85 Years

Since 1932

TOUCHING LIVES

Richard Pieris and Company PLC

Annual Report 2016/2017

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For more information please log in to https://www.arpico.com/

85 Years

Since 1932

TOUCHING LIVES

Our fingerprints don't fade from the lives we touch. A vision of being close to the hearts of Sri Lankans of every age, colour, caste and creed. It is a philosophy that we have followed through for the past 85 years and we will never slow down or deter from being a substantial part of every stakeholder's journey. Making an impact... touching lives, in our own special way.

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

	2017 Rs.'000	2016 Rs.'000
Revenue	**49,149,395**	43,018,502
Profit from operations	**5,290,459**	3,955,303
Profit before tax from continuing operations	**4,801,414**	3,398,914
Income tax expense	**(1,237,426)**	(1,137,461)
Profit for the year from continuing operations	**3,563,988**	2,261,453
Profit for the year	**3,558,970**	2,257,917
Profit attributable to equity holders of the parent	**3,170,095**	2,147,685
Total assets	**49,929,135**	43,684,954
Shareholder funds	**12,931,203**	10,872,728
Market capitalisation	**16,890,818**	14,652,276
Total value addition	**17,882,188**	15,907,436
Per Ordinary Share		
Earnings (Rs.)	**1.56**	1.06
Net assets (Rs.)	**6.35**	5.34
Market value (Rs.)	**8.30**	7.20
Ratios		
Return on equity (%)	**26.64**	20.67
Interest cover (No. of times)	**9.25**	6.68
Dividend payout (%)	**38.46**	47.17
Gearing ratio (%)	**45.03**	41.55

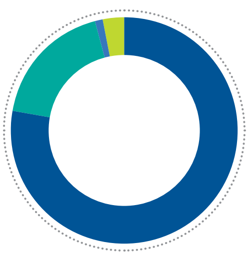
Turnover Composition

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

Segmental Assets

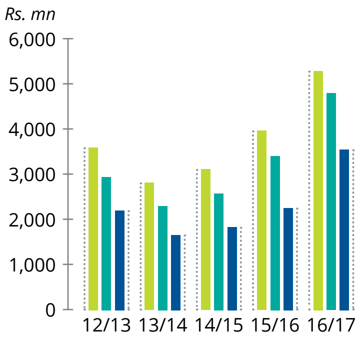
Retail	16%
Plantations	28%
Plastics and Furniture	11%
Tyre	3%
Rubber	6%
Financial & Other Services	36%

Cost Structure



Cost of sales	78%
Operational Expenses	18%
Net Finance Cost	1%
Tax	3%

Operating Profit vs. PBT vs. PAT



Our History at a Glance

1932 - 2017 - Our History at a Glance

In its 85 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 'Arpico' 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 Electronic goods, while also providing value-added services, such as bank service points, ATMs, credit card and 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.

Plastics and 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.

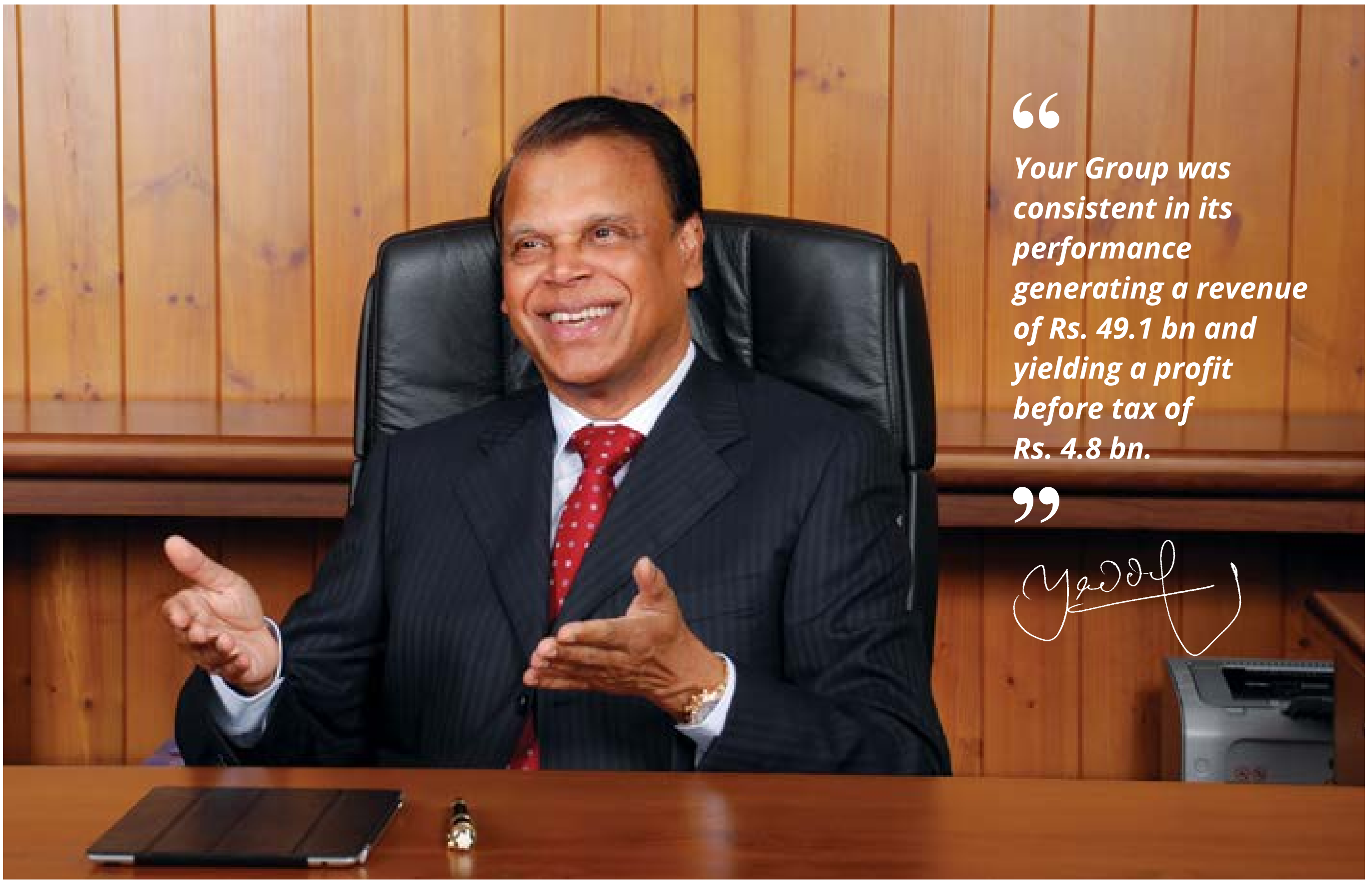
Rubber Sector

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,
I take great pleasure presenting to you the Annual Report and the Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2017.

Your Company which showed buoyancy over eight decades proved its supremacy yet again at a time of mixed fortunes for Sri Lankan corporates. The milestones that your Group has reached today through its remarkable journey of 85 years have come through focused attention on core businesses and the selective expansion of strategic business ventures. The strong results of rubber, retail and financial services sectors continued to drive the Group performance. Accordingly, as the year drew to a close, your Group was consistent in its performance generating a revenue of Rs. 49.1 bn and yielding a profit before tax of Rs. 4.8 bn and profit after tax of Rs. 3.6 bn. Moreover, your Group generated a dividend yield of 7.2% for the year, reflecting its interest in distributing a satisfactory return to its shareholders.

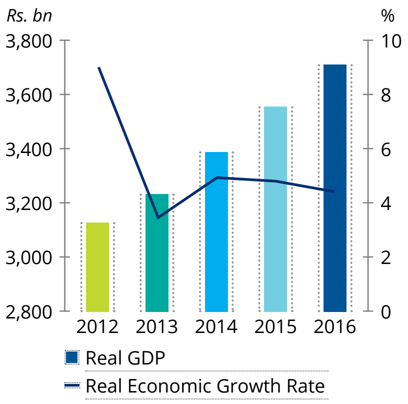
Economic Environment

The world economic growth was reported to be 3.1% in 2016 and forecasted to grow at 3.5% in the ensuing year as per the indications given by International Monetary Fund (IMF).

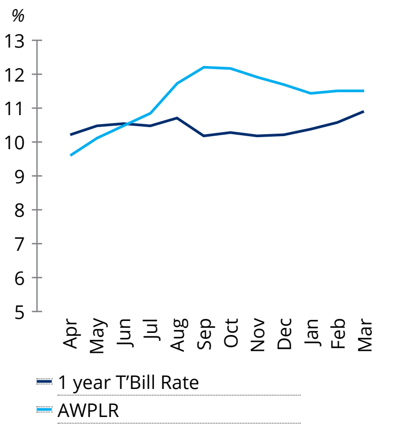
The projected fiscal stimulus in the United States also induced a stronger than expected growth in advanced economies. Looking forward, the outlook for advanced economies are projected to improve with a growth forecast of 2.0% for 2017 and 2018 as well.

Growth prospects for emerging markets and developing economies (EMDEs) remain much more diverse where financial conditions have generally tightened. The near term growth prospects in China was a bit stronger than expected with a projection of increase in growth, supported mainly by continued policy stimulus. However, activity was weaker than expected in some Latin American countries,

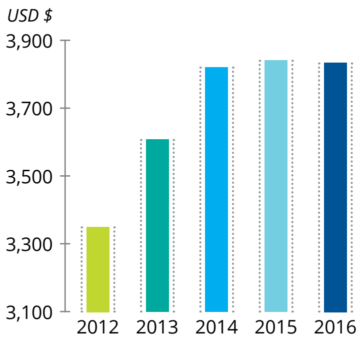
Real GDP & Real Economic Growth Rate



Interest Rates - AWPLR



Per Capita Income



"We as a coherent management team of your Group envisage on expanding our business horizons into different market segments. Strategic initiatives are planned to further drive the growth of exports."

such as Argentina and Brazil and forecasts were revised down subsequently. By and large, emerging markets are forecasted to grow at 4.5% and 4.8% respectively for 2017 and 2018.

The spillover effects of the world economies had an influence towards the Sri Lankan economy during the year under review. Amidst all these, the economy indicated a 4.4% growth in 2016, compared to the 4.8% growth reported in 2015. The weaker demand from advanced economies frilling down exports and the supply side effects in the agriculture sector due to adverse weather conditions, cramped down the economic growth in our country. Exports were reported to be USD 10.3 bn whilst imports to be USD 19.4 bn in 2016. Furthermore, worker remittances were reported as USD 6.4 bn in 2016.

Consequently, monetary policy experienced considerable change during the year implementing strong policy measures to strengthen the economic fundamentals.

Yields of government gilts increased across maturities so as the cost of borrowing in the local market for the business lines. The Average Weighted Prime Lending Rate (AWPLR) continued its upward trend and touched its peak of 12.38% in November 2016 that moderated to 11.79% in March 2017.

Corporate Performance

The financial year 2016/17 saw your Group reporting Rs. 49.1 bn revenue for the Group indicating a year on year growth of 14%, whilst profit before tax and profit after tax for the year were reported to be Rs. 4.8 bn and Rs. 3.6 bn, respectively. The increase in profit before tax of 41% and profit after tax for the year of 58% over the previous reporting year is noteworthy reflecting your Group's operational excellence during the period under review.

The Retail sector continued its lead as the highest contributor towards the Group's revenue and operational profitability for yet another year contributing 50% and 33% respectively. The stiff competition, coupled

Chairman’s Review Contd.

with the increase in Value Added Tax, had a significant impact on the sector performance. However, the sector will continue its expansion drive using optimum strategic models.

The Rubber sector, which consists of companies engaged in exporting value-added rubber related products, exhibited yet another strong year. The sector contributed 8% to the Group revenue whereas contribution to Group operating profit was 16%. Fluctuations of the local currency influenced favourably towards the sector. In coming years, the demand is expected to improve with the re-instatement of strong trade agreements mainly with western countries.

The Tyre sector which has been a consistent performer over the years, continued to contribute over 5% to the Group revenue and 10% to the Group operational profit. The sector continued to partner with world renowned global brands, and will continue to promote the entire range in the Sri Lankan market whilst penetrating into different tyre segments.

Plastics and Furniture sector remained consistent in its performance, contributing 15% to the Group revenue and 21% to the Group operating profit. Meanwhile, the sector is looking into possibilities of expanding its market segments across several geographies to introduce its wide range of product categories.

The Services sector which consists of the financial services, achieved some remarkable achievements. The Finance Company of your Group was able to achieve remarkable milestones closing Rs. 12.4 bn in assets within 4 years of its business operations.

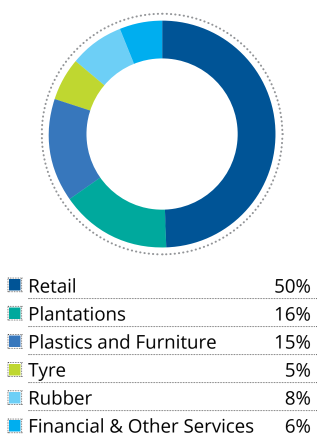
The financial year for the plantation business was challenging as a result of several external down beating factors. However, the commodity prices indicated an increase of 20% during the second half of the financial year which positively contributed to withstand the external challenges. Nevertheless, the sector reported a revenue of Rs. 7.8 bn and an operating profit of Rs. 799.3 mn during the financial year under review.

Special Achievements

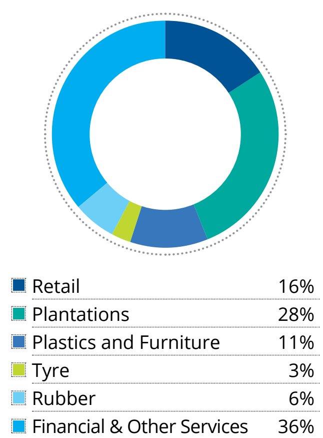
Your Group conferred prominence for divesting markets across several geographical locations in order to expand its market coverage. Additionally, your Group expanded its retail business during the year opening two large format retail outlets. With these additions, the Group has reinforced its geographical presence and is expected to strengthen its domicile in the retail business.

On a special note, Richard Pieris Natural Foams (Pvt) Limited which exports value added rubber products, was awarded the Most Outstanding Exporter of the year Award in 2016, at the National Chamber of Exporters award ceremony. Further, it secured the Most Outstanding Exporter award for Agriculture Value Added Sector and Gold Award for

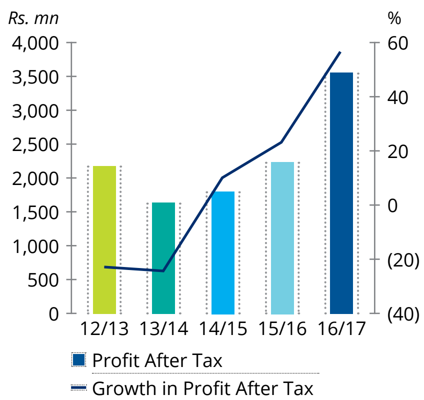
Turnover Composition



Segmental Assets



Growth in Profit After Tax



Rubber Product Sub Sector – Extra Large Category, which resembles the Company's commitment towards the development of the rubber industry in Sri Lanka.

Future Outlook

The Group has taken certain measures and is confident of our capabilities in continuously looking out for strategic investment opportunities on our way towards prosperity. Re-structuring of business lines, strategic measures of re–location of certain aspects of business coupled up with spanning across geographies has been the order of the day and as a Group we keep our pride to say that we have taken all these stances in advance and is perfectly positioned.

We as a coherent management team of your Group envisage on expanding our business horizons into different market segments. Strategic initiatives are planned to further drive the growth of exports especially in USA as a measure of reviving the plantation and local manufacturing sectors through establishing a new market segment.

Dividends

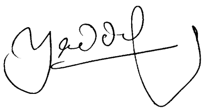
During the year, the Group declared an interim dividend of Rs. 0.60 per share in February 2017, constituting a dividend yield of 7.2% as at the year end. Further, the Board of Directors proposed a final dividend of Rs. 0.50 per share for the period under review.

Conclusion

The operational and cultural challenges which the entire team has grappled with, have been tremendous. 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 like to take this opportunity in welcoming our new directors whilst thanking the Board members who resigned during the year. I trust the experience and intellectual capacity of our new Board members will no doubt add value to take the business to the next level.

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



Dr. Sena Yaddehige
Chairman/CEO/MD

1st June 2017

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. 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 SriLanka (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 commercialize 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 its Managing Director. He is also a Director of Richard Pieris Distributors Limited, Richard Pieris Exports PLC and Arpico Interiors [Pvt.] Limited.

Mr. Viville Perera

Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr Perera has over 32 years' experience in senior managerial capacity in leading business organisations such as Associated Newspapers of Ceylon Limited, Middleway Ltd (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.

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.

Dr. Jayatissa de Costa P.C.

Dr. Jayatissa De Costa LL.B. (Cey), LL.M. (Lond), PH.D (Colombo) is a Presidents' Counsel. He was admitted to the Legal Profession in Sri Lanka in January, 1971 and has unbroken practice of more than 44 years at Bar specializing in Civil Matters. In addition he has held numerous positions both in the Public Sector and Private Sector including the Chairmanship of Public Utilities Commission of Sri Lanka and membership of the Law Commission. He was also the Principal of Sri Lanka Law College. Dr. Jayatissa De Costa had functioned as a Law Lecturer in a number of universities both at home and abroad and has published a large number of books in Law.

He had his education at Dharmapala Vidyalaya, Pannipitiya, London School of Economics and Political Science, School of Oriental and African Studies and Kings' College, University of London.

Mr. E P I Fernando

Mr. E. P. I. Fernando brings over 35 years of management experience, all of which in foreign and local Banks specializing in operational management, retail and institutional banking. He began his career at A.N. Z Grindlays and thereafter at Standard Chartered Bank where he held various senior positions including Head of Retail Products and Business development. He also worked at Pan Asia Bank PLC as the Head of Institutional Liability sales. His leadership roles over decades in multiple functions of operation, marketing and strategy led to strengthening business and contributed towards significant growth in the organizations he served.

His contribution and expertise has also been extended through many institutional and government bodies. Mr. Fernando has served as a Board Member of the National Apprentice and Industrial Training Authority, the Board of Tea Research Institute Sri Lanka, Export Development Board, the Industrial Development Board. He was also a committee member at the National Sports Council and Advisory Council of Sri Lanka Export Development Board.

He has also served as Board Director of Richard Pieris Securities and Namanukala Plantations PLC.

Mr. J C Korale

Mr. J. C. Korale, 58 years of age counts over 36 years of experience in services and industries in Sri Lanka, held senior management positions in the private sector.

His exposure is in the fields of Finance, Insurance, Construction, Trading, Manufacturing and Law and dispute resolution.

In the academic arena, he holds a Bachelor of Science Degree from the University of Kelaniya and Master of Science Degree from University of Moratuwa and also holds an Honours Degree in Law from the University of London.

As a professional, he is a Fellow Member of both the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants, UK. He is an Associate Member of the Chartered Institute of Arbitrators, UK, and also an Attorney-at Law.

Mr. J. C. Korale is currently an Independent Non-Executive Director of SMB Leasing PLC, and its subsidiary SMB Money Brokers (Pvt) Limited.

Our Business

Retail Sector

Richard Pieris Distributors Ltd. manages the renowned chain of 21 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, while additionally providing a host of value added services such as bank service points, ATMs, credit card, utility and mobile bill payment facilities, etc.

24.5 Bn

Arpico Supercentres and Superstores have continued to gain competitive edge over its rivals through the unique shopping experience with ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products.


ARPICO
SUPERCENTRE

Our Business

Retail Sector Contd.

Selective expansions of its chain of Supercentres/Stores in targeted areas of the country will continue, and the Company has taken initiatives to minimize the impact of their business on the environment by implementing strategies to reduce energy consumption.

The Retail Sector of the Group is represented by Richard Pieris Distributors Limited, Arpimalls Development Company (Pvt) Limited, RPC Retail Developments (Pvt) Limited, RPC Real Estate Development Company (Pvt) Limited and Arpico Interiors (Pvt) Limited. The Sector 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.

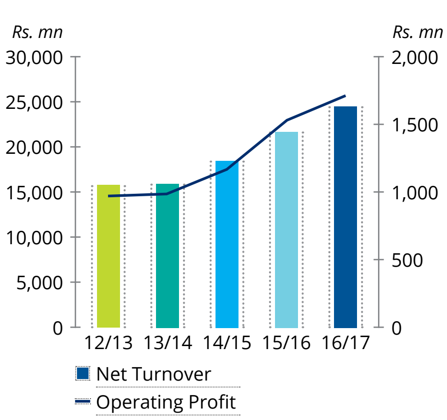
The Retail Sector has been, and continues to be, one of the significant contributors to the revenue and profits of the Group. During the year under review, the VAT rate change from 11% to 15% caused a reduction in the growth rate of revenue and operating profit of the sector. The Sector reported revenue of Rs. 24.5 bn, which is a 13% growth over the previous financial year, and a growth in operating profit of 12% in spite of this change in the regulatory environment.

Richard Pieris Distributors Limited

Richard Pieris Distributors Limited manages the renowned chain of 21 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 while additionally providing a host of value added services such as bank service points, ATMs, credit card, utility and mobile bill payment facilities, etc.

Arpico Supercentres and Superstores have continued to gain competitive edge over its rivals through the unique shopping experience 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 all retail 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

Retail Sector



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 Supercentres in Kohuwala and Kurunegala, 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 launched its e-commerce business in the year under review, which will allow the consumers from all around the world to purchase products online and get the products delivered to their loved ones in Sri Lanka.

An aggressive marketing and sales strategy was carried out during the year which led to better awareness of the Arpico brand. As a result the Arpico Supercentre brand improved its ranking in the LMD most valuable brands rankings 2016.The Company continued its "Top Tips" and "Daily Deals" campaigns during the year creating a lot of excitement in the market by giving away competitive discounts to its consumers. The Company also continued with another innovative "Win an Exciting Christmas", seasonal campaign where 50 families were given a chance to win all-expenses-paid overseas visits to wildlife safaris, luxury cruises, etc.

Arpico Privilege loyalty card gives Rs. 1 for every Rs. 100 spent at any Arpico Super Centre, Superstore or Daily outlets. The Company also came up with some exclusive offers for its privilege member base including privilege lifestyle health partnerships with leading hospitals, dining offers by partnering with popular restaurants and hotels during the year under review. The Arpico Privilege Card customer base continued to grow with its membership in excess of 500,000 by the end of the year.

The Company has taken initiatives to minimize the impact of their business on the environment by implementing strategies to reduce energy consumption. As a result IFC, a member of the World Bank Group, together with the support of the Canadian Government approved funding to the Company to support "green retail growth", which includes the installation of roof top solar panels on its large format retail stores built in an environmental friendly manner.

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

Arpimalls Development Company (Pvt) Limited

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

RPC Retail Developments (Pvt) Limited

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

RPC Real Estate Development Company (Pvt) 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) specializes in interior solutions to corporate clients and also supplies products such as furniture and fittings, carpets, ceilings and partitions. The Company restructured its operations during the year and new products were added to the portfolio.

The showroom at Hyde Park Corner houses a separate display area for the Interiors operations with wide range of products on display. The management is confident of its ability to improve the Company's profitability in the coming years.

Our Business

Plantations Sector

Richard Pieris Group owns 54 plantation estates covering 32,097 hectares operating in different geographical regions across Sri Lanka which are in cultivation, processing and selling of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon and other crops. Richard Pieris Group is the largest tea and rubber producer in the Country.

7.8 Bn

Kegalle, Namunukula and Maskeliya plantations together produced 11.6 mn kg of Tea, 5 mn kg of Rubber and 20.2 mn kg of Oil Palm with a total revenue contribution of Rs. 7.8 bn to the Group.

Our Business

Plantations Sector Contd.

The Sri Lankan plantation industry experienced mixed results during the financial year under review. Atale Estate of Kegalle Plantations secured the gold award at the Industrial Excellence Awards 2016 and also won two Silver Awards during the year at the 24th National Chamber of Exporters of Sri Lanka Export Awards and at the Sri Lanka China Business Co-operation Council's Business Star Awards.

The Group holds 3 Regional Plantation Companies (RPC's) namely Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC which are in cultivation, processing and selling of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon and other crops. Richard Pieris Group is the largest tea and rubber producer in the Country. In addition, Maskeliya Tea Garden (Ceylon) Limited is the export arm of top quality pure Ceylon value added tea, selling globally as well as locally under the brand names of "St Clairs" and "Maskeliya Kahata".

Richard Pieris Group owns 54 plantation estates covering 32,097 hectares operating in different geographical regions across Sri Lanka. Kegalle, Namunukula and Maskeliya plantations together produced 11.6 mn kg of Tea, 5 mn kg of Rubber and 20 mn kg of Oil Palm with a total revenue contribution of Rs. 7.8 bn to the Group.

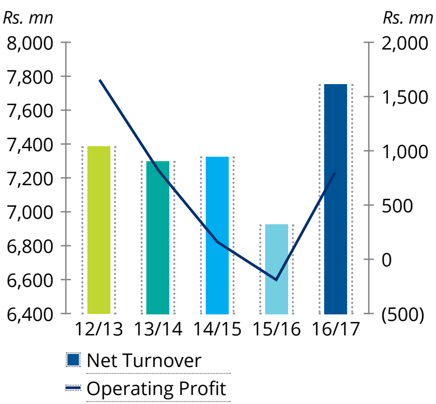
The Sri Lankan plantation industry experienced mixed results during the financial year under review facing many challenges. Extreme weather conditions, removal of fertilizer subsidy, wage increments and ban on weedicides affected the performance of the Plantation industry while improvement in Tea and Rubber prices towards the end of the year enabled the plantation companies to improve their financial performance.

Despite of these mixed results, the plantation sector of the Group continued to make substantial investments in uplifting the living standards of estate communities in the aspects of health and safety, training and education, infrastructure development etc.

Maskeliya Plantations PLC

Maskeliya Plantations PLC is one of the Country's finest black tea manufacturer, operates in four geographical regions namely Upcot, Maskeliya, Talawakelle and Bandarawela. The Company owns 18 tea estates, with 14 tea factories,a land extent of

Plantations Sector



10,561 hectares with an annual production capacity of approximately10mn kg and also has constantly recorded best prices in the Colombo Tea Auction.

Adverse financial and non-financial conditions continued to challenge the performance of the Plantation industry, which also affected the Maskeliya Plantations PLC. Production was largely affected by the extreme climatic conditions, with heavy rainfalls experienced at the beginning of the year and, drought towards the end of the year. The Company recorded a harvest of 6.8 mn kg which is a reduction of 1.4 mn kg from the previous year.

The Company recorded revenue of Rs. 3.45 bn, which is an increase of 5.54% over the previous year. This was due to the favourable market conditions and improved market prices for the Ceylon black tea in Colombo Tea Auction during the latter part of the year.

The withdrawal of government fertilizer, ban of weedicides, Increase in daily labour wages from Rs. 620 to Rs. 730, and the negative impact of the weather pattern resulted in a higher cost of production for the Company which in turn affected the margins.

Kegalle Plantations PLC

Kegalle Plantations PLC is one of the largest corporate Rubber producers in Sri Lanka, contributing an annual rubber production of 3,742 mt and also produces Tea and Coconut. The Company owns and manages 17 estates in Kegalle, Kurunegala and Badulla districts with a total land extent of 9,757 hectares. Despite the adverse weather condition throughout the year, it recorded a rubber production of 3,742 mt which is a 12% increase from the previous year. It was also noted that the demand for natural rubber from the key buyers in the global and local market have reduced as they are shifting to alternatives such as cheaper Synthetic rubber. This has resulted in lower prices for natural rubber and continued to hamper the growth of crepe rubber.

The Company produces centrifuged latex mainly, which is 54% of the total rubber output and this is mainly sold to Richard Pieris Natural Foams Limited. Kegalle Plantations continued its direct export of sole crepe rubber to shoe manufacturers in the international market, and this in turn helped to maintain a favorable NSA. The market price of Crepe 1X has stood at Rs. 222.42 mid-year, increased to Rs. 298.35 by March 2017. It's noteworthy that the Company continued to invest on replanting rubber and tea . The Company is also exploring various opportunities including feasibility of planting oil palm.

Namunukula Plantations PLC

Namunukula Plantations PLC is one of the most diversified plantations companies in the island, producing five main crops such as Tea, Rubber, Oil Palm, Coconut and Cinnamon. It is comprised of 19 estates in Badulla, Kalutara, Galle and Matara Districts and holds a total land extent of 11,779 hectares, of which 2,369 hectares are utilized for the production of tea, 2,042 hectares for palm oil, 2,020 hectares for rubber and 452 hectares for other crops.

The Company manufactured 2.7 mn kg of tea during the year which is marginally below the previous year. Production was affected by extreme weather conditions, shortfall in fertilizer supply due to withdrawal of government fertilizer subsidy and lower labour productivity. It was also noticed that the bought leaf supply also has declined during the last six months of the year. There was a significant rise in the cost of production during the year due to the wage hike, decrease in tea production and increased cost for fertilizers.

Despite the challenge faced with the shortage of labour, which resulted in lower tapping days, the Company successfully increased its rubber production by 10% to 1.3 mn during the year under review. Namunukula Plantations has successfully reduced the cost of production of rubber during the year, with a 4% reduction compared to last year.

Oil palm has continued to be the golden crop of Namunukula Plantations recording a 20.2 mn kg of harvesting, which is a 22% increase in the harvest of the Fresh Fruit Bunches compared to the previous year. The Company is the second largest producer of oil palm in the island and its estates are situated in Matugama, Galle and Akuressa geographical areas. The Company has an extent of 1,510 hectares of oil palm in production and further 663 hectares are in the immature stage and expansion plans are underway to increase the land extent.

Furthermore, the Company invested Rs. 228 mn on field development and factory modernization primarily attempting to achieve cost leadership through enhanced productivity.

Maskeliya Tea Garden (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 number of tea exhibitions and currently liaising with few potential distributors to establish St. Clair's Brand. The local distribution operation continues to expand island wide.

Our Business

Tyre Sector

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 and other related materials as well as customised mixing facilities. The dealer network of more than 1,300 dealers has enabled the sector to maintain its competitive advantage.

2.8 Bn

Tyre Company is not only the largest tyre retreader but is also the appointed Sole agent for Nexen Tyre (South Korea) and Birla Tyre (India). Nexen is a renowned premium brand in the international arena head-quartered in South Korea backed by a record of excellence for 70 years. This brand was introduced to Sri Lanka by the Company in 2014. Birla Tyres is a specialized Indian brand for truck / light truck, two wheelers and three wheeler tyres.

Our Business

Tyre Sector Contd.

Richard Pieris Tyre Company continuously seek new business opportunities, and among the new initiatives exporting of treads to the international market indicate that the Company is tirelessly seeking various avenues by extending its arm beyond the domestic market.

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 and other related materials as well as customised mixing facilities. The dealer network of more than 1,300 dealers has enabled the sector to maintain its competitive advantage.

Trading segment of the Tyre Company has continuously grown with its sole agency of Nexen, which is instrumental in driving the revenue of the trading segment. The market has shown positive results to the products introduced and Richard Pieris Tyre Company envisages capturing more premium brands under its portfolio.

Richard Pieris Tyre Company Limited

Richard Pieris Tyre Company recorded revenue of Rs. 2.7 bn, which is a marginal increase over the previous year. Retreading segment continued to account for more than 70% of the revenue showcasing its market share, though the demand for retreading tyres is decreasing. The Company was proactive in introducing low cost energy by investing in the firewood boiler a few years ago which helped to arrest the adversity to some extent. Further, sourcing of raw materials at lesser prices also supported the retreading operation to sustain its margins.

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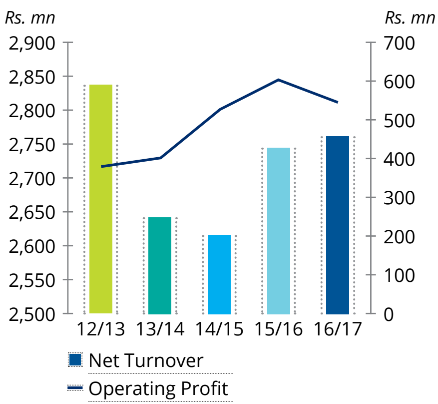
Tyre Sector



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Expansion to North and East regions has shown encouraging results and initiatives are underway to aggressively expand the footprints of the brands across the country. Innovative marketing techniques, emphasis on product development and right pricing have always been the key areas for the Company which it has vested its focus on.

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truck, two wheelers and three wheeler tyres. Exchange rate fluctuations and Government tariffs continued to have an adverse impact on the trading operation. Introduction of new promotions and initiatives have paved the way with promising feedback from the customers. 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.

Expansion to North and East regions has shown encouraging results and initiatives are underway to aggressively expand the footprints of the brands across the country. Innovative marketing techniques, emphasis on product development and right pricing have always been the key areas for the Company which it has vested its focus on. These strategies are essential to encounter extremely challenging low cost Chinese radial tyres and competition from family owned small businesses.

Richard Pieris Tyre Company continuously seek new business opportunities, and among the new initiatives exporting of treads to the international market indicate that the Company is tirelessly seeking various avenues by extending its arm beyond the domestic market. 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.

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.

Arpidag abides by the process quality certification of "ISO: 9001" to standardise its processes. Further, the Company continued to enjoy a cost advantage through the sourcing of packaging material.

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 introduced to the milling and quality testing processes ensured consistent superior quality, which in turn enabled the other companies in the sector to achieve higher market share.

Our Business

Plastics and Furniture Sector

The sector's product portfolio includes products such as Mattresses, water tanks, cushions and sheets, rigifoam products, PVC pipes and fittings, water pumps, CFL bulbs, wooden / panel and PU furnitures, day to day consumer durables as well as industrial and domestic rubber products. It also offers industrial roller products and printing roller products on a B2B basis.

7.2 Bn

Having 25 years of experience in the Water Tank business, opening of the new production line in Dambulla assisted the operation to further strengthen its speed of distribution. The sector's Rigifoam operation celebrates its 50 years of existence in delivering superior products to its customer base.

Our Business

Plastics and Furniture Sector Contd.

During the year many challenges were witnessed including the increases in the raw material prices which hampered the profit margins. Various measures were also taken to reduce the overheads of the operations. Efforts were drawn to expand the business operations of the sector by exploring new markets to grow its geographical presence.

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 revenue of Rs. 7.2 bn which is 14% increase over the previous year.

The sector includes products such as range of Mattress products, water tanks, cushions, rigifoam products, PVC pipes and fittings, water pumps, day to-day consumer durables as well as industrial and domestic rubber products. It also offers industrial roller products and printing roller products on a B2B basis.

During the year many challenges were witnessed including the increases in the raw material prices which hampered the profit margins. Various measures were also taken to reduce the overheads of the operations. Efforts were drawn to expand the business operations of the sector by exploring new markets to grow its geographical presence, including enhancing the production capacity through new machinery and automated production lines.

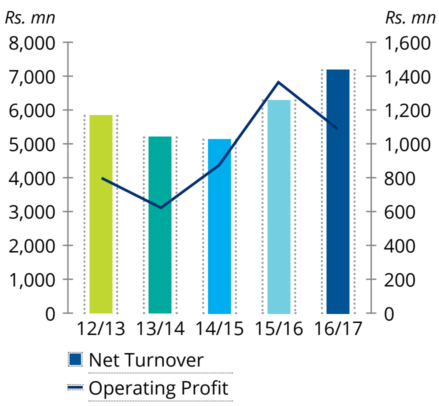
Rigifoam Operation

The rigifoam operation of the sector services the fisheries industry and boasts more than 50 years of history in catering quality products to its customers. Financial year 2016/17 was challenging, yet the operation continued to perform satisfactorily while maintaining a higher market share.

Despite the ban imposed by the European Union on exports remained in the first half of the year, aggressive marketing strategies helped to bring better results in the domestic and the export markets show casing the strength of the pioneer.

New products added to the portfolio displayed promising results in the year under review and the further new initiatives are

Plastics and Furniture Sector



underway to counter the intense competition in the market.

Mattress Operation

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

Quality and comfort level being the core of the strategy, the operation specializes in high end products such as spring mattresses, bedding and furniture products targeting the modern trade and the hotel industry.

During the year, franchise for Englander brand, a leading English Mattress, was secured. Through separate distribution strategy it's envisioned to cater star class resorts and spas in Sri Lanka and other countries in the region. Further, the operation is tirelessly working in expanding its market reach and the product range.

More initiatives are undertaken in response to the competition and the operation is poised to perform in the upcoming years.

Furniture Operation

The furniture operation of the Group is mainly involved with the manufacturing of sofas, panel furniture and wooden furniture. Various aggressive promotions were initiated throughout the year to expand the market presence through the Retail chain of the Group.

New product varieties were introduced during the year and the customer response was encouraging. The operation is fully geared to increase the quality and the product range, and new value adding promotions are underway to the customers. Partnering with the credit cards has been a success and the operation is to cater the diverse / changing needs of the domestic market.

Water Tank Operation

The Water Tank operation is ISO 9001:2008 certified with unique manufacturing process and use only Food and Drug Administration (FDA) certified materials with the state of the art technology. Arpico water tank operation is well known for its rotation moulded and blow moulded water tanks which dominates the local market. With over 20 years of experience in the field, Arpico water tanks is the pioneer of water tanks in Sri Lanka and

Plastics and Furniture Sector Contd.

the first to introduce a three layer water tank ten years ago. The operation produces a wide range of products including septic tanks, compost bins, utility items and large volume fabrications.

Introduction of new design 'Hybrid' to the market has created a lot of excitement and has shown promising performance from the inception. Arpico Hybrid's function oriented features include a state of the art diagonal design for maximum strength. Continuous introduction of innovative products has led the operation to sustain its market position and also significantly increased its volumes recording a consistent growth. The new production line established in Dambulla supported the operation to continuously cater the demand from the market. These factories are strategically located enabling the operations to maintain a smooth distribution process throughout the Island using its dealer network.

The innovative and aggressive marketing strategies implemented on mass media and the growing digital market enabled the brand to be recognized as a fast growing youthful product. 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.

The operation believes and continuously invest in new technology and innovation to produce cutting edge designs to the market.

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 operation witnessed a substantial growth in the revenue during the year under review however, the margins were affected due to the increase in the raw material prices and more focus has been placed on market expansion and brand building for the ensuing years.

Continuous introduction of new products to its portfolio has shown promising results during the year. To cater the growing demand production processes have been strengthened, which will determine the quality of the products and the increased capacity. Products such as plastic garden hose and the Arpico ball value continued be the fast moving products in the portfolio.

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.

The industrial rubber products performed satisfactorily during the year under review with the developments in the construction industry and infrastructure developments in the country. The operation continued to improve its existing operations by enhancing quality and improved value added promotions helped to sustain its growth in the competitive market.

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.

The creative marketing support to the dealer network and recognition programmes such as top dealer conventions held island wide and foreign tours to top destinations helped the dealer network to continuously patronage the brand ARPICO.

Our Business

Rubber Sector

The Sector comprises products such as Natural Latex Foam Mattresses, Pillows, Rubber Mats for Industrial and Domestic Use, Jar Sealing Rings, Small Moulded Products and other Specialised Rubber Products. Further, the Sector primarily caters to the export market competing with other players in the market place.

4.2 Bn

During the year under review,the revenue of the sector reached 4.2 bn recording an 21% increase from the previous year. Efficiencies gained through planned manufacturing,enabled the sector to increase its productivity and to effectively cater to the market demand of the sector products and services in a highly competitive environment.

Our Business

Rubber Sector Contd.

"Richard Pieris Natural Foams Limited was awarded the "Most Outstanding Exporter of the Year 2016" by the National Chamber of Exporters (NCE) for the Company's outstanding performance in the export category. The Company also secured two more prestigious awards as "Most Outstanding Exporter – Agriculture Value Added Sector" and "Gold Award – Rubber Product Sub Sector – Extra Large Category"."

The Rubber sector of the Group comprise of four companies namely, Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Arpitalian Compact Soles (Pvt) Limited and Micro Minerals (Pvt) Limited.

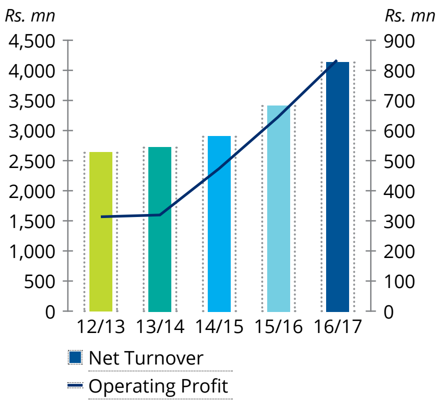
During the year under review,the revenue of the sector reached 4.2 bn recording an 21% increase from the previous year. Efficiencies gained through planned manufacturing, enabled the sector to increase its productivity and to effectively cater to the market demand of the sector products and services in a highly competitive environment. Appropriate controls at every stage of the manufacturing process, stringent inventory management, product and process innovations and above all, long term maintained customer relationships were the key success factors in achieving growth during the year under review.

Macro factors including the stable rubber prices and exchange rates that prevailed during the first half of the year contributed towards achieving healthy profit margins. The sector experienced sharp increases in raw material prices during the second half of the year, which led to a negative impact to the profit margins during the financial year 2016/17.

Richard Pieris Exports PLC

With a history dating back 34 years, Richard Pieris Exports PLC was established as the Group's first fully export-oriented subsidiary. Being a pioneer in the manufacturing of rubber flooring products for various applications including food grade jar sealing rings and specialized products for export to international markets, Richard Pieris Exports PLC is also a key supplier of export quality mats to the local market through the Arpico Retail chain outlets. The Company manufactures a range of rubber based products including anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats. Manufacturing of specialized mats such as super soft anti-fatigue mats and soft cow mats was a new addition to the Company product portfolio which helped the Company to penetrate into new markets.

Rubber Sector



During the year under review sales volumes were adversely affected by the decrease in demand across the European market and as a result the Company's sales volume dropped compared to the last financial year. Efficiencies achieved in the areas of inventory controls and working capital management also contributed in achieving these results.

Effective market research and continuous feedback obtained from our major customer segments facilitated the Company in making the manufacturing processes efficient and optimised level of inventory. The Company is with the view that building a strong bond and a relationship with our customers is the key success factor in catering to the market demands effectively while deriving synergies to remain resilient in the dynamic markets. Product differentiation and process improvements enabled the Company to be competitive in the market.

Richard Pieris Natural Foams Limited

Richard Pieris Natural Foams product portfolio includes latex foam blocks, sheets and pillows for the international markets, using 100% natural rubber latex. The Company kept on exploring innovative means of staying competitive in the international market with the vision of becoming the market leader.

During the year under review, the Company recorded revenue of Rs. 2.5 bn, which represented a 37% increase over the previous year. Amidst a time where eco-friendliness of the products is a key requirement among consumers, the Company's 100% latex sheeting, with organic certification enabled the Company to achieve a competitive edge in the high-end markets such as USA and Europe.

Cost advantages achieved through process automation paved the way for the Company to stay competitive in price sensitive markets. Production capacity was also increased during the year by investing in a new production line to support the Company's expansion plans. The Company continued to concentrate in the expansion opportunities in the international market and strengthened its relationship with the consumers, suppliers and the distribution channels.

Embarking on the biggest achievement of the Company history, the Company was awarded the "Most Outstanding Exporter of the Year 2016" by the National Chamber of Exporters (NCE) for the Company's outstanding performance in the export category. During the year under review the Company secured two more prestigious awards as "Most Outstanding Exporter – Agriculture Value Added Sector" and "Gold Award – Rubber Product Sub Sector – Extra Large Category", which resembles the Company's dedicated commitment towards the development of the rubber industry within Sri Lanka.

Another remarkable achievement of the Company during the year under review was obtaining both "ISO 9001 and ISO 14001" certificates signifying the Company's continuous commitment to meet the highest quality standards. The Company will continue to invest in the product innovations, through Research and Development to cater the dynamic consumer needs in the succeeding years.

Arpitalian Compact Soles (Pvt) Limited

Catering to the high-end footwear markets, Arpitalian Compact Soles (Pvt) Limited operates as a joint venture between Richard Pieris Exports PLC and Davos SPA, an Italian manufacturer of shoe soles and soling sheets.

During the year under review, Company's revenue and profitability were hampered by the decline in demand due to the stiff market competition with the Chinese and other Asian manufacturers who dominated the mass market with alternate low quality and low priced products. The Company is committed towards meeting the highest quality standards, speedy introduction of new designs / compound formulations backed by production process improvements reinforced the Company to be competitive. The Company paid more attention on manufacturing customized products to meet the different market demands identified in various countries. During the period under review Joint Venture partner, Davos SPA, entered the Chinese market successfully enabling Arpitalian to formulate new compounds. The Company also entered Vietnam and Bangladesh during the financial year increasing its experience in new markets. Further initiatives include introduction of new products to the Indian / Spain markets.

Investment in the Banbury and the mixing plant in the latter part of the financial year 2016/17 expected to further improve the efficiency of the production line and will be key in increasing the production capacity paving the way for the Company to stay competitive amidst dynamic export environments. Through this new initiative, it is also expected to reduce wastage from the current levels and there by improving the productivity.

Micro Minerals (Pvt) Limited

Micro Minerals primarily caters to the member companies of the Richard Pieris Group as the supplier of mineral products which are recognized as an essential raw material in the polymer industry.

Although the scarcity of raw materials was a challenge, the Company continued to be competitive in a price sensitive market, by offering better services coupled with its enhanced product portfolio. The Company envisions an improved performance, in terms of revenue and profitability in the coming years.

Our Business

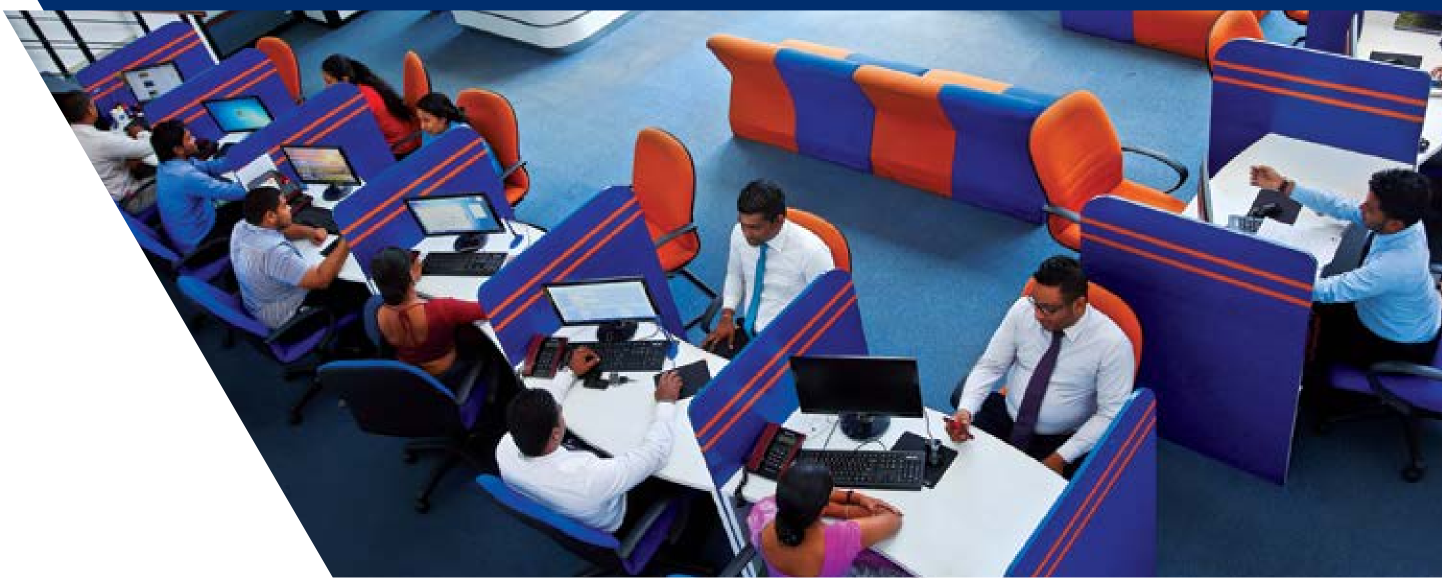
Financial Services and Other

Financial Services and other Sector is the service arm of the Group which includes Arpico Insurance, Richard Pieris Finance and other service companies. Our varied products are supported by unrivalled service and product quality that makes the Arpico brand stand out in the crowd.

2.8 Bn

The Sector performance was fuelled by the strong performance of Richard Pieris Finance and the Arpico Insurance during the year, amidst the challenging environment that prevailed in the market place.


Sector 1
Sector 2
Sector 3
Sector 4
Sector 5
Sector 6
Sector 7



Our Business

Financial Services and Other Contd.

"Richard Pieris Finance Limited has recorded a strong growth despite the challenges in the market with a significant improvement in its overall performance. Its ambitious deposit drive has paved the way for the Company to improve its business and it perceives to further strengthen the deposit base."

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.

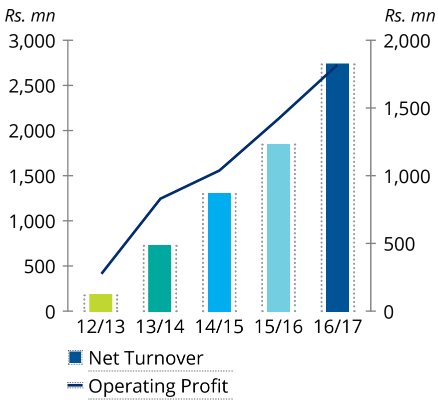
The Company has guided the Group in implementing its focused diversification strategy, as is evident in the Group's successful entry in to the provision of financial services. Concurrently, the Company's various divisions provide support services to all companies in the Group, including services relating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

The Group ICT department which is the total IT services arm of the Group introduced many processes to increase the effectiveness and efficiency of the businesses carried out throughout the Group. During the year under review, many enhancements were included in its core ERP system which caters to all sectors of the Group. The Group has already initiated technology driven projects to increase the customer experience both in retail and wholesale areas. It also has initiated projects for dashboard based management information system for senior management, project monitoring and performance monitoring systems to strengthen the internal processes.

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 52.

The Central Commercial Division handles the procurement of raw material and consumables, both from domestic and international sources. It has played a crucial

Financial Services and Other



Arpico Insurance has expanded its geographical presence continuously, where it has a network of 26 branches covering eight major provinces. Year 2016 being an exceptional year for Arpico Insurance, the Company achieved a milestone by recording a profit in excess of Rs. 100 mn.

role in successfully passing on the benefits of low costs to our subsidiaries by maintaining sound supplier relations and maximising economies of scale.

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

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's portfolio also includes door-to-door cargo services and a variety of other related services. Shifting to a new location enabled the Company to cater demands from, within and outside the Richard Pieris Group. RPC Logistics has strengthened its revenue streams by obtaining agencies from suppliers for products such as Colour Sorter Machinery and LED lighting.

Richard Pieris Securities (Pvt) Limited

The financial year 2016/17 was challenging for Richard Pieris Securities due to negative influences on Sri Lankan capital market by local and foreign economic and political factors. Material involvement in the capital market by foreigners was not evidenced during the year. Funds were withdrawn from the capital markets towards money markets due to interest rate hike within the country.

Further, the All Share Price Index lost 10% from May 2016 from as high as 6,708.4 Investors expected a Fed rate hike and favourable conditions in US region which resulted in investors divesting their investments in emerging markets which added to the weakening of the Sri Lankan capital market.

Arpico Insurance PLC

Through the concept of "Insurance for the Living" the Company continued to clearly differentiate the products in contrast to the traditional insurance services that are offered in the market. Arpico Insurance has expanded its geographical presence continuously, where it has a network of 26 branches covering eight major provinces. Year 2016 being an exceptional year for Arpico Insurance, the Company achieved a milestone by recording a profit in excess of Rs. 100 mn.

The management continued to focus on the factors within its control, which included driving operational improvements, stringent cost control and increasing margins. The Company further strengthened its branch network, by venturing into the northern terrain of the country. This has indeed opened new business opportunities and further established our presence in reaching out to the people of Sri Lanka, while enhancing customer convenience.

Richard Pieris Finance Limited

Richard Pieris Finance offers a variety of products such as fixed deposits, savings deposits, leasing, hire purchase, term loans and Islamic finance. The Company has recorded a strong growth despite the challenges in the market with a significant improvement in its overall performance. Its ambitious deposit drive has paved the way for the Company to improve its business and it perceives to further strengthen the deposit base.

The Company merged with its subsidiary Chilaw Finance PLC, successfully shortly after the year end. The Company has plans to expand its branch network across the country thereby strengthening its geographical presence in the coming years. The robust management team of Richard Pieris Finance is confident of its ability to improve its profitability in the ensuing years through the application of a cautious and strategic approach in a very challenging market.

Corporate Social Responsibility

"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 an operational excellence."

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 fulfil towards the society we operate in since our sustenance is derived from the multiple facets of the society. It is our core responsibility to ensure the sustainability of the society to the best of our abilities and make positive impact on people and the planet.

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.

Donating School bags and all the stationary requirements to a school

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 an operational excellence.

Many of our products enable customers to use fewer resources, such as energy and water, bio gas and save money on bills. This means we can continue to shrink our environmental footprint while making affordable, high quality products. Working with suppliers, governments, businesses and other partners enables us to find new ways to innovate and have a positive influence beyond our operations and products.

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 presences 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. The retail chain introduced its own dedicated taxi service exclusively for shoppers' convenience during the last year. This is a value added service offered and Arpico was 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. Further,during the year Kegalle Plantations PLC has obtained ISO 9001:2015 Quality Management Standard certification for four of its rubber factories.

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 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.

Donating medical Equipment's to a Hospital

Corporate Social Responsibility Contd.

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

Our CSR Initiatives

Welfare Activities

Various welfare activities were conducted during the year, where the Company donated mattresses, pillows, rubber mats, school bags, medical equipments& other equipments to identified locations which benefited various societies. Various initiatives such as medical camps, nutritional programmes, sports activities, financial assistance for various purposes and art competitions were carried out, especially, in the Plantation estates.

Arpico Privilege customers were given the opportunity to donate accumulated Privilege points towards the victims of the flood which occurred during May 2016. Relief funds were collected and disbursed via the EBC Sathkara project of EAP Broadcasting Company.

The Company also supported various religious developments in and around the areas of the locations of Richard Pieris Group. Organizing of children's day, sports meet, tree planting and road developments were also part of the welfare activities during the year.

Supporting Health Care

Various activities were conducted at the estate level in the plantation sector towards improving health standards of the population including educating on daily nutritional consumption. Health camps were held at estates to screen the employees for various medical conditions and to diagnose.

Assisting Education

A project to distribute essential learning materials to schools in the rural areas commenced last year which was successfully continued in the year under review where various items were distributed including school bags, stationary and school uniforms along with a water solution for the schools. The Company is planning to replicate the similar projects in the other areas of the country.

Art Competitions for the children were organized at some Plantation estates to encourage the skill. 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.

Laying of foundation stone for "Dhana Salawa" at Vidya Pradeepa Pirivena – Tissamaharamaya

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.

Investing in renewable energy and improving energy efficiency reduces running costs and carbon emissions,and we take this into account in every store, office, distribution centre and factory. This enables building designers to find efficiencies in building heating,cooling, lighting and energy systems.

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. During the year, Arpico Supercentre in Negombo secured the Silver award in the large scale category of the commercial sector buildings at the Sri Lanka National Energy Efficiency Awards 2016, which was organized by Sri Lanka Sustainable Energy Authority and Ministry of Power and Renewable Energy.

Our aim is for responsible forestry and water management to become the norm, beyond our own supply chain. But we cannot do this alone – we need collaboration to make this happen. To become forest positive, we will contribute to ending deforestation by promoting the adoption of sustainable forestry methods across the whole industry.

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 "Main-streaming 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.

Various welfare activities conducted at the Plantation Estates

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.

Richard Pieris Natural Foam has Organic latex certification from the Global Organic Latex Standards (GOLS) and also uses green production process where the waste materials and the products are bio degradable. It's also noteworthy that Bio Mass boiler used at the factory is an Echo friendly unit. Further, the products manufactured do conform to several international standards including the Oeko-Tex Class – 1 recognized for Child Safety material.

The local innovation and the introduction of environmentally friendly concepts such as the Arpico Green Gas Unit have helped the Sri Lankan community at large. 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

Overall Group Performance

During the financial year 2016/17, the Group was able to continue its consistent performance reporting a revenue of Rs. 49.1 bn, with an increase of 14% over the previous financial year. The Group was able to report strong financial performance mainly backed by retail, rubber, tyre and services sectors whilst the transference of the plantation sector during the latter part of the financial year. The measures taken to increase productivity and efficiencies induced the gross profit to increase by 21% to Rs. 12.8 bn. Consequently, Group recorded a Profit before Tax of Rs. 4.8 bn and Profit after Tax of Rs. 3.6 bn, strongly growing at 41% and 58% respectively.

Revenue Analysis

Group revenue for the year increased from Rs. 43 bn in the financial year 2015/16 to Rs. 49.1 bn in the financial year 2016/17, recording an increase of 14%.

The revenue growth of the Group was achieved despite the challenging economic activities in the country. The economic growth experienced during prior years was restrained to 4.8% in 2015 and to 4.4% in 2016 reflecting the slowdown in the economy. External pressures thumped up the market risk in our country and certain fiscal measures were adopted which influenced on curbing down the market activities. Despite these challenges, increase in volumes especially in the rubber sector, better prices in the plantation sector coupled up with Services sector contributed towards maintaining a strong growth of 14% in the Group top line.

Retail Sector

The Retail sector emerged as the most significant contributor to the Group's Revenue for yet another year, contributing 50% to the Group revenue. The sector reported a revenue of Rs. 24.5 bn, indicating a growth of 13% over the previous year. The growth in the modern retail trade continued to expand with the emphasis by clients on convenience and availability more and more in urban cities with the busy lifestyles. The performance of the sector was largely assisted by the opening of two Supercentres in Kurunegala and Kohuwala, which in turn expanded the total network of large format retail outlets to 21. Throughout the year, the sector continued to be the value driver of the Group, attracting a larger portion of its risk weighted capital.

Rubber Sector

The rubber sector continued its growth momentum during the year with its revenue increasing by 21% to Rs. 4.2 bn and its contribution to Group Revenue was 8%. Within the sector, the natural latex segment recorded a growth of 37% year on year in value through aggressive marketing coupled up with re-structuring the distribution channels which has eventually induced growth in volume. Despite the stiff competition, Natural Latex segment was able to compete on price due to its market leadership and Group synergies eventually led towards recording a strong performance.

'Flooring Rubber and Mats' segment continued its consistency contributing Rs. 1.2 bn to the Group revenue. Increase in volume by 3% along with the rupee depreciation induced the segment revenue for the period. The growth reported in this segment is noteworthy given the recessionary pressure in the European, Asia Pacific and the Latin American regions. Further, the revenue generated from the 'Shoe Soles Manufacturing' segment also reported as Rs. 519 mn during the year under review.

Tyre Sector

Revenue of the Tyre sector reached Rs. 2.8 bn contributing 6% to the Group revenue in the reporting financial year. The retreading segment continued to dominate the sector's revenue, contributing approximately 71% to the sector revenue. However, the rising competition posed by imported radial tyres, which offer a lower cost per kilometre, has exerted significant pressure on the market segment of rebuilding tyres.

The trading segment indicated an increase of 32% in volume to report revenue of Rs. 754 mn in the reporting year. Numerous product promotions initiated through dealer networks as well as at corporate levels resulted in an increase in contribution from the trading of Nexen and Birla Tyres. The sector is gradually giving prominence towards its trading operations of its branded products of Nexen and Birla.

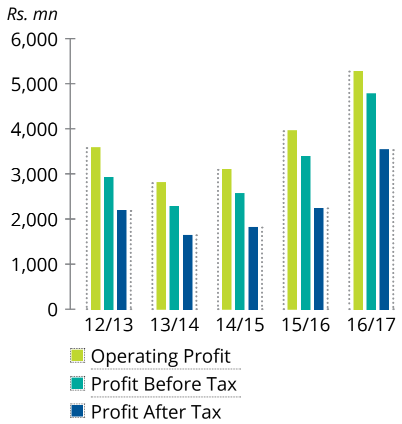
Plastics and Furniture Sector

Despite of the challenges imposed from the external environment, the Plastics and Furniture sector was able to report revenue

Turnover Composition

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

Operating Profit vs. PBT vs. PAT



of Rs. 7.2 bn for the financial year 2016/17 contributing 15% to the Group revenue. 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 benefit the Group in coming years. Further, the sector continued to explore new markets / brands and is perfectly positioned to tap new markets and launching of international brands to the domestic market. Further, the plastic sector expanded its distributor coverage, and ensured that the Group reaped full benefits from the limited opportunities offered by the macro-economy.

Plantation Sector

The Plantation sector was faced with many challenges for yet another year. However, commodity prices indicated an increase in latter part of the year inducing the rubber and tea prices in the auctions reflecting better prices for the producers eventually benefiting the plantations. The sector ended the year by recording total revenue of Rs. 7.8 bn and continued to be the second highest contributor to the Group revenue, contributing 16% during the year under review.

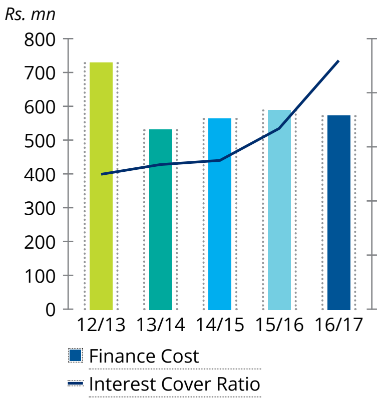
The tea output from the sector was 11.6 mn kg during the reporting financial year compared to 12 mn kg reported during the financial year 2015/16. The sector produced 5 mn kg of rubber during the year compared with 4.5 mn kg in the corresponding period. Further, the average rubber price increased from Rs. 274 per kg to Rs. 268 per kg.

On a positive note, Revenue from the palm oil segment increased by 59% and is identified as the best performing crop for the year. Revenue from the palm oil segment, increased from Rs. 566 mn to Rs. 898 mn, while the total crop increased from 16.5 mn kg to 20.2 mn kg. The price of palm oil also experienced an upward trend when it rose from Rs. 34 per kg to Rs. 44 per kg, due to hikes in global crude oil prices in the second half of the financial year and the increased use of palm oil as edible oil, which fuelled its demand.

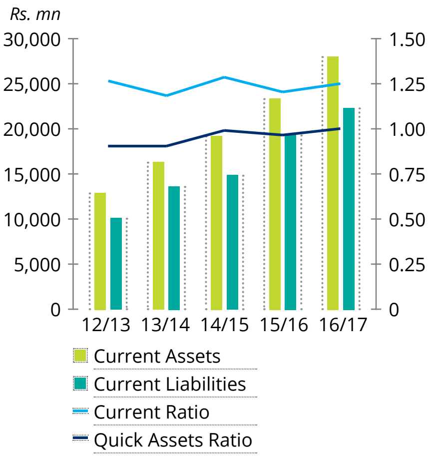
Financial Services Sector

The Financial Services sector comprises of the finance company as well as the life insurance, stock broking, margin trading and asset management company. The sector continued its growth momentum in the reporting year as well, indicating 52% growth in revenue to report Rs. 2.7 bn.

Net Finance Cost vs. Interest Cover Ratio



Working Capital Investment vs. Current Ratio



Other Services Sector

The Other Services sector reported revenue to Rs. 73.1 mn for the financial year 2016/17.

Cost of Sales and Operating Expenses

The cost of sales of the Group increased by 12% during the year under review which absorb 74% of the Group revenue. The cost of sales reported to be Rs. 36.4 bn in the financial year 2016/17 compared to Rs. 32.4 bn in the corresponding year.

Administration costs was reported to be Rs. 5.6 bn in the reporting year compared to Rs. 4.9 bn in the previous year exhibited an increase of 14%. Meanwhile, the Group's distribution costs, which include advertising and promotional costs as well as sales related expenses, commissions paid on sales volumes, increased by 9% to reach Rs. 2.9 bn during the year, accounting for 6% of the total revenue. Accordingly, the administration and distribution costs, along with the cost of sales, constituted 91% of the Group's revenue during the financial year under review.

Profit from Operations

The gross profit was reported to be Rs. 12.8 bn for the reporting year compared to Rs. 10.6 bn in the financial year 2015/16. The gross profit margin improved to 26% in comparison to 25% indicated in the previous year.

Other operating income for the year was recorded at Rs.1.1bn. Consequently, profit from operations of the Group increased by 34% to Rs. 5.3 bn, which reflects an operating profit margin of 11% for the reporting financial year.

Retail Sector

Retail sector yet again pivoted to be the main contributor to groups returns generated from operations contributing 33% to the Group operating profit compared to 39% in the corresponding year. The operating profit of the Retail sector was Rs. 1.7 bn, an increase of 12% from the previous financial year. The focus on producing energy through

Financial Review Contd.

renewable energy sources during the year in selected large format retail outlets whilst emphasising on key strategic initiatives on managing the cost structure. The operating profit margin was reported as 7% whilst EBITDA margin was reported as 8% in the reporting year as well as in the prior reporting year.

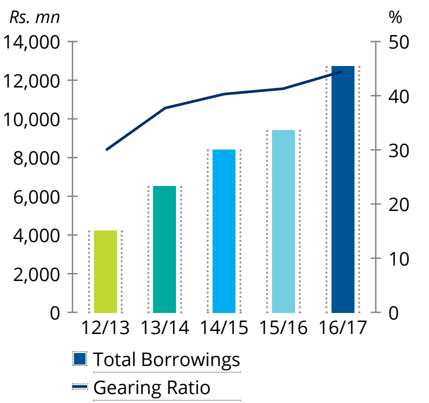
Rubber Sector

The rubber sector emerged to be the third highest contributor for the Group operating profit accounting for 16% during the reporting year same as in the previous financial year. The operating profit reached Rs. 838.7 mn for the year under review compared to Rs. 648.5 mn reported in the previous financial year. Further, the EBITDA margin was strong at 21% compared to 20% recorded during the previous year. The operating profit margin was recorded at 19% compared to 18% in the previous financial year. Furthermore, the fluctuation in the currencies market favourably assisted the sector to report higher profits.

Tyre Sector

The tyre sector reported an operational profit of Rs. 546.8 mn for the reporting financial year contributing 10% to the Group operating profit. The tyre sector to an extent was affected from increase in commodity prices in the market which influenced in escalation of operational cost. The operating profit margins of the sector is 13% compared to 14% in the previous reporting year whereas EBITDA margin was 14% for the reporting year compared to 15% indicated in the year of comparison. Furthermore, the sector was able improve the contribution from its trading business via negotiating for better trade agreements, which eventually strengthened the margins.

Net Debt Vs. Gearing Ratio



Plastics and Furniture Sector

The operating profit of the Plastics and Furniture sector was Rs. 1.1 bn, accounted for 21% of the Group operating profit. Concurrently, the operating profit margin was indicated as13% in the financial year 2016/17 compared to 17% in the previous financial year. Furthermore, the EBITDA margin of the sector declined to 15% during the reporting year from 17% indicated in the previous financial year.

Plantation Sector

The plantation sector, which experienced a dip in profitability during previous financial years, reported a fivefold growth for the reporting year to report Rs. 799.3 mn accounting for 15% of Group operating profit. Increase in the commodity prices in latter part of the financial year induced the sector to report higher revenue coupled up with constant backing to reduce the overheads, accordingly benefited the profitability of the sector.

Financial Services Sector

The sector reported an operating profit of Rs. 525.9 mn for the reporting year, indicating a growth of 132% over the previous year. The strong performance of Richard Pieris Finance Limited and Insurance Company were instrumental in enabling the sector to contribute 10% to the Group's operating profit.

Finance Cost

The decision of the Central Bank of Sri Lanka to tighten its hold on the monetary policy resulted in policy rates being increased by 75 basis points during the reporting year. These developments resulted in continuously pressing the interest rates to increase 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 12.38% in November 2016 after moderating to 11.79% in March 2017, speaks to circa 2.6% increase from the corresponding point of comparison.

Due to such changes in policy measures, the Finance Cost reported of the Group escalated significantly from the previous year of Rs. 826.1 mn to Rs. 955.8 mn an increase of 16%. The increase in finance cost further influenced from increase in Group borrowings which has also increased by Rs. 3.3 bn during the year. The net debt position of the Group stood at Rs. 12.7 bn for the reporting year compared to Rs. 9.4 bn in financial year 15/16. 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. 383.7 mn, compared to Rs. 233.8 mn in the previous financial year, as the market deposit rates indicated an increase during the reporting year. The interest cover for the Group, based on net finance cost, improved significantly from 6.7 times to 9.3 times. Further, Group was able to successfully structure a facility through International Finance Corporation for the expansion of the retail sector.

Share of Associates

The associate's share of the Group comprised of the 21.6% stake in AEN Palm Oil Limited. Accordingly, the share of profits of associates for the Group stood at Rs. 83 mn compared to Rs. 36 mn in the previous year indicating an increase of over two folds during the year under review.

Non-Controlling Interest

Despite of the Group holding absolute ownership of many of its subsidiaries, minority shareholding largely lies in the three plantation companies which influenced to report Non-Controlling Interest of Rs. 388.9 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 business expansion strategy and enhancing its production 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 the retail sector concentrating on key commercial cities in the country. Two large format retail outlets were established in Kurunegala and Kohuwala. Furthermore, Plastics and Furniture sector expanded in manufacturing rubber related products whilst state of the art production line for Water tank operations in the central point of Dambulla was constructed and production lines are in place to meet the demands.

Group Financial Position and Liquidity

Non-Current Assets

The non-current assets of the Group increased from Rs. 20 bn to Rs. 21.7 bn during the year, and as such represents 43% of total assets. The property, plant and equipment category, which accounts for 34% of the total assets, increased by 7% over the previous financial year. The Retail Sector, with over Rs. 597 mn investments for its expansion and the Plantation sector, with its investment of Rs. 447 mn for replanting purposes, also contributed towards this growth.

Working Capital

During the year, the current assets of the Group reached Rs. 28.2 bn compared to Rs. 23.6 bn reported during the corresponding period, whilst current liabilities also reached Rs. 22.5 bn indicating an increase of 20% and 15% respectively. Inventory increased by Rs. 978 mn as business expanded its volumes. Trade receivables were reported to be Rs. 6.3 bn in the reporting year compared to Rs. 5 bn in the previous financial year. The working capital cycle expanded, which induced trade and other payables also increased by Rs. 5.4 mn. Accordingly working capital days were managed within the controllable limits. The total current assets of the Group accounted for 57% of its total assets while total current liabilities accounted for 45% of the same. The Group's current ratio was reported to be 1.3 and the acid test ratio was reported at 1.0 compared to 1.2 and 0.9 times respectively in the corresponding period.

Capital Structure

Equity

The profit attributable to the shareholders for the year was recorded at Rs. 3.2 bn, which in turn induced the reserves to increase by 23% to reach Rs. 10.8 bn. The Group declared an interim dividend of Rs. 0.60 in February 2017 and proposed a final dividend of Rs. 0.50 per share by the Board of Directors. The total number of shares was 2,035,038,275.

Borrowing

In terms of borrowings, the net debt including cash balance, was stationed at Rs. 12.7 bn compared to Rs. 9.4 bn in the previous financial year, an increase of Rs. 3.3 bn during the year mainly because the Group relied on external funding for the continuous expansion of its core businesses. A significant increase in debt, amounting to Rs. 1.9 bn is observed in the financial services sector, following the expansion in operations of the finance company. Consequently,the Group's gearing ratio increased to 45% in the reporting year when compared to 42% in the previous year whilst debt-to-equity ratio also reported to be 1.1 from 1 of the total debt, 87% was denominated in local currency whilst the debt denominated in foreign currency accounted for approximately 13%.

Returns to Shareholders

Profit attributable to the shareholders through recurring operations showed an increase of 48% to Rs. 3.2 bn. Consequently, EPS indicated an increase of 49%, while diluted EPS also followed suit from Rs. 1.05 to Rs. 1.56 The earnings yield for the year was recorded at 19%, while the dividend yield also indicated 7.2% on year end share price compared to 6.9% on the previous year. However, the total gain of shareholders was strong at 24%.

Market Capitalization

The market capitalization of the Company was Rs. 16.9 bn at the closing price of the share, up from Rs. 14.7 bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 9.20, while the lowest price was Rs. 7.40. Close to 81.2 mn shares were traded during the year and the share price closed for the year at Rs. 8.30.

Risk Management

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

Risk Exposure	Group Objectives	Risk Minimisation Strategies
Financial Risk Management		
1. Liquidity and Cash Management	› To ensure faster response to market opportunities by ensuring instant funding ability. › To maintain a 'sufficient' liquidity position at all times.	› Funding of long term assets through Equity and Long Term Loans. › Availability of short term borrowing facilities to the Group at all times. › Funding of inventory by short term creditors. › The Group owns land and buildings with market values significantly in excess of its book values that can be offered as collateral for future funding requirements. › Sourcing of funding requirements through many financial institutions.
2. Interest Rate Risk	› To minimise adverse effects of interest rate volatility. › To ensure cost of borrowing is at minimum level. › To optimise the return on the Shareholder's Fund and Life Policy Fund of Insurance Company. › Optimize the interest spread through matching the maturities of assets and liabilities of the Finance Company.	› Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings. Continuous monitoring is being done to match the mix of foreign and local denominated borrowings to the mix of export and local revenue of the Group. › Using fixed and variable rate borrowings to strike a balance. › Centralised Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms. › Practicing effective hedging techniques whenever deemed necessary. › Centralised Treasury function to get the advantage of the total pooling of funds. › Matching the Assets and Liabilities of maturities. › Duration Management.
3. Currency Risk	› To minimise risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.	› Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge. › Ensuring effective Treasury operations through various hedging techniques such as forward bookings, forward sales, swaps and options contracts etc.
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 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 of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department. › Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the › Group's performance is in line with its targets.
4. **Reputation Risk**	› To prevent the causes that damage our reputation. › To minimise the impact if, despite our best endeavours, a reputation crisis should occur.	› Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the inputs, processes and outputs of own brand and in-house manufactured products. › Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large. › Providing the front line managers and the sales staff with adequate training in order to improve service standards as well as to educate staff on the importance of customer service. › Ensuring Public Liability Cover to make certain safety of the customers and public at all times.
5. **Human Capital and Labour Risk**	› To ensure a smooth flow of operations without any undue disruptions. › To project ourself as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.	› Maintaining healthy relationships with trade unions through regular dialogue › Entering into agreements with trade unions. › Improving employee benefits by way of incentives and welfare activities. › Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs. › Promoting Performance driven culture.
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 Contd.

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

	2017 Rs.'000	%	2016 Rs.'000	%
Revenue	49,149,395		43,018,502	
Cost of material and services purchased	(32,340,108)		(28,096,382)	
	16,809,287		14,922,120	
Other income	1,072,901		985,316	
	17,882,188		15,907,436	
Distribution of value added				
To employees				
- Remuneration	7,435,378	42%	7,318,133	46%
To government				
- Duties and taxes	3,793,729	21%	3,622,647	23%
To providers of capital				
- Interest on loan capital	955,768	5%	826,092	5%
- Non controlling interest	388,875	2%	110,232	1%
- Dividend to shareholders	1,221,023	7%	1,017,519	6%
Retained in the business				
- Depreciation	917,320	5%	865,128	5%
- Profit retained	3,170,095	18%	2,147,685	14%
	17,882,188		15,907,436	

Our People

Whilst continuing with the endowed traditions and heritage of 85 years, our Human capital management focused on nurturing and stimulating creativity and innovative thinking, bonding / building team work and employee engagement. Enthusiasm to take ownership of the work performed and manoeuvring the employees to unique value creation towards the customers and clients that the Group serves are the key etiquettes, which are inculcated in our people. The driving force, our people, blessed with an abundance of talent and dynamism, is undoubtedly the greatest assets in our long journey of success.

Our Group has an employee base of 29,936 with different nationalities, races, religions and cultures and always believes that a blend of youth and maturity will concurrently benefit both the Company and the employees. The Group is constantly trying with aspirations of becoming a "Great Place to Work" for all our current and imminent employees. Our key competitive factor is undoubtedly is our most valuable asset, our people. In striving for excellence, we will continue to attract and retain key talent at all levels through our HR practices.

Employee Relations

The Group continued to practice its open door policy in addressing issues concerning employees as it always believes that the ideology of industrial democracy is the best tool for managing relations with employees. Various initiatives such as medical camps, nutritional programmes, sports activities, financial assistance for various purposes and art competitions were carried out, especially, in the Plantation estates.

With its relationship based strategy, the Group has won the hearts and minds of the employees across more than 50 subsidiaries and thus the Group proudly rejoiced yet another year in fostering and maintaining industrial peace and harmony.

Human Resource Development

Hence the Group always considers that it is of paramount importance to nurture, groom and foster the pool of talents that we have at Arpico which not only benefits the Group but also the entire nation. A significant milestone is the setting up of the in-house training academy with trainers from various professional backgrounds, nurturing the staff of all categories to be one step ahead of the needs of the competitive industry.

Recreation and Employee Motivation

The Group recognizes the significance of maintaining a steady balance between work and personal life of employees, and to maintain sound physical and mental health since a relaxed mind in a healthy physique always enhances employee performance whilst stimulating innovative ideas. Recreational activities such as Inter Company Cricket carnivals, Movie nights, musical shows, etc. are organised to sustain a balanced life. Further, the employees are encouraged participate in various sports such as Athletic programmes, Mercantile Cricket, Mercantile Hockey and Mercantile Chess tournaments.

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. S S G Liyanage	Director
Mr. W J V P Perera	Director
Mr. W R Abeysirigunawardena	Director
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. Lino Piccolo	Director
Mr. Fabio Piccolo	Director
Mr. W R Abeysirigunawardena	Director
Mr. Januka Karunasena	Director appointed w.e.f. 08.09.2016
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. S S Poholiyadde	Director
Mr. W R Abeysirigunawardena	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 640,822,600 represented by 64,082,260 shares
Group Holding	84.18%

ARPICO NATURAL LATEX FOAMS (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Mr. Shaminda Yaddehige	Director
Mr. Januka Karunasena	Director
Mr. W R Abeysirigunawardena	Director appoint w.e.f. 15.08.2016
Stated Capital	Rs. 90,000,000 represented by 9,000,000shares
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 and trading
Dr. Sena Yaddehige	Chairman
Mr. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director
Mr. Pradeep Samaratunga	Director appointed w.e.f. 15.08.2016
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. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director
Mr. Pradeep Samaratunga	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 58,650,000 represented by 459,999 shares
Group Holding	51%

RICHARD PIERIS RUBBER COMPOUNDS LIMITED	
Business Activity	Mixing rubber compounds
Dr. Sena Yaddehige	Chairman
Mr. W R Abeysirigunawardena	Director
Mr. Pradeep Samaratunga	Director appointed w.e.f. 15.08.2016
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. S S G Liyanage	Managing Director
Dr. K Weerapperuma	Director resigned w.e.f. 02.09.2016
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.06.2016
Mr. L M Jayasuriya	Director appointed w.e.f. 08.09.2016
Stated Capital	Rs. 34,160,030 represented by 3,416,003 shares
Group Holding	98%

Corporate Structure Contd.

ARPICO PLASTICS LIMITED	
Business Activity	Manufacture of plastic products
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Managing Director
Mr. P A S Kularatne	Director
Dr. K Weerapperuma	Director resigned w.e.f. 02.09.2016
Stated Capital	Rs. 29,000,000 represented by 2,900,000 shares
Group Holding	100%

ARPITECH (PRIVATE) LIMITED	
Business Activity	Manufacture of PVC pipes and fittings and polyurethane foam products
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Mr. L C Wijeyesinghe	Director
Mr. Shaminda Yaddehige	Director
Mr. P. A. S. Kularatne	Director
Stated Capital	Rs. 35,000,020 represented by 3,500,002 shares
Group Holding	100%

R P C POLYMERS (PRIVATE) LIMITED	
Business Activity	Manufacturers, exporters and importers of all plastic products
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Dr. K Weerapperuma	Director resigned w.e.f. 02.09.2016
Mr. L M Jayasuriya	Director appointed w.e.f. 08.09.2016
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. S S G Liyanage	Director
Mr. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.06.2016
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
Mr. Shaminda Yaddehige	Director appointed w.e.f. 01.06.2016
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO FURNITURE DISTRIBUTORS (PRIVATE) LIMITED	
Business Activity	Carrying on buying and selling of furniture items
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddehige	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RPC PROPERTIES (PRIVATE) LIMITED	
Business Activity	Carrying on property development business
Mr. S S G Liyanage	Director appointed w.e.f. 16.03.2017
Mr. D I U N K Baddewithana	Director appointed w.e.f. 16.03.2017
Stated Capital	Rs. 1,000 represented by 100 shares
Group Holding	49%

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED	
Business Activity	Managing and operating a chain of retail network
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Dr. Harsha Cabral	Director resigned w.e.f. 31.01.2017
Mr. P A S Kularatne	Director
Mr. Ravi Liyanage	Director
Mr. Shaminda Yaddehige	Director/Alternative Director to Dr. Sena Yaddehige
Ms. Kimarli Fernando	Director
Mr. W J V P Perera	Director appointed w.e.f. 25.01.2017
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. S S G Liyanage	Director
Mr. Shaminda Yaddehige	Director
Mr. K A S Lasantha	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

ARPICO FURNITURE LIMITED (Discontinued Business)	
Business Activity	Furniture industry
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddehige	Director
Stated Capital	Rs. 40,000,000 represented by 4,000,000shares
Group Holding	100%

ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED			
Business Activity		Operates retailing centres	
Dr. Sena Yaddehige		Chairman	
Mr. W J V P Perera		Director	
Mr. Athula Herath		Director appointed w.e.f. 15.08.2016	
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 and real estate development projects
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. K A S Lasantha	Director appointed w.e.f. 15.08.2016
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
Mr. K A S Lasantha	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 387,000,020 represented by 38,700,002 shares
Group Holding	100%

ARPICO DAILY RETAIL MANAGEMENT (PRIVATE) LIMITED	
Mr. S S G Liyanage	Director appointed w.e.f. 10.07.2015
Mrs. R S K Rambodagedara	Director appointed w.e.f. 10.07.2015
Sated Capital	Rs. 20 represented by 2 shares
Group Holding	50%

5. PLANTATION SECTOR

RICHARD PIERIS PLANTATIONS (PRIVATE) LIMITED	
Business Activity	Managing agents of plantations
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. Shaminda Yaddehige	Director
Mr. Sunil Poholiyadde	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

RPC MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment and management of the plantation companies
Dr. Sena Yaddehige	Chairman
Mr. J M A Ratnayeke	Director
Dr. C M P P R P Perera	Director
Mr. Shaminda Yaddehige	Director
Stated Capital	Rs. 75,000,000/- represented by 7,500,000 shares
Group Holding	100%

MASKELIYA PLANTATIONS PLC	
Business Activity	Tea plantations
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director
Dr. H S D Soysa	Director resigned w.e.f. 09.05.2016
Mr. E M M Boyagoda	Director resigned w.e.f. 23.08.2016
Dr. L S K Hettiarachchi	Director
Mr. J L A Fernando	Director
Mr. Shaminda Yaddehige	Director
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. S S Poholiyadde	Director
Prof. R C W M P A Nugawela	Director
Dr. S S G Jayawardena	Director
Mr. Shaminda Yaddehige	Director
Stated Capital	Rs. 250,000,010 represented by 25,000,001 shares
Group Holding	79.14%

EXOTIC HORTICULTURE (PRIVATE) LIMITED	
Business Activity	Cultivation of fruits
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director
Mr. K P Chandaratne	Director resigned w.e.f. 27.02.2017
Stated Capital	Rs. 10,000,000 represented by 1,000,000 shares
Group Holding	100%

HAMEFA KEGALLE (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Manufacture and export of furniture
Dr. Sena Yaddehige	Chairman
Mr. S. S. Poholiyadde	Director
Mr. Lalith Wijeyesinghe	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	79.14%

Corporate Structure Contd.

NAMUNUKULA PLANTATIONS PLC	
Business Activity	Rubber, tea, cinnamon and coconut plantations
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director
Mr. N C Pieris	Director
Mr. B A T Rodrigo	Director (Government nominee)
Mr. Shaminda Yaddehige	Director
Mr. N M Thompson	Director appointed w.e.f. 26.05.2016 and resigned w.e.f. 05.04.2017
Mr. E P I Fernando	Director appointed w.e.f. 26.05.2016 and resigned w.e.f. 25.08.2016
Mr. S G D Amerasinghe	Director appointed w.e.f. 19.10.2016
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	64.90%

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

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

ARPICO PLANTATIONS INTERNATIONAL (PRIVATE) LIMITED	
Business Activity	Business of plantation management
Dr. SenaYaddehige	Director
Mr. W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	89.57%

6. SERVICES

RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED	
Business Activity	Provides company secretarial services
Dr. Sena Yaddehige	Chairman
Mrs. R J Siriweera	Director
Mr. Shiron Gooneratne	Director appointed w.e.f. 15.08.2016
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
Mr. Athula Herath	Director appointed w.e.f. 15.08.2016
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. 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
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. W J V P Perera	Director
Mr. Thusitha Karunadasa	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO HOMES LIMITED (Discontinued Business)	
Business Activity	Property and real estate development
Dr. Sena Yaddehige	Director
Mr. W S Kalugala	Director
Mr. Thusitha Karunadasa	Director appointed w.e.f. 15.08.2016
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

ARPICO HOTEL SERVICES (PRIVATE) LIMITED	
Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Director
Mr. L M Jayasuriya	Director
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	Carrying on IT related activities
Dr. Sena Yaddehige	Chairman
Mr. S Kalugala	Director
Mr. M P Welihinda	Director
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. Shiron Gooneratne	Director
Mr. E P I Fernando	Director appointed w.e.f. 26.05.2016 and resigned w.e.f. 25.08.2016
Mr. Pamuditha Bandara Hennayake	Director appointed w.e.f. 22.07.2016 and resigned w.e.f. 19.09.2016
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. Shiron Gooneratne	Director
Mr. E P I Fernando	Director appointed w.e.f. 26.05.2016 and resigned w.e.f. 25.08.2016
Stated Capital	Rs. 35,000,000 represented by 3,500,000 shares
Group Holding	100%

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

ARPICO ATARAXIA ASSET MANAGEMENT (PRIVATE) LIMITED	
Business Activity	Asset management
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 and other financial services
Mr. J F Fernandopulle	Director
Mr. D P J Hewawitharana	Director
Mr. C P Abeywickrema	Director
Mr. Gamini Wijesurendra	Director
Mr. K M M Jabir	Director
Mr. Viville Perera	Director appointed w.e.f. 19.12.2016
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. M P Welihinda	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

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
Mr. Shiron Gooneratne	Director appointed w.e.f. 10.03.2017
Stated Capital	Rs. 100,000,020 represented by 10,000,002 shares
Group Holding	100%

Corporate Structure Contd.

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. L M Jayasuriya	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO CAPITAL LIMITED	
Business Activity	Financial agent/intermediary/ consultant
Dr. Sena Yaddehige	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

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

CHILAW FINANCE PLC (Amalgamated with Richard Pieris Finance limited w.e.f. 17.04.2017	
Business Activity	Carrying on leasing, hire purchasing and other financial services
Mr. J. F. Fernandopulle	Director
Mr. A. Hettiarachchi	Director resigned w.e.f. 27.09.2016
Mr. D. P. J. Hewawitharana	Director
Mr. H. M. Hennayake Bandara	Director resigned w.e.f. 27.09.2016
Mr. W. J. V. P Perera	Director
Mrs. D G Jayawardena	Director appointed w.e.f. 01.11.2016
Mr. K A B Wijayasundara	Director appointed w.e.f. 22.11.2016
Stated Capital	Rs. 290,909,239 represented 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%

ARPICO HOSPITAL (PRIVATE) LIMITED	
Business Activity	Relating to human health care and allied services
Dr. Sena Yaddehige	Director
Mr. S S Poholiyadde	Director
Mr. L M Jayasuriya	Director
Stated Capital	Rs. 40 represented by 4 shares
Group Holding	69.79%

ARPICO WAREHOUSE (PRIVATE) LIMITED	
Business Activity	Warehousing
Mr. S S Poholiyadde	Director
Mr. S S G Liyanage	Director
Stated Capital	Rs. 30 represented by 3 shares
Group Holding	93.04%

ARPICO MEDIA SOLUTIONS (PRIVATE) LIMITED	
Business Activity	Carrying on Media Business
Dr. Sena Yaddehige	Director
Mr. W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO MOTOR COMPANY (PRIVATE) LIMITED	
Mr. W J V P Perera	Director appointed w.e.f. 17.06.2015
Mr. S S G Liyanage	Director appointed w.e.f. 17.06.2015
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	98.96%

KADOLANA BEACH RESORTS (PRIVATE) LIMITED	
Dr. Sena Yaddehige	Director appointed w.e.f. 28.01.2016
Mr. S. S. Poholiyadde	Director appointed w.e.f. 28.01.2016
Stated Capital	Rs. 30 represented by 3 shares
Group Holding	59.71%

ARPICO NATURAL EXTRACTS (PRIVATE) LIMITED	
Mr. S S G Liyanage	Director appointed w.e.f. 27.02.2017
Stated Capital	Rs. 1,000 represented by 100 shares
Group Holding	91.04%

Financial Information

85 Years Since 1932

TOUCHING LIVES

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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 2017.

The Directors approved the Financial Statements on 1st June 2017.

Principal Activities and 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 53 to 58 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 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 48 to 50 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 Review and Sector Reviews of this report.

Group Revenue

The revenue of the Group was Rs. 49.1 bn. A detailed analysis of the Group's turnover identifying the contributions from different sectors is given in Note 3 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 4.3 bn. Trade between Group companies is conducted at fair market prices.

Results and Dividends

Details relating to the Group profits are given in the table on Page 61. The Group reported a Profit after tax amounting to Rs. 3.6 bn. During the year, the Group declared an interim dividend of Rs. 0.60 per share in February 2017. Further, the Board of Directors proposed a final dividend of Rs. 0.50 per share for the period under review.

Group Investments

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

Property, Plant and Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 2.1 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 145.

Stated Capital

The stated capital of the Company as at 31 March 2017 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 2017 amount to Rs.10.8 bn. (Rs. 8.8 bn as at 31 March 2016). The details of which, is given in the Statement of Changes in Equity in page 75.

Corporate Donations

Donations made by the Company and Group to charitable organisations amounted to Rs. 0.2 mn and Rs. 4.9 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 140 to 141 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2017 are given in pages 142 and 143 under Shareholder Information.

Directors

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

Mr. Viville Perera 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.

Mr. Jagath C Korale who was appointed to the Board as an Independent Director with effect from 24th October 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. Mr. Prasanna Fernando who was appointed to the Board as an Independent Director with effect from 08th August 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 71 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 09th May 2017 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 75 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 P.C."

   The Company has also received a letter dated 09th May 2017 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 P.C. decided to notify the Shareholders of the Company of the 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	2016/17 Rs.'000	2015/16 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	**4,801,414**	3,398,914
From which the deduction of income tax and transfer to the deferred taxation account was	**(1,237,426)**	(1,137,461)
Leaving the Group with a profit after tax from continuing operations of	**3,563,988**	2,261,453
From which the Loss after tax from discontinued operations deducted was	**(5,018)**	(3,536)
Leaving the Group with a profit for the year of	**3,558,970**	2,257,917
From which Non-Controlling Interest deducted was	**(388,875)**	(110,232)
Leaving a Profit attributable to the equity holders of the parent was	**3,170,095**	2,147,685
To which the retained profit brought forward form the previous year added was	**8,786,806**	7,861,271
Adjustments and transfers during the year	**(25,126)**	47,151
Other Comprehensive Income	**96,629**	267,287
Super Gains Tax	**-**	(519,069)
Leaving a profit available for appropriation of	**12,028,404**	9,804,325
Appropriations		
The amount available has been appropriated as follows,		
Interim dividend 2015-16	**-**	(1,017,519)
Interim dividend 2016-17	**(1,221,023)**	-
Leaving a retained profit to be carried forward amounting to	**10,807,381**	8,786,806

Annual Report of the Board of Directors Contd.

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

Transactions with Related Undertakings

The list of Directors at each of the subsidiary and associate companies has been disclosed in the Group structure on pages 53 to 58.

Directors' Shareholding

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

Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 40 (Related party disclosures) to the Financial Statements.

Directors' Remuneration

Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2017 are disclosed in Note 40.6 to the Financial Statements.

Vision and Long Term Goals

The Group's Vision and Long Term Goals are given in page 3 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 40 to 43.

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 29,936.

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 in Note 39 to the Financial Statements.

Board Committees

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 67 to 69 of the report.

Corporate Governance / Internal Control

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The practices carried out by the Company in relation to corporate governance and internal controls are explained in pages 64 to 66 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 70 of this report.

Compliance with Other Laws and 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 2017. The Notice of the Annual General Meeting is on page 148 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.

1st June 2017

Corporate Governance

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

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

The Board and its Operations

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

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

During the year the Board met on five 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. The Board has delegated responsibilities to three 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 its Chairman Mr. Jagath C Korale, Dr. Jayatissa De Costa P.C. and Mr. Prasanna Fernando. All three members were appointed with effect from 28th October 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 68 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

The Remuneration Committee is composed of three Independent Non-Executive Directors - its Chairman, Dr. Jayatissa De Costa P.C., Mr. Jagath C Korale and Mr. Prasanna Fernando. All three members were appointed with effect from 28th October 2016.

The Report of the Remuneration Committee on page 67 highlights its main activities.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of three Independent

Non-Executive Directors namely its Chairman Dr. Jayatissa De Costa P.C., Mr. Jagath C Korale and Mr. Prasanna Fernando. All three members were appointed with effect from 28th October 2016 The Report of the Related Party Transactions Review Committee on page 69 highlights its main activities.

Relationship with Shareholders

The Board maintains healthy relationships with its shareholders. 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 48 to 50.

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 40 to 43.

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 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.

Corporate Governance Contd.

Name of Director	Executive	Non-Executive	Independent
Dr. S. Yaddehige	×		
Mr. J. H. P. Ratnayeke (Resigned w.e.f. 28th February 2017)	×		
Mr. W. J. V. P. Perera	×		
Mr. Shaminda Yaddehige	×		
Mr. S. S. G. Liyanage	×		
Prof. Lakshman R. Watawala (Resigned w.e.f. 24th August 2016)		×	×
Prof. Kapila Goonasekara (Resigned w.e.f 19th August 2016)		×	×
Dr. S. A. B. Ekanayake (Resigned w.e.f. 11th July 2016)		×	×
Dr. Jayatissa De Costa P.C. (Appointed w.e.f. 30th June 2016)		×	×
Mr. Prasanna Fernando (Appointed w.e.f. 8th August 2016)		×	×
Mr Jagath C. Korale (Appointed w.e.f. 24th October 2016)		×	×

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

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

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three Independent Non- Executive Directors, Dr. Jayatissa De Costa P.C., Mr. Jagath C Korale and Mr. Prasanna Fernando. The Committee is chaired by Dr. Jayatissa De Costa P.C. 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.

Dr. Jayatissa De Costa P.C.
Chairman

1st June 2017

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 controls and risk management.
3. Monitor and evaluate 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 consists of three Independent Non-Executive Directors namely its Chairman Mr Jagath C Korale , Dr Jayatissa De Costa P.C. and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 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 8 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 details of the investigations carried out by his department for the period. The responses Heads of the SBUs to the internal audit findings were reviewed and where necessary corrective actions were recommended and implementation monitored.

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 every month end highlighting all the 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 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, 2018 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 complied with.

Jagath C. Korale
Chairman

1st June 2017

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee consists of three Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C., Mr. Jagath C. Korale and Mr. Prasanna Fernando. All three members were appointed with effect from 28th October 2016.

The 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 and 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 reviewed the policy framework for adoption on Related Party Transactions for Richard Pieris and 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.

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 where appropriate

Details of the related party transactions entered into by the Group / Company are disclosed on pages 138 and 139.

Dr. Jayatissa De Costa P.C.
Chairman

Related Party Transactions Review Committee

1st June 2017

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 71 of this report.

The Financial Statements of the Company and its subsidiaries for the year ended 31st March 2017 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 72 to 139 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these Financial Statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all companies within the Group maintain accounting records, which are sufficient to prepare Financial Statements that disclose with reasonable accuracy, the financial position of the Company and its Group. They also confirm their responsibility towards ensuring that the Financial Statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its Group as at 31st March 2017, 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 71 of this report.

By Order of the Board,

Richard Pieris Group Services (Pvt) Limited
Secretaries

310, High Level Road, Nawinna, Maharagama

1st June 2017

Independent Auditor's Report

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
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Sri Lanka

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TO THE SHAREHOLDERS OF RICHARD PIERIS AND COMPANY PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Richard Pieris and Company PLC, ("the Company"), and the consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position as at 31 March 2017, 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 72 to 139)

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 2017, 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 2017, 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.

1st June 2017
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

Statement of Profit or Loss

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing operations					
Revenue	3	49,149,395	43,018,502	2,309,476	2,196,374
Cost of sales		(36,373,136)	(32,427,560)	-	-
Gross profit		12,776,259	10,590,942	2,309,476	2,196,374
Other operating income	4.1	1,071,660	980,964	-	5,176
Selling and distribution expenses		(2,887,625)	(2,648,983)	-	-
Administrative expenses	4.3	(5,614,365)	(4,929,390)	(541,451)	(509,063)
Other operating expenses	4.2	(55,470)	(38,230)	(31,664)	(10,867)
Operating profit		5,290,459	3,955,303	1,736,361	1,681,620
Finance costs	5	(955,768)	(826,092)	(384,418)	(459,666)
Finance income	6	383,695	233,759	22,290	46,236
Share of profit of an associate	7	83,028	35,944		
Profit before tax from continuing operations		4,801,414	3,398,914	1,374,233	1,268,190
Income tax expense	8	(1,237,426)	(1,137,461)	(11,726)	(11,727)
Profit for the year from continuing operations		3,563,988	2,261,453	1,362,507	1,256,463
Discontinued operations					
Loss after tax for the year from discontinued operations	9	(5,018)	(3,536)	-	-
Profit for the year		3,558,970	2,257,917	1,362,507	1,256,463
Attributable to:					
Equity holders of the parent		3,170,095	2,147,685		
Non-controlling interests		388,875	110,232		
		3,558,970	2,257,917		
Earnings per share					
Basic	10	Rs. 1.56	Rs. 1.06		
Diluted	10	Rs. 1.55	Rs. 1.05		
Earnings per share for continuing operations					
Basic	10	Rs. 1.56	Rs. 1.06		
Diluted	10	Rs. 1.55	Rs. 1.05		
Dividend per share	11	Rs. 0.60	Rs. 0.50		

Figures in brackets indicate deductions.
The accounting policies and notes from page 78 to 139 form an integral part of these Financial Statements.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		3,558,970	2,257,917	1,362,507	1,256,463
Other comprehensive income/ (loss)					
Other comprehensive income to be reclassified to profit or loss;					
Net gain/(loss) on available for sale financial assets		6,691	(17,391)	4,271	(11,249)
Fair value movement of AFS reserve transferred to life fund		(3,094)	6,142	-	-
Exchange differences on translation of foreign operations		18,487	40,372	-	-
Net other comprehensive income/(loss) to be reclassified to profit or loss		22,084	29,123	4,271	(11,249)
Other comprehensive income/(loss) not to be reclassified to profit or loss;					
Gain on actuarial valuation	32	136,265	371,925	4,179	1,009
Income tax effect		(12,709)	(34,306)	-	-
Net other comprehensive income not to be reclassified to profit or loss		123,556	337,619	4,179	1,009
Other comprehensive income/(loss) for the year, net of tax		145,640	366,742	8,450	(10,240)
Total comprehensive income for the year, net of tax		3,704,610	2,624,659	1,370,957	1,246,223

	Group 2017	Group 2016
Attributable to:		
Equity holders of the parent	3,281,790	2,429,049
Non-controlling interests	422,820	195,610
	3,704,610	2,624,659

Figures in brackets indicate deductions.
The accounting policies and notes from page 78 to 139 form an integral part of these Financial Statements.

Statement of Financial Position

		Group		Company	
As at 31st March	Notes	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	12.1	17,114,482	15,944,669	94,253	105,275
Leasehold properties	12.2	520,941	546,562	-	-
Investment properties	13	166,709	165,209	1,229,014	1,234,215
Intangible assets	14	1,140,835	1,147,321	-	-
Biological assets	15	865,762	824,557	-	-
Investments in subsidiaries	16	-	-	3,808,772	3,875,439
Investment in associates	16	117,278	241,302	-	-
Other non-current financial assets	17	1,683,037	1,145,876	109,595	105,202
Deferred tax assets	18	75,918	109,937	-	11,726
		21,684,962	20,125,433	5,241,634	5,331,857
Current assets					
Inventories	19	5,621,019	4,642,937	-	-
Trade and other receivables	20	6,333,659	4,981,158	209,982	165,941
Bearer biological assets	15.2	26,463	-	-	-
Loans and advances	21	11,127,962	8,759,562	-	-
Tax receivables		185,482	163,717	5,012	1,717
Amounts due from subsidiaries		-	-	1,961,764	2,689,633
Other current financial assets	17	481,985	806,143	-	-
Cash and short-term deposits	23	4,467,603	4,206,004	5,734,994	3,895,883
		28,244,173	23,559,521	7,911,752	6,753,174
Total assets		49,929,135	43,684,954	13,153,386	12,085,031
Equity and liabilities					
Equity					
Stated capital	24	1,972,829	1,972,829	1,972,829	1,972,829
Revenue reserves		10,807,381	8,786,806	1,400,185	1,254,522
Statutory reserve fund	25	46,024	23,190	-	-
Other components of equity	26	104,969	89,903	16,612	12,341
Equity attributable to equity holders of the parent		12,931,203	10,872,728	3,389,626	3,239,692
Non-controlling interests		2,614,195	2,412,573	-	-
Total equity		15,545,398	13,285,301	3,389,626	3,239,692
Non-current liabilities					
Interest-bearing loans and borrowings	28	6,924,988	6,272,108	3,146,317	4,404,020
Net liability to the lessor	29	583,654	595,444	-	-
Insurance provision	27	814,633	501,933	-	-
Provisions	30	116,878	104,565	-	-
Government grants	31	534,240	551,457	-	-
Deferred tax liabilities	18	492,856	387,036	-	-
Employee benefit liabilities	32	2,426,498	2,440,785	79,823	85,791
		11,893,747	10,853,328	3,226,140	4,489,811
Current liabilities					
Trade and other payables	34	8,013,402	8,007,969	277,921	1,318,137
Public deposits	35	3,935,016	3,722,640	-	-
Current portion of interest-bearing loans and borrowings	28	3,432,564	2,498,679	1,293,285	514,047
Current portion of net liability to the lessor	29	11,790	11,336	-	-
Amounts due to subsidiaries		-	-	2,997	19,496
Income tax payable		253,362	427,497	-	-
Short term borrowings	22	6,843,856	4,878,204	4,963,417	2,503,848
		22,489,990	19,546,325	6,537,620	4,355,528
Total liabilities		34,383,737	30,399,653	9,763,760	8,845,339
Total equity and liabilities		49,929,135	43,684,954	13,153,386	12,085,031

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 78 to 139 form an integral part of these Financial Statements.

1st June 2017

Statement of Changes in Equity

	Attributable to equity holders of the parent								
Group	Stated capital Rs.'000	Revenue reserves Rs.'000	Available -for-sale reserve Rs.'000	Foreign currency translation reserve Rs.'000	Investment fund reserve Rs.'000	Statutory reserve fund Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total equity Rs.'000
As at 1st April 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	-	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
As at 1st April 2016	1,972,829	8,786,806	13,607	76,296	-	23,190	10,872,728	2,412,573	13,285,301
Profit for the year	-	3,170,095	-	-	-	-	3,170,095	388,875	3,558,970
Other comprehensive income	-	96,629	3,611	11,455	-	-	111,695	33,945	145,640
Adjustments	-	(2,292)	-	-	-	-	(2,292)	(2,035)	(4,327)
Total comprehensive income	-	3,264,432	3,611	11,455	-	-	3,279,498	420,785	3,700,283
Dividends	-	(1,221,023)	-	-	-	-	(1,221,023)	-	(1,221,023)
Transfers during the year	-	(22,834)	-	-	-	22,834	-	-	-
Subsidiary/Associate dividend to minority shareholders	-	-	-	-	-	-	-	(219,163)	(219,163)
At 31st March 2017	1,972,829	10,807,381	17,218	87,751	-	46,024	12,931,203	2,614,195	15,545,398
Company									
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	-	1,009	(11,249)	-	-	-	(10,240)	-	(10,240)
Total comprehensive income	-	1,257,472	(11,249)	-	-	-	1,246,223	-	1,246,223
Dividends paid	-	(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
As at 1st April 2016	1,972,829	1,254,522	12,341	-	-	-	3,239,692	-	3,239,692
Profit for the year	-	1,362,507	-	-	-	-	1,362,507	-	1,362,507
Other comprehensive income	-	4,179	4,271	-	-	-	8,450	-	8,450
Total comprehensive income	-	1,366,686	4,271	-	-	-	1,370,957	-	1,370,957
Dividends	-	(1,221,023)	-	-	-	-	(1,221,023)	-	(1,221,023)
At 31st March 2017	1,972,829	1,400,185	16,612	-	-	-	3,389,626	-	3,389,626

Figures in brackets indicate deductions.

The accounting policies and notes from page 78 to 139 form an integral part of these Financial Statements.

Statement of Cash Flows

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating activities					
Profit before tax from continuing operations		4,801,414	3,398,914	1,374,233	1,268,190
Loss from discontinued operations		(5,018)	(3,536)	-	-
Profit before tax		4,796,396	3,395,378	1,374,233	1,268,190
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property,plant equipment		884,892	834,109	23,467	23,178
Amortization of lease hold properties		32,428	31,019	-	-
Amortisation and impairment of intangible assets		6,486	10,986	-	-
Gain on disposal of property, plant and equipment		(32,776)	(6,098)	-	-
Gain on sale of biological assets		(19,566)	(20,433)	-	-
Net change in the fair value of financial assets at FVTPL		(2,881)	1,595	-	-
Fair value adjustment of biological assets		(51,852)	(25,234)	-	-
Finance income		(383,695)	(233,759)	(22,290)	(46,236)
Finance costs		955,768	826,092	384,418	459,666
Share of profit of an associate		(83,028)	(31,169)	-	-
Provision for bad debts		92,835	49,469	-	-
Provision for slow moving stocks		146,195	113,401	-	-
Provision for defined benefit plan		445,293	414,572	13,893	12,996
Provision for receivables/Impairment of investments		-	7,002	82,992	59,150
Provision on warranties		12,313	145	-	-
Provision for unrealised profit		79	1,630	-	-
Grants amortized		(29,964)	(35,354)	-	-
Impairment of loans and advances		83,661	188,739	-	-
Exchange differences on translation of foreign currency		68,628	32,594	31,664	13,867
		6,921,212	5,554,684	1,888,377	1,790,811
Working capital adjustments:					
(Increase) / decrease in trade and other receivables and prepayments		(1,445,337)	(282,803)	667,381	38,926
Increase in inventories		(1,124,356)	(325,998)	-	-
Increase/ (decrease) in trade and other payables		1,017,689	1,200,894	(44,449)	(132,630)
Changes in operating assets		(2,452,062)	(3,526,571)	-	-
Changes in operating liabilities		212,376	1,062,130	-	-
Increase in insurance provision		309,606	200,983	-	-
Cash generated from operations		3,439,128	3,883,319	2,511,309	1,697,107
Interest paid		(945,195)	(944,386)	(373,846)	(577,960)
Gratuity paid		(323,315)	(222,848)	(15,682)	(3,283)
Interest received		383,695	233,759	22,290	46,236
Income tax paid		(1,293,162)	(1,495,583)	(3,295)	(1,773)
Net cash flows from operating activities		1,261,151	1,454,261	2,140,776	1,160,327

		Group		Company	
For the year ended 31st March		2017	2016	2017	2016
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investing activities					
Proceeds from sale of property, plant and equipment		36,553	12,801	-	-
Purchase of property, plant and equipment		(2,052,551)	(1,510,907)	(4,704)	(11,097)
Purchase of investment properties		(1,500)	(57)	(2,540)	(5,530)
Increase in biological assets due to new planting		(7,266)	(10,827)	-	-
Purchase of financial instruments		(203,432)	(759,912)	-	-
Dividend received		75,076	23,333	-	-
Increase in holding in a subsidiary		-	(28,934)	-	-
Receipt of government grants		12,747	24,368	-	-
Proceeds from sale of biological assets		24,080	26,067	-	-
Net cash flows used in investing activities		(2,116,293)	(2,224,068)	(7,244)	(16,627)
Net cash outflow before financing		(855,142)	(769,807)	2,133,532	1,143,700
Financing activities					
Payment of finance lease liabilities		(11,336)	(10,899)	-	-
Proceeds from borrowings		4,633,399	2,815,250	485,000	1,582,250
Repayment of borrowings		(3,129,818)	(2,522,163)	(1,015,448)	(528,249)
Dividends paid to equity holders of the parent		(2,238,542)	-	(2,238,542)	-
Dividends paid to non-controlling interests		(117,614)	(238,752)	-	-
Net cash flows from/(used in) financing activities		(863,911)	43,436	(2,768,990)	1,054,001
Net increase/ (decrease) in cash and cash equivalents		(1,719,053)	(726,371)	(635,458)	2,197,701
Cash and cash equivalents at 1st April	23	(172,200)	554,171	1,892,035	(305,666)
Cash and cash equivalents at 31 March		(1,891,253)	(172,200)	1,256,577	1,892,035
Analysis of Cash and Cash equivalents at 31st March					
Bank and cash balances	23	4,467,603	4,206,004	5,734,994	3,895,883
Short term borrowings	23	(6,358,856)	(4,378,204)	(4,478,417)	(2,003,848)
		(1,891,253)	(172,200)	1,256,577	1,892,035

Figures in brackets indicate deductions.

The accounting policies and notes from page 78 to 139 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

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

1.2 Principal Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Directors Responsibility

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

1.5 Date of Authorisation for issue

The Consolidated Financial Statements of the Group for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on 1st June 2017.

2. STATEMENT OF COMPLIANCE

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

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for financial instruments available-for-sale and consumable biological assets that have 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 2017.

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 08 to the Consolidated Financial Statements.

Transfer pricing regulation

The Group 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

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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 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 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 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 retranslation 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.

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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.

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 asset are recognised within 'investment income' in the Statement of Profit or Loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

f) Interest Income

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

g) Finance Company Revenue

Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

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

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

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

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

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

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

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

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

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

l) Other income
Other income is recognized on an accrual basis.

2.5.6 Grants 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 instalments.

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

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

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:

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- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

Deferred tax relating to items recognised outside 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, palm oil plants and coconut palms, those that are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

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

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

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

Right to use of 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.

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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 in use. Group investment properties mainly comprise of freehold lands.

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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in 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 derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Profit or Loss in finance costs and removed from the available for sale reserve.

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In such case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.5.15.2 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 assets 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

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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.

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 derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

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

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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 as follows:

Length of service (years)	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 derecognised 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 Companies

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;

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- The realisable value of security (or other credit mitigants) and likelihood of successful repossession;

Collectively Assessed Financial Assets
Impairment is assessed on a collective basis in two circumstances:
- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous group of loans that is not considered individually significant.

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

The collective impairment allowance is determined after taking into account:

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

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

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

Under above methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss. These additional macro and portfolio risk factors may include:

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

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

2.7 Segment Information

2.7.1 Reporting Segments
The activities of the segments are described in the segmental Review of operations. Segmentation has been determined based on primary format and secondary format. Primary format represents the business segments, identified based on the differences in the products and services produced which has a similar nature of process, risk and return while the secondary format is on the basis of geographical areas in which the products or services are sold. The operating results of the segments are described in Note 03 to the Financial Statements. The geographical analysis is by the location of the customer. Since the manufacturing and marketing service as well as the assets and liabilities are located in Sri Lanka, only the revenue has been analysed into the geographical location.

2.7.2 Segment Information
Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the Consolidated Financial Statements of the Group.

2.8 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective

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

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 derecognition 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 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.

c) SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases-Incentives; and SIC 27. Evaluating the substance of transactions involving the Legal form of a Lease Earlier application is permitted. SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

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

- Amendments to SLFRS 10 and LKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- LKAS 7 Disclosure Initiative - Amendments to LKAS 7
- LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to LKAS 12
- SLFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to SLFRS 2
- Applying SLFRS 9 Financial Instruments with SLFRS 4 Insurance Contracts - Amendments to SLFRS 4

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03. Group Segmental Reporting

Year ended 31st March 2017 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	4,168,568	2,761,265	7,207,935	24,497,921	2,685,176	73,106	7,755,424	49,149,395	-	49,149,395
Inter- segment	187,116	23,410	597,053	14,448	-	2,677,303	808,339	4,307,669	(4,307,669)	-
Intra - segment	12,659	1,478,597	437,134	241,726	-	-	243,352	2,413,468	(2,413,468)	-
Total revenue	4,368,343	4,263,272	8,242,122	24,754,095	2,685,176	2,750,409	8,807,115	55,870,532	(6,721,137)	49,149,395
Results										
Segment results	838,735	546,777	1,095,520	1,722,482	525,856	1,307,342	799,312	6,836,024	(1,545,565)	5,290,459
Finance costs										(955,768)
Finance income										383,695
Share of profit of an associate										83,028
Profit before tax from continuing operations										4,801,414
Income tax expense										(1,237,426)
Profit for the year from continuing operations										3,563,988
Loss after tax for the year from discontinued operations										(5,018)
Profit for the year										3,558,970
Non-controlling interests										(388,875)
Attributable to Equity holders of the parent										3,170,095
Operating assets	3,474,426	2,182,490	7,209,935	10,503,675	15,570,590	7,374,188	18,080,840	64,396,144	(14,584,287)	49,811,857
Operating liabilities	1,331,142	1,185,082	5,168,349	6,673,178	11,960,905	3,219,179	10,217,815	39,755,650	(5,371,913)	34,383,737
Other disclosures										
Investment in an associate	227,905	-	-	-	-	-	12,567	240,472	(123,194)	117,278
Capital expenditure	196,754	11,018	704,183	614,569	55,303	8,488	471,002	2,061,317	-	2,061,317
Depreciation and amortisation	66,879	36,067	123,614	264,059	25,294	29,985	371,422	917,320	-	917,320

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	47,312,328	1,246,703	1,237,885	1,765,947	51,562,863	(2,413,468)	49,149,395

Segment Information

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	(14,917,907)	43,443,652
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	(5,774,988)	30,399,653
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 Contd.

4. Other Income/Expenses and Adjustments

4.1 Other Operating Income

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Government grants	28,739	31,002	-	-
Net gain on disposal of property, plant and equipment	32,776	6,098	-	-
Rental income	388,566	342,383	-	-
Gain on change in fair value of biological assets	51,852	25,234	-	-
Income from partnership promotions	130,061	109,274	-	-
Foreign exchange gain	22,805	49,346	-	-
Scrap sales / sales commission/mixing income	54,459	60,460	-	-
Sale of timber/rubber trees	41,773	43,887	-	-
Documentation and other service charges from financial services	225,966	240,600	-	-
Sundry income	94,663	72,680	-	5,176
Total other operating income	1,071,660	980,964	-	5,176

4.2 Other Operating Expenses

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Foreign exchange loss	31,664	11,514	31,664	10,867
Irrecoverable VAT on management fees of plantation companies	16,653	13,125	-	-
Amortisation and impairment of intangible assets	6,486	10,202	-	-
Others	667	3,389	-	-
Total other operating expenses	55,470	38,230	31,664	10,867

4.3 Profit from operations is stated after charging following expenses

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Directors' remuneration and fees	49,391	51,230	39,598	32,192
Auditors' remuneration and fees	23,810	23,350	1,111	918
Depreciation	884,892	834,109	23,467	23,178
Amortisation of leasehold properties	32,428	31,019	-	-
Amortisation and impairment of intangible assets	6,486	10,986	-	-
Provision made for defined benefit plan cost	445,293	414,572	13,893	12,996
Staff costs including defined contribution plan cost	6,940,694	6,852,331	92,494	88,032
Legal fees	19,307	15,858	2,507	565
Donations	4,874	2,270	202	502
Allowances for impairment of receivables and debts written off	176,496	238,208	-	-

5. Finance Costs

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on long term loans	507,765	731,809	360,787	445,807
Interest on short term loans	448,003	94,283	23,631	13,859
Total finance costs	955,768	826,092	384,418	459,666

6. Finance Income

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income from related companies	-	-	22,064	40,611
Interest income from third parties	383,695	233,759	226	5,625
Total finance income	383,695	233,759	22,290	46,236

7. Share of Results of Associate

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 2017 and 2016, and income and expenses of the entity for the years ended 31st March 2017 and 2016, which is accounted under the equity method are as follows.

	2017	2016
	Rs.'000	Rs.'000
Revenue	2,476,615	1,589,283
Profit before tax	249,108	107,844
Group share of profit before tax	83,028	35,944
(-) Tax on associate results	(13,035)	(4,775)
Group share of profit after tax	69,993	31,169
Associate's Statement of Financial Position		
Current assets	133,084	115,501
Non-current assets	297,853	297,108
	430,937	412,609
Current liabilities	(84,744)	(53,643)
Non-current liabilities	(39,327)	(36,871)
	(124,071)	(90,514)

Investment in Associate	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	241,302	88,962
Share of profits	83,028	35,944
Taxation	(13,035)	(4,775)
Dividends received/ Share of dividends and profits to minority shareholders	(194,017)	121,171
At the end of the year	117,278	241,302

Notes to the Financial Statements Contd.

8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2017 and 2016 are:

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Current income tax:				
Current income tax charge	909,072	889,255	-	-
Adjustments in respect of current income tax of previous years	(16,079)	(22,210)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	125,828	2,037	11,726	11,727
ESC Unrecoverable	9,127	7,677	-	-
Tax on associate results	13,035	4,775	-	-
Dividend tax	196,443	255,927	-	-
Income tax expense reported in the Statement of Profit or Loss	1,237,426	1,137,461	11,726	11,727
A. Taxation on current year profit				
Profit before tax from continuing operations	4,801,414	3,398,914	1,374,234	1,268,190
Loss before tax from discontinued operations	(5,018)	(3,536)	-	-
Share of results of associate	(83,028)	(35,944)	-	-
	4,713,368	3,359,434	1,374,234	1,268,190
Disallowed items	2,637,165	2,375,673	207,834	221,990
Allowable expenses	(2,968,171)	(2,385,945)	(44,090)	(43,217)
Resident dividend	-	-	(1,548,797)	(1,460,031)
Qualifying payment on acquisition of a subsidiary	(100,387)	(444,867)	-	-
	4,281,975	2,904,295	(10,819)	(13,068)
Tax loss brought forward	(4,919,971)	(4,075,322)	(525,154)	(501,193)
Tax loss carried forward	4,550,776	4,819,959	525,154	501,193
Taxable Income	3,912,780	3,648,932	(10,819)	(13,068)
Income tax 28%	746,704	766,138	-	-
Income tax 20%	72,597	61,349	-	-
Income tax 15%	56	432	-	-
Income tax 12%	75,396	58,808	-	-
Income tax 10%	12,672	881	-	-
Income tax at other rates	1,647	1,647	-	-
	909,072	889,255	-	-
(Over) / under provision in the previous years	(16,079)	(22,210)	-	-
	892,993	867,045	-	-
Deferred tax	125,828	2,037	11,726	11,727
ESC unrecoverable	9,127	7,677	-	-
Tax on associate results	13,035	4,775	-	-
Dividend tax	196,443	255,927	-	-
	1,237,426	1,137,461	11,726	11,727

	Group		Company	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose	212,508	171,593	-	-
Retirement benefits obligation	(25,896)	(4,747)	-	-
Benefit arising from tax losses	(64,590)	(67,769)	11,726	11,727
Other provisions	3,806	(97,040)	-	-
Total deferred tax expense	125,828	2,037	11,726	11,727

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%.

Export profits of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Arpitalian Compact Soles (Pvt) Limited and Richard Pieris Rubber Products Limited are liable to income tax at a concessionary rate of 12% in terms of section 52 of the Inland Revenue Act No.10 of 2006 and other profit 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 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%.

The export turnover of Arpitech (Pvt) Limited is liable to income tax at a rate of 12% while the agricultural income is liable to income tax at 10% . Other profit and income of Arpitech (Pvt) Limited is liable to tax at 28%.

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 has been 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 has been entitled to this concessionary rate for a period of twenty years commencing from 1st September 1996 to 1st September 2016. From 1st September 2016 it is liable to income tax at a rate of 12%.

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 Contd.

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 Latexfoams (Pvt) Limited.

The results of discontinued operations are given below.

	2017 Rs.'000	2016 Rs.'000
Revenue/Other income	1,241	4,352
Expenses	(6,259)	(7,888)
Loss for the year from discontinued operations	(5,018)	(3,536)

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:

	2017 Rs.'000	2016 Rs.'000
Total assets	76,464	81,631
Total liabilities	98,186	99,229

Cash flow implications for the year are presented below:

	2017 Rs.'000	2016 Rs.'000
Net cash flows from operating activities	(49)	(116)

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

10. Earnings per Share

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

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

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

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

	2017 Rs.'000	2016 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	3,175,113	2,151,221
Loss attributable to ordinary equity holders of the parent from discontinued operations	(5,018)	(3,536)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	3,170,095	2,147,685
Weighted average number of ordinary shares for basic earnings per share	2,035,038,275	2,035,038,275
Effect of dilution:		
Effect of potential ordinary shares from share options	4,636,811	4,609,417
Weighted average number of ordinary shares adjusted for the effect of dilution	2,039,675,086	2,039,647,692

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.

	2017 Rs.	2016 Rs.
Basic earnings per share	1.56	1.06
Diluted earnings per share	1.55	1.05
Earnings per share from continuing operations - Basic	1.56	1.06
Earnings per share from continuing operations - Diluted	1.55	1.05

11. Dividend per Share

	2017 Rs.'000	2016 Rs.'000
Interim Dividend Rs. 0.60 per share (2015/16 Rs. 0.50 per share)	1,221,023	1,017,519
	1,221,023	1,017,519

1. 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.

2. The first interim dividend of Rs. 0.60 per share for the financial year ended 31.03.2017 was declared on 08th February 2017 and was paid on 01st March 2017.

Notes to the Financial Statements Contd.

12. Property Plant and Equipment

12.1 Group

	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2017 Rs.'000
Cost / valuation					
Land / land improvements	2,855,521	389,999	-	-	3,245,520
Buildings	4,038,763	429,672	-	3,056	4,471,491
Immature / mature plantations	7,809,508	439,127	-	-	8,248,635
Plant, machinery, tools and electrical installations	5,130,943	623,182	(57,518)	16,029	5,712,636
Office and other equipment	1,195,908	208,911	-	-	1,404,819
Furniture, fixtures and fittings	579,212	50,556	-	575	630,343
Motor vehicles	869,716	18,626	(26,317)	58	862,083
Computers	515,982	51,172	-	-	567,154
	22,995,553	2,211,245	(83,835)	19,718	25,142,681
Capital work in progress	550,527	438,468	(629,577)	-	359,418
Total gross carrying amount	23,546,080	2,649,713	(713,412)	19,718	25,502,099

	As at 01.04.2016 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2017 Rs.'000
Depreciation / amortisation					
Land improvements	101,360	5,325	-	-	106,685
Buildings	1,089,840	154,197	-	340	1,244,377
Immature / mature plantations	1,277,154	183,232	-	-	1,460,386
Plant, machinery, tools and electrical installations	3,144,958	277,189	(55,417)	6,055	3,372,785
Office and other equipment	667,232	109,657	-	-	776,889
Furniture, fixtures and fittings	412,658	31,219	-	527	444,404
Motor vehicles	714,462	53,420	(24,641)	58	743,299
Computers	422,515	38,641	-	-	461,156
	7,830,179	852,880	(80,058)	6,980	8,609,981

Net Book Values	2017 Rs.'000	2016 Rs.'000
Land / land improvements	3,138,835	2,754,161
Buildings	3,227,114	2,948,923
Immature / mature plantations	6,788,249	6,532,354
Plant, machinery, tools and electrical installations	2,339,851	1,985,985
Office and other equipment	627,930	528,676
Furniture, fixtures and fittings	185,939	166,554
Motor vehicles	118,784	155,254
Computers	105,998	93,467
	16,532,700	15,165,374
Capital work in progress	359,418	550,527
Total carrying amount	16,892,118	15,715,901

Assets acquired on finance leases	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Cost / valuation					
Immature / mature plantations	773,460	-	-	-	773,460
Plant and machinery	134,369	-	-	-	134,369
Office and other equipment	836	-	-	-	836
Motor vehicles	3,997	26,970	-	-	30,967
	912,662	26,970	-	-	939,632

	As at 01.04.2016 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Depreciation / amortization					
Immature / mature plantations	545,163	27,218	-	1,362	573,743
Plant and machinery	134,286	83	-	-	134,369
Office and other equipment	448	16	-	-	464
Motor vehicles	3,997	4,695	-	-	8,692
	683,894	32,012	-	1,362	717,268

Net Book Values	2017 Rs.'000	2016 Rs.'000
Immature / mature plantations	199,717	228,297
Plant and machinery	-	83
Office and other equipment	372	388
Motor vehicles	22,275	-
	222,364	228,768
Total carrying amount of property, plant and equipment	17,114,482	15,944,669

Property, plant and equipment with a carrying amount of Rs. 8,322 mn (2016 - 6,982 mn) are pledged as security for loans obtained. (Note 28.1)

12.2 Leasehold Properties - Group

	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Cost / valuation						
Right to use land	827,863	-	-	-	-	827,863
Buildings	268,941	5,445	-	-	-	274,386
	1,096,804	5,445	-	-	-	1,102,249

Notes to the Financial Statements Contd.

	As at 01.04.2016 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Amortisation						
Right to use land	352,434	15,477	-	-	(1,362)	**366,549**
Buildings	197,808	16,951	-	-	-	**214,759**
	550,242	32,428	-	-	(1,362)	**581,308**

	2017 Rs.'000	2016 Rs.'000
Right to use land	**461,314**	475,429
Buildings	**59,627**	71,133
Total carrying amount of leasehold properties	**520,941**	546,562

Property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,941 mn (2016 - Rs. 3,005 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 2,053 mn (2016 - Rs. 1,511 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 the lease period.

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 28 years.

Borrowing costs amounting to Rs. 54.5 mn (2016 - Rs 61.9 mn) incurred to meet expenses relating to immature plantations have been capitalised as a part of the cost of immature plantations.

12.3 Company

	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Cost / valuation					
Buildings	51,527	681	-	-	52,208
Plant, machinery, tools and electrical installations	95,476	248	-	-	95,724
Office and other equipment	32,498	1,559	-	-	34,057
Furniture, fixtures and fittings	22,879	442	-	-	23,321
Motor vehicles	64,981	-	-	-	64,981
Computers	41,074	1,774	-	-	42,848
	308,435	4,704	-	-	313,139
Capital work in progress	12,914	-	-	-	12,914
Total gross carrying amount	321,349	4,704	-	-	326,053

	As at 01.04.2016 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Depreciation / amortisation					
Buildings	10,961	5,141	-	-	16,102
Plant, machinery, tools and electrical installations	62,951	4,819	-	-	67,770
Office and other equipment	26,687	1,041	-	-	27,728
Furniture, fixtures and fittings	17,176	1,586	-	-	18,762
Motor vehicles	64,591	157	-	-	64,748
Computers	33,708	2,982	-	-	36,690
	216,074	15,726	-	-	231,800

Net Book Values	2017 Rs.'000	2016 Rs.'000
Buildings	36,106	40,566
Plant, machinery, tools and electrical installations	27,954	32,525
Office and other equipment	6,329	5,811
Furniture, fixtures and fittings	4,559	5,703
Motor vehicles	233	390
Computers	6,158	7,366
	81,339	92,361
Capital work in progress	12,914	12,914
Total carrying amount of property, plant and equipment	94,253	105,275

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 175 mn (2016 - Rs. 172 mn).

During the financial year, the Company acquired property and equipment to the aggregate value of Rs. 4.7 mn (2016 - Rs. 11 mn).

Notes to the Financial Statements Contd.

13. Investment Properties

13.1 Group

	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2017 Rs.'000
Gross carrying amounts				
Freehold land	165,209	1,500	-	166,709
	165,209	1,500	-	166,709

Net Book Values	2017 Rs.'000	2016 Rs.'000
Freehold land	166,709	165,209
Total carrying amount of investment properties	166,709	165,209

13.2 Company

	As at 01.04.2016 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2017 Rs.'000
Gross carrying amounts				
Freehold land	1,038,063	-	-	1,038,063
Buildings and building integrals	299,752	2,540	-	302,292
	1,337,815	2,540	-	1,340,355

	As at 01.04.2016 Rs.'000	Charge for the Year Rs.'000	Adjustments Rs.'000	As at 31.03.2017 Rs.'000
Depreciation				
Buildings and building integrals	103,600	7,741	-	111,341
	103,600	7,741	-	111,341

Net Book Values	2017 Rs.'000	2016 Rs.'000
Freehold land	1,038,063	1,038,063
Buildings and building integrals	190,951	196,152
Total carrying amount of investment properties	1,229,014	1,234,215

	2017 Rs. mn	2016 Rs. mn
Rental income derived from investment properties	186	178
Direct operating expenses incurred	8.7	6.5
Fair value of investment properties	10,211	7,537

14. Intangible Assets

	Goodwill	Licenses	Other Intangibles	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 1st April 2016	1,197,709	58,735	9,817	1,266,261
Acquired / incurred during the year	-	-	-	-
Retired / disposed during the year	-	-	-	-
As at 31st March 2017	1,197,709	58,735	9,817	1,266,261
Amortisation and Impairment				
As at 1st April 2016	78,803	37,324	2,813	118,940
Amortisation/impairment for the year	4,000	1,451	1,035	6,486
As at 31st March 2017	82,803	38,775	3,848	125,426
Net Book Value				
As at 31st March 2016	1,118,906	21,411	7,004	1,147,321
As at 31st March 2017	1,114,906	19,960	5,969	1,140,835

(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.

Notes to the Financial Statements Contd.

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

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

15. Biological Assets

Consumable biological assets	2017 Rs.'000	2016 Rs'000
At the beginning of the year	824,557	794,128
Increase due to new planting	7,266	10,827
Decrease due to harvesting	(4,515)	(5,632)
Gain in fair value	38,454	25,234
At the end of the year	865,762	824,557

Biological assets include commercial timber plantations cultivated in estates of Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC. The valuation was carried out by Messrs' Ariyatilake and Company (Pvt) Limited, Chartered Valuers, 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 14%.
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 2017	-10% Rs.'000	Rs.'000	+10% Rs.'000
Managed timber	746,031	865,762	918,433
Total	746,031	865,762	918,433

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 2017	15.50% Rs.'000	14.00% Rs.'000	12.50% Rs.'000
Managed timber	784,277	865,762	973,443
Total	784,277	865,762	973,443

15.2 Produce on Bearer Biological Assets

Bearer biological assets	2017 Rs.'000
At the beginning of the year	13,065
Gain/(Loss) arising from changes in fair value of biological assets	13,398
At the end of the year	26,463

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1 : Quoted market prices in active markets for identical assets or liabilities.
Level 2 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	31st March 2017 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Assets measured at fair value				
Consumable biological assets - timber	865,762	-	-	865,762
Produce on bearer biological assets	26,463	-	26,463	-
	892,225	-	26,463	865,762

	31st March 2016 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Assets measured at fair value				
Consumable biological assets - timber	824,557	-	-	824,557
	824,557	-	-	824,557

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of transaction prices of the Company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Notes to the Financial Statements Contd.

16 Investments

A Company investments in subsidiaries

	% Holding		Number of shares			Value Rs.'000		
	31.03.2017	31.03.2016	31.03.2017	Movement	31.03.2016	31.03.2017	Movement	31.03.2016
Quoted investments								
Richard Pieris Exports PLC (Rs. 1,873 mn) *	80	80	8,959,997	-	8,959,997	200,555	-	200,555
Kegalle Plantations PLC (Rs. 1,029 mn) * +	-	-	9,500	-	9,500	1,441	-	1,441
Arpico Insurance PLC (Rs. 739 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	-	-	-
RPC 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						(100,000)	(66,667)	(33,333)
Company investments in subsidiaries						3,808,772	(66,667)	3,875,439

B Group investments in subsidiaries

	% Holding		Number of shares			Value Rs.'000		
	31.03.2017	31.03.2016	31.03.2017	Movement	31.03.2016	31.03.2017	Movement	31.03.2016
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. 739 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 Gardens Ceylon 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
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. 1,029 mn) * +	-	-	3,900	-	3,900	591	-	591

Notes to the Financial Statements Contd.

B Group investments in subsidiaries Contd.

	% Holding		Number of shares			Value Rs.'000		
	31.03.2017	31.03.2016	31.03.2017	Movement	31.03.2016	31.03.2017	Movement	31.03.2016
Investor								
RPC Plantation Management Services (Pvt) Limited								
Investee								
Namunukula Plantations PLC (Rs. 1,141 mn) *	65	65	15,412,737	-	15,412,737	517,621	-	517,621
Kegalle Plantations PLC (Rs. 1,029 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. 739 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	90	90	30,515,314	-	30,515,314	804,765	-	804,765
Investor								
Arpitech (Pvt) Limited								
Investee								
RPC Properties (Pvt) Limited	49	-	49	49	-	-	-	-
						6,121,928	-	6,121,928
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	-	6,002,761

C Company / Group investment in associate

	% Holding		Number of shares			Value Rs.'000		
	31.03.2017	31.03.2016	31.03.2017	Movement	31.03.2016	31.03.2017	Movement	31.03.2016
Group investments in associate;								
Unquoted Investments								
Investor								
Namunukula Plantations PLC								
Investee								
AEN Palm Oil Processing (Pvt) Limited	33	33	699,027	(613,803)	1,312,830	12,568	(17,392)	29,960
Group investment in associate (at cost)						12,568	(17,392)	29,960
Share of reserves						104,710	(106,632)	211,342
Group investment in associates (equity basis)						117,278	(124,024)	241,302

* Amounts stated within brackets correspond to market value as at 31st March 2017. 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.12,587 mn (2016 - Rs.11,156 mn).

16.1 Principal Subsidiaries with Material Non- Controlling Interest

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below;

For the year ended 31st March	Plantations Rs.'000	Rubber Rs.'000	Financial Services Rs.'000
Summarised Statement of Profit or Loss			
Revenue	8,254,896	1,174,155	803,015
Operating cost	(7,441,834)	(779,232)	(815,658)
Finance cost	(559,604)	(7,748)	-
Finance income	231,366	11,285	121,906
Share of profit of an associate	70,000	-	-
Profit before tax	554,824	398,460	109,263
Income tax expense	(24,319)	(37,984)	-
Profit for the year	530,505	360,476	109,263
Other comprehensive income	174,752	2,433	(432)
Total comprehensive income	705,257	362,909	108,831
Profit/(loss) attributable to non-controlling interests	199,607	72,823	19,964
Dividend paid to non-controlling interests	82,635	33,728	-

As at 31st March			
Summarised Statement of Financial Position			
Current assets	4,302,559	685,593	463,620
Non current assets	10,689,843	612,750	1,221,417
Total assets	14,992,402	1,298,343	1,685,037
Current liabilities	4,369,203	269,485	98,744
Non current liabilities	4,552,979	50,107	819,431
Total liabilities	8,922,182	319,592	918,175
Accumulated balance of material non-controlling interests	1,594,017	193,205	140,643
Summarised cash flow information for the year ending 31st March			
Cash flows from operating activities	904,741	464,442	165,952
Cash flows from/(used in) investing activities	(378,305)	(15,636)	(120,356)
Cash flows from/(used in) financing activities	(1,272,299)	(217,222)	-
Net increase/(decrease) in cash and cash equivalents	(745,863)	231,584	45,596

The above information is based on amounts before inter company eliminations.

Names of material partly owned subsidiaries and effective holding percentage owned by non controlling interest

Plantation Sector		**Rubber Sector**		**Financial Services Sector**	
Maskeliya Plantations PLC	16.60%	Richard Pieris Exports PLC	19.74%	Arpico Insurance PLC	18.34%
Kegalle Plantations PLC	20.86%				
Namunukula Plantations PLC	35.10%				

Notes to the Financial Statements Contd.

17. Other Financial Assets

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 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	72,284	-	-
Arpico Techno Japan	14,229	-	-	-
Quoted equity shares				
Commercial Bank of Ceylon PLC	10	10	10	10
John Keells Holdings PLC	17	13	17	13
Asian Hotel Properties PLC	35,089	30,221	35,089	30,221
Dialog Axiata PLC	124	112	124	112
National Development Bank PLC	2,980	3,471	2,980	3,471
	38,220	33,827	38,220	33,827
Government securities				
Treasury bill investments	254,534	107,304	-	-
Treasury bond investments	594,374	98,298	-	-
Total available for sale investments at fair value	979,266	317,338	43,845	39,452
Fair value through profit or loss				
Quoted equity shares				
Piramal Glass Ceylon PLC	2,373	2,162	-	-
Sampath Bank PLC	15,182	12,260	-	-
Hatton National Bank PLC (Non voting)	386	351	-	-
Unquoted equity shares				
Credit Information Bureau	593	593	-	-
Finance Houses Consortium	200	200	-	-
Total fair value through profit or loss investments	18,734	15,566	-	-
Held to maturity				
Treasury bill investments	55,264	50,521	-	-
Treasury bond investments	8,482	8,482	-	-
Total held to maturity investments	63,746	59,003	-	-
Loans and receivables				
Investments in corporate debts	603,771	351,077	65,750	65,750
Investment in repurchase agreement	154,246	633,545	-	-
Fixed deposits	40,259	263,101	-	-
Other loans and receivables	305,000	312,389	-	-
Total loans and receivables	1,103,276	1,560,112	65,750	65,750
Total other financial assets	2,165,022	1,952,019	109,595	105,202
Total current	481,985	806,143	-	-
Total non-current	1,683,037	1,145,876	109,595	105,202

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	
	2017	2016	2017	2016
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Other financial assets				
Loans and advances	11,127,962	8,759,562	11,168,828	9,455,257
Total	11,127,962	8,759,562	11,168,828	9,455,257
Financial liabilities				
Interest-bearing loans and borrowings	14,377,588	10,155,457	14,192,288	10,000,372
Public deposits	3,935,016	3,722,640	3,896,435	3,722,640
Total	18,312,604	13,878,097	18,088,723	13,723,012

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

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

- Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- 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.

Notes to the Financial Statements Contd.

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

Assets measured at fair value	31st March 2017 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for sale financial assets				
Equity Shares	130,358	38,220	-	92,138
Government Securities	848,908	848,908	-	-
	979,266	887,128	-	92,138
Fair value through profit or loss				
Equity Shares	18,734	17,941	-	793
	18,734	17,941	-	793

	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

18. Deferred Tax (Assets) / Liability

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deferred tax assets				
Deferred tax assets	(75,918)	(109,937)	-	(11,726)
Deferred tax liabilities	492,856	387,036	-	-
Net deferred tax liability/(assets)	416,938	277,099	-	(11,726)
Net deferred tax liability				
At the beginning of the period	277,099	237,986	(11,726)	(23,453)
Transfer from Statement of Profit and Loss	125,828	2,037	11,726	11,727
Transfer to the Statement of Other Comprehensive Income	12,709	34,306	-	-
Effect of changes in exchange rates	1,302	2,770	-	-
At the end of the period	416,938	277,099	-	(11,726)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	1,816,404	1,325,894	43,776	43,776
Any other deferred liabilities	-	262,610	-	-
	1,816,404	1,588,504	43,776	43,776

18. Deferred Tax (Assets) / Liability Contd.

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Deferred tax assets				
Retirement benefit obligations	(449,201)	(357,109)	(17,838)	(17,838)
Un-utilised tax losses	(786,048)	(526,102)	(11,091)	(22,817)
Other provisions	(164,217)	(428,194)	(14,847)	(14,847)
	(1,399,466)	(1,311,405)	(43,776)	(55,502)
Deferred Tax (Assets) / Liabilities	416,938	277,099	-	(11,726)

Deferred tax assets amounting to Rs. 79 mn (2016 - Rs. 95 mn) for the Group and Rs. 71 mn (2016 - Rs. 47 mn) for the Company has not been recognised since the companies do not expect these assets to reverse in the foreseeable future.

19. Inventories

	Group	
	2017 Rs.'000	2016 Rs.'000
Raw materials	1,485,031	1,077,404
Growing crop-nurseries	71,060	39,858
Work in progress	121,812	141,290
Finished goods	3,279,707	2,719,421
Produce inventories	772,413	720,096
Other inventories	84,305	87,915
Goods in transit	3,058	33,605
	5,817,386	4,819,589
Provision for slow moving inventories	(176,224)	(156,588)
Provision for unrealized profits	(20,143)	(20,064)
Net inventory	5,621,019	4,642,937

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

The amount of write-down of inventories recognised as an expense is Rs. 127 mn (2016 Rs. 91 mn) which is recognised under administrative expenses.

Inventories carried at net realisable value as at 31st March 2017 amounted Rs. 466 mn (2016 Rs. 984 mn)

Inventories with a carrying amount of Rs.786 mn (2016 Rs. 572 mn) are pledged as security for loans obtained, details of which are disclosed in Note 28.1 to the Consolidated Financial Statements.

Notes to the Financial Statements Contd.

20. Trade and Other Receivables

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

	Group					
	Total 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						
2017	4,774,717	2,996,583	835,244	219,872	168,231	554,787
2016	3,858,054	2,397,500	770,675	169,179	81,947	438,753

		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 2016	374,899	200,165	575	17,784	156,375
Charge for the year	96,504	16,154	43,634	3,170	33,546
Unused amounts reversed	(3,251)	(3,251)	-	-	-
Provisions written off	(418)	(418)	-	-	-
As at 31st March 2017	467,734	212,650	44,209	20,954	189,921

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Net trade receivables	4,306,983	3,483,155	-	-
Advances and deposits	720,289	407,076	-	-
Loans to employees	14,694	20,995	12,214	16,909
Other receivables	543,561	647,297	22,110	-
	5,585,527	4,558,523	34,324	16,909
Other non-financial receivables	748,132	422,635	175,658	149,032
	6,333,659	4,981,158	209,982	165,941

21. Loans and Advances

	2017 Rs.'000	2016 Rs'000
Finance lease/ Ijarah rental receivables	4,911,693	4,314,390
Hire purchase/ Muraba rental receivables	289,780	512,116
Term Loans/ Mortgage loans/ Wakala rental receivables	5,356,078	2,786,580
Short term loans/ Trading Muraba rental receivables	699,722	1,232,833
Other loans and advances	291,950	251,243
	11,549,223	9,097,162
Less: Impairment losses - Collective	(421,148)	(264,629)
- Individual	(113)	(72,971)
Net loans and advances receivables (Note 21.1)	11,127,962	8,759,562

21.1 Analysis of rental receivables on loans and advances

	2017			2016		
	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	2,312,245	3,980,042	6,292,287	1,748,424	3,685,353	5,433,777
(-) Unearned income	(661,297)	(719,297)	(1,380,594)	(468,000)	(651,387)	(1,119,387)
Net rental receivables	1,650,948	3,260,745	4,911,693	1,280,424	3,033,966	4,314,390
(-) Allowance for impairment loss - Individual	-	-	-	(7,868)	-	(7,868)
- Collective	(39,874)	(146,606)	(186,480)	(132,009)	-	(132,009)
Total net rental receivables	1,611,074	3,114,139	4,725,213	1,140,547	3,033,966	4,174,513
Hire purchase/ Muraba rental receivables						
Gross rental receivables	167,141	196,292	363,433	428,902	204,546	633,448
(-) Unearned income	(36,870)	(36,783)	(73,653)	(49,000)	(72,332)	(121,332)
Net rental receivables	130,271	159,509	289,780	379,902	132,214	512,116
(-) Allowance for impairment loss - Individual	-	-	-	(7,134)	-	(7,134)
- Collective	(11,810)	(8,768)	(20,578)	(21,647)	-	(21,647)
Total net rental receivables	118,461	150,741	269,202	351,121	132,214	483,335
Term loans/ Mortgage loans/ Wakala						
Gross rental receivables	3,629,059	3,045,168	6,674,227	1,262,766	3,252,341	4,515,107
(-) Unearned income	(718,784)	(599,365)	(1,318,149)	(431,293)	(1,297,234)	(1,728,527)
Net rental receivables	2,910,275	2,445,803	5,356,078	831,473	1,955,107	2,786,580
(-) Allowance for impairment loss - Individual	-	-	-	(57,859)	-	(57,859)
- Collective	(10,845)	(172,738)	(183,583)	(110,022)	-	(110,022)
Total net rental receivables	2,899,430	2,273,065	5,172,495	663,592	1,955,107	2,618,699
Short term loans/ Trading Muraba						
Gross rental receivables	757,192	5,928	763,120	382,267	1,876,670	2,258,937
(-) Unearned income	(62,022)	(1,376)	(63,398)	(133,793)	(892,311)	(1,026,104)
Net rental receivables	695,170	4,552	699,722	248,474	984,359	1,232,833
(-) Allowance for impairment loss - Collective	-	(23,533)	(23,533)	-	-	-
Total net rental receivables	695,170	(18,981)	676,189	248,474	984,359	1,232,833
Other loans and advances						
Gross rental receivables	190,826	107,590	298,416	57,028	684,709	741,737
(-) Unearned income	(3,612)	(2,854)	(6,466)	(18,293)	(472,201)	(490,494)
Net rental receivables	187,214	104,736	291,950	38,735	212,508	251,243
(-) Allowance for impairment loss - Individual	(113)	-	(113)	(110)	-	(110)
- Collective	(2,516)	(4,458)	(6,974)	(951)	-	(951)
Total net rental receivables	184,585	100,278	284,863	37,674	212,508	250,182
Total net loans and advances	5,508,720	5,619,242	11,127,962	2,441,408	6,318,154	8,759,562

Notes to the Financial Statements Contd.

22. Short Term Borrowings

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Import loans (a)	175,889	95,223	-	-
Short term borrowings settled within 90 days (b)	3,535,036	884,670	3,310,000	605,000
Bank overdrafts (c)	2,823,820	3,493,534	1,168,417	1,398,848
Other short term borrowings	309,111	404,777	485,000	500,000
	6,843,856	4,878,204	4,963,417	2,503,848

(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	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Cash at banks and in hand	4,467,603	4,206,004	5,734,994	3,895,883
Short term borrowings settled within 90 days (Note 22)	(3,535,036)	(884,670)	(3,310,000)	(605,000)
Bank overdrafts (Note 22)	(2,823,820)	(3,493,534)	(1,168,417)	(1,398,848)
Cash and cash equivalents	(1,891,253)	(172,200)	1,256,577	1,892,035

24. Stated Capital

Ordinary shares issued and fully paid	Number of Shares in '000	Value of Shares Rs.'000
As at 1st April 2016	2,035,038	1,972,829
As at 31st March 2017	2,035,038	1,972,829

25. Statutory Reserve Fund

	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	23,190	2,478
Transfers during the year	22,834	20,712
At the end of the year	46,024	23,190

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.

26. Other Components of Equity

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Available for sale reserve	17,218	13,607	16,612	12,341
Foreign currency translation reserve	87,751	76,296	-	-
	104,969	89,903	16,612	12,341

27. Insurance Provision

	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	501,933	307,092
Net increase in life insurance fund	309,606	200,983
Movement in AFS reserve transferred to life fund	3,094	(6,142)
At the end of the year	814,633	501,933

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 2016 was assessed by M/S Actuarial Partners Consulting Sdn Bhd. According to the Actuarial Valuation the reserve amounted to Rs. 640 mn which is adequate to cover the liabilities pertaining to the Life Insurance business.

As per the Valuation, the Life Insurance Fund included in the Financial Statements exceeds the required actuarial reserves by Rs.142 mn as at 31st December 2016 before any transfers to the shareholders. Accordingly based on the recommendations made by the Actuary a sum of Rs. 60 mn has been transferred to Shareholders' fund from the Life Insurance Fund in 2016.

Liability Adequacy Test (LAT)
A Liability Adequacy Test ("LAT") for Life Insurance contract liability was carried out by Actuarial Partners, as at 31st December 2016 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 2016. No additional provision was required against the LAT as at 31st December 2016.

Notes to the Financial Statements Contd.

28. Interest Bearing Loans and Borrowings

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	8,770,787	8,751,174	4,918,067	4,144,880
New loans obtained	4,148,399	2,315,250	-	1,082,250
Repayments	(2,629,818)	(2,322,163)	(515,448)	(328,249)
Amortisation of debenture issue cost	5,319	5,319	5,319	5,319
Effect of foreign currency translation	62,865	21,207	31,664	13,867
	10,357,552	8,770,787	4,439,602	4,918,067
Transferred to current liabilities	(3,432,564)	(2,498,679)	(1,293,285)	(514,047)
At the end of the year	6,924,988	6,272,108	3,146,317	4,404,020
Total Interest Bearing Loans and Borrowings				
Repayable within one year	3,432,564	2,498,679	1,293,285	514,047
Repayable after one year	6,924,988	6,272,108	3,146,317	4,404,020
	10,357,552	8,770,787	4,439,602	4,918,067

28.1 Interest bearing loans and borrowings repayable after one year

Company	Lender / Instrument	31.03.2017 Rs.'000	31.03.2016 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank of Ceylon	93,510	253,470	Rs. 13.33 mn per month	Primary mortgage over land and buildings at Kandy and Battaramulla.
	Hatton National Bank	-	40,000	Rs. 5 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Hatton National Bank	66,667	106,667	Rs. 3.33 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Listed Debenture	2,240,171	2,234,852	Bullet Repayments w.e.f. May 2017	Clean basis.
	HSBC	784,008	1,027,828	US $ 156,250 per month	Clean basis.
Richard Pieris Distributors Limited	Commercial Bank of Ceylon	8,333	78,333	Rs. 5.83 mn per month	Primary mortgage over land at Moratuwa and land and buildings at Battaramulla.
	IFC Loan	1,692,750	-	US $1.36 mn semi annual w.e.f. February 2019	Mortgage over land and buildings at Dehiwala, Negambo, Kadawatha, Matara, Panaduara and Solar Panels at all Super Centres.
Richard Pieris Exports PLC	DFCC Bank	16,472	53,843	US $ 21,666 per month	Primary mortgage over land and buildings, plant and machinery at Ekala .
Richard Pieris Finance Limited	Sampath Bank	-	102,177	Rs. 8.3 mn per month	Assignment over lease and hire purchase receivables.
	Sampath Bank	165,004	225,282	Rs. 5.0 mn per month	Assignment over lease and hire purchase receivables.
	Sampath Bank	416,069	-	Rs.8.35 mn per month	Assignment over lease and hire purchase receivables.
	Trust Certificates	597,298	1,039,874	Monthly payments in varied instalments	Securitisation of hire purchase receivables.
	Seylan Bank	67,109	91,451	Rs. 2.083 mn per month	Assignment over lease and hire purchase receivables.
	Seylan Bank	235,662	-	Rs. 5.21 mn per month w.e.f. December 2016	Assignment over lease and hire purchase receivables.
	Indian Bank	137,112	186,615	Rs. 4.167 mn per month	Assignment over lease and hire purchase receivables.
	Indian Bank	159,165	-	Rs. 4.44 mn per month w.e.f. March 2017	Assignment over lease, hire purchase and loan receivables.
	Cargills Bank	99,929	199,547	Rs. 100 mn per annum w e .f. March 2017	Assignment over lease and hire purchase receivables.
	Peoples Bank	902,709	-	Rs. 20.8 mn per month w.e.f. November 2016	Assignment over lease, hire purchase and loan receivables.
	Nations Trust Bank	249,600	-	Rs. 20.83 mn per quarter w.e.f. March 2017	Assignment over lease, hire purchase and loan receivables.
Maskeliya Plantations PLC	Hatton National Bank	-	40,480	Rs. 5.8 mn per month	Primary mortgage over leasehold rights of Ampittiakande, Craig and Glenugie estates.
	National Development Bank	34,000	51,000	Rs. 1.4 mn per month	Primary mortgage over leasehold rights of Brunswick estate.
	National Development Bank	-	21,000	38 monthly payments in varied instalments	Securitisation of future sales proceeds.
	National Development Bank	-	132,000	36 monthly payments in varied instalments	Securitisation of future sales proceeds.
	Hatton National Bank	65,200	91,120	Rs. 2.1 mn per month	Primary mortgage over leasehold rights of St. Clair estate.
	Hatton National Bank	58,000	82,000	Rs. 2 mn per month	Primary mortgage over leasehold rights of Ampittiakande and Craig estates.
	National Development Bank	255,400	300,000	36 monthly payments in varied instalments w.e.f. July 2016	Securitisation of future sales proceeds.

Company	Lender / Instrument	31.03.2017 Rs.'000	31.03.2016 Rs.'000	Repayment	Security
	National Development Bank	58,250	198,050	Rs. 11.6 mn per month	Primary mortgage over leasehold rights of Brunswick estate
	Union Bank of Ceylon	170,000	-	Rs. 3.33 mn per month	Primary mortgage over leasehold rights of Moray estate.
	Tea Board - (Government Loan)	22,571	-	Rs. 3.7 mn per month	Clean basis.
	Tea Board - (Government Loan)	44,000	-	Rs. 1.22 mn per month w.e.f. August 2017	Clean basis.
Kegalle Plantations PLC	ADB/ National Development Bank	3,651	13,083	Rs. 0.79 mn per month	Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estate.
	ADB/ National Development Bank	2,445	7,338	Rs. 0.47 mn per month	
	ADB/ National Development Bank	23,063	57,665	Rs. 2.88 mn per month	Tertiary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estate.
	National Development Bank	147,715	221,573	Rs. 6.15 mn per month	Quaternary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estate.
	Indian Overseas Bank	82,669	112,594	Rs. 2.49 mn per month	Primary mortgage over leasehold rights of Higgoda and Madeniya estates.
	Indian Bank	55,112	75,062	Rs. 1.66 mn per month	
	State Bank of India	82,669	112,594	Rs. 2.49 mn per month	
	Indian Overseas Bank	762,683	915,818	54 monthly payments in varied instalments	Primary mortgage over leasehold rights of Ambadeniya,Hathbawa and Udapola estates.
	Commercial Bank of Ceylon	380,277	511,718	US $ 83,300 per month	Primary mortgage over leasehold rights of Doteloya,Etana and Kirklees estates.
	Tea Board - (Government Loan)	23,000	-	Rs. 0.638 mn per month w .e .f. August 2017	Clean basis.
Namunukula Plantations PLC	ADB/ Lanka Orix Leasing Company	-	934	Rs. 0.23 mn per month	Corporate guarantee given by RPC Plantation Management Services (Pvt) Ltd.
	ADB/ Lanka Orix Leasing Company	212	1,482	Rs. 0.10 mn per month	
	ADB/ Lanka Orix Leasing Company	629	1,706	Rs. 0.08 mn per month	
	ADB/ Lanka Orix Leasing Company	2,768	5,321	Rs. 0.212 mn per month	
	National Development Bank	16,470	24,510	Rs. 0.67 mn per month	Primary mortgage over plant and machinery.
	Indian Bank	57,100	76,900	Rs. 1.65 mn per month	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	57,100	76,900	Rs. 1.65 mn per month	
	Tea Board - (Government Loan)	21,000	-	Rs. 0.58 mn per month w.e.f. August 2017	Clean basis.
	Total term loans	10,357,552	8,770,787		
	Transferred to current liabilities	(3,432,564)	(2,498,679)		
		6,924,988	6,272,108		

28.2 Rated Unsecured Redeemable Debentures

	Group				Company			
As at 31st March 2017	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000
At the Beginning of the year	872,098	696,709	666,045	2,234,852	872,098	696,709	1,921,295	3,490,102
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	874,681	698,259	667,231	2,240,171	874,681	698,259	1,922,481	3,495,421

As at 31st March 2016	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000	Type A Rs.'000	Type B Rs.'000	Type C Rs.'000	Total Rs.'000
At the Beginning of the year	869,515	695,159	664,859	2,229,533	869,515	695,159	1,920,109	3,484,783
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	1,921,295	3,490,102

Interest rate of comparable government securities net of tax for the Type A, B and C debentures are respectively 9.91%, 11.23% and 11.90% as of 31st March 2017.

Notes to the Financial Statements Contd.

29. Net Liability to Make Lease Payments and Others

	Repayable within 1 year Rs.'000	Repayable after 1 year less than 5 years Rs.'000	Repayable after 5 years Rs.'000	Total Rs.'000
Gross liability	35,674	142,696	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
Gross liability	35,674	142,696	829,233	1,007,603
Less: Finance charges	(23,884)	(90,630)	(297,645)	(412,159)
Net liability	11,790	52,066	531,588	595,444
Transferred to current liabilities	-	-	-	(11,790)
As at 31st March 2017	11,790	-	-	583,654

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. 13.19mn 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.29.93 mn, Rs.34.50 mn and Rs. 41.19 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

30. Provisions

	Maintenance Warranties	
	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	104,565	104,420
(Reversal) / arising during the year	12,313	145
At the end of the year	116,878	104,565

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

	2017 Rs.'000	2016 Rs.'000
At the beginning of the year	551,457	562,443
Received during the year	12,747	24,368
Released in the statement of profit or loss	(29,964)	(35,354)
At the end of the year	534,240	551,457

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. Employee Benefit Liabilities

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
At the beginning of the period	2,440,785	2,620,986	85,791	77,087
Recognised in the statement of profit or loss:				
Current service cost	188,282	150,931	5,705	5,673
Interest cost	257,011	263,641	9,437	7,323
	445,293	414,572	15,142	12,996
Recognised in the statement of other comprehensive income:				
Actuarial gains on obligation	(136,265)	(371,925)	(4,179)	(1,009)
Benefits paid	(323,315)	(222,848)	(16,931)	(3,283)
Benefit liabilities at the end of the year	2,426,498	2,440,785	79,823	85,791

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2017 by Messrs' Actuarial and Management Consultants (Pvt) Limited.

Notes to the Financial Statements Contd.

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

Assumptions	2017	2016
Demographic assumptions		
In respect of non plantation companies,		
Retiring age:		
Executives	55-60 years	55-60 years
Non Executives	55-60 years	55-60 years
Average future working life time:		
Executives	4.90	3.66
Non Executives	5.86	4.63
Staff turnover rates:		
Executives	0.00-0.42	0.13-0.37
Non Executives	0.00-0.22	0.00-0.30
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	7.24 years	7.68 years
Staff	3.68 years	5.32 years
Financial assumptions		
In respect of non plantation companies,		
Rate of discount	12.50%	11%
Rate of salary increment	8%	8%
In respect of plantation companies,		
Rate of discount	12.25%	11.50%
Rate of salary increment:		
Workers	16% every Two years	16% every Two years
Staff employees	8% per year	8% per year

32.1 Sensitivity Analysis

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used. The sensitivity was carried for both the salary escalation rate and discount rate. Simulation made for retirement benefit obligation show that an increase or decrease by 1% of salary escalation rate and discount rate has the following effect of the retirement benefit obligation.

		Present value of Defined Benefit Obligation	
Salary Escalation Rate	**Discount Rate**	**Group Rs.'000**	**Company Rs.'000**
One point increase	As given in report (12.25% / 12.50%)	2,515,175	83,454
One point decrease	As given in report (12.25% / 12.50%)	2,344,426	76,510
As given in Report - 8%	One point increase	2,291,494	76,960
As given in report - 8%	One point decrease	2,580,652	83,016

32.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2017 is as follows.

	Defined Benefit Obligation	
Future Working Life Time	**Group Rs.'000**	**Company Rs.'000**
Within the next 12 months	449,610	9,740
Between 2-5 years	842,083	54,707
Beyond 5 years	1,134,805	15,376
Total	2,426,498	79,823

33. Contingent Liabilities

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2017. Guarantees given by subsidiaries on loans obtained amounted to Rs. 72 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 Co. (Pvt) Ltd, the Company and the superintendent of the estate regarding the payment of employees' statutory dues, which the sub lessee has failed to pay in respect of the said 6 estates. The Company has filed objections that the Company is not liable to pay such dues. However, Magistrate has ordered the Company to pay. The Company filed revision to that in High court. Further, the Company was deposited Rs. 15 mn as refundable security deposit in the court. Next day of hearing is 2nd June 2017.

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.

There are ongoing legal matters filed by certain former employees of the Group against respective companies. Richard Pieris and Company PLC / subsidiary companies are contesting against the claims made by such former employees.

Notes to the Financial Statements Contd.

34. Trade and Other Payables

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trade payables	5,337,567	4,539,544	-	-
Accrued expenses	1,432,506	1,187,285	-	-
Other financial liabilities	756,846	1,534,185	175,375	1,166,834
	7,526,919	7,261,014	175,375	1,166,834
Other non financial liabilities	486,483	746,955	102,546	151,303
Total trade and other payables	8,013,402	8,007,969	277,921	1,318,137

35. Public Deposits

	2017 Rs.'000	2016 Rs.'000
Fixed deposits	3,891,130	3,679,795
Savings deposits	43,886	42,845
	3,935,016	3,722,640

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	
	2017 Rs.'000	2016 Rs.'000
Contracted but not provided for	538,458	221,417
Approved but not contracted for	1,272,654	641,048
	1,811,112	862,465

36.2 Lease Commitments

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

	Group	
	2017 Rs.'000	2016 Rs.'000
Within one year	104,256	172,056
After one year but not more than five years	417,666	504,174
More than five years	569,205	709,218
	1,091,127	1,385,448

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 guides 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 trading in derivatives for speculative purposes would not be undertaken.

The Board of Directors reviews and stipulates policies for managing each of these risks, which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk:

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

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

Interest rate risk

Interest rate risk is the risk that the Company is exposed due to change in absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, the policy rates, market liquidity, reforms in fiscal policies, credit ceilings on lending, average deposit rates, etc. are considered to be main determining factors on the quoted interest rates for short term and long term lending facilities. These external factors affects 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:

Group	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs.'000
2015/16	+100 bps	(136.70)
	-100 bps	136.70
2016/17	+100 bps	(154.25)
	-100 bps	154.25

Notes to the Financial Statements Contd.

Company	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs.'000
2015/16	+100 bps	(74.22)
	-100 bps	74.22
2016/17	+100 bps	(84.12)
	-100 bps	84.12

Following measures and action 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. 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 forwards contracts and options when it is deemed necessary.

Following measures and actions are taken in order to manage exchange rate risk of the Group.

- Export proceeds exceeding the import payments and foreign currency debt repayments act as a natural hedge.
- Ensuring effective treasury operations through various hedging techniques such as forward bookings, forward sales, swap and options contracts etc. as and when the market rates are on favourable terms.

Effects of Currency Translation

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

Commodity Price Risk

The Group is affected by the volatility of certain commodities. The volatility in prices of tea, rubber etc. in the auctions would trigger greater uncertainty in the contribution towards Group turnover from the plantation sector.

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, creditworthy third parties. It is the Group's policy that all credit clients are subject to credit verification procedures who wish to trade on credit. Furthermore, Group continuously 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 fulfil their obligations.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always maintain sufficient leeway's in the short term facilities and structuring new credit lines for short and long term tenors to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 and borrowings, short term borrowings less Cash and Cash Equivalents, excluding discontinued operations.

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

Group		On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 Years	Total
Year ended 31st March 2017	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest bearing borrowings	28	-	1,401,638	2,030,925	6,309,444	615,545	10,357,552
Net liability to the lessor	29	-	600	11,232	152,810	430,802	595,444
Trade and other payables	34	259,913	6,826,947	404,484	35,575	-	7,526,919
Public deposits	35	43,886	1,397,937	1,347,836	1,145,357	-	3,935,016
Import loans	22	-	175,889	-	-	-	175,889
Bank overdrafts	22	1,655,438	1,168,382	-	-	-	2,823,820
Other short term borrowings	22	-	49,147	3,795,000	-	-	3,844,147
		1,959,237	11,020,540	7,589,477	7,643,186	1,046,347	29,258,787

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Group 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

Company Year ended 31st March 2017	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	-	995,940	297,340	3,146,322	-	4,439,602
Trade and other payables	34	175,375	-	-	-	-	175,375
Bank overdrafts	22	1,168,417	-	-	-	-	1,168,417
Other short term borrowings	22	-	-	3,795,000	-	-	3,795,000
		1,343,792	995,940	4,092,340	3,146,322	-	9,578,394

Company 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	-	133,512	380,536	4,404,019	-	4,918,067
Trade and other payables	34	1,166,834	-	-	-	-	1,166,834
Bank overdrafts	22	1,398,848	-	-	-	-	1,398,848
Other short term borrowings	22	-	-	1,105,000	-	-	1,105,000
		2,565,682	133,512	1,485,536	4,404,019	-	8,588,749

Risk Exposure of Arpico Insurance PLC
The largest credit risk exposure of 82% is arising from investments in debt securities. The exposure to credit risk is managed by analyzing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue.

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

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

Life Insurance Risk
Life insurance contracts offered by the Company include endowment plans and term assurance and non-conventional products.
Endowment assurance are conventional products where lump sum benefits are payable on death / permanent disability or maturity whichever

happens earlier. Term assurance are conventional products where lump sum benefits are payable on death or permanent disability.

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

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

The Arpico Insurance underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies; it has the right to reject the payment of fraudulent claims.

The Arpico Insurance 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 risk 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 CEO, 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.

Notes to the Financial Statements Contd.

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 build up of exposure to a single counter-party, industry, product, geographical location or insufficient diversification.

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

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

Exposure to credit risk of finance companies of the Group

	Maximum exposure to credit risk Rs.'000	Net exposure Rs.'000
As at 31 March 2017		
Cash and bank balances	305,589	55,072
Investments in fixed deposits	40,259	40,259
Lease receivable	4,725,213	-
Hire purchase receivable	269,202	-
Loans and receivables	6,133,547	1,665,511
Other financial assets	1,074,204	1,074,204
Total financial assets	12,548,014	2,835,046

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

As at 31 March 2017	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	305,589	-	-	305,589
Investments in fixed deposits	40,259	-	-	40,259
Lease receivable	4,657,410	206,828	47,455	4,911,693
Hire purchase receivable	250,267	18,894	20,619	289,780
Loans and receivables	6,076,835	245,311	25,604	6,347,750
Other financial assets	1,074,204	-	-	1,074,204
Collective impairment provision	-	-	-	(421,148)
Individual impairment provision	-	-	-	(113)
Total financial assets	12,404,564	471,033	93,678	12,548,014

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	17,569	49,307	55,947	97,399	220,222
Hire purchase receivable	2,282	4,054	5,569	11,617	23,522
Loans and receivables	21,757	32,123	35,321	138,088	227,289
	41,608	85,484	96,837	247,104	471,033

Notes to the Financial Statements Contd.

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

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

Interest Rate Risk
Interest rate risk is a key constitute of the market risk exposure of the 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 interest rate margin and spreads are maintained, the companies conduct 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 companies' net interest income.

Net Interest Income sensitivity by interest rate change

	2017	
Parallel Increase / Decrease of Basis Points (bps)	+/ - 100 bps	+/ - 200 bps
Impact on Net interest income (Rs.'000)	3,030/(3,030)	6,061/(6,061)

Interest Rate Risk Exposure on Financial Assets and Liabilities

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

As at 31st March 2017	Up to 03 months Rs.'000	03-12 months Rs.'000	01-03 years Rs.'000	03-05 years Rs.'000	Non interest bearing Rs.'000	Total Rs.'000
Assets						
Cash and bank balances	-	-	-	-	305,589	305,589
Investments in fixed deposits	18,500	21,759	-	-	-	40,259
Lease receivable	350,443	805,575	2,758,059	811,136	-	4,725,213
Hire purchase receivable	32,516	92,064	122,702	21,920	-	269,202
Loans and receivables	1,486,759	2,113,202	1,799,918	733,668	-	6,133,547
Other financial assets	55,059	254,534	7,776	8,687	748,148	1,074,204
Total financial assets	1,943,277	3,287,134	4,688,455	1,575,411	1,053,737	12,548,014
Financial liabilities						
Bank overdraft	3,416,899	-	-	-	-	3,416,899
Public deposits	1,441,823	1,347,836	854,829	290,528	-	3,935,016
Interest bearing loans and borrowings	302,966	908,897	1,363,345	454,448	-	3,029,656
Other payables	-	-	-	-	385,610	385,610
Total financial liabilities	5,161,688	2,256,733	2,218,174	744,976	385,610	10,767,181
Interest sensitivity gap	(3,218,410)	1,030,401	2,470,281	830,435	668,127	1,780,834

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 2016	7,420,705
Available as at 31st March 2017	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 Contd.

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. Other than the following:

39.1 Chilaw Finance PLC, a subsidiary of the Group has been de-listed from the official list of Colombo Stock Exchange with effect from end of trading on 20th April 2017, pursuant to the amalgamation of the Company with Richard Pieris Finance Limited.

39.2 The Board of Directors of the Company has declared a final dividend of Rs. 0.50 per share for the financial year ended 31 March 2017. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on 10th July 2017. In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2017.

40. Related Party Disclosures

	Group		Company	
	2017	2016	2017	2016
Nature of Transactions	Rs.'000	Rs.'000	Rs.'000	Rs.'000
40.1 Amount due from/to Related Parties - Subsidiaries				
Amounts receivable as at 31 March	-	-	1,961,764	2,689,633
Amounts payable as at 31 March	-	-	2,997	19,496
40.2 Transaction with Related Parties - Subsidiaries				
Allocation of common personnel and administration expenses	-	-	210,609	206,694
Rendering of services	-	-	116,139	103,132
Rent income	-	-	186,377	178,256
Royalty income	-	-	384,588	380,416
Corporate expenses	-	-	61,224	61,224
Interest income	-	-	22,064	40,611
Post employment benefit plan				
Contribution to the provident fund	147,866	129,672	92,483	78,614
40.3 Associates				
Amounts receivable as at 31 March	8,726	10,248	-	-
Sale of goods/services	928,266	555,947	-	-
Others	-	12,412	-	-

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 2016 audited Financial Statements, which required additional disclosures in the 2016/17 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 2016 audited Financial Statements, which required additional disclosures in 2016/17 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

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	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Short-term employee benefits	49,391	51,230	39,598	32,192

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

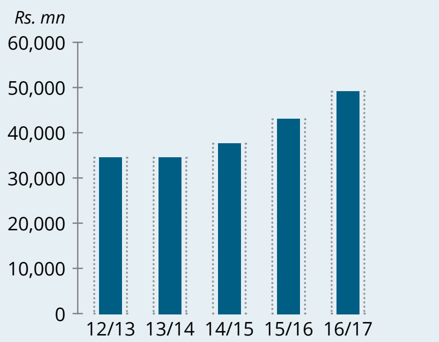
The options granted and exercised by Key Management Personnel under the Employee Share Option Plan (ESOP) are disclosed in Note 38.

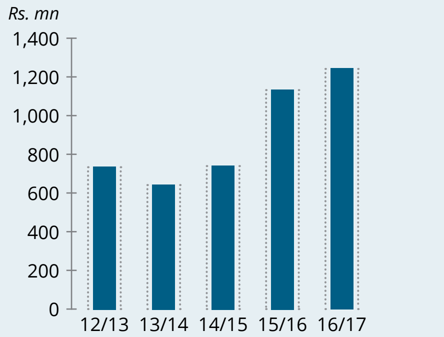
40.7 Other Related Party Disclosures

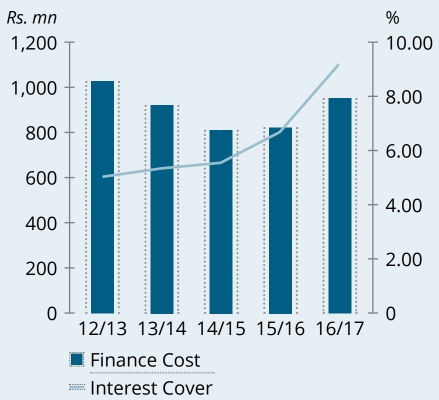
(a) Legal fees amounting to Rs. 8.2 mn (2016 Rs. 7.9 mn) was paid by the Group to an entity in which a Key Management personnel was a Partner.

(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







	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
TRADING RESULTS			
Revenue	49,149,395	43,018,502	37,802,243
Profit from operations	5,290,459	3,955,303	3,103,509
Loss on disposal of investment	-	-	-
Finance cost	(955,768)	(826,092)	(811,166)
Finance income	383,695	233,759	244,304
Profit from operations after finance cost and finance income	4,718,386	3,362,970	2,536,647
Income from associates before tax	83,028	35,944	42,299
Profit/(loss) before tax from continuing operations	4,801,414	3,398,914	2,578,946
Income tax expense	(1,237,426)	(1,137,461)	(747,009)
Profit/(loss) for the year from continuing operations	3,563,988	2,261,453	1,831,937
Loss after tax from discontinued operations	(5,018)	(3,536)	(3,457)
Profit/(loss) for the year	3,558,970	2,257,917	1,828,480
Non controlling interest	388,875	110,232	176,388
Profit/(loss) attributable to equity holders of parent	3,170,095	2,147,685	1,652,092
Gross dividend	1,221,023	1,017,519	508,760

	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
BALANCE SHEET			
Assets			
Property, plant and equipment/Leasehold properties	17,635,423	16,491,231	15,819,465
Investment properties	166,709	165,209	165,152
Intangible assets	1,140,835	1,147,321	1,158,307
Biological assets	865,762	824,557	794,128
Investments in associates and other investments	117,278	241,302	88,962
Other non current financial assets	1,683,037	1,145,876	606,839
Deferred tax assets	75,918	109,937	-
Current assets	28,244,173	23,559,521	19,450,377
	49,929,135	43,684,954	38,083,230
Equity and liabilities			
Stated Capital	1,972,829	1,972,829	1,972,829
Capital and revenue reserves	10,807,381	8,786,806	7,861,271
Statutory reserve fund/Investment fund reserve	46,024	23,190	2,478
Foreign currency translation	-	-	-
Other components of equity	104,969	89,903	75,826
Non controlling interest	2,614,195	2,412,573	2,431,421
Term loans payable after one year	6,924,988	6,272,108	6,224,424
Insurance provision	814,633	501,933	307,092
Deferred income and deferred tax	1,027,096	938,493	800,429
Provisions and other liabilities	2,543,376	2,545,350	2,725,406
Net liability to the lessor payable after one year	583,654	595,444	606,780
Current liabilities	22,489,990	19,546,325	15,075,274
	49,929,135	43,684,954	38,083,230
RATIOS and OTHER INFORMATION			
Earnings per share (Rs.)	1.56	1.06	0.82
Market value per share (Rs.)	8.30	7.20	7.40
Price earnings ratio (No. of Times)	5.32	6.79	9.00
Net assets per share (Rs.)	6.35	5.34	4.87
Return on equity (%)	26.64	20.67	17.84
Dividend per share (Rs.)	0.60	0.50	0.25
Dividend cover (No. of Times)	2.60	2.12	3.29
Interest cover (No. of Times)	9.25	6.68	5.47
Current ratio (No. of Times)	1.26	1.21	1.29
Gearing ratio (%)	45.03	41.55	40.49

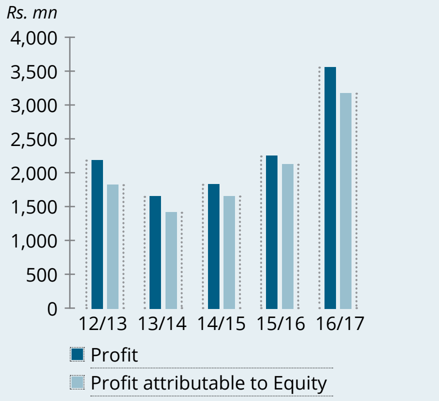
* All figures are based on Sri Lanka Accounting Standards.

2013/14 Rs.'000	2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011* Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000	2007/2008* Rs.'000
34,699,111	34,690,340	32,005,182	27,241,577	22,339,288	21,103,176	20,142,591
2,807,127	3,599,997	3,952,638	3,450,366	1,969,697	1,378,556	2,045,930
-	-	-	-	-	-	(277,000)
(922,062)	(1,031,521)	(798,277)	(794,617)	(969,147)	(1,436,225)	(1,472,629)
389,584	302,054	301,991	-	-	-	-
2,274,649	2,870,530	3,456,352	2,655,749	1,000,550	(57,669)	296,301
27,902	63,765	62,436	113,008	59,609	41,015	27,969
2,302,551	2,934,295	3,518,788	2,768,757	1,060,159	(16,654)	324,270
(643,970)	(737,082)	(644,540)	(616,566)	(330,592)	(180,411)	(77,278)
1,658,581	2,197,213	2,874,248	2,152,191	729,567	(197,065)	246,992
(2,396)	(581)	(4,374)	(11,609)	(17,873)	(107,963)	(203,216)
1,656,185	2,196,632	2,869,874	2,140,582	711,694	(305,028)	43,776
238,970	360,297	294,813	459,898	131,490	24,055	(258,853)
1,417,215	1,836,335	2,575,061	1,680,684	580,204	(329,083)	(215,077)
886,270	387,848	1,550,621	515,946	-	-	-

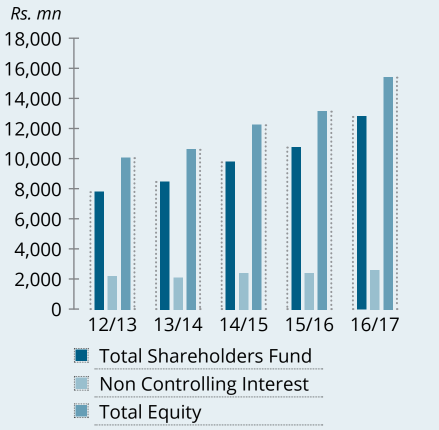
2013/14 Rs.'000	2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000	2007/2008* Rs.'000
14,247,201	12,330,580	11,600,282	10,926,376	10,142,760	10,167,170	10,125,468
140,698	140,404	139,628	139,628	-	-	-
507,192	508,893	518,494	469,487	480,177	491,491	500,857
619,519	568,037	507,191	542,689	-	-	-
39,708	24,990	74,143	456,186	180,919	136,757	101,007
559,332	590,002	503,922	24,000	-	-	-
-	-	-	-	-	-	-
16,462,737	13,110,630	10,381,632	8,805,222	6,560,961	6,128,679	7,079,997
32,576,387	27,273,536	23,725,292	21,363,588	17,364,817	16,924,097	17,807,329
1,814,824	1,637,236	1,633,853	1,627,612	1,578,475	1,578,475	1,578,475
6,712,869	6,234,927	4,603,788	3,682,853	2,185,500	1,603,061	1,932,144
6,852	2,222	-	-	-	-	-
-	-	-	-	31,152	32,371	21,599
73,390	75,057	68,692	68,935	-	-	-
2,150,514	2,217,100	1,994,660	1,976,302	1,500,836	1,380,908	1,390,232
4,166,767	3,368,878	2,177,814	1,998,292	1,957,680	2,354,617	2,683,162
193,371	67,575	9,390	-	-	-	-
774,843	792,831	704,126	735,923	553,879	499,951	386,143
2,196,023	1,912,450	2,032,691	1,704,417	1,529,685	1,103,222	1,037,650
617,679	628,159	638,237	650,980	672,158	697,432	722,234
13,869,255	10,337,101	9,862,041	8,918,274	7,355,452	7,674,060	8,055,690
32,576,387	27,273,536	23,725,292	21,363,588	17,364,817	16,924,097	17,807,329

0.72	0.95	1.33	0.87	4.52	(2.57)	(1.68)
6.60	6.60	7.50	13.60	55.00	25.00	39.00
9.17	6.95	5.64	15.63	12.17	-	-
4.34	4.10	3.25	2.58	29.57	25.06	27.54
17.12	25.76	45.56	38.22	16.56	(10.24)	(6.09)
0.45	0.20	0.70	0.30	1.00	-	-
1.60	4.75	1.90	2.90	4.52	-	-
5.27	4.94	7.96	4.34	2.03	0.96	1.20
1.19	1.27	1.05	0.99	0.89	0.79	0.88
37.69	29.50	34.17	37.44	49.68	59.80	61.49

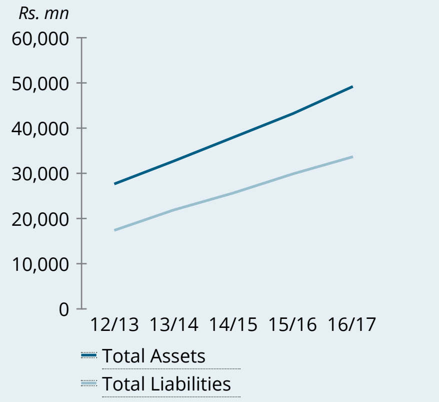
Profit after Tax



Equity



Assets and Liabilities



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 2017

Distribution of Shareholders

Range of shareholding		No. of share holders as at 31.03.2017	No. of shares	% of Shareholding	No. of share holders as at 31.03.2016	No. of shares	% of Shareholding
1	1,000	3,730	1,630,592	0.08%	2,428	518,985	0.03%
1,001	10,000	3,277	13,274,682	0.65%	4,951	16,028,283	0.79%
10,001	100,000	1,326	41,239,467	2.03%	1,544	48,798,738	2.40%
100,001	1,000,000	308	94,486,087	4.64%	342	103,370,926	5.08%
1,000,001	& above	64	1,884,407,447	92.60%	64	1,866,321,343	91.71%
		8,705	2,035,038,275	100.00%	9,329	2,035,038,275	100.00%

Composition of Shareholders

Category	No. of share holders as at 31.03.2017	No. of shares	% of Shareholding	No. of share holders as at 31.03.2016	No. of shares	% of Shareholding
Institutional Investors	299	1,681,240,309	82.61%	318	1,669,711,816	82.05%
Individual Investors	8,406	353,797,966	17.39%	9,011	365,326,459	17.95%
Total	8,705	2,035,038,275	100.00%	9,329	2,035,038,275	100.00%
Resident shareholders	8,597	889,869,369	43.73%	9,214	886,732,994	43.57%
Non-resident shareholders	108	1,145,168,906	56.27%	115	1,148,305,281	56.43%
Total	8,705	2,035,038,275	100.00%	9,329	2,035,038,275	100.00%

The percentage of shares held by the public as at 31st March 2017 was 42.66% represented by 8,699 public shareholders. (Public shareholding as at 31st March 2016 was 42.92% represented by 9,321 public shareholders)

Market Activity

	31.03.2017	Date	31.03.2016	Date
Highest Price (Rs.)	9.2	12-Aug-16	8.9	7-Oct-15
Lowest Price (Rs.)	7.4	12-Apr-16	7.0	15-Mar-16
Year End Price (Rs.)	8.3	31-Mar-17	7.2	31-Mar-16
No of Transactions	7,391		9,213	
No of shares traded	81,152,300		107,423,781	
Share turnover (Rs.)	660,885,185		881,021,302	

Major Shareholders

	Name of the Shareholder	As at 31.03.2017	%	As at 31.03.2016	%
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 Ltd-SSBT- Deutsche Bank	225,153,787	11.06%	225,153,787	11.06%
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	Dr. Sena Yaddehige	104,375,732	5.13%	95,800,650	4.71%
7	Rockport Limited	99,506,865	4.89%	99,506,865	4.89%
8	Dhanasiri Recreation (Pvt) Limited	33,655,437	1.65%	33,655,437	1.65%
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%	20,000,000	0.98%
12	J.B. Cocoshell (Pvt) Ltd	16,094,048	0.79%	-	-
13	Mercantile Investments and Finance PLC	16,035,995	0.79%	16,035,995	0.79%
14	Kalday (Pvt) Limited	12,126,030	0.60%	12,126,030	0.60%
15	National Savings Bank	12,001,659	0.59%	12,001,659	0.59%
16	Bank Of Ceylon No 1 Account	6,889,225	0.34%	6,889,225	0.34%
17	Dr. C.M Fernando	6,660,570	0.33%	6,660,570	0.33%
18	Mr S.L.R.R. Premathilaka	4,900,000	0.24%	4,900,000	0.24%
19	The Incorporated Trustees of the Church of Ceylon	4,868,795	0.24%	4,868,795	0.24%
20	Mrs. D. M. Sinnetamby	4,111,877	0.20%	-	-
		1,792,591,795	88.08%	1,763,810,788	86.67%

Directors' Shareholding

	Name of the Director	Number of shares as at 31st March 2017	Number of shares as at 31st March 2016
1	Dr. Sena Yaddehige	104,375,732	95,800,650
2	Mr. J H Paul Ratnayeke (resigned w.e.f. from 28th February 2017)	-	3,250,005
3	Prof. Lakshman R Watawala (resigned w.e.f. from 24th August 2017)	-	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 (resigned w.e.f. 11th July 2016)	-	-
7	Mr. Shaminda Yaddehige	-	-
8	Prof. Kapila G A Goonesekera (resigned w.e.f. 19th August 2016)	-	-
9	Dr. Jayatissa De Costa (appointed w.e.f. 30th June 2016)	-	-
10	Mr. Prasanna Fernando (appointed w.e.f. 8th August 2016)	-	-
11	Mr. Jagath C Korale (appointed w.e.f. 24th October 2016)	-	-

Share and Debenture Information Contd.

Listed Debentures

Details regarding the listed debentures are as follows.

Three types of Rated Unsecured Redeemable Debentures with different maturities were issued on 7th May 2014, allotted on 16th May 2014 and subsequently Listed on 23rd May 2014. The debentures 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	9.91%
Type B	11.00%	Semi-annual	16th May 2018	11.23%
Type C	11.25%	Semi-annual	16th May 2019	11.90%

*Interest rate of comparable government securities are net of tax as of 31st March 2017.

Debentures traded during financial year as of 31st March 2017

	No. of Transactions	No. of Debentures Traded	Highest Price (Rs.)	Lowest Price (Rs.)	Last Traded Price (Rs.)	Value of Debentures Traded (Rs.)
Type C	11	343,000	99.12	95	95.00	33,892,800

Ratios	31.03.2017	31.03.2016
Debt/Equity Ratio	2.77	2.29
Quick Asset Ratio	1.21	1.56
Interest Cover	4.79	4.08

Group Real Estate Portfolio

Freehold Land and Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2017 Rs. mn
Richard Pieris and Company PLC	Hyde Park Corner	783	73,157	8,782
	Maharagama	1,773	289,509	2,190
RPC Real Estate Development Company (Pvt) Limited	Kandy	162	35,945	769
Arpico Industrial Development Company (Pvt) Limited	Mattegoda	1,112	149,700	544
	Siyambalagoda	467	57,130	224
Richard Pieris Distributors Limited	Maharagama	183	28,726	384
	Moratuwa	85	-	67
	Mulleriyawa	192	-	6
	Matara	362	38,000	457
	Panadura	-	18,800	89
RPC Retail Development (Pvt) Limited	Negombo	226	47,542	469
	Kadawatha	99	21,850	317
	Wattala	101	-	133
	Kelaniya	102	-	51
Arpimalls Development Company (Pvt) Limited	Dehiwala	166	44,616	512
	Battaramulla	124	67,134	605
Plastishells Limited	Mattegoda	340	45,825	45
	Dambulla	284	12,494	25
Arpitech (Pvt) Limited	Horethuduwa	488	-	27
	Mathegodawatte	104	-	8
	Mattegoda	514	143,200	39
Richard Pieris Exports PLC	Ja-Ela	640	73,190	237
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	40
Richard Pieris Tyre Company Limited	Kurunagala	413	22,566	65
Arpidag International (Pvt) Limited	Maharagama	80	17,946	84
RPC Plantation Management Services (Pvt) Limited	Panadura	333	10,760	366
Chilaw Finance PLC	Chilaw	172	-	22
	Nattandiya	160	1,021	3
	Palugahawatte - Mahawewa	38	-	2
RPC Properties (Pvt) Limited	Mattegoda	1,057	-	390

Leasehold Land and 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 Per	Building in (Sq.Ft)
(B) Leasehold Land of other subsidiaries			
Plastishells Limited	Koggala	160	4,027
Arpitech (Pvt) Limited	Pallekale	160	4,211
	Matara	342	36,980
	Polgahawela	-	32,260
RPC Polymers (Pvt) Limited	Horana	1,392	78,339
Arpitalian Compact Soles (Pvt) Limited	Biyagama	655	36,884
Richard Pieris Natural Foams Limited	Biyagama	1,091	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 Payout:
Dividends paid or declared during the period as a proportion of company earnings for the period.

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 and 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.

NSA

Net Sales Average
Average sale price obtained (over a period of time, for a kilo of produce) after deductions such as brokerage, etc.

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

P

PBIT
Profit before interest and tax inclusive of other operating income.

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

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

Public Shareholding:
Shares of a listed entity held by any person other than those directly or indirectly held by;

a) Its parent, subsidiary or associate companies or any subsidiaries or associates of its parent company; and
b) Its directors who are holding office as directors of the entity, their spouses and children under 18 years of age; and
c) Chief Executive Officer, his/her spouse and children under 18 years of age; and
d) Any single shareholder who holds 10% or more of the shares.

R

Related Parties:
Parties or Entities that is related to the entity that is preparing its Financial Statements.

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

Return on Equity:
Profit 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 current assets exclusive of liquid funds and interest earning financial receivables less operating liabilities.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Eighth Annual General Meeting of Richard Pieris & Company PLC will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama on Friday, 30th June 2017 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 2017 with the Report of the Auditors thereon.

2. To declare a dividend as recommended by the Directors.

3. 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 71 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”

4. 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 P.C. of No. 496/3, Havelock Road, Colombo 06, who is 75 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 P.C.”

5. To re-elect Mr. Viville Perera, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.

6. To elect Mr. Prasanna Fernando, who retires in terms of Article 91 at the Annual General Meeting, a Director.

7. To elect Mr. Jagath C Korale, who retires in terms of Article 91 at the Annual General Meeting, a Director.

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

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

10. 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

01st June 2017

Note:

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

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

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

Notes

Notes Contd.

Form of Proxy

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

.... being a

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

.... of

....

whom failing DR. SENA YADDEHIGE whom failing VIVILLE PRAXIDUS PERERA whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE whom failing SHAMNINDA YADDEHIGE whom failing DR. JAYATISSA DE COSTA P.C. whom failing PRASANNA INNOCENT FERNANDO whom failing JAGATH CHANDRAWANSA KORALE * as my/our proxy to represent me/us and to vote on my/our behalf at the 78th ANNUAL GENERAL MEETING of the Company to be held on 30th June 2017 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 2017 with the Report of the Auditors thereon.		
2	To declare a dividend as recommended by the Directors.		
3	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.		
4	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Jayatissa De Costa P.C. at this Annual General Meeting, a Director		
5	To re-elect Mr. Viville Perera , who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.		
6	To elect Mr. Prasanna Fernando , who retires in terms of Article 91 at the Annual General Meeting, a Director.		
7	To elect Mr. Jagath C Korale, who retires in terms of Article 91 at the Annual General Meeting, a Director.		
8	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
9	To authorize the Directors to determine contributions to charities.		
10	To consider any other business of which due notice has been given.		

Dated this .... day of 2017

....
Signature of shareholder

Notes:
(i) Please delete the inappropriate words.
(ii) A proxy need not be a member of the Company.
(iii) Instructions as to completion appear on the reverse of this form.

Form of Proxy Contd.

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 4.00 p. m. on Wednesday, 28th June 2017.

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
Resigned with effect from 28th February 2017
Prof. Lakshman R. Watawala - Director
Resigned with effect from 24th August 2016
Mr. W. J. Viville P. Perera - Director
Mr. S. S. G. Liyanage - Director
Dr. S. A. B. Ekanayake -Director
Resigned with effect from 11th July 2016
Mr. Shaminda Yaddehige -Director/COO
Prof. Kapila Goonesekere - Director
Resigned with effect from 19th August 2016
Dr. Jayatissa De Costa P.C. - Director
Appointed with effect from 30th June 2016
Mr. Prasanna Fernando - Director
Appointed with effect from 08th August 2016
Mr. Jagath C. Korale - Director
Appointed with effect from 24th October 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
Cargills Bank
Commercial Bank of Ceylon
Deutsche Bank AG
DFCC Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
Indian Bank
Indian Overseas Bank
Nations Trust Bank
National Development Bank
Pan Asia Banking Corporation
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank
State Bank of India
Union Bank of Colombo

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

www.arpico.com