83 Years

Since 1932

TOUCHING LIVES

Richard Pieris & Company PLC

Annual Report 2014 / 2015

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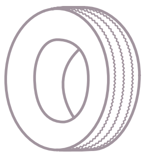

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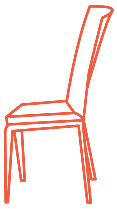

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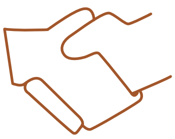


Financial Services and Other

Financial Information

83 Years Since 1932
TOUCHING LIVES

As Richard Pieris and Company adds another year to its illustrious history we continue our mission to be a part of every Sri Lankan life.

We have always strived to be a business that has enhanced and improved lifestyles over various strata and this year, we will uphold our vision to be a recognized and respected player in the industry. And together with a team that sees potential in every challenge and opportunity, we will carry our heritage into the next decade and the many more ahead of us.

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.

1932 - 2015 - Our History at a Glance

Search any household in Sri Lanka, from the highest to the most humble, and your chances of not finding at least one product manufactured or sold by Richard Pieris and Company PLC, are slim indeed. From food products, plastic and rubber, household goods to foam mattresses and furniture, Sri Lanka's consumers turn to us for an almost incredible variety of products. In this process, we made 'Arpico' a household name across the country.

The beginning of this national institution was modest. The founding partners set themselves up in business as 'commission agents, general import and export merchants and dealers in estate supplies', and by doing so they were actually creating new dimensions for a Ceylonese mercantile community to emerge. The Company's first business venture was a filling station. Revenue grew by more than 400% in the first seven years. In 1940 the business was converted into a limited-liability Company with the founding partners as Directors. The issued share capital of Rs. 50,000 was substantial for its day, and the new Company boasted 70 employees.

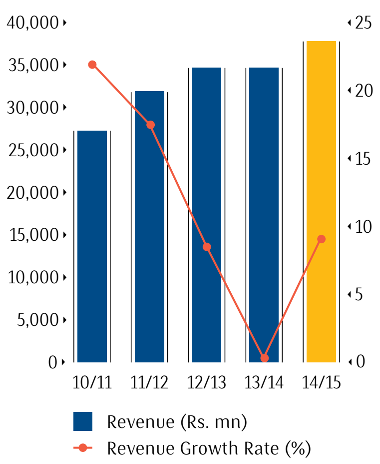
When the world went to war, rubber became a precious commodity to the allies and tyres were reserved for military use. Seeing a business opportunity in the midst of those dark days, Richard Pieris and Company launched a tyre rebuilding business to meet the demand for these essential products. The Company's first manufacturing venture met with abiding success; today, our Arpico and Arpidag brands remain leaders in the domestic rebuild tyre market.

Today, Richard Pieris and Company PLC can justifiably claim a place in the front rank of the country's diversified business conglomerates. Our diversified manufacturing operations in rubber and plastic products combined with our investments in Sri Lanka's largest retail super centres, and in management of the plantations, make our Company shares a secure and dependable long-term investment. The Group is consistent, substantial and above all has shown continuous profitability over several decades. We have gradually evolved into being the market leaders in almost every line of merchandise manufactured and distributed by us. Our newest venture into financial services has paved the way successfully and the Group is well established, stable, diversified and forward-looking.

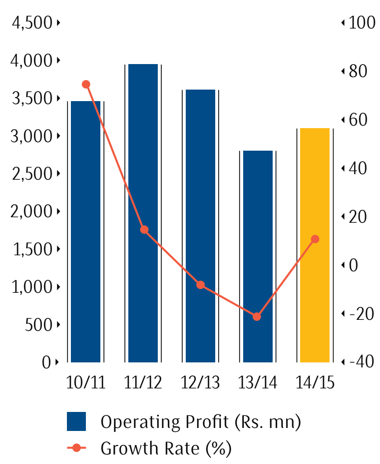
Financial Highlights

	2014/2015 Rs.'000	2013/2014 Rs.'000
Revenue	**37,802,243**	34,699,111
Profit from operations	**3,103,509**	2,807,127
Profit before tax from continuing operations	**2,578,946**	2,302,551
Income tax expense	**(747,009)**	(643,970)
Profit for the year from continuing operations	**1,831,937**	1,658,581
Profit for the year	**1,828,480**	1,656,185
Profit attributable to equity holders of the parent	**1,652,092**	1,417,215
Total assets	**38,083,230**	32,576,387
Shareholder funds	**9,912,404**	8,607,935
Market capitalisation	**15,059,283**	13,092,670
Total value addition	**14,017,995**	12,496,878
Per Ordinary Share		
Earnings (Rs.)	**0.82**	0.72
Net Assets (Rs.)	**4.87**	4.34
Market value (Rs.)	**7.40**	6.60
Ratios		
Return on equity (%)	**17.84**	17.12
Interest cover (No of times)	**5.47**	5.27
Dividend payout (%)	**30.49**	62.50
Gearing ratio (%)	**40.49**	37.69

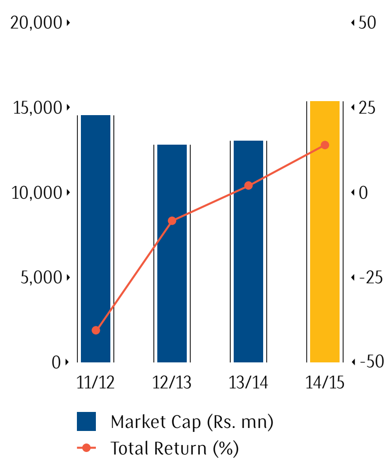
Revenue vs. Revenue Growth



Operating Profit



Market Capitalization & Total Return



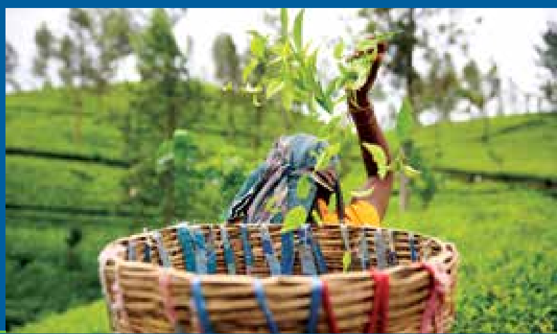
Our Products

Retail Sector

Our retail sector is involved in the sale of a wide array of FMCG, Household goods, Furniture and Electric goods, while also providing value-added services such as bank service points, ATMs and credit card & mobile bill payment facilities, and delivering a unique shopping experience to customers.

Plantation Sector

Our plantation sector has the largest extents in Sri Lanka, with Tea, Rubber, Palm Oil, Coconut and Spices. We are also the largest Tea/Rubber producer in Sri Lanka. Our brand of St. Clair's Tea is popular both internationally and domestically.



Tyre Sector

Our tyre sector has successfully made its mark across the island as the finest and the largest Tyre Retreader in Sri Lanka. We have also introduced popular Tyre brands to the domestic market.

Plastic & Furniture Sector

Our plastic sector produces Mattresses, Water tanks, Plastic furniture, Cushions and sheets, , Rigifoam products, PVC Pipes and Fittings, Water pumps, day to day consumer durables, as well as industrial and domestic rubber products, while the furniture operation focuses on manufacturing Sofas, Panel furniture and Wooden furniture. The sector emphasis on the eco-friendly "Green Gas" concept, seeking to pave the way to a cleaner energy system.

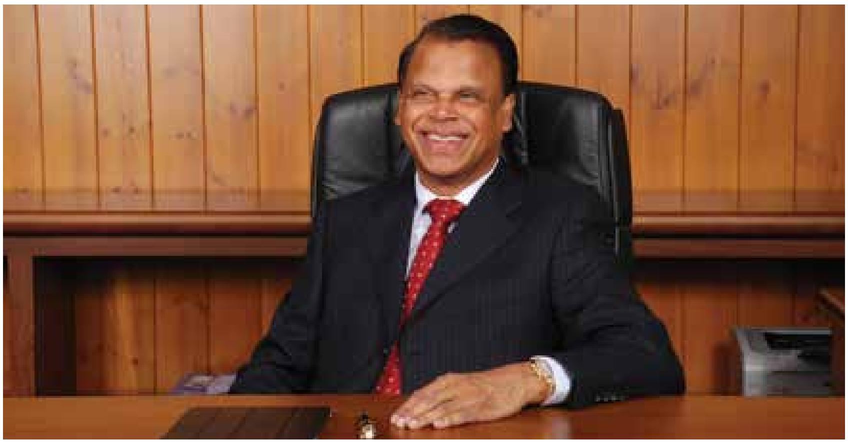
Rubber Sector

Our rubber sector, which mainly caters to the export market, is involved with products such as mattresses, pillows, latex rings, crush tips, shoe soles and jar rings with specialty items such as fire retardant mats, electrical safety mats and anti-static mats. We have also introduced new products such as Arpico Organic Latex Foam, certified by Global Organic Latex Standards (GOLS). The sector is also present in the local market through the sale of its export quality rubber mats.

Financial Services and Other

Our services sector includes various Companies such as Insurance, Finance, Stock Broking, Margin Trading, Logistic and a Pharmaceutical arm. Our Finance company offers a variety of products such as fixed Deposits, Savings Deposits, Leasing, Hire Purchase, Term Loans and Islamic Finance, while the portfolio of the Insurance arm includes Endowment, Term Assurance, Education, Hospitalisation, Investment, Group Assurance and Loan protection plans. RPC Logistics Ltd, the Logistic arm of the Group, provides fully fledged integrated logistics solutions both locally and internationally.

Chairman's Review



"The financial year 2014/15 was a year of mixed fortunes for the Group. The Retail, Tyre, and Manufacturing sectors recorded strong results. Such healthy performance of these sectors enabled the Group to triumph over a multitude of adverse developments thwarting the Plantation sector."

Dear Valued Shareholders,
It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2015.

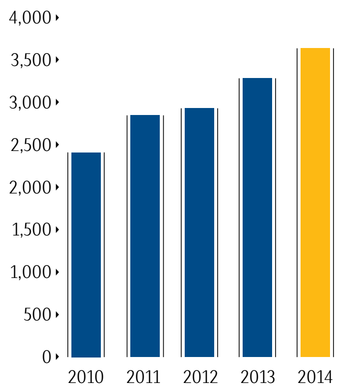
The financial year 2014/15 was a year of mixed fortunes for the Group. The Retail, Tyre, and Manufacturing sectors recorded strong results. Such healthy performance of these sectors enabled the Group to triumph over a multitude of adverse developments such as low commodity prices, natural disasters and weak demand thwarting the Plantation sector. Accordingly, as the year drew to a close, your Group was able to maintain its consistent reputation for profitability, recording a profit after tax of Rs. 1.8 bn. Furthermore, despite the increase in long term capital expenditure, your Group generated a dividend yield of 3.4% for the year, reflecting its interest in distributing a satisfactory return for its shareholders. Additionally, it is observed that the finance company of the Group, which has been in operation for only two years, was able to yield a return on equity capital of circa 17%.

Economic Environment
According to the data published by the International Monetary Fund (IMF), the global economy has expanded by 3.3% in 2014. Reduced growth in key economies such as China and Russia along with the moderate growth in the Eurozone, Japan, and Brazil triggered the weakening of the world economic activities. However, the global economy is steadily moving towards regaining its growth momentum, as reflected in the economic recovery of the United States to record growth of 2.4% and the upward revision of the growth rates for Mexico and India to 2.1% and 5.8%, respectively.

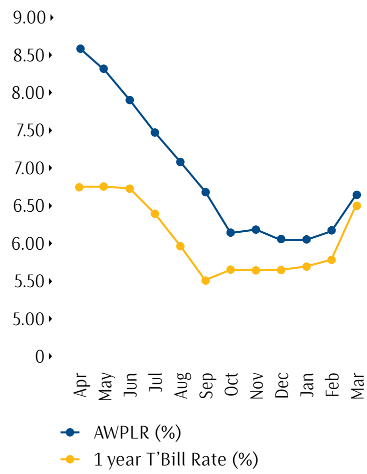
Looking forward, it is believed that the major boost to the world economy should come from the recovery of the United States, which is expected to grow by 3.6% in 2015 and by 3.3% in 2016. However, factors such as the rapid decline in oil prices, major concerns about the economic and political future of the European Union, along with increased geopolitical uncertainty related to the Russia-Ukraine and Middle Eastern conflicts, present a high risk for the global economic outlook for 2015.

The Sri Lankan economy indicated a robust growth of 7.4% for the year 2014 following a 7.2% growth in year 2013. The industrial sector was the key driver of the Gross Domestic Product (GDP)

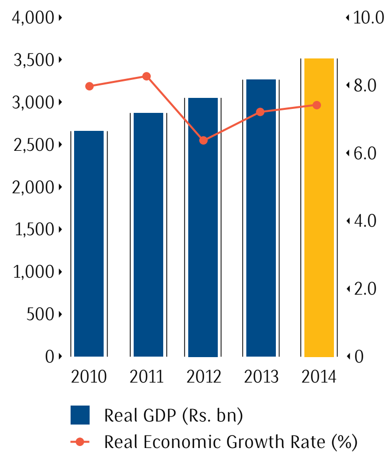
Per Capita Income USD $



Market Interest Rates



Real GDP vs. Real Growth Rate



> ***Your Group recorded a revenue of Rs. 37.8 bn for the financial year 2014/15 whilst net profit after tax for the year was recorded at Rs. 1.8 bn.***
>
> ***The Group continued to strengthen its presence in the financial services sector during the year by acquiring Chilaw Finance PLC and listing Arpico Insurance.***

growth constituting 32.3% to GDP. Inflation stood at 2.5% in March 2015, indicating a decline from the 5.7% level witnessed in March 2014. Per capita income topped the USD 3,625 mark and the country is geared to achieve the target per capita income of USD 4,000 by 2015. Exports showed a robust growth of 7.1% whilst imports increased by 7.9% along with increase in trade volumes, eventually triggered the trade deficit to increase by 8.9%. Furthermore, the increase in worker remittances to USD 6,199 mn led to the reduction of the current account deficit to 2.7% of GDP. In terms of exchange rates, the local currency depreciated against the USD by 1.99% to close at Rs. 133.33, from Rs. 130.72 recorded in the previous year of comparison.

The Central Bank continued with its expansionary monetary policy stance with the objective of providing liquidity to the market in order to prompt business activities, although the interest rates were on an upward trajectory during the latter part of the financial year due to the necessity to meet the government's short term commitments. However, low interest rates prevailed in the market induced the market lending rates to fall by circa 1.6% during the year under review.

Corporate Performance

Your Group recorded a revenue of Rs. 37.8 bn for the financial year 2014/15 whilst net profit after tax for the year was recorded at Rs. 1.8 bn. The strong growth witnessed in Retail, Tyre, Plastic and

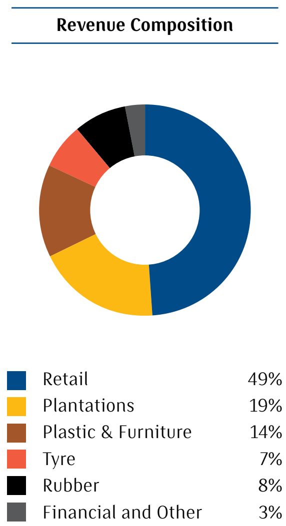
Chairman's Review Contd.

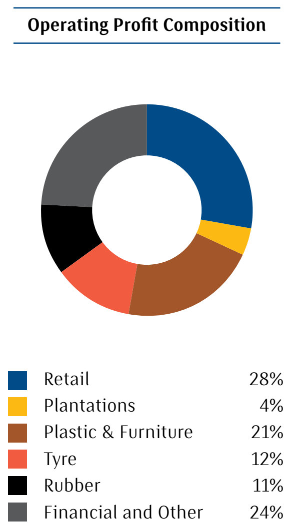
Rubber businesses cushioned the negative impact from the Plantation business. The asset base of your Group was Rs. 38.1 bn as at the end of the period and this financial strength provides sufficient leeway for your Group to continuously expand its business portfolio.

The Retail sector continued to be the highest contributor towards the Group's revenue and profitability for the second consecutive year. The revenue of the sector reported to be Rs. 18.4 bn whilst its profit from operations was Rs. 1.2 bn. While emphasizing on improved levels of convenience and the environmentally friendly manner of operations, the sector continued to focus on providing a wide range of products at their outlets in order to derive a competitive advantage. Going forward, the sector will continue its expansion drive using optimum strategic models.

The Plantation sector was faced with many adversities during the year due to a multitude of external factors, especially heightened by the steep decline in commodity prices. Adverse weather conditions also affected the crop yield and these external pressures had a negative impact on the performance of the sector. Nevertheless, the sector was able to generate an operating profit of Rs. 163 mn for the financial year under review.

Demonstrating a healthy performance, the Plastic and Furniture business was able to report revenue of Rs. 5.2 bn for the financial year 2014/15. This sector, which comprises key product categories such as mattresses, water tanks, PVC pipes, and rigifoam products, is highly sensitive to market fluctuations and it is noteworthy that the sector was able to improve its level of performance from the challenging days witnessed during previous years. Furthermore, the sector invested approximately Rs. 258 mn in a warehouse expansion project, which is expected to provide financial and operational benefits





in the coming years. Meanwhile, the sector endeavoured to expand its manufacturing operations for furniture, and this will enable the sector to expand its business domain outside the country.

The Rubber sector, which consists of companies engaged in exporting value-added rubber related products, exhibited yet another strong year reporting a revenue of Rs. 2.9 bn whilst generating Rs. 472 mn profit from operations for the reporting year. Lower rubber prices coupled with new market/product development and efficient cost management mechanisms assisted the sector in recording this sturdy performance. Going forward, the sector is expected to be a key generator of cash for the expansionary activities of the Group. The quantitative easing programme in European countries, which is forecast to stimulate growth and increase consumer spending will in turn create opportunities for the sector to grow, although the Group is also cognizant of the adverse impact of the depreciation of Euro on its business.

The Tyre sector which has been a consistent performer over the years, unleashed its potential indicating a strong performance for the year. The revenue was Rs. 2.6 bn for the year whilst profit from operations stood at Rs. 527 mn. The sector witnessed a successful year partnering with Nexen, a world renowned global brand, and will continue to promote the entire range of Nexen tyres in the Sri Lankan market.

The Group continued to strengthen its presence in the Financial Services sector during the year, and under the guidelines given by the Central Bank of Sri Lanka, your Group acquired an 86% stake in Chilaw Finance PLC. Furthermore, the insurance company of the Group successfully raised Rs. 79.6 mn as equity through the issuance of 6.6 mn shares to the public through an Initial Public Offering.

Special Achievements

During the year, your Group conferred prominence for achieving production efficiency and process improvements in order to increase its profitability. Accordingly, a state-of-the-art production line was successfully installed for manufacturing rubber related products, with the objectives of increasing capacity, enhancing quality and reducing waste. This is considered to be the world's first ever continuous sheeting line operation that uses natural latex as raw material. Further, the warehousing capacity of the

Group was increased and the location was centralized in view of better management control.

Indicating yet another landmark in its retail business, the Group expanded the new retail outlet model under the brand 'Arpico Daily', focusing on a new market segment. Here, products are clustered based on the preferences of the locality. Thus far, the Group has opened 16 outlets under this module, with an investment of over Rs. 107 mn. With this new advent, the Group has reinforced its geographical presence, and this in turn is expected to strengthen its domicile in the retail business.

Future Outlook

Your Group is continuously on the lookout for strategic investment opportunities. Two major projects in the real estate and plantation sectors have been earmarked and detailed evaluations on these projects, giving due consideration to all aspects of the investments, are currently in progress.

Dividends

During the year, the Group declared and paid an interim dividend of Rs. 0.25 in November 2014, constituting a dividend yield of 3.4% as at the year end.

Conclusion

I take this opportunity to appreciate the continued commitment and dedication of our numerous stakeholders. My sincerest gratitude is therefore offered to the management team, employees, suppliers, customers and business partners who have all contributed in many ways to make this year a success.

Together, we will make the coming year more dominant than the year that passed.

Dr. Sena Yaddehige
Chairman/CEO/MD

28th May 2015

Board of Directors

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 is the Managing Director of an European Company, 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 is also the Chairman, CEO of a US company supplying automotive markets. 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 is a Founder, Chairman and Director of numerous companies in Sri Lanka and abroad.

Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, including three plantation companies and over 50 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.

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 some 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.

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, National Insurance Trust Fund, State Mining and Mineral Development Corporation, Ceylon Leather Products Corporation and Pan Asia Bank. Currently a Committee Member of the Ceylon Chamber of Commerce.

He is also President of the Institute of Certified Management Accountants Sri Lanka and the Institute of Certified Professional Managers. 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.

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. Prof. Susantha Pathirana resigned from the Board with effect from 31st March 2015.

Mr. Viville Perera

Mr. Viville Perera is a Science graduate from University of Kelaniya 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 organisations such as the Associated Newspapers of Ceylon Limited, Middleway Ltd (Ceylinco Group) and the Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer and Vice President of the Sri Lanka Institute of Packaging. He is also on the Board of Directors of Several Companies of the Richard Pieris Group.

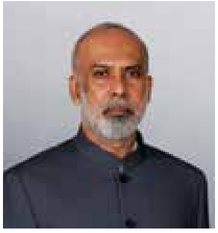
Mr. Sunil Liyanage

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds a 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 years 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.

Dr. Anura Ekanayake



Dr. Ekanayake is a past Chairman of the Ceylon Chamber of Commerce (CCC), a former Chairman of the Industrial Association of Sri Lanka, and Chairman of the 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 the State Plantation Corporation and JEDB, Director of Planning at the Ministry of Plantation Industries and Director General of the Ministry of Public Administration, prior to joining the private sector in 1998. After a two decade long public service he joined Unilever Sri Lanka and served as the Director – Human Resources and Corporate Relations.

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.

Dr. Ekanayake holds B.A. (Econ) Hons, and MSc (Agriculture) from University of Peradeniya and PhD. in Economics from the Australian National University. His research work and publications cover agriculture, irrigation, environment, industries, and economic policy. He is also a fellow member of the Institute of Certified Professional Managers.

Our Legacy

From our humble beginning as a small filling station, we have opened number of outlets in the country reaching out across the island, from small isolated villages to urban centres, thereby touching the life of every Sri Lankan. We have created opportunities and have brought value to customers and communities around the country employing more than 30,000 in our family.

Today our business can justifiably claim a place in the front rank of the country's diversified business conglomerates. We have plans to further expand our presence in the country and make our business even more convincing.

17

Super Centres/ Super Store

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 17 Super Centres/ Stores, 22 Showrooms & 19 Arpico Dailys.

2,800

Distributors and Dealers

Dealers and distributors network of the Group has increased every year and we continuously determine that our products are distributed around the island. More than 2,800 dealers and distributors are currently in our network, working tirelessly to give improved services to our vast customer base.

30,923

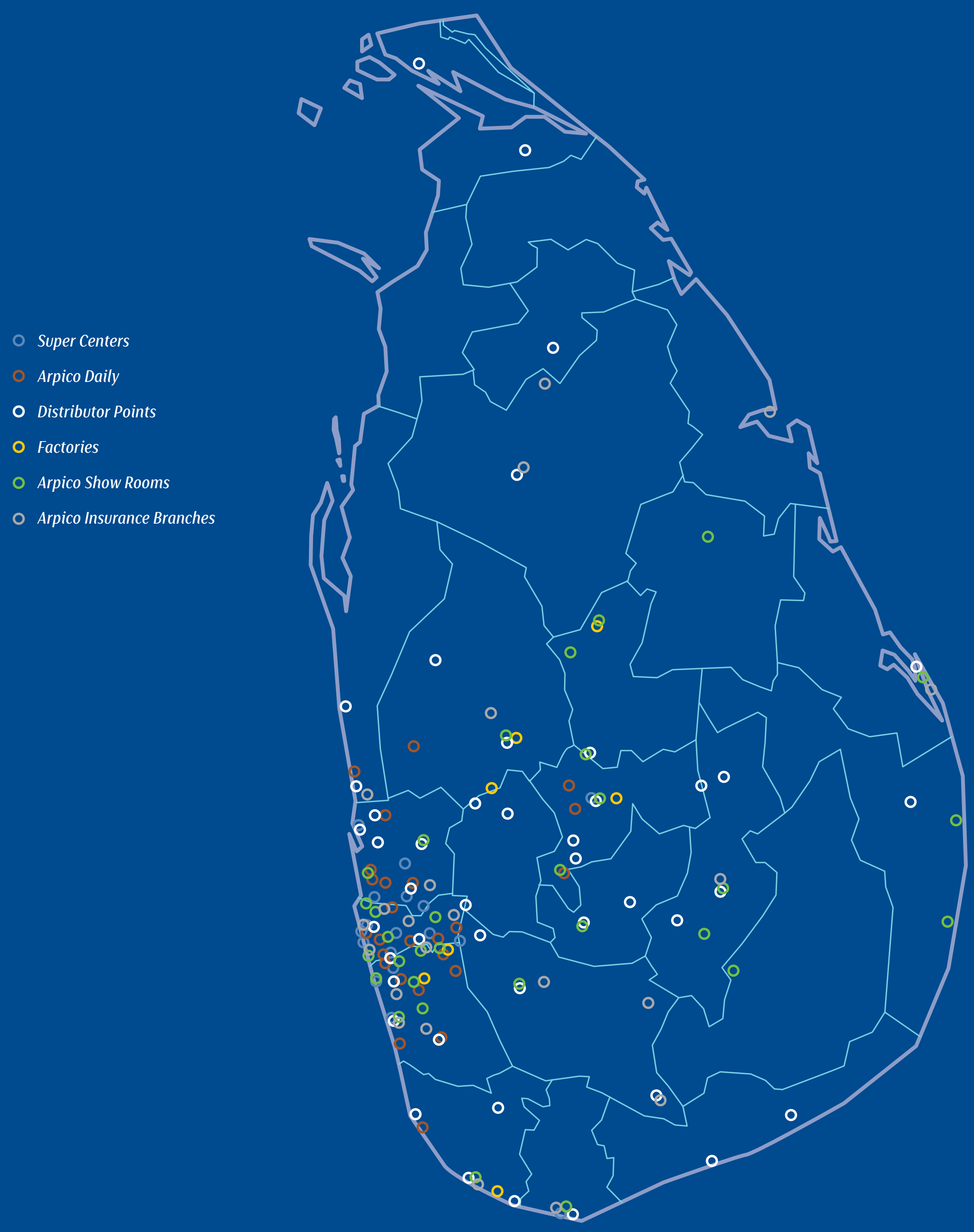
Employees

The Group is committed to build an exclusive work environment in which all employees regardless of their nationality, race, religion, gender or age can achieve their professional and personal commitments whilst contributing to the success of its 83 year long heritage.

88

Factories and Branches

The Group has rooted from rural to suburbs by having its factories and branches around the country strategically located.


Super Centers
Arpico Daily
Distributor Points
Factories
Arpico Show Rooms
Arpico Insurance Branches

Our Business

Retail Sector

"The Retail sector has been, and continues to be, one of the significant contributors to the revenue and profits of the Group. It is considered a sector with great growth potential, despite the challenges posed by the external environment. Accordingly, during the year under review, the sector reported revenue of Rs. 18.4 bn, which is a 15% growth over the previous year, while the operating profit grew by 19%."

01 The Company launched its novel "Top Tips" campaign during the year, creating ripples of excitement in the market.

02 The Arpico Privilege Card customer base continued to grow, with its membership increasing to approximately 400,000 by the end of the year.

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


ARPICO
SUPERCENTRE
ARPICO
SUPERCENTRE
WAY OUT

Retail Sector Contd.

"Customer convenience and product variety has enabled the Arpico Supercentres and Stores to gain a competitive edge over its competitors. All Supercentres and Superstores have ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products."

The Retail sector of the Group 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 chain of Arpico Supercentres, Superstores, Arpico Dailys and an island-wide network of showrooms, while also providing interior decorating solutions for institutions.

The Retail sector has been, and continues to be, one of the significant contributors to the Revenue and Profits of the Group. It is considered a sector with great growth potential, despite the challenges posed by the external environment. Accordingly, during the year under review, the sector reported revenue of Rs. 18.4 bn, which is a 15% growth over the previous year, while the operating profit grew by 19%.

Richard Pieris Distributors Ltd.

Richard Pieris Distributors Ltd. manages the renowned Arpico chain of Supercentres, Superstores, Arpico Dailys 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 17 Super Centres/Stores, 22 Showrooms and 19 Arpico Dailys.

During the financial year under review, the revenue of the Company improved significantly compared to the previous year, especially aided by the growth of the economy and the increase in customer spending. The operating profit of the Company also demonstrated a considerable growth compared to the previous year, despite the imposition of the deemed VAT.

Customer convenience and product variety has enabled the Arpico Supercentres and Stores to gain a competitive edge over its competitors. All Supercentres and Superstores have ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products. During the year, the Company continued to focus on improving levels of convenience and services while also striving to operate in an environmentally friendly manner. As a green initiative, the Company implemented solar systems at several Arpico Supercentres, which are in turn expected to significantly reduce energy costs in the future.

The Company opened a Supercentre in Panadura and a Superstore in Kottawa during the financial year under review. These two outlets provide the people of the areas the convenience of ample parking and the choice of shopping in stores that offer a wide range of products under one roof. During the year, the Company also opened 16 Arpico Dailys across the island.

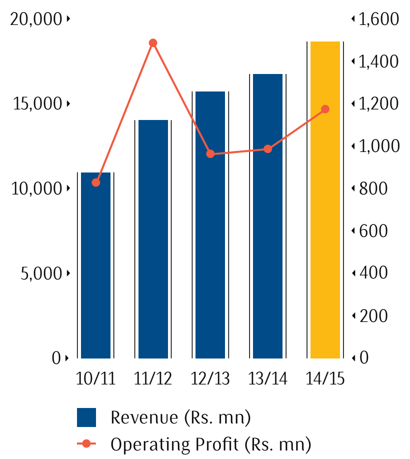
Similar to the past years, special events were continuously organised throughout the year under review as well, including activities for families, in order to create an added level of excitement and to provide customers a comfortable ambience in which to shop. For example, the novel

"Win the World this Christmas" seasonal campaign paved the way for 25 lucky families to win holidays to 15 destinations around world.

Carefully targeted marketing and sales strategies over the years have led to better awareness of the Arpico Brand. Continuing this trend, the Company launched its novel "Top Tips" campaign during the year, creating ripples of excitement in the market. Concurrently, the Arpico Family range of branded products was further expanded and new products were added to suit today's market.

The Arpico Privilege Card customer base continued to grow, with its membership increasing to approximately 400,000 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 fifth 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.

Retail Sector



Retail Sector Contd.

The focus on cost management has enabled the retail operation to run efficiently, keeping expenses within budget 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. Going forward, the Company expects the selective expansion of its chain of Supercentres/Stores/Dailys in targeted areas of the country to continue, despite the continuous challenges posed by the external 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 trend during the year under review.

Arpico Interiors (Pvt) Ltd

Arpico Interiors (Pvt) Limited (AIPL) imports a wide array of high quality products from internationally reputed suppliers in Germany, Belgium, Malaysia, UAE and USA. AIPL has completed many landmark projects covering all key sectors in the country. The Company restructured its operations and repositioned itself in the market during the year by adding new varieties of products to the portfolio and thereby offering a total interior solution. Our current operation includes providing design solutions, project management solutions and the production of customised furniture. Consequent to the repositioning, the Company managed to secure interior businesses from global telecommunication giants and key apparel exporters in Sri Lanka. Its wide range of products is on display at its Hyde Park Corner showroom.

The establishment of the Melamine Faced Chipboard (MFC) manufacturing facility under the supervision of AIPL enabled the addition of a new customised furniture product line into the portfolio. Meanwhile, during the year under review, AIPL continued to explore the opportunities in the export market and managed to establish its presence in the South Asian region. The Company continued to maintain its market share despite the excessive competition from small and medium scale businesses.

AIPL is geared to face the challenges of the coming years with its new state-of-the-art designing and manufacturing facility. The Company's highly qualified and innovative interior designers will play key roles in the coming years in boosting the Company to step in to the next level. The management is confident of its ability to improve its profitability in the ensuing years through spreading its operations to other areas in the island such as Central, North Central, Northern and Southern provinces.

Our Business

Plantations Sector

The Richard Pieris Group is ranked the largest tea and rubber producer in the country.

During the year, the sector produced 13.8 mn kg of tea, 4.7 mn kg of rubber and 14.8 mn kg of palm oil (fresh fruit bunches), leading to Rs. 7.3 bn worth of revenue.

01 The Company has planted oil palm in 713 ha over the last four years and will plant another 600 ha within next five years.

02 The Strathspey Estate obtained the Rain Forest Alliance Certificate and other estates in the Maskeliya Up cot region are in the process of obtaining the Rain Forest Alliance Certification.

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


ST. CLAIR'S
100% PURE CEYLON
BLACK TEA
O.P.A

Plantations Sector Contd.

> ***It is expected that the crisis in the Middle Eastern and CIS countries will continue to have a negative impact on tea and rubber prices, and the Company is developing strategies for the best management of these factors.***

The Plantations sector comprises three public quoted companies, namely Namunukula Plantation PLC, Kegalle Plantation PLC and Maskeliya Plantation PLC, which are in the cultivation of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon, rambutan and other crops.

By virtue of its scale of operations, the Richard Pieris Group is ranked the largest tea and rubber producer in the country. During the year, the sector produced 13.8 mn kg of tea, 4.7 mn kg of rubber and 14.8 mn kg of palm oil (fresh fruit bunches), leading to Rs. 7.3 bn worth of revenue.

The nature of the business is such that the sector has consistently faced challenging conditions, emanating from the external environment.

The year 2014 witnessed a decline in the commodity market due to the severe financial downturn faced particularly by the CIS countries and the Middle East. As a result, the sales prices of major commodities such as tea and rubber declined sharply, thereby adversely affecting the plantation industry of Sri Lanka. The rubber segment, in particular, was forced to absorb the negative impact of depressed market prices as a result of the increased rubber supply from major rubber producing nations and the high stock levels of the major manufacturers.

Namunukula Plantations PLC

Namunukula Plantations PLC comprises 19 estates producing rubber, tea, oil palm, coconut and cinnamon, and is identified as the most diversified plantation company of the Group. It holds a total land extent of 11,779 ha, of which 2,154 ha are utilized for the production of rubber, 2,458 ha for tea, 1,973 ha for palm oil and 453 ha for other crops.

A drop was observed in the production of tea, from 3.7 kg in the previous year to 3.2 kg in the year under review, mainly due to the combined effects of the adverse weather conditions, the shortfall in the fertiliser supply, the drop in smallholder sales and the significant rise in other costs such as electricity and fuel.

Meanwhile, the production of the rubber segment of the Company declined by 20% during the year to 1.179 mn kg. The inclement weather condition experienced during the year that affected the actual tapping days was a key reason for the decline in the harvest. The low prices that prevailed in the global market also affected the rubber segment performance.

Namunukula Plantations PLC is the second largest producer of oil palm in the island and its estates are situated in Matugama, Galle and Akuressa. Oil palm once again proved to be the most profitable crop of the Company. 14.8 mn kg of palm oil (fresh fruit bunches) were harvested during the year and a yield of 12.2 Mt/ha was achieved.

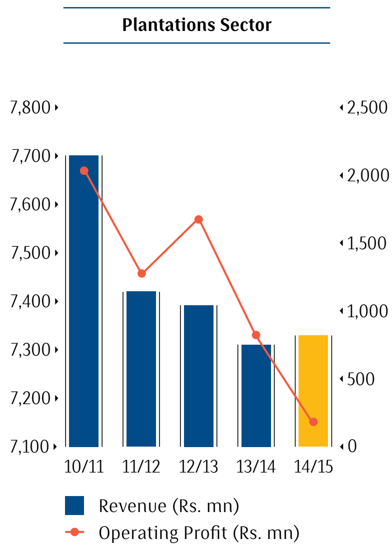
The Company continued to invest in the expansion of oil palm production, despite restrictions imposed on the import of heat treated oil palm seeds. The Company has planted 700 ha over the last four years and will plant another 600 ha within next five years. Over 28% of the Company's land extent, i.e. 1943 ha were invested in oil palm as at the end of this financial year.

The Company has identified training and development as a key requirement to improve the skill levels of its work force. Many training programmes were conducted to all categories of employees with the aim of developing the skills and knowledge required to perform their duties efficiently. Furthermore, the company invested Rs. 307 mn on field development and factory modernization primarily attempting to achieve cost leadership through enhanced productivity.

Going forward, the Company intends engaging in continuous efforts for the cultivation of oil palm in a larger extent with less manpower, as it is expected to yield higher return on investment to all stakeholders, thereby enabling it to remain as a lucrative plantation company.

Kegalle Plantations PLC

Kegalle Plantations PLC, engaged in the production of tea, rubber and coconut, owns and manages 17 estates in the Kegalle, Kurunegala and Badulla districts. The Company boasts of a total land base of 9,773 ha, and is also recognised as the largest rubber producer in Sri Lanka. Its rubber production is mainly dominated by the centrifuged latex category.



Plantations Sector Contd.

The sharp decline in the global demand for rubber, especially from the major buyers of natural rubber in US, China, Japan and Europe, proved to be a challenge for the Company. The inclement weather conditions were also a key factor that affected production. The national production of natural rubber also experienced a decline during the year 2014, to 98,573 mt as against 130,421 mt in the year 2013, recording a drop of 24%. Nevertheless, it is positively noted that despite these adverse conditions, the Company was able to produce 3,500 mt of rubber, and to maintain its position as the country's largest producer of natural rubber, accounting for over 3% of the national production. Concurrently, the Company was successful in maintaining the cost of production at par with the previous year.

While the drop in the global demand for natural rubber affected the rubber market in Sri Lanka, the shift of local rubber-based industries towards cheaper rubber sourced from overseas markets was a another factor that contributed to the drop in local rubber prices. As a result, the trading conditions for crepe rubber continued to decline throughout the year.

Centrifuged latex accounts for 54% of the Company's rubber output, and this output is mainly sold to Richard Pieris Natural Foams Ltd. The Company continued the direct export of sole crepe rubber to world famous shoe manufacturers during the year, and this in turn helped maintain a favourable NSA. The average price of crepe 1X in the year dropped to Rs. 295.84 from Rs. 379.83 in the previous year, while the market price, which stood at Rs. 300.75 mid-year, dropped to Rs. 249 in March 2015.

Despite this modest performance, the Company continued to invest on replanting rubber, and 143 ha was replanted during the year, increasing the total replanted extent to 1779 ha.

Maskeliya Plantations PLC

Maskeliya Plantations PLC, renowned for its high grown tea, possesses 18 estates with a total land extent of 10,561 ha. The Company completed yet another challenging year, facing many adverse financial and non-financial conditions which unfortunately led to an unfavourable performance. The Company produced 8.52 mn kg of tea during the year, indicating a 2.3% increase in comparison to the previous year.

Its revenue increased by 3% compared to the previous financial year, mainly due to the positive climatic conditions that prevailed in the 1st quarter of the financial year. However, the distressing weather patterns during the 2nd and 3rd quarters resulted in creating adverse deviations between the actual and budgeted levels of crop. The drop in demand due to the unfavourable economic conditions in Russia, CIS and Middle Eastern countries also affected the profitability of the Company. The Net Sales Average (NSA) also fluctuated considerably throughout the year.

Despite its unhealthy financial performance, it is observed that productivity-related parameters such as plucking norms were enhanced at estate-level, thereby reducing the costs of production. Concurrently, the gross sales average price was maintained at Rs. 411.80 per kg, which is a 2% decrease from the previous year.

The Company is making a concerted effort to protect the environment and preserve biodiversity. Four more factories obtained the Fair value Trade Labelling Organization (FLO) certification during the year. Meanwhile, the Strathspey Estate obtained the Rain Forest Alliance Certificate and other estates in the Maskeliya Up cot region are in the process of obtaining the Rain Forest Alliance Certification. Paying due attention to skill enhancement, training programmes were organised for all executive and field staff to create awareness on the importance of implementing good agricultural practices.

Rain forest alliance certificate for Strathspey Estate

Maskeliya Tea Gardens Ceylon Ltd.

Maskeliya Tea Gardens Ceylon Ltd. (MTG) is the exporting arm of the plantation companies belonging to the Richard Pieris Group. The Company has offered tea distribution services to international locations as well as to local destinations for over 50 years.

Although the Company failed to meet its budgetary targets during the year under review, company had many achievements. Export arm took part in a Middle East food exhibition and currently liaising with few good potential distributors to establish St. Clair's Brand in the Middle East. The Company entered into an agreement with an overseas private tea brand to pack and supply tea. Centralized warehouse which the Company started a year ago has been improved and the management started working on obtaining quality certifications. The local tea distribution operation reached approximately 20,000 outlets within 26 territories, during the year under review.

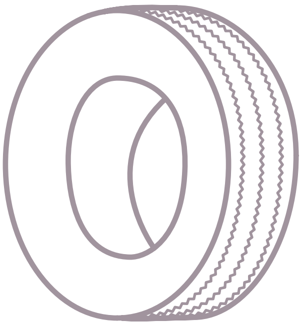
Future Strategies and Goals of the Sector

It is expected that the crisis in the Middle Eastern and CIS countries will continue to make a negative impact on tea and rubber prices, and the Company is developing strategies for the best management of these factors. Further, negotiations are in progress regarding the revision of worker wages, which will come into effect from the beginning of the financial year 2015/16.

The sector is cognizant that the challenge in the year ahead is to sustain the profits generated in the previous years and to improve thereon. Despite constraints such as volatile commodity prices and high costs of production due to elevated labour costs, the sector will focus on raising worker productivity, increasing operational output and minimising operational costs, as crucial areas for development.

Our Business

Tyre Sector



The Group has earned the reputation of being the largest tyre retreader in Sri Lanka. Richard Pieris Tyre Company is well-known for its customised tyre retreading services while Arpidag International and Richard Pieris Rubber Compounds operate as supportive business units supplying pre-cured tread, cushion gum, cement and other related materials as well as customised mixing facilities.

01 Continuous expansion of the agricultural and industrial segments during the past few years has improved the Company's presence in regional markets such as the North and the East.

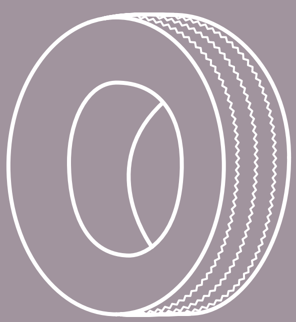
02 During the year, several moulds were introduced targeting material efficiency, and it was duly noted that the reject ratio reduced by 5 % over the previous year.

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


ROADIAN
NEXEN

Tyre Sector Contd.



"The sector achieved a special milestone in its journey by entering into a collaboration with Nexen, a globally acclaimed brand with more than 250 dealers spread across 120 countries. Identified as Korea's best-selling tyre and renowned for zero defects, the introduction of the entire range of Nexen tyre products to the Sri Lankan market is deemed as the initial step in a journey towards capturing premium brands under the Company's portfolio."

The Tyre sector of the Group comprises three Companies, namely Richard Pieris Tyre Company Ltd., Arpidag International (Pvt) Ltd., and Richard Pieris Rubber Compounds Ltd. The sector has enabled the Group to earn the reputation of being the largest tyre retreader in Sri Lanka. Richard Pieris Tyre Company is well-known for its customised tyre retreading services while Arpidag International and Richard Pieris Rubber Compounds operate as supportive business units supplying pre-cured tread, cushion gum, cement and other related materials as well as customised mixing facilities.

During the year under review the sector maintained its market share, successfully making its mark across the island through its network of over 1,300 operating dealers. The sector achieved a special milestone in its journey by entering into a collaboration with Nexen, a globally acclaimed brand with more than 250 dealers spread across 120 countries. Identified as Korea's best-selling tyre and renowned for zero defects, the introduction of the entire range of Nexen tyre products to the Sri Lankan market is deemed as the initial step in a journey towards capturing premium brands under the Company's portfolio.

Richard Pieris Tyre Company Ltd.
Richard Pieris Tyre Company was successful in improving its gross margins during the year, especially supported by the consistent low raw material prices that prevailed in the market towards the latter half of the year. Moreover, the investment in a firewood boiler resulted in lower energy consumption, in turn positively affecting the profitability and the margins of the Company. The retreading segment continued to dominate the revenue of the Company, despite the decline in the retreading market as competing products strengthened. Accordingly, the retreading segment accounted for 80% of the revenue, while the recently commenced trading segment accounted for the remaining 20%.

Continuous expansion of the agricultural and industrial segments during the past few years has improved the Company's presence in regional markets such as the North and the East, enabling it to increase its footprint across the country and consequently generating higher sales volumes. The Company was able to further penetrate the market and capture greater market share through the utilisation of innovative marketing techniques as well as through focused product development, competitive pricing, competent raw material sourcing and efficient distribution. The expansion of the trading operation and the consolidation of the retreading processes also contributed to the healthy financial performance of the Company. Due to these initiatives, the Company was able to record a 32% growth in its profit before tax over the previous financial year.

The Company also was focused in improving its brand image and many brand building activities were carried out and the final outcome was justifiable. The performance of Arpiradial, the most recent brand introduced to the market by the Company, was encouraging and volumes are expected to increase further in the coming years. The Company also operates as the sole agent for Birla Tyres (India), which is a fast growing manufacturer of truck, light truck on bias ply and radial ply, agricultural, industrial, two wheeler and three wheeler tyres.

Arpidag International (Pvt) Ltd.

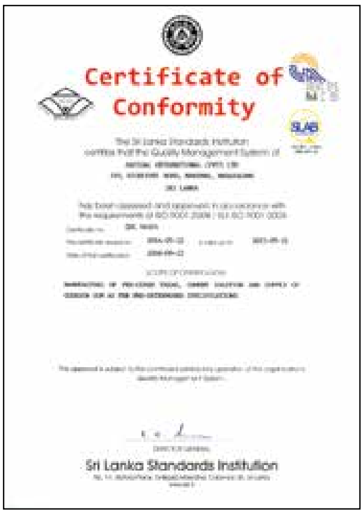
Arpidag International, which introduced the cold process technology to Sri Lanka, with its joint partner in USA Bandag Inc., has been manufacturing pre-cured tread materials and related products since 1991. The Company has claimed unmatched quality for its products since inception and its performance has improved on a consistent basis over its lifespan.

The Company abides by the process quality certification of "ISO: 9001" to standardise its processes. During the year, several moulds were introduced targeting material efficiency, and it was duly noted that the reject ratio reduced by 5 % over the previous year. Further, the Company was able to enjoy a cost advantage through the sourcing of imported packaging material. It also extended its service of supplying treads and consumables to other mini plants in the industry, in addition to its main customer Richard Pieris Tyre Company Ltd.

Richard Pieris Rubber Compounds Ltd.

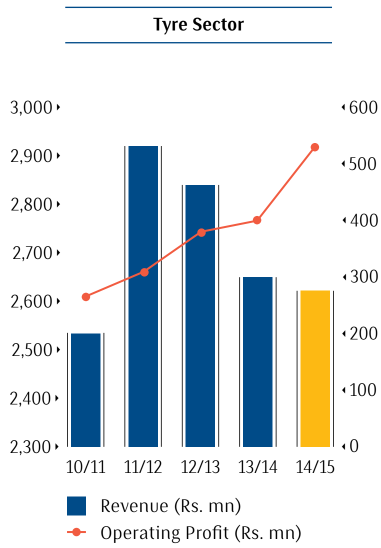
Richard Pieris Rubber Compounds provides mixing services to Richard Pieris Tyre Company as well as to several other external customers, while also being engaged in the sale of rubber-related chemicals to small players in the industry.

During the year under review, continuous improvements were introduced in the milling and quality testing processes with the objective of ensuring consistent quality. This enabled the other companies in the sector to achieve higher market share. Consequent to these improvements, the Company was able to increase its volume of external customers and to record a 317% and 120% increase in its revenue and profit, respectively, over the previous year.


Certificate of Conformity

Sri Lanka Standards Institution

Arpidag ISO certificate



Our Business

Plastic and Furniture Sector

"During the year under review, the sector recorded a revenue of Rs. 5.1 bn. Although the challenging conditions that prevailed in the market led to a mystifying year for the sector, it was successful in improving both revenue and profitability in key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products."

01 The revolutionary introduction of the blow moulded production technology has led the water tank operation to grow over 40% in terms of its volumes.

02 Considerable expansion was witnessed in the mattress operation during the year. The Company also commenced operations of its second manufacturing unit.

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
PLASTISHELLS

Plastic and Furniture Sector Contd.

"The furniture operation of the Group is mainly involved with the manufacturing of sofas, panel furniture and wooden furniture. Several manufacturing units have been setup to manufacture both office and household furniture to cater to the diverse and changing needs of the Sri Lankan market, and it is positively noted that these units are progressing steadily towards reaching full potential."

The Plastics and Furniture sector of the Group, represented by Arpitech (Pvt.) Ltd., RPC Polymers (Pvt.)Ltd, Plastishells Ltd, Richard Pieris Rubber Products Ltd, Arpico Durable (Pvt) Ltd and the Arpico Furniture distribution Ltd, is involved with the manufacturing, trading and distribution of an array of plastic, rubber and electrical products for a wide range of customers.

In the furniture category, the Group's focus is lodged on panel furniture and sofas, while the plastics category is focused on items such as mattresses, cushions, sheets, water tanks, rigifoam products, PVC pipes and fittings, water pumps, day to-day consumer durables as well as industrial and domestic rubber products. Additionally, the sector offers industrial roller products and printing roller products on a B2B basis.

During the year under review, the sector recorded a revenue of Rs. 5.1 bn. Although the challenging conditions that prevailed in the market led to a mystifying year for the sector, it was successful in improving both revenue and profitability in key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products. The year also witnessed the sector's efforts in expanding its manufacturing operations for polyurethane, furniture and PVC products, thereby furthering its opportunities of reaping greater benefits in the coming years.

Rigifoam Operation

The expandable polystyrene manufacturing operation conducted by RPC Polymers (Pvt.) Ltd., mainly serving the fisheries industry, continued to perform strongly despite the economic downturn. Such performance was especially assisted by the commendable sales volume in the export market. The Company also successfully expanded its operations to bring under its wing new products, such as containers, sheets and packaging, targeting both local and export markets. Despite the intensified competition and the restrictions from the European Union, the Company effectively maintained its market share during the year, and achieved a growth in both its top line and bottom line compared to the previous year comparatives.

Mattress Operation

The polyurethane foam operation, involved with foam-related household, institutional and sports goods supplied to the local market, is an ISO9001:2008 certified operation which also bears the SLS 893 standard.

Considerable expansion was witnessed in this operation during the year where the objective of catering to the increasing demand in the mass market, the Company commenced operations of its second manufacturing unit. Moreover, the Company continued with its efforts of delivering greater value addition for its mattresses, in response to identified customer demand patterns in the high-end segments. The Company developed high-end spring mattresses that surpass all international brands in terms of innovation, quality and comfort levels, to cater to star class resorts and spas both in Sri Lanka and Maldives.

The Company continues to occupy the market leadership position in this

category, enabling it to record healthy growth levels despite intense competition. Its strong performance is especially apparent with respect to specialization in high-end products, such as spring mattresses, bedding and furniture products, targeted at the hotel industry.

Furniture Operation

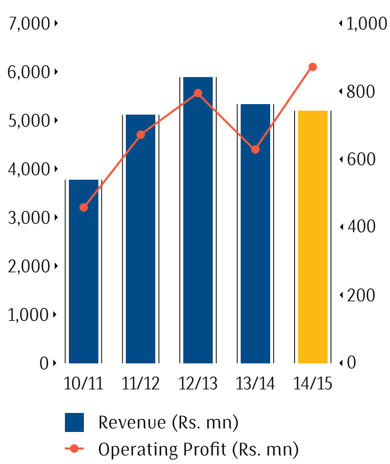
The furniture operation of the Group is mainly involved with the manufacturing of sofas, panel furniture and wooden furniture. Several manufacturing units have been setup to manufacture both office and household furniture to cater to the diverse and changing needs of the Sri Lankan market, and it is positively noted that these units are progressing steadily towards reaching full potential.

Water Tank Operation

Arpico water tanks, the undisputed market leader since its introduction is the pioneer brand in the local rotation moulded water tank market. Moreover, the Company also produces a wide range of bins and utility items and specialised large volume fabrications.

The Company has continuously embarked on a variety of endeavours to maintain its dominant position in the market. It has

Plastics Sector



Plastic and Furniture Sector Contd.

always led the introduction of innovative products to the market, including water tanks, compost bins, sumps, chemical tanks for storage of fuel, septic tanks for disposing waste water as well as superior moulded tanks. The revolutionary introduction of the blow moulded production technology has led the water tank operation to grow over 40% in terms of its volumes. This introduction enabled the product to dominate the market as the most innovative plastic water tank, with its unique features and design. The hybrid concept embedded in this product made it a revolutionary player in the water tank industry.

The 'Compost Bin' product, targeted at creating greater awareness on environmental protection, as well as the Arpico Green Gas Unit introduced by Plastishells Ltd., succeeded in delivering a positive perception to the market on the Company's attitudes towards the environment. Further, on its environmental front, the Company aggressively marketed the eco-friendly "Green Gas" concept, which seeks to pave the way to a cleaner energy system through the generation of bio-gas.

The manufacturing activities of the Group under the rotational mouldings operation occurs at factories located in Horana, Pallekelle, Koggala and Dambulla, and the dispersed nature of these locations enables the Company to maintain a smooth process of island-wide distribution.

In the coming years, the Company plans to further enhance its dominance in the market by expanding the value delivered through its existing range of products, as well as by introducing new products which deliver greater value, supported by state-of-the-art technology.

PVC Operation
Arpitech (Pvt.) Ltd is involved with manufacturing a wide range of pipes and fittings branded under the name “Arpico PVC” has obtained certification of SLS & ISO for its products & manufacturing process.

One of the endeavours of the PVC operation during the year under review was to introduce two new products to its portfolio. Accordingly, the plastic garden hose and the Arpico ball valve were introduced to the market, and their performance during the year indicates that they are already on course to becoming the most preferred products in the domestic market.

Consequent to these endeavours, the company’s revenue and profits recorded a strong growth, signifying that it has succeeded in penetrating the market and improving its brand acceptance.

Printing Rollers / Industrial Rubber Products and Moulded Rubber Goods Operation
The printing rollers / industrial rubber products and moulded rubber goods operation of the Group is conducted by Richard Pieris Rubber Products Ltd. The company is represented by three divisions mainly involved in manufacturing of moulded rubber items, industrial rollers & belts and printing rollers.

Under this operation, expansionary activities conducted with respect to the industrial roller division and the re-rubberising division led to a commendable improvement in the operating profits.

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

Re-Distribution Operation
The re-distribution operation primarily holds the responsibility for the island-wide distribution of products through a network of distributors and dealers. The Group proudly boasts of one of the largest distribution networks of the country, catering to over twelve thousand hardware & furniture outlets located across the island.

Our Business

Rubber Sector

"The revenue of the sector reached Rs. 2.9 bn which is a 6 % increase from the previous year, with Richard Pieris Exports PLC recording its highest profit and revenue since its inception during the year under review. It is essential to note that these pinnacles were reached despite certain adverse conditions in the international market."

01 Two gold medals were secured by Richard Pieris Natural Foams at the 2014 National Chamber of Exporters Awards Ceremony for being the most innovative exporter in the country.

02 Much headway has been made by the export Company in product differentiation and process improvements, the benefits of which will be visible in the months to come.

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

Rubber Sector Contd.

> ***"A significant milestone was achieved during the year with the commissioning of the continuous latex sheeting plant, which is the first Natural Latex plant in the world. It is a source of great pride and inspiration not only for the Richard Pieris Group but for our nation as well, surpassing industry giants such as Malaysia, Thailand and Vietnam."***

The Rubber sector of the Group is represented by i.e Richard Pieris Exports PLC., Richard Pieris Natural Foams Ltd., Arpitalian Compact Soles (Pvt) Ltd., and Micro Minerals (Pvt) Ltd.

The revenue of the sector reached Rs. 2.9 bn which is a 6 % increase from the previous year, with Richard Pieris Exports PLC recording its highest profit and revenue since its inception during the year under review. It is essential to note that these pinnacles were reached despite certain adverse conditions in the international market.

The outlook for the global economy was bleak due to the unsettled conditions in the European and USA markets and the slow growth in the Asia Pacific and the Latin American countries. Lower rubber prices were instrumental in helping the Company to overcome these adverse conditions, while the stability of the LKR/USD exchange rate also facilitated the mitigation of risks in the import of chemicals. The year also witnessed Arpitalian Compact Soles recording a business turnaround.

Richard Pieris Exports PLC

The Company was established 31 years ago as a subsidiary of Richard Pieris & Company PLC, and was the Group's first fully-export-oriented company. Since inception it has achieved a remarkable growth.

The Company is proud to have pioneered the Sri Lankan rubber products export industry in the manufacture of rubber flooring products for numerous applications including food grade jar sealing rings and specialized products for export to US, European and the Asia Pacific markets.

Richard Pieris Exports is a major supplier of export quality mats to the domestic market through the island wide chain of Arpico outlets. It also produces high quality safety mats such as anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats to service international markets. In furthering its drive for innovation and new product development, the Company introduced specialized mats such as super soft anti-fatigue mats and soft cow mats, which successfully penetrated the Australian and New Zealand markets.

During the year under review, the Company recorded a revenue of Rs. 1 bn, with a 13.6 % increase over the previous year. The total volume of sales during the year increased by 6%, mainly due to the increase in the number of food jar ring containers shipped. Projections were made based on the sales information obtained from major customers helped the company immeasurably to fine-tune its production plans, reduce inventory of raw materials and products and to improve lead times and economies of scale. The Company has also been able to build a great amount of trust and understanding with our major customers over the years, which is one of our key strengths.

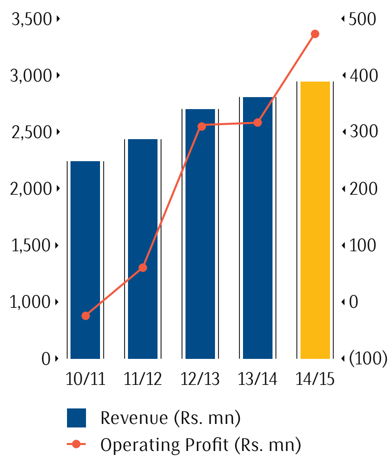
Although the sales volume of mats declined by 9% over the year, due to the decline in demand from Europe, it is nevertheless noted that overall the Company has achieved its best performance ever. The strategies of

maintaining a close relationship with our customers and proposing competitive prices that lead to win-win situations have enabled the Company to remain resilient amidst challenges.

Much headway has been made by the company in product differentiation and process improvements, the benefits of which will be visible in the months to come. Cost savings generated by the reduction of off-grade products and fine tuning of compound formulations have boosted the bottom line extensively. Since energy efficiency is a critical success factor in this high power consuming industry, the Company has carried out number of energy audits and suitable corrective actions have been implemented with continuous monitoring programmes.

Placing due recognition on our most valued resource, the human resource, the Company introduced interactive discussion programmes on the theme "Achieve success in life through a proper understanding about how to face and enjoy life". This provided employees an opportunity to share their experiences and ideas and also to learn from others. The programme was well received as it gave our employees a strong feeling of importance and recognition.

Rubber Sector



Rubber Sector Contd.

Gold award for being the most innovative exporter in the country at 2014 National Chamber of Exporters Awards ceremony

Richard Pieris Natural Foams (Pvt) Ltd.

Richard Pieris Natural Foams manufactures latex foam blocks, sheets and pillows for the international markets using 100% natural rubber latex, and the Company envisions becoming the leading manufacturer in the international market. 100% latex sheeting, with organic certification, is an eco-friendly product which has large demand in the high-end markets such as the US and Europe.

During the year under review, the Company recorded its highest profit in its history. Although the slowdown in the global markets compared to the previous year had its negative effect, a commendable performance was observed in the Company's performance.

A significant milestone was achieved during the year with the commissioning of the continuous latex sheeting plant, which is the first Natural Latex plant in the world. It is a source of great pride and inspiration not only for the Richard Pieris Group but for our nation as well, surpassing industry giants such as Malaysia, Thailand and Vietnam. The consequent high degree of automation provides cost leadership for the Company, enabling it to be more competitive in price sensitive markets.

Aggressive worldwide marketing and venturing into North America and Asia helped to improve the market share of the company, with the demand for mattresses and pillows recording an increase of over 50%. The restructuring of the distribution channels and strong relationships with customers were also key factors that contributed to this success. Additionally, the reduction of waste, optimisation of energy consumption, improved quality standards, reduction of overhead costs and economies of scale have reinforced the efficiency of the production process. The two gold medals secured by the Company at the 2014 National Chamber of Exporters Awards Ceremony for being the most innovative exporter in the country and the best agricultural value added exporter in the country, also speak volumes of the Company's success.

As a responsible corporate citizen, the Company initiated key developments on the environmental front, including obtaining of the organic latex certification from the Global Organic Latex Standards (GOLS), enhancement of the effluent treatment plants and the use of bio-mass to reduce its carbon footprint.

In continuing its endeavours to provide greater value addition and innovative, premium-quality products to customers, the Company intends to engage in extensive research and development in the coming years.

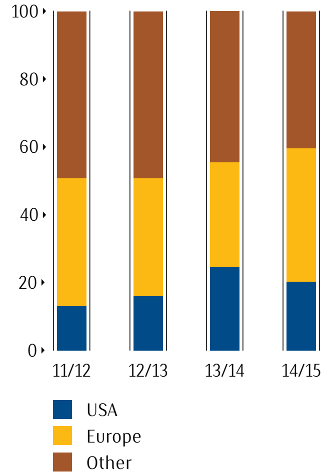
Arpitalian Compact Soles (Pvt) Ltd.

Arpitalian Compact Soles (Pvt) Ltd. is a joint venture between Richard Pieris Exports PLC and Davos SPA, a globally reputed Italian manufacturer of shoe soles and soling sheets. As the low quality, low priced products from Chinese and Asian manufacturers dominate the mass market, the Company has been strategically targeting the high-end market through its high quality components. Catering to this niche market segment proved that even where the sales volumes are low, the Company benefits from the higher margins.

The Company strongly believes that the maintenance of high quality and the speedy introduction of new designs are essential to sustain in the market. Continuous improvement in all aspects of the production process, fine tuning of compound formulations and optimised production planning are therefore conducted, to reduce costs without compromising on quality.

During the year, the Company introduced two new compounds, namely deluxe beige and premium cream lop. Further, a new moulded heel was developed and is being supplied to India. Amongst other developments, the packing process for air deliveries was improved to minimise damage due to handling, while the quality of compounds was improved to meet the latest PAH level requirement for branded shoes.

Geographical Revenue Composition of Exports



Global Commerce Excellency Awards 2014 for export sales

Building a strong brand image in the global market is a key strategy that will be pursued by the Company in the coming years. Entry in to the Bangladesh market, the provision of new profile sheets to the Indian market and the development of ten new colours for China are manifestations of this strategy of penetration. Furthermore, intensive marketing campaign was initiated in order to increase the market share in Vietnam, Bangladesh, West Asia, North and South India. During the financial year, the joint venture partner, Davos SPA also initiated plans to enter the Chinese market.

Reflecting its concern for the environment as a responsible corporate citizen, the Company started converting the solvent base to water base, with the objective of reducing environmental pollution and carbon emission.

Micro Minerals (Pvt) Ltd.

The Company processes mineral products which are recognised as essential raw material in the polymer industry, and mainly supplies to member companies of the Richard Pieris Group.

The year proved extremely challenging for the Company as its market share was threatened following the entry of new local competitors with low price offers, and hence, it did not perform as expected. To overcome this situation, the Company is now considering the possibility of expanding its product base while retaining its existing customers by offering better services, and the Company is confident of improving its performance in the coming years.

Our Business

Financial Services and Other Sector

The Group invested in Richard Pieris Finance Limited (RPFL) with a vision to provide innovative financial solutions to its valued customers, and the Company completed its second year of operations during the year under review, on a successful note. Revenue increased to Rs. 724.9 mn, a 186% increase from Rs. 253.6 mn in the previous year, marking a significant improvement in its overall performance within a short time span.

01 Our logistics arm is currently in the process of obtaining agencies for machinery and equipment used by the plantation and other SBUs.

02 Chilaw Finance PLC was acquired during the year under review and is undergoing a paradigm shift in its operations and is expected to deliver on its financial goals in the coming year.

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


RPFL
Richard Pieris
Finance

Financial Services and Other Sector Contd.

"On the completion of three years of operations, Arpico Insurance successfully listed its shares in the Diri Savi Board of the Colombo Stock Exchange. This marked a major milestone in the history of the Company and also displays the commitment of the company towards good corporate governance and sharing its success with the public. The Initial Public Offering opened on 11th December 2014 and was oversubscribed by 12th December 2014."

This sector includes the Group's holding Company, Richard Pieris and Company PLC, and subsidiary companies engaged in financial services and a range of other businesses.

Richard Pieris and Company PLC

Richard Pieris and Company PLC is the holding Company of the Group and is responsible for its overall corporate policy and direction. It 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 as well as the premises at Nawinna, which houses the head office, the tyre factory and a supercentre.

The Company has guided the Group in implementing its focused diversification strategy, as is evident in the Group's recent successful entry in to the provision of financial services. Concurrently, the Company's various divisions provide support services to all companies in the Group, including services relating to information and communication technology, human resources and procurement.

The overall IT function of the Group is assisted by the Group IT Division, which has strengthened its competitive advantage through the implementation of state-of-the-art IT systems and solutions. Further, the Division also possesses enriched human capital to improve the solutions provided, considering the complex structure of the Group and its boundless needs. During the year under review, the IT Division strengthened its data center through investments in new equipment, with the objectives of enhancing performance, security infrastructure, disaster management and business continuity. Emphasis was also placed on the automation of factories to enable activity-based costing in product lines. Further, CCTVs were fixed in most of the premises for theft prevention, remote monitoring and for greater control.

The Group Human Resource Division is responsible for the overall deployment of the HR policy of the Group. It deals with the administrative work relating to employees and coordinates training and staff development activities. More details on its activities can be found in the report "Our People" appearing on page 63.

The Central Commercial Division handles the procurement of raw material and consumables, both from domestic and international sources. It has played a crucial role in successfully passing on the benefits of low costs to our SBUs by maintaining sound supplier relations and maximising economies of scale.

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

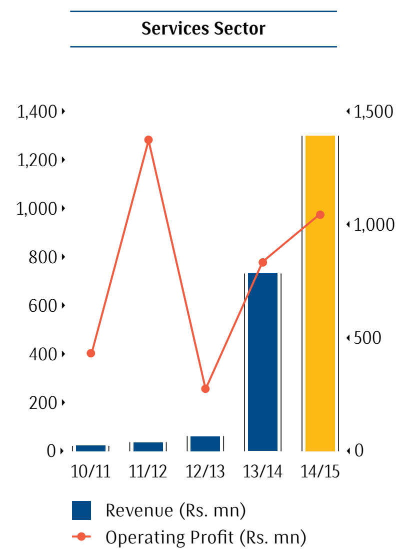
The Group Corporate Planning Unit coordinates the Group's overall strategic planning process and provides its expertise to all SBUs in developing and monitoring Key Performance Indicators. This Unit is also involved in analysing new business ventures, developing business plans and continuously monitoring existing businesses to ensure the optimal allocation of resources.

The centralised Internal Audit Function ensures that the internal control systems of the Group are adequate, 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 it operates.

RPC Logistics Ltd.

The key activities of RPC Logistics Ltd. are international freight forwarding and customs broking. The Company's portfolio of services includes air freight, sea freight, sea freight consolidation, customs brokerage and transshipment.

The Company provides door-to-door cargo services with the assistance of overseas agents and a variety of other connected services. With the view of expanding the services rendered by the Company to the Richard Pieris Group, it is currently in the process of obtaining agencies for machinery and equipment used by the plantation and other SBUs. During the year under review, the Company succeeded in securing the agency for Colour Sorter Machines from Anhui Zhongke Optic-electronic Color Sorter Machinery Co. Ltd. of China.



Financial Services and Other Sector Contd.

Richard Pieris Securities (Pvt) Ltd.
The financial year 2014/15 was a successful year for the Colombo Stock Exchange, with the overall net return being recorded at 16.18%, compared to the 4.32% return recorded for financial year 2013/14. The main reasons for the said performance include the low interest rate environment and improved corporate earnings. Boosted by this tremendous development, the Company was able to record a healthier performance than the previous years, with over twofold growth in brokerage.

The expected growth in corporate earnings and foreign inflows are geared to improve investor sentiment for the financial year 2015/16, and the Company is confident of its ability to improve its profitability in the ensuing years through the application of a cautious and strategic approach to gauge the opportunities presented by the market

Arpico Insurance PLC
Defining a new market space i.e. “Insurance for the Living”, Arpico Insurance has set new trends in the industry since its inception in 2012. The Company has by now expanded its geographical presence, covering eight major provinces namely; Western, Southern, Northern, North Western, North Central, Eastern, Sabaragamuwa and Uva with a total branch network of 20.

This rapid expansion and customer focus has enabled the Company to establish itself strongly in the insurance industry within a few years of commencement of operations. Accordingly, during the year under review the Company was able to record over 55% growth in Gross Written Premium. The Company also made history as the country’s first life insurer to have recorded a profit in its 3rd year of operations, when it recorded a profit of Rs. 19 mn. These results are extremely meaningful especially when considering that the life insurance industry experienced a reduction in growth from 10% in 2013 to 9% in 2014.

On the completion of three years of operations, the company successfully listed its shares in the Diri Savi Board of the Colombo Stock Exchange. This marked a major milestone in the history of the Company and also displays the commitment of the company towards good corporate governance and sharing its success with the public. The Initial Public Offering opened on 11th December 2014 and was oversubscribed by 12th December 2014.

Richard Pieris Finance (Pvt) Ltd.
The Richard Pieris Group invested in Richard Pieris Finance Limited (RPFL) with a vision to provide innovative financial solutions to its valued customers, and the Company completed its second year of operations during the year under review, on a successful note. Revenue increased to Rs. 724.9 mn, a 186% increase from Rs. 253.6 mn in the previous year, marking a significant improvement in its overall performance within a short time span. The plans of the Company have been aggressive and deemed impossible at times, but through its commitment, the Company journeyed to great heights.

Indicating its financial strength and its commitment towards the financial sector consolidation initiative of the Central Bank of Sri Lanka, the Company acquired Chilaw Finance PLC during the year under review. Following the acquisition, Chilaw Finance is undergoing a paradigm shift in its operational management and is expected to deliver on its financial goals in the coming year. With this takeover, the Company has become more robust and the management is confident of its ability to improve profitability in the ensuing years through the application of a cautious and strategic approach to gauge the opportunities presented by the market. To achieve this ambitious target, the company is armed with a winning team that promotes leadership, team spirit, dynamism and commitment.

RPFL is planning to move towards a fully automated near-paperless office in the medium term, with the implementation of a new information and communication technological system. This will enable the Company to increase its customer contact points in the coming year with the opening of branches where Arpico Supercentres are currently in operation. The management strongly believes that the Company will be able to provide total financial solutions to its customers, given the wide competencies, business scope and networking capabilities that Arpico possesses within its portals.

Gold award for Emerging Islamic Finance Entity of the year 2014/2015

Corporate Social Responsibility

The challenges our world faces go far beyond Financial Statements, and as a responsible business entity we are cognizant that we have an obligation to fulfil towards the society we operate in. Since our sustenance is derived from the multiple facets of the society, it is our core responsibility to ensure the sustainability of the society in whatever possible manner.

Our Group boasts of a proud history of responsible business practices and strong principles on quality, value, and integrity lie at the heart of our business strategy. The Group is one of the largest and oldest diversified conglomerates in Sri Lanka with a vast number of stakeholders, and engages in numerous economic, social, and environmental support initiatives targeted at delivering its responsibilities to all stakeholders. We aspire to grow beyond boundaries and have achieved many a milestone through diversification, but our commitment to corporate social responsibility has not been compromised. We have continuously developed and strengthened our sustainability outlook year on year, having learnt that it opens a world of new opportunities for both the Group and our stakeholders. Thus, 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 with them. The Group mobilises its competencies,energy, and resources to deliver improved services to its customers, treating their needs and wants as the main priority. All companies in the Group determine the highest quality in their products and services, and strive to provide the maximum level of convenience, service, and value-for-money for our customers.

Food Safety

Being a leading retail chain in Sri Lanka, food safety is one of our key priorities. We have consistently surpassed our competitors in providing the best products to customers. We maintain stringent policies on food safety and quality, and state-of-the-art cooling chains are maintained to ensure the best quality of the products at any given time. The increase in the number of customers that pass through our doors bears ample witness to the trust they have placed on our commitment towards food safety. Food safety is also a key requirement in the Plantation sector, and several of our tea factories have obtained certifications from Fair-Trade Labelling Organisations and the Ethical Tea Partnership.

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. For this purpose, we ensure that all our relationships are based on trust and honesty, and we strive to deliver win-win solutions.

Employees

Employee Health and Safety

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

The health and safety of our employees is a key priority, and much attention is placed in this regard at all factories and workplaces. Training programmes are consistently conducted to educate employees on health and safety measures at the workplace, while medical facilities are also provided to all employees. Our health and safety policies and standards reflect regulatory requirements, and we aim to create a culture of safety through focus on the fundamental principles of leadership, competence and a safe working environment.

Safety is an integral part of our business framework. Our security function frequently reviews the safety levels at our locations and the results are reported to

Art competition was organised at Strathspey Estate and a number of children benefited

Corporate Social Responsibility Contd.

the management as and when required. Our total lost time accident rate is low and there were no major safety prosecutions during the year. Being a prudent employer, we have obtained necessary insurance covers to compensate losses.

Community and Country
The Richard Pieris Group carries out a wide range of diverse activities across all provinces in Sri Lanka, with the objective of contributing towards the goodwill of the country. Our commitment for this purpose has enabled us to nurture a reputation of being a responsible corporate body. Our initiatives reach out across the island, from small isolated villages to urban centres, thereby touching the life of every Sri Lankan. The Group also provides employment for more than 30,000 people in the country, and has always promoted a positive attitude towards age diversity, believing that a blend of youth and maturity will concurrently benefit both the Company and the employees.

CSR Initiatives

Welfare Activities
A roadwork laying project was conducted and other community programmes were performed at the Strathspey estate during the year under review.

Events such as tree planting,G S office opening, Poson dansala and pirith ceremony were held at estate level for employees and their families.

When a severe drought hit the Central Province, Arpico PVC donated dry rations as drought aid as requested by the Governor of the Central Province.

Supporting Health Care

Health camps, including free eye consultations and dental clinics, were conducted for estate/factory workers and spraying workers during the year, and these were immensely beneficial to participants. A number of cataract operations were performed during the year under review at the Company's expense. Activities such as opening of child development centers, donation of wheelchairs to the disabled and screening the worker population to diagnose ailments, were also undertaken.

Various activities were conducted in the Plantations sector towards the general improvement in health standards of the population. Efforts were made to eradicate dengue and other parasitic and communicable diseases. The Company also paid attention on the well being of women and children, and implemented steps to ensure that all births were institutionalized and took place under due care, with the objective of minimising infant and maternal deaths. Immunisation programmes and programmes targeting the eradication of malnutrition and anaemia among the estate population were also conducted.

Meanwhile, Arpico PVC donated PVC Pipes and Fittings for "Drug Addict Rehabilitation Center" located at Polgasowita, in order to improve the living standards of the resident patients.

Assisting Education

As with previous years, the Company continued its practice of granting financial assistance to all children of estate employees who qualified for university education. Simultaneously, classes on the English language and computer skills were conducted for the children of estate employees. Books and school uniforms were distributed to the school children of our estate employees as well.

Health camps, including free eye consultations and dental clinics, were conducted for estate/ factory workers and spraying workers during the year, and these were immensely beneficial to participants.

Suppliers

Building Strong Relationships

A thorough understanding of our supply chains has enabled us to promote sustainable relationships based on innovative, win-win solutions. The focused and efficient integration within the supply chain leads the Group to procure high quality inputs at the best price, and this in turn converts to an integral component of its competitive advantage. Our aim is to be a loyal customer to our vast network of suppliers that is spread throughout the world.

As a key part of our supplier strategy, we also aim to develop partnerships with small and medium sized enterprises in the country and provide them with guidance in using new technology for manufacturing and tapping new markets. We have continuously supported local entrepreneurs and we desire to create opportunities for them in the domestic market through our numerous outlets across the island.

Our Commitment towards the Environment

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

The introduction of the degradable loyalty card "Eco Privilege" to the Sri Lankan retail market was a fresh experience to market participants and encouraged the use of recyclable bags. Our standard plastic carrier bags, produced with minimum resources, are designed to offer exceptional performance and re-usability, and further the Company's objective of reduce, reuse and recycle.

Each of our stores is designed individually, built with style and character that are ideal to their locations, while ensuring maximum eco-friendliness. The store designs usually enable the natural light to spill through the building, eliminating the need for artificial lighting and contributes immensely towards energy saving. We also seek to reduce carbon emissions through energy usage,by conducting responsible energy sourcing, using state-of-the-art technologies and energy efficient practices in the construction, installation, maintenance and monitoring of plants. Moreover, during the year under review we conducted a programme to inspire the concept of switching on and switching off, enabling everyone to contribute towards saving energy. The introduction of solar energy at Supercentres further contributed towards the energy saving initiative.

Many key developments on the environmental front in relation to our production processes occurred during the year as well. The Organic latex certification was obtained from the Global Organic Latex Standards (GOLS), while the enhancing of the effluent treatment plants, converting the solvent base to water base and the using of bio-mass as an energy source also contributed in this regard.

Arpico's stall was awarded the best locally manufactured product stall at the INCO 2011. The local innovation and the introduction of environmentally friendly concepts such as the Arpico Green Gas Unit contributed towards this achievement. The Arpico Green Gas Unit, which also won the presidential award for innovation in the year 2010, enables households, hotels, restaurants etc. to produce bio-gas through organic waste, while generating compost fertilizer as a by-product. Arpico also delivers a range of industrial garbage bins and compost bins to better manage domestic waste. Further, it's essential to highlight that the Arpico Plastishells water tank is the country's only water tank to be ISO 9001: 2008 certified.

In extending its commitment towards energy saving, Sri Lanka's first nano-technological air purification CFL bulb was introduced by Arpico. The Arpilight CFL bulb enhances the quality of life by purifying and eliminating germs/bacteria, while saving up to 80 % of electricity.

During the year Strathspey Estate obtained Rainforest Alliance Certificate and other estates in the Maskeliya up cot region are in the process of obtaining this certification

Corporate Social Responsibility Contd.

This product won the best new product award at CHEMEX 2011 exhibition held at Colombo commemorating the United Nations "International Year of Chemistry", and has also been rated as a high eco-friendly CFL bulb, with a five star rating from the Sri Lanka Sustainable Energy Authority.

As a Group that is engaged in the plantations business, we are intensely involved in forest conservation. The Group obtains environmental certifications from global and local environmental authorities, wherever applicable, and this includes the ISO 2000 certificate and certifications from the Forest Stewardship Council and the Central Environmental Authority.
The Strathspey Estate has obtained the Rain Forest Alliance Certificate and other estates in the Maskeliya Up cot region are in the process of obtaining this certification.

Further in the Plantation sector, the energy efficient machinery installed in the Kirklees Estate in Kegalle Plantations,has helped to reduce fuel consumption substantially by way of higher thermal and optimum heat transfer. Additionally, 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 both their work and personal lives by encouraging them to use energy conservation measures and recycle waste.

Ward No. 3 & 4 of Maharagama Cancer Hospital maintained by Richard Pieris Exports PLC

Financial Review

Overall Group Performance

During the financial year 2014/15, the Group recorded revenue of Rs. 37.8 bn, an increase of 9% over the previous financial year. However, cost of sales also increased by 9% over the previous financial year irrespective of the lower prices of essential raw materials and the measures taken to increase the productivity and the efficiency of the production lines. Notwithstanding, the gross profit increased by 8% to Rs. 8.7 bn. Overall, the strong growth witnessed in Retail, Tyre, Plastic and Rubber Sectors were sufficient to offset the negative impact from the Plantation sector. The Group's net profit for the year was recorded at Rs. 1.8 bn.

Revenue Analysis

Group revenue for the year increased from Rs. 34.7 bn in the financial year 2013/14 to Rs. 37.8 bn in the financial year 2014/15, recording a growth of 9%. The increase witnessed in economic activities due to the relaxed monetary policy stance was beneficial to businesses, especially for service-oriented businesses, as demonstrated by the services sector, which represents 57.6% of the country's economy, growing by 6.5% in 2014. Accordingly, the Retail and Services Sectors of the Group significantly expanded their contribution towards Group revenue. Meanwhile, the industrial sector, which represents 32.3% of the country's GDP, grew sharply by 11.4% during 2014. This facilitated the Plastic, Rubber and Tyre Sectors of the Group to sustain their business performances. The agricultural sector of the broader economy was affected by extreme weather conditions and lower commodity prices and the same is visible in the performance of the Plantation sector of the Group.

Retail Sector

The Retail sector emerged as the most significant contributor to the Group's Revenue for yet another year, contributing 49% to the Group revenue as opposed to the 46% contribution made in the previous financial year. The sector reported revenue of Rs. 18.4 bn, indicating a growth of 15% over the year of comparison. As previously elaborated, the main reason for this healthy performance is the increase in economic activities which lifted the household disposable incomes and led to increased spending on consumer goods.

During the year, the sector continued its policy of selectively expanding its large format retail outlets in order to widen its reach to customers, and accordingly, opened a Super Centre in Panadura and a Super Store in Kottawa. Thus the total network of large format retail outlets increased to 17 during the year under review. Furthermore, the new model of small scale outlets i.e. 'Arpico Daily's' was also expanded, with the opening of 16 new outlets during the year.

Plastic & Furniture Sector

The Plastic and Furniture sector was able to report revenue of Rs. 5.2 bn for the financial year 2014/15 contributing 14% to the Group revenue. It is noteworthy that the sector was able to improve its level of performance from the challenging days witnessed during previous years. The increase in demand for key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products etc. along with new trade agreements, triggered the sector to grow its business volumes during the reporting year. The sector also embarked upon the expansion of its furniture business and the consolidation of the total manufacturing operation of the Group to yield synergies, and these are expected to deliver great financial benefits in the coming years.

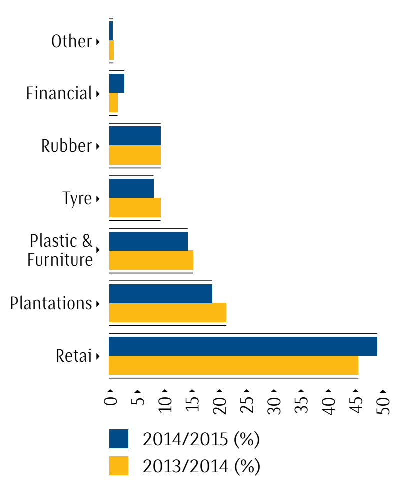
Plantation Sector

The Plantation sector was faced with many challenges during the year. Low rubber prices continued throughout the financial year whilst adverse weather conditions led to a low output, across the board, for all commodities. Despite these adversities however, the sector ended the year by recording total revenue of Rs. 7.3 bn. The sector was the second highest contributor to Group revenue, contributing 19% compared to 21% during the previous year.

Despite the national tea production for 2014 being recorded at the highest level for the past 5 years, at 337 mn kg, the Group's tea output declined by 5% to 14 mn kg. Erratic weather patterns, weaker demand due to the economic crisis in Russia, CIS and Middle Eastern countries and restrictions on crop intakes from smallholders were the main contributory factors for the decline in revenue.

During the year under review, the sector produced 5.5 mn kg of rubber during the year. Decrease in demand for natural rubber from major buyers in US, China, Japan and Europe, along with the shift in the interest of the local rubber based industries towards imported cheap rubber, affected the dip in local rubber prices. Consequently, revenue derived from the rubber segment experienced a significant decline of 30% as the average rubber price reduced from Rs. 353 per kg to Rs. 291 per kg.

Segmental Revenue Composition



Financial Review Contd.

Despite being the best performing crop, revenue from the oil palm segment declined marginally during the year by 1% to report Rs. 553 mn compared to Rs. 556.7 mn in FY 13/14. The crop output was at 14.8 mn kg during the year compared to 16.5 mn kg output reported in the previous year. The average price of oil palm also remained at Rs. 33.5 per kg.

Rubber Sector

The Rubber sector continued its growth momentum during the year with its revenue increasing by 6% to Rs. 2.9 bn, and contributed 8% to the Group revenue. Within the sector, the 'Natural Latex' segment operated at its full capacity, reporting revenue of Rs. 1.4 bn for the year under review.

It is noteworthy that the 'Flooring Rubber and Mats' segment recorded a 14% increase in value during the year, while its volumes expanded by 4%. The growth reported in this segment is impressive, given the sluggish growth in the European, Asia Pacific and the Latin American regions. Revenue generated from the 'Shoe Soles Manufacturing' segment also increased sharply by 15% to Rs. 526 mn during the year under review, mainly due to the 16% increase in the number of containers shipped.

Tyre Sector

Revenue of the Tyre sector was reported at Rs. 2.6 bn contributing 7% to the Group revenue compared to 8% in the financial year 2013/14. The retreading segment continued to dominate the sector's revenue, contributing towards 78%. However, the volumes of this segment indicated a 4% reduction as competing products strengthened. The rising competition posed by imported radial tyres, which offer a lower cost per kilometer, has exerted significant pressure on this segment. The value generated by the retreading segment declined by 4% to Rs. 1.9 bn from Rs. 2.0 bn recorded in the previous year. However, the trading segment indicated a marginal increase of 2% in volume and 7% in value to report revenue of Rs. 530 mn.

Financial Services Sector

The Financial Services sector, the newly added business arm of the Group, comprises the newly established finance company as well as the life insurance, stock broking, margin trading and assets management clusters. The sector was further strengthened through the acquisition of Chilaw Finance PLC. The sector continued its growth momentum in the reporting year as well, indicating approximately a twofold growth in revenue to Rs. 1,174 mn.

Other Services Sector

The Other Services sector reported revenue to Rs. 140 mn for the financial year 2014/15. However, the sector remained as the smallest contributor to overall Group revenue.

Cost of Sales and Operating Expenses

The cost of sales of the Group increased from Rs. 26.7 bn in the financial year 2013/14 to Rs. 29.1 bn during the year under review, increasing by 9%, and absorbing 77% of Group revenue.

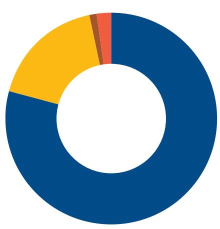
Administration costs of the Group exhibited an increase of 10% to Rs. 4.3 bn during the year under review, absorbing 11% of the Group revenue. Meanwhile, the Group's distribution costs, which include advertising and promotional costs as well as commissions paid on sales volumes, escalated sharply by 21% to reach Rs. 2 bn during the year, accounting for 5% of the total revenue. Accordingly, the administration and distribution costs, along with the cost of sales, constituted 94% of the Group's revenue during the financial year under review.

Profit from Operations

The gross profit of the Group for the financial year 2014/15 was reported at Rs. 8.7 bn, compared to Rs. 8 bn reported in the previous financial year.

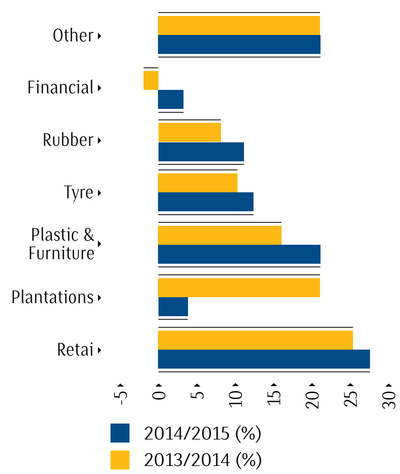
Other operating income for the year was recorded at Rs. 819.4 mn, up from Rs. 567.6 mn recorded for the previous year. Due to prudent cost containment measures along with the growth in revenue, profit from operations of the Group increased by 11% to Rs. 3.1 bn, maintaining the operating profit margin of 8%, as recorded in the previous year.

Cost Structure



Cost of sales	77%
Operational Expenses	17%
Net Finance Cost	1%
Tax	2%

Segmental Profit Composition



Retail Sector
The Retail sector was in the lead as the highest contributor to Group profit, accounting for 28%, compared to its contribution of 25% in the previous year. In absolute terms, the operating profit of the Retail sector was Rs. 1,172.6 mn, an increase of 19% from the previous comparative period. The focus on cost management initiatives enabled the retail operation to run efficiently, keeping expenses within manageable limits.

Plantation Sector
The Plantation sector indicated a sharp decline of 80% in its operating profit during the financial year 2014/15 due to reasons stated earlier. Accordingly, the operating profit of the sector was reported at Rs. 162.5 mn, accounting for 4% of the Group total. The sector, once considered as the cash cow of the Group, faced a challenging period and the coming year may be no different with the anticipated decline in commodity prices and lower demand.

Plastic & Furniture Sector
The operating profit of the Plastic & Furniture sector, at Rs. 874.9 mn, accounted for 21% of the Group operating profit, and indicated a robust growth of 40%. Concurrently, the operating profit margin also improved to 13% in the financial year 2014/15 from 12% in the financial year 2013/14. This is commendable given that the sector increased its warehousing capacity which would have escalated its operating expenses.

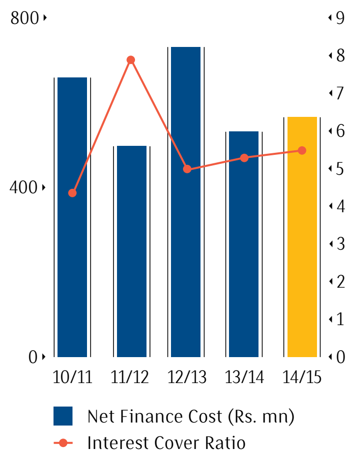
Tyre Sector
The Tyre sector was able to witness the operational benefits of its prudent decision to invest in the firewood boiler, which reduced the cost of energy consumption. This coupled with the lower input prices of rubber and chemicals, induced the sector to record a robust 32% growth in its operating profit to reach Rs. 527.4 mn. This accounted for 12% of Group operating profit. Further, the sector was able improve the contribution from its trading business via the negotiation of better trade agreements, which eventually thickened the margins.

Rubber Sector
The operating profit of the Rubber sector increased sharply by 49% to reach Rs. 472.3 mn for the year under review compared to Rs. 316 mn in the previous financial year. The operating profit margin was recorded at 16%. The prolonged stable exchange rates facilitated the mitigation of risks related to imports.

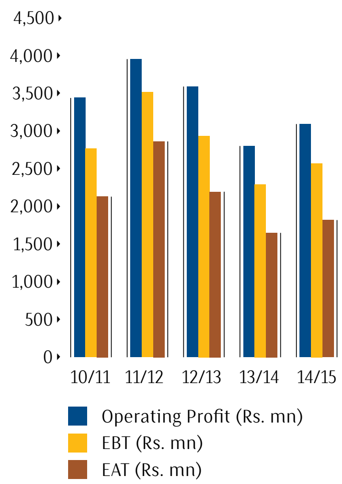
Financial Services Sector
The sector reported an operating profit of Rs. 138.6 mn for the reporting year, indicating a threefold growth compared to an operational loss reported in the previous corresponding period. The strong performance of Richard Pieris Finance Limited (RPFL) was instrumental in enabling the sector to contribute towards 3% of the Group's operating profit.

Finance Cost
The Central Bank of Sri Lanka eased its monetary policy stance further during the year, with the objective of injecting liquidity to the economy, and consequently the average market lending rates as reflected by the AWPLR declined by over 4%. Though the Group borrowings increased, the decline in market interest rates impacted the finance cost of the Group to reduce by 12 % from Rs. 922.1 mn recorded in the previous financial year to Rs. 811.2 mn during the year under review. The net debt position of the Group stood at Rs. 8.4 bn for the reporting year compared to Rs. 6.5 bn in FY 13/14. The expansion of the finance company operations, short term liquidity needs pertaining to the Plantation sector and investments in capacity expansion triggered the Group's debt level to surge by Rs. 1.9 bn during the reporting year. Meanwhile, the finance income of the Group was recorded at Rs. 244.3 mn, indicating a sharp decline of 37% from Rs. 389.6 mn in the previous financial year, as the market deposit rates declined during the reporting year. However, the net finance cost increased from Rs. 532.5 mn in 2013/14 to Rs. 562.2 mn in 2014/15. The interest cover for the Group, based on net finance cost, improved from 5.3 times to 5.5 times, while the interest cover based on finance cost moved from 3.0 times to 3.8 times.

Net Finance Cost vs. Interest Cover Ratio



Operating Profit vs. EBT vs. EAT



Financial Review Contd.

Share of Associates
The Group's investment in associate companies relates to a 21.6% stake in AEN Palm Oil Limited. The share of profits of associates for the Group stood at Rs. 42.3 mn during the year under review, compared to Rs. 27.9 mn in the previous year. This increase is due to the strong performance of the associate company, driven by the growth in palm oil industry.

Non-Controlling Interest
Despite the increase in the Group's stake in plantation companies, the sub-par performance of the Plantation sector in terms of profitability led to a decline of 26% in the Non-Controlling Interest to Rs. 176.3 mn during the year under review. Meanwhile, the Group issued a further 6.63 mn shares of Arpico Insurance Limited to the public, thereby increasing the Group's minority holding.

Investments/Acquisitions and Disposals
Several important investments were made by the Group during the year with the dual objectives of pursuing its diversification strategy and enhancing its productive capacity.

The Group embarked upon its inorganic business expansion through the acquisition of a circa 86% stake in Chilaw Finance PLC through Richard Pieris Finance Limited with an investment of Rs.775.83 mn. Following the acquisition, Chilaw Finance PLC is currently undergoing a paradigm shift and the Group is confident of its ability to improve its profitability in the ensuing years through the application of a cautious and strategic approach to gauge the opportunities presented by the market.

The Group continued its investments in its most lucrative sector, Retail, by opening two new large format retail outlets in Panadura & Kottawa with an investment of Rs. 244 mn during the FY 14/15. Furthermore, 16 more Arpico Daily's were opened during the period, with a capital expenditure of Rs. 107 mn.

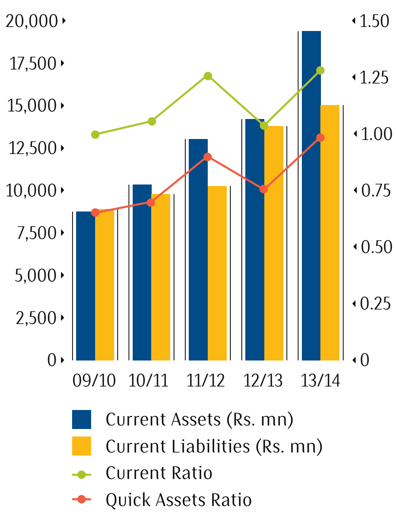
Another key investment that occurred during the year was the installation of a state-of-the-art continuous sheeting line for Richard Pieris Natural Foams (Private) Limited, a subsidiary exporting Natural Latex Mattresses, at a value of Rs. 172.8 mn. Meanwhile, the Plastic and Furniture sector invested Rs. 258 mn for the expansion of its warehousing capacity in order to obtain synergistic benefits through streamlined operations.

Group Financial Position and Liquidity
Non-Current Assets
The non-current assets of the Group increased from Rs. 16.1 bn to Rs. 18.6 bn during the year, and as such represents 49% of total assets. The property, plant and equipment category, which accounts for 40% of the total assets, increased by 11% over the previous financial year mainly due to the Group's investments in warehousing and the continuous sheeting line, as stated above. The Retail sector, with over Rs. 351 mn investments conducted for its expansion, and the Plantation sector, with recurrent capital expenditure of Rs. 735 mn for replanting purposes, also contributed towards this growth.

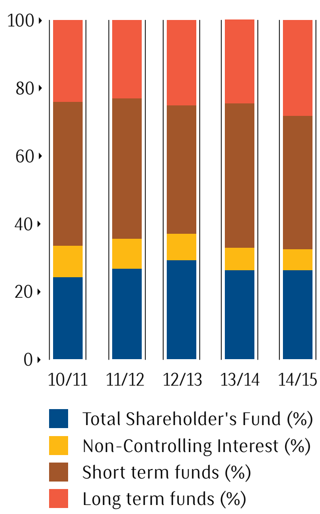
Working Capital
During the year, the current assets of the Group increased by 18% to reach Rs. 19.5 bn, whilst current liabilities also increase by 9% reaching Rs. 15.1 bn. Inventory increased by Rs. 571.4 mn to facilitate the increase in business volumes and to benefit from economies of scale. Trade receivables indicated an increase of 17% to Rs. 4.7 bn as the business cycle expanded, while trade & other payables also increased by Rs. 1,086 mn. Accordingly working capital days were managed within the Group's specified limits. The total current assets of the Group accounted for 50% of its total assets while total current liabilities accounted for 30% of the same.

The Group had to invest in working capital in order to facilitate the trading volumes. Thus, the net working capital investment stood at Rs. 1,822.5 mn. However, operational cash inflow to the Group re-structured its debt portfolio through the holding company debenture issuance which in turn increased the liquidity position of the Group. Meanwhile, the current ratio of the Group improved from 1.0 to 1.3 and the acid test ratio followed suit, improving from 0.8 to 1.0.

Working Capital Investment vs. Current Ratio



Capital Structure



Capital Structure

Equity

The Group exercised an Employee Share Option Scheme which eventually resulted in its stated capital increasing by Rs. 158.01 mn, and the total number of shares increased from 1,983,737,845 to 2,035,038,275. The profit for the year was recorded at Rs. 1.8 bn, while reserves increased by 17% to reach Rs. 7.9 bn. The Group declared an interim dividend of Rs. 0.25 in November 2014.

Borrowing

Net debt, including cash balances, was stationed at Rs. 8.4 bn compared to Rs. 6.5 bn in FY 13/14, an increase of Rs. 1.9 bn during the year mainly because the Group relied on external funding for the continuous expansion of its core businesses whilst diversifying horizontally. A significant increase in debt, amounting to Rs. 1.0 bn, is observed in the financial services sector, following the commencement of operations of the finance company. The debt of the Plantation sector increased by Rs. 345 mn, and at the holding Company level, debt escalated by approximately Rs. 974 mn, mainly to facilitate the capital infusion to Richard Pieris Finance Limited in adherence into Central Bank guidelines and regulations.

Consequently, the Group's gearing ratio increased to 40% from 38%, while the debt-to-equity ratio weakened from 0.6 to 1.0. Of the total debt, 87% was denominated in local currency whilst the debt denominated in foreign currency accounted for approximately 13%. The Group accounts 10% of its cash inflows in foreign currency. Meanwhile, the Group restructured its borrowing portfolio through the successful issuance of listed, fixed rate debentures with maturities of 3, 4 and 5 years, during the first half of the financial year 2014/15.

Returns to Shareholders

Profit attributable to the shareholders was reported at Rs. 1.7 bn for the year under review. EPS was reported to be Rs. 0.82, so as the diluted EPS. The earnings yield for the year was recorded at 10%, while the dividend yield, based on the year-end share price, declined to 3% compared to 7% recorded in the previous year. However, the total gain for shareholders was 16% which is inclusive of dividends paid during the year and unrealized capital gains of the share for the FY 14/15.

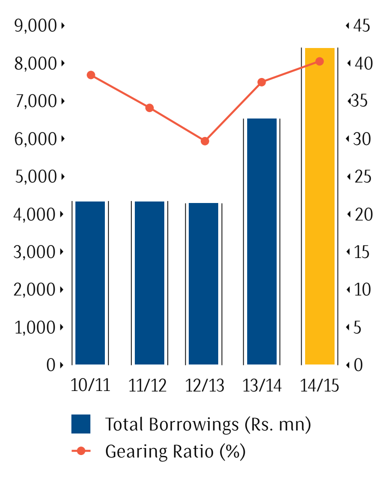
Market Capitalization

The market capitalization of the Company was Rs. 15.1 bn at the closing price of the share, up from Rs. 13.1 bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 9.5, while the lowest price was Rs. 6.5. 101.9 mn shares were traded during the year and the share price closed for the year at Rs. 7.40.

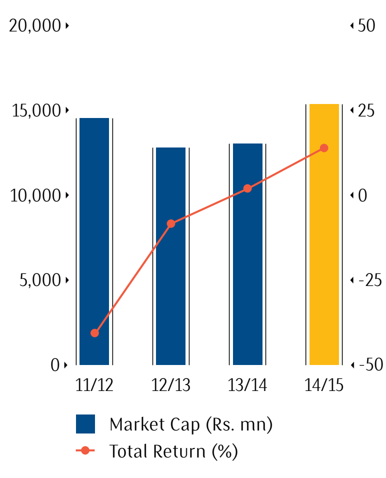
Financial Risks

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

Total Debt Vs. Gearing Ratio



Market Capitalization & Total Return



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 "minimisation" 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 Minimisation 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 minimise adverse effects of interest rate volatility. ☐ To ensure cost of borrowing is at minimum level. ☐ To optimise the return on the Shareholder's Fund and Life Policy Fund of Insurance Company. ☐ Optimize the interest spread through matching the maturities of assets and liabilities of the Finance 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 revenue of the Group. ☐ Using fixed and variable rate borrowings to strike a balance. ☐ Centralised Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms. ☐ Practicing effective hedging techniques whenever deemed necessary. ☐ Centralised 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 minimise 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 Exposure	Group Objectives	Risk Minimisation Strategies
Business Risk Management		
1. Credit Risk	☐ To minimise risks associated with debtor defaults.	☐ Obtaining insurance cover for export debtors. ☐ Developing and implementing Credit Policies. ☐ 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 minimise 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 minimise 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. ☐ Ensuring Public Liability Cover to make certain safety of the customers and public at all times.
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 agreements with trade unions. ☐ Improving employee benefits by way of 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. ☐ Promoting Performance driven culture.

Risk Management Contd.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
6. Technological Risk	☐ To keep pace with the current technological developments and safeguard against obsolescence.	☐ Continuous investment in new technologies and automation. ☐ Investing in Research and Development activities throughout the year. ☐ Investing in hardware and developing software in-house.
7. Procurement Risk	☐ To minimise risk associated with price and availability.	☐ Introduction of total Supply Chain framework including correct procurement process system. ☐ 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. ☐ Centralised purchasing division which has enabled us to create a reliable network of global suppliers. ☐ Entering into forward contracts for raw material purchases. ☐ Ensure Goods in Transit are insured.
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. ☐ Ensure Raw Material and Finished Goods stocks are insured.
9. Risk of Competition	☐ To maximise our market share and maintain market leadership in the respective industries.	☐ Ensuring high standards of quality. ☐ 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.
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 whilst ensuring value of the brand image is resolute.
11. Capital Investments Risk	☐ To minimise 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.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
12. Information Systems Risk	☐ To minimise 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, Fire walls etc. ☐ Compliance with statutory requirements for environmental preservations. ☐ Carrying out Application Control Audits. ☐ Having a Disaster Recovery Site.
13. Environmental, Political and Regulatory Risk	☐ To minimise 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. ☐ Prioritise 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 Minimise 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.

Statement of Value Added

	2014/2015 Rs.'000	%	2013/2014 Rs.'000	%
Revenue	**37,802,243**		34,699,111	
Cost of material and services purchased	**(24,507,370)**		(22,781,649)	
	13,194,873		11,917,462	
Other income	**823,122**		579,416	
	14,017,995		12,496,878	
Distribution of value added				
To employees				
- Remuneration	**7,082,049**	**51%**	6,331,922	51%
To government				
- Duties and taxes	**2,999,738**	**21%**	2,019,484	16%
To providers of capital				
- Interest on loan capital	**811,166**	**6%**	922,062	7%
- Non controlling interest	**176,388**	**1%**	238,970	2%
- Dividend to shareholders	**508,760**	**4%**	886,270	7%
Retained in the business				
- Depreciation	**787,802**	**6%**	680,955	5%
- Profit retained	**1,652,092**	**12%**	1,417,215	11%
	14,017,995		12,496,878	

Our People

The financial year ended March 31, 2015 was a successful year for the Group in comparison to the previous year despite the setbacks suffered by the plantation sector and the accomplishments were primarily owing to committed and dedicated services of our employees powered by the visionary leadership of the Chairman and the Board of Directors. Thus attraction and retention of best talents and training and developing them in a free and enchanting family atmosphere continued to remain the priority at Richard Pieris Group. With its people friendly anti-discriminatory policy, the Group is committed to build an exclusive work environment in which all employees regardless of their nationality, race, religion, gender or age can achieve their professional and personal commitments whilst contributing to the success of the Group. In line with its 83 year long heritage and culture the Group continued to foster its family atmosphere for its employees whilst encouraging and rewarding their creativity, innovative thinking, talents and skills to stimulate the growth of the Group.

Employee Relations

Industrial relations were at its best during the year with no significant industrial disputes. The Group was committed to continue with its open door, relationship based policy as it believes that the maintenance of harmonious and peaceful relationship with employees at all levels is critically significant to sustain a rapid growth momentum of a large conglomerate such as our Group. It encourages participatory management where employees are encouraged and even rewarded for taking part in active management of respective companies. Our Group is a fine example of diversity with employment of 30,923 employees of different nationalities, races, religions and cultures. The Group respects all such diversities and maintains an anti-discriminatory work environment. It respects freedom of association and collective bargaining and sustains healthy and cordial relationship with Trade Unions and employees. All employee grievances are addressed promptly and positively and the Group is further committed to ensure hazard-free safe work place. The Group condemns sexual harassment and gender based discrimination and affirms equal rights and opportunities for all employees irrespective of their gender.

Human Resource Development

The Group continued to invest in training and development of employees as it firmly believes that training and development of staff at all levels is an integral part of the growth of all the companies. Whilst training and development improves individual talents it further helps retention of most treasured human talents within the Group. The Group possesses a planned, methodical structure and mechanism in identifying training needs of staff and training & developing them across all the companies and sectors. Predominantly it focuses on delivering the training company wise which then expands to sectors, based on the essential needs of its employees and the Companies at different levels. The training focuses on developing technical skills, soft skills, personal development, and leadership qualities of staff. The Group also carries out common programmes focusing fundamental attributes across sectors with a mixed representation of companies to enlighten and encourage the interaction among staff and share experiences to develop synergies that benefit the Group.

The Human Resource Management policy focuses on grooming internal talents to satisfy the increasing human resource requirements at different levels prompted by the expanding operations and diversifications. Training provides a base to facilitate this as well as internal promotions in line with structured succession plan of the individual companies and the Group. During the year, the Group has arranged an array of training programs both locally and overseas conducted by acclaimed trainers.

The Group continued to strengthen and enhance the training and facilities at the RPC Training School which primarily focuses on the training of the retail sector staff that continuously carries out skills and leadership training to operational staff of the business.

Performance Based Rewards

The Group acknowledges that the employees have played a pivotal role in the successes and achievements that it had accomplished in its 83 year old history. Thus, the strategic human resource management policy of the Group embraces the importance of recognising, appreciating and valuing employees for their sincere contribution. The transparent and comprehensive Performance Management System (PMS) is being introduced in all companies aiming at enhancing performance of employees and procuring the best of their abilities whilst rewarding them accordingly.

The PMS is carried out with a top down approach across the Group and the Group firmly believes that it increases performance, productivity, quality, innovations, decision making process which in return enables Richard Pieris Group to succeed in its endeavours on a day to day basis. The Group continuously thrives towards building and maintaining a high-performance culture in all aspects whilst encouraging a work life balance to employees through its integrated rewards and recognition scheme applied for different sectors to appreciate the contribution of the employees at different levels.

Overall the contribution of OUR PEOPLE towards increase in value of the Company to its shareholders is commendable.

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
Dr. L M K Tillekeratne	Director
A.M. Patrick	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
Stated Capital	Rs. 542,371,660 represented by 60,471,501 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	84.21%

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	82.47%

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	55.18%

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. 50,000,000 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
Stated Capital	Rs. 58,650,000 represented by 459,999 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%

3. PLASTIC AND FURNITURE SECTOR

PLASTISHELLS LIMITED	
Business Activity	Manufacture of rotational moulded products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Managing Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
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
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
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%

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

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%

Corporate Structure Contd.

ARPICO DURABLES (PRIVATE) LIMITED	
Business Activity	Business of trading and distributing goods
Dr. Sena Yaddehige	Director
S S G Liyanage	Director
P A S Kularatne	Director
Stated Capital	Rs. 20 represented by 2 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
Dr. Harsha Cabral	Director
P A S Kularatne	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
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 centres
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 430,000,020 represented by 21,000,002 ordinary shares, 22,000,000 preference 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 resigned w.e.f. 31.05.2014
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 resigned w.e.f. 31.05.2014
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 plantation Companies
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	Chairman
J H P Ratnayeke (alternate Director to Dr. Sena Yaddehige)	Deputy Chairman
J M A Ratnayeke	Director
Dr. C M P P R P Perera	Director appointed w.e.f 01.11.2014
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
Dr. H S D Soysa	Director
E M M Boyagoda	Director
Dr. L S K Hettiarachchi	Director appointed w.e.f. 02.05.2014
J L A Fernando	Director appointed w.e.f. 02.05.2014
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	79.14%

EXOTIC HORTICULTURE (PRIVATE) LIMITED	
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	76.68%

NAMUNUKULA PLANTATIONS PLC	
Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S Poholiyadde	Director
N C Pieris	Director
A K Perera	Director (Government nominee)
Dr H Jayatissa De Costa	Director appointed w.e.f. 30.06.2014
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
Dr H Jayatissa De Costa	Director resign w.e.f. 30.06.2014
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
Athula Herath	Director
S J Jayanga	Director appointed w.e.f. 02.05.2014
J L A Fernando	Director appointed w.e.f. 01.07.2014
Stated Capital	Rs. 15,000,070 represented by 1,500,007 shares
Group Holding	100%

6. FINANCIAL SERVICES AND OTHER

RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED	
Business Activity	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 resigned w.e.f. 31.05.2014
Stated Capital	Rs. 106,400,000 represented by 15,000 ordinary shares, 91,400,000 preference 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
Dr. K M M Dassanayake	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
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Deputy Chairman
W J V P Perera	Director
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	Chairman
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	Chairman
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	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
J Dissanayake	Director
Russell De Mel	Director resigned w.e.f. 22.01.2015
Ms. Cherille Rosa	Director
Stated Capital	Rs. 153,000,000 represented by 15,300,000 shares
Group Holding	100%

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

ARPICO INSURANCE PLC	
Business Activity	Life Insurance
W J V P Perera	Director
J Dissanayake	Director
L S A Seresinhe	Director
S Sirikananathan	Director
Stated Capital	Rs. 675,564,870 represented by 66,230,407 shares
Group Holding	81.66%

ARPICO ATARAXIA ASSET MANAGEMENT (PRIVATE) LIMITED	
Business Activity	Asset management
W J V P Perera	Director
Savantha Sebastian	Director
Sharad Sridharan	Director
Stated Capital	Rs. 40,000,020 represented by 4,000,002 shares
Group Holding	51%

RICHARD PIERIS FINANCE LIMITED	
Business Activity	Leasing, hire purchasing & other financial services
J F Fernandopulle	Director
A Hettiarachchy	Director ceased to be a Director w.e.f. 10.04.2015
D P J Hewavitharana	Director
J D N Kekulawala	Director resigned w.e.f. 30.06.2014
C P Abeywickrema	Director appointed w.e.f. 15.09.2014
Stated Capital	Rs. 1,175,830,690 represented by 117,583,069 shares
Group Holding	93.74%

ARPICO INFOSYS (PRIVATE) LIMITED	
Business Activity	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	Trading of pharmaceutical product
Dr. Sena Yaddehige	Chairman
Dr. P M S S Pathinisekara	Director
L M Jayasuriya	Director
Dr. M S Samarakoon	Director appointed w.e.f. 01.09.2014
E M Andree	Director resigned w.e.f. 31.05.2014
Stated Capital	Rs. 100,000,020 represented by 10,000,002 shares
Group Holding	100%

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

Corporate Structure Contd.

ARPICO CAPITAL LIMITED	
Business Activity	Financial Agent/Intermediary/ Consultant
Dr. Sena Yaddehige	Director
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO HYDE PARK TOWERS (PRIVATE) LIMITED	
Business Activity	Carrying on Property Development Business
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

CHILAW FINANCE PLC	
Business Activity	Carrying on leasing, hire purchasing & other financial services
J. F. Fernandopulle	Director
A. Hettiarachchi	Director
D. P. J. Hewawitharana	Director
H. M. Hennayake Bandara	Director
C. P. Abeywickrema	Director
Stated Capital	Rs. 290,909,239 represented by 33,901,337 shares
Group Holding	80.60%

RICHARD PIERIS TRADING CO. PTE LIMITED	
Business Activity	General wholesale trade (Including General Importers and Exporters)
D. P. J. Hewawitharana	Director
Chin Hay Min	Director
Stated Capital	Rs. 65,349,374 represented by 618,500 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 2015.

The Directors approved the Financial Statements on 28th May 2015.

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 Corporate Structure on pages 64 to 70 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'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 58 to 61 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, plastics and financial services business sectors. Further information on future developments is provided in the Chairman's Review and Sector Reviews of this report.

Group Revenue

The revenue of the Group was Rs. 37.8bn. A detailed analysis of the Group's revenue identifying the contributions from different sectors is given in Note 3 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 2.99 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 73. The Group reported a Profit after tax amounting to Rs. 1.8 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 the Financial Statements.

Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 2 bn. Information relating to this is given in Note 12 and 13 to the Financial Statements. Land is included at cost in the Financial Statements. Capital expenditure approved and contracted for after the year-end is given in Note 36 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 153.

Stated Capital

The stated capital of the Company as at 31 March 2015 was Rs. 1.97 bn. The details of the stated capital are given in Note 24 to the Financial Statements.

Reserves

Total Group Reserves as at 31st March 2015 amount to Rs. 7.86 bn. (Rs. 6.71 bn as at 31 March 2014). The details of which, is given in the Statement of Equity in page 85.

Corporate Donations

Donations made by the Company and Group to charitable organisations amounted to Rs. 0.22mn and Rs. 2.80 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 8.1 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 148 to 149 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2015 are given in pages 150 and 151 under Share and Debenture Information.

Directors

The names of Directors who served during the year are given on pages 12 and 13 of this report, under the caption of 'Board of Directors'.

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

Prof. S.D. Pathirana who served the Board in the capacity of an Independent director resigned from the directorate with effect from 31st March 2015.

Group Profits	2014/2015 Rs.'000	2013/2014 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	**2,578,946**	2,302,551
From which the deduction of income tax and transfer to the deferred taxation account was	**(747,009)**	(643,970)
Leaving the Group with a profit after tax from continuing operations of	**1,831,937**	1,658,581
From which the loss after tax from discontinued operations deducted was	**(3,457)**	(2,396)
Leaving the Group with a profit for the year of	**1,828,480**	1,656,185
From which Non-Controlling Interest deducted was	**(176,388)**	(238,970)
Leaving a profit attributable to the equity holders of the parent was	**1,652,092**	1,417,215
To which the retained profit brought forward from the previous year added was	**6,712,869**	6,234,927
Adjustments due to changes in shareholding of subsidiaries & transfers	**32,050**	16,844
Other Comprehensive Income	**(26,980)**	(69,847)
Leaving a profit available for appropriation of	**8,370,031**	7,599,139
Appropriations		
The amount available has been appropriated as follows,		
Interim Dividend 2013-14	-	(886,270)
Interim Dividend 2014-15	**(508,760)**	-
Leaving a retained profit to be carried forward amounting to	**7,861,271**	6,712,869

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 74, 146 and 147. 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.

Annual Report of the Board of Directors Contd.

Transactions with Related Undertakings

Company	Name of the Director	Position Details	Transaction	2014/2015 Rs.'000	2013/2014 Rs.'000
Asian Alliance PLC	Mr. J. H. P. Ratnayeke	Deputy Chairman	Services	**2,262**	2,778
Alpha Industries (Pvt) Limited	Dr. S. A. B. Ekanayake	Director	Purchases	**1,003**	419
Lanka Commodity Brokers Limited	Dr. S. A. B. Ekanayake	Director	Services	-	4,832
Lakehouse Printers and Publishers PLC	Prof. Lakshman R. Watawala	Director	Services	**4,258**	4,178
Gestetner (Ceylon) PLC	Prof. Lakshman R. Watawala	Deputy Chairman	Purchases	**1,221**	723
Intercast (Pvt) Limited	Mr. W. J. V. P. Perera	Director	Services	-	147
Asia Siyaka Commodities PLC	Dr. S. A. B. Ekanayake	Director	Purchases	**3,729**	14,525
Link Natural Products Private Limited	Dr. S. A. B. Ekanayake	Director	Purchases	**17,607**	13,847

The list of Directors at each of the subsidiary and associate companies has been disclosed in the Group structure on page 64 to 70.

Directors' Shareholding
Directors' Shareholding in Richard Pieris and Company PLC is stated in page 151. During the year Dr. Sena Yaddehige purchased 51,300,430 ordinary shares from ESOP 2.

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 41 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with the above 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 2015 are disclosed in Note 41 to the Financial Statements.

Vision & Long Term Goals
The Group's Vision and Long Term Goals are given in page 03 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 49 to 52.

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 30,923.

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 40 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 78 and 79 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 76 to 77 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 80 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 successfully adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 1st 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 30th June 2015. The Notice of the Annual General Meeting is on page 156 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.

28th May 2015

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 three are Executive Directors whilst four are Non-Executive Directors ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 12 and 13. The Board has assessed the independence of the Non-Executive Directors.

During the year the Board met on seven 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 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.

Three Non-Executive Directors are independent with no direct or indirect material relationship with the Company. The wide range of expertise and significant experience of Non-Executive Directors in commercial, corporate and financial activities bring an independent view and judgment to the Board. Prof. Susantha Pathirana who served the Board in the capacity of an Independent Director resigned w.e.f. 31st March 2015.

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 (Resigned w.e.f. 31st March 2014) and Dr. S.A.B. Ekanayake. The Chief Executive Officer, Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 79 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 Prof. Lakshman R. Watawala (Chairman), Prof. Susantha Pathirana (Resigned w.e.f 31st March 2015) and Dr. S.A.B. Ekanayake.

The Report of the Remuneration Committee on page 78 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.

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 an 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 58 to 61.

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 Group 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 49 to 52.

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 (Resigned w.e.f. 31st March 2015) and Dr. S.A.B. Ekanayake. 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

28th May 2015

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 (Resigned w.e.f 31st March 2015) and Dr. S.A.B. Ekanayake. 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 4 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 successfully adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

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 on-going 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, 2016 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

28th May 2015

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 81 of this report.

The Financial Statements of the Company and its subsidiaries for the year ended 31st March 2015 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 82 to 147 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 2015, 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 81 of this report.

By Order of the Board,

Richard Pieris Group Services (Pvt) Limited
Secretaries

310, High Level Road, Nawinna,
Maharagama

28th May 2015

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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Sri Lanka

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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, ("the Company"), and the consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position as at 31 March 2015, and the Statement of Profit or Loss and Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 82 to 147)

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:
   - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
   - the Financial Statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
   - the Financial Statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

28th May 2015
Colombo

Statement of Profit or Loss

		Group		Company	
For the year ended 31st March		2015	2014	2015	2014
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing operations					
Revenue	3	**37,802,243**	34,699,111	**1,770,435**	1,667,348
Cost of sales		**(29,125,486)**	(26,683,905)	**-**	-
Gross profit		**8,676,757**	8,015,206	**1,770,435**	1,667,348
Other operating income	4.1	**818,571**	575,064	**-**	-
Selling and distribution expenses		**(2,030,788)**	(1,737,793)	**-**	-
Administrative expenses	4.3	**(4,297,747)**	(3,994,359)	**(448,365)**	(374,930)
Other operating expenses	4.2	**(63,284)**	(50,991)	**-**	-
Operating profit		**3,103,509**	2,807,127	**1,322,070**	1,292,418
Finance costs	5	**(811,166)**	(922,062)	**(425,520)**	(420,287)
Finance income	6	**244,304**	389,584	**48,017**	95,960
Share of profit of an associate	7	**42,299**	27,902	**-**	-
Profit before tax from continuing operations		**2,578,946**	2,302,551	**944,567**	968,091
Income tax expense	8	**(747,009)**	(643,970)	**(13,500)**	-
Profit for the year from continuing operations		**1,831,937**	1,658,581	**931,067**	968,091
Discontinued operations					
Loss after tax for the year from discontinued operations	9	**(3,457)**	(2,396)	**-**	-
Profit for the year		**1,828,480**	1,656,185	**931,067**	968,091

Attributable to:			
Equity holders of the parent		**1,652,092**	1,417,215
Non-controlling interests		**176,388**	238,970
		1,828,480	1,656,185
Earnings per share			
Basic	10	**Rs. 0.82**	Rs. 0.72
Diluted	10	**Rs. 0.82**	Rs. 0.71
Earnings per share for continuing operations			
Basic	10	**Rs. 0.82**	Rs. 0.73
Diluted	10	**Rs. 0.82**	Rs. 0.71
Dividend per share	11	**Rs. 0.25**	Rs. 0.45

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 147 form an integral part of these Financial Statements.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31st March		**2015**	**2014**	**2015**	**2014**
	Notes	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Profit for the year		**1,828,480**	1,656,185	**931,067**	968,091
Other comprehensive income/(loss)					
Other comprehensive income to be reclassified to profit or loss;					
Net gain/(loss) on available for sale financial assets		**4,206**	(15,094)	**4,099**	(6,800)
Exchange differences on translation of foreign operations		**1,106**	14,807	**-**	-
Net other comprehensive income to be reclassified to profit or loss		**5,312**	(287)	**4,099**	(6,800)
Other comprehensive income not to be reclassified to profit or loss;					
Losses on actuarial valuation	32	**(32,523)**	(99,193)	**(4,600)**	(2,031)
Income tax effect		**8,564**	14,113	**-**	-
Net other comprehensive income not to be reclassified to profit or loss		**(23,959)**	(85,080)	**(4,600)**	(2,031)
Other comprehensive loss for the year, net of tax		**(18,647)**	(85,367)	**(501)**	(8,831)
Total comprehensive income for the year, net of tax		**1,809,833**	1,570,818	**930,566**	959,260

Attributable to:		
Equity holders of the parent	**1,627,548**	1,345,701
Non-controlling interests	**182,285**	225,117
	1,809,833	1,570,818

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 147 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Notes	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	12.1	**15,277,433**	13,709,173	**109,562**	105,240
Leasehold properties	12.2	**542,032**	538,028	**-**	-
Investment properties	13	**165,152**	140,698	**1,236,479**	1,251,360
Intangible assets	14	**1,158,307**	507,192	**-**	-
Biological assets	15	**794,128**	619,519	**-**	-
Investments in subsidiaries	16	**-**	-	**3,908,772**	2,967,593
Investment in associates	16	**88,962**	39,708	**-**	-
Other non-current financial assets	17	**606,839**	559,332	**71,375**	71,375
Deferred tax assets	18	**-**	-	**23,453**	36,953
		18,632,853	16,113,650	**5,349,641**	4,432,521
Current assets					
Inventories	19	**4,431,970**	3,860,578	**-**	-
Trade and other receivables	20	**4,754,827**	4,049,366	**166,964**	98,664
Loans and advances	21	**5,421,730**	2,354,431	**-**	-
Tax receivables		**156,172**	140,646	**-**	-
Amounts due from subsidiaries		**-**	-	**2,753,353**	2,632,037
Other current financial assets	17	**604,253**	40,977	**45,076**	40,977
Cash and short-term deposits	23	**4,081,425**	6,016,739	**2,030,065**	1,087,621
		19,450,377	16,462,737	**4,995,458**	3,859,299
Total assets		**38,083,230**	32,576,387	**10,345,099**	8,291,820
Equity and liabilities					
Equity					
Stated capital	24	**1,972,829**	1,814,824	**1,972,829**	1,814,824
Revenue reserves		**7,861,271**	6,712,869	**1,014,569**	596,862
Statutory reserve fund/ investment reserve fund	25	**2,478**	6,852	**-**	-
Other components of equity	26	**75,826**	73,390	**23,590**	19,491
Equity attributable to equity holders of the parent		**9,912,404**	8,607,935	**3,010,988**	2,431,177
Non-controlling interests		**2,431,421**	2,150,514	**-**	-
Total equity		**12,343,825**	10,758,449	**3,010,988**	2,431,177
Non-current liabilities					
Interest-bearing loans and borrowings	28	**6,224,424**	4,166,767	**3,884,920**	660,097
Net liability to the lessor	29	**606,780**	617,679	**-**	-
Insurance provision	26	**307,092**	193,371	**-**	-
Provisions	30	**104,420**	134,020	**-**	-
Government grants	31	**562,443**	554,869	**-**	-
Deferred tax liabilities	18	**237,986**	219,974	**-**	-
Employee benefit liabilities	32	**2,620,986**	2,062,003	**77,087**	63,707
		10,664,131	7,948,683	**3,962,007**	723,804
Current liabilities					
Trade and other payables	34	**5,913,160**	4,826,833	**361,485**	568,872
Public deposits	35	**2,660,510**	528,025	**-**	-
Current portion of interest-bearing loans and borrowings	28	**2,526,750**	1,240,850	**259,960**	259,960
Current portion of net liability to the lessor	29	**10,899**	10,481	**-**	-
Amounts due to subsidiaries		**-**	-	**214,872**	402,441
Income tax payable		**236,701**	146,731	**56**	1,700
Short term borrowings	22	**3,727,254**	7,116,335	**2,535,731**	3,903,866
		15,075,274	13,869,255	**3,372,104**	5,136,839
Total liabilities		**25,739,405**	21,817,938	**7,334,111**	5,860,643
Total equity and liabilities		**38,083,230**	32,576,387	**10,345,099**	8,291,820

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. Signed for and on behalf of the Board by:

W J V P Perera
Director

J H P Ratnayeke
Director

The accounting policies and notes from pages 88 to 147 form an integral part of these Financial Statements.

28th May 2015

Statement of Changes in Equity

	Attributable to equity holders of the parent								
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	Statutory reserve fund Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total equity Rs.'000
As at 1st April 2013	1,637,236	6,234,927	34,859	40,198	2,222	-	7,949,442	2,217,100	10,166,542
Profit for the period	-	1,417,215	-	-	-	-	1,417,215	238,970	1,656,185
Other comprehensive income/(loss)	-	(69,847)	(14,205)	12,538	-	-	(71,514)	(13,853)	(85,367)
Total comprehensive income	-	1,347,368	(14,205)	12,538	-	-	1,345,701	225,117	1,570,818
Exercise of options	177,588	-	-	-	-	-	177,588	-	177,588
Dividends paid	-	(886,270)	-	-	-	-	(886,270)	-	(886,270)
Acquisition of non-controlling interests	-	21,474	-	-	-	-	21,474	(121,671)	(100,197)
Transfers during the year	-	(4,630)	-	-	4,630	-	-	-	-
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	-	(170,032)	(170,032)
At 31st March 2014	1,814,824	6,712,869	20,654	52,736	6,852	-	8,607,935	2,150,514	10,758,449
As at 1st April 2014	1,814,824	6,712,869	20,654	52,736	6,852	-	8,607,935	2,150,514	10,758,449
Profit for the period	-	1,652,092	-	-	-	-	1,652,092	176,388	1,828,480
Other comprehensive income/(loss)	-	(26,980)	4,202	(1,766)	-	-	(24,544)	5,897	(18,647)
Total comprehensive income	-	1,625,112	4,202	(1,766)	-	-	1,627,548	182,285	1,809,833
Exercise of options	158,005	-	-	-	-	-	158,005	-	158,005
Issue of shares by subsidiaries	-	-	-	-	-	-	-	79,565	79,565
Dividends paid	-	(508,760)	-	-	-	-	(508,760)	-	(508,760)
Adjustments due to changes in holding	-	27,676	-	-	-	-	27,676	(86,716)	(59,040)
Acquisition of Subsidiaries	-	-	-	-	-	-	-	59,267	59,267
Transfers during the year	-	4,374	-	-	(6,852)	2,478	-	-	-
Subsidiary/Associate dividend to minority shareholders	-	-	-	-	-	-	-	46,506	46,506
At 31st March 2015	1,972,829	7,861,271	24,856	50,970	-	2,478	9,912,404	2,431,421	12,343,825
Company									
As at 1st April 2013	1,637,236	517,072	26,291	-	-		2,180,599	-	2,180,599
Profit for the period	-	968,091	-	-	-		968,091	-	968,091
Other comprehensive income/(loss)	-	(2,031)	(6,800)	-	-		(8,831)	-	(8,831)
Total comprehensive income	-	966,060	(6,800)	-	-		959,260	-	959,260
Exercise of options	177,588	-	-	-	-		177,588	-	177,588
Dividends paid	-	(886,270)	-	-	-		(886,270)	-	(886,270)
At 31st March 2014	1,814,824	596,862	19,491	-	-		2,431,177	-	2,431,177
As at 1st April 2014	1,814,824	596,862	19,491	-	-		2,431,177	-	2,431,177
Profit for the period	-	931,067	-	-	-		931,067	-	931,067
Other comprehensive income/(loss)	-	(4,600)	4,099	-	-		(501)	-	(501)
Total comprehensive income	-	926,467	4,099	-	-		930,566	-	930,566
Exercise of options	158,005	-	-	-	-		158,005	-	158,005
Dividends paid	-	(508,760)	-	-	-		(508,760)	-	(508,760)
At 31st March 2015	1,972,829	1,014,569	23,590	-	-		3,010,988	-	3,010,988

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 147 form an integral part of these Financial Statements.

Statement of Cash Flows

		Group		Company	
For the year ended 31st March		**2015**	**2014**	**2015**	**2014**
	Notes	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Operating activities					
Profit before tax from continuing operations		**2,578,946**	2,302,551	**944,567**	968,091
Loss from discontinued operations		**(3,457)**	(2,396)	-	-
Profit before tax		**2,575,489**	2,300,155	**944,567**	968,091
Non-cash adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment		**762,895**	656,859	**25,081**	14,709
Amortisation of lease hold properties		**24,907**	24,096	-	-
Amortisation and impairment of intangible assets		**29,076**	1,701	-	-
Gain on disposal of property, plant and equipment		**(10,467)**	(3,032)	**(2,299)**	-
(Gain)/loss on sale of biological assets		**(18,659)**	16,987	-	-
Net change in the fair value of financial assets at FVTPL		**(1,113)**	-	-	-
Fair value adjustment of biological assets		**(73,778)**	(81,497)	-	-
Finance income		**(244,304)**	(389,584)	**(48,017)**	(95,960)
Finance costs		**806,502**	922,062	**420,856**	420,287
Share of profit of an associate		**(33,831)**	(26,852)	-	-
Provision for bad debts		**70,020**	50,871	-	-
Provision for slow moving stocks		**133,057**	111,991	-	-
Provision for defined benefit plan		**433,760**	348,156	**12,339**	11,764
Profit on sale of financial assets		-	(2,497)	-	-
Provision/(reversal) on warranties		**(29,600)**	18,848	-	-
Reversal of unrealised profit		**1,679**	(14,264)	-	-
Grants amortised		**(24,341)**	(25,139)	-	-
Impairment of loans and advances		**65,119**	18,700	-	-
Exchange differences on translation of foreign currency		**(3,041)**	10,308	-	-
		4,463,370	3,937,869	**1,352,527**	1,318,891
Working capital adjustments:					
(Increase) / decrease in trade and other receivables and prepayments		**(701,327)**	407,811	**(180,290)**	(444,435)
Increase in inventories		**(632,522)**	(212,943)	-	-
Increase/ (decrease) in trade and other payables		**870,055**	(194,455)	**(130,527)**	(141,687)
Changes in operating assets		**(2,474,920)**	(2,354,931)	-	-
Changes in operating liabilities		**1,399,059**	528,050	-	-
Increase in insurance provision		**113,721**	125,796	-	-
Cash generated from operations		**3,037,436**	2,237,197	**1,041,710**	732,769
Interest paid		**(669,517)**	(922,062)	**(283,872)**	(420,287)
Gratuity paid		**(219,444)**	(182,624)	**(3,559)**	(4,416)
Interest received		**244,304**	389,584	**48,017**	95,960
Income tax paid		**(651,265)**	(650,464)	**(1,644)**	(966)
Net cash flows from operating activities		**1,741,514**	871,631	**800,652**	403,060

		Group		Company	
For the year ended 31st March		2015	2014	2015	2014
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investing activities					
Proceeds from sale of property, plant and equipment		**11,894**	5,879	**2,700**	1,500
Purchase of property, plant and equipment		**(1,979,879)**	(2,597,386)	**(24,250)**	(643,785)
Increase in biological assets due to new planting		**(12,185)**	(14,085)	**-**	-
Purchase of financial instruments		**(523,886)**	(30,886)	**-**	-
Acquisition of a subsidiary, net of cash acquired		**(462,900)**	-	**(941,179)**	(61,250)
Proceeds from share buy back		**33,333**	-	**-**	-
Dividend received		**44,602**	12,134	**-**	-
Increase in holding in a subsidiary		**(59,040)**	(100,197)	**-**	-
Receipt of government grants		**20,503**	15,016	**-**	-
Proceeds from sale of other investments		**-**	55,760	**-**	-
Proceeds from sale of biological assets		**28,342**	27,113	**-**	-
Net cash flows used in investing activities		**(2,899,216)**	(2,626,652)	**(962,729)**	(703,535)
Net cash outflow before financing		**(1,157,702)**	(1,755,021)	**(162,077)**	(300,475)
Financing activities					
Proceeds from exercise of share options		**158,005**	177,588	**158,005**	177,588
Proceeds from non controlling interest on initial public offer		**79,565**	-	**-**	-
Payment of finance lease liabilities		**(10,481)**	(10,076)	**-**	-
Proceeds from borrowings		**4,708,575**	3,947,667	**3,700,000**	2,150,000
Debenture issue cost		**(19,881)**	-	**(19,881)**	-
Repayment of borrowings		**(3,051,953)**	(1,776,970)	**(2,159,960)**	(1,033,294)
Dividends paid to equity holders of the parent		**(905,508)**	(489,522)	**(905,508)**	(489,522)
Dividends paid to non-controlling interests		**(46,853)**	(170,032)	**-**	-
Net cash flows from financing activities		**911,469**	1,678,655	**772,656**	804,772
Net increase/ (decrease) in cash and cash equivalents		**(246,233)**	(76,366)	**610,579**	504,297
Cash and cash equivalents at 1st April	23	**800,404**	876,770	**(916,245)**	(1,420,542)
Cash and cash equivalents at 31 March		**554,171**	800,404	**(305,666)**	(916,245)
Analysis of Cash & Cash equivalents at 31st March					
Bank and cash balances	23	**4,081,425**	6,016,739	**2,030,065**	1,087,621
Short term borrowings	23	**(3,527,254)**	(5,216,335)	**(2,335,731)**	(2,003,866)
		554,171	800,404	**(305,666)**	(916,245)

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 147 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 Principal 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 Directors Responsibility

The Board of Directors is responsible for the preparation and presentation of these Consolidated Financial Statements as per the provisions of the companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

1.5 Date of Authorisation for issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the Directors on 28th May 2015.

2. STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the Companies Act No. 7 of 2007.

2.1 Basis of Preparation

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for Financial Instruments Available-for-Sale and Consumable Biological Assets that has been measured at fair value.

2.2 Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the holding Company operates and all values are rounded to the nearest thousand (Rs.'000), except when otherwise indicated.

Each material class of similar items is presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard- LKAS 01, Presentation of Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.3 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 March 2015.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has;

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including;
  - The contractual arrangement with the other vote holders of the investee
  - Rights arising from other contractual arrangements
  - The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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.

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 de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Profit or Loss. Any investment retained is recognised at fair value. The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position. Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated Statement of Profit or Loss and Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from equity attributable to the shareholders of the parent. The Consolidated Statement of Cash Flows includes the cash flows of the Company and its subsidiaries.

2.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Consolidated Financial Statements requires management to make judgements, estimates and assumptions which may 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.

2.4.1 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 Consolidated 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 09 to the Consolidated Financial Statements.

Tax on 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 and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws and timing of future taxable income including but not limited to those that can arise due to treatment of effect of adoption of Sri Lanka Financial Reporting Standards and Transfer Pricing, 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 08 to the Consolidated Financial Statements.

Operating Lease Commitments- The 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 Receivables

The Group reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. 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.

2.4.2 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

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 an active market, conducted at arm's

Notes to the Financial Statements Contd.

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.

Defined Benefit Plans - Gratuity

The defined benefit obligation and the related charge for the year are 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 32 to the Consolidated Financial Statements.

Fair value of Financial Instruments

Where 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.

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 Note14 to the Financial Statements.

Liability Adequacy Test (LAT)

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that is insufficient to meet future benefits and expenses. 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, policy holder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on the managements prudent expectation of current market interest rates.

Any deficiencies shall be recognized in the Statement of Profit or Loss by setting up a provision for liability adequacy. Further details are given in Note 27 to the Financial Statements.

2.5 Summary of Significant Accounting Policies Applied

2.5.1 Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the following SLFRSs with effect from current year.

- Consolidated Financial Statements (SLFRS 10),
- Joint Arrangements (SLFRS 11)
- Disclosure of Interests in Other Entities (SLFRS 12)
- Fair Value Measurement (SLFRS 13)

Comparative Information

The presentation and classification of the Financial Statements of the previous year has been amended, where relevant for better presentation and to be comparable with those of the current year.

The following are the significant accounting policies applied by the Group in preparing its Consolidated Financial Statements:

2.5.2 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting. 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 re-measured 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.

2.5.3 Investment in Associates

The Group investment in 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 Statement of Profit or Loss 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 Statement of Profit or Loss 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 Statement of Profit or Loss.

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.

2.5.4 Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates applicable on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on re-translation are recognised in profit and loss. All differences arising on settlement or translation of monetary items are taken to the Statement of Profit or Loss. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. 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

Notes to the Financial Statements Contd.

determined. The gain or loss arising on re-translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in Statement of Other Comprehensive Income or profit or loss is also recognised in Statement of Other Comprehensive Income or profit or loss, respectively).

Foreign Operations
The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lanka Rupees as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition , are translated to Sri Lanka Rupees at the exchange rate at the reporting date
- Income and expenses are translated at the average exchange rates for the year.

Foreign currency differences are recognised in Statement of Other Comprehensive Income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is re-attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

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.

Richard Pieris Trading Company PTE Limited uses Singapore dollars as its functional currency as it conducts the majority of its business in Singapore dollars and the financials has been translated to the presentation currency of the Group, Sri Lankan Rupees, for consolidation purpose.

2.5.5 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 on the percentage of completion method measured by reference to the engineer's report. 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 revenue.

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 Statement of Profit or Loss 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 Statement of Profit or Loss.

g) Finance Company Revenue

Interest Income and Interest Expense
For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate EIR (method). EIR is the rate that exactly discounts 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 financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to its customers and include under other income.

h) Dividends

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

I) 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.

J) Royalties

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

K) 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 Statement of Profit or Loss, 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)

l) Other Income

Other income is recognized on an accrual basis.

2.5.6 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.

2.5.7 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 for items recognised in other comprehensive income shall be recognised in Statement of Other Comprehensive Income not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to the Financial Statements Contd.

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 Statement of 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.
- 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.

VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

2.5.8 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 Statement of Profit or Loss.

2.5.9 Property, Plant and Equipment

Property, plant and equipment are 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	5-30 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 de-recognised 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 Statement of Profit or Loss when the asset is de-recognised.

2.5.10 Biological Assets

2.5.10.1 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 harvest-able specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvest-able 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 to the Financial Statements.

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.

2.5.10.2 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 Profit or Loss in the year in which they are incurred.

2.5.11 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the

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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.

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 Statement of Profit or Loss.

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.

Group as a lessor for operating leases
Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

2.5.12 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.

2.5.13 Investment Properties

Investment properties are measured initially at cost, including transaction costs.

Investment properties are de-recognised 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 Statement of Profit or Loss in the period of de-recognition.

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.

2.5.14 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 Statement of Profit or Loss 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 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 Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

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

Gains or losses arising from 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 Statement of Profit or Loss when the asset is de-recognised.

2.5.15 Financial Instruments-Initial Recognition and Subsequent Measurement

2.5.15.1 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(including rental receivable on finance leases, hire purchases, operating leases and advances and other loans to customers), 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 Statement of Profit or Loss.

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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss 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 Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

d) Available for Sale Financial Investments

Available-for-Sale financial investments held at the reporting date consist 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 de-recognised, 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 Statement of Profit or Loss in finance costs and removed from the available-for-sale reserve.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised 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

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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.

2.5.15.2 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 Statement of Profit or Loss. 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 Statement of Profit or Loss.

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 value 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 Statement of Profit or Loss-is removed from the Statement of Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised directly in Statement of Other Comprehensive Income.

2.5.15.3 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, public deposits, bank overdrafts, loans and borrowings, and other financial instruments.

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 Statement of Profit or Loss when the liabilities are de-recognised 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 Statement of Profit or Loss.

De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

2.5.15.4 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

2.5.15.5 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 Note17 to the Financial Statements.

2.5.16 Inventories
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 proportion 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

2.5.17 Impairment of Non-Financial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 group 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 Statement of Profit or Loss 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 Statement of Profit or Loss 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:

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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.

2.5.18 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 statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts and short term borrowings which are settled within 90 days.

2.5.19 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.

2.5.20 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 Statement of Profit or Loss 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.

2.5.21 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 Statement of Profit or Loss.

2.5.22 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.

2.5.23 Post-Employment Benefits

Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note31 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The basis of payment of retiring gratuity is 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.

In accordance with revised LKAS 19 Employee Benefits, the Group has recognized all actuarial gains and losses in the Other Compressive Income.

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.

2.6 Significant Accounting Policies that are Specific to Other Businesses

2.6.1 Insurance Company

2.6.1.1 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.

2.6.1.2 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 Statement of Profit or Loss. 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 de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.6.1.3 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 Statement of Profit or Loss.

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.

2.6.1.4 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.

2.6.1.5 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

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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.

2.6.2 Finance Company

2.6.2.1 Impairment of Loans and Advances

For financial assets carried at amortised cost, such as loans and advances taken by customers, held to maturity investments etc., the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. In the event the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment

Individually Assessed Financial Assets

The criteria used to determine whether there is objective evidence of impairment include:

- Known cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter Bankruptcy or other financial realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

When impairment losses are determined for those financial assets where objective evidence of impairment exists, the following factors are considered:

- Company's aggregate exposure to the customer;
- The viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The realisable value of security (or other credit mitigants) and likelihood of successful repossession;

Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous group of loans that is not considered individually significant.

Incurred but not yet Identified Impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Company has incurred as a result of events occurring before the reporting date, which the Company is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the Company, those financial assets are removed from the Company and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous Groups of Financial Assets

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of financial assets. Losses in these groups of financial assets are recorded on an individual basis when individual financial assets are written off, at which point they are removed from the Company.

Net Flow Rate Method
If the group of loans are short term by nature, the Company uses Net Flow Rate method. Under this methodology the movement in the outstanding balance of customers into bad categories over the periods are used to estimate the amount of financial assets that will eventually be written off as a result of the events occurring before the reporting date which the Company is not able to identify on an individual loan basis, and that can be reliably estimated.

Under above methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable. Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss. These additional macro and portfolio risk factors may include:

- Recent loan portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- Changes in government laws and regulations

Write-off of Loans and Advances
Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

2.7 Segment Information

2.7.1 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 03 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 revenue has been analysed into the geographical location.

2.7.2 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.

2.8 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective
The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

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.

This standard was originally effective for annual periods commencing on or after 01 January 2015.However the effective date has been deferred subsequently.

b) SLFRS 15 - Revenue from Contracts with Customers
SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. This standard is effective for the annual periods beginning on or after 01 January 2017.

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

Notes to the Financial Statements Contd.

3. Group Segmental Reporting

Year ended 31st March 2015 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	2,926,779	2,616,386	5,160,441	18,448,646	1,174,874	140,243	7,334,874	37,802,243	-	37,802,243
Inter- segment	117,050	29,803	537,972	8,897	-	2,134,520	649,559	3,477,801	(3,477,801)	-
Intra - segment	-	1,665,120	841,675	229,732	-	-	190,353	2,926,880	(2,926,880)	-
Total revenue	3,043,829	4,311,309	6,540,088	18,687,275	1,174,874	2,274,763	8,174,786	44,206,924	(6,404,681)	37,802,243
Results										
Segment results	472,341	527,364	874,893	1,172,628	138,626	899,116	162,534	4,247,502	(1,143,993)	3,103,509
Finance costs										(811,166)
Finance income										244,304
Share of profit of an associate										42,299
Profit before tax from continuing operations										2,578,946
Income tax expense										(747,009)
Profit for the year from continuing operations										1,831,937
Loss after tax for the year from discontinued operations										(3,457)
Profit for the year										1,828,480
Non-controlling interests										(176,388)
Attributable to Equity holders of the parent										1,652,092
Operating assets	2,739,342	1,872,507	4,810,865	8,130,309	8,683,885	8,068,242	18,454,963	52,760,113	(14,765,845)	37,994,268
Operating liabilities	1,335,251	1,060,493	3,157,741	4,982,714	5,969,456	4,478,506	10,414,054	31,398,215	(5,658,810)	25,739,405
Other disclosures										
Investment in an associate	227,905	-	-	-	-	-	29,959	257,864	(168,902)	88,962
Capital expenditure	231,947	11,844	268,667	503,824	27,234	16,558	931,990	1,992,064	-	1,992,064
Depreciation	55,117	37,774	79,809	217,257	17,518	32,242	323,178	762,895	-	762,895

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	37,741,090	604,344	1,176,655	1,207,034	40,729,123	(2,926,880)	37,802,243

Segment Information

Year ended 31st March 2014 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	2,750,547	2,641,946	5,228,289	16,109,248	514,657	146,058	7,308,366	34,699,111	-	34,699,111
Inter-segment	109,434	41,698	474,394	-	-	1,884,251	778,427	3,288,204	(3,288,204)	-
Intra - segment	462	1,095,604	289,151	229,733	-	-	281,022	1,895,972	(1,895,972)	-
Total revenue	2,860,443	3,779,248	5,991,834	16,338,981	514,657	2,030,309	8,367,815	39,883,287	(5,184,176)	34,699,111
Results										
Segment results	316,004	399,484	623,136	987,345	(76,179)	819,036	820,029	3,888,855	(1,081,728)	2,807,127
Finance costs										(922,062)
Finance income										389,584
Share of profit of an associate										27,902
Profit before tax from continuing operations										2,302,551
Income tax expense										(643,970)
Profit for the year from continuing operations										1,658,581
Loss after tax for the year from discontinued operations										(2,396)
Profit for the year										1,656,185
Non-controlling interests										(238,970)
Attributable to Equity holders of the parent										1,417,215
Operating assets	2,462,788	1,981,629	5,107,314	7,151,443	3,583,557	8,135,667	17,148,100	45,570,498	(13,033,819)	32,536,679
Operating liabilities	659,420	684,214	2,404,661	3,545,706	2,375,224	4,766,844	7,506,878	21,942,947	(125,009)	21,817,938
Other disclosures										
Investment in an associate	227,905	-	-	-	-	-	29,959	257,864	(218,156)	39,708
Capital expenditure	31,499	5,206	351,793	473,445	28,504	647,865	1,073,159	2,611,471	-	2,611,471
Depreciation	53,135	36,620	65,986	188,814	11,624	22,714	302,062	680,955	-	680,955

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	33,742,253	693,032	880,163	1,279,635	36,595,083	(1,895,972)	34,699,111

Notes to the Financial Statements Contd.

4. Other Income/Expenses and Adjustments

4.1 Other operating income

	Group	
	2015 Rs.'000	2014 Rs.'000
Government grants	**19,988**	20,786
Net gain on disposal of property, plant and equipment	**8,168**	3,032
Profit on disposal of current investments	**-**	2,497
Rental income	**273,778**	232,249
Gain on change in fair value of biological assets	**73,778**	81,497
Income from partnership promotions	**128,339**	87,902
Foreign exchange gain	**8,689**	7,459
Scrap sales/Sales commission/Mixing income	**53,369**	51,303
Sale of timber/rubber trees	**82,550**	24,000
Documentation and other service charges	**77,171**	15,279
Sundry income	**92,741**	49,060
Total other operating income	**818,571**	575,064

4.2 Other Operating Expenses

	Group	
	2015 Rs.'000	2014 Rs.'000
Foreign exchange loss	**7,630**	9,990
Irrecoverable VAT on management fees of plantation companies	**22,342**	33,201
Amortisation and impairment of intangible assets	**28,879**	1,701
Others	**4,433**	6,099
Total other operating expenses	**63,284**	50,991

4.3 Profit from operations is stated after charging the following expenses

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Directors' remuneration & fees	**27,007**	28,082	**18,515**	10,573
Auditors' remuneration & fees	**22,505**	18,317	**834**	796
Depreciation	**762,895**	656,859	**25,081**	14,709
Amortisation of leasehold properties	**24,907**	24,096	**-**	-
Amortisation of intangible assets	**29,076**	1,701	**-**	-
Provision made for defined benefit plan cost	**433,760**	348,156	**12,339**	11,764
Staff costs including defined contribution plan cost	**6,621,282**	5,955,684	**97,737**	91,400
Legal fees	**12,680**	10,974	**857**	338
Donations	**2,807**	2,914	**225**	252
Allowances for impairment of receivables & debts written off	**135,139**	69,571	**-**	-

5. Finance Costs

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Interest on long term loans	**720,401**	541,061	**255,043**	189,129
Interest on short term loans	**90,765**	381,001	**170,477**	231,158
Total finance costs	**811,166**	922,062	**425,520**	420,287

6. Finance Income

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Interest income from related companies	-	-	**47,980**	73,586
Interest income from third parties	**244,304**	389,584	**37**	22,374
Total finance income	**244,304**	389,584	**48,017**	95,960

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 palm oil.

The Group's share of the assets and liabilities as at 31st March 2015 and 2014, and income and expenses of the entity for the years ending 31st March 2015 and 2014, which is accounted under the equity method are as follows.

	2015 Rs.'000	2014 Rs.'000
Revenue	**1,745,853**	1,599,716
Profit before tax	**195,545**	128,988
Group's share of profit before tax	**42,299**	27,902
(-) Tax on associate results	**(8,468)**	(1,050)
Group share of profit after tax	**33,831**	26,852
Associate's Statement of Financial Position		
Current assets	**88,416**	86,762
Non-current assets	**306,095**	310,754
	394,511	397,516
Current liabilities	**(60,521)**	(35,652)
Non-current liabilities	**(35,415)**	(26,158)
	(95,936)	(61,810)

Investments in Associates	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	**39,708**	24,990
Share of profit	**42,299**	27,902
Taxation	**(8,468)**	(1,050)
Dividends received/ Share buy back/ Share of dividends to minority interest	**15,423**	(12,134)
At the end of the year	**88,962**	39,708

Notes to the Financial Statements Contd.

8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2015 and 2014 are:

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Current income tax:				
Current income tax charge	**588,983**	496,828	-	-
Adjustments in respect of current income tax of previous years	**(10,475)**	9,463	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	**16,868**	6,248	**13,500**	-
ESC Unrecoverable	**8,134**	3,303	-	-
Tax on associate results	**8,465**	1,050	-	-
Dividend tax	**135,033**	127,078	-	-
Income tax expense reported in the Statement of Profit or Loss	**747,009**	643,970	**13,500**	-

A. Taxation on current year profit

	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
Profit before tax from continuing operations	**2,578,946**	2,302,551	**944,567**	968,091
Loss before tax from discontinued operations	**(3,457)**	(2,396)	-	-
Profit from associate companies	**(42,299)**	(27,902)	-	-
	2,533,190	2,272,253	**944,567**	968,091
Disallowed items	**1,831,099**	1,915,624	**196,671**	158,977
Allowable expenses	**(2,526,851)**	(2,401,668)	**(1,189,514)**	(45,263)
Tax exempt income	**(151,073)**	(689,827)	-	-
Resident dividend	**-**	-	**(1,146,191)**	(1,084,739)
Qualifying payment on acquisition of a subsidiary	**(154,890)**	-	-	-
	1,531,474	1,096,382	**(1,194,467)**	(2,934)
Tax loss brought forward	**(3,206,197)**	(2,681,520)	**(405,266)**	(358,194)
Tax loss carried forward	**3,863,123**	2,931,228	**405,266**	361,128
Taxable Income	**2,188,400**	1,346,090	**(1,194,467)**	-
Income tax 28%	**499,883**	434,215	-	-
Income tax 20%	**37,947**	7,615	-	-
Income tax 15%	**283**	293	-	-
Income tax 12%	**48,628**	38,181	-	-
Income tax 10%	**596**	14,877	-	-
Income tax at other rates	**1,647**	1,647	-	-
	588,983	496,828	-	-
(Over) / under provision in the previous years	**(10,475)**	9,463	-	
	578,509	506,291	-	-
Tax on associate results	**8,465**	1,050	-	-
ESC unrecoverable	**8,134**	3,303	-	-
Dividend tax	**135,033**	127,078	-	-
Deferred tax	**16,868**	6,248	**13,500**	-
	747,009	643,970	**13,500**	-

	Group		Company	
	2015	**2014**	**2015**	**2014**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose	**251,003**	202,906	**-**	10,138
Retirement benefits obligation	**(83,109)**	(19,521)	**-**	(2,626)
Benefit arising from tax losses	**(151,568)**	(141,371)	**13,500**	7,335
Other provisions	**542**	(35,766)	**-**	(14,847)
Total deferred tax expense	**16,868**	6,248	**13,500**	-

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%.

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% and 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 (Pvt) Limited is liable to income tax at 12% for the year of assessment 2014/15. 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 was exempt from income tax for a period of three years commencing from the year of assessment 2008/09 after this tax exempted period the Company was liable to tax at 10% for a period of 2 years immediately succeeding the last day of said exemption period and currently is liable to the reduced income tax rate of 20%.

In terms of an agreement entered in to with the Board of Investment of Sri Lanka under the BOI Act No 04 of 1978, RPC Retail Development (Pvt) Limited was exempted from tax for a period of three years commencing from the year of assessment 2009/2010 .After the expiry of the tax holiday the company was liable for income tax at 10% for two years and at 20% thereafter.

The profits of Arpico Industrial Development Company (Pvt) Ltd. is subject to a concessionary income tax rate of 2% on revenue 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.

Micro Mineral (Pvt) 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, Namunukula Plantations PLC and Exotic Horticulture (Pvt) Ltd. are liable for income tax at the rate of 10% on profits from agriculture and 28% on manufacturing activities, commencing from 1st April 2011.

Arpico Ataraxia Asset Management (Pvt) Ltd. which is an unit trust company is taxed at the rate of 10% and RPC Constructions (Pvt) Ltd. is taxed at 12% on profit from undertaking construction work.

9. Discontinued Operations

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

Notes to the Financial Statements Contd.

The results of discontinued operations are given below.

	2015 Rs.'000	2014 Rs.'000
Revenue / Other income	**4,601**	4,352
Expenses	**(8,058)**	(6,748)
Loss for the year from discontinued operations	**(3,457)**	(2,396)

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 2015 are as follows:

	2015 Rs.'000	2014 Rs.'000
Total assets	**88,228**	101,702
Total liabilities	**103,508**	111,120

Cash flow implications for the year are presented below:

	2015 Rs.'000	2014 Rs.'000
Net cash flows from operating activities	**(3,170)**	319

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:

	2015 Rs.'000	2014 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,655,549**	1,419,611
Loss attributable to ordinary equity holders of the parent from discontinued operations	**(3,457)**	(2,396)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**1,652,092**	1,417,215

	2015	2014
Weighted average number of ordinary shares for basic earnings per share	**2,008,333,942**	1,956,599,428
Effect of dilution:		
Effect of potential ordinary shares from share options	**4,592,020**	38,210,579
Weighted average number of ordinary shares adjusted for the effect of dilution	**2,012,925,962**	1,994,810,007

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.

	2015 Rs.	2014 Rs.
Basic earnings per share	**0.82**	0.72
Diluted earnings per share	**0.82**	0.71
Earnings per share from continuing operations - Basic	**0.82**	0.73
Earnings per share from continuing operations - Diluted	**0.82**	0.71

11. Dividend per Share

	2015 Rs.'000	2014 Rs.'000
Interim Dividend Rs. 0.25 per share (2013/14 Rs. 0.45 per share)	**508,760**	886,270
	508,760	886,270

1. The first interim dividend of Rs. 0.25 per share for the financial year ended 31.03.2014 was declared on 16th August 2013 and was paid on 30th August 2013.

2. The second interim dividend of Rs. 0.20 per share for the financial year ended 31.03.2014 was declared on 24th March 2014 and was paid on 10th April 2014.

3. First interim dividend of Rs. 0.25 per share for the financial year ended 31.03. 2015 was declared on 17th November 2014 and was paid on 4th December 2014.

Notes to the Financial Statements Contd.

12. Property Plant & Equipment

12.1 Group

	As at 01.04.2014 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Acquisition through business combinations Rs.'000	As at 31.03.2015 Rs.'000
Cost / valuation						
Land / land improvements	2,719,834	4,999	-	-	130,688	**2,855,521**
Buildings	3,222,348	227,257	-	1,354	103,331	**3,554,290**
Immature / mature plantations	6,379,754	722,596	-	-	107,506	**7,209,856**
Plant, machinery, tools & electrical installations	4,430,979	578,757	(88,832)	7,022	563	**4,928,489**
Office & other equipment	872,158	173,209	-	-	1,259	**1,046,626**
Furniture, fixtures & fittings	492,462	38,438	(6)	249	4,985	**536,128**
Motor vehicles	709,395	77,915	(7,777)	26	8,661	**788,220**
Computers	428,739	38,516	(120)	-	627	**467,762**
	19,255,669	1,861,687	(96,735)	8,651	357,620	**21,386,892**
Capital work in progress	618,095	424,574	(332,755)	-	-	**709,914**
Total gross carrying amount	19,873,764	2,286,261	(429,490)	8,651	357,620	**22,096,806**

	As at 01.04.2014 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2015 Rs.'000
Depreciation / amortization						
Land improvements	86,084	7,653	-	-	-	**93,737**
Buildings	779,356	146,127	-	90	7,798	**933,371**
Immature / mature plantations	960,017	149,958	-	-	-	**1,109,975**
Plant, machinery, tools & electrical installations	2,772,739	241,666	(87,429)	2,008	(7,798)	**2,921,186**
Office & other equipment	508,077	73,947	-	-	-	**582,024**
Furniture, fixtures & fittings	356,536	30,286	-	226	-	**387,048**
Motor vehicles	610,764	56,538	(7,777)	26	-	**659,551**
Computers	358,390	30,064	(99)	-	-	**388,355**
	6,431,963	736,239	(95,305)	2,350	-	**7,075,247**

Net Book Values	2015 Rs.'000	2014 Rs.'000
Land/land improvements	**2,761,784**	2,633,750
Buildings	**2,620,919**	2,442,992
Immature / mature plantations	**6,099,881**	5,419,737
Plant, machinery, tools & electrical installations	**2,007,386**	1,658,240
Office & other equipment	**464,602**	364,081
Furniture, fixtures & fittings	**149,080**	135,926
Motor vehicles	**128,669**	98,631
Computers	**79,408**	70,349
	14,311,729	12,823,706
Capital work in progress	**709,913**	618,095
Total carrying amount	**15,021,642**	13,441,801

Assets acquired on finance leases	As at 01.04.2014 Rs.'000	Acquisition through business combinations Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2015 Rs.'000
Cost / valuation				
Immature / mature plantations	758,385	15,075	-	**773,460**
Plant & machinery	134,286	83	-	**134,369**
Office & other equipment	836	-	-	**836**
Motor vehicles	3,997	-	-	**3,997**
	897,504	15,158	-	**912,662**

	As at 01.04.2014 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2015 Rs.'000
Depreciation / amortization				
Immature / mature plantations	491,432	26,640	-	**518,072**
Plant & machinery	134,286	-	-	**134,286**
Office & other equipment	417	16	-	**433**
Motor vehicles	3,997	-	-	**3,997**
	630,132	26,656	-	**656,788**

Net Book Values	2015 Rs.'000	2014 Rs.'000
Immature / mature plantations	**255,388**	266,953
Plant & machinery	**83**	-
Office & other equipment	**403**	419
Motor vehicles	**-**	-
	255,874	267,372
Total carrying amount of property, plant & equipments	**15,277,433**	13,709,173

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,166 mn (2014 - Rs. 2,038 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 1,980 mn (2014 - Rs. 2,597 mn) for cash considerations.

12.2 Leasehold Properties

	As at 01.04.2014 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Acquisition through business combinations Rs.'000	As at 31.03.2015 Rs.'000
Cost / valuation					
Right to use land	827,863	-	-	-	**827,863**
Buildings	204,481	24,766	-	4,145	**233,392**
	1,032,344	24,766	-	4,145	**1,061,255**

Notes to the Financial Statements Contd.

	As at 01.04.2014 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Acquisition through business combinations Rs.'000	As at 31.03.2015 Rs.'000
Amortisation					
Right to use land	321,475	15,475	-	-	**336,950**
Buildings	172,841	9,432	-	-	**182,273**
	494,316	24,907	-	-	**519,223**

	2015 Rs.'000	2014 Rs.'000
Right to use land	**490,913**	506,388
Buildings	**51,119**	31,640
Total carrying amount of leasehold properties	**542,032**	538,028

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 reporting 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 will be 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, prevailed at the time of privatisation of plantation estates. 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. Investment in immature plantations at the time of handing over to the Company as at 22 June, 1992 by way of estate leases were shown under immature plantations. However, since then all such investments in immature plantations attributable to JEDB/SLSPC period have been transferred to mature plantations.

“Right-To-Use of Land on Lease” as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Recommended Practice (SoRP) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SoRP) for right-to-use of land does not permit further revaluation of right-to-use land.

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

The other assets of the three 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 30 years.

Property (excluding leasehold property) with a carrying amount of Rs. 6,989 mn (2014 - Rs. 6,743 mn) are pledged as security for loans obtained. (Note 28.1)

Borrowing costs amounting to Rs. 83.4 mn (2014 - Rs. 115.6 mn) have been capitalised which was incurred on long term loans related to immature plantations in the plantation sector using a capitalisation rate of 12.63% (2014 - 12.83%).

12.3 Company

	As at 01.04.2014 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Adjustments Rs.'000	As at 31.03.2015 Rs.'000
Cost / valuation					
Buildings	47,485	2,107	-	-	**49,592**
Plant, machinery, tools & electrical installations	94,523	248	(400)	-	**94,371**
Office & other equipment	27,415	2,055	-	-	**29,470**
Furniture, fixtures & fittings	19,911	980	-	-	**20,891**
Motor vehicles	65,039	628	(686)	-	**64,981**
Computers	33,489	4,544	-	-	**38,033**
	287,862	10,562	(1,086)	-	**297,338**
Capital work in progress	9,328	12,914	(9,328)	-	**12,914**
Total gross carrying amount	297,190	23,476	(10,414)	-	**310,252**

	As at 01.04.2014 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Adjustments Rs.'000	As at 31.03.2015 Rs.'000
Depreciation / amortisation					
Buildings	-	5,911	-	-	**5,911**
Plant, machinery, tools & electrical installations	59,288	6,131	-	(7,798)	**57,621**
Office & other equipment	24,646	1,256	-	-	**25,902**
Furniture, fixtures & fittings	14,137	1,547	-	-	**15,684**
Motor vehicles	64,993	117	(686)	-	**64,424**
Computers	28,886	2,262	-	-	**31,148**
	191,950	17,224	(686)	(7,798)	**200,690**

Net Book Values	2015 Rs.'000	2014 Rs.'000
Buildings	**43,681**	47,485
Plant, machinery, tools & electrical installations	**36,750**	35,235
Office & other equipment	**3,568**	2,769
Furniture, fixtures & fittings	**5,207**	5,774
Motor vehicles	**557**	46
Computers	**6,885**	4,603
	96,648	95,912
Capital work in progress	**12,914**	9,328
Total carrying amount	**109,562**	105,240

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 162 mn (2014 - Rs. 144 mn)

During the Financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 23 mn (2014 - Rs. 88 mn)

Notes to the Financial Statements Contd.

13. Investment properties

13.1 Group

	As at 01.04.2014 Rs.'000	Additions Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2015 Rs.'000
Gross carrying amounts				
Freehold land	140,698	1,607	22,847	**165,152**
	140,698	1,607	22,847	**165,152**

Net Book Values	2015 Rs.'000	2014 Rs.'000
Freehold land	**165,152**	140,698
Total carrying amount of investment property	**165,152**	140,698

13.2 Company

	As at 01.04.2014 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2015 Rs.'000
Gross carrying amounts				
Freehold land	1,038,063	-	-	**1,038,063**
Buildings and building integrals	293,448	774	-	**294,222**
	1,331,511	774	-	**1,332,285**

	As at 01.04.2014 Rs.'000	Charge for the Year Rs.'000	Adjustments Rs.'000	As at 31.03.2015 Rs.'000
Depreciation				
Buildings on freehold land	80,151	7,857	7,798	**95,806**
	80,151	7,857	7,798	**95,806**

Net Book Values	2015 Rs.'000	2014 Rs.'000
Freehold land	**1,038,063**	1,038,063
Buildings on freehold land	**198,416**	213,297
Total carrying amount of investment property	**1,236,479**	1,251,360

	2015 Rs. Mn	2014 Rs. Mn
Rental income derived from investment properties	**145**	138
Direct operating expenses incurred	**3.9**	3.7
Fair value of investment property	**6,309**	6,019

14. Intangible Assets

	Goodwill Rs.'000	Licences Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
As at 1st April 2014	524,003	58,735	3,332	586,070
Acquisition through business combinations	673,706	-	6,485	680,191
As at 31st March 2015	1,197,709	58,735	9,817	1,266,261
Amortisation and Impairment				
As at 1st April 2014	43,125	34,421	1,332	78,878
Amortisation for the year	27,178	1,452	446	29,076
As at 31st March 2015	70,303	35,873	1,778	107,954
Net Book Value				
As at 31st March 2014	480,878	24,314	2,000	507,192
As at 31st March 2015	1,127,406	22,862	8,038	1,158,307

(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 six cash-generating units, for impairment testing as follows;

1. Kegalle Plantations PLC
2. Namunukula Plantations PLC
3. Maskeliya Plantations PLC
4. Arpico Super Centre - Kandy
5. Chilaw Finance PLC - (Note 39)
6. Six estates of Uva range of Namunukula Plantations PLC (Note 39)

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 amortisations and impairment losses. Licences acquired have been amortised evenly over the validity period of the licence.

(c) Other intangible assets

Other intangibles represent an IT platform developed by Ataraxia Pvt Ltd to manage its funds which is amortised over a period of ten years commencing from financial year 2012/13 and also IT systems used by Chilaw Finance PLC to manage its operations.

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.

Notes to the Financial Statements Contd.

15. Biological Assets

Consumable Biological Assets	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	**619,519**	568,037
Acquisition through business combinations	**98,330**	-
Increase due to new planting	**12,185**	14,085
Decrease due to harvesting	**(9,684)**	(44,100)
Gain in fair value	**73,778**	81,497
At the end of the year	**794,128**	619,519

Biological assets include commercial timber plantations cultivated in estates of Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula 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 followers:

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 cost etc. from 60% of market price.
3. Time period of maturity estimated at 20 years.
4. Discount rate used was 13%.
5. The fuel wood trees are taken at a nominal value.

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 2015	-10% Rs.'000	Rs.'000	+10% Rs.'000
Managed Timber	715,515	794,128	872,420
Total	715,515	794,128	872,420

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 2015	11.50% Rs.'000	13.00% Rs.'000	14.50% Rs.'000
Managed Timber	899,242	794,128	714,220
Total	899,242	794,128	714,220

16. Investments

A Company investments in subsidiaries

	% Holding		No. of shares			Value Rs.'000		
	31.03.2015	31.03.2014	31.03.2015	Movement	31.03.2014	31.03.2015	Movement	31.03.2014
Quoted investments								
Richard Pieris Exports PLC (Rs. 1,167 mn) *	**80**	80	**8,959,997**	-	8,959,997	**200,555**	-	200,555
Kegalle Plantations PLC (Rs. 1,698 mn) * +	**-**	-	**9,500**	-	9,500	**1,441**	-	1,441
Arpico Insurance PLC (Rs. 713 mn)*	**25**	25	**15,125,000**	-	15,125,000	**151,250**	-	151,250
Unquoted investments								
Richard Pieris Distributors Ltd.	**100**	100	**106,673,960**	-	106,673,960	**812,130**	-	812,130
Arpidag International (Pvt) Ltd.	**51**	51	**234,598**	-	234,598	**27,110**	-	27,110
Richard Pieris Tyre Co. Ltd.	**100**	100	**4,000,000**	-	4,000,000	**50,000**	-	50,000
Richard Pieris Rubber Products Ltd.	**100**	100	**2,700,000**	-	2,700,000	**27,000**	-	27,000
Richard Pieris Rubber Compounds Ltd.	**100**	100	**1,700,000**	-	1,700,000	**17,000**	-	17,000
Arpico Furniture Ltd.	**100**	100	**4,000,000**	-	4,000,000	**40,000**	-	40,000
Arpico Plastics Ltd.	**100**	100	**2,900,000**	-	2,900,000	**29,000**	-	29,000
Arpico Industrial Development Co. Ltd.								
- Ordinary Shares	**100**	100	**1,500,000**	-	1,500,000	**15,000**	-	15,000
- 12% Redeemable Cumulative preference shares	**-**	-	**9,140,000**	-	9,140,000	**91,400**	-	91,400
Plastishells Ltd.	**98**	98	**3,361,000**	-	3,361,000	**35,615**	-	35,615
Richard Pieris Natural Foams Ltd.	**22**	22	**14,022,253**	-	14,022,253	**143,479**	-	143,479
Arpitalian Compact Soles (Pvt) Ltd.								
- Ordinary Shares	**18**	18	**10,666,666**	-	10,666,666	**80,000**	-	80,000
- 10% Redeemable Cumulative Preference Shares	**-**	-	**6,404,500**	-	6,404,500	**64,045**	-	64,045
RPC Management Services (Pvt) Ltd.	**100**	100	**3,750,000**	-	3,750,000	**550,250**	-	550,250
Richard Pieris Group Services (Pvt) Ltd.	**100**	100	**2**	-	2	**-**	-	-
Arp-Eco (Pvt) Ltd.	**100**	100	**2**	-	2	**-**	-	-
RPC Logistics (Pvt) Ltd.	**100**	100	**2,000,002**	-	2,000,002	**20,000**	-	20,000
Richard Pieris Plantations (Pvt) Ltd.	**100**	100	**7**	-	7	**-**	-	-
R P C Real Estate Development Co. (Pvt) Ltd.	**50**	50	**1**	-	1	**-**	-	-
Arpico Homes (Pvt) Ltd.	**100**	100	**7**	-	7	**-**	-	-
Arpico Exotica Asiana (Pvt) Ltd.	**100**	100	**2**	-	2	**-**	-	-
RPC Hotel Services (Pvt) Ltd.	**100**	100	**600,000**	-	600,000	**6,000**	-	6,000
RPC Construction (Pvt) Ltd.	**100**	100	**2,000,000**	-	2,000,000	**20,000**	-	20,000
Arpitech (Pvt) Ltd.	**100**	100	**28,500,018**	-	28,500,018	**285,000**	-	285,000
Arpimall Development Co (Pvt) Ltd.	**24**	24	**5,000,000**	-	5,000,000	**50,000**	-	50,000
Arpico Interiors (Pvt) Ltd.	**83**	83	**2,500,000**	-	2,500,000	**25,000**	-	25,000
Richard Pieris Securities (Pvt) Ltd	**100**	100	**15,299,999**	-	15,299,999	**153,000**	-	153,000
Richard Pieris Financial Services (Pvt) Ltd	**100**	100	**3,499,999**	-	3,499,999	**35,000**	-	35,000
Arpico Ataraxia Asset Management Pvt Ltd	**51**	51	**2,040,001**	-	2,040,001	**20,400**	-	20,400
Richard Pieris Finance Limited	**80**	40	**93,583,063**	77,583,062	16,000,001	**935,830**	775,830	160,000
Arpico Durables (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
Arpico Furniture Distributors (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
Arpico Developments (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
RPC Retail Developments Company (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
Arpico Pharmaceuticals (Pvt) Limited	**100**	100	**10,000,002**	10,000,002	-	**100,000**	100,000	-
Richard Pieris Trading Company (Pte) Limited	**100**	100	**618,500**	618,500	-	**65,349**	65,349	-
						4,050,854	941,179	3,109,675
Provision for fall in value of the investments in;								
Arpico Furniture Ltd.						**(40,000)**	-	(40,000)
Arpico Hotel Services (Pvt) Ltd.						**(6,000)**	-	(6,000)
RPC Construction (Pvt) Ltd.						**(20,000)**	-	(20,000)
Arpitech (Pvt) Ltd.						**(35,000)**	-	(35,000)
Arpitalian Compact Soles (Pvt) Ltd.						**(41,082)**	-	(41,082)
Company investments in subsidiaries						**3,908,772**	941,179	2,967,593

Notes to the Financial Statements Contd.

B Group investments in subsidiaries

	% Holding		No. of shares			Value Rs.'000		
	31.03.2015	31.03.2014	31.03.2015	Movement	31.03.2014	31.03.2015	Movement	31.03.2014
Investor								
Richard Pieris Distributors Ltd.								
Investee								
Arpimalls Development Co (Pvt) Ltd.								
Ordinary shares	**76**	76	**16,000,000**	-	16,000,000	**160,000**	-	160,000
6% redeemable cumulative preference shares	**-**	-	**22,000,000**	-	22,000,000	**220,000**	-	220,000
Arpico Interiors (Pvt) Ltd.	**17**	17	**500,000**	-	500,000	**5,000**	-	5,000
RPC Real Esatate Development (Pvt) Ltd.								
Ordinary shares	**50**	50	**1**	-	1	**-**	-	-
6% redeemable cumulative preference shares	**-**	-	**66,700,000**	-	66,700,000	**667,000**	-	667,000
RPC Retail Development (Pvt) Ltd.								
Ordinary shares	**50**	50	**1**	-	1	**-**	-	-
6% redeemable cumulative preference shares	**-**	-	**38,700,000**	-	38,700,000	**387,000**	-	387,000
Arpico Insurance PLC	**30**	30	**17,790,000**	-	17,790,000	**177,900**	-	177,900
Richard Pieris Finance Limited	**10**	30	**12,000,001**	-	12,000,001	**120,000**	-	120,000
Arpico Durables (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
Arpico Furniture Distributors (Pvt) Limited	**50**	50	**1**	-	1	**-**	-	-
Arpico Developments (Pvt) Ltd.	**50**	50	**1**	-	1	**-**	-	-
Investor								
Arpico Industrial Development Company (Pvt) Ltd.								
Investee								
R P C Polymers (Pvt) Ltd.	**31**	31	**5,700,000**	-	5,700,000	**57,000**	-	57,000
Investor								
Richard Pieris Exports PLC								
Investee								
Richard Pieris Natural Foams Ltd.	**43**	43	**27,560,000**	-	27,560,000	**284,820**	-	284,820
Micro Minerals (Pvt) Ltd.	**69**	69	**627,400**	-	627,400	**6,274**	-	6,274
Arpitalian Compact Soles (Pvt) Ltd.	**49**	49	**29,587,667**	-	29,587,667	**227,905**	-	227,905
Arpico Natural Latex Foams (Pvt) Ltd.	**44**	44	**4,000,000**	-	4,000,000	**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	**50,000**	-	50,000
Investor								
Plastishells Ltd.								
Investee								
R P C Polymers (Pvt) Ltd.	**69**	69	**13,000,000**	-	13,000,000	**130,000**	-	130,000
Investor								
Richard Pieris Plantations (Pvt) Ltd.								
Investee								
Exotic Horticulture (Pvt) Ltd.	**100**	100	**1,000,000**	-	1,000,000	**10,000**	-	10,000
Maskeliya Tea Garden Ltd.	**100**	100	**1,500,000**	-	1,500,000	**15,000**	-	15,000
RPC Plantation Management Services (Pvt) Ltd.	**100**	100	**24,106,249**	-	24,106,249	**330,000**	-	330,000

B Group investments in subsidiaries Contd.

	% Holding		No. of shares			Value Rs.'000		
	31.03.2015	31.03.2014	31.03.2015	Movement	31.03.2014	31.03.2015	Movement	31.03.2014
Investor								
RPC Management Services (Pvt) Ltd.								
Investee								
Maskeliya Plantations PLC (Rs. 445 mn) *	**83**	83	**44,998,397**	-	44,998,397	**778,329**	-	778,329
Kegalle Plantations PLC (Rs. 1,698 mn) * +	**-**	-	**3,900**	-	3,900	**591**	-	591
Investor								
RPC Plantation Management Services (Pvt) Ltd.								
Investee								
Namunukula Plantations PLC (Rs. 1,093 mn) *	**65**	65	**15,412,737**	-	15,412,737	**517,621**	-	517,621
Kegalle Plantations PLC (Rs. 1,698 mn) *	**79**	77	**19,770,477**	615,000	19,155,477	**506,873**	59,040	447,833
Investor								
Kegalle Plantations PLC								
Investee								
Richard Pieris Natural Foams Ltd.	**35**	35	**22,500,000**	-	22,500,000	**225,000**	-	225,000
Hamefa Kegalle (Pvt) Ltd.	**100**	100	**2,800,000**	-	2,800,000	**14,000**	-	14,000
Arpico Insurance PLC	**45**	45	**26,685,000**	-	26,685,000	**266,850**	-	266,850
Richard Pieris Finance Limited	**10**	30	**12,000,001**	-	12,000,001	**120,000**	-	120,000
Investor								
Richard Pieris Finance Limited								
Investee								
Chilaw Finance PLC	**86**		**29,476,046**	29,476,046	-	**775,831**	775,831	-
						6,092,994	834,871	5,258,123
Provision for fall in value of investment in;								
Namunukula Plantations PLC						**(29,167)**	-	(29,167)
Arpico Natural Latex Foams (Pvt) Ltd.						**(50,000)**	-	(50,000)
						6,013,827	834,871	5,178,956

C Company / Group investment in associates

	% Holding		No. of shares			Value Rs.'000		
	31.03.2015	31.03.2014	31.03.2015	Movement	31.03.2014	31.03.2015	Movement	31.03.2014
Group investments in associates;								
Unquoted Investments								
Investor								
Namunukula Plantations PLC								
Investee								
AEN Palm Oil Processing (Pvt) Ltd.	**33**	33	**1,634,180**	(1,061,832)	2,696,012	**29,960**	-	29,960
Group investment in associates (at cost)						**29,960**	-	29,960
Group share of profits of associate companies								
AEN Palm Oil Processing (Pvt) Ltd.						**59,002**	49,254	9,748
Group investment in associates (equity basis)						**88,962**	49,254	39,708

* Amounts stated within brackets correspond to market value as at 31st March 2015. 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. 9,582 mn (2014 - Rs. 8,529 mn).

Notes to the Financial Statements Contd.

17. Other Financial Assets

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Available-for-sale investments				
Unquoted equity shares				
Asset Trust Management (Pvt) Ltd.	**5,625**	5,625	**5,625**	5,625
Quoted equity shares				
Commercial Bank PLC	**13**	9	**13**	9
John Keells Holdings PLC	**18**	20	**18**	20
Asian Hotel Properties PLC	**39,830**	37,176	**39,830**	37,176
Dialog Axiata PLC	**114**	99	**114**	99
National Development Bank PLC	**5,101**	3,673	**5,101**	3,673
	45,076	40,977	**45,076**	40,977
Unquoted debt securities				
Debentures - Richard Pieris Plantations (Pvt) Ltd.	**-**	-	**65,750**	65,750
Government securities				
Treasury Bill Investments	**124,516**	-	**-**	-
Treasury Bond Investments	**127,346**	201,047	**-**	-
Total available-for-sale investments at fair value	**302,563**	247,649	**116,451**	112,352
Fair value through profit or loss				
Quoted equity shares				
Piramal Glass Ceylon PLC	**2,415**	-	**-**	-
Sampath Bank PLC	**13,327**	-	**-**	-
Hatton National Bank PLC (Non Voting)	**339**	-	**-**	-
Unquoted equity shares				
Credit information bureau	**593**	588	**-**	-
Finance Houses Consortium	**200**	-	**-**	-
Total fair value through profit or loss investments	**16,874**	588	**-**	-
Held to maturity				
Treasury Bill Investments	**60,104**	-	**-**	-
Treasury Bond Investments	**8,482**	-	**-**	-
Total held to maturity investments	**68,586**	-	**-**	-
Loans and receivables				
Investments in corporate debts at amortised cost	**289,100**	316,436	**-**	-
Investment in repurchase agreement	**358,476**	-	**-**	-
Fixed deposits	**175,493**	35,636	**-**	-
Total loans and receivables	**823,069**	352,072	**-**	-
Total other financial assets	**1,211,092**	600,309	**116,452**	112,352
Total current	**604,253**	40,977	**45,076**	40,977
Total non-current	**606,839**	559,332	**71,375**	71,375

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	
	2015	2014	2015	2014
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	**4,397,574**	3,705,606	**4,397,574**	3,705,282
Other financial assets				
Available-for-sale investments	**302,563**	247,649	**302,563**	247,649
Loans and other advances	**5,421,730**	2,354,431	**5,565,447**	2,396,864
Financial assets at fair value through profit or loss	**16,874**	588	**16,874**	588
Held to maturity investments	**68,586**	-	**68,586**	-
Loans and receivables	**823,069**	352,072	**823,069**	352,072
Cash and short-term deposits	**4,081,425**	6,016,739	**4,081,425**	6,016,739
Total	**15,111,821**	12,677,085	**15,255,538**	12,719,194
Financial liabilities				
Net liability to the lessor	**617,679**	628,160	**617,679**	628,160
Interest-bearing loans and borrowings	**10,218,740**	9,325,770	**10,218,740**	9,325,770
Trade and other payables	**5,429,175**	4,465,730	**5,429,175**	4,465,730
Public deposits	**2,660,510**	528,025	**2,660,510**	528,025
Bank overdrafts	**2,259,688**	3,198,182	**2,259,688**	3,198,182
Total	**21,185,792**	18,145,867	**21,185,792**	18,145,867

	Carrying amount		Fair Value	
	2015	2014	2015	2014
Company	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	**20,840**	23,109	**20,840**	23,109
Other financial assets				
Available-for-sale investments	**116,451**	112,352	**116,451**	112,352
Cash and short-term deposits	**2,030,065**	1,087,621	**2,030,065**	1,087,621
Total	**2,143,766**	1,203,591	**2,167,356**	1,223,082
Financial liabilities				
Interest-bearing loans and borrowings	**5,444,880**	4,420,057	**5,444,880**	4,420,057
Trade and other payables	**211,210**	476,701	**211,210**	476,701
Bank overdrafts	**1,235,731**	403,866	**1,235,731**	403,866
Total	**6,891,821**	5,300,624	**6,891,821**	5,300,624

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.

Notes to the Financial Statements Contd.

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.
- Interest bearing borrowings, loans and other 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 Statement of Other Comprehensive Income.
- Fair value of unquoted available for sale financial assets is estimated using appropriate valuation techniques.

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 2015, the Group held the following financial instruments carried at fair value on the Statement of Financial Position:

Assets measured at fair value	31st March 2015 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for sale financial assets				
Equity shares	**50,701**	45,076	5,625	-
Government securities	**251,862**	251,862	-	-
	302,563	296,938	5,625	-

Assets measured at fair value	31st March 2014 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for sale financial assets				
Equity shares	46,602	40,977	5,625	-
Government securities	201,047	201,047	-	-
	247,649	242,024	5,625	-

18. Deferred Tax (Assets) / Liability

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the period	**219,974**	227,839	**(36,953)**	(36,953)
Acquisition through business combinations	**9,708**	-	**-**	-
Transfer from the Statement of Profit and Loss	**16,868**	6,248	**13,500**	-
Transfer to the Statement of Other Comprehensive Income	**(8,564)**	(14,113)	**-**	-
At the end of the period	**237,986**	219,974	**(23,453)**	(36,953)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**1,170,676**	1,180,292	**43,776**	43,776
Any other deferred liabilities	**244,063**	1,670	**-**	-
	1,414,739	1,181,962	**43,776**	43,776
Deferred tax assets				
Retirement benefit obligations	**(365,769)**	(348,476)	**(17,838)**	(17,838)
Un-utilised tax losses	**(530,818)**	(485,810)	**(34,544)**	(48,044)
Other provisions	**(236,166)**	(127,702)	**(14,847)**	(14,847)
	(1,176,753)	(961,988)	**(67,229)**	(80,729)
Deferred Tax (Assets) / Liabilities	**237,986**	219,974	**(23,453)**	(36,953)

Deferred tax assets amounting to Rs. 140 mn (2014 - Rs. 76 mn) for the Group and Rs. 100 mn (2014 - Rs. 51 mn) for the Company has not been recognized since the companies do not expect these assets to reverse in the foreseeable future.

19. Inventories

	Group	
	2015 Rs.'000	2014 Rs.'000
Raw materials	**1,060,006**	921,197
Growing crop-nurseries	**48,568**	47,074
Work in progress	**141,802**	118,900
Finished goods	**2,419,952**	1,988,112
Produce inventories	**798,522**	862,465
Other inventories	**90,294**	78,314
Goods in transit	**24,492**	1,810
	4,583,636	4,017,872
Provision for slow moving inventories	**(133,232)**	(140,539)
Provision for unrealised profit	**(18,434)**	(16,755)
Net inventory	**4,431,970**	3,860,578

Inventories are net of allowances for slow moving and obsolete inventories.

The amount of write-down of inventories recognised as an expense is Rs. 134 mn (2014 - Rs. 51 mn) which is recognised under administrative expenses.

Inventories carried at lower of cost or net realisable value as at 31st March 2015 amounted Rs. 920 mn (2014 - Rs. 1,074 mn) which is recognised in cost of sales and administrative expenses.

Inventories with a carrying amount of Rs. 580 mn (2014 - Rs. 979 mn) are pledged as security for loans obtained, details of which are disclosed in Note 28.1 to the Consolidated Financial Statements.

Notes to the Financial Statements Contd.

20. Trade and Other Receivables

As at 31 March, the ageing analysis of trade receivables, is as follows:

	Group					
	Total	Current	30-60 days	61-90 days	91-120 days	> 120 days
Gross trade receivables	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2015	3,880,097	2,235,078	826,649	312,360	96,478	409,532
2014	3,165,060	1,726,503	669,829	99,716	392,057	276,954

		Individual		Collective	
	Total	Fully Impaired	Partially Impaired	Fully Impaired	Partially Impaired
Impairment of trade receivables	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st April 2014	351,778	209,046	923	-	141,809
Charge for the year	93,944	83,558	-	-	10,386
Unused amounts reversed	(23,924)	(20,451)	(348)	-	(3,125)
As at 31st March 2015	421,798	272,153	575	-	149,070

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net trade receivables	**3,458,299**	2,813,282	-	-
Advances and deposits	**384,540**	180,141	-	
Loans to employees	**21,456**	13,633	**5,698**	6,734
Other receivables	**533,279**	698,550	**15,142**	16,375
	4,397,574	3,705,606	**20,840**	23,109
Other non financial receivables	**357,253**	343,760	**146,124**	75,555
	4,754,827	4,049,366	**166,964**	98,664

21. Loans and Advances

	2015	2014
	Rs.'000	Rs'000
Finance lease/ Ijarah rental receivables	**2,487,196**	862,191
Hire purchase/ Muraba rental receivables	**1,045,055**	774,637
Term loans/ Mortgage loans/ Wakala rental receivables	**1,365,323**	736,303
Short term loans/ Trading Muraba rental receivables	**485,826**	-
Other loans and advances	**187,191**	-
	5,570,591	2,373,131
Less: Impairment losses - Collective	**(147,699)**	(18,700)
- Individual	**(1,162)**	-
Net loans and advances receivables (Note 21.1)	**5,421,730**	2,354,431

21.1 Analysis of rental receivables on loans and advances

	2014/15			2013/14		
	Within one year Rs.'000	1-5 years Rs.'000	Total Rs.'000	Within one year Rs.'000	1-5 years Rs.'000	Total Rs.'000
Finance lease Ijarah rental receivables						
Gross rental receivables	1,124,582	2,031,148	**3,155,730**	341,402	868,352	1,209,754
(-) Unearned income	(316,339)	(352,195)	**(668,534)**	(99,463)	(248,100)	(347,563)
Net rental receivables	808,243	1,678,953	**2,487,196**	241,939	620,252	862,191
(-) Allowance for impairment loss - Collective	(73,622)	-	**(73,622)**	(6,720)	-	(6,720)
Total net rental receivables	734,621	1,678,953	**2,413,574**	235,219	620,252	855,471
Hire Purchase/ Muraba rental receivables						
Gross rental receivables	1,001,597	810,435	**1,812,032**	227,574	576,131	803,705
(-) Unearned income	(145,249)	(621,728)	**(766,977)**	(23,368)	(5,700)	(29,068)
Net rental receivables	856,348	188,707	**1,045,055**	204,206	570,431	774,637
(-) Allowance for impairment loss - Collective	(29,982)	-	**(29,982)**	(6,109)	-	(6,109)
Total net rental receivables	826,366	188,707	**1,015,073**	198,097	570,431	768,528
Term loans/ Mortgage loans/ Wakala						
Gross rental receivables	836,807	1,129,000	**1,965,807**	423,694	340,744	764,438
(-) Unearned income	(169,999)	(430,485)	**(600,484)**	(12,800)	(15,335)	(28,135)
Net rental receivables	666,808	698,515	**1,365,323**	410,894	325,409	736,303
(-) Allowance for impairment loss - Collective	(32,821)	-	**(32,821)**	(5,871)	-	(5,871)
Total net rental receivables	633,987	698,515	**1,332,502**	405,023	325,409	730,432
Short term loans/ Trading Muraba						
Gross rental receivables	477,426	55,790	**533,216**	-	-	-
(-) Unearned income	(35,833)	(11,557)	**(47,390)**	-	-	-
Net rental receivables	441,593	44,233	**485,826**	-	-	-
(-) Allowance for impairment loss - Collective	(8,294)	-	**(8,294)**	-	-	-
Total net rental receivables	433,299	44,233	**477,532**	-	-	-
Other Loans and advances						
Gross rental receivables	128,594	75,317	**203,912**	-	-	-
(-) Unearned income	(5,814)	(10,907)	**(16,721)**	-	-	-
Net rental receivables	122,781	64,410	**187,191**	-	-	-
(-) Allowance for impairment loss - Individual	(1,162)	-	**(1,162)**	-	-	-
- Collective	(2,980)	-	**(2,980)**	-	-	-
Total net rental receivables	118,639	64,410	**183,049**	-	-	-
Total net loans and advances	2,746,912	2,674,818	**5,421,730**	838,339	1,516,092	2,354,431

Notes to the Financial Statements Contd.

22. Short Term Borrowings

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Import loans (a)	**138,803**	141,221	**-**	-
Short term borrowings settled within 90 days (b)	**1,267,566**	2,018,153	**1,100,000**	1,600,000
Bank overdrafts (c)	**2,259,688**	3,198,182	**1,235,731**	403,866
Other short terms borrowings	**61,197**	1,758,779	**200,000**	1,900,000
	3,727,254	7,116,335	**2,535,731**	3,903,866

(a) Import loans have been obtained for the purpose of business operations and is repayable within 30-90 days.
(b) Short term borrowings mainly consist of money market borrowings and will be repayable at maturity within 7 -90 days.
(c) Bank overdrafts are repayable on demand.

23. Cash and Cash Equivalents

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Cash at banks and in hand	**4,081,425**	6,016,739	**2,030,065**	1,087,621
Short term borrowings settled within 90 days (Note 22)	**(1,267,566)**	(2,018,153)	**(1,100,000)**	(1,600,000)
Bank overdrafts (Note 22)	**(2,259,688)**	(3,198,182)	**(1,235,731)**	(403,866)
Cash and cash equivalents	**554,171**	800,404	**(305,666)**	(916,245)

24. Stated Capital

Ordinary shares issued and fully paid	No. of Shares	Value of Shares Rs.'000
As at 1st April 2014	1,983,738	1,814,824
Share options exercised during the year (Note 38)	51,300	158,005
As at 31st March 2015	2,035,038	1,972,829

25. Statutory Reserve Fund/Investment Fund Reserve

	2015 Rs.'000 Statutory Reserve Fund	2014 Rs.'000 Investment Fund Reserve
At the beginning of the period	-	6,852
Transfers during the year	**2,478**	(6,852)
At the end of the period	**2,478**	-

In accordance with the Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka, 5% of the net profit for the year of Richard Pieris Finance Company Ltd has been transferred to the Statutory Reserve Fund.

26. Other Components of Equity

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Available for sale reserve	**24,856**	20,654	**23,590**	19,491
Foreign currency translation reserve	**50,970**	52,736	**-**	-
	75,826	73,390	**23,590**	19,491

27. Insurance Provision

	2015 Rs.'000	2014 Rs.'000
At the beginning of the period	**193,371**	67,575
Increase during the period	**113,721**	125,796
At the end of the period	**307,092**	193,371

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 valuation of the Life Insurance business as at 31st December 2014 was made by Mr. M. Poopalanathan, Actuarial and Management Consultants (Pvt.) Ltd. In accordance with the Consultant Actuary's report, the reserve for the year amounted to Rs. 244 mn In the opinion of the Consultant Actuary, the reserve is adequate to cover the liabilities pertaining to the Life Insurance business.

In the opinion of the Actuary, the Life Insurance Fund as included in the Audited Financial Statements exceeds the required actuarial reserves as at 31st December 2014 by Rs. 55 mn before any transfer to the shareholders.

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Independent Consultant Actuary Mr. Arunachalam Rajaraman, FIA FIAI FCMA FIII Bsc.(Mathematics), as at 31st December 2014 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2014. No additional provision was required against the LAT as at 31st December 2014.

Notes to the Financial Statements Contd.

28. Interest Bearing Loans and Borrowings

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	**5,407,617**	4,331,721	**920,057**	903,350
Effect of foreign currency translation	**2,152**	5,199	**-**	-
New loans obtained	**4,508,575**	2,047,667	**3,500,000**	250,000
	9,918,344	6,384,587	**4,420,057**	1,153,350
Repayments	**(1,151,953)**	(976,970)	**(259,960)**	(233,293)
Loan Amortisation	**(15,217)**	-	**(15,217)**	-
	8,751,174	5,407,617	**4,144,880**	920,057
Transferred to current liabilities	**(2,526,750)**	(1,240,850)	**(259,960)**	(259,960)
At the end of the year	**6,224,424**	4,166,767	**3,884,920**	660,097
Total Interest Bearing Loans & Borrowings				
Repayable within one year	**2,526,750**	1,240,850	**259,960**	259,960
Repayable after one year	**6,224,424**	4,166,767	**3,884,920**	660,097
	8,751,174	5,407,617	**4,144,880**	920,057

28.1 Interest bearing loans and borrowings repayable after one year.

Company	Lender	31.03.2015 Rs.'000	31.03.2014 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank of Ceylon PLC	**413,430**	573,390	Rs. 13.33 mn per month	Primary mortgage over land and buildings at Kandy & Battaramulla.
	Hatton National Bank PLC	**100,000**	160,000	Rs. 5 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Hatton National Bank PLC	**146,667**	186,667	Rs. 3.33 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Listed Debenture (Note 28.2)	**2,229,533**	-	w.e.f. May 2017	Rated Unsecured Redeemable Debentures.
Richard Pieris Distributors Limited	Commercial Bank of Ceylon PLC	**125,000**	125,000	Rs. 5.83mn per month w.e.f. June 2015	Primary mortgage over land at Moratuwa and land & buildings at Battaramulla.
	Commercial Bank of Ceylon PLC	**245,800**	352,600	w.e.f. August 2011 monthly repayment	Credit Card receivables at Hyde Park Corner and Battaramulla Super Centre.
	National Development Bank PLC	**-**	102,658	w.e.f. February 2013	
	National Development Bank PLC	**-**	30,000	Rs. 15 mn per quarter	Clean Basis
RPC Retail Development Company Limited	Lanka Orix Leasing Company PLC	**-**	28,562	Rs. 3.75 mn per month	Primary mortgage over land and buildings at Negombo.
Richard Pieris Exports PLC	DFCC Bank	**83,776**	116,131	US $ 21,666 per month	Primary mortgage over land and buildings and plant & machinery at Ekala .
Richard Pieris Natural Foams Limited	Commercial Bank of Ceylon PLC	**15,541**	21,780	US $ 2,500 per month	Clean Basis
Richard Pieris Finance Limited	Sampath Bank PLC	**197,957**	299,450	Rs. 8.3 mn per month	Assignment over hire purchase receivables.
	Sampath Bank PLC	**284,613**		Rs. 8.33 mn per month	Assignment over hire purchase receivables.
	Bank of Ceylon	**303,505**		Rs. 12.6 mn per month	Securitization of hire purchase receivables.
	Bank of Ceylon	**244,636**		Rs. 9.3 mn per month w.e.f. Jan. 2015	
	Seylan Bank PLC	**944,138**		Rs. 20 mn per month	
RPC Management Services (Pvt) Limited	DFCC Bank PLC		-	Rs. 3.772 mn per month	Primary mortgage over shares of Maskeliya Plantations PLC.
Maskeliya Plantations PLC	ADB/Seylan Bank PLC	**1,806**	6,136	Rs. 0.36 mn per month	Primary Mortgage over leasehold rights of Moussekelle estate.
	ADB/Seylan Bank PLC	**1,692**	5,757	Rs. 0.34 mn per month	
	ADB/Seylan Bank PLC	**640**	1,340	Rs. 0.06 mn per month	
	Hatton National Bank PLC	**110,560**	180,640	Rs. 5.8 mn per month	Primary mortgage over leasehold rights of Ampittiakande & Craig estates.
	National Development Bank PLC	**68,000**	85,000	Rs. 1.4 mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana, Moray estates and Thalawakelle estate.
	National Development Bank PLC	**138,000**	231,000	38 monthly payments in varied installments	Securitization of future tea receivables.
	National Development Bank PLC	**234,000**	300,000	36 monthly payments in varied installments	Securitization of future tea receivables.

Company	Lender	31.03.2015 Rs.'000	31.03.2014 Rs.'000	Repayment	Security
	Hatton National Bank PLC	117,040	-	Rs. 2.1 mn per month	Primary mortgage over leasehold rights of St. Clair's estate.
	Hatton National Bank PLC	106,000	-	Rs. 2 mn per month	Primary mortgage over leasehold rights of Ampittiakande and Craig estates.
Kegalle Plantations PLC	ADB/ Seylan Bank PLC	-	7,921	Rs. 0.46 mn per month	Primary mortgage over leasehold rights of Eadella estate.
	Hatton National Bank PLC - E friend Loan	-	1,072	Rs. 0.26 mn per month	Primary floating mortgage over leasehold property at Luckyland , Udupussellawa and Badulla estates.
	ADB/ National Development Bank PLC	22,515	31,947	Rs. 0.79 mn per month	Primary mortgage over leasehold rights of Atale, Etana, Doteloya, Kirkless estates and secondary mortgage over Pallegama, Parambe, Weniwella and Yataderiya estates.
	ADB/ National Development Bank PLC	12,230	17,122	Rs. 0.47 mn per month	
	ADB/ National Development Bank PLC	92,265	126,866	Rs. 2.88 mn per month	Tertiary mortgage over leasehold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya estates.
	Lanka Orix Leasing Company PLC	1,137	2,650	Rs. 0.13 mn per month	Primary mortgage over plant and machinery at Luckyland estate.
	National Development Bank PLC - E-Friend Loan	-	1,333	Rs. 0.22 mn per month	Quaternary mortgage over leasehold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya estates.
	National Development Bank PLC - Field Development	295,430	369,287	Rs. 6.15 mn per month	
	Indian Overseas Bank	142,519	150,000	Rs. 2.49 mn per month w.e.f. Jan. 2015	Primary mortgage over leasehold rights of Higgoda and Madeniya estates.
	Indian Bank	95,012	100,000	Rs. 1.66 mn per month w.e.f. Jan. 2015	
	State Bank of India	142,519	150,000	Rs. 2.49 mn per month w.e.f. Jan. 2015	
	Indian Overseas Bank	992,109	1,045,840	Rs. 14.5 mn per month	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola estates.
	Commercial Bank of Ceylon PLC	600,012	326,825	Rs. 5.5 mn per month	Primary mortgage over leasehold rights of Deteloya, Etana and Kirklees estates.
Namunukula Plantations PLC	DFCC Bank PLC	-	5,209	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/ Lanka Orix Leasing Company PLC	3,734	6,533	Rs. 0.23 mn per month	Corporate Guarantee given by RPC Plantation Management Services (Pvt) Ltd.
	ADB/ Lanka Orix Leasing Company PLC	2,752	4,021	Rs. 0.10 mn per month	
	ADB/ Lanka Orix Leasing Company PLC	2,782	3,858	Rs. 0.08 mn per month	
	ADB/ Lanka Orix Leasing Company PLC	7,874	10,428	Rs. 0.212 mn per month	
	National Development Bank PLC	32,550	40,590	Rs. 0.67 mn per month	Primary mortgage over plant & machinery.
	Indian Bank	96,700	100,000	Rs. 1.65 mn per month w.e.f. Feb.2015	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	96,700	100,000	Rs. 1.65 mn per month w.e.f. Feb.2015	
	Total Term Loans	8,751,174	5,407,617		
	Transferred to Current Liabilities	(2,526,750)	(1,240,850)		
		6,224,424	4,166,767		

28.2 Rated Unsecured Redeemable Debentures

As at 31st March	Group 2015				Company 2015			
	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000
At the Beginning of the year	-	-	-	-	-	-	-	-
Issued during the year	875,000	700,000	669,750	**2,244,750**	875,000	700,000	1,925,000	**3,500,000**
Amortisation of Debenture Issue Expense	(5,485)	(4,841)	(4,892)	**(15,217)**	(5,485)	(4,841)	(4,892)	**(15,217)**
At the end of the year	869,515	695,159	664,858	**2,229,533**	869,515	695,159	1,920,108	**3,484,783**
Repayable after one year	869,515	695,159	664,858	**2,229,533**	869,515	695,159	1,920,108	**3,484,783**

Interest rate of comparable government securities net of tax for the Type A, B, and C debentures are respectively 7.82%, 8.47% and 8.76% as of 31st March 2015.

Notes to the Financial Statements Contd.

29. 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	35,674	142,696	936,255	1,114,625
Less: Finance charges	(25,193)	(97,957)	(363,315)	(486,465)
Net liability	10,481	44,739	572,940	628,160
Transferred to current liabilities	-	-	-	(10,481)
As at 31st March 2014	10,481	-	-	617,679
Gross liability	35,674	142,696	900,581	1,078,951
Less: Finance charges	(24,775)	(94,558)	(341,939)	(461,272)
Net liability	10,899	48,138	558,642	617,679
Transferred to current liabilities	-	-	-	(10,899)
As at 31st March 2015	10,899	-	-	606,780

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.

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 Statement of Profit or Loss amounted to Rs. 27.44 mn, Rs. 31.26 mn and Rs. 37.32 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

30. Provisions

	Maintenance Warranties	
	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	**134,020**	115,172
(Reversal)/arising during the year	**(29,600)**	18,848
At the end of the year	**104,420**	134,020

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.

31. Government Grants

	2015 Rs.'000	2014 Rs.'000
At the beginning of the period	**554,869**	564,992
Acquisition through business combinations	**11,412**	-
Received during the year	**20,503**	15,016
Released to the statement of profit or loss	**(24,341)**	(25,139)
At the end of the period	**562,443**	554,869

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.

32. Post Employee Benefit Plans

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
At the beginning of the period	**2,062,003**	1,797,278	**63,707**	54,328
Acquisition through business combinations	**312,144**	-	**-**	-
Recognised in the statement of profit or loss:				
Current service cost	**172,783**	152,502	**5,331**	5,788
Interest cost	**260,977**	195,654	**7,008**	5,976
	433,760	348,156	**12,339**	11,764
Recognised in the statement of other comprehensive income:				
Actuarial losses on obligation	**32,523**	99,193	**4,600**	2,031
Benefits paid	**(219,444)**	(182,624)	**(3,559)**	(4,416)
Benefit liabilities at the end of the period	**2,620,986**	2,062,003	**77,087**	63,707

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2015 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	2014/2015	2013/2014
Demographic assumptions		
In respect of non plantation companies,		
Retiring age:		
Executives	**55-60 years**	55-60 years
Non Executives	**55 years**	55 years
Average future working life time:		
Executives	**6.96**	7.07
Non Executives	**8.02**	8.16
Staff turnover rates:		
Executives	**0.07-0.21**	0.07-0.21
Non Executives	**0.04-0.21**	0.04-0.21

Notes to the Financial Statements Contd.

Assumptions	2014/2015	2013/2014
In respect of plantation companies,		
Retiring age:		
Workers (male and female)	**60 years**	60 years
Other categories of staff (male and female)	**55-58 years**	55-58 years
Staff turnover rates	**0.02-0.07**	0.02-0.07
Average future working life time:		
Staff	**10.00 years**	10.00 years
Workers	**12.64 years**	12.65 years
Financial assumptions		
In respect of non plantation companies,		
Rate of discount	**9.5%**	11%
Rate of salary increment	**8%**	8%
In respect of plantation companies,		
Rate of discount	**10.25%**	11%
Rate of salary increment:		
Workers	**16% every two years**	16% every two years
Staff employees	**10% per year**	10% per year

32.1 Sensitivity Analysis

Values appearing in the Financial Statements are very sensitive to the changes in 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.

		Present value of Defined Benefit Obligation	
Salary Escalation Rate	Discount Rate	Group Rs.'000	Company Rs.'000
One point increase	As given in report (9.5% / 10.25%)	2,748,284	81,630
One point decrease	As given in report (9.5% / 10.25%)	2,490,605	72,899
As given in Report - 8%	One point increase	2,428,996	73,298
As given in report - 8%	One point decrease	2,827,270	81,259

32.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2015 is as follows.

	Present value of Defined Benefit Obligation	
Future Working Life Time	Group Rs.'000	Company Rs.'000
Within the next 12 months	256,661	6,835
Between 2-5 years	615,570	45,588
Beyond 5 years	1,748,755	24,664
Total	2,620,986	77,087

33. Contingent Liabilities

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2015. Guarantees given by subsidiaries on loans obtained amounted to Rs. 77 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 took over 6 estates which were previously subleased to Tusker Bottling Ltd. There are more than 29 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Co. (Pvt) Ltd, the company 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. The company 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.

34. Trade and Other Payables

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Trade payables	**3,511,893**	2,440,275	**-**	-
Accrued expenses	**1,629,457**	1,356,808	**-**	-
Other financial liabilities	**287,825**	668,647	**211,210**	476,701
	5,429,175	4,465,730	**211,210**	476,701
Other non financial liabilities	**483,985**	361,103	**150,275**	92,171
Total trade and other payables	**5,913,160**	4,826,833	**361,485**	568,872

35. Public Deposits

	Group	
	2015 Rs.'000	2014 Rs.'000
Fixed deposits	**2,607,059**	528,025
Savings deposits	**53,451**	-
	2,660,510	528,025

Notes to the Financial Statements Contd.

36. Capital and Lease Commitments

36.1 Capital Commitments

The capital commitments for property, plant and equipment incidental to the ordinary course of business as at 31st March 2015, approved by the Board are as follows:

	Group	
	2015 Rs.'000	2014 Rs.'000
Contracted but not provided for	**195,171**	423,841
Approved but not contracted for	**816,923**	1,137,809
	1,012,094	1,561,650

36.2 Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31st March 2015 are as follows:

	Group	
	2015 Rs.'000	2014 Rs.'000
Within one year	**156,151**	152,912
After one year but not more than five years	**439,083**	436,985
More than five years	**654,974**	741,914
	1,250,208	1,331,811

37. Financial Risk Management Objectives and Policies

The Group has Trade and other receivables, Loans and advances, Other current financial assets and cash and short-term deposits that arise directly from its operations. The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, public deposits 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 and Group risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Board of Directors reviews and stipulates 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 four types of risk:

- Interest rate risk
- Currency risk
- Commodity price risk
- Equity price risk

Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters in order to optimize the return.

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, the policy rates, market liquidity, reforms in fiscal policies, credit ceilings on lending, average deposit rates, 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.

Interest rate sensitivity
The following table demonstrates that the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, Group's profit before tax is affected through the impact on borrowings as follows:

	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs.'000
2013/14	+100 bps	(107.14)
	-100 bps	107.14
2014/15	+100 bps	(125.01)
	-100 bps	125.01

Following measures and action were 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 revenue 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 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, Singapore Dollars (SGD) and Pound Sterling (GBP) especially with regard to trade related transactions. The imported materials are mainly billed in USD, EUR and SGD. Group treasury division continuously monitors the exchange rate movement of the above currencies.

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 and options when it is deemed necessary.

Following measures and actions are 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 hedging techniques such as forward bookings, forward sales, swap and options contracts etc as and when the market rates are on favourable terms.

Effects of Currency Translation
For the consolidated Financial Statements of the Group, income and expenses and the assets and liabilities of the subsidiaries outside Sri Lanka are converted into Sri Lankan Rupees, Therefore period-to-period changes in average exchange rates may cause currency translation effects for the Group. However, exchange rate translation risk doesn't affect future cash flows. The Group equity position reflects changes in book value caused by exchange rates.

Notes to the Financial Statements Contd.

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 revenue from the plantation sector.

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.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all credit clients are subject to credit verification procedures who wish to trade on credit. Furthermore, Group continuously monitor the receivables through segregating the duty of controlling the receivables through SBU credit controllers. It is the responsibility of the credit controller 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.

With respect to credit risk arising from other financial assets such as short term deposits, cash and cash equivalents, investments, derivative instruments etc, the credit risk exposure arises due to counter-party risk. The Group manages its operations to avoid any excessive concentration of counter-party risk and take every possible step to ensure counter-parties fulfil their obligations.

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 liquidity 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.

Capital Management
Capital includes only the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and re-structures the capital base from time to time in light of changes in economic conditions as per the directives given by the Board of Directors. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital through share buy backs or infuse capital through issue new shares.

The Group monitors capital using a gearing ratio, which is net debt as a percentage of total equity & net debt. The Group includes within net debt, interest bearing loans & borrowings, short term borrowings less Cash & Cash Equivalents, excluding discontinued operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual un-discounted payments.

Year ended 31st March 2015	Notes	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	28	-	499,888	2,026,862	6,120,156	104,268	8,751,174
Net liability to the lessor	29	-	515	10,384	48,138	558,642	617,679
Trade and other payables	34	328,784	4,554,000	546,391	-	-	5,429,175
Public deposits	35	-	745,339	1,361,459	553,712	-	2,560,510
Import loans	22	-	135,698	3,105	-	-	138,803
Bank overdrafts	22	1,630,422	629,266	-	-	-	2,259,688
Short term borrowings	22	-	28,763	1,300,000	-	-	1,328,763
		1,959,206	6,593,469	5,248,201	6,722,006	662,910	21,185,792

Year ended 31st March 2014	Notes	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	28	-	239,984	1,000,866	3,793,722	373,045	5,407,617
Net liability to the lessor	29	-	496	9,986	46,281	571,397	628,160
Trade and other payables	34	381,005	3,827,963	256,762	-	-	4,465,730
Public deposits	35	-	94,142	408,222	25,661	-	528,025
Import loans	22	-	44,981	96,240	-	-	141,221
Bank overdrafts	22	2,843,028	268,167	86,987	-	-	3,198,182
Short term borrowings	22	-	1,026,932	2,750,000	-	-	3,776,932
		3,224,033	5,502,665	4,609,063	3,865,664	944,442	18,145,867

Risk Exposure of Arpico Insurance PLC

As at 31st March 2015 the largest credit risk exposure of 91% (2014 - 68%) is arising from investments in debt securities. The exposure to credit risk is managed by analyzing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue.

Insurance Risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Life Insurance Risk

Life insurance contracts offered by the company include endowment plans 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.

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The main risks that the company is exposed to under Life Insurance Contracts are as follows;

- Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- Longevity risk is the risk that annuitants live longer than expected.
- Investment return risk is the risk that actual returns lower than expected.
- Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- Policyholder behaviour risk is the risk that policyholders' behaviour in discontinuing and reducing contributions or Withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- Market risk is the risk that associated with the variation of investment income due to the changes in the financial markets
- Credit risk is the risk that resulting from counter-parties failing to fulfil the financial obligations.

The Arpico Insurance underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and 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.

The Arpico Insurance 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 company. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the re-insurers.

Some of the specific actions by the Company to mitigate Life Insurance Risks are shown below.

Life Underwriting Risk Management

- Maximum input is obtained from the Consultant Actuary and Re-insurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- Only registered laboratories are used when obtaining medical reports and regular visits are made by the management to such laboratories to monitor the quality of service.
- Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English.
- A proposal form with Customer Need Analysis is used to identify customers’ requirements and sell the most appropriate policy.

Life Claims Risk Management

- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- The Claims Panel is involved in taking decisions on significant/ problematic claims and appeals made in respect of claims.
- An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.

Reinsurance Risk

The objectives of Arpico Insurance PLC for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Company's capital efficiency. Reinsurance ceded is placed on a 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 Company 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 Company. Default of re-insurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each re-insurer.

The 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 Insurance Company uses Munich Re as its reinsurance provider for individual policies and Group policies.

Credit Rating of Reinsurance Company with whom Arpico Insurance PLC has arrangements are listed below;

Re-insurer	Rating	Rating Agency
Munich Reinsurance Company	A+	A.M. Best

Some of the specific action by the Company to mitigate Reinsurance Risks are shown below;

- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- A very close and professional relationship is maintained with all re-insurers.
- No cover is issued without a confirmed reinsurance in place.
- Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used.

Risk Exposure of Richard Pieris Finance Limited and Chilaw Finance PLC

Credit risk

Credit risk arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risk.

Default risk

Default risk as the risk of the potential financial loss resulting from the failure of customer or counter-party to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

Concentration risk

Concentration risk is the credit exposure being concentrated as a result of excessive build-up of exposure to a single counter-party, industry, product, geographical location or insufficient diversification.

Settlement risk

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

Notes to the Financial Statements Contd.

Exposure to credit risk of finance companies of the Group

As at 31 March 2015	Maximum exposure to credit risk Rs.'000	Net Exposure Rs.'000
Cash and bank balances	40,721	40,721
Investments in fixed deposits	458,030	458,030
Lease receivable	2,546,580	-
Hire purchase receivable	1,090,591	-
Loans and receivables	2,104,929	778,932
Other financial assets	116,807	-
Total financial assets	6,357,658	1,277,683

Credit quality by class of financial assets of finance companies of the Group

As at 31 March 2015	Neither past due nor impaired Rs.'000	Past due but not impaired Rs.'000	Individually impaired Rs.'000	Total Rs.'000
Assets				
Cash and bank balances	40,721	-	-	40,721
Investments in fixed deposits	458,030	-	-	458,030
Lease receivable	2,258,031	362,172	-	2,620,203
Hire purchase receivable	980,457	140,115	-	1,120,572
Loans and receivables	1,943,298	206,888	-	2,150,186
Other financial assets	116,807	-	-	116,807
Other debtors and prepayments	45,351	-	-	45,351
Individual impairment provision	-	-	-	(1,162)
Collective impairment provision	-	-	-	(83,200)
Total financial assets	5,842,695	709,175	-	6,467,508

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

	Past due but not impaired				
	Less than 31 days Rs.'000	31 to 60 days Rs.'000	61 to 90 days Rs.'000	More than 90 days Rs.'000	Total Rs.'000
Lease receivable	68,658	60,870	73,193	159,450	362,172
Hire purchase receivable	20,239	18,857	34,256	66,763	140,115
Loans and receivables	56,269	31,298	34,698	84,622	206,888
	145,166	111,025	142,147	310,835	709,175

Liquidity risk and Funding management

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for or a financial institution can take two forms; transactions liquidity, a property of assets or markets, and funding liquidity, which is more closely related to creditworthiness.

Transaction liquidity risk is the risk of moving the price of an asset adversely in the act of buying or selling it. Company's transaction liquidity risk is low if assets can be liquidated without moving the price too much.

Funding liquidity risk means the Company's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions as a whole are deteriorating.

The company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly analyses and monitors liquidity positions and, maintain an adequate margin of safety in liquid assets.

Interest rate risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Net Interest Income.

Net Interest Income (NII) sensitivity by interest rate change

	2015	
Parallel Increase / Decrease of Basis Points (bps)	+/ - 100 bps	+/ - 200 bps
Impact on NII (Rs.'000)	3.41/(3.41)	6.83/(6.83)

Notes to the Financial Statements Contd.

Interest rate risk exposure on Financial Assets and Liabilities of Finance Companies of the Group

The table below analyses the interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual reprising or maturity dates.

As at 31st March 2015	Up to 03 months Rs.'000	03-12 months Rs.'000	01-03 years Rs.'000	03-05 years Rs.'000	Over 05 years Rs.'000	Non interest bearing Rs.'000	Total Rs.'000
Assets							
Cash and bank balances	-	-	-	-	-	40,721	40,721
Investments in fixed deposits	266,537	191,493	-	-	-	-	458,030
Lease receivable	340,149	662,879	1,400,057	140,271	3,224	-	2,546,580
Hire purchase receivable	167,622	306,411	596,768	19,790	-	-	1,090,591
Loans and receivables	487,092	793,321	730,862	93,538	116	-	2,104,929
Other debtors and prepayments	18,199	-	-	-	-	27,152	45,351
Other financial assets	9,621	67,137	-	-	23,175	16,874	116,807
Total financial assets	1,289,220	2,021,241	2,727,687	253,599	26,515	84,747	6,403,009
Financial liabilities							
Bank overdraft	541,793	-	-	-	-	-	541,793
Public deposits	745,339	1,361,459	268,682	285,030	-	-	2,660,510
Debt Issued and other borrowed funds	105,229	348,599	973,956	547,066	-	-	1,974,850
Other payables	-	-	-	-	-	322,355	322,355
Total financial liabilities	1,392,361	1,710,058	1,242,638	832,096	-	322,355	5,499,508
Interest sensitivity gap	(103,141)	311,183	1,485,049	(578,497)	26,515	(237,608)	903,501

38. 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) held on 10th June 1998 by allocating 5% of the issued share capital of the Company to this scheme. This scheme expired during the last financial year.

The second ESOP (ESOP2) 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 ESOP2 is presented in the table below.

	Number of Shares ESOP-2
Available as at 1st April 2014	58,721,135
Options exercised during year	(51,300,430)
Available as at 31st March 2015	7,420,705

The company does not provide any financial assistance to the employees to purchase shares under this scheme.

39. Acquisition of Subsidiaries

39.1 The acquisition had the following effect on the Group's assets and liabilities.

	2015		
	Acquisition of Chilaw Finance PLC Rs.'000	Acquisition of Tusker Bottling Company (Pvt) Ltd Rs.'000	Total Rs.'000
Property, plant and equipment	202,332	174,591	376,923
Investment properties	22,847	-	22,847
Biological assets	-	98,330	98,330
Intangible assets	6,485	-	6,485
Other financial assets	81,712	-	81,712
Inventories	1,043	72,563	73,606
Trade and other receivables	27,055	47,111	74,166
Loans and advances	657,499	-	657,499
Income tax receivables	5,324	-	5,324
Employee benefit obligations	(5,437)	(306,707)	(312,144)
Deferred tax liabilities	(9,708)	-	(9,708)
Trade and other payables	(40,360)	(442,181)	(482,541)
Public deposits	(732,625)	-	(732,625)
Deferred income	-	(11,412)	(11,412)
Net identifiable assets and liabilities	216,167	(367,705)	(151,538)
Non controlling interests	(59,268)	-	(59,268)
Goodwill acquired on business combination	306,013	367,693	673,706
	462,912	(12)	462,900
39.2 Satisfied by			
Cash consideration	462,912	(12)	-
Analysis of cash and cash equivalents on acquisition of subsidiary;			
Cash consideration	(775,831)	-	-
Cash at bank and in hand acquired	312,919	12	
	(462,912)	-	-

39.3 During the year, Richard Pieris Finance Limited (RPFL), a subsidiary of Richard Pieris and Company PLC acquired 86% of shareholding of Chilaw Finance PLC (CF) consequent to the memorandum of understanding entered into between the parties (RPFL & CF) on 15th August 2014. This is in order to facilitate the financial sector consolidated process initiated by the Central Bank of Sri Lanka.

39.4 During the year, Namunukula Plantations PLC, a subsidiary company of Richard Pieris and Company PLC reacquired the assets and liabilities of six estates which were sub leased to Tusker Bottling Limited.

Notes to the Financial Statements Contd.

40. 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. Other than the following:

40.1 As per Finance Bill issued on 30th March 2015, where the aggregate profit before tax (as per Audited Financial Statement) of subsidiaries and the holding company, within a Group of companies, exceed Rs. 2 bn for the year of assessment 2013/2014, each company of such Group is liable to pay a levy known as Super Gain Tax which is 25% of the taxable income of such company for the year of assessment 2013/2014. The Bill is yet to be enacted.

41. Related Party Disclosures

41.1 Transaction with related entities

	Group		Company	
	2015	2014	2015	2014
Nature of transactions	Rs.'000	Rs.'000	Rs.'000	Rs.'000
41.1.1 Subsidiaries				
Amounts receivable as at 31 March	-	-	**2,753,353**	2,632,037
Amounts payable as at 31 March	-	-	**214,872**	402,441
Allocation of common personnel and administration expenses	-	-	**201,133**	210,767
Rendering of services	-	-	**86,687**	75,418
Net investments made (Note 39)	-	-	**941,180**	61,250
Dividends received (Note 41.4)	-	-	**1,143,993**	1,081,728
Rent income	-	-	**145,246**	138,334
Royalty income	-	-	**313,355**	295,581
Corporate restructuring expenses	-	-	**61,224**	61,224
Interest income	-	-	**47,980**	73,586
41.1.2 Associates				
Amounts receivable as at 31 March	**17,185**	10,193	-	-
Sale of goods/services	**554,840**	553,285	-	-
Others	**11,059**	13,831	-	-
41.1.3 Significant Investor				
Dividend paid	**232,375**	129,097	**232,375**	129,097

41.1.4 Terms and Conditions

Outstanding balances at the year end are unsecured, and not interest bearing.

41.1.5 Off Balance Sheet Items

Guarantees given by the Company to Banks on behalf of related parties are disclosed in Note 28.1 (Interest bearing Borrowings) to the Financial Statements.

41.2 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	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Short-term employee benefits	**27,007**	28,082	**18,515**	10,573

b) Other Transactions with Key Management Personnel

Richard Pieris 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.

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 38.

41.3 Other Related Party Disclosures

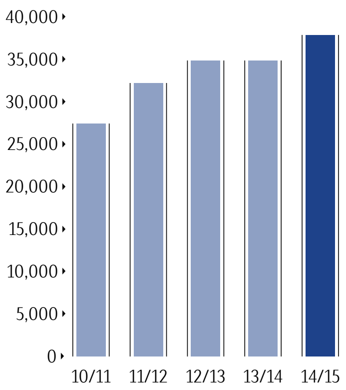
Legal fees amounting to Rs. 5.1 mn (2014 - Rs. 2.41 mn) was paid by the Group to an entity in which a Key Management personnel was a Partner.

41.4 Other Transactions with Group Companies

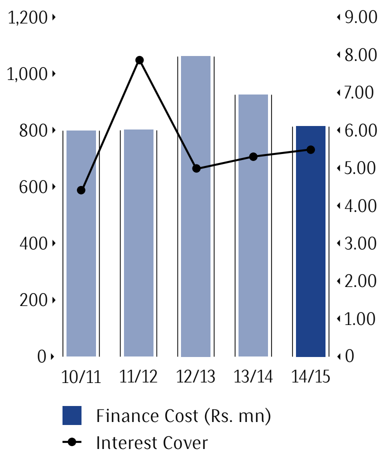
Dividends received from the subsidiaries during the year are below the stipulated threshold for a single transaction (10% of the equity or 5% of the total assets of Richard Pieris & Company PLC, whichever is lower) as specified by the listing rules of the Colombo Stock Exchange.

Ten Year Summary

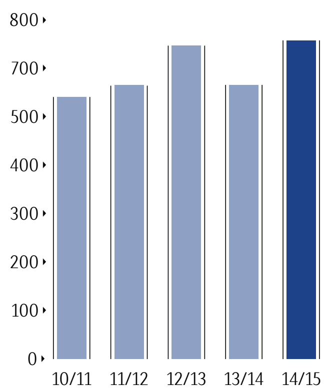
Net Revenue



Interest Cover



Tax Expense



	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000
TRADING RESULTS			
Revenue	**37,802,243**	34,699,111	34,690,340
Profit from operations	**3,103,509**	2,807,127	3,599,997
Loss on disposal of investment	-	-	-
Finance cost	**(811,166)**	(922,062)	(1,031,521)
Finance income	**244,304**	389,584	302,054
Profit from operations after finance cost and finance income	**2,536,647**	2,274,649	2,870,530
Income from associates before tax	**42,299**	27,902	63,765
Profit/(loss) before tax from continuing operations	**2,578,946**	2,302,551	2,934,295
Income tax expense	**(747,009)**	(643,970)	(737,082)
Profit/(loss) for the year from continuing operations	**1,831,937**	1,658,581	2,197,213
Loss after tax from discontinued operations	**(3,457)**	(2,396)	(581)
Profit/(loss) for the year	**1,828,480**	1,656,185	2,196,632
Non controlling interest	**176,388**	238,970	360,297
Profit/(loss) attributable to equity holders of parent	**1,652,092**	1,417,215	1,836,335
Gross dividend	**508,760**	886,270	387,848

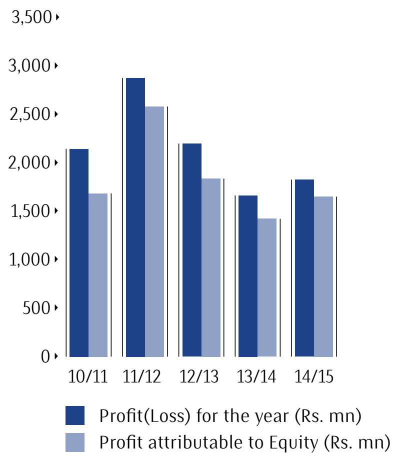
	2014/15 Rs.'000	2013/14 Rs.'000	2012/13 Rs.'000
BALANCE SHEET			
Assets			
Property, plant and equipment/Leasehold properties	**15,819,465**	14,247,201	12,330,580
Investment properties	**165,152**	140,698	140,404
Intangible assets	**1,158,307**	507,192	508,893
Biological assets	**794,128**	619,519	568,037
Investments in associates and other investments	**88,962**	39,708	24,990
Other non current financial assets	**606,839**	559,332	590,002
Current assets	**19,450,377**	16,462,737	13,110,630
	38,083,230	32,576,387	27,273,536
Equity and liabilities			
Stated capital	**1,972,829**	1,814,824	1,637,236
Capital and revenue reserves	**7,861,271**	6,712,869	6,234,927
Statutory reserve fund / Investment fund reserve	**2,478**	6,852	2,222
Foreign currency translation	-	-	-
Other components of equity	**75,826**	73,390	75,057
Non controlling interest	**2,431,421**	2,150,514	2,217,100
Term loans payable after one year	**6,224,424**	4,166,767	3,368,878
Insurance provision	**307,092**	193,371	67,575
Deferred income and deferred tax	**800,429**	774,843	792,831
Provisions and other liabilities	**2,725,406**	2,196,023	1,912,450
Net liability to the lessor payable after one year	**606,780**	617,679	628,159
Current liabilities	**15,075,274**	13,869,255	10,337,101
	38,083,230	32,576,387	27,273,536
RATIOS & OTHER INFORMATION			
Earnings per share (Rs.)	**0.82**	0.72	0.95
Market value per share (Rs.)	**7.40**	6.60	6.60
Price earnings ratio (No. of Times)	**9.00**	9.17	6.95
Net assets per share (Rs.)	**4.87**	4.34	4.10
Return on equity (%)	**17.84**	17.12	25.76
Dividend per share (Rs.)	**0.25**	0.45	0.20
Dividend cover (No. of Times)	**3.29**	1.60	4.75
Interest cover (No. of Times)	**5.47**	5.27	4.94
Current ratio (No. of Times)	**1.29**	1.19	1.27
Gearing ratio (%)	**40.49**	37.69	29.50

* All figures are based on Sri Lanka Accounting Standards.

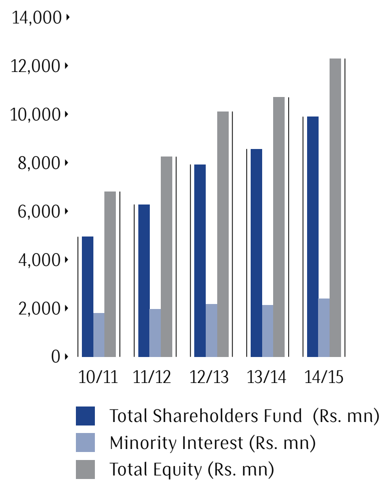
2011/12 Rs.'000	2010/11* Rs.'000	2009/10* Rs.'000	2008/09* Rs.'000	2007/08* Rs.'000	2006/07* Rs.'000	2005/06* Rs.'000
32,005,182	27,241,577	22,339,288	21,103,176	20,142,591	15,627,638	13,093,791
3,952,638	3,450,366	1,969,697	1,378,556	2,045,930	1,640,288	1,256,820
-	-	-	-	(277,000)	-	-
(798,277)	(794,617)	(969,147)	(1,436,225)	(1,472,629)	(879,601)	(548,240)
301,991	-	-	-	-	-	-
3,456,352	2,655,749	1,000,550	(57,669)	296,301	760,687	708,580
62,436	113,008	59,609	41,015	27,969	11,646	4,593
3,518,788	2,768,757	1,060,159	(16,654)	324,270	772,333	713,173
(644,540)	(616,566)	(330,592)	(180,411)	(77,278)	(92,231)	(120,150)
2,874,248	2,152,191	729,567	(197,065)	246,992	680,102	-
(4,374)	(11,609)	(17,873)	(107,963)	(203,216)	(165,527)	-
2,869,874	2,140,582	711,694	(305,028)	43,776	514,575	593,023
294,813	459,898	131,490	24,055	(258,853)	(208,180)	(63,994)
2,575,061	1,680,684	580,204	(329,083)	(215,077)	306,395	529,029
1,550,621	515,946	-	-	-	59,193	177,578

2011/12 Rs.'000	2010/11 Rs.'000	2009/10* Rs.'000	2008/09* Rs.'000	2007/08* Rs.'000	2006/07* Rs.'000	2005/06* Rs.'000
11,600,282	10,926,376	10,142,760	10,167,170	10,125,468	9,433,192	9,464,246
139,628	139,628	-	-	-	-	-
518,494	469,487	480,177	491,491	500,857	500,816	520,058
507,191	542,689	-	-	-	-	-
74,143	456,186	180,919	136,757	101,007	1,765,956	96,408
503,922	24,000	-	-	-	-	-
10,381,632	8,805,222	6,560,961	6,128,679	7,079,997	5,983,116	5,801,373
23,725,292	21,363,588	17,364,817	16,924,097	17,807,329	17,683,080	15,882,085
1,633,853	1,627,612	1,578,475	1,578,475	1,578,475	1,183,856	1,183,856
4,603,788	3,682,853	2,185,500	1,603,061	1,932,144	2,601,033	2,395,652
-	-	-	-	-	-	-
-	-	31,152	32,371	21,599	23,363	17,162
68,692	68,935	-	-	-	-	-
1,994,660	1,976,302	1,500,836	1,380,908	1,390,232	1,197,663	1,022,198
2,177,814	1,998,292	1,957,680	2,354,617	2,683,162	2,968,288	2,197,653
9,390	-	-	-	-	-	-
704,126	735,923	553,879	499,951	386,143	353,751	521,598
2,032,691	1,704,417	1,529,685	1,103,222	1,037,650	871,716	832,373
638,237	650,980	672,158	697,432	722,234	713,740	691,219
9,862,041	8,918,274	7,355,452	7,674,060	8,055,690	7,769,670	7,020,374
23,725,292	21,363,588	17,364,817	16,924,097	17,807,329	17,683,080	15,882,085
1.33	0.87	4.52	(2.57)	(1.68)	2.39	4.47
7.50	13.60	55.00	25.00	39.00	65.00	75.00
5.64	15.63	12.17	-	-	27.20	16.78
3.25	2.58	29.57	25.06	27.54	32.17	30.38
45.56	38.22	16.56	(10.24)	(6.09)	8.05	15.61
0.70	0.30	1.00	-	-	0.50	1.50
1.90	2.90	4.52	-	-	4.78	2.98
7.96	4.34	2.03	0.96	1.20	1.86	2.30
1.05	0.99	0.89	0.79	0.88	0.77	0.83
34.17	37.44	49.68	59.80	61.49	63.03	58.61

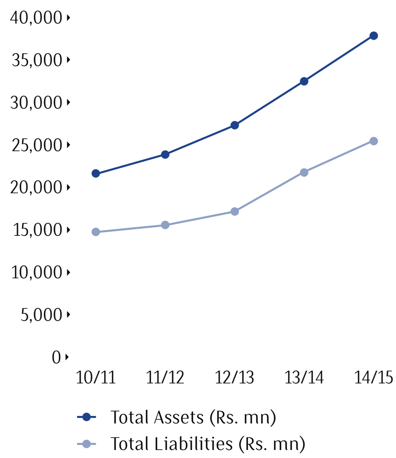
Profit



Equity



Net Assets



Share and Debenture Information

The ordinary shares of the Company are listed in the Colombo Stock Exchange.

As at the financial year ended 31st March

Distribution of shareholders

Range of shareholding		No. of share holders as at 31/03/2015	No. of shares	% of Shareholding	No of share holders as at 31/03/2014	No of shares	% of Shareholding
1	500	**2,391**	**521,147**	**0.03%**	2,461	539,994	0.03%
501	5,000	**4,205**	**9,099,658**	**0.45%**	4,648	10,008,264	0.50%
5,001	10,000	**933**	**7,548,575**	**0.37%**	1,056	8,548,803	0.43%
10,001	20,000	**741**	**11,214,841**	**0.55%**	818	12,375,315	0.62%
20,001	30,000	**302**	**7,852,217**	**0.39%**	324	8,436,687	0.43%
30,001	40,000	**151**	**5,321,827**	**0.26%**	164	5,749,449	0.29%
40,001	50,000	**130**	**6,076,194**	**0.30%**	141	6,600,120	0.33%
50,001	100,000	**243**	**17,952,780**	**0.88%**	278	20,318,939	1.02%
100,001	1,000,000	**340**	**103,876,494**	**5.10%**	333	101,609,011	5.12%
1,000,001	& above	**62**	**1,865,574,542**	**91.67%**	65	1,809,551,263	91.22%
		9,498	**2,035,038,275**	**100.00%**	10,288	1,983,737,845	100.00%

Composition of shareholders

Category	No. of share holders as at 31/03/2015	No. of shares	% of Shareholding	No of share holders as at 31/03/2014	No of shares	% of Shareholding
Institutional investors	**351**	**1,666,187,325**	**81.87%**	367	1,657,005,361	83.53%
Individual investors	**9,147**	**368,850,950**	**18.13%**	9,921	326,732,484	16.47%
Total	**9,498**	**2,035,038,275**	**100%**	10,288	1,983,737,845	100%
Resident shareholders	**9,349**	**538,264,465**	**26.45%**	10,154	786,937,190	39.67%
Non-resident shareholders	**149**	**1,496,773,810**	**73.55%**	134	1,196,800,655	60.33%
Total	**9,498**	**2,035,038,275**	**100%**	10,288	1,983,737,845	100%

Public share holding as at March 31, 2015 is 42.91% represented by 9,490 public shareholders (31.03.2014 - 44.02% represented by 10,280 public shareholders).

Market Activity

	2014/2015	Date	2013/2014	Date
Highest price (Rs.)	**9.50**	**10-Oct-14**	7.80	27-May-13
Lowest price (Rs.)	**6.50**	**3-Apr-14**	5.90	18-Sep-13
Year end price (Rs.)	**7.40**	**31-Mar-15**	6.60	31-Mar-14
No. of transactions	**11,980**		9,663	
No. of shares traded	**101,856,757**		88,465,446	
Share turnover (Rs.)	**844,919,156**		591,423,545	

Major shareholders

	Name of the shareholder	As at 31.03.2015	%	As at 31.03.2014	%
1	Skyworld Overseas Holdings Limited	**516,388,590**	**25.37%**	516,388,590	26.03%
2	Camille Consulting Corp.	**316,935,120**	**15.57%**	316,935,120	15.98%
3	HSBC International Nominees Ltd-SSBT- Deutsche Bank	**225,353,787**	**11.07%**	225,353,787	11.36%
4	Sezeka Limited	**174,447,000**	**8.57%**	174,447,000	8.79%
5	Employees Provident Fund	**169,899,520**	**8.35%**	172,243,539	8.68%
6	Rockport Limited	**99,506,865**	**4.89%**	99,506,865	5.02%
7	Dr. Sena Yaddehige	**95,800,650**	**4.71%**	44,500,220	2.24%
8	Dhanasiri Recreation Pvt Ltd	**28,672,176**	**1.41%**	26,750,164	1.35%
9	Executors of the Estate of Late Mr. M. D. Rutnam	**25,759,500**	**1.27%**	25,759,500	1.30%
10	The Executor of the Estate of Late Mrs L.B.S. Pieris	**22,782,045**	**1.12%**	22,782,045	1.15%
11	Mr. H.A. Pieris	**20,800,415**	**1.02%**	20,800,415	1.05%
12	Mercantile Investments and Finance PLC	**16,035,995**	**0.79%**	15,785,995	0.80%
13	Kalday (Pvt) Ltd.	**12,126,030**	**0.60%**	12,126,030	0.61%
14	National Savings Bank	**12,001,659**	**0.59%**	5,323,900	0.27%
15	Mellon Bank N.A - Frontier Market Select Fund II L.	**8,116,300**	**0.40%**	-	-
16	Mellon Bank N.A - Frontier Market Opportunities	**7,900,000**	**0.39%**	-	-
17	Bank Of Ceylon No 1 Account	**6,673,126**	**0.33%**	4,832,300	0.24%
18	Dr. C.M Fernando	**6,660,570**	**0.33%**	6,660,570	0.34%
19	The Incorporated Trustees of the Church of Ceylon	**4,868,795**	**0.24%**	4,868,795	0.25%
20	Mr. D.M. Sinnetamby	**4,326,220**	**0.21%**	4,326,220	0.22%
		1,775,054,363	**87.22%**	1,699,391,055	85.67%

Directors shareholding

	Name of the shareholder	No of shares as at 31st March 2015	No of shares as at 31st March 2014
1	Dr. Sena Yaddehige	**95,800,650**	44,500,220
2	Mr. J H Paul Ratnayeke	**3,250,005**	3,250,005
3	Prof. Lakshman R Watawala	**40,000**	40,000
4	Mr. W J V P Perera	**4,500**	4,500
5	Mr. S S G Liyanage	**3,942,825**	3,942,825
6	Dr. S A B Ekanayake	-	-
7	Prof. Susantha D Pathirana (Resigned w.e.f. 31.03.2015)	-	-

Share and Debenture Information Contd.

Listed Debentures

Details regarding the listed debentures are as follows.

Three types of rated unsecured redeemable debentures with different maturities were issued on 7th May 2014, allotted on 16th May 2014 and subsequently Listed on 23rd May 2014. The debentures were issued with an objective of re-structuring the debt portfolio which was duly achieved. The debentures are quoted in Colombo Stock Exchange. The debentures are rated by Lanka Ratings Agency with a rating of AA-.

Type of Debenture	Interest rate	Frequency of interest payment	Redemption date	Interest rate of government security*
Type A	10.75%	Semi-annual	16th May 2017	7.82%
Type B	11.00%	Semi-annual	16th May 2018	8.47%
Type C	11.25%	Semi-annual	16th May 2019	8.76%

*Interest rate of comparable government securities are net of tax as of 31st March 2015.

Debentures traded during financial year as of 31st March 2015

	No. of transactions	No. of debentures	Highest price Rs.	Lowest price Rs.	Last traded price Rs.	Value of debentures Rs.
Tyep A	1	156,500	101.21	101.21	101.21	15,839,443
Type B	-	-	-	-	-	-
Type C	2	420,000	107.81	104.73	107.81	44,850,400

Ratios

	31.03.2015	31.03.2014
Debt/Equity ratio	**2.22**	1.98
Quick asset ratio	**1.48**	0.75
Interest cover	**3.50**	3.98

Group Real Estate Portfolio

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2015 Rs. mn
Richard Pieris & Company PLC	Hyde Park Corner	783	73,157	**5,773**
	Maharagama	1,773	289,509	**1,810**
RPC Real Estate Co. Ltd.	Kandy	162	35,945	**478**
Arpico Industrial Dev Co (Pvt) Ltd.	Mattegoda	1,112	149,700	**513**
	Siyambalagoda	467	57,130	**212**
Richard Pieris Distributors Ltd.	Maharagama	183	28,726	**317**
	Moratuwa	85	-	**58**
	Mulleriyawa	192	-	**5**
	Matara	362	38,000	**449**
RPC Retail Development (Pvt) Ltd.	Negombo	226	47,542	**431**
	Kadawatha	99	21,850	**291**
	Wattala	101	-	**111**
	Kelaniya	102	-	**42**
Arpimall Development (Pvt0 Ltd.	Dehiwala	166	44,616	**423**
	Battaramulla	124	67,134	**531**
Plastishells Ltd.	Mattegoda	340	45,825	**41**
	Dambulla	284	12,494	**23**
Arpico Flexifoam (Pvt) Ltd.	Mattegoda	514	-	**31**
Richard Pieris Exports PLC	Ekala	640	73,190	**206**
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	**36**
Richard Pieris Tyre Company Ltd.	Kurunagala	413	22,566	**59**
Arpidag International (Pvt) Ltd.	Maharagama	80	17,946	**77**
RPC Plantation Management Services (Pvt) Ltd.	Panadura	333	23,000	**362**

Leasehold Land & Buildings

Owning Company	Land in Hec	Building in (Sq.Ft)
(A) Leasehold land of plantations		
Maskeliya Plantations PLC	10,561	7,112,890
Kegalle Plantations PLC	9,773	3,507,810
Namunukula Plantations PLC	11,779	4,585,874

	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	851	36,884
Richard Pieris Natural Foams (Pvt) Ltd.	Biyagama	785	92,940
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:
Total 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. A measure of return on shareholders' investment.

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Effective Tax Rate:
Income tax expenses divided by profit before tax.

G

Gearing Ratio:
Proportion of net interest bearing liabilities to total capital employed net of cash and cash equivalents.

Gross Dividend:
Portion of profits inclusive of tax withheld, distributed to shareholders during the year.

I

Interest Cover:
Profit before finance cost and 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 and non-controlling interest.

Net Assets per Share:
Total net assets 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 and tax inclusive of other operating income

Price Earnings Ratio:
Market price of a share divided by earnings per share as reported at that date. A key multiple for relative share valuation.

Price to Book Value:
Market price of a share divided by net assets per share. A key multiple for relative share valuation.

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 and 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 for the period.

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 revenue 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 net 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 for 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 Sixth 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 Tuesday, 30th June 2015 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 2015 with the Report of the Auditors thereon.

2. To re-elect Mr. Sunil Liyanage who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.

3. To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to determine their remuneration.

4. To authorize the Directors to determine contributions to charities.

5. 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

28th May 2015

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.

Notes

Notes Contd.

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 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 76th ANNUAL GENERAL MEETING of the Company to be held on 30th June 2015 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 2015 with the Report of the Auditors thereon.		
2.	To re-elect Mr. Sunil Liyanage, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.		
3.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
4.	To authorize the Directors to determine contributions to charities.		
5.	To consider any other business of which due notice has been given.		

Dated this .... day of 2015

....
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.

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 Saturday, 28th June 2015.

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 appointor 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.

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
(Resigned w.e.f. 31.03.2015)
Mr. W. J. Viville P. Perera - Director
Mr. S.S.G. Liyanage - Director
Dr. S.A.B. Ekanayake - Director

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
Deutsche Bank A G
DFCC Bank
DFCC Vardhana Bank
Hatton National Bank
Hongkong &Shanghai Banking Corporation
Indian Bank
Indian Overseas Bank
Nations Trust Bank
National Development Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
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.

optima
Design & Concept by: Optima Designs (Pvt) Ltd.
Printed by: Gunaratne Offset (Pvt) Ltd.