loans	-	78,611	-	-	-	78,611
Other short term borrowings	84,978	230,077	1,484,623	-	-	1,799,678
Bank Overdrafts	1,801,792	-	-	-	-	1,801,792
	3,443,699	2,705,507	2,341,560	2,194,017	746,720	11,431,503

Notes to the Financial Statements Contd.

Majority of the group's risks are within the above risk management policies , while it's subsidiary Arpico Insurance Ltd is exposed to the following risks.

Insurance Risk

The primary risk to the Arpico Insurance Ltd under its insurance contracts is that the amount and timing of actual claims and benefit payments being different from expectations. This is influenced by the frequency and severity of claims. Therefore, the objective of the Arpico Insurance Ltd is to ensure that sufficient reserves are available to cover these liabilities.

The Arpico Insurance Ltd mitigates the above risk exposure by diversification across a large portfolio of Insurance contracts, by careful selection and implementation of underwriting strategies and by use of reinsurance arrangements.

Life Insurance Risk

Life insurance contracts offered by the Arpico Insurance Ltd include endowments and term assurance and non-conventional products.

Endowment assurance are conventional products where lump sum benefits are payable on death / permanent disability or maturity whichever happens earlier.

Term assurance are conventional products where lump sum benefits are payable on death or permanent disability.
Non conventional assurance are regular or single premium payment products where lump sum benefits are payable on death / permanent disability or maturity whichever happens earlier.

The main risk that the Arpico Insurance Ltd is exposed to under Life Insurance Contracts are as follows.

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Longevity risk - risk of loss arising due to the annuitant living longer than expected
- Investment return risk - risk of loss arising from actual returns being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.
- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected

The company's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies, it has the right to reject the payment of fraudulent claims and it charge extra premium (Premium load) for policyholders engaged in high-risk occupations. Arpico Insurance Ltd further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Arpico Insurance Ltd.

Reinsurance Risk

Arpico Insurance Ltd purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. A proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programmes which is taken out to reduce the overall exposure of the Arpico Insurance Ltd to certain classes of business. Premium ceded to the re-insurers is in accordance with the terms on the programmes already agreed based on the risks written by the insurance companies. Recoveries from re-insurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policyholders rests with the Arpico Insurance Ltd. Default of re-insurers does not negate this obligation and in that respect the Arpico Insurance Ltd carries a credit risk up to the extent ceded to each re-insurer.

The Arpico Insurance Ltd's placement of reinsurance is arranged in a manner that is neither dependent on a single re-insurer nor substantially dependent upon any single reinsurance contract. The Arpico Insurance Ltd uses Munich Re as its reinsurance provider for individual policies and Best Re as the reinsurance provider for Group policies (Those are largest reinsurance companies in the world).

Credit ratings of the reinsurance companies with whom Arpico Insurance Ltd has arrangements.

Re-insurer	Rating	Rating Agency
Munich Reinsurance Company	A+	A.M. Best
Best Re	A-	A.M. Best

Credit exposure

The table below shows the maximum exposure to the credit risk for the components of the Statement of Financial Position and items such as future commitments, of Arpico Insurance Ltd on at its statutory year end.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure (percentage wise) of the company by classifying assets according to the Arpico Insurance Ltd's credit ratings of counter-parties / instruments by Ram Ratings (Pvt) Ltd or Fitch Ratings (Pvt) Ltd.

AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

	31.12.2012					31.12.2011				
Financial Assets	Government Guaranteed	AA+ AA-	A+ A-	BBB+ BBB-	Unrated	Government Guaranteed	AA+ AA-	A+ A-	BBB+ BBB-	Unrated
Loans & Receivables	-	18%	71%	10%	1%	100%	-	-	-	-
Available for sale financial assets	100%	-	-	-	-	100%	-	-	-	-
Reinsurance Receivable	-	-	100%	-	-	-	-	-	-	-
Cash and Cash equivalents	-	98%	2%	-	-	-	100%	-	-	-

36. Employee Share Option Schemes

The Group has two employee share option schemes under which options to subscribe for the Group's shares have been granted to certain executives and senior employees.

The initial Employee Share Option Plan (ESOP 1) was set up by a Special Resolution adopted by the shareholders at an Extraordinary General Meeting (EGM) of the held on 10th June 1998 by allocating 5% of the issued share capital of the Company to this scheme.

The second ESOP scheme was set up following a Special Resolution adopted by the shareholders at an EGM of the Company held on 29th July 2005 by allocating and granting 5% of the issued share capital of the company.

Details of these schemes are presented in the table below.

	Number of Shares	
	ESOP-1	ESOP-2
Available as at 1st April 2011	48,371,330	84,750,615
Options exercised during year	(970,000)	(379,265)
Available as at 31st March 2012	47,401,330	84,371,350
Options exercised during year	(646,825)	-
Available as at 31st March 2013	46,754,505	84,371,350

The Company does not provide any financial assistance to the employees to purchase shares under this scheme.

Notes to the Financial Statements Contd.

37. Events After the Reporting Date

There have been no material events that occurred after the reporting date that require adjustments or disclosures in the Financial Statements.

38. Related Party Disclosures

38.1 Transaction with related entities

	Group		Company	
Nature of transactions	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
38.1.1 Subsidiaries				
Amounts receivable as at 31 March	**-**	-	**1,763,350**	1,761,629
Amounts payable as at 31 March	**-**	-	**436,366**	322,008
Allocation of common personnel and administration expenses	**-**	-	**180,084**	165,554
Rendering of services	**-**	-	**65,775**	62,201
Net investments made	**-**	-	**222,067**	164,442
Dividends received	**-**	-	**669,754**	1,074,536
Rent income	**-**	-	**128,418**	127,174
Royalty income	**-**	-	**283,851**	267,401
Allowances for doubtful debt	**-**	-	**11,737**	33,528
38.1.2 Associates				
Amounts receivable as at 31 March	**116,709**	139,685	**-**	-
Sale of goods/services	**440,936**	366,198	**-**	-
Others	**17,005**	-	**-**	-
38.1.3 Significant Investor				
Dividend paid	**258,194**	258,194	**258,194**	258,194

38.1.4 Terms and conditions

Outstanding balances at the year end are unsecured, and not interest bearing.

38.1.5 Off balance sheet items

Guarantees given by the Company to Banks on behalf of related parties are disclosed in Note 27.1 (Interest Bearing Borrowings) to the financial statements.

38.2 Transactions with Key Management Personnel of the Company or its parent

The Key Management Personnel include members of the Board of Directors of Richard Pieris and Company PLC.

a) Key Management Personnel compensation

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Short-term employee benefits	**27,750**	31,885	**8,147**	11,454

b) Other transactions with Key Management Personnel

Richard Pieris and Company carries out transactions with Key Management Personnel (KMPs) and their close family members on an arm's length basis except any concessions which have been availed under concessionary schemes uniformly applicable to all staff. This is mainly evident in the Arpico sales outlets island wide.

Insurance premium paid on behalf of Key Management Personnel in 2013 - Nil (2012 - Rs. 5 mn).

c) Options exercised by Key Management Personnel

The options granted and exercised by Key Management Personnel under the Employee Share Option Plan (ESOP) are disclosed in Note 36.

38.3 Other related party disclosures

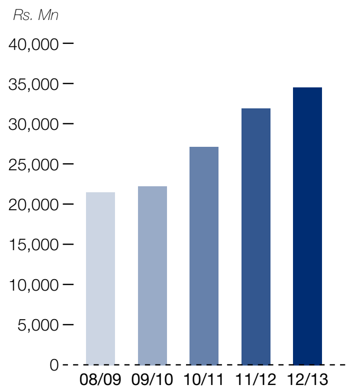
Legal fees amounting to Rs.6.03 mn (2012 Rs. 4.4 mn) was paid by the Group to an entity in which a Key Management Personnel was a Partner.

38.4 Other Transactions with Group Companies

During the year, Richard Pieris Distributors Ltd which is a fully owned subsidiary of Richard Pieris and Company PLC paid dividends to Richard Pieris and Company PLC amounting to Rs. 255 mn.

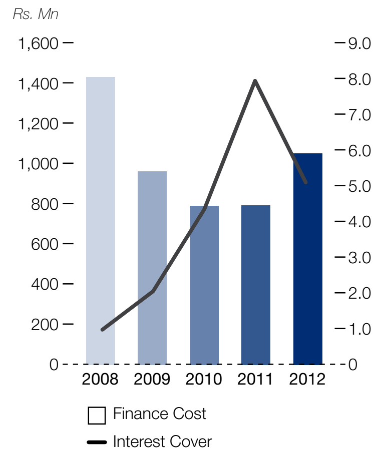
Ten Year Summary

Net Turnover



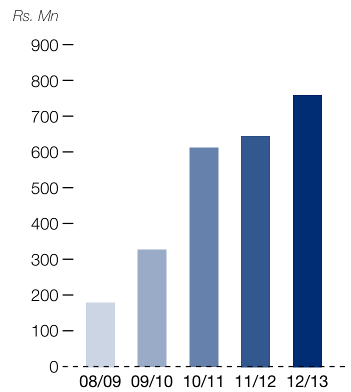
	2013 Rs.'000	2012 Rs.'000	2011* Rs.'000
TRADING RESULTS			
Net turnover	**34,690,340**	32,005,182	27,241,577
Profit from operations	**3,721,209**	3,952,638	3,450,366
Loss on disposal of investment	**-**	-	-
Finance cost	**(1,058,464)**	(798,277)	(794,617)
Finance Income	**328,997**	301,991	-
Profit from operations after finance cost and finance income	**2,991,742**	3,456,352	2,655,749
Income from associates before tax	**63,765**	62,436	113,008
Profit/(loss) before tax from continuing operations	**3,055,507**	3,518,788	2,768,757
Income tax expense	**(770,237)**	(644,540)	(616,566)
Profit/(loss) for the year from continuing operations	**2,285,270**	2,874,248	2,152,191
Loss after tax from discontinued operations	**(581)**	(4,374)	(11,609)
Profit/(loss) for the year	**2,284,689**	2,869,874	2,140,582
Minority interest	**(381,965)**	(294,813)	(459,898)
Profit/(loss) attributable to equity holders of parent	**1,902,724**	2,575,061	1,680,684
Gross dividend	**387,848**	1,550,621	515,946

Interest Cover



	2013 Rs.'000	2012 Rs.'000	2011 Rs.'000
BALANCE SHEET			
Assets			
Property, plant and equipment	**12,330,580**	11,600,282	10,854,713
Investment properties	**140,404**	139,628	139,628
Intangible assets	**508,893**	518,494	469,487
Biological assets	**568,037**	507,191	452,761
Investments in associates and other investments	**24,990**	74,143	456,186
Other non current financial assets	**590,002**	503,922	24,000
Current assets	**13,110,630**	10,381,632	8,805,220
	27,273,536	23,725,292	21,201,995
Equity and liabilities			
Stated capital	**1,637,236**	1,633,853	1,627,612
Capital and revenue reserves	**6,234,927**	4,603,788	3,579,348
Statutory reserve fund	**2,222**	-	-
Foreign currency translation	**-**	-	-
Other components of equity	**75,057**	68,692	68,935
Insurance provision	**67,575**	9,390	-
Preliminary and pre-operating expenses	**-**	-	-
Minority interest	**2,217,100**	1,994,660	1,934,375
Term loans payable after one year	**3,368,878**	2,177,814	1,998,291
Deferred income and deferred tax	**792,831**	704,126	719,765
Provisions and other liabilities	**1,912,450**	2,032,691	1,704,417
Net liability to the lessor payable after one year	**628,159**	638,237	650,980
Current liabilities	**10,337,101**	9,862,041	8,918,272
	27,273,536	23,725,292	21,201,995

Tax Expense

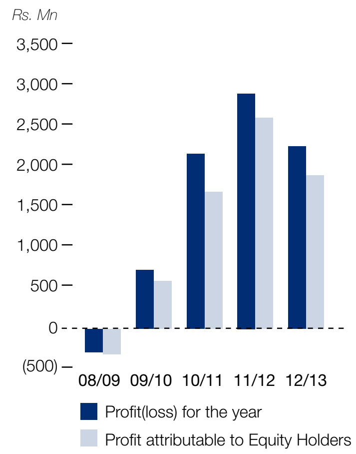


	2013	2012	2011*
RATIOS & OTHER INFORMATION			
Earnings per share (Rs.)	**0.98**	1.33	0.87
Market value per share (Rs.)	**6.6**	7.5	13.6
Price earnings ratio (No. of Times)	**6.73**	5.64	15.63
Net assets per share (Rs.)	**4.1**	3.25	2.58
Return on equity (%)	**26.69**	45.56	38.22
Dividend per share (Rs.)	**0.2**	0.7	0.3
Dividend cover (No. of Times)	**4.9**	1.9	2.9
Interest cover (No. of Times)	**5.1**	7.96	4.34
Current ratio (No. of Times)	**1.27**	1.05	0.99
Gearing ratio (%)	**29.5**	34.17	37.44

* Based on SLAS, applicable prior to 01st January 2012.

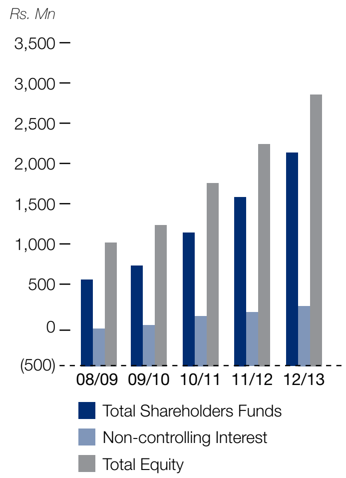
2010* Rs.'000	2009* Rs.'000	2008* Rs.'000	2007* Rs.'000	2006* Rs.'000	2005* Rs.'000	2004* Rs.'000
22,339,288	21,103,176	20,142,591	15,627,638	13,093,791	10,118,693	5,237,157
1,969,697	1,378,556	2,045,930	1,640,288	1,256,820	1,316,639	498,085
-	-	(277,000)	-	-	-	-
(969,147)	(1,436,225)	(1,472,629)	(879,601)	(548,240)	(313,895)	(120,136)
-	-	-	-	-	-	-
1,000,550	(57,669)	296,301	760,687	708,580	1,002,744	377,949
59,609	41,015	27,969	11,646	4,593	101,455	193,647
1,060,159	(16,654)	324,270	772,333	713,173	1,104,199	571,597
(330,592)	(180,411)	(77,278)	(92,231)	(120,150)	(151,567)	(71,738)
729,567	(197,065)	246,992	680,102	-	-	-
(17,873)	(107,963)	(203,216)	(165,527)	-	-	-
711,694	(305,028)	43,776	514,575	593,023	952,632	499,859
(131,490)	(24,055)	(258,853)	(208,180)	(63,994)	(82,229)	(19,194)
580,204	(329,083)	(215,077)	306,395	529,029	870,403	480,665
-	-	-	59,193	177,578	207,174	177,403

Net Turnover



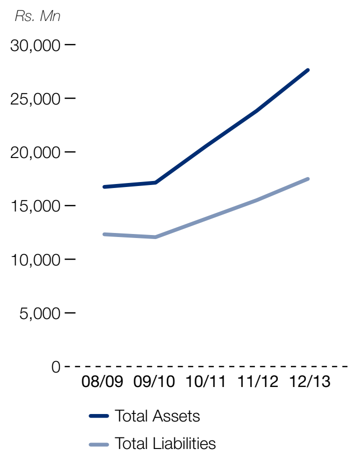
2010* Rs.'000	2009* Rs.'000	2008* Rs.'000	2007* Rs.'000	2006* Rs.'000	2005* Rs.'000	2004* Rs.'000
10,142,760	10,167,170	10,125,468	9,433,192	9,464,246	6,203,485	5,481,116
-	-	-	-	-	-	-
480,177	491,491	500,857	500,816	520,058	272,053	286,989
-	-	-	-	-	-	-
180,919	136,757	101,007	1,765,956	96,408	73,694	628,540
-	-	-	-	-	-	-
6,560,961	6,128,679	7,079,997	5,983,116	5,801,373	4,143,522	2,543,878
17,364,817	16,924,097	17,807,329	17,683,080	15,882,085	10,692,754	8,940,523
1,578,475	1,578,475	1,578,475	1,183,856	1,183,856	591,928	590,540
2,185,500	1,603,061	1,932,144	2,601,033	2,395,652	2,576,931	1,902,699
-	0	0	-	-	-	-
31,152	32,371	21,599	23,363	17,162	13,878	12,315
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,500,836	1,380,908	1,390,232	1,197,663	1,022,198	805,191	760,230
1,957,680	2,354,617	2,683,162	2,968,288	2,197,653	1,224,344	1,515,237
553,879	499,951	386,143	353,751	521,598	435,731	434,425
1,529,685	1,103,222	1,037,650	871,716	832,373	595,252	563,882
672,158	697,432	722,234	713,740	691,219	441,632	446,411
7,355,452	7,674,060	8,055,690	7,769,670	7,020,374	4,007,867	2,714,783
17,364,817	16,924,097	17,807,329	17,683,080	15,882,085	10,692,754	8,940,522

Equity



2010*	2009*	2008*	2007*	2006*	2005*	2004*
4.52	-2.57	-1.68	2.39	4.47	7.36	4.07
55	25	39	65	75	165	92.75
12.17	-	-	27.2	16.78	11.28	11.39
29.57	25.06	27.54	32.17	30.38	53.77	42.43
16.56	-10.24	-6.09	8.05	15.61	30.6	20.75
1	-	-	0.5	1.5	3.5	3
4.52	-	-	4.78	2.98	4.2	2.71
2.03	0.96	1.2	1.86	2.3	4.52	5.76
0.89	0.79	0.88	0.77	0.83	1.03	0.94
49.68	59.8	61.49	63.03	58.61	41.93	45.22

Net Assets



Shareholder Information

The Ordinary Shares of the Company are listed in the Colombo Stock Exchange.
The audited Income Statement and statement of comprehensive income for the year ended March 31, 2013 and the audited Statement of Financial Position of the Company as at date will be submitted to the Colombo Stock Exchange within two months of the reporting date.

As at the financial year ended 31st March

Distribution of Shareholders

Range of shareholding		No. of share holders as at 31/03/2013	No. of shares	% of shareholding	No. of share holders as at 31/03/2012	No. of shares	% of shareholding
1	500	**2,575**	**590,723**	**0.03%**	2,594	626,463	0.03%
501	5,000	**5,133**	**11,048,087**	**0.57%**	5,684	12,378,700	0.64%
5,001	10,000	**1,198**	**9,748,055**	**0.50%**	1,331	10,841,741	0.56%
10,001	20,000	**900**	**13,690,546**	**0.71%**	945	14,255,376	0.74%
20,001	30,000	**368**	**9,509,518**	**0.49%**	398	10,307,610	0.53%
30,001	40,000	**175**	**6,139,390**	**0.32%**	199	6,995,036	0.36%
40,001	50,000	**159**	**7,440,527**	**0.38%**	162	7,577,172	0.39%
50,001	100,000	**304**	**22,198,575**	**1.14%**	322	23,764,749	1.23%
100,001	1,000,000	**364**	**106,939,623**	**5.51%**	378	112,308,960	5.79%
1,000,001	& above	**74**	**1,751,932,581**	**90.34%**	74	1,739,534,993	89.73%
		11,250	**1,939,237,625**	**100.00%**	12,087	1,938,590,800	100.00%

As at the financial year ended 31st March

Composition of Shareholders

Category	No. of share holders as at 31/03/2013	No. of shares	% of shareholding	No. of share holders as at 31/03/2012	No. of shares	% of shareholding
Institutional investors	**416**	**1,624,626,134**	**83.78%**	457	1,619,751,084	83.55%
Individual investors	**10,834**	**314,611,491**	**16.22%**	11,630	318,839,716	16.45%
Total	**11,250**	**1,939,237,625**	**100.00%**	12,087	1,938,590,800	100.00%
Resident shareholders	**11,100**	**784,427,451**	**40.45%**	11,917	782,914,470	40.39%
Non-resident shareholders	**150**	**1,154,810,174**	**59.55%**	170	1,155,676,330	59.61%
Total	**11,250**	**1,939,237,625**	**100.00%**	12,087	1,938,590,800	100.00%

Public share holding as at March 31, 2013 was 45.03% (31.03.2012 - 44.91%)

Market Activity

	2012/13	Date	2011/12	Date
Highest Price (Rs.)	**9.10**	**17-Sep-12**	14.00	23-Jun-11
Lowest Price (Rs.)	**5.50**	**6-Jun-12**	6.50	15- Feb -12
Year End Price (Rs.)	**6.60**	**28-Mar-13**	7.50	30-Mar-12
No of Transactions	**12,856**	**-**	30,989	-
No of shares traded	**71,375,748**	**-**	169,330,634	-
Share turnover (Rs.)	**536,645,462**	**-**	1,917,959,866	-

Major shareholders as at 31st March 2013

	Name of the shareholder	31/03/2013	%	31/3/2012	%
1	Skyworld Overseas Holdings Limited	516,388,590	26.63%	516,388,590	26.64%
2	Camille Consulting Corp.	316,935,120	16.34%	316,935,120	16.35%
3	HSBC International Nominees Ltd-SSBT- Deutsche Bank	225,353,787	11.62%	225,375,570	11.63%
4	Sezeka Limited	174,447,000	9.00%	174,447,000	9.00%
5	Employees Provident Fund	137,181,379	7.07%	130,983,643	6.76%
6	Rockport Limited	99,506,865	5.13%	99,506,865	5.13%
7	Mr. D.W.R. Rutnam	25,759,500	1.33%	25,759,500	1.33%
8	The Executor of the Estate of Late Mrs L.B. S. Pieris	22,782,045	1.17%	22,782,045	1.18%
9	Mr. H.A. Pieris	20,751,015	1.07%	20,458,015	1.06%
11	Dhanasiri Recreation Pvt Ltd	20,209,699	1.04%	12,401,015	0.64%
10	Mercantile Investments and Finance PLC	15,785,995	0.81%	15,785,995	0.81%
12	Kalday (Pvt) Ltd.	12,126,030	0.63%	12,126,030	0.63%
13	Mr. K. R. Dharmendra	7,576,900	0.39%	7,576,900	0.39%
14	Mr. R.C. Peries	7,188,780	0.37%	7,188,780	0.37%
15	Seylan Bank PLC - Account No: 03	7,000,000	0.36%	7,000,000	0.36%
16	Dr. C.M. Fernando	6,660,570	0.34%	6,660,570	0.34%
17	Employees Trust Fund Board	6,419,095	0.33%	6,419,095	0.33%
18	Mr. M.M. Udeshi	6,003,600	0.31%	6,003,600	0.31%
19	National Savings Bank	5,323,900	0.27%	5,323,900	0.27%
20	The Incorporated Trustees of the Church of Ceylon	4,868,795	0.25%	N/A	N/A
		1,638,268,665	84.48%	1,619,122,233	83.52%

Directors Shareholding as at 31st March 2013

No.	Name of the Director	No. of shares as at 31st March 2013	No. of shares as at 31st March 2012
1	Dr. Sena Yaddehige	-	-
2	Mr. J. H. Paul Ratnayeke	3,250,005	3,250,005
3	Prof. Lakshman R. Watawala	40,000	40,000
4	Prof. Susantha D. Pathirana	-	-
5	Mr. W. J. V. P. Perera	4,500	4,500
6	Mr. S. S. G. Liyanage	3,942,825	3,708,505
7	Dr. S. A. B. Ekanayake (Appointed w.e.f. 01/09/2012)	-	-

Group Real Estate Portfolio

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2013 Rs.'mn
Richard Pieris & Co. Ltd.	Hyde Park Corner	711	73,157	**4,903**
	Maharagama	1,773	289,509	**1,723**
RPC Real Estate Co. Ltd.	Kandy	162	35,945	**452**
Arpico Industrial Dev Co (Pvt) Ltd.	Mattegoda	1,112	149,700	**498**
	Siyambalagoda	467	57,130	**218**
Richard Pieris Distributors Ltd.	Maharagama	139	28,726	**254**
	Moratuwa	85	-	**110**
	Mulleriyawa	192	-	**10**
RPC Retail Development (Pvt) Ltd.	Negambo	226	47,542	**401**
	Kelaniya	102	-	**95**
	Wattala	99	21,850	**253**
Arpimall Development (Pvt0 Ltd.	Dehiwala	166	44,616	**371**
	Battaramulla	124	67,134	**499**
Plastishells Ltd.	Mathegoda	340	45,825	**192**
	Dambulla	284	12,494	**22**
Arpico Flexifoam (Pvt) Ltd.	Mattegoda	514	-	**26**
Richard Pieris Exports Ltd.	Ekala	640	73,190	**209**
Micro Minerals (Pvt) Ltd.	Bandaragama	320	16,800	**36**
Richard Pieris Tyre Company Ltd.	Kurunagala	413	22,566	**57**
Arpidag International (Pvt) Ltd.	Maharagama	80	17,946	**106**

Leasehold Land & Buildings

Owning Company	Land in Hec	Building in (Sq.Ft)
(A) Leasehold land of plantations		
Maskeliya Plantations Ltd.	10,561	7,112,890
Kegalle Plantations Ltd.	9,773	3,507,810
Namunukula Plantations Ltd.	11,775	3,026,546

	Location	Land in Per	Building in (Sq.Ft)
(B) Leasehold land of other subsidiaries			
Plastishells Ltd.	Koggala	160	4,027
	Pallekale	160	4,211
RPC Polymers (Pvt) Ltd.	Horana	1,392	68,339
Arpitalian Compact Soles (Pvt) Ltd.	Biyagama	751	36,884
Richard Pieris Natural Foams (Pvt) Ltd.	Biyagama	851	79,536
Richard Pieris Tyre Company Ltd.	Pallekale	252	34,936
	Weligama	432	9,030
	Polonnaruwa	540	27,185

Glossary of Financial Terms

A

Associate Company
A Company other than a subsidiary in which a holding Company has a participating interest and exercises significant influence over its operating and financial policies.

C

Current Ratio
Current assets divided by current liabilities. A measure of short term liquidity.

D

Debt to Equity Ratio
Long term interest bearing borrowings as a percentage of net assets.

Deferred Taxation
Sum set aside for tax in the financial statements that will become payable in a financial year other than the current financial year.

Diluted Earnings Per Share (DPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

Dividend Cover
Profit attributable to ordinary shareholders over gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend per Share
Gross dividend divided by the number of ordinary shares in issue at the year end.

Dividend Yield
Gross dividend per share as a percentage of the year end market price per share. A measure of return on shareholders' investment.

E

Earnings Per Share (EPS)
Profits attributable to ordinary shareholders divided by the weighted average number of Ordinary shares in issue.

Earnings Yield
Earnings per share as a percentage of the year end market price per share.

EBITDA
Earnings before interest, tax, depreciation & amortisation.

Effective Tax Rate
Income tax expenses divided by profit before tax.

G

Gearing Ratio
Proportion of total interest bearing liabilities to total capital employed.

Gross Dividend
Portion of profits inclusive of tax withheld, distributed to shareholders during the year.

I

Interest Cover
Profit before finance cost & tax (PBIT) over net finance cost. Measure of entity's debt service ability.

Investment Property
A property that is not occupied by the owner, usually purchased specifically to generate profit through rental income and/or capital gains.

M

Market Capitalization
Number of shares in issue multiplied by the market value of a share at the reported date.

N

Net Assets
Total Assets after deducting current liabilities, long term liabilities & Non controlling interest.

Net Assets per Share
Total Shareholders' fund divided by total number of ordinary shares outstanding for the period. A basis of relative share valuation.

Non controlling interest
An outside ownership interest in a subsidiary that is consolidated with the parent for financial reporting purposes.

P

PBIT
Profit before interest & tax inclusive of other operating income.

Price Earnings Ratio
Market price of a share divided by earnings per share as reported at that date.

Price to Book Value
Market price of a share divided by net assets per share.

Public Shareholding
Shares of a listed entity held by any person other than those directly or indirectly held by;

a. Its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and
b. Its directors who are holding office as directors of the entity, their spouses and children under 18 years of age; and
c. Chief Executive Officer, his/her spouse and children under 18 years of age; and
d. Any single shareholder who holds 10% or more of the shares.

R

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return on Total Capital Employed
Profit before finance cost & tax (PBIT) divided by average total capital employed for the period.

Return on Equity
Profit after tax expressed as a percentage of average ordinary shareholders' fund.

Revenue Reserves
Reserves considered as being available for distributions.

S

Segmental Analysis
Analysis of financial information to segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

Shareholders' Fund
Stated capital plus reserves.

Stated Capital
The total of all amounts received by the entity or due and payable to the entity by shareholders in respect of the issue of shares and calls on shares.

Subsidiary Company
A company is a subsidiary of another company if the parent company holds more than 50% of the voting rights or controls the composition of its Board of Directors.

T

Total Capital Employed
Total equity plus total interest bearing borrowings.

V

Value Addition
The quantum of wealth generated by the activities of the Group measured as the differences between net revenue (including other income) and the cost of materials and services bought in.

W

Working Capital Investment
Capital required financing the day-to-day operations computed as the excess of current assets over current liabilities.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Fourth Annual General Meeting of Richard Pieris & Company PLC will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama on Friday, 28th June 2013 at 4.00.p.m. and the business to be brought before the meeting will be as follows;

1. To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2013 with the Report of the Auditors thereon.

2. To re-elect Mr. Viville Perera who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.

3. To elect Dr. Anura Ekanayake who retires in terms of Article 91 as a Director.

4. To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

5. To authorize the Directors to determine contributions to charities.

6. To consider any other business of which due notice has been given.

By Order of the Board

Richard Pieris Group Services (Private) Limited
Secretaries

No. 310, High Level Road, Nawinna,
Maharagama

29th May 2013

Note:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.

c) The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

I/We* (in block letters) ....

of .... being a

member / members of the RICHARD PIERIS & COMPANY PLC, hereby appoint ....

.... of

....
whom failing DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing PROF. LAKSHMAN RAVENDRA WATAWALA whom failing PROF. SUSANTHA DEDDUWA PATHIRANA whom failing VIVILLE PRAXIDUS PERERA whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE whom failing DR. EKANAYAKE MUDIYANSELAGE SUMITHA ANURA BANDARA EKANAYAKE* as my/our proxy to represent me/us and to vote on my/our behalf at the 74th ANNUAL GENERAL MEETING of the Company to be held on 28th June 2013 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

		In favour	Against
1.	To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2013 with the Report of the Auditors thereon.		
2	To re-elect Mr. Viville Perera , who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.		
3.	To elect Dr. Anura Ekanayake, who retires in terms of Article 91 at the as a Director.		
4.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
5.	To authorize the Directors to determine contributions to charities.		
6.	To consider any other business of which due notice has been given.		

Dated this .... day of 2013

....
Signature of shareholder

Notes: (i) Please delete the inappropriate words
(ii) A proxy need not be a member of the Company.
(iii) Instructions as to completion appear on the reverse of this form.

Form of Proxy Contd.

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 4.00 p. m. on Wednesday, 26th June 2013.

In perfecting the Form of Proxy, please ensure that all details are legible.

In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

This Form of Proxy shall in the case of an individual be signed by the appointer or his/her Attorney. Where the Form of Proxy is signed under a Power of Attorney, which has not been registered with the Company, the original Power of Attorney together with a photocopy of same or a copy certified by a Notary Public must be lodged with the Company, along with the Form of Proxy.

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Richard Pieris & Company PLC
310, High Level Road, Nawinna, Maharagama, Sri Lanka.

www.arpico.com