84 Years

Since 1932

TOUCHING LIVES

Richard Pieris & Company PLC

Annual Report 2015 / 2016

84 Years

Since 1932

The impact that we have made in people's lives in the last 84 years has truly been extraordinary. Generations upon generations of Sri Lankans have been a part of the RPC story and we are enthused to continue this legend of quality and strength into the many decades and centuries ahead.

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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.

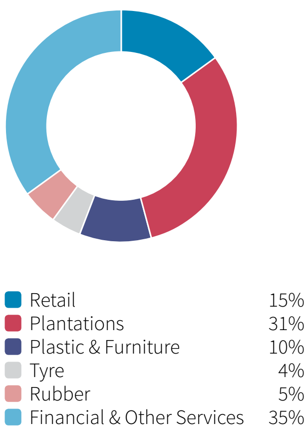
To ensure continuous growth by the planned expansion and diversification of business activities.

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

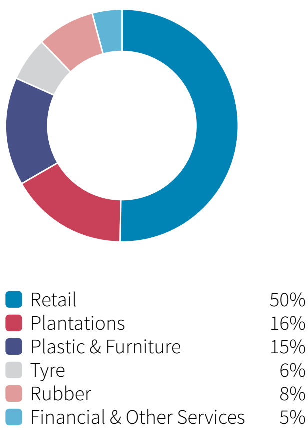
FINANCIAL HIGHLIGHTS

	2015/2016 Rs.'000	2014/2015 Rs.'000
Revenue	43,018,502	37,802,243
Profit from operations	3,955,303	3,103,509
Profit before tax from continuing operations	3,398,914	2,578,946
Income tax expense	(1,137,461)	(747,009)
Profit for the year from continuing operations	2,261,453	1,831,937
Profit for the year	2,257,917	1,828,480
Profit attributable to equity holders of the parent	2,147,685	1,652,092
Total assets	43,575,017	38,083,230
Shareholder funds	10,872,728	9,912,404
Market capitalisation	14,652,275	15,059,283
Total value addition	15,907,436	14,017,995
Per Ordinary Share		
Earnings (Rs.)	1.05	0.82
Net assets (Rs.)	5.34	4.87
Market value (Rs.)	7.20	7.40
Ratios		
Return on equity (%)	20.67	17.84
Interest cover (No of times)	6.68	5.47
Dividend payout (%)	47.62	30.49
Gearing ratio (%)	41.55	40.49

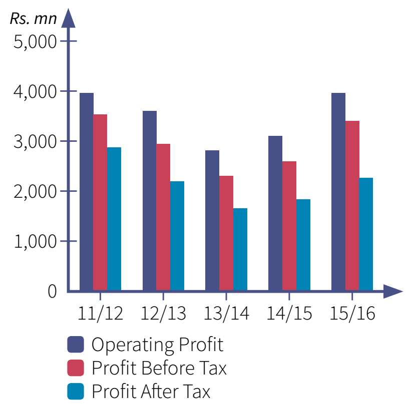
Asset Composition



Group Revenue Composition



Operating Profit vs. PBT vs. PAT



1932 - 2016 - OUR HISTORY AT A GLANCE

In its 84 year journey of improving quality of life of the people in Sri Lanka, Richard Pieris and Company PLC, has attained the status of a national institution with the Richard Pieris brand recognised as one of the oldest and best loved brands in the country.

The Company originated as a ‘commission agents, general import and export merchants and dealers in estate supplies’, within the British colonial backdrop where all major trade and economic activities were controlled by British principles. As such, the Company was a rare representation of the emerging category of home grown Sri Lankan businesses. The founders of Richard Pieris and Company were among those who laid the foundation for a new social class of Ceylonese merchants. The newly formed Company’s first business venture was a filling station and within the first seven years of commencing business operations, revenues grew by more than 400%. 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.

The World Wars presented another growth opportunity for this emerging conglomerate. The founders noted the rapid increase in demand for natural rubber, which had become a precious commodity to sustain allied military operations. Responding to the demand, Richard Pieris and Company launched a tyre rebuilding business to meet allied demand for tyres for military vehicles. This first manufacturing venture was an instant success that continues to remain an exceptionally successful business venture to date, with the Arpico and Arpidag brands continuing to retain leadership status in the domestic tyre sector.

Accompanying the Sri Lankan people through eight decades of change, Richard Pieris and Company, has evolved into one of the largest private institutions in the country and stands tall among the ranks of the country’s diversified business conglomerates. With its footprint extending from manufacturing, to retail, to plantation management and financial services, the Group is involved in creating value across the national economy and is one of the most long standing, stable and profitable corporate entities in the country.

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, credit card & mobile bill payment facilities, and delivering an 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.

OUR PRODUCTS

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, is seeking to pave the way for 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 financial services sector includes various services such as Insurance, Finance, Stock Broking, Margin Trading and a Logistics 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 Limited, the Logistics arm of the Group, provides fully fledged integrated logistics solutions both locally and internationally.

CHAIRMAN'S REVIEW

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 2016.

The milestones that your Group has reached today through its remarkable journey of 84 years have come through focused attention on core businesses and the selective expansion of strategic business ventures. The strong results of retail, plastic, tyre and rubber sectors continued to drive the group financial performance thwarting the hardships faced by the plantation sector due to continuation of low prices in the global commodity market, driven by multiple factors. Accordingly, as the year drew to a close, your Group was consistent in its performance generating a revenue of Rs. 43 bn and yielding a profit before tax of Rs. 3.4 bn and a profit after tax of Rs. 2.3 bn. Despite the increase in long term capital expenditure, your group generated a dividend yield of 6.94% for the year, reflecting its interest in distributing a satisfactory return to its shareholders.

Economic Environment

The growth of the global economy has yet again fallen short of its expectation in 2015 estimating a 2.4% growth compared to 2.6% in 2014. Subdued global trade, lower commodity prices, weaker capital flows triggered a decline in emerging economies, which had been the driving force behind global growth since financial crisis envisioned the world market in 2007-08. The growth of BRICS is to slowdown at 3.9% on average. Consequently, the easing growth in China, steep recessions in Russia and Brazil eventually had a spillover effect on the rest of the countries. However, on a positive note, developing South Asian countries spearheaded by India indicated a sturdy growth of 7% for the year 2015.

CHAIRMAN'S REVIEW

Looking forward, the global growth is projected to expand by 2.9% in year 2016 on the predictions of continued gains in major developed countries, gradual re-balancing on the concentration of China, stabilisation of world commodity prices etc though down beating risk exposures towards stress on financial system and heightened geopolitical tension especially in middle east further leading towards lower commodity prices.

The spillover effects of the world economies along with the major change in the country's political environment had an influence towards the Sri Lankan economy. Amidst all these, the economy indicated a 4.8% growth in 2015. Reflecting the subdued global demand, the country's trade also declined steeply eventually stressing on country's balance of payment. Exports declined by 5.6% to USD 10.5 bn whilst imports also declined by 2.5% to USD 18.9 bn in 2015 compared to year 2014. Continuation of lower commodity prices impacted negatively towards country agricultural exports whilst lower exports witnessed to EU and USA has affected the decline in industrial exports such as textiles and garments. Furthermore Worker remittances were reported as USD 6.2 bn in 2015. Noteworthy, tourism continued to boom indicating a robust growth of 22.6% over the comparative period reporting an income of USD 2.9 bn in 2015.

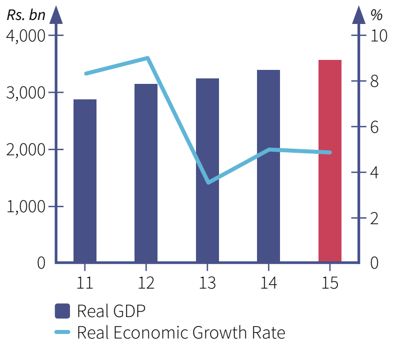
Monetary policy experienced considerable change during the latter part of the financial year.. Following these developments, interest rates increased across maturities with AWPLR, which indicates the cost of borrowing for corporates, standing at 9.12% by end March 2016 compared to 7.01% at the corresponding point in the previous year. Furthermore, with the expanding trade deficit, requested a significant depreciation of local currency which induced high volatility in the foreign exchange market.

Corporate Performance

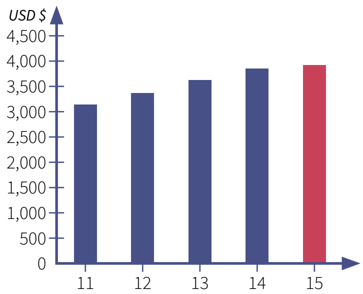
Your Group recorded revenue of Rs. 43 bn for the financial year 2015/16 indicating a YoY growth of 14% whilst net profit before tax and after tax for the year recorded YoY growth rates of 32% and 23% respectively. The strong growth witnessed in Retail, Tyre, Plastic and Rubber businesses cushioned the negative impact from the Plantation business. The asset base of your Group was Rs. 43.6 bn as at the end of the period and this financial strength provides sufficient flexibility for your Group to continuously expand its business portfolio.

The milestones that your Group has reached today through its remarkable journey of 84 years have come through focused attention on core businesses and the selective expansion towards strategic business ventures.

Real GDP & Real Economic Growth Rate



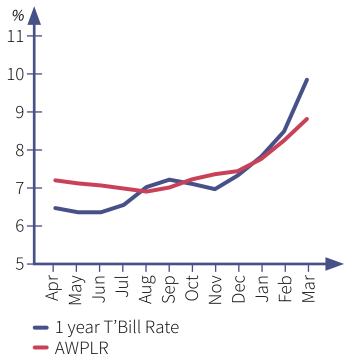
Per Capita Income USD $



CHAIRMAN'S REVIEW

The Finance Company of your group, which is celebrating 3 years of operations, was able to achieve remarkable milestones topping Rs. 9.5 bn assets with a deposit base of Rs. 3.1 bn which speaks of the reliability placed by the public at large.

Interest Rates - AWPLR



The Retail sector continued to be the highest contributor towards the Group's revenue and profitability for yet another year. 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.

Plastic and Furniture business of your group demonstrated yet another year of strong business performance. It is noteworthy that the sector was able to improve its level of performance from the challenging days witnessed during previous years. Meanwhile, the sector is looking into possibilities of expanding its market segments into South Asian Region introducing its wide range of product categories such as mattresses, water tanks, PVC pipes, and rigifoam products.

The Rubber sector, which consists of companies engaged in exporting value-added rubber related products, exhibited yet another strong year. Continuation of lower rubber prices along with fluctuations of the local currency had influenced favourably towards the sector. In coming years, the demand is expected to boom with the strong ties re-instated with western countries.

The Tyre sector which has been a consistent performer over the years, unleashed its potential indicating a strong performance for yet another year. The sector continued to successfully 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. The Finance Company of your group, which is celebrating 3 years of operations, was able to achieve remarkable milestones topping Rs. 9.5 bn assets with a deposit base of Rs. 3.1 bn which speaks of the reliability placed by the public at large.

Your Plantation business faced yet another year of many adversities caused through external down beating factors, especially heightened by the continuation of lower commodity prices. Nevertheless, the sector reported revenue of Rs. 6.9 bn whilst the sector was able to break even at operational level during the financial year under review.

Special Achievements

During the year, your Group conferred prominence for enhancing the production capacity and divesting production lines across several geographical locations in order to expand its accessibility. Accordingly, a production line was expanded in manufacturing rubber related products whilst initial strategic foundation was laid in planting a state of the art production line for Water tank operations.

Your group has further expanded its retail business during the year concentrating on key commercial cities in the country. Two large format retail outlets were established

CHAIRMAN'S REVIEW

apart from another six Arpico Daily outlets which concentrates on a new market segment. 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. We as a coherent management team of your group envisage on expanding our business horizons into different market segments. The Plastic sector is looking into possibilities of penetrating into South Asian markets whilst strategic initiatives are planned to further drive the growth of exports especially in USA as a measure of reviving the plantation sector through establishing a new market segment.

Dividends

During the year, the Group declared an interim dividend of Rs. 0.50 in March 2016, constituting a dividend yield of 6.9% 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. I would also like to welcome our new directors Mr. Shaminda Yaddehige and Professor Kapila Goonesekera and their experience, eminent personalities and intellectual capacity will no doubt add value to the force behind envisaging your group to take the business to the next level.

Dr. Sena Yaddehige
Chairman/CEO/MD

31st May 2016

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. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, and over 50 companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition he also holds the patent for slow release fertilizer in Sri Lanka.

He is a Founder, Chairman and Director of numerous companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland and Singapore. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to Europe, Japan, China and the United States.

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.

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 32 years experience in senior managerial capacity in leading business organisations such as Associated Newspapers of Ceylon Limited, Middleway Limited (Ceylinco Group) and Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer from 1992 to 1997 and Vice President from 1999 to 2002 of Sri Lanka Institute of Packaging. Mr. Perera has been representing the company on the Executive Committee of the Industrial Association of Sri Lanka, an affiliated trade association under the aegis of the Ceylon Chamber of Commerce since 2011. He is also on the Board of Directors of Several Companies of Richard Pieris Group.

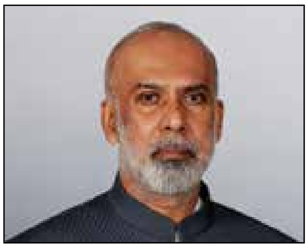
BOARD OF DIRECTORS

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 40 years of management experience in the field of Rubber and 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 & Company PLC, Richard Pieris Exports PLC, Richard Pieris Distributors Limited, Arpico Interiors (Pvt) Limited.



Dr. S A B Ekanayake

Dr. S A B 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. S A B 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. S A B 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.

Mr. Shaminda Yaddehige

Mr. Shaminda Yaddehige is an Executive Director and also the Chief Operating Officer of the Company.

Mr. Yaddehige was educated at Charter House-United Kingdom and graduated in Chemical Engineering from University College London. In addition he also possesses a Masters Degree in Business Administration from IE Business School which is ranked amongst the top 10 business schools in the World.

Mr. Yaddehige worked as a Management Consultant at Price Waterhouse Coopers-UK and also at world renowned international ultra high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddehige has been in the Directorate of Richard Pieris Exports PLC for the last 11 years and also in the Directorate of Richard Pieris Natural Foams Limited.

Professor Kapila Goonasekara

Professor Kapila Goonasekara is an Agricultural Engineer with specialization in Soil and Water Engineering, Agricultural Mechanization and Environmental Sciences. He received his career training at University of Peradeniya as an Agriculture graduate with postgraduate qualification from Asian Institute of Technology in Thailand and Virginia Tech in USA.

As an academic, researcher, and an administrator he has experience over 40 years in the national university system. He has served as academic Head and Professor of Agricultural Engineering, Dean of Faculty of Agriculture and Vice Chancellor of University of Peradeniya and University of Vocational Technology.

He was a life member and the president of Agricultural Engineering Society of Sri Lanka and the founder President of Sri Lanka Korea Rural Development Administration Alumni Association. He is also a life member of National Academy of Sciences, Sri Lanka Society for Advancement of Sciences and National Agricultural Society. He has served as a consultant in agricultural and environmental sciences related fields for number of national and international agencies. He has served as a consultant and a member of the Board of Directors of RPC Management services and as the Chief Executive Officer of a company that exported organic Tea and Spices.

Currently, he is serving as the Chairman of Sri Lanka Foundation. He has research interests in introducing technology changes in tea plantations and a paradigm shift in process of tea manufacturing and value addition.

OUR BUSINESS

Retail Sector

We bring variety and choice into every household with an ever expanding product range of over 40,000 items.

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

RETAIL SECTOR CONTD.

The Retail Sector of the Group is represented by Richard Pieris Distributors Limited, Arpimalls Development Company (Pvt) Limited, RPC Retail Developments Company (Pvt) Limited, RPC Real Estate Development Company (Pvt) Limited and Arpico Interiors (Pvt) Limited. The Sector is responsible for operating the well-known Arpico Supercentres, Superstores, Arpico Daily outlets and an Island wide network of showrooms. The sector also provides 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 holds great growth potential, despite the challenges consistently thrown its way by the external environment.

During the year under review, the Sector reported revenue of Rs. 21.7 bn, which is a 18% growth over the previous financial year and a growth in operating profit of 31%.

Richard Pieris Distributors Limited

Richard Pieris Distributors Limited manages the renowned chain of 19 Arpico Supercentres/Superstores, 17 showrooms and 23 Arpico Daily outlets. This network is involved in the retail sale of a wide array of fast moving consumer goods (FMCG), household goods, furniture and electronic goods whilst providing a host of value added services such as bank service points, ATMs and credit card & mobile bill payment facilities etc.

Arpico Supercentres and Superstores have succeeded in gaining a competitive edge over its rivals through the unique shopping experience it delivers to customers. All Supercentres and Superstores are equipped with ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products. Special events were continuously organised throughout the year at Supercentres/ Superstores, showrooms and Arpico Daily outlets, including activities for families, in order to create an added level of excitement and to provide customers a comfortable ambience to shop in. The Company continuously focuses on improving levels of convenience and services delivered to customers, while also striving to operate in an environmentally-friendly manner.

During the year under review, the Company opened a Supercentre in Galle and a Superstore in Malabe, offering the residents as well as the thousands of people who pass through daily, the convenience of having more than 40,000 items under one roof with extensive parking and other ancillary services. The Company also opened 6 Arpico Daily outlets during the year under review, and thereby succeeded in widening its reach to consumers across the island. The retail chain deployed their own dedicated taxi service exclusively for shoppers, a first for a supermarket chain in Sri Lanka.

An aggressive marketing and sales strategy was carried out during the year which led to better awareness of the Arpico Brand. The Company continued its "Top Tips" campaign during the year creating a lot of excitement in the market by giving away competitive discounts on more than 200 products. The Company also continued with another innovative "Win a Thrilling Christmas'", seasonal campaign where 50 families were given a chance to win all-expenses-paid visits to some of Asia's most exciting theme parks.

OUR BUSINESS

21.7 Bn

During the year under review, the Sector reported revenue of Rs. 21.7 bn, which is a 18% growth over the previous financial year and a growth in operating profit of 31%. Richard Pieris Distributors Limited manages the renowned chain of 19 Arpico Supercentres/Superstores, 17 showrooms and 23 Arpico Daily outlets.

RETAIL SECTOR CONTD.

An aggressive marketing and sales strategy was carried out during the year which led to better awareness of the Arpico Brand. The Company continued its "Top Tips" campaign during the year creating a lot of excitement in the market by giving away competitive discounts on more than 200 products.

The Arpico Privilege Card customer base continued to grow with its membership increasing to approximately 438,000 by the end of the year. Exclusive rewards given to members throughout the year, contributed towards the increasing popularity of the use of the Privilege Card.

In the ensuing years, the Company intends to proceed with the strategy of selectively expanding its chain of Supercentres/ Superstores and Arpico Daily outlets in the strategic locations island wide. This strategy will be pursued despite the negative economic conditions anticipated in the short to medium term and the continuous challenges faced from regulatory bodies.

Arpimalls Development Company (Pvt) Limited

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

RPC Retail Developments Company (Pvt) Limited

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

RPC Real Estate Development Company (Pvt) Limited

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

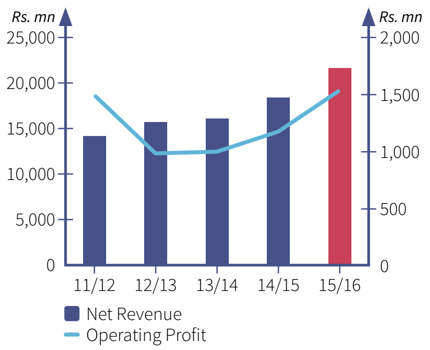
Arpico Interiors (Pvt) Limited

Arpico Interiors (Pvt) Limited (AIPL) imports a wide array of high quality products from internationally reputed suppliers. The Company continued to add new products to its portfolio which includes providing design solutions and production of customised furniture. Its wide range of products is on display at its Hyde Park Corner showroom.

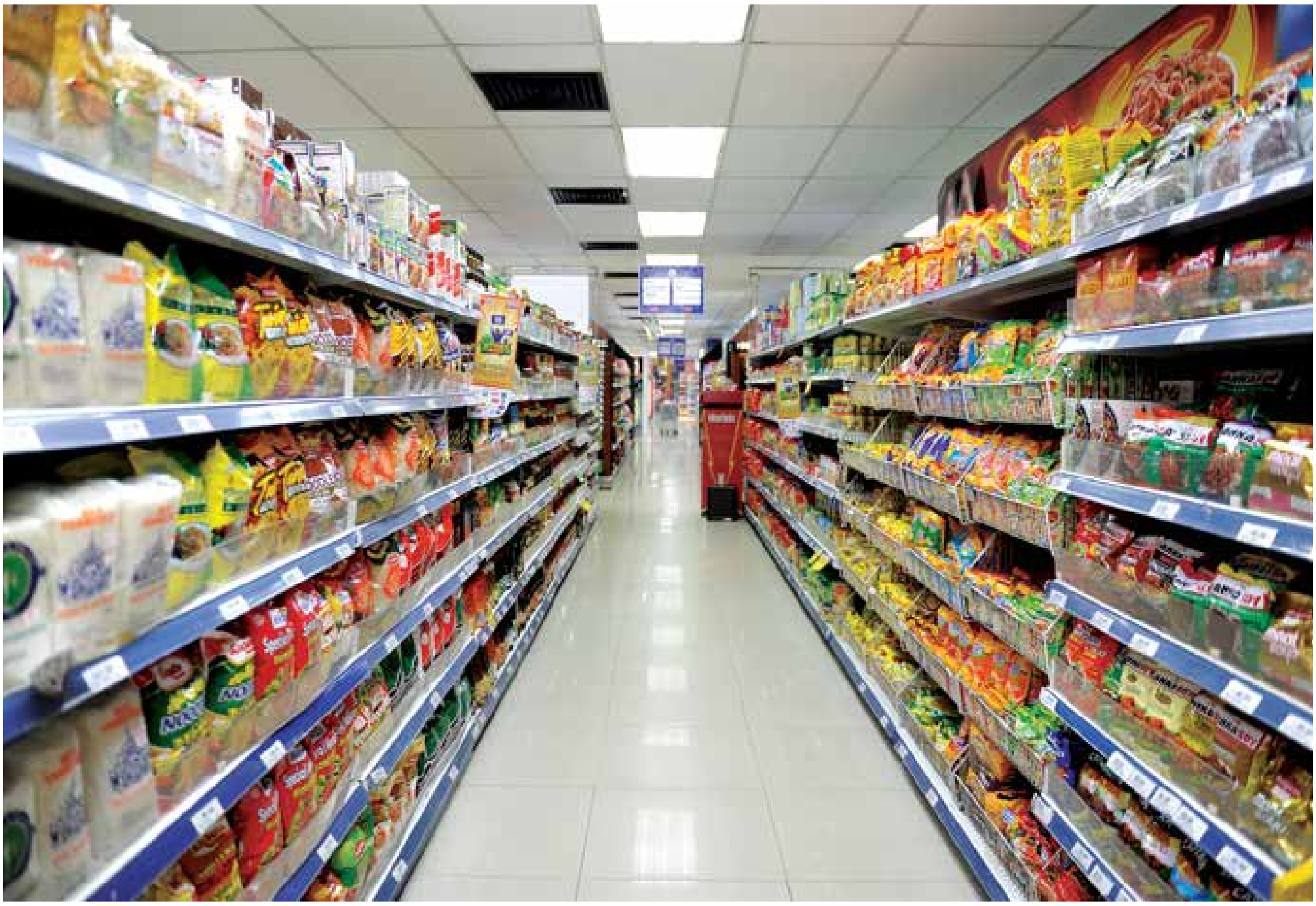
During the year under review, AIPL continued to explore the opportunities in the domestic/ export markets and confidently continued to progress facing extensive competition from small and medium scale businesses.

The management is confident of its ability to improve the Company's profitability in the ensuing years.

Retail Sector



OUR BUSINESS



ARPICO SUPERCENTRE

ARPICO SUPERSTORE

ARPICO DAILY

ARPICO FURNITURE
FURNISHING YOUR EXPECTATIONS

OUR BUSINESS

Plantations Sector

Our regional plantation companies represent the unrivaled taste of the highest quality Ceylon tea.

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

PLANTATIONS SECTOR CONTD.

The Sector holds three regional plantation Companies namely Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC which are in cultivating, processing and selling of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon, rambutan and other crops. Companies operate in different geographical regions throughout the country and manage 54 estates covering 32,097 hectares. Richard Pieris Group continues to be the largest tea and rubber producer in the country. During the year Kegalle, Namunukula and Maskeliya plantations together produced 12 mn kg of Tea, 4.6 mn kg of Rubber and 16.6 mn kg of Oil Palm with a total revenue contribution of Rs. 6.9 bn to the Group.

The Sector continued to face challenges stemming from the global market arena. Major commodity prices continued to be sluggish which affected the Plantation industry in Sri Lanka. Also, the rise in Labour cost coupled with lower productivity, led to further cost escalation of Cost of Production (COP) of the producers of Ceylonese tea.

Maskeliya Plantations PLC

Maskeliya Plantations PLC is highly reputed for its high grown tea with an average annual production of 8.7 mn. The Company owns 18 tea estates in an extent of 10,561 hectares across three geographical areas namely Maskeliya, Talawakelle and Bandarawela.

The Company manufactured 8.26mn kg of tea during the year under review indicating an 2% decrease over the previous year mainly due to the negative climatic conditions prevailed in the last six months of the financial year. The Company continued to face various adverse financial and non-financial conditions, which led to an unfavorable performance.

The revenue for the year under review was Rs. 3.3 bn, which has reduced by 7% from the previous year as a result of the declined market prices in the Colombo Tea Auction. This decline ensued mainly due to the lower demand from Sri Lanka's key customers including buyers from Turkey, Russia and the Middle East. Despite the unfavorable conditions the Company continued to control its estate level COP which reduced to Rs. 385.08 per kg from 390.75 per kg in the previous year.

The Company is continuously improving its sustainability and making a concerted effort to protect the environment and preserve bio diversity. 13 estates in the Maskeliya and Talawakelle regions have obtained the Rain Forest Alliance certification, including the bought leaf suppliers.

During the year under review, Maskeliya Plantations organized number of welfare activities to enhance the quality of life of the estate work force. The Company also continued to conduct training programs for all executive and field staff in order to create awareness on the importance of implementing good agricultural practices.

The Company is committed in diversifying its revenue lines through investing in prospective projects, Blue Magpie Resort in Moray estate was opened during the year.

OUR BUSINESS

6.9 Bn

During the year Kegalle, Namunukula and Maskeliya plantations together produced 12 mn kg of Tea, 4.6 mn kg of Rubber and 16.6 mn kg of Oil Palm with a total revenue contribution of Rs. 6.9 bn to the Group. Companies operate in different geographical regions throughout the country and manage 54 estates covering 32,097 hectares.

PLANTATIONS SECTOR CONTD.

The Sector continued to face challenges stemming from the global market arena. Major commodity prices continued to be sluggish which affected the Plantation industry in Sri Lanka. Also, the rise in Labour cost coupled with lower productivity, led to further cost escalation of COP of the producers of Ceylonese tea.

Kegalle Plantations PLC

Kegalle Plantations PLC, is engaged in the production of Tea, Rubber and Coconut, owns and manages 17 estates in Kegalle, Kurunegala and Badulla districts. The Company has a total land base of 9,757 ha and continues to be the largest corporate rubber producer in Sri Lanka accounting for an annual rubber production of 3,800 mt.

The Company was affected due to the decline in demand for the natural rubber in the global market. Apart from the drop in the rubber prices, local consumers moved towards cheaper substitutes from overseas markets was another factor which contributed to the drop in local rubber prices. The inclement weather condition continued to hamper the rubber production, where the Company recorded a production of 3,353 mt which is 5% lower than the previous year. Rubber production of Kegalle plantation accounts for 4% of the national production which establishes that the Company is the largest rubber plantation in Sri Lanka.

During the period under review, Cost of production of rubber was reduced by 5% from the previous year to Rs. 249.26. Centrifuged latex rubber accounts for 51% of the Company's rubber output, and this output is mainly sold to Richard Pieris Natural Foams Limited.

Direct export of sole crepe rubber to world famous shoe manufacturers continued throughout the year, and this in turn helped to maintain a favorable Net Sales Average. The average price of latex crepe 1X increased to Rs. 287 from Rs. 250 in the previous year, while the market price, which stood at Rs. 316 mid-year 2014/15, dropped to Rs. 287 in March 2016.

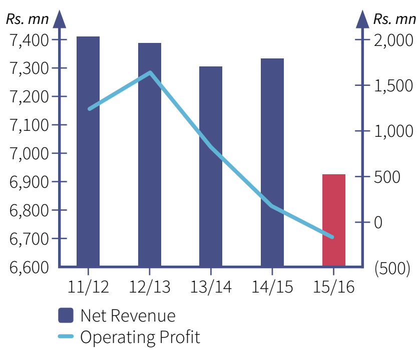
It's noteworthy that the Company continued to invest on replanting of rubber in 1,410 ha and tea in 67.54 ha despite the modest performance during the year under review.

Namunukula Plantations PLC

Namunukula Plantations PLC is the most diversified Plantation Company of the group producing five main crops; Tea, Rubber, Oil Palm, Coconut and Cinnamon. It comprises 19 estates in Badulla, Kalutara, Galle and Matara Districts with a total land extent of 11,779 ha, of which 2,020 ha are utilized for the production of rubber, 2,369 ha for tea, 2,042 ha for palm oil and 452 ha for other crops.

Tea production has displayed a minute decline from 3.2 mn kg in the previous year to 3 mn kg during the year. Rubber segment of the Company recorded a decline of 1.6% in the production during the year to 1,160 mn kg from 1,179 mn kg in the previous year because of the

Plantations Sector



OUR BUSINESS

decrease in the actual tapping days affected by poor weather conditions.

The Company is the second largest producer of oil palm in the island and its estates are situated in Matugama, Galle and Akuressa. During the year 16.59 mn kg of palm oil (fresh fruit bunches) were harvested and a yield of 12.5 Mt/ha was achieved. This result showcases that Oil palm yet again has been the golden crop for Namunukula Plantations enabling the Company to continue recording its profitability.

The company has an extent of 1,330 ha of oil palm in production and further 712 ha are in the immature stage. Plans have been furnished to expand the oil palm cultivation further and an extent of over 900 ha will be planted during the next four years targeting at a total extent of 3,000 ha cultivation in oil palm by year 2020.

The Company has identified training and development as a key requirement to improve the skill levels of its work force. Training programs were continuously conducted to all categories of employees with the aim of developing the skills and knowledge required to perform their duties efficiently. To achieve cost leadership and to enhance the productivity, the Company continued to invest on field development and factory modernization.

Maskeliya Tea Gardens (Ceylon) Limited

Maskeliya Tea Gardens (Ceylon) Limited (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.

Company's export arm took part in a Russian tea exhibition and currently liaising with few potential distributors to establish St. Clair's Brand. Facilities at the central warehouse also have been improved during the year and the Company is working towards getting various quality certificates. The local tea distribution operation expanded island wide, during the year under review.

ST.CLAIR'S®
Since 1875
100% PURE CEYLON TEA

OUR BUSINESS

Tyre Sector

The strength and durability of our tyres will help you traverse any kind of road.

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 Tyre sector of the Group comprises three Companies, namely Richard Pieris Tyre Company Limited, Arpidag International (Pvt) Limited, and Richard Pieris Rubber Compounds Limited.

Richard Pieris Tyre Company continued to be the largest tyre retreader in Sri Lanka and is also renowned for its customized tyre retreading services. Arpidag International and Richard Pieris Rubber Compounds plays a supportive role by supplying pre-cured tread, cushion gum, cement and other related materials as well as customised mixing facilities.

The network of over 1,300 dealers have continued to support the sector businesses by successfully maintaining its market share. Sole agency of "Nexen" is a special milestone in the sector's expedition which was instrumental in driving revenue streams of the Trading segment. The entire range of the "Nexen" was introduced to the Sri Lankan market in 2014 and it portrays that Richard Pieris Tyre Company is in the evolution of capturing premium brands under its product portfolio.

Richard Pieris Tyre Company Limited

Richard Pieris Tyre Company recorded revenue of Rs. 2.6 bn, which is a marginal increase over the previous year. Retreading segment of the Company accounts for more than 80% of the revenue while the remaining was contributed by the trading segment. The Company also operates as the sole agent for Birla Tyres (India), which is a fast growing manufacturer of truck / light truck tyres, two wheeler and three wheeler tyres.

The Company's investment in firewood boiler and low raw material prices in the market were instrumental in improving the gross margins of the Company. Increases in the import duty structure and currency fluctuations have adversely affected the trading operations. Several new promotions and price negotiations are underway to improve the trading category and special promotional activities also have been formulated to improve the retreading operations.

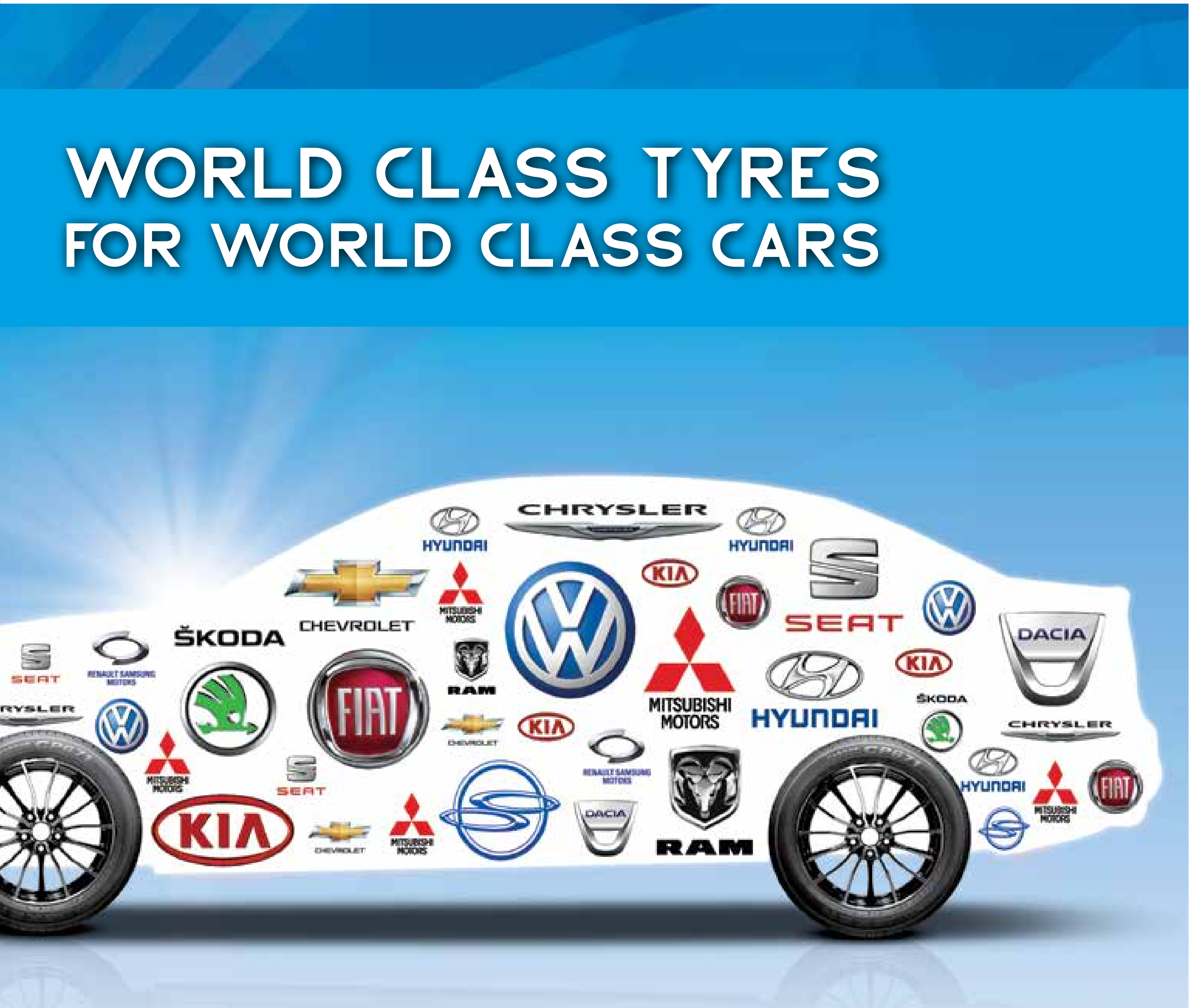
The Company expanded its footprint in the North and East regions. It continued to focus in penetrating to other regions through innovative marketing techniques. Emphasis on product development, competitive pricing and efficient raw material sourcing has kept the Company competitive, against the extremely challenging low cost Chinese radial tyres and competition from family owned businesses. The Company continued to export treads to the international market and seeks to expand further. During the period under review, Arpidag Hybrid was introduced to the market and positive results were witnessed due to its special feature of extra mileage.

Efficient distribution through the dealer network has facilitated the Company to increase its sales volumes and continuously top dealers were recognised and rewarded for their contribution to deliver exemplary results. The Group's Retail outlet premises were also used for promotional activities to enhance more value to our customers and a favourable feedback was witnessed throughout the year. Due to these initiatives, the Company was able to record a 32% growth in its operating profits over the previous financial year.

OUR BUSINESS

2.7 Bn

The dealer network of over 1,300 has continued to support the sector businesses by successfully maintaining its market share. Retreading segment of the Company accounts for more than 80 % of the revenue while the remaining was contributed by the trading segment.



OUR BUSINESS

TYRE SECTOR CONTD.

The entire range of the "Nexen" was introduced to the Sri Lankan market in 2014 and it portrays that Richard Pieris Tyre Company is in the evolution of capturing premiums brands under its product portfolio.

Arpidag International (Pvt) Limited

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 continued to manufacture products maintaining high quality standards and the performance has consistently improved over its lifespan.

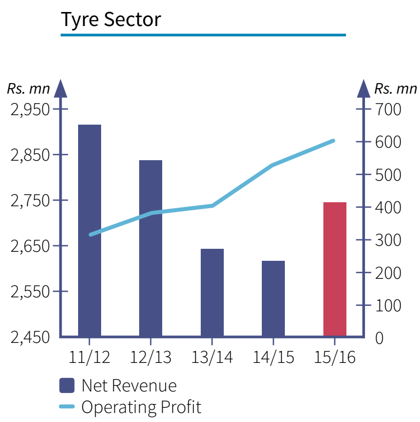
The Company abides by the process quality certification of "ISO: 9001" to standardise its processes. During the year, new moulds were introduced to enhance the material efficiency. Further, the Company continued to enjoy a cost advantage through the sourcing of packaging material.


Certificate of Conformity

Richard Pieris Rubber Compounds Limited

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.

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.



OUR BUSINESS

ARPICO TUBE

ARPICO OTR

ARPICO FLAP

ARPICO REBUILDS

arpidag

ARPIRADIAL

NEXEN PERFORMANCE TYRES

BIRLA TYRES

ARPI-3 SUPER STAR

OUR BUSINESS

Plastic and Furniture Sector

Our extensive distribution system and state of the art technology delivers quality of life improvements to populations across the country.

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.

PLASTIC AND FURNITURE SECTOR CONTD.

The Plastics and Furniture sector of the Group, is represented by Arpitech (Pvt) Limited, RPC Polymers (Pvt) Limited, Plastishells Limited, Richard Pieris Rubber Products Limited, Arpico Durable (Pvt) Limited and the Arpico Furniture Distributors Pvt Limited. During the year under review, the sector recorded a revenue of Rs. 6.3 bn which is a 23% increase over the previous year. The sector was successful in improving its profitability, driven by a significant increase in revenue and reduction in the raw material prices in the international market, which in turn facilitated to reduce the cost. The Sector also took measures to reduce its overheads which further improved the margins.

It was also witnessed that a lot of efforts were drawn in to expand the sector's businesses including enhancing the production capacity through new production lines and automation of the existing production lines.

The Sector continued to concentrate in manufacturing state of the art mattresses, cushions, panel furniture and sofas. The plastics category of the Sector is focused on items such as, water tanks, rigifoam products, PVC pipes and fittings, water pumps, day to-day consumer durables as well as industrial and domestic rubber products. The sector also offers industrial roller products and printing roller products on a B2B basis. It's noteworthy that high demand was created for these products through effective marketing and distribution.

Rigifoam Operation

The rigifoam operation of the sector mainly services the fisheries industry, and it continued to robustly perform despite the ban imposed by the EU on exports. It is expected that the recent upliftment of the ban will further boost the performance of the operation in the ensuing years.

The new products which were added to the product portfolio performed satisfactorily despite the intense competition from the market place. The rigifoam operation continued to maintain its market share and boasts more than 50 years of history in catering quality products to its Customers.

Mattress Operation

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

The Mattress Operation continued to cater its demand through its three manufacturing facilities and more focus was given to the quality of the product and the product range to cater the increasing demand in the up market segment. Greater value additions for the mattresses were introduced in response to the identified demand patterns and the operation continued to develop high-end spring mattresses which outshone international brands.

Innovation, quality and comfort level of the products were the critical success factors and the operation continued to cater to star class resorts and spas both in Sri Lanka and Maldives. These characteristics and specialization in high-end products, such as spring mattresses, bedding and furniture products, targeted at the modern trade and the hotel industry have helped the sector to continue to occupy the market leadership position in this category, enabling it to record strong growth levels despite intense competition. During the year, more initiatives were undertaken to expand to the international markets and the initial responses were positive.

OUR BUSINESS

6.3 Bn

During the year under review, the sector recorded a revenue of Rs. 6.3 bn which is a 23% increase over the previous year. The Sector continued to concentrate in manufacturing state of the art mattresses, cushions, panel furniture and sofas.

PLASTIC AND FURNITURE SECTOR CONTD.

Arpico Water Tank operation has been spearheading the market with its rotation moulded water tanks and the introduction of hybrid concept made it a revolutionary player in the market place.

Furniture Operation

The furniture operation of the Group is mainly involved with the manufacturing of sofas, panel furniture and wooden furniture. Many promotional initiatives were undertaken during the year and the operation expanded its footprint using the Retail outlets of the Group.

It's noteworthy that the manufacturing plants which were expanded are nearly running at its fullest capacity, caters the diverse and changing needs of the Sri Lankan market. Responses from the customers on the products were very encouraging and the operation is fully geared to increase the quality / product range.

Water Tank Operation

Arpico Water Tank operation is well known for its rotation moulded and blow moulded water tanks which dominates the local market. The operation also produces a wide range of products including septic tanks, compost bins, utility items and large volume fabrications.

This operation has been spearheading the market with its rotation moulded water tanks and the introduction of hybrid concept made it a revolutionary player in the market place. Introduction of hybrid tanks enabled the water tank operation to dominate the market as the most innovative plastic water tank, with its unique features and design. During the year, a new blow moulding machine was purchased to meet the increase in demand.

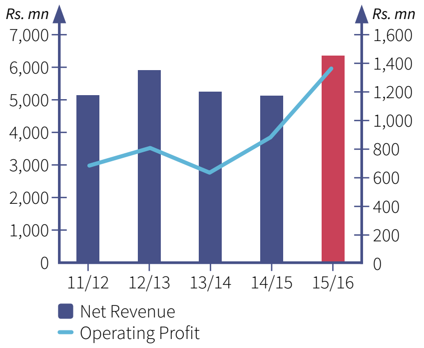
Whilst the operation has been embarking on a variety of products to sustain its dominant position in the market, the introduction of the blow moulded production technology has led the water tank operation to grow significantly in its volumes since its introduction.

The factories have been strategically located in Horana, Pallekelle, Koggala and Dambulla which enables to maintain a smooth distribution process throughout the Island. The Island wide dealer network of the sector has given an advantage to increase the market share and further strengthened the swiftness of the distribution process.

Other initiatives undertaken by the sector includes introduction of environmental products to create greater awareness on environmental protection. The Compost Bin product continued to receive encouraging feedback from the customers. The operation continued to market "Arpico Green Gas Unit", which is earmarked as an environmental friendly product which seeks to pave the way to a cleaner energy system through the generation of Bio gas. These initiatives have succeeded in delivering a positive perception to the market on the company's attitude towards environment.

The operation continuously in search of new markets and is continuously investing in state of the art technology and Research and Development to improve the existing product range.

Plastic and Furniture Sector



OUR BUSINESS

PVC Operation

Arpitech (Pvt) Limited has secured certification of SLS and ISO for its products and manufacturing process and involved in manufacturing a wide range of PVC pipes and fittings.

The PVC operation has continuously introduced new products to its portfolio, concurrently strengthening the production processes and the capacity to cater the growing demand. Plastic garden hose and the Arpico ball valve have become fast moving products in its portfolio indicating that they have become the most preferred products in the market.

Revenue and the profit of the operation recorded a strong growth during the year under review and more focus has been placed on market expansion and brand building for the ensuing years.

Printing Rollers / Industrial Rubber Products and Moulded Rubber Goods Operation

Richard Pieris Rubber Products Limited conducts the manufacture of belts / printing rollers, industrial rubber products and moulded rubber goods.

Many improvements to the existing operations with the attractive promotions have paved the way and the segment continued to maintain its market share for garden hoses and floor mats.

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. Catering to over 15,000 hardware and furniture outlets the operation boasts a very large distribution network which helps the Sector to expand its footprint across the island.

OUR BUSINESS

Rubber Sector

Innovative thinking and innovations in systems, coupled with uncompromising quality, makes us 'Gold Award' performers.

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.

The Rubber Sector of the Group is represented by four companies' namely Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Arpitalian Compact Soles (Pvt) Limited and Micro Minerals (Pvt) Limited.

The revenue of the Sector reached 3.4 bn which is a 18% increase from the previous year. It is noteworthy that these were achieved despite the adverse circumstances in the international market. Disconcerted state of affairs in the international market and the devaluation of Yuan reduced the commodity prices which in turn supported the Richard Pieris export companies to reduce the cost. Lower rubber prices continued to reinforce the margins while depreciation of LKR against USD strengthened the revenues.

Richard Pieris Exports PLC
The Company was established 32 years ago as a subsidiary of Richard Pieris & Company PLC, and was the Group's first fully-export-oriented company.

The Company is a pioneer in manufacturing of rubber flooring products for various applications including food grade jar sealing rings and specialized products for export to international markets and is also a key supplier of export quality mats to the local market through the Arpico Retail chain outlets. The product portfolio includes anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats. The Company continued to design specialized mats such as super soft anti-fatigue mats and soft cow mats which facilitated to penetrate into new markets.

During the year under review, the Company recorded revenue of Rs. 1.1 bn, with a 10 % increase over the previous year.

Building good relationships with our Customers was one of the key strengths, which enabled both parties to enjoy synergies and to remain resilient amidst challenges. Plans made based on the consumption information obtained from our major customers, continued to assist the company in fine tuning its production plans, which in turn helped to effectively manage the working capitals and to achieve economies of scale.

To encounter competition the Company continued focus in product differentiation and process improvements, which has paved the way by boosting the top line as well as the bottom line. The Company continued to carry out energy audits in order to sustain energy efficiency, which is one of the critical success factors.

Richard Pieris Natural Foams Limited
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.

During the year under review, the Company recorded a growth of 45% on its operating profits. The Company continued to perform amidst the challenges in the global market and its noteworthy that 100% latex sheeting, with organic certification, which is an eco-friendly product has given a due advantage in the high-end markets such as the US and Europe. It is a source of great pride that the Company achieved a significant milestone in its journey by commissioning the continuous latex sheeting plant last year which is the first Natural Latex plant in the world.

OUR BUSINESS

3.4 Bn

The revenue of the Sector reached 3.4 bn which is a 18% increase from the previous year. It is noteworthy that these were achieved despite the adverse circumstances in the international market. Lower rubber prices continued to reinforce the margins while depreciation of LKR against USD strengthened the revenues.

RUBBER SECTOR CONTD.

During the period under review, the Company secured a Gold medal for its outstanding achievements in terms of exports at the National Chamber of Exporters (NCE) Awards Night 2015.

Continuous investments in automation have assisted the Company to be more competitive in the price sensitive markets. Production capacity was also increased during the year by investing in a new tunnel to support the Company's expansion plans. The Company was successful in exploring many business opportunities in the international market, which helped to increase the demand for mattresses and pillows. During the year more importance was given in reducing production waste / overheads, enhancing quality and effective working capital practices. Richard Pieris Natural Foams continued to maintain a strong relationship with the customers and the distribution channels throughout the year.

During the period under review, the Company secured a Gold medal for its outstanding achievements in terms of exports at the National Chamber of Exporters (NCE) Awards Night 2015. It's also noteworthy that the Company managed to secure two Gold medals at the NCE Awards 2014 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 commendable unceasing performance.

The Company built an echo friendly high capacity bio mass boiler in the factory premises and continued to initiate many CSR activities during the period under review.

The Company continued to invest in the Research and Development and is geared to provide high quality and innovative products to the customers in the succeeding years.

Arpitalian Compact Soles (Pvt) Limited

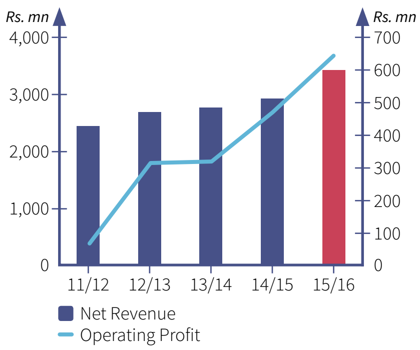
Arpitalian Compact Soles (Pvt) Limited is a joint venture between Richard Pieris Exports PLC and Davos SPA, a globally reputed Italian manufacturer of shoe soles and soling sheets.

The Company continued to be competitive in the international market through its high quality products while the Chinese and other Asian manufacturers dominate the mass market with low quality and low priced products.

High quality and speedy introduction of new designs have been the critical success factors and the Company has continued to invest in improvements to the production processes and compound formulations. Improvements made to the packing process for air deliveries have minimized the damages during the transit.

The joint venture partner, Davos SPA's entry to the Chinese market was successful and the Company progressed to formulate a new compound with light weight material catering to the same market. The Company successfully entered Vietnam and the Bangladesh markets. Further initiatives include new profile sheets to the Indian market, development of new colours/designs

Rubber Sector



OUR BUSINESS

for China/India markets and new finishes for the Spain market.

Micro Minerals (Pvt) Limited

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.

Scarcity of raw materials, especially ball-clay, was a challenging factor for the company during the year under review. 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. To overcome this situation, the Company expanded its product base while retaining its existing customers by offering better services.

The Company is confident of improving its performance in the ensuing years.

RICHARD PIERIS EXPORTS ARPICO

OUR BUSINESS

Financial Services and Other

Our variety of products is supported by unrivaled service quality that makes the Richard Pieris brand stand out in the crowd.

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


ARD PIERIS FINANCE LIMITED

FINANCIAL SERVICES AND OTHER CONTD.

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.

Group ICT department is responsible for the overall Information and Communication Technology of the group. During the year under review many web based modules including sales force automation was also included to the ERP. The data center and the disaster recovery center were further upgraded with better equipment and connectivity. CCTV is playing a major role in the group, as currently the group is experimenting solutions for video analytic and customer recognition solutions in order to serve our customers better especially in the retail sector.

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 60.

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 Limited
RPC Logistics portfolio of services includes airfreight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company also provides door-to-door cargo services with the assistance of overseas agents and a variety of other connected services.

OUR BUSINESS

1.9 Bn

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. Arpico Insurance is the only Insurance Company to record a profit in its 3rd year of operation.

FINANCIAL SERVICES AND OTHER CONTD.

Continuous expansion and customer focus has enabled Arpico Insurance PLC to progress more rapidly and it's noteworthy that Richard Pieris Finance (RPF) reached a deposit of LKR 3 billion mark during this financial year, which is a landmark achievement.

The Company has obtained agencies from reputed suppliers for Colour Sorter machinery and for LED lighting from China which enabled them to enhance their revenue streams. The Company has shifted to a new location in order to cater its increased demands from the companies within the Richard Pieris Group.

Richard Pieris Securities (Pvt) Limited

The 2015 /16 financial year is one of the toughest years for Richard Pieris Securities with the world seeing the most volatile market conditions across all asset classes, led by fears of slowing economic growth rate in China, challenging the growth outlook.

The drop of Shanghai Index by 33% during the said financial year lead by devaluation of the Yuan impacted the commodity markets affecting all major currencies and indices. The possibility of increasing US interest rates after nine years resulted in foreign investors exiting from emerging and frontier markets.

Further, the All Share Price Index lost 20.3% of its market capitalization from the August 2015 from high of 7,531. Down grading the rating of the country, Devaluation of Rupee by 8% YoY and the pressure on interest rates and possibility of introducing capital gain tax on equities suggest that many challenges are ahead in the ensuing years.

Arpico Insurance PLC

Our unique value proposition being "Insurance for the living" symbolizes the power of positive thinking which could change the attitude towards Insurance that helps to differentiate Arpico Insurance from its competition. During the year under review the Company was able to record over 46% growth in the Gross Written Premium.

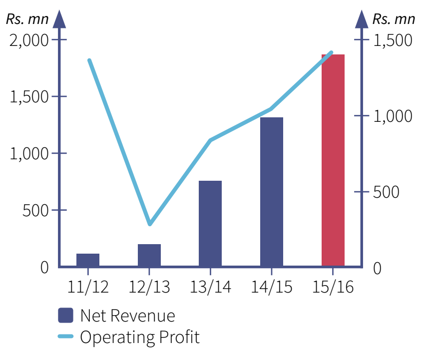
The Company has shown a steady growth through its unparalleled services to clients, innovative life insurance solutions, technical expertise, value additions and unique service capability. The Company has by now expanded its geographical presence, covering eight major provinces with a total branch network of 22. Continuous expansion and customer focus has enabled the Company to progress more rapidly and it's noteworthy that Arpico Insurance is the only Insurance Company to record business profits in its 3rd year of operation.

The Company successfully complied with the regulatory requirement to be listed in a licensed Stock Exchange within three years period of issuance of Insurance license by IBSL and continued to succeed in the IPO.

Richard Pieris Finance Limited

Richard Pieris Finance (RPF) recorded a operating profit of Rs. 217 mn which is a

Financial Services & Other



OUR BUSINESS

32% growth compared to the preceding year. Revenue increased to Rs. 1 bn which is a 46% increase from the previous year. The Company reached a deposit of LKR 3.1 billion mark during this financial year, which is a landmark achievement. The Company also plans to launch its ambitious deposit drive in the coming year to further boost its business expansions.

Acquiring Chilaw Finance has given more reach to the North-Western province and the Company is expecting to further penetrate into other areas of the country to carve out many business opportunities. The company aims to be in the top five financial services entities in Sri Lanka by 2025.

The company is in the process of acquiring a comprehensive and state of the art IT system to support its initiative in the digital epoch.

MORE THAN 30,000 EMPLOYEES

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.

We, Richard Pieris Group, have continuously made our business viable by integrating sustainability into the heart of the enterprise, where our efforts have created value for our stakeholders, as the challenges we face go far beyond Financial Statements. As a responsible business entity we are cognizant that we have an obligation to fulfill 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 to the best of our abilities.

Our Group boasts of a proud history of responsible business practices and strong principles on quality, value, and integrity which 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.

Our Customers

Our vast customer base has been our greatest pride, and our primary strength lies in them, where we have continuously taken efforts to have strong and lasting relationships. The Group mobilises its competencies, energy, and resources to deliver improved services to its customers, treating their needs and wants as the main priority. Some of our companies have integrated with their customers and mutually plan productions and delivery schedules to achieve a operational excellence.

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 while continuously striving to create a variety of choices for our customers.

Understanding the customer needs and responding to their needs have become a key part in our business model. We have continuously used various methods to reach out to the customers, whilst our physical presence through the state of the art outlets and the island wide distributor networks have supported our theme “Touching Lives”. Our retail chain has introduced many promotional activities throughout the year which have added value to the end customer with exciting gifts and rewards. During the year, the retail chain introduced its own dedicated taxi service exclusively for shoppers’ convenience. This is a value added service offered and Arpico is the first to introduce this service to the Sri Lankan market. We have established number of alliances with some financial institutions to create access to our customers for smart buying options, etc. Our customer relationship management spans across number of facets including customer suggestions, satisfaction measurement and data base management which are continuously evaluated to serve our customers timelessly.

Our 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 ISO 22000.

CORPORATE SOCIAL RESPONSIBILITY

Our 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.

Our 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 the management on a timely basis. Our total lost time accident rate is low and there were no major incidents 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.

Our CSR Initiatives

Welfare Activities

The Company donated high value Mattresses, Pillows, Beds, Mats, Computers, Furniture, Stationaries and other Equipments to Dutugamunu Piriven Viharaya and over 50 beneficiaries were identified.

A meritorious activity was arranged during the year, in view of the Medin Poya Day, on 21st March 2016, by offering alms to Saman Devalaya, Maskeliya. 'Dhanaya' which were served to the Pilgrims before and after they climbed the Adams peak. Approximately 2,500 pilgrims were benefited on this remarkable occasion.

Further, the below welfare activities were also organised during the year.

- Mattress, pillows and dry food donation to Chankamanaramaya in Dompe.
- Sponsorship given for band uniform of Molagoda Japalawatta Maha Vidyalaya in Kegalle.
- Traffic cones were presented to the Kottawa traffic police.
- Donated 5 numbers of 40Ltr garbage bins for Islamia home for needy and Orphan, Rathmalana.
- Arpico Water Tanks were affixed in the below locations ensuring appropriate water storage.
- 1000 Ltr Hybrid Water Tank donated for Sil Guna Sadaham Asapuwa Welikadayawatta, Dedigamuwa.
- 2000 Ltr Hybrid Water Tank donated for Kokilai Sinhala Vidyalaya.
- 1000 Ltr Hybrid Water Tank donated for Muaab Bin Jabal Arabic College.
- 1000 Ltr Hybrid Water Tank donated for Sri Punyawardanaramaya Anuradhapura.
- 1000 Ltr Hybrid Water Tank donated to Army headquarters nandikadal.

Supporting Health Care

Our Retail chain launched a co-branded loyalty card with the Presidential Task Force for the Chronic Kidney Disease fund (KIND), through which card holders can shop at Arpico and earn points which will be donated towards the CKD (Chronic Kidney Disease) fund. Arpico Privilege is the highest rewarding loyalty card and every Rs.100/- a card holder spends at Arpico Supermarkets, the Company will contribute Rs.1/- and the accumulated fund will be periodically

CORPORATE SOCIAL RESPONSIBILITY

released to the National Kidney Fund. Co-branded cards can be obtained from main Arpico Supercentres. Richard Pieris Distributors are proud to join hands with our valued Privilege Club customers and the Presidential Task Force in this important CSR initiative.

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 wellbeing 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. Health camps were held on estates on a periodical basis to screen the employees for Diabetes, Cancer, Hypertension, Eye camps, Gender awareness, First aid camps, supporting pregnant mothers with nutrient and educating the people on AIDS/HIV were conducted during this year.

Further, donations and dry rations for underprivileged pregnant mothers at Welikanda Polonnaruwa was also organised during the year.

Assisting Education

During the year, essential learning materials were distributed to schools in the rural areas. The first project was launched in Weli Oya, in the Maheweli Zone L, with over 350 students receiving items such as pencils, pens, exercise books, school bags and other stationary items. Further, sports goods such as cricket equipment, net balls, and volleyballs were also distributed to these schools to enhance their quality of learning.

As with the 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. Further, Glenugie estate donated school stationeries to Deeside Tamil Vidyalayam which benefited the children from the grade 1 to grade 5.

Further, the below activities were also organised during the year.

- Scholarships for underprivileged children were organised.
- Donated desks and benches to the Sunday school at Sri Kalyani Dharma Temple at Dompe.
- A pre–school has been opened at Brunswick Estate.
- During the period under review Art Competition for the school children was conducted in two age groups.

Our Suppliers

A thorough understanding of our supply chains has enabled us to promote sustainable relationships based on innovative, win-win solutions. We work closely with all our suppliers to ensure that our Company values are embedded throughout the supply chain system. 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 dedicated supply chain team has continuously brought enormous cost benefits to the Group by being 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.

CORPORATE SOCIAL RESPONSIBILITY

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.

Each of our Retail 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. Investment in the solar energy at Supercentres further contributed towards the energy saving initiative.

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 are in the process of obtaining this certification. Rainforest Alliance body had selected Hapugastenna Estate, Maskeliya as the demonstration/validation site under the UNEP/GEF project "Mainstreaming Sustainable Managements of Tea Production Landscapes" which is implemented in China, Vietnam, India and Sri Lanka. Hapugastenna will be a model farm to train the small holders on responsible sustainable tea farming in collaboration with NIPM and Unilevers sponsored this programme. This will be an International Training Centre for Rainforest Alliance on Integrated weed management.

The Company has a number of estates certified for Fair-Trade Labelling Organisations and the Ethical Tea Partnership. Fair trade NAPP Sri Lanka awarded the best Fair trade Premium Projects for the year 2015 to Strathspey Estate. 13 estates in the Maskeliya and Talawakelle regions have obtained the Rain Forest Alliance certification, including the bought leaf suppliers. 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. Tree planting campaigns were also organized in some estate locations.

Some Landmarks in Our CSR Journey

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. 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.

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. It's also noteworthy that Bio Mass boiler is an Echo friendly unit with high capacity.

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 noteworthy to mention that the Arpico Plastishells water tank is the country's only water tank to be ISO 9001: 2008 certified.

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.

FINANCIAL REVIEW

Rs. 43 Bn REVENUE

Group revenue for the year increased from Rs. 37.8 bn in the financial year 2014/15 to Rs. 43 bn in the financial year 2015/16, recording an increase of 14%. The indicated revenue growth is commendable given the down beating effect from the plantation sector which induced negatively towards group growth.

Overall Group Performance

In the year under review, Group revenue increased by 14% to Rs. 43 bn over the previous financial year. Overall, the strong growth witnessed in Retail, Tyre, Plastic and Rubber Sectors were sufficient to offset the negative impact from the Plantation sector. Revenue emanating from domestic sources speaks to circa 92% of the total revenue. Gross profit margin improved with the continued measures taken to increase productivity and efficiencies in the production lines which influenced the gross profit to increase by 22% to Rs. 10.6 bn. Consequently, group recorded a Profit before Tax of Rs. 3.4 bn and Profit after Tax of Rs. 2.3 bn, recording growth rates of 32% and 23% respectively.

Revenue Analysis

Group revenue for the year increased from Rs. 37.8 bn in the financial year 2014/15 to Rs. 43 bn in the financial year 2015/16, recording an increase of 14%. The indicated revenue growth is commendable given the down beating effect from the plantation sector which induced negatively towards group growth. Furthermore, the uncertainties in the external environment induced reduction in economic activities had an impact towards the group performance. Revenue growth of 14% is mainly driven by Retail, Plastic & Furniture and Rubber sectors.

Retail Sector

The Retail sector emerged as the most significant contributor to the Group's Revenue for yet another year, contributing circa 50% to the Group revenue. The sector reported revenue of Rs. 21.7 bn, indicating a growth of 18% over the previous year. The growth in the modern retail trade continued to expand with the emphasis of customers on convenience and availability more and more in urban cities with the busy lifestyles. 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 Galle and a Super Store in Malabe. Thus the total network of large format retail outlets increased to 19 during the year under review.

Plastic & Furniture Sector

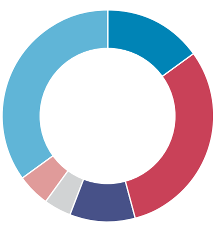
The Plastic and Furniture sector was able to report revenue of Rs. 6.3 bn for the financial year 2015/16 contributing 15% to the Group revenue. It is noteworthy that the sector improved its level of performance indicating a strong growth of 23% in their revenue over the previous year. The increase in demand for key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products etc. along with new trade opportunities, triggered the sector to grow its business volumes during the reporting year. Hence, the volumes of mattresses and water tanks which are the major product categories recorded impressive growth rates over the corresponding year. The sector also embarked upon 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.

Rubber Sector

The Rubber sector continued its growth momentum during the year with its revenue increasing by18% to Rs. 3.4 bn, and contributed 8% to the Group revenue. Within the sector, the 'Natural Latex' segment operated at its full capacity, reporting revenue of Rs. 1.9 bn for the year under review. Plans are underway to increase the capacity and enhance the international presence in this sector.

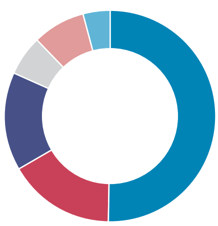
The growth reported in this segment is impressive, given the recessionary pressure in the European, Asia Pacific and the Latin

Asset Composition



Retail	15%
Plantations	31%
Plastic & Furniture	10%
Tyre	4%
Rubber	5%
Financial & Other Services	35%

Group Revenue Composition



Retail	50%
Plantations	16%
Plastic & Furniture	15%
Tyre	6%
Rubber	8%
Financial & Other Services	5%

FINANCIAL REVIEW

American regions. Revenue generated from the 'Shoe Soles Manufacturing' segment also increased to Rs. 545.7 mn during the year under review.

Tyre Sector

Revenue of the Tyre sector was reported at Rs. 2.7 bn contributing 6% to the Group revenue during the financial year 2015/16. The retreading segment continued to dominate the sector's revenue, contributing approximately 75% to the sector revenue. It is noteworthy that the volumes of this segment indicated a 4% increase when compared to a 4% decline reported in FY 2014/15. However, the rising competition posed by imported radial tyres, which offer a lower cost per kilometre, has exerted significant pressure on this segment.

However, the trading segment indicated a sharp increase of 20% in volume as well as in value to report revenue of Rs. 634 mn in the reporting year. Numerous awareness campaigns initiated through dealer networks as well as through retail outlets resulted in an increase in contribution from the trading of Nexen and Birla Tyres to 25% in the current reporting year. The sector is gradually giving prominence towards its trading operations of its branded products of Nexen and Birla tyres which has grown sturdily in volumes from the previous years which will be the driving force for the tyre sector in coming years.

Plantation Sector

The Plantation sector was faced with many challenges yet another year. Low rubber prices continued throughout the financial year. Despite these adversities however, the sector ended the year by recording total revenue of Rs. 6.9 bn and continued to be the second highest contributor to Group revenue, contributing 16% compared to 19% during the previous year.

The Group's tea output was 12 mn kg during the reporting financial year. 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 caused by these reasons.

During the year under review, the sector produced 4.5 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 decline of 5% as the average rubber price reduced from Rs. 291 per kg to Rs. 274 per kg.

However on a positive note, revenue from the oil palm segment indicated an increase of 2% during the year.

Financial Services Sector

The Financial Services sector, which comprises of the finance company as well as the life insurance, stock broking, margin trading and assets management company. The sector was further strengthened through the acquisition of Chilaw Finance PLC during financial year 2014/2015. The sector continued its growth momentum in the reporting year as well, indicating approximately a 50% growth in revenue to Rs. 1.8 bn.

Other Services Sector

The Other Services sector reported a revenue of Rs. 112 mn for the financial year 2015/16.

Cost of Sales and Operating Expenses

The cost of sales of the Group increased from Rs. 29.1 bn in the financial year 2014/15 to Rs. 32.4 bn during the year under review, increasing by 11%, and absorbing 75% of the Group revenue.

Administration costs of the Group exhibited an increase of 15% to Rs. 4.9 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 sales related expenses, commissions paid on sales volumes, escalated by 30% to reach Rs. 2.6 bn during the year, accounting for 6% of the total revenue. Accordingly, the administration and distribution costs, along with the cost of sales, constituted 93% of the Group's revenue during the financial year under review.

Profit from Operations

The gross profit of the Group for the financial year 2015/16 was reported at Rs. 10.6 bn, compared to Rs. 8.7 bn reported in the previous financial year.

Other operating income for the year was recorded at Rs.981 mn. Consequently, profit from operations of the Group increased by 27% to Rs. 4.0 bn, which reflects an operating profit margin of 9.2% for the reporting financial year.

Retail Sector

Retail sector continued to be the highest contributor to group's operating profit reporting a value of Rs. 1.5 bn for the reporting year indicating an increase of 31% from the previous year. The focus on producing energy through renewable energy sources during the year in selected large format retail outlets whilst emphasising on key strategic initiatives on managing the cost structure eventually paid dividends to the sector. The operating profit margin was reported to be 7.1% whilst EBITDA margin was reported to be 8.2% in the reporting year when compared to 6.4% and 7.5% in the previous financial year.

Plastic & Furniture Sector

The operating profit of the Plastic & Furniture sector was Rs. 1.4 bn, and indicated a robust growth of 56%. Concurrently, the operating profit margin also improved to 22% in the financial year 2015/16 from 17% in the financial year 2014/15. The EBITDA margin of the sector was reported to be 23% during the reporting year.

Tyre Sector

The Tyre sector was able to witness operational efficiencies for yet another year through their prudent decisions on cost management during the reporting period. This coupled with the lower input prices of rubber and chemicals, induced the sector to record a robust 15% growth in its operating profit to reach Rs. 608.5 mn. The operating profit margins of the sector is healthy at 22% compared to 20% in the previous reporting year whereas EBITDA margin was 23.5% for the reporting year compared to

Plastic and Furniture sector improved its level of performance indicating a strong growth of 23% in their revenue over the previous year. The increase in demand for key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products, etc.

21.6% indicated in the year of comparison. Furthermore, the sector was able improve the contribution from its trading business by negotiating for better trading terms, which eventually strengthened the margins.

Rubber Sector

The operating profit of the Rubber sector increased by 37% to reach Rs. 648.5 mn for the year under review compared to Rs. 472 mn in the previous financial year. The EBITDA margin was strong at 21% compared to18% recorded during the previous year. The operating profit margin was recorded at 19%. Furthermore, the fluctuation in the currencies market favourably assisted the sector to report higher profits.

Plantation Sector

The Plantation sector indicated a sharp decline in its operating profit during the financial year 2015/16 due to reasons stated earlier. Accordingly, the sector reported an operating loss of Rs. 186 mn for the reporting financial year. The sector, once considered as the cash cow of the Group, is going through a challenging period and will be contingent on how healthy the global commodity market is going to be in the ensuing years.

Financial Services Sector

The sector reported an operating profit of Rs. 227.1 mn for the reporting year, indicating a growth of 64% over the previous year.

Finance Cost

Developments in macro-economic climate resulted in interest rates increasing across all maturities during the year, with AWPLR, which indicates the cost of borrowing for corporate, continued its upward trend and touched its peak of 9.12% in March 2016 when compared to 7.01% in March 2015 indicating an increase of 2.11% from the corresponding point of comparison.

The Group borrowings also increased by Rs. 1 bn during the year and consequently, the finance cost of the group was adversely affected from both fronts, impacting the finance cost of the Group to increase by 2 % from Rs. 811.2 mn recorded in the previous financial year to Rs. 826.1 mn during the year under review. The net debt position of the Group stood at Rs. 9.4 bn for the reporting year compared to Rs. 8.4 bn in FY 14/15. 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 increase during the reporting year. Meanwhile, the finance income of the Group was recorded at Rs. 233.8 mn, indicating a reduction of 4% from Rs. 244.3 mn in the previous financial year. However, the net finance cost increased from Rs. 566.9 mn in 2014/15 to Rs. 592.3 mn in 2015/16. The interest cover for the Group, based on net finance cost, improved from 5.5 times to 6.7 times, while the interest cover based on finance cost moved from 3.8 times to 4.8 times.

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. 35.9 mn during the year under review, compared to Rs. 42.3 mn in the previous year.

Non-Controlling Interest

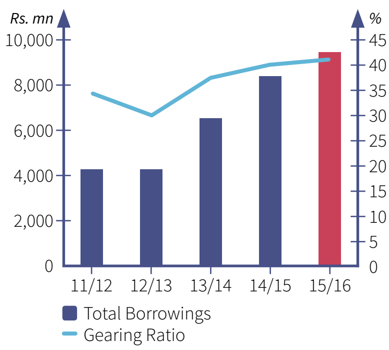
Despite of the group holding absolute ownership of many of it's subsidiaries, minority shareholding lies in the three plantation companies. The decline in performance of the Plantation sector in terms of profitability led to a decline of 38% in the Non-Controlling Interest to Rs. 110.2 mn during the year under review.

Investments/Acquisitions and Disposals

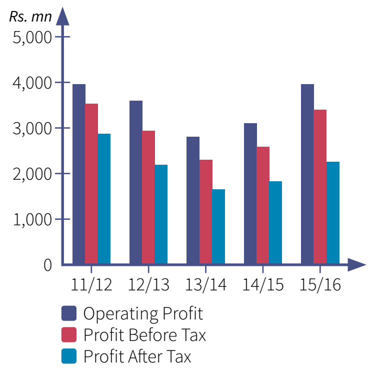
Several important investments were made by the Group during the year with the dual objectives of pursuing its diversification strategy and enhancing its productive capacity. The group further conferred prominence for enhancing the production capacity and divesting production lines across several geographical locations in order to expand its accessibility.

The Group continued its investments in its most lucrative retail sector concentrating on key commercial cities in the country. Two large format retail outlets were established in Galle and Malabe apart from another six

Net Debt Vs. Gearing Ratio



Operating Profit vs. PBT vs. PAT



FINANCIAL REVIEW

Arpico Daily outlets which concentrates on new market segments. Furthermore, during the year, plastic & furniture sector expanded in manufacturing rubber related products whilst initial strategic foundation was laid in planting a state of the art production line for Water tank operations in the central city of Dambulla.

Group Financial Position and Liquidity

Non-Current Assets

The non-current assets of the Group increased from Rs. 18.6 bn to Rs. 19.9 bn during the year, and as such represents 46% of total assets. The property, plant and equipment category, which accounts for 36.6% of the total assets, increased by 4% over the previous financial year mainly due to investment in capacity expansion in Plastic and rubber sectors. The Retail sector, with over Rs. 493 mn investments made for its expansion, and the Plantation sector, with recurrent capital expenditure of Rs. 611 mn for replanting purposes, also contributed towards this growth.

Working Capital

During the year, the current assets of the Group increased by 22% to reach Rs. 23.6 bn, whilst current liabilities also increased by 29.7% reaching Rs. 19.6 bn. Inventory increased by Rs. 200 mn as business expanded its volumes across all sectors. Trade receivables indicated an increase of 5% to Rs. 4.9 bn as the working capital cycle expanded, while trade & other payables also increased by Rs. 2.1 bn. Accordingly working capital days were managed within the Group's specified limits. The total current assets of the Group accounted for 54% of its total assets while total current liabilities accounted for 44.8% of the same. The group's current ratio was 1.21 and the acid test ratio was 0.97 compared to 1.3 and 1.0 times respectively in the corresponding period.

Capital Structure

Equity

The profit for the year was Rs. 2.3 bn, while reserves increased by 12% to reach Rs. 8.8 bn. The Group declared an interim dividend of Rs. 0.50 in March 2016 and the total number of shares was 2,035,038,275.

Borrowing

Net debt, including cash balances, was stationed at Rs. 9.4 bn compared to Rs. 8.4 bn in FY 14/15, an increase of Rs. 1.0 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. 2 bn is observed in the financial services sector, following the commencement of operations of the finance company. Consequently, the Group's gearing ratio deteriorated to 41.6% in the reporting year when compared to 40.5% in the previous year whilst debt-to-equity ratio also reported to be 0.71 from 0.75. Of the total debt, 87% was denominated in local currency whilst the debt denominated in foreign currency accounted for approximately 13%. The Group accounts approximately 10% of its cash inflows in foreign currency.

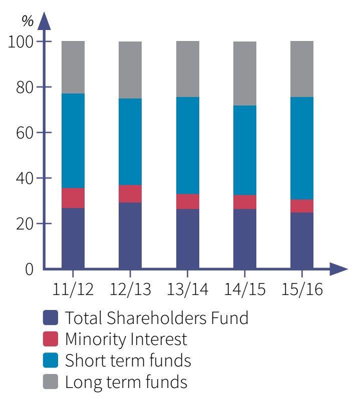
Returns to Shareholders

Profit attributable to the shareholders was reported at Rs. 2.3 bn for the year under review. EPS was reported to be Rs. 1.05, so as the diluted EPS. The earnings yield for the year was improved to 14.6% compared to 11.1% in the corresponding year. The dividend yield, based on the year-end share price, reported as 6.9% compared to 3.3% recorded in the previous year.

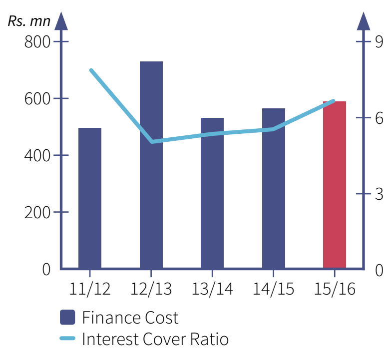
Market Capitalization

The market capitalization of the Company was Rs. 14.65 bn at the closing price of the share, down from Rs. 15.1 bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 8.9, while the lowest price was Rs.7.0. 107.4 mn shares were traded during the year and the share price closed for the year at Rs. 7.20.

Capital Structure



Net Finance Cost vs. Interest Cover Ratio



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 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.	⊙ 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.
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.

RISK MANAGEMENT

Risk Exposure	Group Objectives	Risk Minimisation Strategies
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 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.
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.

RISK MANAGEMENT

Risk Exposure	Group Objectives	Risk Minimisation Strategies
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.
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

	2015/2016 Rs.'000	%	2014/2015 Rs.'000	%
Revenue	43,018,502		37,802,243	
Cost of material and services purchased	(28,096,382)		(24,607,370)	
	14,922,120		13,194,873	
Other income	985,316		823,122	
	15,907,436		14,017,995	
Distribution of value added				
To employees				
- Remuneration	7,318,133	46%	7,082,049	51%
To government				
- Duties and taxes	3,622,647	23%	2,999,738	21%
To providers of capital				
- Interest on loan capital	826,092	5%	811,166	6%
- Non controlling interest	110,232	1%	176,388	1%
- Dividend to shareholders	1,017,519	6%	508,760	4%
Retained in the business				
- Depreciation	865,128	5%	787,802	6%
- Profit retained	2,147,685	14%	1,652,092	12%
	15,907,436		14,017,995	

OUR PEOPLE

Despite unfavorable and uncertain economic climate induced by external factors beyond the control of the Group, and declining tea, rubber and oil palm prices together with adverse weather conditions affecting the Plantations Sector, the Group performance excelled above the previous year. Driven and motivated by the philosophical ideology of our Group Chairman, Dr. Sena Yaddehige that **"What we can achieve is limited only by our imagination"** the sensational success that the Group enjoyed was made a realistic certainty by all the members of the Arpico Family, Our People. Whilst continuing with the endowed traditions and heritage of 84 years, our Strategic Human Capital Management focused on nurturing and stimulating creativity and innovative thinking, bonding and building team work, employee engagement and empowerment to take ownership of the work that they perform, and maneuvering them towards unique value creation for individuals and for the Group and finally the customers and clients that it serves. We, as a Group is committed to create a 'Great Place to Work' for all those who become our family members. Our Group has an employee base of 31,013 with different nationalities, races, religions and cultures.

Employee Relations

Industrial peace and harmony is a vital constituent of success that the Group rejoices. Our deep rooted family tradition, proactive employee relationship management, open door policy and principles of industrial democracy that we continued to adopt, helped maintaining harmonious industrial environment across all subsidiaries without any interruption to operations. Employee centric strategic employee relationship management practices embraced by our Group primarily focuses on prompt addressing of employee grievances, respecting freedom of association and collective bargaining, periodic dialogue with trade unions, equal and non-discriminatory practices and promoting direct dialog with the highest level of management hierarchy.

Human Capital Development

We continued with the training and development programs of employees as it firmly subscribes to the view that training and development of staff at all levels is an integral part of the growth of all companies. The Group possesses a planned, methodical structure and mechanism in identifying training needs of staff and training and developing them across all companies and sectors.

Training and Development programs were carried out 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 State of the art "Arpico Training Academy" with all modern amenities and well experienced staff was declared open during the financial year with a prime focus of training the retail sector staff in the initial phase. We intend to expand its horizons into training staff across the Group in the future.

Our Human Capital 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. A group of 30 staff members in the retail sector was trained abroad during the financial year.

Employee Motivation and Recreation

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

Motivation of employees is a key strategy in our human capital management practices. The Group follows a performance based reward and recognition scheme following a comprehensive employee performance evaluation in order to enhance performance, productivity, quality, innovations, decision making process which in return enables the Group to achieve its objectives and targets whilst retaining and preserving the best talents.

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
Mr. Shaminda Yaddehige	Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 12.01.2016
Mr. S S G Liyanage	Director
Mr. W J V P Perera	Director
Mr. W R Abeysirigunawardena	Director
Mr. Kumar Abeysinghe	Director (ceased to be a Director 28th May 2015)
Dr. L M K Tillekeratne	Director
Mr. 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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. Lino Piccolo	Director
Mr. Fabio Piccolo	Director
Mr. Kumar Abeysinghe	Director (ceased to be a Director 28th May 2015)
Mr. W Abeysirigunawardena	Director appointed w.e.f. 28.01.2016
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
Mr. Shaminda Yaddehige	Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S Poholiyadde	Director
Stated Capital	Rs. 640,822,600 represented by 64,082,260 shares
Group Holding	84.18%

ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Mr. Shaminda Yaddehige	Director
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. J J Karunasena	Director appointed w.e.f. 02.07.2015
Stated Capital	Rs. 90,000,000 represented by 9,000,000 shares
Group Holding	82.44%

MICRO MINERALS (PRIVATE) LIMITED

Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddehige	Chairman
Mr. W R Abeysirigunawardena	Director
Mr. 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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
Stated Capital	Rs. 58,650,000 represented by 459,999 shares
Group Holding	51%

CORPORATE STRUCTURE

RICHARD PIERIS RUBBER COMPOUNDS LIMITED	
Business Activity	Mixing rubber compounds
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W R Abeysirigunawardena	Director
Stated Capital	Rs. 17,000,000 represented by 1,700,000 shares
Group Holding	100%

3. PLASTICS SECTOR

PLASTISHELLS LIMITED	
Business Activity	Manufacture of rotational molded products
Dr. Sena Yaddehige	Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Managing Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director (ceased to be a director w.e.f. 10.08.2015)
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
Mr. S S G Liyanage	Managing Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. P A S Kularatne	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director (ceased to be a director w.e.f. 10.08.2015)
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Director
Mr. L C Wijeyesinghe	Director
Prof. U Liyanage	Director (ceased to be a Director w.e.f. 10.08.2015)
Mr. Shaminda Yaddehige	Director appointed w.e.f. 27.11.2015
Mr. P A S Kularatne	Director appointed w.e.f. 15.12.2015
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director (ceased to be a Director w.e.f. 10.08.2015)
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Director
Mr. W R Abeysirigunawardena	Director
Stated Capital	Rs. 27,000,000 represented by 2,700,000 shares
Group Holding	100%

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

CORPORATE STRUCTURE

ARPICO FURNITURE DISTRIBUTORS (PRIVATE) LIMITED	
Business Activity	Carrying on buying and selling of furniture items
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. S S G Liyanage	Director appointed w.e.f. 02.07.2015
Mr. Shaminda Yaddehige	Director appointed w.e.f. 27.11.2015
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO FURNITURE LIMITED(Discontinued Business)	
Business Activity	Furniture Industry
Mr. J H P Ratnayeke	Chairman resigned w.e.f. 08.01.2016
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. S S G Liyanage	Director appointed w.e.f. 02.07.2015
Mr. Shaminda Yaddehige	Director appointed w.e.f. 27.11.2015
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED	
Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Director
Dr. Harsha Cabral	Director
Mr. P A S Kularatne	Director
Mr. R Nalaka Liyanage	Director appointed w.e.f. 15.09.2015
Mr. Deepal Sooriyaarachchi	Director appointed w.e.f. 15.09.2015 and resigned w.e.f. 12.01.2016
Mr. Shaminda Yaddehige	Alternative Director to Dr. Sena Yaddehige w.e.f. 30.11.2015 / Director appointed w.e.f. 01.03.2016
Ms. Kimarli Fernando	Director appointed w.e.f. 08.02.2016
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 27.11.2015
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED			
Business Activity		Operates retailing centers	
Dr. Sena Yaddehige		Chairman	
Mr. J H P Ratnayeke		Director resigned w.e.f. 08.01.2016	
Mr. W J V P Perera		Director	
Company		RPD	RPC
No. of shares	Ord.	16,000,001	5,000,001
	Pref.	22,000,000	-
Stated Capital		Rs. 430,000,020 represented by 43,000,002 shares	
Group Holding		100%	

RPC REAL ESTATE DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Property & Real Estate Development Projects
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
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
Mr. W J V P Perera	Director
Stated Capital	Rs. 387,000,020 represented by 38,700,002 shares
Group Holding	100%

CORPORATE STRUCTURE

5. PLANTATION SECTOR

RICHARD PIERIS PLANTATIONS (PRIVATE) LIMITED

Business Activity	Managing agents of plantations
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W J V P Perera	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
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
Mr. J H P Ratnayeke (alternate Director to Dr. Sena Yaddehige)	Deputy Chairman resigned w.e.f. 08.01.2016
Mr. J M A Ratnayeke	Director
Dr. C M P P R P Perera	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
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
Mr. J H P Ratnayeke	Deputy Chairman resigned w.e.f. 11.01.2016
Mr. S S Poholiyadde	Director
Dr. H S D Soysa	Director
Mr. E M M Boyagoda	Director
Dr. L S K Hettiarachchi	Director
Mr. J L A Fernando	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
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
Mr. J H P Ratnayeke	Deputy Chairman resigned w.e.f. 11.01.2016
Mr. S S Poholiyadde	Director
Prof. R C W M P A Nugawela	Director
Dr. S S G Jayawardena	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S Poholiyadde	Director
Mr. K P Chandaratne	Director appointed w.e.f. 11.02.2016
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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. S S Poholiyadde	Director
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	79.14%

NAMUNUKULA PLANTATIONS PLC

Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 11.01.2016
Mr. S S Poholiyadde	Director
Mr. N C Pieris	Director
Mr. A K Perera	Director (Government nominee resigned w.e.f. 20.05.2015)
Dr. H Jayatissa De Costa	Director
Mr. B A T Rodrigo	Director (Government nominee appointed w.e.f. 22.06.2015)
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	64.90%

CORPORATE STRUCTURE

RPC PLANTATION MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of plantations
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. J M A Ratnayeke	Director
Mr. M P Welihinda	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.03.2016
Stated Capital	Rs. 241,062,500 represented by 24,106,250 shares
Group Holding	100%

MASKELIYA TEA GARDENS (CEYLON) LIMITED	
Business Activity	Trading & marketing of value added tea
Dr. Sena Yaddehige	Chairman
Mr. Athula Herath	Director
Mr. S J Jayanga	Director
Mr. J L A Fernando	Director
Mr. Shaminda Yaddehige	Director w.e.f. 01.03.2016
Stated Capital	Rs. 15,000,070 represented by 1,500,007 shares
Group Holding	100%

6. SERVICES

RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED	
Business Activity	Provides Company secretarial services
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mrs. 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
Mr. W J V P Perera	Director
Stated Capital	Rs. 106,400,000 represented by 1,500,000 ordinary shares 9,140,000 preferential shares
Group Holding	100%

RPC LOGISTICS LIMITED	
Business Activity	Freight forwarding and allied services
Dr. Sena Yaddehige	Chairman
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. 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
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO CONSTRUCTION (PRIVATE) LIMITED formerly RPC CONSTRUCTION (PRIVATE) LIMITED	
Business Activity	Business of construction nationally and internationally
Dr. Sena Yaddehige	Director
Mr. J H P Ratnayeke	Deputy Chairman resigned w.e.f. 08.01.2016
Mr. 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	Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. W S Kalugala	Director appoint w.e.f. 02.07.2015
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

CORPORATE STRUCTURE

ARPICO HOTEL SERVICES (PRIVATE) LIMITED	
Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Director
Mr. J H P Ratnayeke	Director resigned w.e.f. 08.01.2016
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. L M Jayasuriya	Director appoint w.e.f. 02.07.2015
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	Carrying on IT related activities
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. S Kalugala	Director
Mr. M P Welihinda	Director appoint w.e.f. 02.07.2015
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RICHARD PIERIS SECURITIES (PRIVATE) LIMITED	
Business Activity	Stock Broking
Dr. Sena Yaddehige	Chairman
Mr. J Dissanayake	Director resigned w.e.f. 15.02.2016
Ms. Cherille Rosa	Director resigned w.e.f. 29.02.2016
Mr. B S A P Gooneratne	Director appointed w.e.f. 15.03.2016
Stated Capital	Rs. 153,000,000 represented by 15,300,000 shares
Group Holding	100%

RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED	
Business Activity	Margin providers
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
MR. N J K Dissanayake	Director appoint w.e.f. 02.07.2015 and resigned w.e.f. 15.02.2016
Ms. Cherille Rosa	Director appointed w.e.f. 10.09.2015 and resigned w.e.f. 29.02.2016
Mr. B A S P Gooneratne	Director appointed w.e.f. 15.03.2016
Stated Capital	Rs. 35,000,000 shares represented by 3,500,000 shares
Group Holding	100%

ARPICO INSURANCE PLC	
Business Activity	Life Insurance
Mr. W J V P Perera	Director
Mr. J Dissanayake	Director resigned w.e.f. 15.02.2016
Ms. L S A Seresinhe	Director
Mr. S Sirikananathan	Director
Mr. B A S P Gooneratne	Director appointed w.e.f. 15.03.2016
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
Mr. W J V P Perera	Director
Mr. Savantha Sebastian	Director
Mr. Sharad Sridharan	Director
Stated Capital	Rs. 40,000,020 represented by 4,000,002 shares
Group Holding	51%

RICHARD PIERIS FINANCE LIMITED	
Business Activity	Carrying on leasing, hire purchasing & other financial services
Mr. J F Fernandopulle	Director
Mr. A Hettiarachchy	Director (ceased to be a Director w.e.f. 10.04.2015)
Mr. D P J Hewavitharana	Director
Mr. C P Abeywickrema	Director
Mr. Gamini Wijesurendra	Director appointed w.e.f. 28.07.2015
Mr. K M M Jabir	Director appointed w.e.f. 28.07.2015
Stated Capital	Rs. 1,175,830,690 represented by 117,583,069 shares
Group Holding	97.91%

ARPICO INFOSYS (PRIVATE) LIMITED	
Business Activity	Relating to information communication technology/business process outsourcing
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. M P Welihinda	Director appoint w.e.f. 02.07.2015
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

CORPORATE STRUCTURE

ARPICO PHARMACEUTICALS (PRIVATE) LIMITED	
Business Activity	Relating to trading of pharmaceutical product
Dr. Sena Yaddehige	Chairman
Dr. P M S S Pathinisekara	Director
Mr. L M Jayasuriya	Director
Dr. M S Samarakoon	Director
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	Director
Mr. S S G Liyanage	Director
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. L M Jayasuriya	Director appoint w.e.f. 02.07.2015
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO CAPITAL LIMITED	
Business Activity	Financial Agent/Intermediary/ Consultant
Dr. Sena Yaddehige	Director
Mr. W J V P Perera	Director resigned w.e.f. 02.07.2015
Mr. N J K Dissanayake	Director appoint w.e.f. 02.07.2015 and resigned w.e.f. 15.02.2016
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	Director
Mr. 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
Mr. J F Fernandopulle	Director
Mr. A Hettiarachchi	Director
Mr. D P J Hewawitharana	Director
Mr. H M Hennayake Bandara	Director
Mr. C P Abeywickrema	Director resigned w.e.f. 18.01.2016
Mr. W J V P Perera	Director appoint w.e.f. 20.01.2016
Stated Capital	Rs. 290,909,239represented by 33,901,337 shares
Group Holding	88.13%

RICHARD PIERIS TRADING CO. PTE LIMITED	
Business Activity	General wholesale trade (Including General Importers and Exporters)
Mr. D P J Hewawitharana	Director
Mr. Chin Hay Min	Director
Stated Capital	Rs. 65,349,374 represented by 618,500 shares
Group Holding	100%

FINANCIAL INFORMATION

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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 2016.

The Directors approved the Financial Statements on 31st May 2016.

Principal Activities & Operational Review

Richard Pieris and Company PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Richard Pieris Group. The principal activities of the Group are described under the Group Structure on pages 61 - 67 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 56 - 58 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. 43 bn. 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. 3.5 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 71. The Group reported a Profit after tax amounting to Rs. 2.3 bn.

Group Investments

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

Property, Plant & Equipment

Capital expenditure on property, plant and equipment and work-in-progress incurred during the year under review amounted to Rs. 1.5 bn. Information relating to this is given in Note 12 and 13 to the Financial Statements. Land is included as described in accounting policies in the financial statements. Capital expenditure approved and contracted for after the year-end is given in Note 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 151.

Stated Capital

The stated capital of the Company as at 31 March 2016 was Rs. 1.9 bn. The details of the stated capital are given in Note 24 to the Financial Statements.

Reserves

Total Group Reserves as at 31st March 2016 amount to Rs. 8.8 bn. (Rs.7.9 bn as at 31 March 2015). 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. 0.5 mn and Rs. 2.3 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 146 - 147 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2016 are given in pages 148 and 149 under Shareholder Information.

Directors

The names of Directors who served during the year are given on pages 10 and 11 of this report, under the caption of 'Board of Directors'.

J H P Ratnayeke shall retire by rotation in terms of Article 85 of the Articles of Association of the Company and being eligible offer himself for re-election at the Annual General Meeting.

Prof. Lakshman R Watawala and Dr. S. A. B. Ekanayake were appointed to the Directorate of the Company as Independent Directors. Independent Directors declared that they have no significant shareholding or material business relationship with the Company. Prof. Lakshman R Watawala has been a director of the Company for over 9 years. The Board taking into account of all circumstances is of the opinion that he should be considered as a Non Executive Independent Director. Therefore, as requested by the Board of Directors, Prof. Lakshman R Watawala and Dr. S. A. B. Ekanayake agreed to continue in the Directorate of the Company as Independent Directors.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Mr. Shaminda Yaddehige who was appointed to the Board as an Executive Director and Chief Operating Officer with effect from 11th November 2015, shall retire in terms of Article 91 of the Articles of Association of the Company and being eligible offer himself for election at the Annual General Meeting.

Prof. Kapila Goonasekere who was appointed to the Board as an Independent Director with effect from 15th February 2016, shall retire in terms of Article 91 of the Articles of Association of the Company and being eligible offer himself for election at the Annual General Meeting.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following two Ordinary Resolutions have been received by the Company,

1. Mr. Sunil Liyanage of No. 40, Bellantara Road, Nedimala Dehiwala a shareholder of the Company.
   "That Dr. Sena Yaddehige of Le Neuf, Chemin, St. Saviours, Guernsey, United Kingdom, who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige".

   The Company has also received a letter dated 11th May 2016 from Dr. Sena Yaddehige declaring his willingness to be elected to the Directorate of the Company.

2. Mr. Shantha Kalugala of 174/G, Uthuwankanda Road, Thalawathugoda, a shareholder of the Company.
   "That Dr. Henry Jayatissa De Costa of No. 496/3, Havelock Road, Colombo 06, who is 74 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Dr. Henry Jayatissa De Costa".

   The Company has also received a letter dated 10th May 2016 from Dr. Jayatissa De Costa declaring his willingness to be elected to the Directorate of the Company.

The Directors who considered the contents of the letters received by the Company from Mr. Sunil Liyanage, Mr. Shantha Kalugala , Dr. Sena Yaddehige and Dr. Jayatissa De Costa decided to notify the Shareholders of the Company of the Special Notice received by the Company and the proposed Resolutions, which are to be moved at the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the said Resolutions as Ordinary Resolutions.

Group Profits	2015/16 Rs.'000	2014/15 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	3,398,914	2,578,946
From which the deduction of income tax and transfer to the deferred taxation account was	(1,137,461)	(747,009)
Leaving the Group with a profit after tax from continuing operations of	2,261,453	1,831,937
From which the loss after tax from discontinued operations deducted was	(3,536)	(3,457)
Leaving the Group with a profit for the year of	2,257,917	1,828,480
From which Non-Controlling Interest deducted was	(110,232)	(176,388)
Leaving a profit attributable to the equity holders of the parent was	2,147,685	1,652,092
To which the retained profit brought forward form the previous year added was	7,861,271	6,712,869
Adjustments due to changes in shareholding of subsidiaries and transfers made during the year	47,151	32,050
Other Comprehensive Income	267,287	(26,980)
Super Gains Tax	(519,069)	-
Leaving a profit available for appropriation of	9,804,325	8,370,031
Appropriations		
The amount available has been appropriated as follows,		
Interim dividend 2014-15	-	(508,760)
Interim dividend 2015-16	(1,017,519)	-
Leaving a retained profit to be carried forward amounting to	8,786,806	7,861,271

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 72, 144 and 145. These interests have been declared at the meetings of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company. The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

Transactions with related undertakings

Company	Name of Director	Position	Transaction Details	2015/2016 Rs.'000	2014/2015 Rs.'000
Asian Alliance PLC	Mr. J H P Ratnayeke	Deputy Chairman	Services	665	2,262
Lakehouse Printers and Publishers PLC	Prof. Lakshman R Watawala	Director	Purchases	4,340	4,258
Gestetner (Ceylon) PLC	Prof. Lakshman R Watawala	Director	Purchases	1,431	1,221
Lanka IOC PLC	Prof. Lakshman R Watawala	Director	Sales	4,308	-
			Purchases	15,568	18,516
Intercast (Pvt) Limited	Mr. W J V P Perera	Director	Services	59	-
Alpha Industries (Pvt) Limited	Dr. S A B Ekanayake	Director	Purchases	5,007	1,003
Lanka Commodity Brokers Limited	Dr. S A B Ekanayake	Director	Services	11,765	7,854
Asia Siyaka Commodities PLC	Dr. S A B Ekanayake	Director	Purchases	23,728	18,076
Link Natural Products (Pvt) Limited	Dr. S A B Ekanayake	Director	Purchases	24,513	17,607

The list of Directors at each of the subsidiary and associate companies has been disclosed in the Group structure on page 61 to 67.

Directors' Shareholding

Directors' Shareholding in Richard Pieris and Company PLC is stated in page 149.

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 40 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with 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 2016 are disclosed in Note 40.6 to the Financial Statements.

Vision & Long Term Goals

The Group's Vision and Long Term Goals are given in page 01 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 48 - 51.

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 31,013.

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 39 to the Financial Statements.

Board Committees

During the year, two new Board Sub Committees were formed namely Nominations Committee and Related Party Transactions Review Committee. The Board has delegated responsibilities to four Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in pages 76 - 79 of the report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 74 - 75 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.

The Company is in compliance with the CSE rules on related party transactions which was made mandatory with effect from 1st of January 2016.

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 2016. The Notice of the Annual General Meeting is on page 154 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 determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

W J Viville Perera
Director

S S G Liyanage
Director

Richard Pieris Group Services (Pvt) Limited
Secretaries

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

31st May 2016

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 eight Directors, of which five are Executive Directors whilst three are Non-Executive Independent Directors, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 10 and 11. The Board has assessed the independence of the Non-Executive Directors.

During the year the Board met on four 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 and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. During the year, two new Board Sub Committees were formed namely Nominations Committee and Related Party Transactions Review Committee. The Board has delegated responsibilities to four 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, Dr. S.A.B. Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016). The Chief Operating Officer, Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 77 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

The Remuneration Committee is composed of two Independent Non-Executive Directors - its Chairman, Prof. Lakshman R. Watawala and Dr. S.A.B. Ekanayake.

The Report of the Remuneration Committee on page 76 highlights its main activities.

Nominations Committee

The Nominations Committee is composed of three Independent Non-Executive Directors, Dr. S.A.B. Ekanayake (Chairman), Prof. Lakshman R Watawala and Prof. Kapila Goonasekara.

The Report of the Nominations Committee on page 79 highlights its main activities.

CORPORATE GOVERNANCE

Related Party Transactions Review Committee

The Related Party Transactions Review Committee is composed of three Independent Non-Executive Directors Dr. S A B Ekanayake (Chairman), Prof. Lakshman R Watawala and Prof. Kapila Goonasekara. The Report of the Related Party Transactions Review Committee on page 78 highlights its main activities.

Relationship with Shareholders

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

Internal Controls

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 56 - 58.

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, 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 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 48 - 51.

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. Shaminda Yaddehige (Appointed with effect 11th November 2015)	×		
Mr. S. S. G. Liyanage	×		
Prof. Lakshman R. Watawala		×	×
Prof. Kapila Goonasekara (Appointed with effect 15th February 2016)		×	×
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
Related Party Transactions Review Committee	In Compliance

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Independent Non- Executive Directors, Prof. Lakshman R Watawala 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

31st May 2016

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, Dr. S.A.B. Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016). 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 Chief Operating Officer, 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 Group Internal Audit Manager 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. The committee 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, 2017 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

31st May 2016

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Committee was constituted on 25th February 2016 and the following members were appointed:

Dr. S A B Ekanayake (Chairman)
Prof. Lakshman R Watawala
Prof. Kapila Goonasekera

The Chief Operating Officer, Group Chief Financial Officer attended meetings by invitation. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.

The Objectives of the Committee,

- To exercise oversight on behalf of the Board, that all Related Party Transactions (“RPTs”, other than those exempted by the CSE listing rules on the Related Party Transactions) of Richard Pieris & Company PLC and all its listed subsidiaries are carried out and disclosed in a manner consistent with the CSE listing rules.
- To advise and update the Board of Directors on the related party transactions of each of the listed companies on a quarterly basis.
- To ensure compliance with the CSE listing rules on the Related Party Transactions.
- To review policies and procedures of Related Party Transactions of the Group.
- To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee articulated and recommended a policy framework for adoption on Related Party Transactions for Richard Pieris & Company and all its listed subsidiaries. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

Further, processes were introduced across the Group to obtain annual disclosures from all Key Management Personnels.

The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

Details of the related party transactions entered into by the Group/Company are disclosed on page 144.

Dr. S A B Ekanayake
Chairman

Related Party Transactions Review Committee

31st May 2016

REPORT OF THE NOMINATIONS COMMITTEE

The Committee was constituted on 15th February 2016 and the following members were appointed:

Dr. S.A.B. Ekanayake (Chairman)
Prof. Lakshman R Watawala
Prof. Kapila Goonasekera

The objectives of the Committee,

1. To consider /recommend new Directors or re-electing current Directors to the Board.
2. To periodically review the composition of the Board and to make recommendations.
3. To advise / recommend on matters referred by the Board of Directors.

S A B Ekanayake

Dr. S A B Ekanayake
Chairman

31st May 2016

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 2016 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 145 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 2016, 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

31st May 2016

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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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 2016, 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 145)

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 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion, 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 2016, 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

31st May 2016
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Continuing operations					
Revenue	3	43,018,502	37,802,243	2,196,374	1,770,435
Cost of sales		(32,427,560)	(29,125,486)	-	-
Gross profit		10,590,942	8,676,757	2,196,374	1,770,435
Other operating income	4.1	980,964	818,571	5,176	-
Selling and distribution expenses		(2,648,983)	(2,030,788)	-	-
Administrative expenses	4.3	(4,929,390)	(4,297,747)	(509,063)	(448,365)
Other operating expenses	4.2	(38,230)	(63,284)	(10,867)	-
Operating profit		3,955,303	3,103,509	1,681,620	1,322,070
Finance costs	5	(826,092)	(811,166)	(459,666)	(425,520)
Finance income	6	233,759	244,304	46,236	48,017
Share of profit of an associate	7	35,944	42,299	-	-
Profit before tax from continuing operations		3,398,914	2,578,946	1,268,190	944,567
Income tax expense	8	(1,137,461)	(747,009)	(11,727)	(13,500)
Profit for the year from continuing operations		2,261,453	1,831,937	1,256,463	931,067
Discontinued operations					
Loss after tax for the year from discontinued operations	9	(3,536)	(3,457)	-	-
Profit for the year		2,257,917	1,828,480	1,256,463	931,067
Attributable to:					
Equity holders of the parent		2,147,685	1,652,092		
Non-controlling interests		110,232	176,388		
		2,257,917	1,828,480		
Earnings per share					
Basic	10	Rs. 1.05	Rs. 0.82		
Diluted	10	Rs. 1.05	Rs. 0.82		
Earnings per share for continuing operations					
Basic	10	Rs. 1.05	Rs. 0.82		
Diluted	10	Rs. 1.05	Rs. 0.82		
Dividend per share	11	Rs. 0.50	Rs. 0.25		

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 145 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31st March	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit for the year		2,257,917	1,828,480	1,256,463	931,067
Other comprehensive income/ (loss)					
Other comprehensive income to be reclassified to profit or loss;					
Net gain/(loss) on available for sale financial assets		(11,249)	4,202	(11,249)	4,099
Exchange differences on translation of foreign operations		40,372	1,110	-	-
Net other comprehensive income/ (loss) to be reclassified to profit or loss		29,123	5,312	(11,249)	4,099
Other comprehensive income not to be reclassified to profit or loss;					
Gain/(loss) on actuarial valuation	32	371,925	(32,523)	1,009	(4,600)
Income tax effect	18	(34,306)	8,564	-	-
Net other comprehensive income not to be reclassified to profit or loss		337,619	(23,959)	1,009	(4,600)
Other comprehensive income/ (loss) for the year, net of tax		366,742	(18,647)	(10,240)	(501)
Total comprehensive income for the year, net of tax		2,624,659	1,809,833	1,246,223	930,566

Attributable to:		
Equity holders of the parent	2,429,049	1,627,548
Non-controlling interests	195,610	182,285
	2,624,659	1,809,833

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 145 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31st March	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	12.1	15,944,669	15,277,433	105,275	109,562
Leasehold properties	12.2	546,562	542,032	-	-
Investment properties	13	165,209	165,152	1,234,215	1,236,479
Intangible assets	14	1,147,321	1,158,307	-	-
Biological assets	15	824,557	794,128	-	-
Investments in subsidiaries	16	-	-	3,875,439	3,908,772
Investment in associates	16	241,302	88,962	-	-
Other non-current financial assets	17	1,112,049	606,839	71,375	71,375
Deferred tax assets	18	-	-	11,726	23,453
		19,981,669	18,632,853	5,298,030	5,349,641
Current assets					
Inventories	19	4,642,937	4,431,970	-	-
Trade and other receivables	20	4,981,158	4,754,827	165,941	166,964
Loans and advances	21	8,759,562	5,421,730	-	-
Tax receivables		163,717	156,172	1,717	-
Amounts due from subsidiaries		-	-	2,689,633	2,753,353
Other current financial assets	17	839,970	604,253	33,827	45,076
Cash and short-term deposits	23	4,206,004	4,081,425	3,895,883	2,030,065
		23,593,348	19,450,377	6,787,001	4,995,458
Total assets		43,575,017	38,083,230	12,085,031	10,345,099
Equity and liabilities					
Equity					
Stated capital	24	1,972,829	1,972,829	1,972,829	1,972,829
Revenue reserves		8,786,806	7,861,271	1,254,522	1,014,569
Statutory reserve fund	25	23,190	2,478	-	-
Other components of equity	26	89,903	75,826	12,341	23,590
Equity attributable to equity holders of the parent		10,872,728	9,912,404	3,239,692	3,010,988
Non-controlling interests		2,412,573	2,431,421	-	-
Total equity		13,285,301	12,343,825	3,239,692	3,010,988
Non-current liabilities					
Interest-bearing loans and borrowings	28	6,272,108	6,224,424	4,404,020	3,884,920
Net liability to the lessor	29	595,444	606,780	-	-
Insurance provision	27	501,933	307,092	-	-
Provisions	30	104,565	104,420	-	-
Government grants	31	551,457	562,443	-	-
Deferred tax liabilities	18	277,099	237,986	-	-
Employee benefit liabilities	32	2,440,785	2,620,986	85,791	77,087
		10,743,391	10,664,131	4,489,811	3,962,007
Current liabilities					
Trade and other payables	34	8,007,969	5,913,160	1,318,137	361,485
Public deposits	35	3,722,640	2,660,510	-	-
Current portion of interest-bearing loans and borrowings	28	2,498,679	2,526,750	514,047	259,960
Current portion of net liability to the lessor	29	11,336	10,899	-	-
Amounts due to subsidiaries		-	-	19,496	214,872
Income tax payable		427,497	236,701	-	56
Short term borrowings	22	4,878,204	3,727,254	2,503,848	2,535,731
		19,546,325	15,075,274	4,355,528	3,372,104
Total liabilities		30,289,716	25,739,405	8,845,339	7,334,111
Total equity and liabilities		43,575,017	38,083,230	12,085,031	10,345,099

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

Shiron Gooneratne
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

S S G Liyanage
Director

The accounting policies and notes from pages 88 to 145 form an integral part of these financial statements.

31st May 2016

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	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
Group									
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 year	-	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
As at 1st April 2015	1,972,829	7,861,271	24,856	50,970	-	2,478	9,912,404	2,431,421	12,343,825
Charge relating to super gain tax	-	(519,069)	-	-	-	-	(519,069)	(27,116)	(546,185)
Profit for the year	-	2,147,685	-	-	-	-	2,147,685	110,232	2,257,917
Other comprehensive income /(loss)	-	267,287	(11,249)	25,326	-	-	281,364	85,378	366,742
Total comprehensive income	-	1,895,903	(11,249)	25,326	-	-	1,909,980	168,494	2,078,474
Dividends	-	(1,017,519)	-	-	-	-	(1,017,519)	-	(1,017,519)
Adjustments	-	67,863	-	-	-	-	67,863	43,220	111,083
Transfers during the year	-	(20,712)	-	-	-	20,712	-	-	-
Subsidiary/Associate dividend to minority shareholders	-	-	-	-	-	-	-	(230,562)	(230,562)
At 31st March 2016	1,972,829	8,786,806	13,607	76,296	-	23,190	10,872,728	2,412,573	13,285,301
Company									
As at 1st April 2014	1,814,824	596,862	19,491	-	-	-	2,431,177	-	2,431,177
Profit for the year	-	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
As at 1st April 2015	1,972,829	1,014,569	23,590	-	-	-	3,010,988	-	3,010,988
Profit for the year	-	1,256,463	-	-	-	-	1,256,463	-	1,256,463
Other comprehensive income /(loss)	-	1,009	(11,249)	-	-	-	(10,240)	-	(10,240)
Total comprehensive income	-	1,257,472	(11,249)	-	-	-	1,246,223	-	1,246,223
Dividends	-	(1,017,519)	-	-	-	-	(1,017,519)	-	(1,017,519)
At 31st March 2016	1,972,829	1,254,522	12,341	-	-	-	3,239,692	-	3,239,692

Figures in brackets indicate deductions.

The accounting policies and notes from page 88 to 145 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Group		Company	
For the year ended 31st March	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Operating activities				
Profit before tax from continuing operations	3,398,914	2,578,946	1,268,190	944,567
Loss from discontinued operations	(3,536)	(3,457)	-	-
Profit before tax	3,395,378	2,575,489	1,268,190	944,567
Non-cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and impairment of property, plant and equipment	834,109	762,895	23,178	25,081
Amortisation of lease hold properties	31,019	24,907	-	-
Amortisation and impairment of intangible assets	10,986	29,076	-	-
Gain on disposal of property, plant and equipment	(6,098)	(10,467)	-	(2,299)
Gain on sale of biological assets	(20,433)	(18,659)	-	-
Net change in the fair value of financial assets at FVTPL	1,595	(1,113)	-	-
Fair value adjustment of biological assets	(25,234)	(73,778)	-	-
Finance income	(233,759)	(244,304)	(46,236)	(48,017)
Finance costs	826,092	811,166	459,666	425,520
Share of profit of an associate	(31,169)	(33,831)	-	-
Provision for bad debts	49,469	70,020	-	-
Provision for slow moving stocks	113,401	133,057	-	-
Provision for defined benefit plan	414,572	433,760	12,996	12,339
Provision for receivables/Impairment of investments	7,002	-	59,150	-
Provision/ (Reversal) on warranties	145	(29,600)	-	-
Provision for unrealised profit	1,630	1,679	-	-
Grants amortized	(35,354)	(24,341)	-	-
Impairment of loans and advances	188,739	65,119		
Exchange differences on translation of foreign currency	32,594	(3,041)	13,867	-
	5,554,684	4,468,034	1,790,811	1,357,191
Working capital adjustments:				
(Increase) / decrease in trade and other receivables and prepayments	(282,803)	(701,327)	38,926	(180,289)
Increase in inventories	(325,998)	(632,522)	-	-
Increase/ (decrease) in trade and other payables	1,200,895	870,055	(132,630)	(130,527)
Changes in operating assets	(3,526,571)	(2,474,920)	-	-
Changes in operating liabilities	1,062,130	1,399,059		
Increase in insurance provision	194,840	113,721	-	-
Cash generated from operations	3,877,177	3,042,100	1,697,107	1,046,375
Interest paid	(944,386)	(674,181)	(577,960)	(288,536)
Gratuity paid	(222,848)	(219,444)	(3,283)	(3,559)
Interest received	233,759	244,304	46,236	48,017
Income tax paid	(1,495,583)	(651,265)	(1,773)	(1,644)
Net cash flows from operating activities	1,448,119	1,741,514	1,160,327	800,653

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31st March	Notes	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Investing activities					
Proceeds from sale of property, plant and equipment		12,801	11,894	-	2,700
Purchase of property, plant and equipment		(1,510,964)	(1,979,879)	(16,627)	(24,250)
Increase in biological assets due to new planting		(10,827)	(12,185)	-	-
Purchase of financial instruments		(753,770)	(523,886)	-	-
Acquisition of a subsidiary, net of cash acquired		-	(462,900)	-	(941,180)
Proceeds from share buy back		-	33,333	-	-
Dividend received		23,333	44,602	-	-
Increase in holding in a subsidiary		(28,934)	(59,040)	-	-
Receipt of government grants		24,368	20,503	-	-
Proceeds from sale of biological assets		26,067	28,342	-	-
Net cash flows used in investing activities		(2,217,926)	(2,899,216)	(16,627)	(962,730)
Net cash flows before financing		(769,807)	(1,157,702)	1,143,700	(162,077)
Financing activities					
Proceeds from exercise of share options		-	158,005	-	158,005
Proceeds from non controlling interest on initial public offer		-	79,565	-	-
Payment of finance lease liabilities		(10,899)	(10,481)	-	-
Proceeds from borrowings		2,815,250	4,708,575	1,582,250	3,700,000
Debenture issue cost		-	(19,881)	-	(19,881)
Repayment of borrowings		(2,522,163)	(3,051,953)	(528,249)	(2,159,960)
Dividends paid to equity holders of the parent		-	(905,508)	-	(905,508)
Dividends paid to non-controlling interests		(238,752)	(46,853)	-	-
Net cash flows from financing activities		43,436	911,469	1,054,001	772,656
Net increase/ (decrease) in cash and cash equivalents		(726,371)	(246,233)	2,197,701	610,579
Cash and cash equivalents at 1st April	23	554,171	800,404	(305,666)	(916,245)
Cash and cash equivalents at 31 March		(172,200)	554,171	1,892,035	(305,666)
Analysis of Cash & Cash equivalents at 31st March					
Bank and cash balances	23	4,206,004	4,081,425	3,895,883	2,030,065
Short term borrowings	23	(4,378,204)	(3,527,254)	(2,003,848)	(2,335,731)
		(172,200)	554,171	1,892,035	(305,666)

Figures in brackets indicate deductions.
The accounting policies and notes from page 88 to 145 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principle Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 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 2016 were authorised for issue in accordance with a resolution of the directors on 31st May 2016.

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, fair value through Profit or loss 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. 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 2016.

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 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 18 to the Consolidated Financial Statements.

Transfer pricing regulation

The Company is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

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 length

NOTES TO THE FINANCIAL STATEMENTS

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 Note 14 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 financial year.

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.

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 Statement of 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 Statement of Profit or Loss or as a change to Statement of 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 Statement of Profit or Loss or as a change to the Statement of 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 Statement of 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 Statement of 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 Statement of 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 retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation 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 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.

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 Statement of 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 Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

Arpitalian Compact Soles (Pvt) 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 (Pvt) 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 income for all interest-bearing financial assets 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 is included 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 and 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 Statement of Profit or Loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 Statement of Profit or Loss is recognised outside Statement of 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 harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Rubber, tea and other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes rubber, 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 a 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 and 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 arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset 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 or 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 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 Other Comprehensive Income is removed 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.

NOTES TO THE FINANCIAL STATEMENTS

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 canceled 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 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 Note 17 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.

NOTES TO THE FINANCIAL STATEMENTS

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 Group 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:

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 the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts and short term 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 the 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 actuary 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 Note 32 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 Statement of 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) Limited 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 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 Profit or Loss 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

NOTES TO THE FINANCIAL STATEMENTS

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 Group and may have an impact on the future Financial Statements.

a) SLFRS 9 -Financial Instruments: Classification and Measurement
SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.
It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.SLFRS 9 is effective for annual reporting periods beginning on or after 01 January 2018, with early adoption permitted.

b) SLFRS 14 - Regulatory Deferral Accounts
SLFRS 14 is an interim standard which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts. SLFRS 14 is effective for annual periods beginning on or after 01 January 2016.

c) 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 reporting periods beginning on or after 01 January 2018, with early adoption permitted.

Management believes that the SLFRS 14 would not be applicable for the Group, as it is an existing SLFRS preparer/does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as at the date of publication of these Financial Statements

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements;

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38)
- Annual Improvements to SLFRSs 2012-2014 Cycle
- Disclosure Initiative (Amendments to LKAS 1)

NOTES TO THE FINANCIAL STATEMENTS

3. Group Segmental Reporting

Year ended 31st March 2016 Business Segment	Rubber Rs.'000	Tyre Rs.'000	Plastic and furniture 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	3,439,109	2,745,052	6,345,524	21,687,543	1,764,010	111,796	6,925,468	43,018,502	-	43,018,502
Inter- segment	174,671	33,045	594,815	9,725	-	2,679,655	597,851	4,089,762	(4,089,762)	-
Intra - segment	15,477	1,590,048	889,926	229,732	-	-	120,428	2,845,611	(2,845,611)	-
Total revenue	3,629,257	4,368,145	7,830,265	21,927,000	1,764,010	2,791,451	7,643,747	49,953,875	(6,935,373)	43,018,502
Results										
Segment results	648,467	608,470	1,368,139	1,540,301	227,051	1,206,114	(185,589)	5,412,953	(1,457,650)	3,955,303
Finance costs										(826,092)
Finance income										233,759
Share of profit of an associate										35,944
Profit before tax from continuing operations										3,398,914
Income tax expense										(1,137,461)
Profit for the year from continuing operations										2,261,453
Loss after tax for the year from discontinued operations										(3,536)
Profit for the year										2,257,917
Non-controlling interests										(110,232)
Attributable to Equity holders of the parent										2,147,685
Operating assets	3,122,130	2,095,083	5,601,061	9,077,807	12,301,072	7,888,124	18,276,282	58,361,559	(15,027,844)	43,333,715
Operating liabilities	1,403,608	1,209,083	3,689,268	5,605,926	9,276,556	4,042,458	10,947,742	36,174,641	(5,884,925)	30,289,716
Other disclosures										
Investment in an associate	227,905	-	-	-	-	-	29,960	257,865	(16,563)	241,302
Capital expenditure	55,997	7,520	288,650	493,886	21,537	17,186	637,015	1,521,791	-	1,521,791
Depreciation and amortisation	74,595	37,094	101,735	237,994	22,391	30,283	361,036	865,128	-	865,128

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	42,341,711	854,011	1,180,528	1,487,863	45,864,113	(2,845,611)	43,018,502

NOTES TO THE FINANCIAL STATEMENTS

Segment Information

Year ended 31st March 2015 Business Segment	Rubber Rs.'000	Tyre Rs.'000	Plastic and furniture 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	-	-	-	-	-	29,960	257,865	(168,903)	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 and amortisation	55,117	37,774	80,851	217,257	17,518	32,242	347,043	787,802	-	787,802

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

NOTES TO THE FINANCIAL STATEMENTS

4. Other Income/Expenses and Adjustments

4.1 Other Operating Income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Government grants	31,002	19,988	-	-
Net gain on disposal of property, plant and equipment	6,098	8,168	-	-
Rental income	342,383	273,778	-	-
Gain on change in fair value of biological assets	25,234	73,778	-	-
Income from partnership promotions	109,274	128,339	-	-
Foreign exchange gain	49,346	8,689	-	-
Scrap sales/sales commission/mixing income	60,460	62,869	-	-
Sale of timber/rubber trees	43,887	82,550	-	-
Documentation and other service charges from finance sector	240,600	90,946	-	-
Sundry income	72,680	69,466	5,176	-
Total other operating income	980,964	818,571	5,176	-

4.2 Other Operating Expenses

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Foreign exchange loss	11,514	7,630	10,867	-
Irrecoverable VAT on management fees of plantation companies	13,125	22,342	-	-
Amortisation and impairment of intangible assets	10,202	28,879	-	-
Others	3,389	4,433	-	-
Total other operating expenses	38,230	63,284	10,867	-

4.3 Profit from operations is stated after charging following expenses

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Directors' remuneration and fees	51,230	27,007	32,192	18,515
Auditors' remuneration and fees	23,350	22,505	918	834
Depreciation	834,109	762,895	23,178	25,081
Amortisation of leasehold properties	31,019	24,907	-	-
Amortisation and impairment of intangible assets	10,986	29,076	-	-
Provision made for defined benefit plan cost	414,572	433,760	12,996	12,339
Staff costs including defined contribution plan cost	6,852,331	6,621,282	88,032	97,737
Legal fees	15,858	12,680	565	857
Donations	2,270	2,807	502	225
Allowances for impairment of receivables and debts written off	238,208	135,139	-	-

NOTES TO THE FINANCIAL STATEMENTS

5. Finance Costs

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest on long term loans	731,809	720,401	445,807	414,133
Interest on short term loans	94,283	90,765	13,859	11,387
Total finance costs	826,092	811,166	459,666	425,520

6. Finance Income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest income from related companies	-	-	40,611	47,980
Interest income from third parties	233,759	244,304	5,625	37
Total finance income	233,759	244,304	46,236	48,017

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) Limited, an entity involved in the processing of palm oil.

The Group's share of the assets and liabilities as at 31st March 2016 and 2015, and income and expenses of the entity for the years ended 31st March 2016 and 2015, which is accounted under the equity method are as follows.

	2016 Rs.'000	2015 Rs.'000
Revenue	1,589,283	1,745,853
Profit before tax	107,844	195,545
Group's share of profit before tax	35,944	42,299
(-) Tax on associate results	(4,775)	(8,468)
Group share of profit after tax	31,169	33,831
Associate's Statement of Financial Position		
Current assets	115,501	88,416
Non-current assets	297,108	306,095
	412,609	394,511
Current liabilities	(53,643)	(60,521)
Non-current liabilities	(36,871)	(35,415)
	(90,514)	(95,936)

Investments in Associates	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	88,962	39,708
Share of profits	35,944	42,299
Taxation	(4,775)	(8,468)
Dividends received/ Share of dividends and profits to minority shareholders	121,171	15,423
At the end of the year	241,302	88,962

NOTES TO THE FINANCIAL STATEMENTS

8. Income Tax Expense

The major components of income tax expense for the years ended 31 st March 2016 and 2015 are:

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Current income tax:				
Current income tax charge	889,255	588,984	-	-
Adjustments in respect of current income tax of previous years	(22,210)	(10,475)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	2,037	16,868	11,727	13,500
ESC Unrecoverable	7,677	8,134	-	-
Tax on associate results	4,775	8,465	-	-
Dividend tax	255,927	135,033	-	-
Income tax expense reported in the Statement of Profit or Loss	1,137,461	747,009	11,727	13,500

A. Taxation on current year profit

	Group 2016	Group 2015	Company 2016	Company 2015
Profit before tax from continuing operations	3,398,914	2,578,946	1,268,190	944,567
Loss before tax from discontinued operations	(3,536)	(3,457)	-	-
Profit from associate companies	(35,944)	(42,299)	-	-
	3,359,434	2,533,190	1,268,190	944,567
Disallowed items	2,375,673	1,831,099	221,990	196,671
Allowable expenses	(2,497,641)	(2,526,851)	(43,217)	(43,323)
Tax exempt income	(17,410)	(151,073)	-	-
Resident dividend	-	-	(1,460,031)	(1,146,191)
Qualifying payment on acquisition of a subsidiary	(444,867)	(154,890)	-	-
	2,775,189	1,531,475	(13,068)	(48,276)
Tax loss brought forward	(4,049,964)	(3,206,197)	(501,193)	(405,266)
Tax loss carried forward	4,811,023	3,863,123	501,193	405,266
Taxable Income	3,536,248	2,188,401	(13,068)	(48,276)
Income tax 28%	766,138	499,883	-	-
Income tax 20%	61,349	37,947	-	-
Income tax 15%	432	283	-	-
Income tax 12%	58,808	48,628	-	-
Income tax 10%	881	596	-	-
Income tax at other rates	1,647	1,647	-	-
	889,255	588,984	-	-
Over provision in the previous years	(22,210)	(10,475)	-	
	867,045	578,509	-	-
Deferred tax	2,037	16,868	11,727	13,500
ESC unrecoverable	7,677	8,134	-	-
Tax on associate results	4,775	8,465	-	-
Dividend tax	255,927	135,033	-	-
	1,137,461	747,009	11,727	13,500

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose	171,593	251,003	-	-
Retirement benefits obligation	(4,747)	(83,109)	-	-
Benefit arising from tax losses	(67,769)	(151,568)	11,727	13,500
Other provisions	(97,040)	542	-	-
Total deferred tax expense	2,037	16,868	11,727	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 2015/16 .Other profits and income is liable to tax at 28%.

RPC Polymers (Pvt) Limited 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 be 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) Limited 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) Limited are liable for income tax at the rate of 10% on profits from agriculture and 28% on other profits and income, commencing from 1st April 2011.

Arpico Constructions (Pvt) Limited is taxed at 12% on profit from undertaking construction work.

Profits and income of Maskeliya Tea Gardens (Ceylon) Limited from agricultural undertaking which is engaged in the sale of tea packets or bags, each containing made tea wholly of Sri Lanka origin less than 500g in weight under section 16 of Inland Revenue Act, is charged with income tax at the rate of 10% and 28% on other profits and income.

NOTES TO THE FINANCIAL STATEMENTS

9. Discontinued Operations

The Group continued to focus on its core business operations and restructured or exit from 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 Latex foams (Pvt) Limited.

The results of discontinued operations are given below.

	2016 Rs.'000	2015 Rs.'000
Revenue/Other Income	4,352	4,601
Expenses	(7,888)	(8,058)
Loss for the year from discontinued operations	(3,536)	(3,457)

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 are as follows:

	2016 Rs.'000	2015 Rs.'000
Total assets	81,631	88,228
Total liabilities	99,229	103,508

Cash flow implications for the year are presented below:

	2016 Rs.'000	2015 Rs.'000
Net cash flows from operating activities	(116)	(3,170)

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	2016 Rs'.000	2015 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	2,151,221	1,655,549
Loss attributable to ordinary equity holders of the parent from discontinued operations	(3,536)	(3,457)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	2,147,685	1,652,092

	2016	2015
Weighted average number of ordinary shares for basic earnings per share	2,035,038,275	2,008,333,942
Effect of dilution:		
Effect of potential ordinary shares from share options	4,609,417	4,592,020
Weighted average number of ordinary shares adjusted for the effect of dilution	2,039,647,692	2,012,925,962

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.

	2016 Rs.	2015 Rs.
Basic earnings per share	1.05	0.82
Diluted earnings per share	1.05	0.82
Earnings per share from continuing operations - Basic	1.05	0.82
Earnings per share from continuing operations - Diluted	1.05	0.82

11 Dividend per Share

	2016 Rs'.000	2015 Rs.'000
Interim Dividend Rs. 0.50 per share (2014/15 Rs. 0.25 per share)	1,017,519	508,760
	1,017,519	508,760

1. The 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.

2. The first interim dividend of Rs. 0.50 per share for the financial year ended 31.03.2016 was declared on 31st March 2016 and was paid on 22nd April 2016.

NOTES TO THE FINANCIAL STATEMENTS

12. Property, Plant & Equipment

12.1 Group

	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2016 Rs.'000
Cost / valuation						
Land / land improvements	2,855,521	-	-	-	-	2,855,521
Buildings	3,554,290	477,913	-	6,690	(130)	4,038,763
Immature / mature plantations	7,209,856	599,652	-	-	-	7,809,508
Plant, machinery, tools & electrical installations	4,928,489	221,261	(53,656)	34,719	130	5,130,943
Office & other equipment	1,046,626	149,669	(56)	-	(331)	1,195,908
Furniture, fixtures & fittings	536,128	42,595	(705)	1,238	(44)	579,212
Motor vehicles	788,220	95,209	(13,842)	129	-	869,716
Computers	467,762	48,446	(601)	-	375	515,982
	21,386,892	1,634,745	(68,860)	42,776	-	22,995,553
Capital work in progress	709,914	318,928	(478,315)	-	-	550,527
Total gross carrying amount	22,096,806	1,953,673	(547,175)	42,776	-	23,546,080

	As at 01.04.2015 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2016 Rs.'000
Depreciation / amortisation						
Land improvements	93,737	7,623	-	-	-	101,360
Buildings	933,371	155,788	-	681	-	1,089,840
Immature / mature plantations	1,109,975	167,179	-	-	-	1,277,154
Plant, machinery, tools & electrical installations	2,921,186	265,592	(53,656)	11,836	-	3,144,958
Office & other equipment	582,024	86,046	(393)	-	(445)	667,232
Furniture, fixtures & fittings	387,048	28,089	(365)	1,147	(3,261)	412,658
Motor vehicles	659,551	62,299	(7,517)	129	-	714,462
Computers	388,355	34,387	(227)	-	-	422,515
	7,075,247	807,003	(62,158)	13,793	(3,706)	7,830,179

Net Book Values	2016 Rs.'000	2015 Rs.'000
Land / land improvements	2,754,161	2,761,784
Buildings	2,948,923	2,620,919
Immature / mature plantations	6,532,354	6,099,881
Plant, machinery, tools & electrical installations	1,985,985	2,007,303
Office & other equipment	528,676	464,602
Furniture, fixtures & fittings	166,554	149,080
Motor vehicles	155,254	128,669
Computers	93,467	79,407
	15,165,374	14,311,645
Capital work in progress	550,527	709,914
Total carrying amount	15,715,901	15,021,559

NOTES TO THE FINANCIAL STATEMENTS

Assets acquired on finance leases	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2016 Rs.'000
Cost / valuation				
Immature / mature plantations	773,460	-	-	773,460
Plant & machinery	134,369	-	-	134,369
Office & other equipment	836	-	-	836
Motor vehicles	3,997	-	-	3,997
	912,662	-	-	912,662

	As at 01.04.2015 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2016 Rs.'000
Depreciation / amortisation				
Immature / mature plantations	518,072	27,091	-	545,163
Plant & machinery	134,286	-	-	134,286
Office & other equipment	433	15	-	448
Motor vehicles	3,997	-	-	3,997
	656,788	27,106	-	683,894

Net Book Values	2016 Rs.'000	2015 Rs.'000
Immature / mature plantations	228,297	255,388
Plant & machinery	83	83
Office & other equipment	388	403
Motor vehicles	-	-
	228,768	255,874
Total carrying amount of property, plant & equipments	15,944,669	15,277,433

Property, plant and equipment with a carrying amount of Rs. 6,982 mn (2015 - Rs. 6,989 mn) are pledged as security for loans obtained. (Note 28.1)

12.2 Leasehold Properties

	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2016 Rs.'000
Cost / valuation					
Right to use land	827,863	-	-	-	827,863
Buildings	233,392	35,549	-	-	268,941
	1,061,255	35,549	-	-	1,096,804

NOTES TO THE FINANCIAL STATEMENTS

	As at 01.04.2015 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2016 Rs.'000
Amortisation					
Right to use land	336,950	15,484	-	-	352,434
Buildings	182,273	15,535	-	-	197,808
	519,223	31,019	-	-	550,242

	2016 Rs.'000	2015 Rs.'000
Right to use land	475,429	490,913
Buildings	71,133	51,119
Total carrying amount of leasehold properties	546,562	542,032

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,005 mn (2015 - Rs. 2,166 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 1,511 mn (2015 - Rs. 1,978 mn) for cash considerations.

Right to use of land - Plantations Sector

"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 land does not permit further revaluation of right-to-use land. The values have been taken into the Statements of Financial Position of the three plantation companies as at 22 June 1992.

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

The other assets of the Plantation 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 29 years.

Borrowing costs amounting to Rs. 61.9 mn (2015 - Rs. 74.6 mn) incurred to meet expenses relating to immature plantations have been capitalised as a part of the cost of immature plantations.

NOTES TO THE FINANCIAL STATEMENTS

12.3 Company

	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Adjustments Rs.'000	As at 31.03.2016 Rs.'000
Cost / valuation					
Buildings	49,592	2,065	-	(130)	51,527
Plant, machinery, tools & electrical installations	94,371	975	-	130	95,476
Office & other equipment	29,470	3,028	-	-	32,498
Furniture, fixtures & fittings	20,891	1,988	-	-	22,879
Motor vehicles	64,981	-	-	-	64,981
Computers	38,033	3,041	-	-	41,074
	297,338	11,097	-	-	308,435
Capital work in progress	12,914	-	-	-	12,914
Total gross carrying amount	310,252	11,097	-	-	321,349

	As at 01.04.2015 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Adjustments Rs.'000	As at 31.03.2016 Rs.'000
Depreciation / amortisation					
Buildings	5,911	5,050	-	-	10,961
Plant, machinery, tools & electrical installations	57,621	5,330	-	-	62,951
Office & other equipment	25,902	785	-	-	26,687
Furniture, fixtures & fittings	15,684	1,492	-	-	17,176
Motor vehicles	64,424	167	-	-	64,591
Computers	31,148	2,560	-	-	33,708
	200,690	15,384	-	-	216,074

Net Book Values	2016 Rs.'000	2015 Rs.'000
Buildings	40,566	43,681
Plant, machinery, tools & electrical installations	32,525	36,750
Office & other equipment	5,811	3,568
Furniture, fixtures & fittings	5,703	5,207
Motor vehicles	390	557
Computers	7,366	6,885
	92,361	96,648
Capital work in progress	12,914	12,914
Total carrying amount	105,275	109,562

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 172 mn (2015 - Rs. 162 mn).

During the financial year, the Company acquired property plant and equipment to the aggregate value of Rs. 11 mn (2015 - Rs. 23 mn) for cash considerations.

NOTES TO THE FINANCIAL STATEMENTS

13. Investment properties

13.1 Group

	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2016 Rs.'000
Gross carrying amounts				
Freehold land	165,152	57	-	165,209
	165,152	57	-	165,209

Net Book Values	2016 Rs.'000	2015 Rs.'000
Freehold land	165,209	165,152
Total carrying amount of investment properties	165,209	165,152

13.2 Company

	As at 01.04.2015 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2016 Rs.'000
Gross carrying amounts				
Freehold land	1,038,063	-	-	1,038,063
Buildings and building integrals	294,222	5,530	-	299,752
	1,332,285	5,530	-	1,337,815

	As at 01.04.2015 Rs.'000	Charge for the Year Rs.'000	On disposals Rs.'000	As at 31.03.2016 Rs.'000
Depreciation				
Buildings and building integrals	95,806	7,794	-	103,600
	95,806	7,794	-	103,600

Net Book Values	2016 Rs.'000	2015 Rs.'000
Freehold land	1,038,063	1,038,063
Buildings and building integrals	196,152	198,416
Total carrying amount of investment properties	1,234,215	1,236,479

	2016 Rs. mn	2015 Rs. mn
Rental income derived from investment properties	178	145
Direct operating expenses incurred	6.5	3.9
Fair value of investment properties	7,537	6,309

NOTES TO THE FINANCIAL STATEMENTS

14. Intangible Assets

	Goodwill Rs.'000	Licenses Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
As at 1st April 2015	1,197,709	58,735	9,817	1,266,261
Acquired / incurred during the period	-	-	-	-
Retired / disposed during the period	-	-	-	-
As at 31st March 2016	1,197,709	58,735	9,817	1,266,261
Amortisation and Impairment				
As at 1st April 2015	70,303	35,873	1,778	107,954
Amortisation/impairment for the year	8,500	1,451	1,035	10,986
As at 31st March 2016	78,803	37,324	2,813	118,940
Net Book Value				
As at 31st March 2015	1,127,406	22,862	8,039	1,158,307
As at 31st March 2016	1,118,906	21,411	7,004	1,147,321

(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
6. Six estates of Uva range Namunukula Plantations PLC

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

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

(b) Licenses

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

(c) Other intangible assets

Other intangibles represent an IT platform developed by Ataraxia (Pvt) Limited 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

15. Biological Assets

	2016 Rs.'000	2015 Rs.'000
Consumable biological assets		
At the beginning of the year	794,128	619,519
Acquisition through business combinations	-	98,330
Increase due to new planting	10,827	12,185
Decrease due to harvesting	(5,632)	(9,684)
Gain in fair value	25,234	73,778
At the end of the year	824,557	794,128

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) Limited, 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 2016	-10% Rs.'000	Rs.'000	+10% Rs.'000
Managed Timber	727,956	824,557	888,535
Total	727,956	824,557	888,535

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 2016	11.50% Rs.'000	13.00% Rs.'000	14.50% Rs.'000
Managed Timber	935,863	824,557	740,326
Total	935,863	824,557	740,326

NOTES TO THE FINANCIAL STATEMENTS

16. Investments

A Company investments in subsidiaries

	% Holding		No. of shares			Value Rs.'000		
	31.03.2016	31.03.2015	31.03.2016	Movement	31.03.2015	31.03.2016	Movement	31.03.2015
Quoted investments								
Richard Pieris Exports PLC (Rs. 1,892 mn) *	80	80	8,959,997	-	8,959,997	200,555	-	200,555
Kegalle Plantations PLC (Rs. 1,003 mn) * +	-	-	9,500	-	9,500	1,441	-	1,441
Arpico Insurance PLC (Rs. 727 mn) *	23	23	15,125,001	-	15,125,001	151,250	-	151,250
Unquoted investments								
Richard Pieris Distributors Limited	100	100	106,673,960	-	106,673,960	812,130	-	812,130
Arpidag International (Pvt) Limited	51	51	234,598	-	234,598	27,110	-	27,110
Richard Pieris Tyre Company Limited	100	100	4,000,000	-	4,000,000	50,000	-	50,000
Richard Pieris Rubber Products Limited	100	100	2,700,000	-	2,700,000	27,000	-	27,000
Richard Pieris Rubber Compounds Limited	100	100	1,700,000	-	1,700,000	17,000	-	17,000
Arpico Furniture Limited	100	100	4,000,000	-	4,000,000	40,000	-	40,000
Arpico Plastics Limited	100	100	2,900,000	-	2,900,000	29,000	-	29,000
Arpico Industrial Development Company (Pvt) Limited								
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 Limited	98	98	3,361,000	-	3,361,000	35,615	-	35,615
Richard Pieris Natural Foams Limited	22	22	14,022,253	-	14,022,253	143,479	-	143,479
Arpitalian Compact Soles (Pvt) Limited								
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) Limited	100	100	3,750,000	-	3,750,000	550,250	-	550,250
Richard Pieris Group Services (Pvt) Limited	100	100	2	-	2	-	-	-
Arp-Eco (Pvt) Limited	100	100	2	-	2	-	-	-
RPC Logistics Limited	100	100	2,000,002	-	2,000,002	20,000	-	20,000
Richard Pieris Plantations (Pvt) Limited	100	100	7	-	7	-	-	-
R P C Real Estate Development Company (Pvt) Limited	50	50	1	-	1	-	-	-
Arpico Homes Limited	100	100	7	-	7	-	-	-
Arpico Exotica Asiana (Pvt) Limited	100	100	2	-	2	-	-	-
Arpico Hotel Services (Pvt) Limited	100	100	600,000	-	600,000	6,000	-	6,000
Arpico Constructions (Pvt) Limited	100	100	2,000,000	-	2,000,000	20,000	-	20,000
Arpitech (Pvt) Limited	100	100	28,500,018	-	28,500,018	285,000	-	285,000
Arpimalls Development Company (Pvt) Limited	24	24	5,000,000	-	5,000,000	50,000	-	50,000
Arpico Interiors (Pvt) Limited	83	83	2,500,000	-	2,500,000	25,000	-	25,000
Richard Pieris Securities (Pvt) Limited	100	100	15,299,999	-	15,299,999	153,000	-	153,000
Richard Pieris Financial Services (Pvt) Limited	100	100	3,499,999	-	3,499,999	35,000	-	35,000
Arpico Ataraxia Asset Management Pvt Limited	51	51	2,040,001	-	2,040,001	20,400	-	20,400
Richard Pieris Finance Limited	80	80	93,583,063	-	93,583,063	935,830	-	935,830
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	-	4,050,854
Provision for fall in value of the investments in;								
Arpico Furniture Limited						(40,000)	-	(40,000)
Arpico Hotel Services (Pvt) Limited						(6,000)	-	(6,000)
Arpico Constructions (Pvt) Limited						(20,000)	-	(20,000)
Arpitech (Pvt) Limited						(35,000)	-	(35,000)
Arpitalian Compact Soles (Pvt) Limited						(41,082)	-	(41,082)
Arpico Pharmaceuticals (Pvt) Limited						(33,333)	(33,333)	-
Company investments in subsidiaries						3,875,439	(33,333)	3,908,772

NOTES TO THE FINANCIAL STATEMENTS

B Group investments in subsidiaries

	% Holding		No. of shares			Value Rs.'000		
	31.03.2016	31.03.2015	31.03.2016	Movement	31.03.2015	31.03.2016	Movement	31.03.2015
Investor								
Richard Pieris Distributors Limited								
Investee								
Arpimalls Development Co (Pvt) Limited								
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) Limited	17	17	500,000	-	500,000	5,000	-	5,000
RPC Real Estate Development Company (Pvt) Limited								
Ordinary shares	50	50	1	-	1	-	-	-
6% redeemable cumulative preference shares	-	-	66,700,000	-	66,700,000	667,000	-	667,000
RPC Retail Developments Company (Pvt) Limited								
Ordinary shares	50	50	1	-	1	-	-	-
6% redeemable cumulative preference shares	-	-	38,700,000	-	38,700,000	387,000	-	387,000
Arpico Insurance PLC (Rs. 727 mn)*	27	27	17,790,001	-	17,790,001	177,900	-	177,900
Richard Pieris Finance Limited	10	10	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) Limited	50	50	1	-	1	-	-	-
Investor								
Arpico Industrial Development Company (Pvt) Limited								
Investee								
R P C Polymers (Pvt) Limited	31	31	5,700,000	-	5,700,000	57,000	-	57,000
Investor								
Richard Pieris Exports PLC								
Investee								
Richard Pieris Natural Foams Limited	43	43	27,560,001	-	27,560,001	284,820	-	284,820
Micro Minerals (Pvt) Limited	69	69	627,400	-	627,400	6,274	-	6,274
Arpitalian Compact Soles (Pvt) Limited	49	49	29,587,667	-	29,587,667	227,905	-	227,905
Arpico Natural Latex Foams (Pvt) Limited	44	44	3,999,999	-	3,999,999	40,000	-	40,000
Investor								
Richard Pieris Natural Foams Limited								
Investee								
Arpico Natural Latex Foams (Pvt) Limited	56	56	5,000,000	-	5,000,000	50,000	-	50,000
Investor								
Plastishells Limited								
Investee								
R P C Polymers (Pvt) Limited	70	70	13,000,001	-	13,000,001	130,000	-	130,000
Investor								
Richard Pieris Plantations (Pvt) Limited								
Investee								
Exotic Horticulture (Pvt) Limited	100	100	1,000,000	-	1,000,000	10,000	-	10,000
Maskeliya Tea Garden Limited	100	100	1,500,000	-	1,500,000	15,000	-	15,000
RPC Plantation Management Services (Pvt) Limited	100	100	24,106,249	-	24,106,249	330,000	-	330,000

NOTES TO THE FINANCIAL STATEMENTS

B Group investments in subsidiaries Contd.

	% Holding		No. of shares			Value Rs.'000		
	31.03.2016	31.03.2015	31.03.2016	Movement	31.03.2015	31.03.2016	Movement	31.03.2015
Investor								
RPC Management Services (Pvt) Limited								
Investee								
Maskeliya Plantations PLC (Rs. 346 mn) *	83	83	44,998,397	-	44,998,397	778,329	-	778,329
Kegalle Plantations PLC (Rs. 1,003 mn) * +	-	-	3,900	-	3,900	591	-	591
Investor								
RPC Plantation Management Services (Pvt) Limited								
Investee								
Namunukula Plantations PLC (Rs. 917 mn) *	65	65	15,412,737	-	15,412,737	517,621	-	517,621
Kegalle Plantations PLC (Rs. 1,003 mn) *	79	79	19,770,477	-	19,770,477	506,873	-	506,873
Investor								
Kegalle Plantations PLC								
Investee								
Richard Pieris Natural Foams Limited	35	35	22,500,000	-	22,500,000	225,000	-	225,000
Hamefa Kegalle (Pvt) Limited	100	100	2,800,000	-	2,800,000	14,000	-	14,000
Arpico Insurance PLC (Rs. 727 mn) *	40	40	26,685,001	-	26,685,001	266,850	-	266,850
Richard Pieris Finance Limited	10	10	12,000,001	-	12,000,001	120,000	-	120,000
Investor								
Richard Pieris Finance Limited								
Investee								
Chilaw Finance PLC (Rs. 513 mn) *	90	90	30,515,314	1,039,268	29,476,046	804,765	28,934	775,831
						6,121,928	28,934	6,092,994
Provision for fall in value of investment in;								
Namunukula Plantations PLC						(29,167)	-	(29,167)
Arpico Natural Latex Foams (Pvt) Limited						(90,000)	-	(90,000)
						6,002,761	28,934	5,973,827

C Company / Group investment in associate

	% Holding		No. of shares			Value Rs.'000		
	31.03.2016	31.03.2015	31.03.2016	Movement	31.03.2015	31.03.2016	Movement	31.03.2015
Group investments in associate;								
Unquoted Investments								
Investor								
Namunukula Plantations PLC								
Investee								
AEN Palm Oil Processing (Pvt) Limited	33	33	1,312,830	(321,350)	1,634,180	29,960	-	29,960
Group investment in associate (at cost)						29,960	-	29,960
Share of reserves						211,342	152,340	59,002
Group investment in associates (equity basis)						241,302	152,340	88,962

* Amounts stated within brackets correspond to market value as at 31st March 2016. 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. 11,156 mn (2015 - Rs. 9,582 mn).

NOTES TO THE FINANCIAL STATEMENTS

17. Other Financial Assets

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Available for sale investments				
Unquoted equity shares				
Asset Trust Management (Pvt) Limited	5,625	5,625	5,625	5,625
Asia Auto Parts LLP	72,284	-	-	-
Quoted equity shares				
Commercial Bank of Ceylon PLC	10	13	10	13
John Keells Holdings PLC	13	18	13	18
Asian Hotel Properties PLC	30,221	39,830	30,221	39,830
Dialog Axiata PLC	112	114	112	114
National Development Bank PLC	3,471	5,101	3,471	5,101
	33,827	45,076	33,827	45,076
Unquoted debt securities				
Debentures - Richard Pieris Plantations (Pvt) Limited	-	-	65,750	65,750
Government securities				
Treasury Bill Investments	107,304	124,516	-	-
Treasury Bond Investments	98,298	127,346	-	-
Total available for sale investments at fair value	317,338	302,563	105,202	116,451
Fair value through profit or loss				
Quoted equity shares				
Piramal Glass Ceylon PLC	2,162	2,415	-	-
Sampath Bank PLC	12,260	13,327	-	-
Hatton National Bank PLC (Non Voting)	351	339	-	-
Unquoted equity shares				
Credit information bureau	593	593	-	-
Finance Houses Consortium	200	200	-	-
Total fair value through profit or loss investments	15,566	16,874	-	-
Held to maturity				
Treasury Bill Investments	50,521	60,104	-	-
Treasury Bond Investments	8,482	8,482	-	-
Total held to maturity investments	59,003	68,586	-	-
Loans and receivables				
Investments in corporate debts at amortised cost	351,077	289,100	-	-
Investment in repurchase agreement	633,545	358,476	-	-
Fixed deposits	263,101	175,493	-	-
Other loans and receivables	312,389	-	-	-
Total loans and receivables	1,560,112	823,069	-	-
Total other financial assets	1,952,019	1,211,092	105,202	116,451
Total current	839,970	604,253	33,827	45,076
Total non-current	1,112,049	606,839	71,375	71,375

NOTES TO THE FINANCIAL STATEMENTS

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	
Group	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Financial assets				
Trade and other receivables	4,558,523	4,397,574	4,558,523	4,397,574
Other financial assets				
Available for sale investments	317,338	302,563	317,338	302,563
Loans and other advances	8,759,562	5,421,730	9,455,257	5,565,447
Financial assets at fair value through profit or loss	15,566	16,874	15,566	16,874
Held to maturity investments	59,003	68,586	59,003	68,586
Loans and receivables	1,560,112	823,069	1,560,112	823,069
Cash and short-term deposits	4,206,004	4,081,425	4,206,004	4,081,425
Total	19,476,108	15,111,821	20,171,803	15,255,538
Financial liabilities				
Net liability to the lessor	606,780	617,679	606,780	617,679
Interest-bearing loans and borrowings	10,155,457	10,218,740	10,155,457	10,218,740
Trade and other payables	7,261,014	5,429,175	7,261,014	5,429,175
Public deposits	3,722,640	2,660,510	3,722,640	2,660,510
Bank overdrafts	3,493,534	2,259,688	3,493,534	2,259,688
Total	25,226,796	21,185,792	25,226,796	21,185,792

	Carrying amount		Fair Value	
Company	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Financial assets				
Trade and other receivables	16,909	20,840	16,909	20,840
Other financial assets				
Available for sale investments	105,202	116,451	105,202	116,451
Amounts due from related parties	2,689,633	2,753,353	2,689,633	2,753,353
Cash and short-term deposits	3,895,883	2,030,065	3,895,883	2,030,065
Total	6,707,627	4,920,709	6,707,627	4,920,709
Financial liabilities				
Interest-bearing loans and borrowings	6,023,067	5,444,880	6,023,067	5,444,880
Trade and other payables	1,166,834	211,210	1,166,834	211,210
Amounts due to related parties	19,496	214,872	19,496	214,872
Bank overdrafts	1,398,848	1,235,731	1,398,848	1,235,731
Total	8,608,245	7,106,693	8,608,245	7,106,693

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

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 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.

The Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	31st March 2016 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for sale financial assets				
Equity Shares	111,736	33,827	-	77,909
Government Securities	205,602	205,602	-	-
	317,338	239,429	-	77,909
Fair value through profit or loss				
Equity Shares	15,566	14,773	-	793
	15,566	14,773	-	793

	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
Fair value through profit or loss				
Equity Shares	16,874	16,081	-	793
	16,874	16,081	-	793

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred Tax (Assets) / Liability

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the period	237,986	219,974	(23,453)	(36,953)
Acquisition through business combinations	-	9,144	-	-
Transfer from Statement of Profit and Loss	2,037	16,868	11,727	13,500
Transfer to the Statement of Other Comprehensive Income	34,306	(8,564)	-	-
Effect of changes in exchange rates	2,770	564	-	-
At the end of the period	277,099	237,986	(11,726)	(23,453)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	1,325,894	1,170,676	43,776	43,776
Any other deferred liabilities	262,610	244,063	-	-
	1,588,504	1,414,739	43,776	43,776
Deferred tax assets				
Retirement benefit obligations	(357,109)	(365,769)	(17,838)	(17,838)
Un-utilised tax losses	(526,102)	(530,818)	(22,817)	(34,544)
Other provisions	(428,194)	(280,166)	(14,847)	(14,847)
	(1,311,405)	(1,176,753)	(55,502)	(67,229)
Deferred Tax (Assets) / Liabilities	277,099	237,986	(11,726)	(23,453)

Deferred tax assets amounting to Rs. 95 mn (2015 - Rs.140 mn) for the Group and Rs. 47 mn (2015 - Rs. 100 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	
	2016 Rs.'000	2015 Rs.'000
Raw materials	1,077,404	1,060,006
Growing crop-nurseries	39,858	48,568
Work in progress	141,290	141,802
Finished goods	2,719,421	2,419,952
Produce inventories	720,096	798,522
Other inventories	87,915	90,294
Goods in transit	33,605	24,492
	4,819,589	4,583,636
Provision for slow moving inventories	(156,588)	(133,232)
Provision for unrealized profits	(20,064)	(18,434)
Net inventory	4,642,937	4,431,970

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

The amount of write-down of inventories recognised as an expense is Rs. 91mn (2015 - Rs. 134 mn) which is recognised under administrative expenses.

Inventories carried at lower of cost or net realisable value as at 31st March 2016 amounted Rs. 984 mn (2015 - Rs. 920 mn) which is recognised in cost of sales and administrative expenses.

Inventories with a carrying amount of Rs. 572 mn (2015 - Rs. 580 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

20. Trade and Other Receivables

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

	Group					
	Total Rs.'000	Current Rs.'000	30-60 days Rs.'000	61-90 days Rs.'000	91-120 days Rs.'000	> 120 days Rs.'000
20.1 Gross trade receivables						
2016	3,858,054	2,397,500	770,675	169,179	81,947	438,753
2015	3,880,097	2,235,078	826,649	312,360	96,478	409,532

		Individual		Collective	
	Total Rs.'000	Fully Impaired Rs.'000	Partially Impaired Rs.'000	Fully Impaired Rs.'000	Partially Impaired Rs.'000
20.2 Impairment of trade receivables					
As at 1st April 2015	421,798	272,153	575	-	149,070
Charge for the year	57,536	28,435	-	17,784	11,317
Unused amounts reversed	(8,067)	(5,171)	-	-	(2,896)
Provisions written off	(96,368)	(95,252)	-	-	(1,116)
As at 31st March 2016	374,899	200,165	575	17,784	156,375

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Net trade receivables	3,483,155	3,458,299	-	-
Advances and deposits	407,076	384,540	-	-
Loans to employees	20,995	21,456	16,909	5,698
Other receivables	647,297	533,279	-	15,142
	4,558,523	4,397,574	16,909	20,840
Other non financial receivables	422,635	357,253	149,032	146,124
	4,981,158	4,754,827	165,941	166,964

21. Loans and Advances

	2016 Rs.'000	2015 Rs.'000
Finance lease/ Ijarah rental receivables	4,314,390	2,487,196
Hire purchase/ Muraba rental receivables	512,116	1,045,055
Term Loans/ Mortgage loans/ Wakala rental receivables	2,786,580	1,365,323
Short term loans/ Trading Muraba rental receivables	1,232,833	485,826
Other loans and advances	251,243	187,191
	9,097,162	5,570,591
Less: Impairment losses - Collective	(264,629)	(147,699)
- Individual	(72,971)	(1,162)
Net loans and advances receivables (Note 21.1)	8,759,562	5,421,730

NOTES TO THE FINANCIAL STATEMENTS

21.1 Analysis of rental receivables on loans and advances

	2016			2015		
	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	1,748,424	3,685,353	5,433,777	1,124,582	2,031,148	3,155,730
(-) Unearned income	(468,000)	(651,387)	(1,119,387)	(316,339)	(352,195)	(668,534)
Net rental receivables	1,280,424	3,033,966	4,314,390	808,243	1,678,953	2,487,196
(-) Allowance for impairment loss - Individual	(7,868)	-	(7,868)	-	-	-
- Collective	(132,009)	-	(132,009)	(73,622)	-	(73,622)
Total net rental receivables	1,140,547	3,033,966	4,174,513	734,621	1,678,953	2,413,574
Hire purchase/ Muraba rental receivables						
Gross rental receivables	428,902	204,546	633,448	1,001,597	810,435	1,812,032
(-) Unearned income	(49,000)	(72,332)	(121,332)	(145,249)	(621,728)	(766,977)
Net rental receivables	379,902	132,214	512,116	856,348	188,707	1,045,055
(-) Allowance for impairment loss - Individual	(7,134)	-	(7,134)	-	-	-
- Collective	(21,647)	-	(21,647)	(29,982)	-	(29,982)
Total net rental receivables	351,121	132,214	483,335	826,366	188,707	1,015,073
Term loans/ Mortgage loans/ Wakala						
Gross rental receivables	1,262,766	3,252,341	4,515,107	836,807	1,129,000	1,965,807
(-) Unearned income	(431,293)	(1,297,234)	(1,728,527)	(169,999)	(430,485)	(600,484)
Net rental receivables	831,473	1,955,107	2,786,580	666,808	698,515	1,365,323
(-) Allowance for impairment loss - Individual	(57,859)	-	(57,859)	-	-	-
- Collective	(110,022)	-	(110,022)	(32,821)	-	(32,821)
Total net rental receivables	663,592	1,955,107	2,618,699	633,987	698,515	1,332,502
Short term loans/ Trading Muraba						
Gross rental receivables	382,267	1,876,670	2,258,937	477,426	55,790	533,216
(-) Unearned income	(133,793)	(892,311)	(1,026,104)	(35,833)	(11,557)	(47,390)
Net rental receivables	248,474	984,359	1,232,833	441,593	44,233	485,826
(-) Allowance for impairment loss - Collective	-	-	-	(8,294)	-	(8,294)
Total net rental receivables	248,474	984,359	1,232,833	433,299	44,233	477,532
Other loans and advances						
Gross rental receivables	57,028	684,709	741,737	128,595	75,317	203,912
(-) Unearned income	(18,293)	(472,201)	(490,494)	(5,814)	(10,907)	(16,721)
Net rental receivables	38,735	212,508	251,243	122,781	64,410	187,191
(-) Allowance for impairment loss - Individual	(110)	-	(110)	(1,162)	-	(1,162)
- Collective	(951)	-	(951)	(2,980)	-	(2,980)
Total net rental receivables	37,674	212,508	250,182	118,639	64,410	183,049
Total net loans and advances	2,441,408	6,318,154	8,759,562	2,746,912	2,674,818	5,421,730

NOTES TO THE FINANCIAL STATEMENTS

22. Short Term Borrowings

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Import loans (a)	95,223	138,803	-	-
Short term borrowings settled within 90 days (b)	884,670	1,267,566	605,000	1,100,000
Bank overdrafts (c)	3,493,534	2,259,688	1,398,848	1,235,731
Other short term borrowings	404,777	61,197	500,000	200,000
	4,878,204	3,727,254	2,503,848	2,535,731

(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 and bank balances which are coming under a common overdraft facility has been pooled together.

23. Cash and Cash Equivalents

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Cash at banks and in hand	4,206,004	4,081,425	3,895,883	2,030,065
Short term borrowings settled within 90 days (Note 22)	(884,670)	(1,267,566)	(605,000)	(1,100,000)
Bank overdrafts (Note 22)	(3,493,534)	(2,259,688)	(1,398,848)	(1,235,731)
Cash and cash equivalents	(172,200)	554,171	1,892,035	(305,666)

24. Stated Capital

Ordinary shares issued and fully paid	No. of Shares in '000	Value of Shares Rs.'000
As at 1st April 2015	2,035,038	1,972,829
As at 31st March 2016	2,035,038	1,972,829

25. Statutory Reserve Fund

	2016 Rs.'000	2015 Rs.'000
At the beginning of the period	2,478	-
Transfers during the year	20,712	2,478
At the end of the period	23,190	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 has been transferred to the Statutory Reserve Fund.

NOTES TO THE FINANCIAL STATEMENTS

26. Other Components of Equity

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Available for sale reserve	13,607	24,856	12,341	23,590
Foreign currency translation reserve	76,296	50,970	-	-
	89,903	75,826	12,341	23,590

27. Insurance Provision

	2016 Rs.'000	2015 Rs.'000
At the beginning of the period	307,092	193,371
Increase during the period	194,841	113,721
At the end of the period	501,933	307,092

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 2015 was made by Mr. M. Poopalanathan, Actuarial and Management Consultants (Pvt) Limited. In accordance with the consultant actuary's report, the reserve for the year amounted to Rs.403 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 2015 by Rs. 33 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 2015 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 2015. No additional provision was required against the LAT as at 31st December 2015.

NOTES TO THE FINANCIAL STATEMENTS

28. Interest Bearing Loans and Borrowings

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	8,751,174	5,407,617	4,144,880	920,057
New loans obtained	2,315,250	4,508,575	1,082,250	3,500,000
Repayments	(2,322,163)	(1,151,953)	(328,249)	(259,960)
Debenture issue cost	-	(19,881)	-	(19,881)
Amortisation of debenture issue cost	5,319	4,664	5,319	4,664
Effect of foreign currency translation	21,207	2,152	13,867	-
	8,770,787	8,751,174	4,918,067	4,144,880
Transferred to current liabilities	(2,498,679)	(2,526,750)	(514,047)	(259,960)
At the end of the year	6,272,108	6,224,424	4,404,020	3,884,920
Total Interest Bearing Loans and Borrowings				
Repayable within one year	2,498,679	2,526,750	514,047	259,960
Repayable after one year	6,272,108	6,224,424	4,404,020	3,884,920
	8,770,787	8,751,174	4,918,067	4,144,880

28.1 Interest bearing loans and borrowings repayable after one year

Company	Lender	31.03.2016 Rs.'000	31.03.2015 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank of Ceylon PLC	253,470	413,430	Rs. 13.33 mn per month	Primary mortgage over land and buildings at Kandy and Battaramulla.
	Hatton National Bank PLC	40,000	100,000	Rs. 5 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Hatton National Bank PLC	106,667	146,667	Rs. 3.33 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Listed Debenture	2,234,852	2,229,533	Bullet Repayments w.e.f. May 2017	Clean basis.
	HSBC	1,027,828	-	US $ 156,250 per month	Clean basis.
Richard Pieris Distributors Limited	Commercial Bank of Ceylon PLC	78,333	125,000	Rs. 5.83 mn per month	Primary mortgage over land at Moratuwa and land & buildings at Battaramulla.
	Commercial Bank of Ceylon PLC	-	245,800	-	Credit card receivables at Hyde Park Corner and Battaramulla Super Centres.
Richard Pieris Exports PLC	DFCC Bank	53,843	83,776	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	US $ 2,500 per month	Clean basis.
Richard Pieris Finance Limited	Sampath Bank PLC	102,177	197,957	Rs. 8.3 mn per month	Assignment over Lease and hire purchase receivables.
	Sampath Bank PLC	225,282	284,613	Rs. 8.33 mn per month	Assignment over Lease and hire purchase receivables.
	Asset backed Securities	1,039,874	1,492,279	Monthly payments in varied installments	Securitisation of hire purchase receivables.
	Seylan Bank PLC	91,451	-	Rs. 2.083 mn per month	Assignment over Lease and hire purchase receivables.
	Indian Bank	186,615	-	Rs. 4.167 mn per month	Assignment over Lease and hire purchase receivables.
	Cargills Bank	199,547	-	Rs. 100 mn per annum w.e.f. March 2017	Assignment over Lease and hire purchase receivables.
Maskeliya Plantations PLC	ADB/Seylan Bank PLC	-	1,806	Rs. 0.36 mn per month	Primary mortgage over leasehold rights of Moussakelle estate.
	ADB/Seylan Bank PLC	-	1,692	Rs. 0.34 mn per month	
	ADB/Seylan Bank PLC	-	640	Rs. 0.06 mn per month	
	Hatton National Bank PLC	40,480	110,560	Rs. 5.8 mn per month	Primary mortgage over leasehold rights of Ampittiakande , Craig and Glenugie estates.
	National Development Bank PLC	51,000	68,000	Rs. 1.4 mn per month	Mortgage over leasehold rights of Brunswick, Strathspey, Laxapana, Moray estates and Talawakelle estates.
	National Development Bank PLC	21,000	138,000	38 monthly payments in varied installments	Securitisation of future sales proceeds.
	National Development Bank PLC	132,000	234,000	36 monthly payments in varied installments	Securitisation of future sales proceeds.
	Hatton National Bank PLC	91,120	117,040	Rs. 2.1 mn per month	Primary Mortgage over leasehold rights of St. Clair's estate.
	Hatton National Bank PLC	82,000	106,000	Rs. 2 mn per month	Primary Mortgage over leasehold rights of Ampittiakande and Craig estates.

NOTES TO THE FINANCIAL STATEMENTS

Company	Lender	31.03.2016 Rs.'000	31.03.2015 Rs.'000	Repayment	Security
	National Development Bank PLC	300,000	-	36 monthly payments in varied installments w.e.f. July 2016	Securitisation of future sales proceeds.
	National Development Bank PLC	198,050	-	Rs. 11.6 mn per month	Primary mortgage over leasehold rights of Brunswick estate and Primary Mortgage over leasehold rights of Strathspey estate
Kegalle Plantations PLC	ADB/ National Development Bank PLC	13,083	22,515	Rs. 0.79 mn per month	Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	ADB/ National Development Bank PLC	7,338	12,230	Rs. 0.47 mn per month	
	ADB/ National Development Bank PLC	57,665	92,265	Rs. 2.88 mn per month	Tertiary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	Lanka Orix Leasing Company PLC	-	1,137	Rs. 0.13 mn per month	Primary mortgage over plant and machinery at Luckyland estate.
	National Development Bank PLC	221,573	295,430	Rs. 6.15 mn per month	Quaternary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	Indian Overseas Bank	112,594	142,519	Rs. 2.49 mn per month	Primary mortgage over leasehold rights of Higgoda and Madeniya estates.
	Indian Bank	75,062	95,012	Rs. 1.66 mn per month	
	State Bank of India	112,594	142,519	Rs. 2.49 mn per month	
	Indian Overseas Bank	915,818	992,109	54 monthly payments in varied installments	Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola estates.
	Commercial Bank of Ceylon PLC	511,718	600,012	US $ 83,300 per month	Primary mortgage over leasehold rights of Deteloya, Etana and Kirklees estates.
Namunukula Plantations PLC	ADB/ Lanka Orix Leasing Company PLC	934	3,734	Rs. 0.23 mn per month	Corporate guarantee given by RPC Plantation Management Services (Pvt) Limited
	ADB/ Lanka Orix Leasing Company PLC	1,482	2,752	Rs. 0.10 mn per month	
	ADB/ Lanka Orix Leasing Company PLC	1,706	2,782	Rs. 0.08 mn per month	
	ADB/ Lanka Orix Leasing Company PLC	5,321	7,874	Rs. 0.212 mn per month	
	National Development Bank PLC	24,510	32,550	Rs. 0.67 mn per month	Primary mortgage over plant & machinery at Eladuwa estate.
	Indian Bank	76,900	96,700	Rs. 1.65 mn per month	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	76,900	96,700	Rs. 1.65 mn per month	
	Total Term Loans	8,770,787	8,751,174		
	Transferred to Current Liabilities	(2,498,679)	(2,526,750)		
		6,272,108	6,224,424		

28.2 Rated Unsecured Redeemable Debentures

As at 31st March 2016	Group Type A Rs.'000	Group Type B Rs.'000	Group Type C Rs.'000	Group Total Rs.'000	Company Type A Rs.'000	Company Type B Rs.'000	Company Type C Rs.'000	Company Total Rs.'000
At the Beginning of the year	869,515	695,159	664,859	2,229,533	869,515	695,159	1,920,109	3,484,783
Issued during the year	-	-	-	-	-	-	-	-
Amortisation of Debenture issue expense	2,583	1,550	1,186	5,319	2,583	1,550	1,186	5,319
Repayable after one year	872,098	696,709	666,045	2,234,852	872,098	696,709	1,921,294	3,490,102

As at 31st March 2015	Group Type A Rs.'000	Group Type B Rs.'000	Group Type C Rs.'000	Group Total Rs.'000	Company Type A Rs.'000	Company Type B Rs.'000	Company Type C Rs.'000	Company 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
Debenture issue cost	(7,750)	(6,200)	(5,931)	(19,881)	(7,750)	(6,200)	(5,931)	(19,881)
Amortisation of Debenture issue expense	2,265	1,359	1,040	4,664	2,265	1,359	1,040	4,664
Repayable after one year	869,515	695,159	664,859	2,229,533	869,515	695,159	1,920,109	3,484,783

Interest rate of comparable government securities net of tax for the Type A, B and C debentures are respectively 10.69%, 11.59% and 11.79% as of 31st March 2016.

NOTES TO THE FINANCIAL STATEMENTS

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	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
Gross liability	35,674	142,696	864,907	1,043,277
Less: Finance charges	(24,338)	(85,572)	(326,587)	(436,497)
Net liability	11,336	57,124	538,320	606,780
Transferred to current liabilities	-	-	-	(11,336)
As at 31st March 2016	11,336	-	-	595,444

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. 6.74 mn, Rs. 13.19 mn and Rs. 15.74 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 deflator 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 deflator from 2008/09 as stipulated in the original lease agreement.

The contingent rental charged to the Statement of Profit or Loss amounted to Rs. 29.18 mn, Rs. 42.68 mn and Rs. 40.02 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

30. Provisions

	Maintenance Warranties	
	2016 Rs.'000	2015 Rs.'000
At the beginning of the year	104,420	134,020
(Reversal)/arising during the year	145	(29,600)
At the end of the year	104,565	104,420

NOTES TO THE FINANCIAL STATEMENTS

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 respective warranty period of products sold.

31. Government Grants

	2016 Rs.'000	2015 Rs.'000
At the beginning of the period	562,443	554,869
Acquisition through business combinations	-	11,412
Received during the year	24,368	20,503
Released in the statement of profit or loss	(35,354)	(24,341)
At the end of the period	551,457	562,443

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	
	2016 Rs.'000	2015 Rs.000	2016 Rs.000	2015 Rs.000
At the beginning of the period	2,620,986	2,062,003	77,087	63,707
Acquisition through business combinations	-	312,144	-	-
Recognised in the statement of profit or loss:				
Current service cost	150,931	172,783	5,673	5,331
Interest cost	263,641	260,977	7,323	7,008
	414,572	433,760	12,996	12,339
Recognised in the statement of other comprehensive income:				
Actuarial (gain)/ loss on obligation	(371,925)	32,523	(1,009)	4,600
Benefits paid	(222,848)	(219,444)	(3,283)	(3,559)
Benefit liabilities at the end of the period	2,440,785	2,620,986	85,791	77,087

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2016 by Messrs'. Actuarial and Management Consultants (Pvt) Limited.

NOTES TO THE FINANCIAL STATEMENTS

Appropriate and compatible assumptions were used in determining the cost of retirement benefits and the key assumptions used are as follows:

Assumptions	2015/2016	2014/2015
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	3.66	6.96
Non Executives	4.63	8.02
Staff turnover rates:		
Executives	0.13-0.37	0.07-0.21
Non Executives	0.00-0.30	0.04-0.21
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:		
Workers	7.68 years	12.64 years
Staff	5.32 years	10.00 years

Assumptions	2015/2016	2014/2015
Financial assumptions		
In respect of non plantation companies,		
Rate of discount	11%	9.5%
Rate of salary increment	8%	8%
In respect of plantation companies,		
Rate of discount	11.50%	10.25%
Rate of salary increment:		
Workers	16% every two years	16% every two years
Staff employees	8% per year	8% per year

NOTES TO THE FINANCIAL STATEMENTS

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 (11% / 11.50%)	2,548,058	89,111
One point decrease	As given in report (11% / 11.50%)	2,338,755	82,648
As given in Report - 8%	One point increase	2,288,833	83,053
As given in report - 8%	One point decrease	2,611,787	88,723

32.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2016 is as follows.

	Defined Benefit Obligation	
Future Working Life Time	Group Rs.'000	Company Rs.'000
Within the next 12 months	288,751	16,539
Between 2-5 years	678,480	56,666
Beyond 5 years	1,473,554	12,586
Total	2,440,785	85,791

33. Contingent Liabilities

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2016. Guarantees given by subsidiaries on loans obtained amounted to Rs. 28 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 the company has resisted / opposed.

Namunukula Plantations PLC, a subsidiary of the Group took over 6 estates which were previously sub leased to Tusker Bottling Company (Pvt) Limited. There are more than 30 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Company (Pvt) Limited, 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.

As per the collective agreement with plantation workers unions, wages has to be reviewed by 1 April 2015. However, negotiations are still under consideration and therefore, no agreement has been reached as at the statement of financial position date.

Richard Pieris Distributors Limited, a subsidiary of the Group, is contesting certain claims made by a former employee in a case filed before the commercial high court, Colombo.

NOTES TO THE FINANCIAL STATEMENTS

34. Trade and Other Payables

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Trade payables	4,539,544	3,511,893	-	-
Accrued expenses	1,187,285	1,629,457	-	-
Other financial liabilities	1,534,185	287,825	1,166,834	211,210
	7,261,014	5,429,175	1,166,834	211,210
Other non financial liabilities	746,955	483,985	151,303	150,275
Total trade and other payables	8,007,969	5,913,160	1,318,137	361,485

35. Public Deposits

	2016 Rs.'000	2015 Rs.'000
Fixed deposits	3,679,795	2,607,059
Savings deposits	42,845	53,451
	3,722,640	2,660,510

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, approved by the Board are as follows:

	Group	
	2016 Rs.'000	2015 Rs.'000
Contracted but not provided for	221,417	195,171
Approved but not contracted for	641,048	816,923
	862,465	1,012,094

36.2 Lease Commitments

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

	Group	
	2016 Rs.'000	2015 Rs.'000
Within one year	172,056	156,151
After one year but not more than five years	504,174	439,083
More than five years	709,218	654,974
	1,385,448	1,250,208

NOTES TO THE FINANCIAL STATEMENTS

37. Financial Risk Management Objectives and Policies

The Group has loans and other receivables, trade receivables 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 risks:

- 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 affect the market lending rates inserting pressure on the finance cost of the Group in turn having a down beating effect on the profit attributable to shareholders.

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 variable 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
2014/15	+100 bps	(125.01)
	-100 bps	125.01
2015/16	+100 bps	(136.70)
	-100 bps	136.70

Following measures and actions are usually undertaken in order to manage interest rate risk of the Group.

- Based on the studies and research on interest rate risk, the treasury division advises and takes appropriate measures to capitalize on the interest rate movements to be beneficial to the Group profitability where 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 cash management system 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 forward 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 favorable 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.

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 a negative effect towards the 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, credit worthy 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 monitors 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 fulfill their obligations.

NOTES TO THE FINANCIAL STATEMENTS

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 short term facilities and structuring new credit lines for short and long term tenors to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 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 new share issuance.

The Group monitors capital using indicative leverage ratios preferably through gearing ratio, which is net debt as a percentage of total equity and 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 2016	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	-	594,646	1,842,169	6,333,972	-	8,770,787
Net liability to the lessor	29	-	536	10,800	160,518	434,926	606,780
Trade and other payables	34	2,355,993	4,618,963	276,802	9,256	-	7,261,014
Public deposits	35	14,000	948,528	2,007,108	753,004	-	3,722,640
Import loans	22	-	95,223	-	-	-	95,223
Bank overdrafts	22	1,730,854	1,603,181	159,499	-	-	3,493,534
Other short term borrowings	22	-	184,447	1,105,000	-	-	1,289,447
		4,100,847	8,045,524	5,401,378	7,256,750	434,926	25,239,425

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	-	2,660,510
Import loans	22	-	135,698	3,105	-	-	138,803
Bank overdrafts	22	1,630,422	629,266	-	-	-	2,259,688
Other 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

Risk Exposure of Arpico Insurance PLC
The largest credit risk exposure of 89% is arising from investments in debt securities. The exposure to credit risk is managed by analysing 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.
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 behavior risk is the risk that policyholders' behavior 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 fulfill 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 PLC 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 reinsurers.

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 Reinsurer 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 (comprising Group Director Operations, Assistant Manager – Life Insurance and Head of Finance) 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 programs which is taken out to reduce the overall exposure of the Company to certain classes of business. Premium ceded to the reinsurers is in accordance with the terms on the programs already agreed based on the risks written by the insurance companies.

Recoveries from reinsurers 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 reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

The placement of reinsurance is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. The Insurance Company uses Munich Re as its reinsurance provider for individual policies as well as for Group policies. The Company also uses Hannover Re in certain cases.

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

Reinsurer	Rating	Rating Agency
Munich Re	AA-	A.M. Best
Hannover Re	AA-	A.M. Best

Some of the specific actions 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 reinsurers.
- 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 buildup of exposure to a single counter-party, industry, product, geographical location or insufficient diversification.

NOTES TO THE FINANCIAL STATEMENTS

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.

Exposure to credit risk of finance companies of the Group

As at 31 March 2016	Maximum exposure to credit risk Rs.'000	Net Exposure Rs.'000
Cash and bank balances	14,173	14,173
Investments in fixed deposits	301,171	38,070
Lease receivable	4,274,425	-
Hire purchase receivable	501,890	-
Loans and receivables	4,263,586	3,959,303
Other financial assets	191,105	191,105
Total financial assets	9,546,350	5,036,907

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

As at 31 March 2016	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	14,173	-	-	14,173
Investments in fixed deposits	301,171	-	-	301,171
Lease receivable	4,274,425	210,233	(7,868)	4,476,790
Hire purchase receivable	501,890	40,533	(7,134)	535,289
Loans and receivables	4,263,586	105,987	(57,969)	4,311,604
Other financial assets	191,105	-	-	191,105
Collective impairment provision	-	-	-	(264,629)
Total financial assets	9,546,350	356,753	(72,971)	9,565,503

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	18,405	51,903	56,295	83,630	210,233
Hire purchase receivable	8,709	9,585	10,660	11,579	40,533
Loans and receivables	38,067	16,627	19,598	31,695	105,987
	65,181	78,115	86,553	126,904	356,753

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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 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 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 that they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is, perceived to be deteriorating, and the financial conditions as a whole is deteriorating.

The 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 finance companies 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 companies, the impact of interest rate risk is mainly on the earnings of the companies 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 companies' net interest income and net interest margin. Companies' 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 that the interest rate margins and spreads are maintained, the Companies' 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

	2016	
Parallel Increase / Decrease of Basis Points (bps)	+/ - 100 bps	+/ - 200 bps
Impact on NII (Rs.'000)	12.47/(12.47)	12.89/(12.89)

NOTES TO THE FINANCIAL STATEMENTS

Interest rate risk exposure on financial assets and liabilities

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

As at 31st March 2016	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	-	-	-	-	-	14,173	14,173
Investments in fixed deposits	38,070	263,101	-	-	-	-	301,171
Lease receivable	262,972	1,161,567	1,558,923	1,290,962	-	-	4,274,424
Hire purchase receivable	13,027	369,403	79,758	39,702	-	-	501,890
Loans and receivables	444,973	853,222	1,874,303	1,084,555	-	6,533	4,263,586
Other financial assets	50,521	116,537	-	-	8,482	15,566	191,106
Total financial assets	809,563	2,763,830	3,512,984	2,415,219	8,482	36,272	9,546,350
Financial liabilities							
Bank overdraft	2,650,424	-	-	-	-	-	2,650,424
Public deposits	158,315	1,156,197	1,748,932	659,196	-	-	3,722,640
Debt Issued and other borrowed funds	-	176,743	608,462	1,059,740	-	-	1,844,945
Other payables	-	-	-	-	-	299,146	299,146
Total financial liabilities	2,808,739	1,332,940	2,357,394	1,718,936	-	299,146	8,517,155
Interest sensitivity gap	(1,999,176)	1,430,890	1,155,590	696,283	8,482	(262,874)	1,029,195

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 was expired during the financial year 2013/2014.

The second ESOP scheme (ESOP2) 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. This scheme would be dissolved on 24th August 2018.

Details of ESOP2 is presented in the table below.

	Number of Shares ESOP-2
Available as at 1st April 2015	7,420,705
Available as at 31st March 2016	7,420,705

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

NOTES TO THE FINANCIAL STATEMENTS

39. Events After the Reporting Date

There have been no material events occurring after the reporting date that require adjustments or disclosures in the Financial Statements.

40. Related Party Disclosures

	Group		Company	
Nature of transactions	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
40.1 Amount due from/to related parties - Subsidiaries				
Amounts receivable as at 31 March	-	-	2,689,633	2,753,353
Amounts payable as at 31 March	-	-	19,496	214,872
40.2 Transaction with related parties - Subsidiaries				
Allocation of common personnel and administration expenses	-	-	206,694	201,133
Rendering of services	-	-	103,132	86,687
Rent income	-	-	178,256	145,246
Royalty income	-	-	380,416	313,355
Corporate expenses	-	-	61,224	61,224
Interest income	-	-	40,611	47,980
Post employment benefit plan				
Contribution to the provident fund	129,672	113,667	78,614	67,894
40.3 Associates				
Amounts receivable as at 31 March	10,248	17,185	-	-
Sale of goods/services	555,947	554,840	-	-
Others	12,412	11,059	-	-

40.4 Terms and Conditions

Outstanding balances at the year end are unsecured, and not interest bearing. Interest is charged based on the purpose for which funds are used.

Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2015 audited financial statements, which required additional disclosures in 2015/16 Annual Report under Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.

40.5 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.

NOTES TO THE FINANCIAL STATEMENTS

40.6 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	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Short-term employee benefits	51,230	27,007	32,192	18,515

(b) Other transactions with key management personnel

Richard Pieris and Company PLC 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.

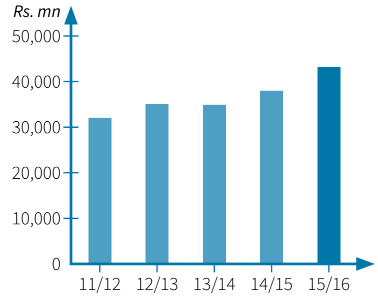
40.7 Other related party disclosures

(a) Legal fees amounting to Rs. 7.9 mn (2015 Rs. 5.1 mn) was paid by the Group to an entity in which a Key Management personnel was a Partner.

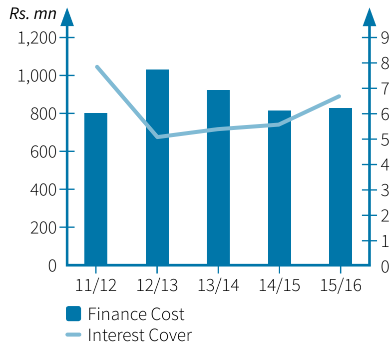
(b) A banking facility enables Group Companies to borrow based on pooled balances of Companies in the Group who are within the facility. Terms are determined as per market interest rates.

TEN YEAR SUMMARY

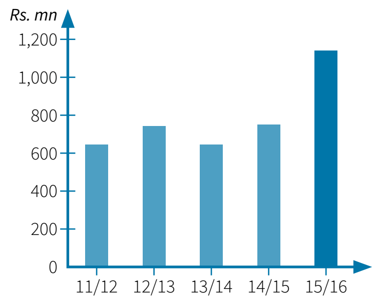
Revenue



Interest Cover



Tax Expense



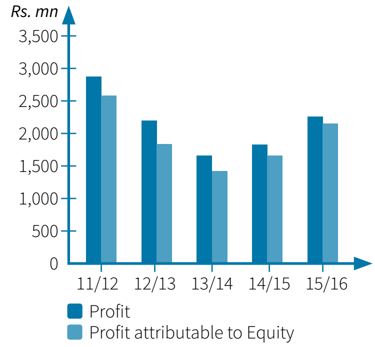
	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
TRADING RESULTS			
Revenue	43,018,502	37,802,243	34,699,111
Profit from operations	3,955,303	3,103,509	2,807,127
Loss on disposal of investment	-	-	-
Finance cost	(826,092)	(811,166)	(922,062)
Finance income	233,759	244,304	389,584
Profit from operations after finance cost and finance income	3,362,970	2,536,647	2,274,649
Income from associates before tax	35,944	42,299	27,902
Profit/(loss) before tax from continuing operations	3,398,914	2,578,946	2,302,551
Income tax expense	(1,137,461)	(747,009)	(643,970)
Profit/(loss) for the year from continuing operations	2,261,453	1,831,937	1,658,581
Loss after tax from discontinued operations	(3,536)	(3,457)	(2,396)
Profit/(loss) for the year	2,257,917	1,828,480	1,656,185
Non controlling interest	110,232	176,388	238,970
Profit/(loss) attributable to equity holders of parent	2,147,685	1,652,092	1,417,215
Gross dividend	1,017,519	508,760	886,270

	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
BALANCE SHEET			
Assets			
Property, plant and equipment/Leasehold properties	16,491,231	15,819,465	14,247,201
Investment properties	165,209	165,152	140,698
Intangible assets	1,147,321	1,158,307	507,192
Biological assets	824,557	794,128	619,519
Investments in associates and other investments	241,302	88,962	39,708
Other non current financial assets	1,112,049	606,839	559,332
Current assets	23,593,348	19,450,377	16,462,737
	43,575,017	38,083,230	32,576,387
Equity and liabilities			
Stated Capital	1,972,829	1,972,829	1,814,824
Capital and revenue reserves	8,786,806	7,861,271	6,712,869
Statutory reserve fund/Investment fund reserve	23,190	2,478	6,852
Foreign currency translation	-	-	-
Other components of equity	89,903	75,826	73,390
Non controlling interest	2,412,573	2,431,421	2,150,514
Term loans payable after one year	6,272,108	6,224,424	4,166,767
Insurance provision	501,933	307,092	193,371
Deferred income and deferred tax	828,556	800,429	774,843
Provisions and other liabilities	2,545,350	2,725,406	2,196,023
Net liability to the lessor payable after one year	595,444	606,780	617,679
Current liabilities	19,546,325	15,075,274	13,869,255
	43,575,017	38,083,230	32,576,387
RATIOS & OTHER INFORMATION			
Earnings per share (Rs.)	1.05	0.82	0.72
Market value per share (Rs.)	7.20	7.40	6.60
Price earnings ratio (No. of Times)	6.86	9.00	9.17
Net assets per share (Rs.)	5.34	4.87	4.34
Return on equity (%)	20.67	17.84	17.12
Dividend per share (Rs.)	0.50	0.25	0.45
Dividend cover (No. of Times)	2.11	3.29	1.60
Interest cover (No. of Times)	6.68	5.47	5.27
Current ratio (No. of Times)	1.21	1.29	1.19
Gearing ratio (%)	41.55	40.49	37.69

TEN YEAR SUMMARY

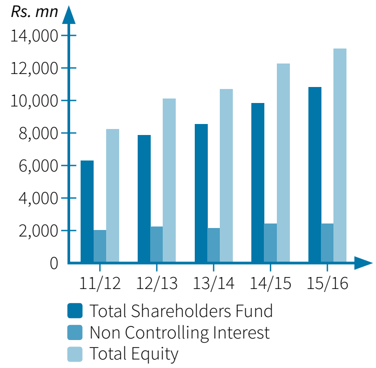
2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011* Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000	2007/2008* Rs.'000	2006/2007* Rs.'000
34,690,340	32,005,182	27,241,577	22,339,288	21,103,176	20,142,591	15,627,638
3,599,997	3,952,638	3,450,366	1,969,697	1,378,556	2,045,930	1,640,288
-	-	-	-	-	(277,000)	-
(1,031,521)	(798,277)	(794,617)	(969,147)	(1,436,225)	(1,472,629)	(879,601)
302,054	301,991	-	-	-	-	-
2,870,530	3,456,352	2,655,749	1,000,550	(57,669)	296,301	760,687
63,765	62,436	113,008	59,609	41,015	27,969	11,646
2,934,295	3,518,788	2,768,757	1,060,159	(16,654)	324,270	772,333
(737,082)	(644,540)	(616,566)	(330,592)	(180,411)	(77,278)	(92,231)
2,197,213	2,874,248	2,152,191	729,567	(197,065)	246,992	680,102
(581)	(4,374)	(11,609)	(17,873)	(107,963)	(203,216)	(165,527)
2,196,632	2,869,874	2,140,582	711,694	(305,028)	43,776	514,575
360,297	294,813	459,898	131,490	24,055	(258,853)	(208,180)
1,836,335	2,575,061	1,680,684	580,204	(329,083)	(215,077)	306,395
387,848	1,550,621	515,946	-	-	-	59,193

Profit after Tax



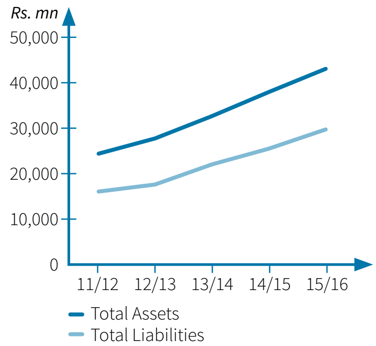
2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000	2007/2008* Rs.'000	2006/2007* Rs.'000
12,330,580	11,600,282	10,926,376	10,142,760	10,167,170	10,125,468	9,433,192
140,404	139,628	139,628	-	-	-	-
508,893	518,494	469,487	480,177	491,491	500,857	500,816
568,037	507,191	542,689	-	-	-	-
24,990	74,143	456,186	180,919	136,757	101,007	1,765,956
590,002	503,922	24,000	-	-	-	-
13,110,630	10,381,632	8,805,222	6,560,961	6,128,679	7,079,997	5,983,116
27,273,536	23,725,292	21,363,588	17,364,817	16,924,097	17,807,329	17,683,080
1,637,236	1,633,853	1,627,612	1,578,475	1,578,475	1,578,475	1,183,856
6,234,927	4,603,788	3,682,853	2,185,500	1,603,061	1,932,144	2,601,033
2,222	-	-	-	-	-	-
-	-	-	31,152	32,371	21,599	23,363
75,057	68,692	68,935	-	-	-	-
2,217,100	1,994,660	1,976,302	1,500,836	1,380,908	1,390,232	1,197,663
3,368,878	2,177,814	1,998,292	1,957,680	2,354,617	2,683,162	2,968,288
67,575	9,390	-	-	-	-	-
792,831	704,126	735,923	553,879	499,951	386,143	353,751
1,912,450	2,032,691	1,704,417	1,529,685	1,103,222	1,037,650	871,716
628,159	638,237	650,980	672,158	697,432	722,234	713,740
10,337,101	9,862,041	8,918,274	7,355,452	7,674,060	8,055,690	7,769,670
27,273,536	23,725,292	21,363,588	17,364,817	16,924,097	17,807,329	17,683,080

Equity



0.95	1.33	0.87	4.52	(2.57)	(1.68)	2.39
6.60	7.50	13.60	55.00	25.00	39.00	65.00
6.95	5.64	15.63	12.17	-	-	27.20
4.10	3.25	2.58	29.57	25.06	27.54	32.17
25.76	45.56	38.22	16.56	(10.24)	(6.09)	8.05
0.20	0.70	0.30	1.00	-	-	0.50
4.75	1.90	2.90	4.52	-	-	4.78
4.94	7.96	4.34	2.03	0.96	1.20	1.86
1.27	1.05	0.99	0.89	0.79	0.88	0.77
29.50	34.17	37.44	49.68	59.80	61.49	63.03

Assets and Liabilities



SHARE AND DEBENTURE INFORMATION

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 31.03.2016	No. of shares	% of Shareholding	No. of share holders as at 31.03.2015	No. of shares	% of Shareholding
1	500	2,428	518,985	0.03%	2,391	521,147	0.03%
501	5,000	4,053	8,741,665	0.43%	4,205	9,099,658	0.45%
5,001	10,000	898	7,286,618	0.36%	933	7,548,575	0.37%
10,001	20,000	715	10,836,657	0.53%	741	11,214,841	0.55%
20,001	30,000	292	7,578,923	0.37%	302	7,852,217	0.39%
30,001	40,000	156	5,518,302	0.27%	151	5,321,827	0.26%
40,001	50,000	128	5,989,182	0.29%	130	6,076,194	0.30%
50,001	100,000	253	18,875,674	0.93%	243	17,952,780	0.88%
100,001	1,000,000	342	103,370,926	5.08%	340	103,876,494	5.10%
1,000,001	& above	64	1,866,321,343	91.71%	62	1,865,574,542	91.67%
		9,329	2,035,038,275	100.00%	9,498	2,035,038,275	100.00%

Composition of Shareholders

Category	No. of share holders as at 31.03.2016	No. of shares	% of Shareholding	No. of share holders as at 31.03.2015	No. of shares	% of Shareholding
Institutional Investors	318	1,669,711,816	82.05%	351	1,666,187,325	81.87%
Individual Investors	9,011	365,326,459	17.95%	9,147	368,850,950	18.13%
Total	9,329	2,035,038,275	100.00%	9,498	2,035,038,275	100.00%
Resident shareholders	9,214	886,732,994	43.57%	9,349	538,264,465	26.45%
Non-resident shareholders	115	1,148,305,281	56.43%	149	1,496,773,810	73.55%
Total	9,329	2,035,038,275	100.00%	9,498	2,035,038,275	100.00%

The percentage of shares held by the public as at 31st March 2016 was 42.92% represented by 9,321 public shareholders. (Public shareholding as at 31st March 2015 was 42.91% represented by 9,490 public shareholders).

Market Activity

	31.03.2016	Date	31.03.2015	Date
Highest Price (Rs.)	8.9	7-Oct-15	9.5	10-Oct-14
Lowest Price (Rs.)	7.0	15-Mar-16	6.5	3-Apr-14
Year End Price (Rs.)	7.2	31-Mar-16	7.4	31-Mar-15
No of Transactions	9,213		11,980	
No of shares traded	107,423,781		101,856,757	
Share turnover (Rs.)	881,021,302		844,919,156	

SHARE AND DEBENTURE INFORMATION

Major Shareholders

Name of the Shareholder	As at 31.03.2016	%	As at 31.03.2015	%
1. Skyworld Overseas Holdings Limited	516,388,590	25.37%	516,388,590	25.37%
2. Camille Consulting Corp.	316,935,120	15.57%	316,935,120	15.57%
3. HSBC International Nominees Limited-SSBT- Deutsche Bank	225,153,787	11.06%	225,353,787	11.07%
4. Sezeka Limited	174,447,000	8.57%	174,447,000	8.57%
5. Employees Provident Fund	169,899,520	8.35%	169,899,520	8.35%
6. Rockport Limited	99,506,865	4.89%	99,506,865	4.89%
7. Dr. Sena Yaddehige	95,800,650	4.71%	95,800,650	4.71%
8. Dhanasiri Recreation (Pvt) Limited	33,655,437	1.65%	28,672,176	1.41%
9. Mr. D.W.R. Rutnam	25,759,500	1.27%	25,759,500	1.27%
10. The Executor of the Estate of Late Mrs L.B.S. Pieris	22,782,045	1.12%	22,782,045	1.12%
11. Investment Resources Company (Pvt) Limited	20,000,000	0.98%	-	-
12. Mercantile Investments and Finance PLC	16,035,995	0.79%	16,035,995	0.79%
13. Kalday (Pvt) Limited	12,126,030	0.60%	12,126,030	0.60%
14. National Savings Bank	12,001,659	0.59%	12,001,659	0.59%
15. Mellon Bank N.A - Frontier Market Opportunities	7,900,000	0.39%	7,900,000	0.39%
16. Bank Of Ceylon No 1 Account	6,889,225	0.34%	6,673,126	0.33%
17. Dr. C.M Fernando	6,660,570	0.33%	6,660,570	0.33%
18. Mellon Bank N.A - Frontier Market Select Fund II L.P.	5,841,523	0.29%	8,116,300	0.40%
19. Mr. S.L.R.R. Premathilaka	4,900,000	0.24%	3,825,277	0.19%
20. The Incorporated Trustees of the Church of Ceylon	4,868,795	0.24%	4,868,795	0.24%
	1,777,552,311	87.35%	1,753,753,005	86.18%

Directors Shareholding

Name of the Director	No. of shares as at 31st March 2016	No. of shares as at 31st March 2015
1. Dr. Sena Yaddehige	95,800,650	95,800,650
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. Mr. Shaminda Yaddehige	-	-
8. Prof. Kapila G A Goonesekera	-	-

SHARE AND DEBENTURE INFORMATION

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, alloted on 16th May 2014 and subsequently Listed on 23rd May 2014. The debentures are quoted in Colombo Stock Exchange.

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	10.69%
Type B	11.00%	Semi-annual	16th May 2018	11.59%
Type C	11.25%	Semi-annual	16th May 2019	11.79%

*Interest rate of comparable government securities are net of tax as of 31st March 2016.

Debentures traded during financial year as of 31st March 2016 are as follows;

	No. of Transactions	No. of Debentures Traded	Highest Price (Rs.)	Lowest Price (Rs.)	Last Traded Price (Rs.)	Value of Debentures Traded (Rs.)
Type A	1	200	101.06	101.06	101.06	20,211

Ratios	31.03.2016	31.03.2015
Debt/Equity Ratio	2.29	2.22
Quick Asset Ratio	1.56	1.48
Interest Cover	4.08	3.50

GROUP REAL ESTATE PORTFOLIO

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2016 Rs. mn
Richard Pieris & Company PLC	Hyde Park Corner	783	73,157	6,343
	Maharagama	1,773	289,509	1,963
RPC Real Estate Development Company (Pvt) Limited	Kandy	162	35,945	688
Arpico Industrial Development Company (Pvt) Limited	Mattegoda	1,112	149,700	534
	Siyambalagoda	467	57,130	221
Richard Pieris Distributors Limited	Maharagama	183	28,726	350
	Moratuwa	85	-	63
	Mulleriyawa	192	-	5
	Matara	362	38,000	453
RPC Retail Development (Pvt) Limited	Negombo	226	47,542	453
	Kadawatha	99	21,850	300
	Wattala	101	-	121
	Kelaniya	102	-	46
Arpimalls Development Company (Pvt) Limited	Dehiwala	166	44,616	466
	Battaramulla	124	67,134	562
Plastishells Limited	Mattegoda	340	45,825	44
	Dambulla	284	12,494	24
Arpitech (Pvt) Limited	Mattegoda	514	-	33
Richard Pieris Exports PLC	Ekala	640	73,190	218
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	38
Richard Pieris Tyre Company Limited	Kurunagala	413	22,566	62
Arpidag International (Pvt) Limited	Maharagama	80	17,946	82
RPC Plantation Management Services (Pvt) Limited	Panadura	333	23,000	322

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	9,757	3,507,810
Namunukula Plantations PLC	11,779	4,585,874

	Location	Land in Perches	Building in (Sq.Ft)
(B) Leasehold Land of other subsidiaries			
Plastishells Limited	Koggala	160	4,027
Arpitech (Pvt) Limited	Pallekale	160	4,211
	Matara	343	36,979
	Polgahawela	-	161
RPC Polymers (Pvt) Limited	Horana	1,392	68,339
Arpitalian Compact Soles (Pvt) Limited	Biyagama	851	36,884
Richard Pieris Natural Foams Limited	Biyagama	785	92,940
Richard Pieris Tyre Company Limited	Pallekale	252	34,936
	Weligama	432	9,030
	Polonnaruwa	540	27,185

GLOSSARY OF FINANCIAL TERMS

A

Associate Company:
An entity over which the investor has significant influence.

AWPLR:
Average Prime Lending Rate published periodically by the Central Bank of Sri Lanka.

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 shareholder's funds and non-controlling interest.

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 the effects of all dilutive potential ordinary shares.

Dividend Cover:
Profit attributable to ordinary shareholders divided by 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 as at the balance sheet date.

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 during the period.

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 & amortisation.

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

G

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

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

I

Interest Cover:
Profit before finance cost & tax (PBIT) divided by net finance cost. Measure of entity's debt service ability.

Investment Property:
Property held to earn rentals or for capital appreciation or both, rather than for;

a) Use in the production, supply of goods or services or for administrative purposes.

b) Sale in the ordinary course of business.

M

Market Capitalization:
Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

N

Net Assets
Total assets after deducting current liabilities, long term liabilities & non-controlling interests.

Net Assets per Share:
Total Equity less the Minority interest divided by total number of ordinary shares outstanding as at the balance sheet date. A basis of relative share valuation.

Non-Controlling Interest:
The equity in a subsidiary not attributable directly or indirectly, to a parent.

P

PBIT
Profit before interest & tax inclusive of other operating income

Price Earnings Ratio:
Market price of a share divided by earnings per share as reported at that date. 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.

GLOSSARY OF FINANCIAL TERMS

R

Related Parties:
Parties or Entities that is related to the entity that is preparing its financial statements.

Return on Total Capital Employed:
Profit before finance cost & tax (PBIT) divided by average total capital employed for the period.

Return on Equity:
Profit attributable to equity holders of the parent 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 and other components of equity.

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:
An entity that is controlled by another entity.

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 Seventh 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 Thursday, 30th June 2016 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 2016 with the Report of the Auditors thereon.

2. To approve the appointment of Dr. Sena Yaddehige as a Director.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, a shareholder of the Company.

“That Dr. Sena Yaddehige of Le Neuf , Chemin,St. Saviours, Guernsey, United Kingdom who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige”

3. To approve the appointment of Dr. Henry Jayatissa De Costa as a Director

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Shantha Kalugala of No. 174/G, Uthuwankanda Road, Thalawathugoda, a shareholder of the Company.

“That Dr. Henry Jayatissa De Costa of No. 496/3, Havelock Road, Colombo 06, who is 74 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Henry Jayatissa De Costa”

4. To re-elect Mr. J H P Ratnayeke,who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.

5. To elect Mr. Shaminda Yaddehige, who retires in terms of Article 91 at the Annual General Meeting, a Director.

6. To elect Prof. Kapila Goonasekere, who retires in terms of Article 91 at the Annual General Meeting, a Director.

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

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

9. 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

31st May 2016

Note:

a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

b) A proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report.

c) The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

I/We* (in block letters) .... of

.... being a

member / members of the RICHARD PIERIS & COMPANY PLC, hereby appoint ....

.... of

....

whom failing DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing PROF. LAKSHMAN RAVENDRA WATAWALA whom failing VIVILLE PRAXIDUS PERERA whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE whom failing DR. EKANAYAKE MUDIYANSELAGE SUMITHA ANURA BANDARA EKANAYAKE whom failing SHAMINDA YADDEHIGE whom failing PROF. KAPILA GAMINI ABHAYAWARDENA GOONASEKERA * as my/our proxy to represent me/us and to vote on my/our behalf at the 77th ANNUAL GENERAL MEETING of the Company to be held on 30th June 2016 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 2016 with the Report of the Auditors thereon.		
2.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director.		
3.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Jayatissa De Costa at this Annual General Meeting, a Director.		
4.	To re-elect Mr. Paul Ratnayeke , who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.		
5.	To elect Mr. Shaminda Yaddehige , who retires in terms of Article 91 at the Annual General Meeting, a Director.		
6.	To elect Prof. Kapila Goonasekere, who retires in terms of Article 91 at the Annual General Meeting, a Director.		
7.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
8.	To authorize the Directors to determine contributions to charities.		
9.	To consider any other business of which due notice has been given.		

Dated this .... day of 2016

....

Signature of shareholder

Notes:

(i) Please delete the inappropriate words

(ii) A proxy need not be a member of the Company.

(iii) Instructions as to completion appear on the reverse of this form.

FORM OF PROXY

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 Tuesday, 28th June 2016.

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
Mr. W. J. Viville P. Perera - Director
Mr. S.S.G. Liyanage - Director
Dr. S.A.B. Ekanayake - Director
Mr. Shaminda Yaddehige - Director / COO
with effect from 11th November 2015
Prof. Kapila Goonesekera - Director
with effect from 15th February 2016

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 AG
DFCC Bank
Hatton National Bank
Hongkong andShanghai Banking Corporation
Indian 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
Indian Overseas Bank
Union Bank of Colombo

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.

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