86 Years

Since 1932

Touching Lives

Richard Pieris & Company PLC

Annual Report 2017/2018

CONTENTS

86 Years

Since 1932

Touching Lives

In 86 years we have cultivated a diverse customer base of every day Sri Lankans who depend on us for trusted products that are backed by quality. As we move ever closer to a century of excellence, we will continue our quest to touch the lives of more people in delivering our own brand of business.

Read this Report Online
www.arpico.com

VISION AND MISSION

VISION

To be a market driven, technologically oriented diverse Group.

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

MISSION

To continually exceed the expectations of our customers.

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

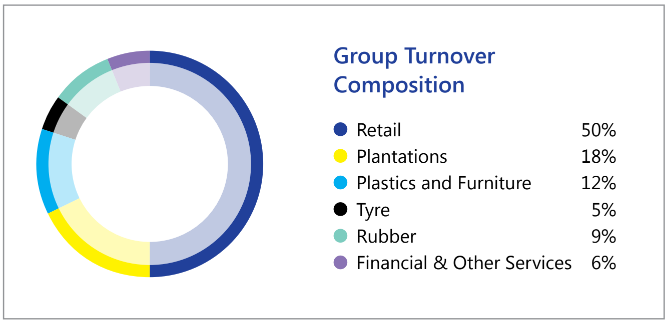
To provide a satisfactory return to shareholders whilst retaining sufficient funds for reinvestment, thereby enhancing corporate wealth.

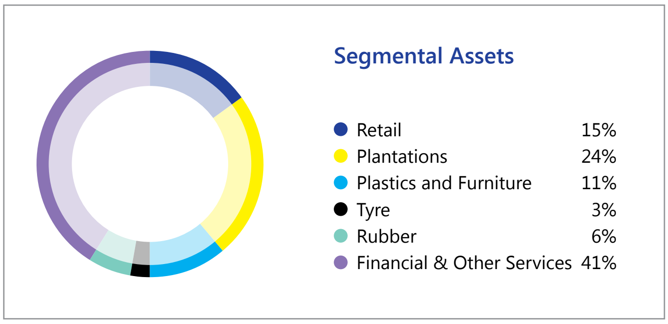
To ensure continuous growth by the planned expansion and diversification of business activities.

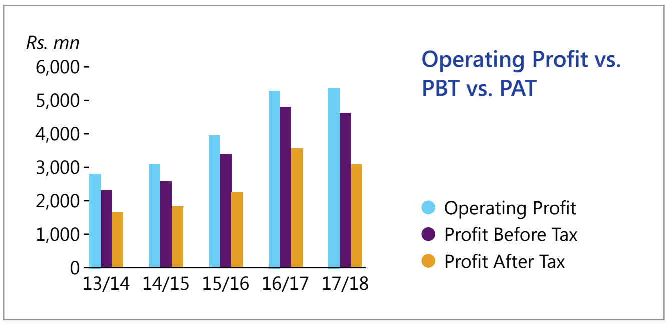
To continually strive for the upliftment of our community whilst adhering to high ethical standards in business.

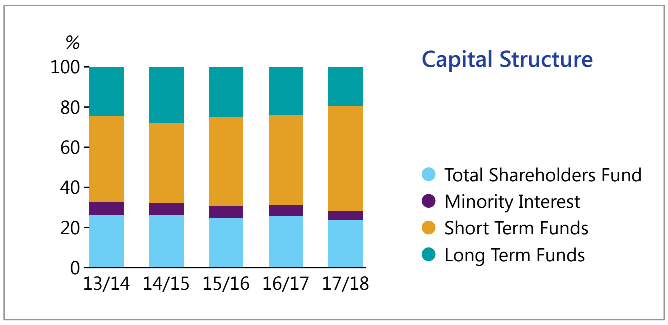
FINANCIAL HIGHLIGHTS

	2017/2018 Rs.'000	2016/2017 Rs.'000
Revenue	52,972,873	49,149,395
Profit from operations	5,380,798	5,290,459
Profit before tax from continuing operations	4,631,552	4,801,414
Income tax expense	(1,549,776)	(1,237,426)
Profit for the year from continuing operations	3,081,776	3,563,988
Profit for the year	3,077,396	3,558,970
Profit attributable to equity holders of the parent	2,686,980	3,170,095
Total assets	55,986,493	49,929,135
Shareholder funds	13,279,405	12,931,203
Market capitalisation	26,048,486	16,890,818
Total value addition	19,544,613	17,882,189
Per Ordinary Share		
Earnings (Rs.)	1.32	1.56
Net assets (Rs.)	6.53	6.35
Market value (Rs.)	12.80	8.30
Ratios		
Return on equity (%)	20.50	26.64
Interest cover (No. of times)	7.09	9.25
Dividend payout (%)	83.30	38.46
Gearing ratio (%)	49.0	45.03
Price Earnings (No. of times)	9.69	5.32
Dividend per share (Rs.)	1.10	0.60
Dividend Cover (No. of times)	1.20	2.6
Current Ratio (No. of times)	0.77	1.26









1932 - 2018
OUR HISTORY AT A GLANCE

In its 86 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 the most loved brand 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 principals. 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 the increaisng 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.

CHAIRMAN'S REVIEW

" I'M PLEASED TO REPORT THAT OUR BUSINESS HAS STAYED RESILIENT AMIDST LOCAL AND GLOBAL BUSINESS CHALLENGES. THE GROUP IS IN AN ERA OF TRANSFORMING FROM GOOD TO BETTER EXPERIENCING CHANGES WHICH TO BE IN LINE WITH THE ACHIEVEMENT OF OUR STRATEGIC GOALS. "

Dear Valued Shareholders,

It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of the Richard Pieris and Company PLC for the year ended 31st March 2018. At the close of the financial year 2017/18, our business has stayed resilient amidst local and global business challenges although the Group recorded a revenue of Rs. 53 bn with 8% growth, and a profit before tax of Rs. 4.6 bn, which is 30% below the expectations.

Corporate Performance

Retail sector was the main contributor to the group performance for the financial year under review. The outlets continued to gain competitive edge over its rivals through the unique shopping experience, focusing on a wide range of products under one roof. The sector continued its capital investments on strategic initiatives in order to cater dynamic and ever evolving consumer preferences and patterns. Going forward, strategic models will be used in driving the sector expansions. Next year will see the largest Super Centre outside Colombo, in the Sabaragamuwa district.

Plantation sector recorded a revenue growth of 20 % and operating profit growth. The sector has focused on transforming agriculture to be ecologically sustainable, whilst recording optimum yields, and to maintain the prominence as one of the very few best quality tea producers in the world. Number of initiatives such as use of enhanced compost to improve soil

CHAIRMAN'S REVIEW

fertility and, more automated technologies are underway, and the sector is expected to continue its success withstanding the multitude of external factors.

Plastic and furniture sectors comprise key product categories such as mattresses, water tanks, PVC pipes, and rigifoam products which are highly sensitive to the market fluctuations. The sector was challenged with numerous factors including major increase in global material prices which had a larger than expected negative effect on the foam sector. Strategic initiatives are underway to revive and to move forward the most underperformed sector, making structural changes in people and technology while setting up of modern plants in areas with better availability of labour.

The Rubber sector continued to exhibit, yet another strong year with focused market expansion and product development strategies. Increased penetration in the existing markets and exploring of new geographies has shown positive results during the period under review, whilst the performance of the sector was constrained by slow growth in key export markets and competitor currency devaluation arising from reduced trade flows in Asia resulted in intense competition in global markets. New investments and implementation of various strategies are expected to reap benefits in the coming years. Richard Pieris Exports and Richard Pieris Natural Foams were recognized and rewarded with the Silver Award for Agricultural Value Added Exporter in Sri Lanka by the National Chamber of Exporters of Sri Lanka in the extra-large and large category, respectively during the year 2017.

The tyre sector continued to contribute more than 5 % to the Group revenue during the year although the profitability was down considerably. The sector continued its partnering with Nexen, a world renowned brand, to promote its range in the country. Being the market leader in Retreading, the sector considers expanding its footprints geographically.

The Financial services sector continued its robust growth during the year, and is also a strong diversifier to the Group. The Finance Company being one of the main contributor to the sector performance, continued its growth speaks the reliability placed by the public at large. Its noteworthy that Arpico Insurance was awarded the 'Fastest growing Life Insurance Company in Sri Lanka' in the Global Banking and Finance Review Award 2017. Going forward, a focused growth is expected while providing leverage to the Group's business operations and to be a key player in Sri Lanka, the future financial hub in the region.

Moving Forward

The Group is continuously on the lookout for investment opportunities and innovative business initiatives. Restructuring of the business operations and technology driven business mechanism coupled with focused rapid geographical expansions are underway. As a coherent management team of your Group, we envisage on expanding our business horizons and to grow the exports further. Having a heritage of over eight decades, we keep our pride to say that we have continuously taken these stances in advance to tackle the future challenges.

Acknowledgements

I take this opportunity to thank who has stood by the Group over decades, the most valuable relationships are those that remain resolute under all circumstances, and we respect such relationships. The Company is in an era of transformation trying to move from old practices to more modern ways, in line with the achievement of our strategic goals.

It is with a deep sense of gratitude and respect, we place on record the commendable contribution made by the late Mr. Jagath Korale to achieve the objectives of the Group. We all miss him and his relentless efforts to make positive changes.

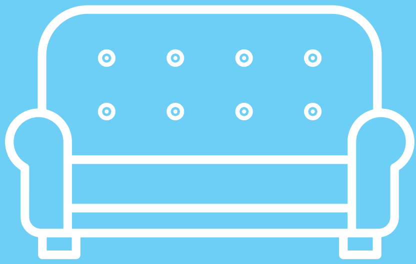
I thank you all, management team, employees, suppliers, customers and business partners who have contributed to this year and let me also assure that we will make every effort to continue to stay ahead of our times.

Dr. Sena Yaddehige
Chairman/CEO/MD

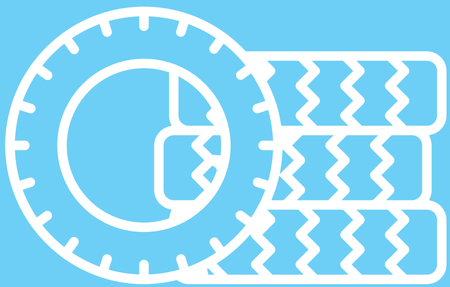
30th May 2018

OUR SECTORS & PRODUCTS

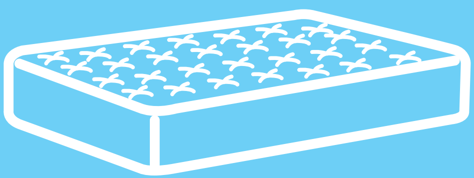
RETAIL SECTOR



PLASTICS AND FURNITURE SECTOR



TYRE SECTOR



RUBBER SECTOR

PLANTATION SECTOR

FINANCIAL SERVICES AND OTHER

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.

OUR SECTORS & PRODUCTS

RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

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.

OUR SECTORS & PRODUCTS

RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

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 and also has solid Tyres in the product portfolio.

OUR SECTORS & PRODUCTS

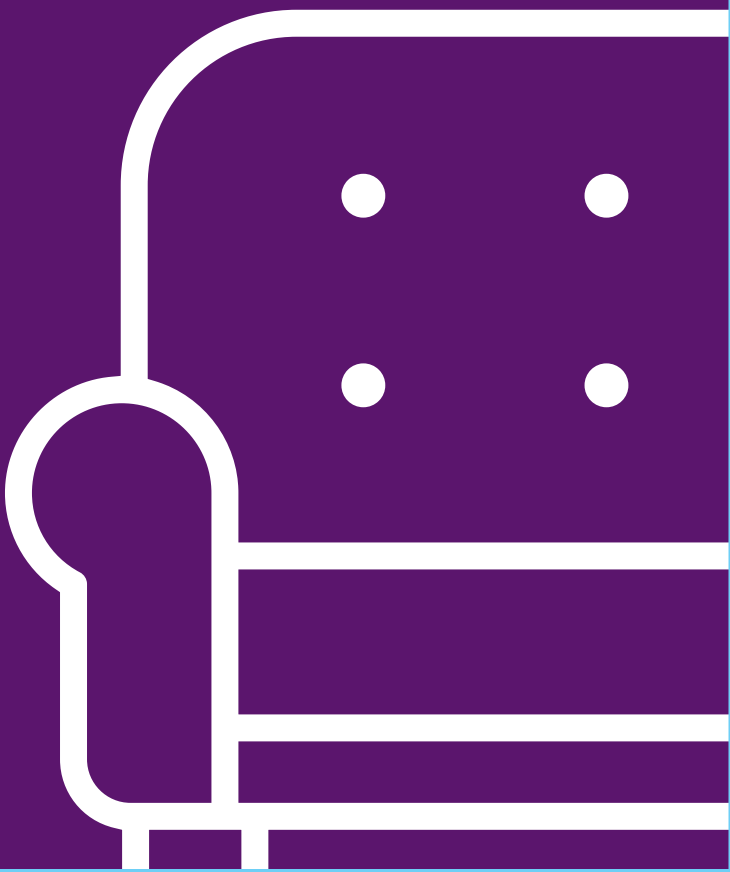
RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

Plastics and Furniture Sector

Our plastic sector produces Mattresses, Water tanks, Plastic furniture, Cushions and sheets, Rigifoam products, PVC Pipes and Fittings, Vinyl mats, day to day consumer durables, as well as industrial and domestic rubber products, distribution of Water pumps, 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.



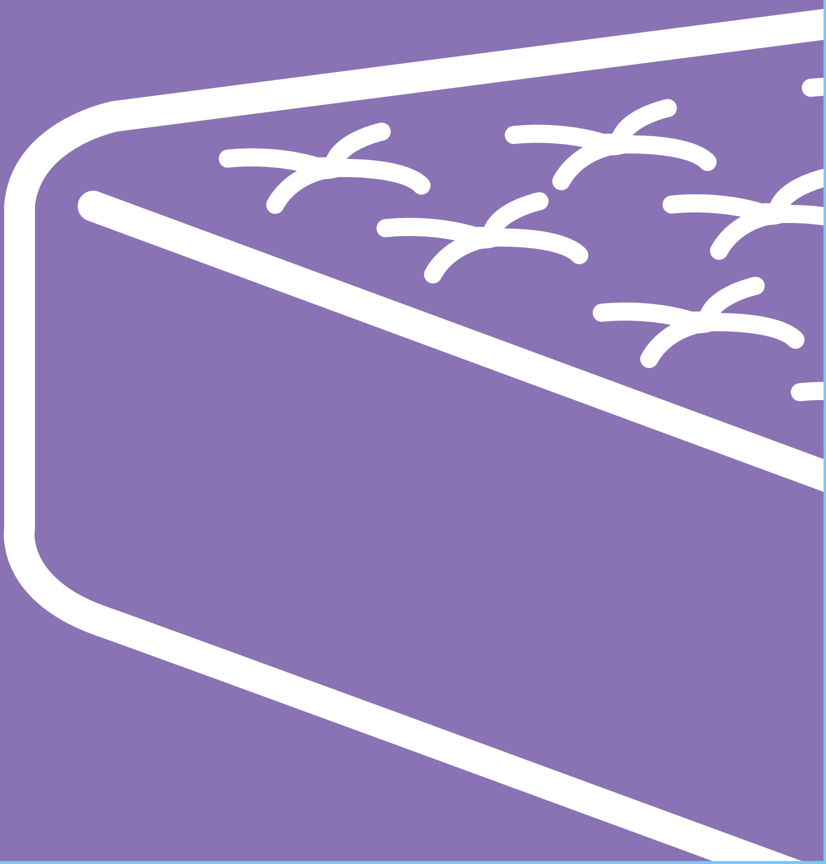
RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

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.



RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

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.

OUR SECTORS & PRODUCTS

RETAIL SECTOR

TYRE SECTOR

PLANTATION SECTOR

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 six 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), a Diploma from the Plastics Institute (LOND.) and is 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 the 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, Arpico Interiors [Pvt.] Limited and numerous other Companies in the Group.

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 the Acting Chairman of Arpico Insurance PLC and 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, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.

BOARD OF DIRECTORS

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 47 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 the 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.

Late Mr. J C Korale

Late Mr. Jagath Korale was a member of Board of Directors until his demise on 21st May 2018.

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

It is with a deep sense of gratitude and respect, we place on record the commendable contribution made by late Mr. Jagath Korale to achieve the objectives of the Company.


Fruits
Vegetables
Onions & Potatoes
Onions & Po

26.3 BN

Revenue

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

RETAIL SECTOR

Richard Pieris Distributors Ltd manages the renowned chain of 24 Arpico Supercentres/ Superstores, 20 Arpico Daily outlets and 14 showrooms. During the year three large format outlets were opened in Thalawathugoda, Homagama and Yakkala offering more than 40,000 items under one roof with extensive parking and other ancillary services. Further, some of the existing outlets were also revamped during the year to serve our Customers better.

OUR BUSINESS → Retail Sector

The Retail Sector of the Group is represented by Richard Pieris Distributors Ltd., Arpimalls Development Company (Pvt) Ltd., RPC Retail Developments (Pvt) Ltd., RPC Real Estate Development Company (Pvt) Ltd. and Arpico Interiors (Pvt) Ltd. 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 continues to be one of the significant contributors to the revenue and profits of the Group. It holds a great growth potential, despite the continuous challenges from the external environment. The Sector reported revenue of Rs. 26.3 bn, which is a 8% growth over the previous financial year.

Richard Pieris Distributors Ltd.

Richard Pieris Distributors Ltd. manages the renowned chain of 24 Arpico Supercentres/Superstores, 14 showrooms and 20 Arpico Daily Outlets. These outlets are 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 & 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 Supercentres/ Superstores, showrooms and Arpico Daily Outlets, including activities for families, in order to create an added level of excitement and to provide customers a comfortable ambience to shop in. The Company continuously focuses on improving levels of convenience and services delivered to customers, while also striving to operate in an environmentally-friendly manner.

During the year under review, the Company opened two Supercentres in Thalawathugoda & Homagama and one superstore in Yakkala, 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 new outlet expansion created more than 150 jobs directly and indirect employment opportunities for numerous service providers. Furthermore, in order to enhance the customer experience the Company introduced a state of the art fresh zone for vegetables, fruits, seafood & meat at its flagship store at Hydepark Corner. This new revamping of the store became the talk of the town due to the striking ambience it created resulting in an increase in the customer foot fall. The Company also expanded the Kandy Supercentre in order to improve customer convenience and to offer a wider product range. This expansion improved the customer count of the outlet significantly during the year.

The Company continued its "Top Tips", "Daily Deals" and "Fresh Deals" campaigns coupled with credit card offers during the year creating a lot of excitement in the market by giving away competitive offers to its consumers. The Company also continued with its Avurudu campaign as well as another exciting "Win a Tropical Christmas", seasonal campaign where 50 families were given 200 air tickets to international beach destinations like Seychelles, Maldives, Bali & Phuket.

The Company continued to provide exclusive benefits to its privilege member base including the discount offers from more than 15 partner hotels and restaurants island-wide during the year. The Arpico Privilege Card customer base continued to grow with its membership standing in excess of 500,000 at the end of the year.

The Company partnered with Unilever Sri Lanka to carry out the 'Don't Be Silly Silly' awareness drive to encourage shoppers to go green by switching to the reusable Arpico - Unilever cobranded blue eco bags at Arpico Supercentre outlets islandwide. The Company continued to install roof top solar panels on its large format retail stores in order to make them more environmentally friendly with the support of the funding received from the IFC, a member of the World Bank Group, together with the backing of the Canadian Government. The Company also partnered with Voice of Asia and carried out the "Arpico Siyatha Lengathukama" to provide essential goods to 5,000 families affected by floods in Rathnapura, Kalutara and Matara districts, proving their commitment to Society as a responsible corporate citizen. Arpico also opened up its E-Commerce web portal to create a platform for donations by foreign communities as well as locals. Seven categories of care packages ranging from US$15 to US$99 were made available to donors to order online. These care packages consist of essential items that were needed to be given to the people that were affected by the floods as well as the Meethotamulla tragedy.

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) Ltd.

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

RPC Retail Developments (Pvt) Ltd.

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

RPC Real Estate Development Company (Pvt) Ltd.

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

Arpico Interiors (Pvt) Limited

Arpico Interiors (Pvt) Limited (AIPL) specializes in interior solutions to corporates clients and also supplies products such as furniture & fittings, carpets, ceilings and partitions.

The Company expanded its operations during the year and continued to increase its range of services.

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.

9.2 BN
Revenue

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.

PLANTATIONS SECTOR

Our Plantation sector holds three listed Plantation entities which are in cultivation of Tea, Rubber, Oil Palm coconut and cinnamon and several other crops. Various innovative initiatives have helped the sector to increase its yields and Oil Palm continued to support the sector's performance. Improvement in tea and rubber prices in the market created a favourable atmosphere for the sector as well.

OUR BUSINESS → Plantations Sector

Richard Pieris Group is the largest tea and rubber producer in the Country holding three regional plantation companies namely Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC. The Plantation Companies are in cultivation, processing and selling of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon and other crops.

With a land base of over 32,097 hectares, Richard Pieris Group owns 54 plantation estates functioning in different geographical regions across the Country. Kegalle, Namunukula and Maskeliya plantations together produced 12.4 mn kg of Tea, 4.4 mn kg of Rubber and 22.5 mn kg of Oil Palm with a total revenue contribution of Rs. 9.2 bn to the Group.

The Sri Lankan plantation industry experienced a wide range of challenges during the year under review including extreme weather conditions, the continuance of the removal of fertilizer subsidy and ban on weedicides affected the performance of the industry. The sector invested in various innovative initiatives to increase the yield of the crops, whilst improvement in tea and rubber prices in the market created a favorable atmosphere for the plantation industry.

The plantation sector of the Group continued to make investments in uplifting the living standards of estate communities. Training programs are being conducted to inculcate better working practices, safety at work, handling health and hazardous items and even the work life balance. Infrastructure development at the estate levels were continued as done in the previous years, and also the sector is actively in the lookout for crop diversification to reap its benefits in the new future.

Kegalle Plantations PLC

The Company owns and manages 17 estates in Kegalle, Kurunegala and Badulla districts with a total land extent of 9,757 hectares. Kegalle Plantations PLC is known to be the largest rubber manufacturer in the country, contributing to an annual production of around 3,495 metric tons to the national economy. In addition to the rubber production, the Company is also actively engaged in harvesting tea and coconut with contributions made towards those respective industries.

During the year under review, the adverse weather conditions have hindered the production of rubber where the Company has recorded a production of 3,495 metric tons which is marginally lower compared to the previous year. On the other hand, the Cost of Production has increased by 17 % to Rs. 289 when compared with the previous year. However, favorable market conditions have increased the market prices in comparison to the previous year and as a result of this favorable movement, the operating results in the rubber segment has increased by 235 % during the year under review when compared with the previous year. The analysis of the composition of the Company's rubber output indicates that centrifuged latex accounts for around 56 % of the total rubber output. Direct export of sole crepe to world reputed shoe manufacturers was also continued during the year under review and it allowed the Company to enhance its Net Sales Average.

In addition to rubber operations, the Company continues to achieve favourable results in both the tea and coconut operations. During the year under review, the Company has been able to increase the operating results in the tea segment by 172 % in comparison to the previous year. Though the reduction in the output due to adverse weather conditions coupled with the increased Cost of Production exerted downward pressure on the operating profits of the tea segment, the increase in the market prices for tea has mitigated the downward pressure thereby enhancing the operating profits in comparison to previous year.

It is also noted that the Company continued to invest in replanting of rubber and tea. In addition, the Company is making significant investment in the oil palm which is having greater potential in the future.

Namunukula Plantations PLC

Namunukula Plantations PLC produces five crops such as Tea, Rubber, Oil Palm, Coconut and Cinnamon, also known to be the most diversified plantation company in the Country. It is comprised of 18 estates in Badulla, Kalutara, Galle and Matara Districts and holds a total land extent of 11,779 hectares, of which 2,120 hectares are utilized for the production of tea, 2,223 hectares for palm oil, 1,580 hectares for rubber and 446 hectares for other crops.

During the year under review, the Company manufactured 2.7 mn kg of tea which is marginally below the previous year. The production was affected by extreme weather conditions as well as the shortfall in fertilizer supply whilst the bought leaf operation also experienced a decline in comparison to the previous year. The increase in the market prices for tea has led to the favorable movement in the Company's operating results in the tea segment.

Production of rubber witnessed a drop due to the adverse environmental factors and the Company has been able to improve its operating performance during the year under review due to the increase in the price in the market. Oil palm has continued to be the golden crop of Namunukula Plantations recording a production of 22.5 mn of kgs which is above the production in

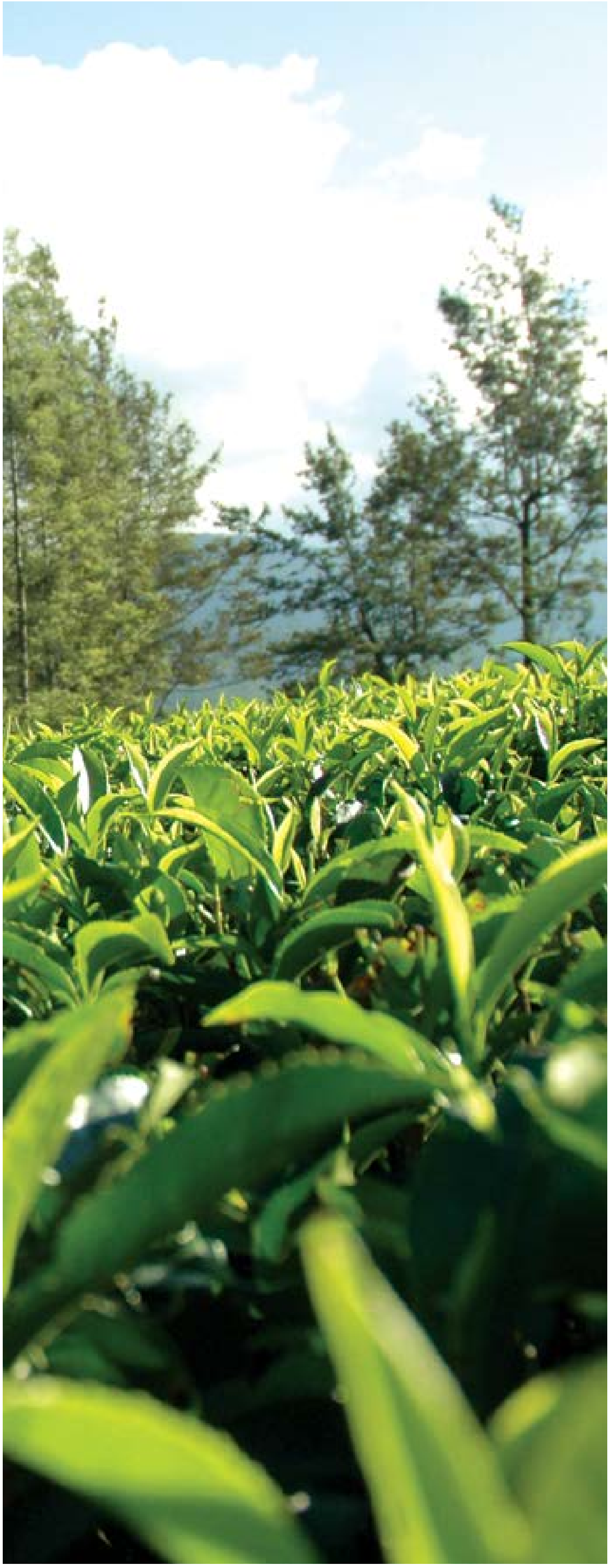
the previous year. The Company is the second largest producer of oil palm in the island with its estates situated in Matugama, Galle and Akuressa geographical areas. Accordingly, the Company has recorded an operating profit of Rs. 592 mn from oil palm operations during the year under review.

Furthermore, the Company has invested Rs. 328 mn on field development and factory modernization endeavoring to achieve cost leadership through enhanced productivity.

Maskeliya Plantations PLC

Being the Country's finest black tea manufacture, Maskeliya Plantation 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 10,561 hectares with an annual production capacity of approximately 10 mn kg and also has continuously recorded best prices in the Colombo Tea Auction.

Despite the various challenges emanating from environment, economic, market and regulatory factors, the Company continued to improve its performance. During the year under review, the Company was able to increase its production of tea by 13 % to 7.6 mn kgs in comparison to the previous year. The Company recorded a revenue of Rs. 4.5 bn which is an increase of 31 % over the previous year. Such an increase was mainly driven by the improved market prices which was resulting from favorable prices in the Colombo Tea Auctions in comparison to the previous year. The Company recorded a profit of Rs. 383 mn for the period under review, recovering from the previous year. The Company has allocated substantial amount of funds for replanting tea and also various other sustainable approach. Brunswick Estate's award on the Rain Forest Alliance certification in the past years has led Maskeliya to be a benchmark in its sustainable approach amidst the challenges faced by the Company.



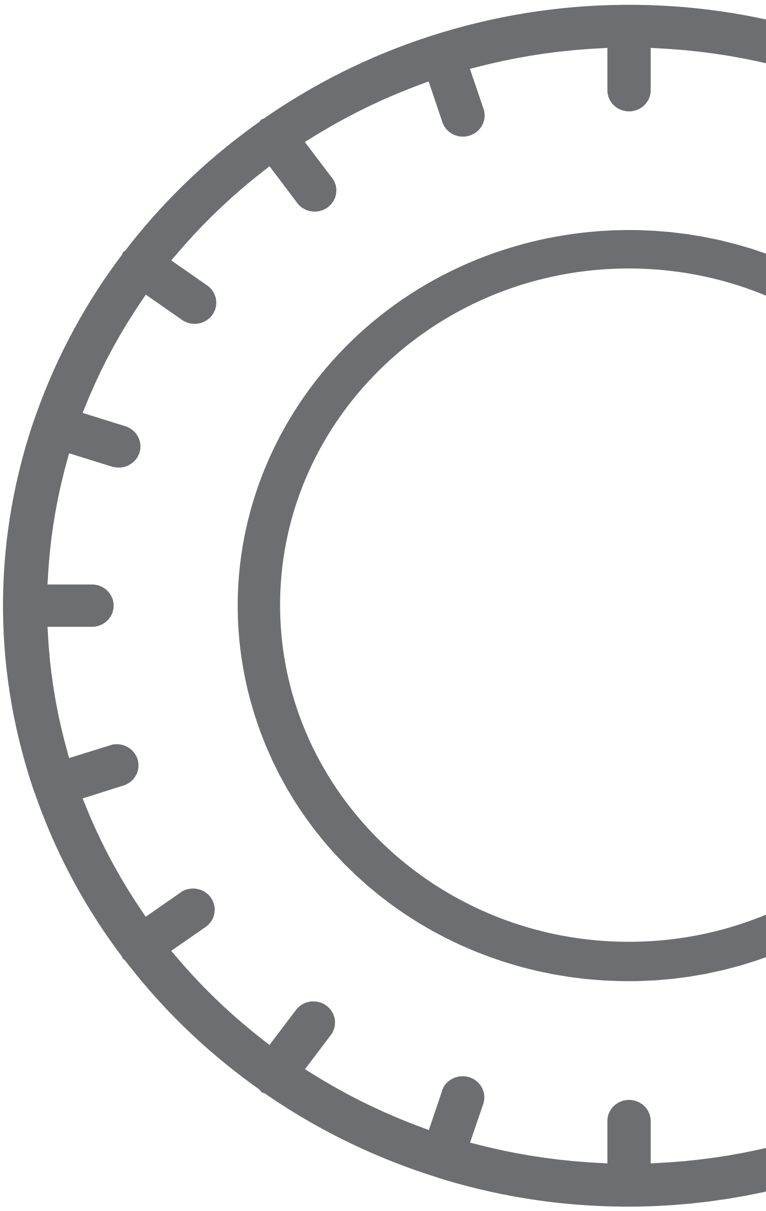
Maskeliya Plantations is confident of its way forward, relying on its strategic initiatives and innovative agricultural practices which to reap benefits in future.

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.

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.


Driving Tomorrow
NEXEN TIRE



2.7 BN

Revenue

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 and also have solid Tyres in the product portfolio.

TYRE SECTOR

Richard Pieris Tyre being the largest tyre Retreading supplier and known for the Trading segment with the Nexen brand, increased its product portfolio by adding Industrial tyres during the year. Several cost initiatives were introduced by the sector through efficiencies in production and sourcing.

OUR BUSINESS → Tyre Sector

The Tyre sector of the Group comprises of four Companies, namely Richard Pieris Tyre Company Limited, Arpidag International (Pvt) Limited, Richard Pieris Rubber Compounds Limited and BGN Industrial Tyres (Pvt) Limited.

Richard Pieris Tyre Company renowned for its customized tyre retreading services continued to be the largest retreading tyre supplier in Sri Lanka during the year. The sector further extended its' market presence with the acquisition of BGN Industrial Tyres (Pvt) Ltd, a renowned Sri Lankan industrial tyre manufacturer known for their product range of Solid Tyres. Arpidag International and Richard Pieris Rubber Compounds which plays a supportive role by supplying pre-cured tread cushion gum and other related materials as well as customized mixing facilities contributed to the overall performance of the tyre sector. The dealer network of more than 1,300 dealers has enabled the sector to maintain its competitive advantage.

Richard Pieris Tyre Company Limited

Richard Pieris Tyre Company recorded revenue of Rs. 2.7 Bn and accounted for more than 90% of the sector revenue maintaining the same sales levels as previous year despite the negative sentiments in the market demand for retreading tyres. The Company was proactive in facing the declining demand conditions in the market and the introduction of low cost energy by investing in the firewood boiler a few years ago sourcing of raw materials at lesser prices supported the retreading operation to sustain its margins and to arrest the adversity of the situation to some extent.

Trading segment of the Tyre Company has continuously grown with its sole agency of "Nexen Tyre" (South Korea) and "Birla Tyre' (India), which has been instrumental in driving the revenue of the trading segment. Nexen Tyre, headquartered in South Korea, is a premium international brand with a record of excellence for over 70 years. This brand was first introduced to Sri Lanka by the Company in 2014 and the market has shown positive results to the range introduced and Richard Pieris Tyre Company envisages capturing more premium brands under its portfolio throughout the years.

Birla Tyres is a specialized Indian brand for truck / light truck, two wheelers and three wheeler tyres acknowledged for their hard wearing quality tyres at affordable prices. The market has positively embraced the product ranges offered by the company under the Birla Brand name.

Richard Pieris Tyre Company continuously seeks new business opportunities. The company expanded their footprints domestically during the year and also in the evaluation of penetrating to neighborhood countries. Efficient distribution through the dealer network has facilitated the Company to increase its sales volumes and top dealers were recognized and rewarded continuously for their contribution to the delivery exemplary results.

Expansion to North and East regions of the country 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.

Arpidag International (Pvt) Limited

Arpidag International with its joint partner in USA Bandag Inc., has been manufacturing pre-cured tread materials and related products since 1991. Arpidag International (Pvt) limited which introduced the cold process technology to Sri Lanka is known for continuously updating and upgrading the technology used.

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 standardize its processes.

Further, the Company continued to enjoy a cost advantage through the outsourcing 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 has ensured consistent superior quality which in turn have enabled the other companies in the sector to achieve higher market share.

BGN Industrial Tyres (Pvt) Ltd

BGN Industrial Tyres (Pvt) Ltd, a renowned Industrial Solid Tyre manufacturing venture founded in 1994 was acquired by the Group during the year. BGN Industrial Tyres' known for their range of high quality Solid Resilient tyres. The acquisition has increased the future prospects of the Tyre sector.

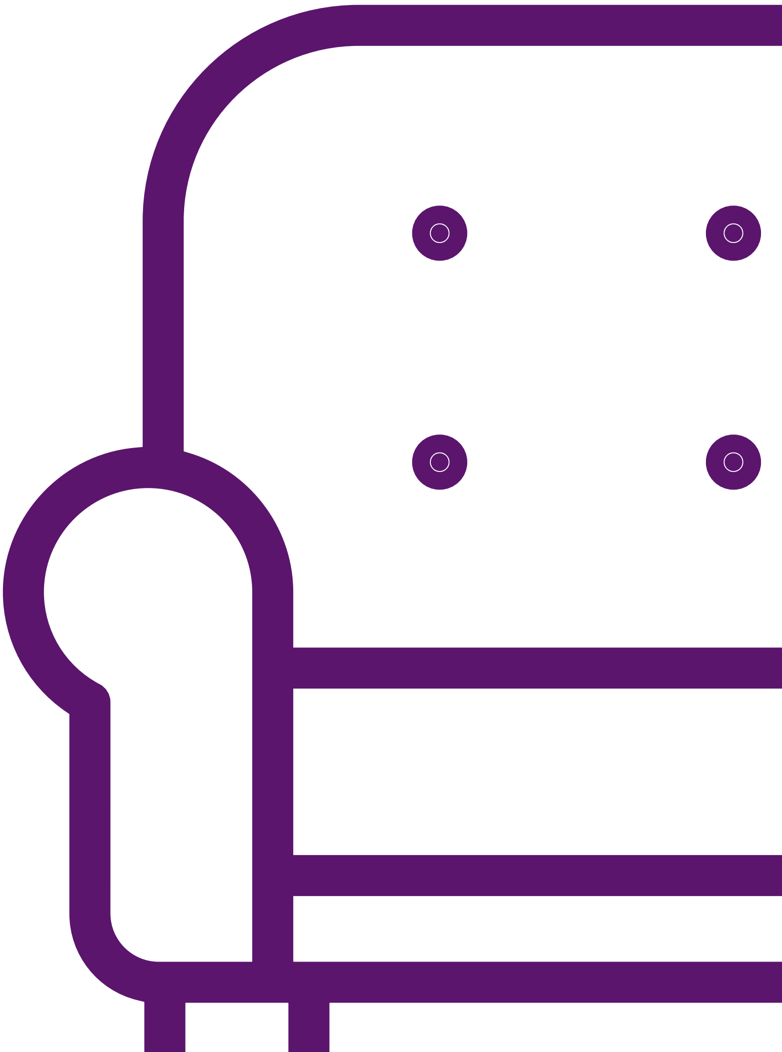
6.6 BN

Revenue

Our plastic sector produces Mattresses, Water tanks, Plastic furniture, Cushions and sheets, Rigifoam products, PVC Pipes and Fittings, Vinyl mats, day to day consumer durables, as well as industrial and domestic rubber products, distribution of Water pumps, 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.

PLASTICS AND FURNITURE SECTOR

The sector introduced Vinyl Mats to the existing product portfolio during the year whilst instigating various product developments to the existing products and efficiencies in different segments of the business. Further, arrangements have been made to expand the footprints of the sector geographically.



The Plastics and Furniture sector of the group is comprised of Arpitech (Pvt) Ltd, RPC Polymers (Pvt) Ltd, Plastishells Limited, Richard Pieris Rubber Products limited, Arpico durables (Pvt) limited, Arpico Furniture Distributors (Pvt) Limited and Arpico Plastics Ltd. The product portfolio of the sector includes a range of Mattresses, Water tanks, Rigifoam products, PVC pipes and fittings, Rubber products and other consumer durable products. The sector further expanded their product portfolio with the introduction of Vinyl mats to the Sri Lankan Market.

During the year under review, the sector managed to generate revenue of Rs. 6.6 Bn which is marginally lower compared to the last year's revenue of Rs. 7.2 Bn amidst the increasing raw material prices, short of labour, adverse weather conditions and the declining demand conditions prevailed in the market. Further, geographical expansions and product developments were initiated during the period under review.

Rigifoam Operations

The Rigifoam operation of the sector widely known for the quality of the products among the masses in Sri Lanka, has been providing services to the Sri Lankan fishery industry for over 50 years.

The operation's overall performance mainly driven by institutional sales was satisfactory despite the drastic weather conditions and other adversities in the market. Continuous expansion by tying up with the construction industry and also by increase in the direct dealer base island wide has helped the operations to perform during the year.

The mega blocks concept for Rigfoam carvings were introduced to both the Sri Lankan and Maldives markets, where such blocks are in demand for customized Rigifoam structures used for various functions and events.

Mattress Operation

The polyurethane foam operation, engaged in foam-related household, institutional and sports goods are trusted by the customers locally and internationally for the quality and the comfort levels of the products. The reputation of good quality is backed up by several local and international standard certificates such as ISO 9001:2008 and SLS 893.

Despite the adversative market conditions, the operation managed to increase the mattress revenue by 20%. The increase in revenue was achieved through aggressive marketing campaigns, market development, product development and the franchise obtained for the international brand "Englander". Indian market was tapped during the year and an exclusive product range was developed for the Indian Market.

Vinyl Mat Operations (Arpico Plastic)

The Group continued their tradition of continuously seeking novelty in their operations with the introduction of Vinyl mat manufacturing in Sri Lanka. During the year the company introduced dual colour mats for the first time to the Sri Lankan Market. Spike Based Mat, Plain sheet Mat and Vehicle Mats and other product developments also did take place during the year.

Water Tanks Operations

Arpico water tanks, the pioneer of water tanks in Sri Lanka is trusted by Sri Lankans for the scientific design, use of Food and Drug Administration (FDA) certified materials, durability and the health performance of the products offered. The operation offers a wide range of products including water tanks, garbage bins, septic tanks, compost bins, green gas units, traffic accessories to the market and is backed up by a record of excellence for over 20 years.

Continuous improvements to the products and introduction of innovative products have been a trend to match the ever changing customer requirements and to ensure the safety of customers. The continuous improvement of products throughout the history is backed up by innovative products introduced to the market by the group such as the "Three layer water tank", "Rotation moulded water tanks", "Blow moulded water tanks" and "Hybrid water tank". During the year, the Group kept the tradition of being innovative and has introduced a fishing bait tank and a paddled lock system for Plastic Tank Lids for better safeguarding the quality of water storage.

Various marketing campaigns were carried out during the year with the aim of improving the market awareness, customer engagement and creation of stronger customer relationships which enabled to maintain the position as the market leader, during the year.

PVC Operations

Arpitech (Pvt) Ltd engaged in manufacturing of Polyvinyl Chloride products, offering an assortment of products consisting of PVC pipes, PVC fittings, Conduit pipes, Conduit fittings, Garden Hoses and Rain convey systems to the market and is highly regarded by Sri Lankans for the quality of the products.

It was a noteworthy year for Arpico PVC as the company managed to become Sri Lanka's first ISO 9001:2015 Certified PVC Pipes & Fittings Manufacturer. The new certification obtained during the year followed by the Sri Lanka Standards (SLS) certifications obtained for its range of products few years back has increased the strength of the operation in the industry. PVC operation achieved a credible level of growth during the year under

OUR BUSINESS → Plastics and Furniture Sector

review with the steady dealer network and strategic marketing endeavors.

PVC Doors Operations
PVC door operation entered into a "Hyper PVC Door" project with a new local supplier and initiated a "Door without Lock" project during the year with improved quality and durability of the PVC doors. The market reacted positively to both these new initiatives.

During the year, PVC door operations entered the low end segment of the market with the introduction of a range of new products. Efforts were taken for brand marketing during the year and the operation engaged in a press campaign to bring out the message of "quality & unique durability of Arpico PVC Doors" towards the target audience.

Furniture Operations
The Furniture operation of the firm is involved with the production of Sofas, Panel furniture and wooden furniture. Continuously new products were introduced to the product portfolio and the same were warmly welcome by the market. The operation expanded the business to the government sector by securing few government tenders during the year. Various promotional campaigns including Below the Line (BTL) promotional campaigns, dealer shop branding, and distribution of catalogues were initiated to build better brand awareness of the products.

Printing Rollers / Industrial Rubber Products and Moulded Rubber Goods Operation
The rubber operations engaged in manufacturing of printing rollers, belt rollers, industrial rubber products and moulded rubber goods.

During the year the operation invested in a strip builder in order to increase the manufacturing capacity to meet the continuously increasing market demand. It is noteworthy that due to this investment the operation is currently capable of manufacturing industrial rubber rollers up to 7m length at present.

During the year new ranges of economy mats, rubber hoses and anti-fatigue mats were introduced to the market, which increased the product range and also will support to tap new market segments.

Water Pumps Operations

Water pumps were driven by new product developments and technical improvements during the year.

Operation launched a new water pump namely "new Jaffna model (IDK)" to suit the requirements of the customers in Jaffna and other areas with similar geographical characteristics to Jaffna. New and improved 1HP Jet pump that is suitable for pumping water at high hills was launched during the year under the brand "Arpico Water pumps". These new initiatives were able to cater the prevailing customer requirements.

Significant technical developments were made to the water pumps, such as the new SS Impeller for 0.75 & 1HP and the new Japanese bearing improved the durability, the suction speed and the maximum depth that can be reached by the water pumps improved the quality of the water pumps produced. Special marketing efforts such as radio commercials, press campaigns street promotion campaigns were carried out during the year to boost the sales during the year and to build more brand awareness.

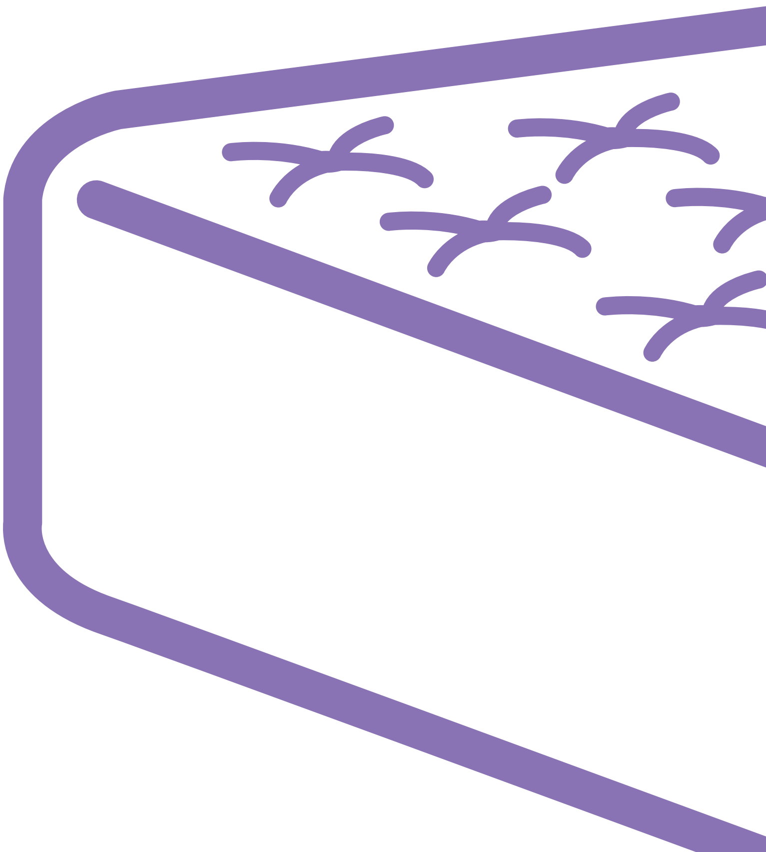
4.5 BN

Revenue

Our rubber sector, which mainly caters to the export market, is involved with products such as mattresses, pillows, latex rings, crush tips, shoe soles, jar rings and other 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.

RUBBER SECTOR

Richard Pieris Exports and Richard Pieris Natural Foams were awarded with a Silver Award by the National Chamber of Exporters of Sri Lanka for the Agricultural Value Added Exporter, under the Large and Extra Large categories respectively. The sector is poised to seek growth opportunities through diversification of its product portfolio and also to focus on the domestic market.



OUR BUSINESS → Rubber Sector

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 sector recorded a revenue of 4.5 bn with a 9% increase from the previous financial year. Richard Pieris Exports and Richard Pieris Natural Foams were awarded with a Silver Award by the National Chamber of Exporters of Sri Lanka for the Agricultural Value Added Exporter, under the Large and Extra Large categories respectively.

Looking at the Financial year under review the Sector was challenged by the increase in the raw material prices and the sluggish demand from the export market. The sector is poised to seek growth opportunities through diversification of its product portfolio and also to focus on the domestic market. Deployment of new machines during the year will support the companies to enhance its production capacity and also will increase the efficiency which will assist the rapid market expansions.

Richard Pieris Exports PLC

Richard Pieris Exports PLC was established 35 years back and is the Groups first fully export oriented subsidiary. The Company is a pioneer in manufacturing rubber flooring products for various applications and is a key supplier of export quality mats to the local market through Arpico Retail outlets. Its product portfolio includes anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats. Specialised mats were manufactured to cater varied requirements of customers, including for the dairy & agricultural industries, around the world which distinguished the Company's customer focus and continuous product development.

Richard Pieris Exports PLC is committed in upholding international certifications and export standards, which has given sufficient confidence to its customer base and also was key to reach new markets. Continuous efforts were sustained to engage closely with the Rubber Research Institute and Institute of Technology, in developing new products and alternate use of raw materials. The Company holds the pride of being the only manufacturer and supplier of natural rubber jar sealants in the world at present.

During the year under review sales volumes dropped due to the decreased demand in USA and across the European market. Efficiencies in inventory control and working capital management was continuously focused to mitigate cost increases. Market studies and feedback from the customers facilitated the Company in backward integrating the manufacturing processes and also to maintain optimum level of inventory. Rise in the raw material prices eroded the margins, which affected the profit in the year under review.

During the year, Kitchen mat range was introduced to the market and also increased the range of moulded rubber products. Several new customers from different parts of the world were added to the customer portfolio during the year. The Company has maintained strong relationship with its customers and believes that key success factor is maintaining it through win-win negotiations. Further, it also believes that remaining resilient in deriving synergies in the dynamic markets through product differentiations and process improvements.

Richard Pieris Natural Foams Limited

Richard Pieris Natural Foams is a manufacturer and exporter of latex foam blocks, sheets and pillows using 100% natural rubber latex in the global market, catering to the international bedding and furnishing industry. The products are certified by globally recognized certifying bodies such as ECO LGA, Oeko Tex, STROKE, ABC and SATRA, and also complies with Global Organic Latex Standards by the Control Union. The Company also obtained 'ISO 9001 and ISO 14001' certificates during the last financial year.

During the financial year 2017/18, the Company recorded a revenue of Rs. 3.1 bn with a growth of 21% and 14% in the profits before tax. Despite the challenges in the global market, strong relationships with the customers, distribution channels across 40 countries and suppliers have supported to achieve the recorded growth of the Company. With the vision of being the global market leader, Richard Pieris Natural Foams believes in exploring innovative means of staying ahead of the competition.

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. Process automation and enhanced production capacity done in the previous years supported the Company to control the costs to stay competitive in a price driven market, and also to penetrate into new markets. Expansion opportunities in the international market was continuously pursued, where the Company participated in number of exhibitions and customer visits to increase its customer portfolio. Also the relationship with the suppliers and the distribution channels were further strengthened to cater the future requirements. Manufacturing plant was upgraded with a new continuous Pillow Line, effluent water treatment plant, mattress production line and mold racking system to cater to a higher demand.

During the year, a complete range of mattresses were introduced under the name 'Iwata Dreams' in the Japanese market. The construction of the bio mass boiler which commenced in the previous year was completed under the year in review, which will reduce furnace oil usage, thereby reducing its carbon footprint.

Product innovations are vital to have on edge over the competition and Richard Pieris Natural Foams has constantly invested in Research and Development to pursue dynamic succeeding years.

Arpitalian Compact Soles (Pvt) Limited

Arpitalian Compact Soles manufactures and supplies high quality shoe soles catering to the high-end footwear segment. The Company is a joint venture between Richard Pieris Exports PLC and Davos SPA, an Italian manufacturer of shoe soles and soling sheets.

Performance during the year under review was hampered due to the competition in the market. Arpitalian Compact Soles complies to highest quality standards and compound formulations enabled the Company to be competitive with the price and also to distinguish the products from the alternate cheaper options.

The Company also focused in Light weight product range during the year and several training sessions were also conducted in Italy. Customised product range for different market segments continued with the aim of penetrating in to new markets. Introduction of new product ranges and participating in Leather fairs continued, focusing successful years.

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.

During the year initiatives were made to improve the working conditions for the workers and also various methods to control the costs. 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.


100
Asia
Europe
75
50
25
0
April
May
June
July
100
China
America
France
Japan
Germany
75
June
July

3.3 BN

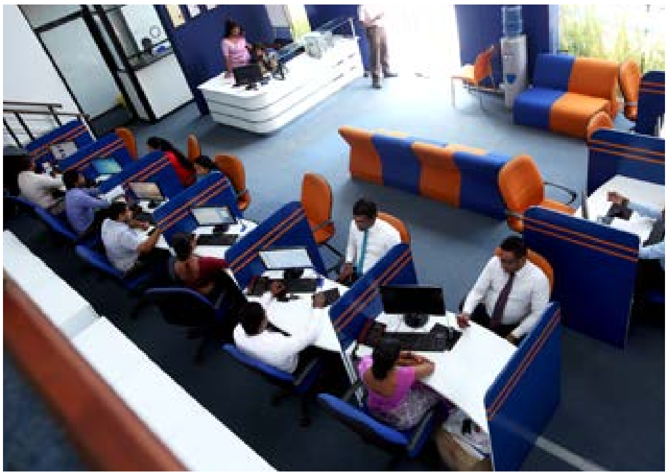
Revenue

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.

FINANCIAL SERVICES AND OTHER

Arpico Insurance PLC was awarded the 'Fastest growing Life Insurance Company in Sri Lanka' in the Global Banking and Finance Review award 2017. Richard Pieris Finance Company's ARIJ Islamic unit successfully secured Gold Awards for Window / Unit for the Year 2017 and Turnaround Entity of the Year 2017, also secured the Silver Award for Leading Company of the Year 2017.

OUR BUSINESS → Financial Services and Other



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 with the Group's success to date. 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.

A number of initiatives were taken to enhance the software systems in the Group by enabling web based solutions with the aim of increasing the efficiency and productivity. Some non-critical software systems have already embraced the cloud technology and are in post go-live stage. The usage of mobile based applications has increased with the introduction of tabs to the distribution sales staff. Plantations sector saw a major improvement with the mobile based attendance recording system, which is in the pilot run now. With the new ecommerce site introduced during the year, the on line sales channel has seen a major improvement. The project monitoring and performance monitoring systems are in place with the information dashboards for operational and senior management. Software systems have been continuously enhanced to meet the new sectors and increasing business needs.

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 54.

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

The Group Treasury supports funding requirements of all the businesses in the Group. It is also gets involved in negotiating bank facilities for the Group, while managing the Group's foreign exchange exposure and the 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 transhipment. The Company's portfolio also includes door-to-door cargo services and a variety of other related services.

Richard Pieris Securities (Pvt) Limited

The financial year 2017/18 was extremely challenging for the entire industry. The current political uncertainty, added to rapid slowdown in the construction industry, had a cascading effect on the economy. The absence of some of the government institutions, decline in foreign investment and the funds being diverted to land & condominiums added to the negativity. The capital market remains over sold and majority of the equities are trading below net asset value & at a low price earnings ratio. It remains a best time for mergers & acquisitions.

Arpico Insurance PLC

Arpico Insurance continues to grow despite the challenges in the market through clearly differentiating its products in the market. The year 2017 was a promising year with robust growth and expansion in all areas of the business and the Company was awarded the 'Fastest growing Life Insurance Company in Sri Lanka' in the Global Banking and Finance Review award 2017.

Geographical presence being one of the key elements in the business growth, Arpico Insurance presently has 40 branches and has made a strong commitment in expanding its footprints throughout the Country. The Company has recorded a profit of over Rs. 200 mn with a 53 % increase in the policy base, which is well above the average of the Life Insurance industry in Sri Lanka.

Arpico Insurance has aligned its focus towards convenience, reachability and affordability for the customers and also continued to emphasis on the factors within its control, which included driving operational improvements, stringent cost control and increasing margins.

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 celebrates five years of its operation, with a steady growth in the business amidst the challenges in the market with built-in resilience across all areas of operations which will reflect positively in the financial results in the coming years. Branch network has increased to 15 numbers during the year under review and the deposit base also has grown significantly showcasing the trust and confidence placed on the Company by the customers.

Richard Pieris Finance is in the process of introducing home loan and entrepreneur financing for SME customers, apart from other financial products and these two products will certainly improve our balance sheet and will accelerate asset growth. We are improving our internal control and risk management tools and post disbursement monitoring to ensure that there won't be any negative spill over effects on the asset quality.

CORPORATE SOCIAL RESPONSIBILITY

The balance between economic success, environmental protection and social responsibility has been an integral part of our corporate culture for decades and we always endeavour to achieve more with less. 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. We are continuously working towards to balance social, economic and environmental factors in all our operations to create sustainable value for all our stakeholders and to support communities, while minimizing environmental impacts.

We aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success. Our Group boasts of a proud history of responsible business practices and strong principles on quality, value, and integrity which lie at the heart of our business strategy. The Group is one of the largest and oldest diversified conglomerates in Sri Lanka with a vast number of stakeholders, and engages in numerous economic, social, and environmental support initiatives targeted at delivering its responsibilities to all stakeholders. We aspire to grow beyond boundaries and have achieved many a milestone through diversification, but our commitment to corporate social responsibility has not been compromised. We have continuously developed and strengthened our sustainability outlook year on year, having learnt that it opens a world of new opportunities for both the Group and our stakeholders. Thus, we aim to engage positively with all stakeholders, responding to them swiftly and efficiently while continuing to welcome their views.

Our Customers

Everyday thousands of customers around the Country consume or use our products / services. We have always strived to search for fresh ideas every day to serve our vast customer base daily, and taken lasting strong relationships with them, which has become our business model.

For our customer, providing fresh and quality products through our retail chain has become customary and our focus is also vested towards convenience of 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 the usage of fewer resources, such as energy and water, bio gas and save money on bills.. 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". We are in the journey of transforming from traditional energy consumption to Solar power, where our outlets are being converted or built with Solar panels reducing the Carbon footprint. 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 which 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.

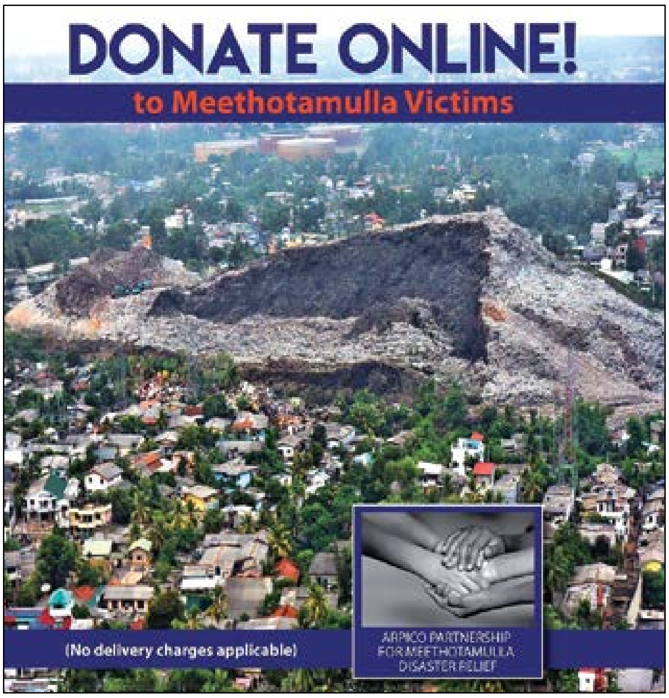
Good Agricultural Practices (GAP's)

Agricultural practices adopted on estates are conformed to TRI (Tea Research Institute) guidelines/ regulations & internationally certified standards such as Rain Forest Alliance, Ethical Tea Partnership & FLO.

Good Manufacturing Practices (GMP's)

Tea being harvested from the field until its made a product, Good Manufacturing Practices are followed in our factories conforming to internationally accepted standards such as HACCP/ISO 22000.

ISO 22000: 2005 System Certification – Food Safety Management System Certification for various Tea Manufacturing Factories of the Company.



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 the neccessary 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.

CORPORATE SOCIAL RESPONSIBILITY

Community and Country

Our products are used daily by many households and we seek to encourage responsible product use through targeted communication. When it comes to implementing our sustainability strategy, it is our people who make the difference – through their dedication, skills and knowledge.

They make their own contributions to sustainable development, both in their daily business lives and as members of society. They interface with our customers and consumers and drive innovation, develop successful strategies, and give Arpico its unique identity.

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 28,000 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

We develop innovative solutions and set standards for responsible sourcing together with our suppliers and partners. A thorough understanding of our supply chains has enabled us to promote sustainable relationships based on innovative and win-win solutions. We work closely with our suppliers to ensure that our Company values are embedded throughout the supply chain system. We are also committed in improving the income opportunities of people who come into contact with our supply chains and our business, such as smallholders and various other suppliers.

The focused and efficient integration within the supply chain leads the Group to procure range of products at high quality inputs at the best price, and this in turn converts to an integral component of its competitive advantage. Our dedicated supply chain team has continuously brought enormous cost benefits to the Group by being a loyal customer to our vast network of suppliers that is spread throughout the world.

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

Our Initiatives

Welfare Activities

Arpico CSR partnered the government flood relief programs and managed to deliver essentials to the most deserving people in Kalutara, Rathnapura and Matara. On the direction and guidance of Group Chairman, over Rs 50 mn was allocated for the relief of 5,000 displaced families. Relief efforts were conducted together with media and armed forces, distributing goods directly to the people in affected areas. A variety of goods including dry rations, milk powder, biscuits, tea, disinfectants, sanitary napkins, panadol, siddhalepa, pain killers, etc. were dispatched over a week long process to more than 5,000 families affected in 75 Grama Niladhari Divisions. Further, Arpico handed over 500 numbers of mosquito nets and 500 numbers of journey mats to Hon. Minister of Tourism John Amaratunga at the Prime Ministers Office to be distributed to those adversely affected in the Kalutara area.

During the chaotic time period of Meethotamulla garbage issue, Arpico CSR assured to care for the victims via collecting donations from people all over the world through special care packages. This

online donation programme managed to contribute over Rs. 5 mn to the Meethotamulla victims.

During the heavy landslides in Kegalle District, 8.09 hectares have been released from Atale Estate to be distributed among the landslide victims of the villagers and these lands have been handed over to the Divisional Secretary during the financial year 2017/2018 and majority of the house constructions have been completed. Considering the urgent need of land requirement by the Government to assist during a National Crisis situation, such large extent of land, that was from the prime land of the estate have been released.

Re Roofing of the temporary sheds for the estate workers are being done to provide the basic living standards. Water Tanks were donated to the Maharagama Cancer Hospital and also in collaboration with Shakthi FM Water Tanks were distributed in the Northern Province during the drought season.

Events were organised for the New Year celebrations at the estates and the benefit is for the society at large. Distribution of schools bags, aids to elder's homes, support to house wife's association, blood donations, financial assistance to conduct religious procession/s and several other initiatives were carried out during the year under review.

Supporting Health Care

At the Plantations, free lunch is being provided periodically for pensioners, pregnant women and every day for the children in the Child Development Centres. Further, the centres house the Children of the Plantation workers and these are maintained for free for the betterment of the society at large.

Several awareness programs are held on health concerns to resident and non-resident estate persons on various subject lines including an awareness program for small holders on the consequences of using glyphosate in agricultural practices.

Conduct a Nutrition program for Children and parents participated including resident and non-resident families.

Our Commitment Towards the Environment

Forest Conservation and Tree Planting

As a Company which is carrying out Plantations, we have continuously encountered situations on normal land and forestry areas. Conservation of forestry areas are clearly marked as declared by the Central Environment Authority and the Government are clearly demarked at the respective locations to ensure circumvention of encroachment. Close proximity - 60 metres to waterways as catchment areas are included into conservation areas.

Our approach to environment preservation is not a onetime activity but extended to an extensive journey towards making a greener environment around us. Under this ongoing program we promote the habit of planting trees especially in our estates. Plants help to reduce temperature as a result of absorbing excess carbon dioxide. Having a green surrounding would neutralise the effects of carbon dioxide emissions of our business activities.

We have initiated pilot projects with fruit culture including pears, avocado, orange and mandarin etc, which will make the landscapes richer with diverse crops. The latest addition to this crop list is agar wood. Further, Maskeliya Plantations PLC has paid attention to secure its biomass energy with giant bamboo which will be a steady supply of firewood for the processing centres.

We are paving the way for more a cleaner environment and also in the path to be Carbon neutral or even to achieve Carbon Credit.

Nature and the Diversity

Our estates spread over the wet zone covering Kegalle, Kalutara, Matara, Galle, Kurunegala, Nuwara Eliya and Badulla districts with over 2500 mm of rain is experienced. Most of our Rubber estates in Kegalle, Kalutara and Galle districts spread in between

CORPORATE SOCIAL RESPONSIBILITY

the central highlands and western southern planes varying in elevations from 500 feet above sea level to 6,000 feet. The three plantation companies are situated in the wet zone, intermediate zone in Sri Lanka and are been sub divided low country, mid country and up country plantations. Most of the estates are closed to natural forests or estates kept reservation lands for forestry where many of the endanger species of butterflies, birds and animals are being provided as protected reserves.

There are dozens of different mini ecosystem types identified in Maskeliya, Udapussellawa, Haputhale, Nuwara Eliya and Nawalapitiya regions during a survey done on biodiversity. They range from pristine virgin forests and grasslands, down to manmade ecosystems such as hydropower reservoirs, plantations and disturbed scrublands etc. Tea cover is the dominant vegetation type which conceals majority of the cultivable land area in Maskeliya. Our Group and all the estate community take a pride of having the natural environment and we are committed to protect the nature that we have been blessed with.

Area under manmade lakes of Maussakelle and Castlereigh hydropower schemes are the cardinal aquatic ecosystems present so far, which regulate and transform the multi-purpose ecosystem services provided by nature, largely at national level including hydropower generation. Some of the other services on offer are flood control, storage and gradual release of water catering requirements of the people living down-streams, including domestic water supply for Colombo and the suburbs as well. Timber plantations and fuel wood plantations found in diversified marginal tea lands due to soil degradation too occupy considerably large land extent. Scrublands are heavily infested with invasive exotic plant species mostly introduced to the region. It is observed that most of the plant species become invasive here are of Central American origin. Coster's curse (Clidemia hirta) or "Kata Kalu Bovitiya" called in local terms is the most aggressive tea weed in Sri Lanka ."Gal Goraka" (Clusia rosea), "Kurunjan Pullu" (Austroeupatorium inulifolium) and "Maalu Othana Kola" (Micornia calvesens) are a few other good examples to this effect. Home gardens of resident plantation worker community and commercial vegetable plots too collectively occupy an important part of the estate land. Rest of the extent is shared by Riverine forests seen along water causes, rocky outcrops, Marshy lands (Wet Patna) and isolated Secondary forest patches scattered throughout the landscape. Westward, section of the region is bordering the Peak Wilderness Nature Reserve (PWNR), one of the most diverse Primary forests in Sri Lanka and the home for a vast number of endemic biological species. This pristine virgin forest is the core reservoir home for almost all the wildlife species found in Maskeliya area. Hence, many of these species seen, have crossed over and pilfered in to the tea estate land giving visitors the opportunity of admiring them at the estates, without entering into the nature reserve.

Hydro Power

Hydro power plants at Talawakelle and Brunswick estates generate electricity which helps to supply for domestic use and also to contribute to the national grid.

Estate	Units Supplied (kWh)
Brunswick	398,169
Talawakelle	227,850
Total	621,019

Land Management

As a Group which holds Plantation Companies, we are always concerned about our environment, particularly soil. So that we are committed that our land is in safe guard without having any of land or soil erosion. To safeguard our land and soil erosion, we continuously emphasis on improved land management structures and methods such as terracing, mulching, weeding, grow Manaa (grass which prevent soil erosion) and other plants to prevent soil erosion. Using plants for erosion control is an excellent biological method we use to safeguard the landscape and the shape of the land. In our tea plantations especially in the Upcountry and Uva range plantations we adopt this method to safeguard the soil in our lands. In every bank or end of the planting areas with a higher slope, we will take on to these methods to prevent soil erosion. This has enable us to minimise the conditions that promote soil erosion such as rain, wind, physical disturbance. It is a relatively easy way to conserve top soils and prevent open areas from wearing away.

Other methods include coir netting, mulching, terracing and drains. However, with the ground cover that we maintain and overhead canopies of our shade trees and permanent crop is well protecting the soil without the artificial methodologies. We have also started a pilot project at Mocha estate, Maskeliya in order to convert weed biomass removed from the fields through manual weeding into enriched compost and put back to tea fields. Intention is to enrich the soil with in the generated resources and improve the nutrient retention ability also with the moisture holding capacity. By improving the soil this way, the input use efficiency of the soil could be enhanced while controlling the usage of costly fertilizer input, saving funds.

Harvesting of Timber

All operations including felling, clearing, extraction & transportation of timber is undertaken in conformity to the environmental standards stipulated under the National Environmental Act with all precautionary measures planned out to minimize soil erosion and runoff fluctuation of the ground water table. It is also mandatory on the part of the Company to replant the harvested extents almost immediately during the succeeding monsoon, in addition to the establishment of conservation forest extents in vulnerable areas. Clear felling of trees in extents exceeding 2 hectares, felling of wind belts or any form of felling of trees in catchment areas or in lands with high gradients are totally avoided.

Water Management

We as a socially responsible Group, are always keen on taking each and every possible action with the view of preserving the water sources for future generations. We have taken number of initiatives to not only to preserve water but more importantly in developing and improving our water resources through improved water retention techniques and harvesting of rain water. These necessary step were taken not only for the concern of the business but more importantly in serving the needs of our people.

Our crops do not depend on irrigation for its survival but basically depends on inherent ground moisture levels and to that extent, the retention, preservation and revitalization of ground water levels. This is paramount where regularizing the flow of water in our streams, water ways and springs to prevent them from drying out where their active flow becomes critical during the dry weather. Our focus has been to reduce ground temperature as far as possible, improve the permeability and water retention capacity of our soils, and improve recharge structures so as to reduce or eliminate the surface flow of water directed to the rivers.

We are in the process of establishing forest-like ecosystems on marginal land extents and also along the water streams present in the tea estates. Further, to that we have started the construction of mini/micro scale cascading reservoir systems etc., in order to improve the retention of the water we harvest. Thereby, in addition to improving the water availability for the estate affaires and for the plantation community, above water harvesting initiatives would secure the water supply for the people living down the streams beyond our territory as well. Accordingly, we would be able to halt the decline in our water resources and prevent a major crisis in years to come, to secure and improve the performance of our cultivation.

Variable steps have been taken towards water management by Namunukula, Maskeliya and Kegalle Plantations such as;

- Has taken all necessary steps to improve its stand of both high and low shade that not only serves to reduce ground temperatures but provides valuable raw material for mulching and reduce the velocity of heavy rainfall at the point of impact.
- Resorted to contour draining – a process that enables to maximize the harvesting of rain water amongst other agronomical benefits.
- Forking and burying of pruning material to improve soil permeability amongst other agronomical benefits.

All water catchment areas are carefully identified and they are being kept undisturbed to continue serving as water bodies for the resident and non-resident population, in and around our plantations. With high standard of agricultural practices our plantations do not permit surface running of water but trap them and through the draining system promote absorption of water. In the production process of rubber, the factories have well designed effluent treatment plants, and water used in the production process is treated and adequately purified to reduce the effluent at an acceptable level as per the environment policy. Our field of water resources management will continue to adapt to the current and future issues. It is likely that ongoing climate change will lead to situations that have not been encountered before. As a result, to face the rise of uncertainties in the environment new tactics are being followed and implemented in order to avoid setbacks in the future.

FINANCIAL REVIEW

Overall Group Performance

During the financial year 2017/18, the Group was able to continue its consistent performance in terms of revenue amounting to Rs. 53 bn, with an increase of 8% over the previous financial year. The measures taken to increase productivity and efficiencies induced the gross profit to increase by 3.8% to Rs. 13.2 bn. Consequently, Group recorded a Profit before Tax of Rs. 4.6 bn and Profit after Tax of Rs. 3 bn.

Economic Environment

The World economic growth strengthened this year to 3.8 percent, with a notable rebound in global trade. It was driven by an investment recovery in advanced economies, continued strong growth in emerging Asia, a notable upswing in emerging Europe, and signs of recovery in several commodity exporters. Global growth is expected to reach up to 3.9 percent in 2019.

Despite volatility and challenges in some markets, the global economic upswing that began around mid-2016 has become broader and stronger. Economic reforms in Sri Lanka mainly focused on increased government revenue via effective tax collection, while maintaining public capital investments on infrastructure and notable effort to build self-sustainability of the economy is expected to display positive signs on economic growth in short to medium term. Sri Lanka's increasingly sophisticated workforce have positioned the country to benefit from strong economic growth. In the near term, economic environment is expected to be a mix of expansionary and restrictive from both the fiscal and monetary stances.

Revenue Analysis

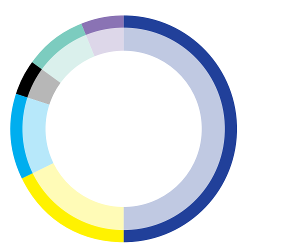
The revenue growth of the Group was achieved despite challenging economic conditions in the country. The economic growth experienced during the prior years slowed down to 3.1% in 2017 from 4.4% in the year 2016. Despite these challenges, increase in volumes especially in the rubber sector, better prices in the plantation sector coupled up with Financial Services sector contributed towards maintaining a growth of 8% in the Group top line.

Retail Sector

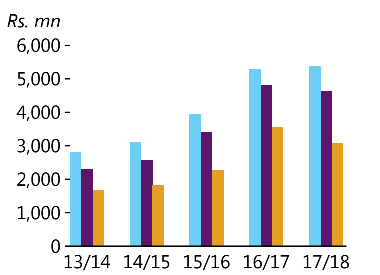
The Retail sector emerged as the most significant contributor to the Group's Revenue for yet another year, contributing 50% to the Group revenue. The sector reported a revenue of Rs. 26.3 bn, indicating a growth of 8 % over the previous year. The growth in the modern retail trade continued to expand 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 assisted by the opening of three large format outlets in Homagama, Thalawathugoda and Yakkala, which in turn expanded the total network of large format retail outlets to 24. 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 8.6 % to Rs. 4.5 bn and its contribution to Group Revenue was more than 8 %. 'Natural Foam' segment continued its consistency, contributing Rs. 3 bn to the Group revenue. Increase in volume 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. 436 mn during the year under review.



Group Turnover Composition



Operating Profit vs. PBT vs. PAT

Tyre Sector

Revenue of the Tyre sector reached Rs. 2.7 bn, contributing 5% to the Group revenue in the reporting financial year. The re-treading segment continued to dominate the sector's revenue, contributing approximately 93% 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. 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 of Rs. 6.6 bn for the financial year 2017/18 contributing more than 12% to the Group revenue. Plastic and furniture sector comprises key product categories such as mattresses, water tanks, PVC pipes, Vinyl mats and rigifoam products and the products are highly sensitive to the market fluctuations. The sector was challenged with numerous factors including major increase in global material prices. Meanwhile, the sector demonstrated an increase in sales through continuous expansion in the geographical presence and product developments. Strategic initiatives are underway to revive and to move forward.

Plantation Sector

The Plantation sector delivered solid performance, driven by the productivity improvements and commodity prices. The sector ended the year by recording total revenue of Rs. 9.2 bn and continued to be the second highest contributor to the Group revenue, contributing more than 18% during the year under review.

The tea output from the sector was 12.4 mn kg during the reporting financial year compared to 11.6 mn kg reported during the previous financial year. The sector produced 4.4 mn kg of rubber during the year compared with 5 mn kg in the corresponding period. Further, the average rubber price increased from Rs. 276 per kg to Rs. 344 per kg. Revenue from the palm oil segment increased by 9% and is known as the most profitable crop in the plantation sector.

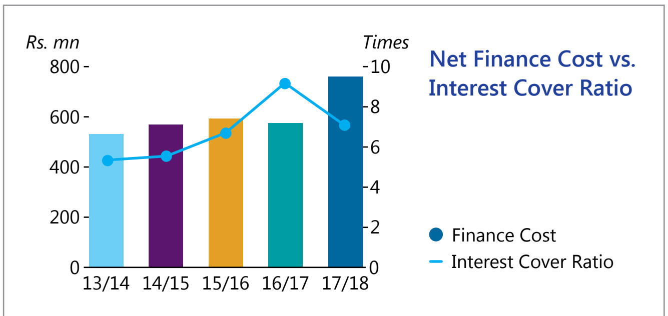
Financial Services Sector

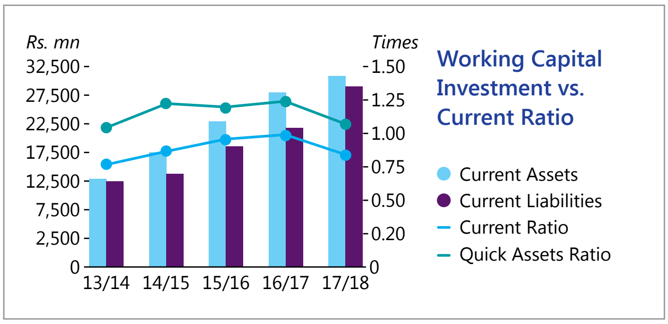
The Financial Services sector comprises of the finance company as well as the life insurance, stock broking, margin trading and asset Management Company. The sector continued its growth momentum in the reporting year, indicating 25% growth in revenue to report Rs. 3.3 bn.

Cost of Sales and Operating Expenses

The cost of sales of the Group increased by 9% during the year under review which absorb 75% of the Group revenue. The cost of sales reported to be Rs. 39.7 bn in the period under review compared to Rs. 36.3 bn in the corresponding year.

Administration costs was reported to be Rs. 5.9 bn in the reporting year compared to Rs. 5.6 bn in the previous year exhibited an increase of 5%. 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 11% to reach Rs. 3.1 bn during the year, accounting for 6% of the total revenue. Accordingly, the administration and distribution costs, along with the cost of sales, constituted 92% of the Group's revenue during the financial year under review.





FINANCIAL REVIEW

Profit from Operations

The gross profit was reported to be Rs. 13.2 bn for the reporting year compared to Rs. 12.7 bn in the financial year 2016/17. Other operating income for the year was recorded at Rs. 1.2 bn. Consequently, profit from operations of the Group increased by 3% to Rs. 5.3 bn, which reflects an operating profit margin of 10% for the reporting financial year.

Retail Sector

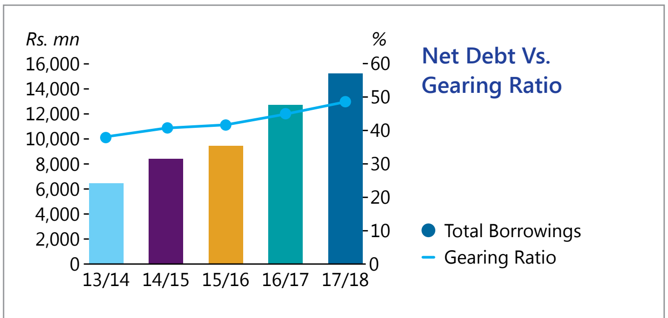
Retail sector yet again pivoted to be the main contributor to groups returns generated from operations contributing 35% to the Group operating profit compared to 33% in the corresponding year. The operating profit of the Retail sector was Rs. 1.9 bn, an increase of 9 % from the previous financial year. The focus on producing energy through renewable energy sources in selected large format retail outlets and emphasis on key strategic initiatives on managing the cost structure, backed the operating profit margin of 7%.

Rubber Sector

The rubber sector emerged to be the fourth highest contributor for the Group operating profit accounting for 15% during the reporting year. The operating profit reached Rs. 813.7 mn for the year under review compared to Rs. 838.7 mn reported in the previous financial year.

Tyre Sector

The tyre sector reported an operational profit of Rs. 348.3 mn for the reporting financial year contributing 6% to the Group operating profit. The tyre sector to an extent was affected from increase in raw material prices in the market which influenced in escalation of operational cost.



Plastics and Furniture Sector

The Plastic and Furniture sector reported a revenue of Rs. 6.6 bn while recording an operating profit of Rs. 493.2 mn. During the year, drastic increase in cost of sales was witnessed mainly been driven by raw material price increase and selling & distribution expenses hinder the profitability of the sector.

Plantation Sector

The plantation sector, which experienced a dip in profitability during previous financial years, reported a considerable growth for the reporting year to report Rs. 1.5 bn accounting for 29% of the Group operating profit. Increase in the commodity prices during the 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. 495.8 mn for the reporting year, indicating a slight slowdown over the previous year. Revision of countries tax policy highly effect the deposit base of the Finance company.

Group Financial Position and Liquidity

Non-Current Assets

The non-current assets of the Group increased from Rs. 21.6 bn to Rs. 24.9 bn during the year, and as such represents 45% of total assets. The property, plant and equipment category, which accounts for 35% of the total assets, increased by 14% over the previous financial year. The Retail Sector, with over Rs. 637 mn investments for its expansion and the Plantation sector, with its investment of Rs. 648 mn for replanting purposes, also contributed towards this growth.

Working Capital

During the year, the current assets of the Group reached Rs. 31 bn compared to Rs. 28.2 bn reported during the corresponding period, whilst current liabilities also reached to Rs. 29.1 bn indicating an increase of 10% and 30% respectively. Inventory increased by Rs. 887.5 mn as business expanded its volumes. Trade receivables were reported to be Rs. 8.1 bn in the reporting year compared to Rs. 6.3 bn in the previous financial year. The working capital cycle expanded, which induced trade and other payables also to increase by Rs. 800 mn. Accordingly working capital days were managed within the controllable limits. The total current assets of the Group accounted for 55.2% of its total assets while total current liabilities accounted for 52.1% of the same. The

Group's current ratio was reported to be 1.06 and the quick ratio was reported at 0.84 compared to 1.3 and 1.01 times respectively in the corresponding period.

Capital Structure

Equity

The profit attributable to the shareholders for the year was recorded at Rs. 2.6 bn, which in turn induced the reserves to increase by 4% to reach Rs. 11.2 bn. The Group declared an interim dividend of Rs. 0.60 in 26th January 2018 and the total number of shares were 2,035,038,275.

Borrowing

In terms of borrowings, the net debt including cash balance, was stationed at Rs. 15.3 bn compared to Rs. 12.7 bn in the previous financial year, an increase of Rs. 2.6 bn during the year mainly because the Group relied on external funding for the continuous expansion of its core businesses. An increase in debt, amounting to Rs. 1.7 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 49% in the reporting year when compared to 45% in the previous financial year whilst debt-to-equity ratio also is to be 1.14 from 1.1.

Market Capitalization

The market capitalization of the Company was Rs. 26.05 bn at the closing price of the share, up from Rs. 16.9 bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 14.00, while the lowest price was Rs. 8.30. Close to 137.4 mn number of shares were traded during the year and the share price closed for the year at Rs. 12.80.

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 MANAGEMENT

Risk Exposure	Group Objectives	Risk Minimisation Strategies
2. Asset Risk	○ To minimise risk from fire, theft and machinery and equipment breakdown.	○ Obtaining comprehensive insurance covers for all tangible assets. ○ Adoption of stringent procedures with regards to the moving of assets from one location to another. ○ Carrying out mandatory preventive maintenance programs. ○ Carrying out frequent employee training programs in areas such as fire prevention.
3. Internal Controls	○ To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.	○ Carrying out 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 our self as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.	○ Maintaining healthy relationships with trade unions through regular dialogue ○ Entering into agreements with trade unions. ○ Improving employee benefits by way of incentives and welfare activities. ○ Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs. ○ Promoting Performance driven culture.
6. Technological Risk	○ To keep pace with the current technological developments and safeguard against obsolescence.	○ Continuous investment in new technologies and automation. ○ Investing in Research and Development activities throughout the year. ○ Investing in hardware and developing software in-house.
7. Procurement Risk	○ To minimise risk associated with price and availability.	○ Introduction of total Supply Chain framework including correct procurement process system. ○ Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand. ○ Ensuring effective category management to reduce the risk of non-availability of goods at our retail outlets. ○ Adoption of backward integration strategies. ○ Centralised purchasing division which has enabled us to create a reliable network of global suppliers. ○ Entering into forward contracts for raw material purchases. ○ Ensure Goods in Transit are insured.

RISK MANAGEMENT

Risk Exposure	Group Objectives	Risk Minimisation Strategies
8. Inventory	○ To reduce stock obsolescence and manage stock holding costs. ○ Reducing the risk associated with theft and shrinkage.	○ Adopting a monthly declaration policy. ○ Identifying slow-moving stocks and effectively laying out a channel for these to be sold off. ○ Adopting security systems at the Retail outlets such as security tags with alarm systems, surveillance cameras and deployment of security to manage theft. ○ Ensure Raw Material and Finished Goods stocks are insured.
9. Risk of Competition	○ To maximise our market share and maintain market leadership in the respective industries.	○ Ensuring high standards of quality. ○ Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs. ○ Carrying out Research and Development activities to identify needs. ○ Further strengthening our Arpico brand through aggressive advertising campaigns and target marketing. ○ Introducing pioneering products. ○ The introduction of a CRM program in our retail chain. ○ The provision of various value added services at our key retailing outlets.
10. Intellectual Capital Risk	○ To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.	○ Registering our brands and trademarks. ○ 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

	2017/2018 Rs.'000	%	2016/2017 Rs.'000	%
Revenue	52,972,873		49,149,395	
Cost of material and services purchased	(34,713,870)		(32,340,108)	
	18,258,079		16,809,287	
Other income	1,285,610		1,072,901	
	19,544,613		17,882,188	
Distribution of value added				
To employees				
- Remuneration	8,359,074	43%	7,435,378	42%
To government				
- Duties and taxes	3,549,161	18%	3,793,729	21%
To providers of capital				
- Interest on loan capital	1,275,044	7%	955,768	5%
- Non controlling interest	390,416	2%	388,875	2%
- Dividend to shareholders	2,238,542	11%	1,221,023	7%
Retained in the business				
- Depreciation	1,045,394	5%	917,320	5%
- Profit retained	2,686,982	14%	3,170,095	18%
	19,544,613	100%	17,882,188	100%

OUR PEOPLE

Richard Pieris Group with an unparalleled heritage of 86 consecutive years, has successively managed to be at the pinnacle of the corporate fraternity in Sri Lanka with the team of enthusiastic, dedicated and motivated employees who are blessed with an abundance of talent and dynamism. We mainly focus to create a free and enchanting family atmosphere along with the Group's people friendly anti-discriminatory policy. The Group's Human capital management is also focused on fostering innovative thinking, creativity and team work which creates unique value to the customers and clients stimulating the growth of the Group.

The Richard Pieris Group with its long journey of success considers its employees to be the asset with the greatest value. The blend of youth and maturity among the employees is expected to simultaneously benefit the employees as well as the company. With its constant aspiration of becoming a "Great Place to Work" the Group is committed to build an exclusive work environment for its workforce comprising 30,000 employees with different nationalities, races, religions and cultures as the key driving force the employees to work as an integrated team. The HR polices of the Group systematically focus on attracting and retaining the best talents allowing the employees to achieve their professional and personal commitments whilst contributing to the value creation and success of the Group.

Employee Relations

The Group continuously strive to maintain an open door policy with the employees across the hierarchy, which is a key success factor in order to foster a rapid growth momentum coping with the dynamism of our large business conglomerate. Employees at all levels are encouraged and rewarded to actively take part in the management of respective SBUs through the maintenance of a harmonious and peaceful relationship. The employee centric management strategy has enabled the Group to effectively address the issues concerning the employees at all levels thus driving the Group towards excellence. The Richard Pieris Group as an equal employer respects freedom of association and sustains healthy and cordial relationship with Trade Unions and employees. Gender based discrimination and sexual harassments are condemned by the Group while committing to a hazard-free safe workplace.

Going beyond the workplace environment different initiatives were executed across the communities of different SBUs with the objective of assisting our employees and their communities to uplift their living standards. Health guidance programmes, nutritional programmes for children and pregnant mothers, sports activities and Sinhala and Tamil New Year festivals were carried out, especially, in the Plantations of Namunukula, Kegalle and Maskeliya where most of the workers do not have access to such programmes. With all these different initiatives the Group has been able to win the hearts of the employees whose untiring commitments generated greater value across the Group.

Human Resource Development

Richard Pieris Group is firmly of the view that training and development of staff at all levels is an essential part of the growth of all companies. In identifying the training needs of staff, the Group possesses a well planned and a structural mechanism which identifies the different training and development requirements of the SBUs of different sectors. The systematic execution of these well structured training programmes fosters the pool of talents that we have at Arpico which not only benefits the Group but also the entire nation. The training programmes conducted by the trainers from different professional backgrounds at the Groups own in-house training academy foster the staff of all categories to reach the heights in their careers.

Recreation & Employee Motivation

Maintaining a steady balance between work and personal life, is an essential aspect in employee well being and motivation since a hassle-free mind enhances their performance whilst inspiring innovative ideas. Different recreational activities are organized by the Group which are intended at increasing employee satisfaction and delighting them with opportunities and benefits. Recreational activities such as Inter Company Cricket carnivals, Movie nights, musical shows, religious activities etc. are organised to sustain a balanced life.

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	83.90%

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
Stated Capital	Rs. 542,371,660 represented by 60,471,501 ordinary shares and 6,404,500 preferential shares
Group Holding	58.69%

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
Stated Capital	Rs. 640,822,600 represented by 64,082,260 shares
Group Holding	85.75%

ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Mr. Shaminda Yaddehige	Director
Mr. Januka Karunasena	Director
Mr. W R Abeysirigunawardena	Director
Stated Capital	Rs. 90,000,000 represented by 9,000,000shares
Group Holding	84.93%

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	57.68%

2. TYRE SECTOR

RICHARD PIERIS TYRE COMPANY LIMITED

Business Activity	Tyre retreading, re-manufacturing & trading
Dr. Sena Yaddehige	Chairman
Mr. W R Abeysirigunawardena	Director
Mr. Shaminda Yaddehige	Director
Mr. Pradeep Samaratunga	Director
Stated Capital	Rs. 50,000,000 represented by 4,000,000shares
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
Stated Capital	Rs. 58,650,000 represented by 459,999shares
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
Stated Capital	Rs. 17,000,000 represented by 1,700,000shares
Group Holding	100%

BGN INDUSTRIAL TYRE (PRIVATE) LIMITED

Business Activity	Manufacture of Industrial tyre
Mr. Shaminda Yaddehige	Director
Mr. Pradeep Samaratunga	Director
Mr. W R Abeysirigunawardena	Director
Mr. B G Nandana	Director
Ms. B G K Madhuhansika	Director
Mr. P A Rohitha Karunarathne	Director
Stated Capital	Rs. 147,364 ,000 represented by 7,317,680 Shares
Group Holding	51%

CORPORATE STRUCTURE

3. PLASTICS SECTOR

PLASTISHELLS LIMITED

Business Activity	Manufacture of rotational molded products
Dr. Sena Yaddehige	Director
Mr. S S G Liyanage	Managing Director
Mr. Shaminda Yaddehige	Director
Mr. L M Jayasuriya	Director resigned w e f 30.11.2017
Mr. Shiron Gooneratne	Director appointed w e f 23.01.2018
Stated Capital	Rs. 34,160,030 represented by 3,416,003 shares
Group Holding	98.39%

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 resigned w e f 31.01.2018
Stated Capital	Rs. 29,000,000 represented by 2,900,000 shares
Group Holding	100%

ARPITECH (PRIVATE) LIMITED

Business Activity	Manufacture of PVC pipes & fittings and polyurethane foam products
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Mr. L C Wijeyesinghe	Director
Mr. Shaminda Yaddehige	Director
Mr. P. A. S. Kularatne	Director resigned w e f 31.01.2018
Mr. Shiron Gooneratne	Director appointed w e f 23.01.2018
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
Mr. L M Jayasuriya	Director resigned w e f 30.11.2017
Mr. Shiron Gooneratne	Director appointed w e f 23.01.2018
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
Stated Capital	Rs. 27,000,000 represented by 2,700,000 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%

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 resigned w e f 31.01.2018
Mr. Shaminda Yaddehige	Director
Mr. Pradeep Samaratunga	Director appointed w e f 23.01.2018
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED

Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddehige	Chairman
Mr. S S G Liyanage	Director
Mr. P A S Kularatne	Director resigned w e f 31.01.2018
Mr. Ravi Liyanage	Director
Ms. Kimarli Fernando	Director
Mr. Shaminda Yaddehige	Director/Alternative Director to Dr. Sena Yaddehige
Mr. W J V P Perera	Director
Ms. Lilanthi Champika Herath	Director appointed w e f 08.02.2018 and ceased to be a Director w e f 27.04.2018
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
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

CORPORATE STRUCTURE

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 4,000,000 shares
Group Holding	100%

ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Operates retailing centers
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. Athula Herath	Director
Stated Capital	Rs. 430,000,020 represented by 21,000,002 ordinary shares and 22,000,000 preferential shares
Group Holding	100%

RPC REAL ESTATE DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Property & Real Estate Development Projects
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. K A S Lasantha	Director
Stated Capital	Rs. 667,000,020 represented by 66,700,002 shares
Group Holding	100%

RPC RETAIL DEVELOPMENTS COMPANY (PRIVATE) LIMITED	
Business Activity	Construction, Property and Real Estate Development
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. K A S Lasantha	Director
Stated Capital	Rs. 387,000,020 represented by 38,700,002 shares
Group Holding	100%

5. PLANTATION SECTOR

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

RPC MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of the plantation companies
Dr. Sena Yaddehige	Chairman
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. L. S. K. Hettiarachchi	Director
Mr. J. L. A. Fernando	Director
Mr. Shaminda Yaddehige	Director
Dr. Sarath Samaraweera	Director appointed w e f 22.05.2017
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
Stated Capital	Rs. 10,000,000 represented by 1,000,000shares
Group Holding	100%

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

CORPORATE STRUCTURE

NAMUNUKULA PLANTATIONS PLC

Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director
Mr. N C Peiris	Director
Mr. B A T Rodrigo	Director (Government nominee)
Mr. Shaminda Yaddehige	Director
Mr. S G D Amerasinghe	Director
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	66.76%

RPC PLANTATION MANAGEMENT SERVICES (PRIVATE) LIMITED

Business Activity	Investment & 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 & marketing of value added tea
Dr. Sena Yaddehige	Chairman
Mr. Athula Herath	Director
Mr. Januka Karunasena	Director
Mr. J L A Fernando	Director
Ms. Lilanthi Champika Herath	Director appointed w e f 08.02.2018 and ceased to be a Director w e f 27.04.2018
Stated Capital	Rs. 15,000,070 represented by 1,500,007 shares
Group Holding	100%

6. SERVICES

RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED

Business Activity	Company secretarial services
Dr. Sena Yaddehige	Chairman
Mrs. R J Siriweera	Director
Mr. Shiron Gooneratne	Director
Stated Capital	Rs.20 represented by 2 shares
Group Holding	100%

ARPICO INDUSTRIAL DEVELOPMENT COMPANY (PRIVATE) LIMITED

Business Activity	Operates industrial estates
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Mr. Athula Herath	Director
Stated Capital	Rs. 106,400,000 represented by 1,500,000 ordinary shares 9,140,000 preferential shares
Group Holding	100%

RPC LOGISTICS LIMITED

Business Activity	Freight forwarding and allied services
Dr. Sena Yaddehige	Chairman
Mr. W J V P Perera	Director
Dr. K M M Dassanayake	Director resigned w.e.f 01.04.2018
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	Ceased to be a Director w e f 27.04.2018
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO HOMES LIMITED (Discontinued Business)

Business Activity	Property & Real Estate Development
Dr. Sena Yaddehige	Director
Mr. W S Kalugala	Director
Mr. Thusitha Karunadassa	Ceased to be a Director w e f 27.04.2018
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

CORPORATE STRUCTURE

ARPICO HOTEL SERVICES (PRIVATE) LIMITED	
Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Director
Mr. L M Jayasuriya	Director resigned w e f 30.11.2017
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	Carrying on IT related activities
Dr. Sena Yaddehige	Chairman
Mr. W 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. Faizan Ozman	Director appointed w.e.f 01.11.2017
Mr. R M Saman Wimalarathne	Director appointed w.e.f 15.02.2018
Mr. D P J Hewawitharana	Director appointed w.e.f 15.02.2018
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. Faizan Ozman	Director appointed w e f 15.02.2018
Stated Capital	Rs. 35,000,000 shares represented by 3,500,000 shares
Group Holding	100%

ARPICO HOSPITAL (PRIVATE) LIMITED	
Business Activity	Relating to human health care and allied services
Dr. Sena Yaddehige	Director
Mr. S S Poholiyadde	Director
Mr. L M Jayasuriya	Director resigned w e f 30.11.2017
Stated Capital	Rs. 40 represented by 4 shares
Group Holding	69.78%

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 INSURANCE PLC	
Business Activity	Life Insurance
Mr. W J V P Perera	Director
Mr. 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	81.59%

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

RICHARD PIERIS FINANCE LIMITED	
Business Activity	Carrying on leasing, hire purchasing & other financial services
Mr. J F Fernandopulle	Director
Mr. D P J Hewavitharana	Director
Mr. C P Abeywickrema	Director
Mr. Gamini Wijesurendra	Director
Mr. K M M Jabir	Director
Mr. W J V P Perera	Ceased to be a Director w e f 21.07.2017
Mr. Faizan Ozman	Director appointed w e f 15.12.2017
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 resigned w e f 30.11.2017
Dr. M S Samarakoon	Director
Mr. Shiron Gooneratne	Director
Stated Capital	Rs. 100,000,020 represented by 10,000,002 shares
Group Holding	100%

CORPORATE STRUCTURE

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 resigned w e f 30.11.2017
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

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

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%

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

KADOLANA BEACH RESORTS (PRIVATE) LIMITED	
Dr. Sena Yaddehige	Director
Mr. S S Poholiyadde	Director
Sated Capital	Rs. 30 represented by 3 shares
Group Holding	59.71%

ARPICO NATURAL EXTRACTS (PRIVATE) LIMITED	
Mr. S S G Liyanage	Director
Sated Capital	Rs. 1,000 represented by 100 shares
Group Holding	91.04%

FINANCIAL INFORMATION

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Richard Pieris and Company PLC are pleased to present to their members the Annual Report together with the audited Financial Statements of its Group and the Company, for the year ended 31 March 2018.

The Directors approved the Financial Statements on 01st June 2018.

Principal Activities & Operational Review

Richard Pieris and Company PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Richard Pieris Group. The principal activities of the Group are described under the Group Structure on pages 55 - 60 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 50 - 52 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. 53 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 & Dividends

Details relating to the Group profits are given in the table on Page 63. The Group reported a Profit after tax amounting to Rs. 3.1 bn.

Group Investments

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

Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 3.9 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 149.

Stated Capital

The stated capital of the Company as at 31 March 2018 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 2018 amount to Rs. 11.1 bn. (Rs. 10.8 bn as at 31 March 2017). The details of which, is given in the Statement of Equity in page 77.

Corporate Donations

Donations made by the Company and Group is amounted to Rs. 1.7 mn and Rs. 27 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 144 & 145 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2018 are given in page 147 under Shareholder Information.

Directors

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Mr. Sunil Liyanage 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.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following three 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 72 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 08th May 2018 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 76 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Henry Jayatissa De Costa "

   The Company has also received a letter dated 08th May 2018 from Dr. Jayatissa De Costa declaring his willingness to be elected to the Directorate of the Company.

3. Mr. Adrian Oswald of No. 32, St. Sebastian Road, Galwetiya, Wattala, a shareholder of the Company.
   "That Mr. Viville P Perera of 33, C 1, King's Gate, Keells Housing Scheme, Buthgamuwa Road, Kalapaluwawa, Rajagiriya who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said "Mr. Viville P Perera"

   The Company has also received a letter dated 04th May 2018 from Mr. Viville Perera 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, Mr. Adrian Oswald ,Dr. Sena Yaddehige,Dr. Jayatissa De Costa and Mr. Viville Perera decided to notify the Shareholders of the Company of the Special Notice received by the Company and the proposed Resolutions, which are to be moved at the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the said Resolutions as Ordinary Resolutions.

Group Profits	2017/18 Rs.'000	2016/17 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	4,631,552	4,801,414
From which the deduction of income tax and transfer to the deferred taxation account was	(1,549,776)	(1,237,426)
Leaving the Group with a profit after tax from continuing operations of	3,081,776	3,563,988
From which the Loss after tax from discontinued operations deducted was	(4,380)	(5,018)
Leaving the Group with a profit for the year of	3,077,396	3,558,970
From which Non-Controlling Interest deducted was	(390,416)	(388,875)
Leaving a Profit attributable to the equity holders of the parent was	2,686,980	3,170,095
To which the retained profit brought forward from the previous year added was	10,807,381	8,786,806
Adjustments and transfers during the year	12,769	(25,126)
Other Comprehensive Income	(131,604)	96,629
Super Gains Tax	-	-
Leaving a Profit available for appropriation of	13,375,526	12,028,404
Appropriations		
The amount available has been appropriated as follows,		
Interim dividend 2016-17	-	(1,221,023)
Interim dividend 2017-18	(2,238,542)	-
Leaving a retained profit to be carried forward amounting to	11,136,984	10,807,381

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on page 142 & 143. 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 page 55 to 60.

Directors' Shareholding

Directors' Shareholding in Richard Pieris and Company PLC is stated in page 147.

Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 41 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with entities having one or more Directors in common which is summarised above.

Directors' Remuneration

Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2018 are disclosed in Note 41.6 to the Financial Statements.

Vision & 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 - 45.

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 28,015.

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

Mr. Jagath Korale Board Director of Richard Pieris & Company PLC and the Audit Committee Chairman, passed away in May 2018. It is with a deep sense of gratitude and respect, we place on record the commendable contribution made by the late Mr. Jagath Korale to achieve the objectives of the Group.

There have not been any material events that occurred subsequent to the Reporting date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 40 to the Financial Statements.

Board Committees

The Board has delegated responsibilities to four Board Sub Committees which operate within clearly defined terms of reference. Their compositions and functions are given in pages 68 - 70 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 66 - 67 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 71 of this report.

Compliance with Other Laws & Regulations

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene the laws and regulations applicable in Sri Lanka. Financial Statements are published quarterly in line with the listing rules of the Colombo Stock Exchange.

The Group has successfully adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 1st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 29th June 2018. The Notice of the Annual General Meeting is on page 152 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.

30th May 2018

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 comprised 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 10 and 11. 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 comprised of three Independent Non-Executive Directors namely its Chairman Late Mr. Jagath C Korale, Dr. Jayatissa De Costa P.C. and Mr. Prasanna Fernando. The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 69 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors - its Chairman, Dr Jayatissa De Costa P.C., Late Mr. Jagath C Korale and Mr. Prasanna Fernando.

The Report of the Remuneration Committee on page 68 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., Late Mr. Jagath C Korale and Mr. Prasanna Fernando. The Report of the Related Party Transactions Review Committee on page 70 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 an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 50 to 52.

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 45.

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.

Name of Director	Executive	Non-Executive	Independent
Dr. S. Yaddehige	×		
Mr. W. J. V. P. Perera	×		
Mr. Shaminda Yaddehige	×		
Mr. S. S. G. Liyanage	×		
Dr Jayatissa De Costa P.C.		×	×
Mr. Prasanna Fernando		×	×
Late Mr. Jagath C Korale		×	×

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

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

REPORT OF THE REMUNERATION COMMITTEE

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

30th May 2018

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 consisted of three Independent Non-Executive Directors namely its Chairman Late Mr Jagath C Korale , Dr Jayatissa De Costa P.C. and Mr Prasanna Fernando The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

Meetings

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

The 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 Committee met with the Auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31st March, 2019 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.

It is with a deep sense of gratitude and respect, we place on record the commendable contribution made by the late Mr. Jagath Korale as the Chairman of the Audit Committee.

E P I Fernando
Member of the Audit Committee

30th May 2018

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee consisted of three Independent Non-Executive Directors namely its' Chairman Dr. Jayatissa De Costa P.C.), Late Mr. Jagath C. Korale and Mr. Prasanna Fernando.

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 & 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 & 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 142 and 143.

Dr. Jayatissa De Costa P.C.
Chairman

30th May 2018

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 72 and 73 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2018 included in this report, have been prepared and presented in accordance with the new Sri Lanka Accounting Standards (LKAS and SLFRS), and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the financial statements exhibited on pages from 74 to 143 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 2018, 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 72 and 73 of this report.

By Order of the Board,

Richard Pieris Group Services (Pvt) Limited
Secretaries

310, High Level Road, Nawinna, Maharagama

30th May 2018

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF RICHARD PIERIS AND COMPANY PLC

Report on the audit of the Financial Statements

Opinion

We have audited the Financial Statements of Richard Pieris and Company PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of financial position as at 31 March 2018, and the Statement of Profit or Loss, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Annual impairment of Good will with infinite useful life Intangible assets include Goodwill on consolidation with infinite useful life. Goodwill is subject to an annual impairment test using significant estimates as disclosed in Note 14 to the Financial Statements. Therefore, we have determined this to be a Key audit matter.	We performed the following procedures amongst others; ◦ We have involved our internal specialists to assist us, in assessing the appropriateness of the models and reasonableness of estimates used by the management. ◦ We also assessed the adequacy of the related disclosures in Note 14 to the Financial Statements.
Impairment of Loans and Advances from Finance Activities. The impairment of loans and advances to customers from finance activities is estimated by the management through the application of judgment and use of subjective assumptions of the losses incurred within the loan portfolios at the reporting date. Due to the significance of loans and advances and the related estimation uncertainty, this is considered a key audit matter. The related estimates used for the provision of impairment of loans and advances from finance activities is disclosed under note 21 to the financial statements.	Our audit procedures included among others; ◦ We understood & evaluated the key internal controls over estimation of the allowance for impairment including those over identifying occurrence of loss events and non-performing loans. ◦ We have tested estimation of the collective impairment focusing specifically on parameters associated with the historical loss experience including probability of default and other information. ◦ Evaluate the adequacy of the disclosures in Note 21 to the Financial Statements.

Other Information included in The 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of the management and those charged with governance
Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.
Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

02nd June 2018
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Continuing operations					
Revenue	3	52,972,873	49,149,395	2,694,333	2,309,476
Cost of sales		(39,716,317)	(36,373,136)	-	-
Gross profit		13,256,556	12,776,259	2,694,333	2,309,476
Other operating income	4.1	1,284,686	1,071,660	-	-
Selling and distribution expenses		(3,196,096)	(2,887,625)	-	-
Administrative expenses	4.3	(5,902,776)	(5,614,365)	(599,004)	(541,451)
Other operating expenses	4.2	(61,572)	(55,470)	(15,973)	(31,664)
Operating profit		5,380,798	5,290,459	2,079,356	1,736,361
Finance costs	5	(1,275,044)	(955,768)	(459,911)	(384,418)
Finance income	6	515,641	383,695	29,758	22,290
Share of profit of an associate	7	10,157	83,028	-	-
Profit before tax from continuing operations		4,631,552	4,801,414	1,649,203	1,374,233
Income tax expense	8	(1,549,776)	(1,237,426)	-	(11,726)
Profit for the year from continuing operations		3,081,776	3,563,988	1,649,203	1,362,507
Discontinued operations					
Loss after tax for the year from discontinued operations	9	(4,380)	(5,018)	-	-
Profit for the year		3,077,396	3,558,970	1,649,203	1,362,507

		Group 2018 Rs.'000	Group 2017 Rs.'000
Attributable to:			
Equity holders of the parent		2,686,980	3,170,095
Non-controlling interests		390,416	388,875
		3,077,396	3,558,970
Earnings per share			
Basic	10	Rs. 1.32	Rs. 1.56
Diluted	10	Rs. 1.32	Rs. 1.55
Earnings per share for continuing operations			
Basic	10	Rs. 1.32	Rs. 1.56
Diluted	10	Rs. 1.32	Rs. 1.55
Dividend per share	11	Rs. 1.10	Rs. 0.60

Figures in brackets indicate deductions.
The accounting policies and notes from page 80 to 143 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Profit for the year		3,077,396	3,558,970	1,649,203	1,362,507
Other comprehensive income/(loss)					
Other comprehensive income to be reclassified to profit or loss;					
Net gain/(loss) on available for sale financial assets		8,539	6,691	(10,844)	4,271
Fair value movement of AFS reserve transferred to life fund		(18,762)	(3,094)	-	-
Exchange differences on translation of foreign operations		16,061	18,487	-	-
Net other comprehensive income/(loss) to be reclassified to profit or loss		5,838	22,084	(10,844)	4,271
Other comprehensive income/(loss) not to be reclassified to profit or loss;					
Gain/loss on actuarial valuation	32	(185,292)	136,265	(10,521)	4,179
Income tax effect		26,284	(12,709)	-	-
Net other comprehensive income/loss not to be reclassified to profit or loss		(159,008)	123,556	(10,521)	4,179
Other comprehensive income/(loss) for the year, net of tax		(153,170)	145,640	(21,365)	8,450
Total comprehensive income for the year, net of tax		2,924,226	3,704,610	1,627,838	1,370,957
Attributable to:					
Equity holders of the parent		2,559,795	3,281,790		
Non-controlling interests		364,431	422,820		
		2,924,226	3,704,610		

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 143 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	12.1	19,448,765	17,114,482	188,637	94,253
Leasehold properties	12.2	1,224,428	520,941	-	-
Investment properties	13	216,623	166,709	1,225,565	1,229,014
Intangible assets	14	1,166,434	1,140,835	-	-
Consumable biological assets	15.1	951,252	865,762	-	-
Investments in subsidiaries	16	-	-	3,849,172	3,808,772
Investment in associates	16	125,562	117,278	-	-
Other non-current financial assets	17	1,771,048	1,683,037	290,229	109,595
Deferred tax assets	18	91,901	75,918	-	-
		24,996,013	21,684,962	5,553,603	5,241,634
Current assets					
Inventories	19	6,508,526	5,621,019	-	-
Produce on biological assets	15.3	32,686	26,463	-	-
Trade and other receivables	20	8,188,551	6,333,659	260,947	209,982
Loans and advances	21	10,664,835	11,127,962	-	-
Tax receivables		205,807	185,482	8,984	5,012
Amounts due from subsidiaries		-	-	1,492,101	1,961,764
Other current financial assets	17	846,031	481,985	-	-
Cash and short-term deposits	23	4,544,044	4,467,603	7,278,859	5,734,994
		30,990,480	28,244,173	9,040,891	7,911,752
Total assets		55,986,493	49,929,135	14,594,494	13,153,386
Equity and liabilities					
Equity					
Stated capital	24	1,972,829	1,972,829	1,972,829	1,972,829
Revenue reserves		11,136,984	10,807,381	800,325	1,400,185
Statutory reserve fund	25	60,204	46,024	-	-
Other components of equity	26	109,388	104,969	5,768	16,612
Equity attributable to equity holders of the parent		13,279,405	12,931,203	2,778,922	3,389,626
Non-controlling interests		2,612,630	2,614,195	-	-
Total equity		15,892,035	15,545,398	2,778,922	3,389,626
Non-current liabilities					
Interest-bearing loans and borrowings	28	5,070,978	6,924,988	2,143,673	3,146,317
Net liability to the lessor	29	571,393	583,654	-	-
Insurance provision	27	1,154,177	814,633	-	-
Provisions	30	112,203	116,878	-	-
Government grants	31	538,368	534,240	-	-
Deferred tax liabilities	18	855,267	492,856	-	-
Employee benefit liabilities	32	2,703,938	2,426,498	82,471	79,823
		11,006,324	11,893,747	2,226,144	3,226,140
Current liabilities					
Trade and other payables	34	8,888,823	8,013,402	408,812	277,921
Customer deposits	35	5,070,357	3,935,016	-	-
Current portion of interest-bearing loans and borrowings	28	4,052,843	3,432,564	1,018,013	1,293,285
Current portion of net liability to the lessor	29	12,261	11,790	-	-
Amounts due to subsidiaries		-	-	7,369	2,997
Income tax payable		346,534	253,362	-	-
Short term borrowings	22	10,717,316	6,843,856	8,155,234	4,963,417
		29,088,134	22,489,990	9,589,428	6,537,620
Total liabilities		40,094,458	34,383,737	11,815,572	9,763,760
Total equity and liabilities		55,986,493	49,929,135	14,594,494	13,153,386

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 80 to 143 form an integral part of these financial statements.

01st June 2018

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	Statutory reserve fund Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total equity Rs.'000
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
Total comprehensive income	-	3,266,724	3,611	11,455	-	3,281,790	422,820	3,704,610
Dividends	-	(1,221,023)	-	-	-	(1,221,023)	-	(1,221,023)
Adjustments	-	(2,292)	-	-	-	(2,292)	(2,035)	(4,327)
Transfers during the year	-	(22,834)	-	-	22,834	-	-	-
Subsidiary 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
As at 1st April 2017	1,972,829	10,807,381	17,218	87,751	46,024	12,931,203	2,614,195	15,545,398
Profit for the year	-	2,686,980	-	-	-	2,686,980	390,416	3,077,396
Other comprehensive income	-	(131,604)	(10,236)	14,655	-	(127,185)	(25,985)	(153,170)
Total comprehensive income	-	2,555,376	(10,236)	14,655	-	2,559,795	364,431	2,924,226
Dividends	-	(2,238,542)	-	-	-	(2,238,542)	-	(2,238,542)
Adjustment due to changes in holding	-	(60,787)	-	-	-	(60,787)	(108,174)	(168,961)
Adjustments	-	90,648	-	-	(2,912)	87,736	(90,782)	(3,046)
Transfers during the year	-	(17,092)	-	-	17,092	-	-	-
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(167,040)	(167,040)
At 31st March 2018	1,972,829	11,136,984	6,982	102,406	60,204	13,279,405	2,612,630	15,892,035
Company								
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 paid	-	(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
As at 1st April 2017	1,972,829	1,400,185	16,612	-	-	3,389,626	-	3,389,626
Profit for the year	-	1,649,203	-	-	-	1,649,203	-	1,649,203
Other comprehensive income	-	(10,521)	(10,844)	-	-	(21,365)	-	(21,365)
Total comprehensive income	-	1,638,682	(10,844)	-	-	1,627,838	-	1,627,838
Dividends paid	-	(2,238,542)	-	-	-	(2,238,542)	-	(2,238,542)
At 31st March 2018	1,972,829	800,325	5,768	-	-	2,778,922	-	2,778,922

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 143 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Operating activities					
Profit before tax from continuing operations		4,631,552	4,801,414	1,649,203	1,374,233
Loss from discontinued operations		(4,380)	(5,018)	-	-
Profit before tax		4,627,172	4,796,396	1,649,203	1,374,233
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant equipment	12.1	1,016,291	884,892	23,186	23,467
Amortization of lease hold properties	12.2	32,556	32,428	-	-
Amortisation and impairment of intangible assets	14	6,715	6,486	-	-
Gain on disposal of property, plant and equipment		(226)	(32,776)	12,914	-
Gain on sale of biological assets		(6,223)	(19,566)	-	-
Net change in the fair value of financial assets at FVTPL		(2,491)	(2,881)	-	-
Fair value adjustment of biological assets	15	(83,362)	(51,852)	-	-
Finance income	06	(515,641)	(383,695)	(29,758)	(22,290)
Finance costs	05	1,275,044	955,768	459,911	384,418
Share of profit of an associate	07	(10,157)	(83,028)	-	-
Provision for bad debts		24,694	92,835	-	-
Provision for slow moving stocks		105,590	146,195	-	-
Provision for defined benefit plan	32	483,804	445,293	15,833	13,893
Provision for receivables/Impairment of investments		-	-	96,000	82,992
Provision on warranties	30	(4,675)	12,313	-	-
Provision for unrealised profit	19	(458)	79	-	-
Grants amortized	31	(26,098)	(29,964)	-	-
Impairement of loans and advances		223,497	83,661	-	-
Exchange differences on translation of foreign currency		67,049	68,628	15,973	31,664
		7,213,081	6,921,212	2,243,262	1,888,377
Working capital adjustments:					
(Increase)/decrease in trade and other receivables and prepayments		(1,869,639)	(1,445,337)	418,697	667,381
Increase in inventories		(979,421)	(1,124,356)	-	-
Increase/(decrease) in trade and other payables		853,636	1,017,689	121,225	(44,449)
Changes in operating assets	21	239,630	(2,452,062)	-	-
Changes in operating liabilities	35	1,135,341	212,376	-	-
Increase in insurance provision		320,782	309,606	-	-
Cash generated from operations		6,913,410	3,439,128	2,783,184	2,511,309
Interest paid		(1,257,951)	(945,195)	(442,818)	(373,846)
Gratuity paid	32	(391,933)	(323,315)	(23,706)	(15,682)
Interest received		515,641	383,695	29,758	22,290
Income tax paid		(1,102,344)	(1,293,162)	(3,974)	(3,295)
Net cash flows from operating activities		4,676,823	1,261,151	2,342,444	2,140,776

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	Group 2018 Rs.'000	Group 2017 Rs.'000	Company 2018 Rs.'000	Company 2017 Rs.'000
Investing activities					
Proceeds from sale of property, plant and equipment		1,898	36,553	-	-
Purchase of property, plant and equipment	12	(3,987,757)	(2,052,551)	(122,822)	(4,704)
Purchase of investment properties	13	(13,406)	(1,500)	(4,212)	(2,540)
Intangible assets acquired	14	(9,999)	-	-	-
Increase in biological assets due to new planting	15	(3,723)	(7,266)	-	-
Purchase of financial instruments		(441,038)	(203,432)	(191,476)	-
Dividend received		-	75,076	-	-
Increase in holding in a subsidiary		(231,366)	-	(136,400)	-
Acquisition of a Subsidiary, net of cash acquired	39	(50,877)	-	-	-
Receipt of government grants	31	30,226	12,747	-	-
Proceeds from sale of biological assets		1,595	24,080	-	-
Net cash flows used in investing activities		(4,704,447)	(2,116,293)	(454,910)	(7,244)
Net cash outflow before financing		(27,623)	(855,142)	1,887,534	2,133,532
Financing activities					
Payment of finance lease liabilities		(19,883)	(11,336)	-	-
Proceeds from borrowings		3,426,043	4,633,399	1,050,000	485,000
Repayment of borrowings		(4,204,973)	(3,129,818)	(1,781,944)	(1,015,448)
Dividends paid to equity holders of the parent	11	(2,238,542)	(1,221,023)	(2,238,542)	(1,221,023)
Dividends paid to non-controlling interests		(167,040)	(117,614)	-	-
Net cash flows used in financing activities		(3,204,395)	(863,911)	(2,970,486)	(2,768,990)
Net increase/(decrease) in cash and cash equivalents		(3,232,019)	(1,719,053)	(1,082,952)	(635,458)
Cash and cash equivalents at 1st April	23	(1,891,253)	(172,200)	1,256,577	1,892,035
Cash and cash equivalents at 31 March		(5,123,272)	(1,891,253)	173,625	1,256,577
Analysis of cash & cash equivalents at 31st March					
Bank and cash balances	23	4,544,044	4,467,603	7,278,859	5,734,994
Short term borrowings	23	(9,667,316)	(6,358,856)	(7,105,234)	(4,478,417)
		(5,123,272)	(1,891,253)	173,625	1,256,577

Figures in brackets indicate deductions.
The accounting policies and notes from page 80 to 143 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

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

1.2 Principle Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Directors Responsibility

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

1.5 Date of Authorisation for issue

The Consolidated Financial Statements of the Group for the year ended 31st March 2018 were authorised for issue in accordance with a resolution of the directors on 1st June 2018.

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 2018.

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

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

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

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

If the Group loses control over a subsidiary, it de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Profit or Loss. Any investment retained is recognised at fair value. The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the Consolidated

Statement of Profit or Loss and Consolidated Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position. Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated Statement of Profit or Loss and Statement of Comprehensive Income and as a component of equity in the Consolidated Statement of Financial Position, separately from equity attributable to the shareholders of the parent. The Consolidated Statement of Cash Flows includes the cash flows of the Company and its subsidiaries.

2.4 Significant Accounting Judgements, Estimates and Assumptions

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

2.4.1 Judgements

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

Going Concern

When preparing Consolidated Financial Statements, management has made assessment of the ability of the constituents of the Group to continue as a going concern, taking into account all available information about the future, including intentions of curtailment of businesses, as decided by the Board, as disclosed in Note 09 to the Consolidated Financial Statements.

Tax on Financial Statements

The Group is subject to income taxes and other taxes. Significant judgement was required to determine the total provision for current, deferred and other taxes and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws and timing of future taxable income, including but not limited to those that can arise due to treatment of effect of adoption of Sri Lanka Financial Reporting Standards and Transfer Pricing, at the time of the preparation of these Financial Statements.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 18 to the Consolidated Financial Statements.

Transfer pricing regulation

The 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.

Impairment of Loans and Advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.6.2.1.

Impairment of Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

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.

2.4.2 Estimates and Assumptions

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

Impairment of Non-Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from an active market, conducted at arm's length 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. Key assumptions used are given in the Note 14 to the Financial Statements.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Deferred tax relating to items recognised outside Statement of Profit or Loss is recognised outside Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Statement of Other Comprehensive Income or directly in equity.

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

Sales tax

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

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

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

VAT on Financial Services

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

2.5.8 Non-current Assets Held for Sale and Discontinued Operations

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

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

2.5.9 Property, plant and equipment

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

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

Buildings	20-60 years
Plant, machinery tools and electrical installations	5-30 years
Furniture, fixtures and fittings	4-10 years
Office and other equipment	5-10 years
Computers	3-10 years
Motor vehicles	4-10 years
Land improvements	20 years
Replanting and new planting	
- Tea	33 years
- Rubber	20 years
- Coconut	50 years

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

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

2.5.10 Biological Assets

2.5.10.1 Immature and Mature Plantations

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

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

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

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

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

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

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

2.5.10.2 Infilling Cost on Bearer Biological Assets

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

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

2.5.11 Leases

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

Group as a lessee

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

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

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

However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

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

2.5.13 Investment Properties
Investment properties are measured at cost, including transaction costs. Subsequent measurements of fair values are given in the Group Real Estate Portfolio.

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.

De recognition
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.

NOTES TO THE FINANCIAL STATEMENTS

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. The assets are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to the Statement of Profit or Loss.

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

2.5.15.3 Financial Liabilities
Initial Recognition and Measurement
Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

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.

De recognition
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 re valued 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 re valued 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.

NOTES TO THE FINANCIAL STATEMENTS

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

2.5.18 Cash and short-term deposits
Cash and short-term deposits in the Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts and short term borrowings which are settled within 90 days.

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

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

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

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

2.5.21 Customer Loyalty Awards Points
The award points granted to customers at all Arpico Super centre/store retailing locations is recognized as a liability in the Statement of Financial Position of the Group. When these award points are redeemed, the value redeemed is transferred from liabilities in the Statement of Financial Position to the Statement of Profit or Loss.

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

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

2.5.23 Post-Employment Benefits
Defined Benefit Plan
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuary using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 32 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The basis of payment of retiring gratuity as follows:

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

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

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

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

2.6 Significant Accounting Policies that are Specific to Other Businesses

2.6.1 Insurance Company

2.6.1.1 Actuarial Valuations of the Insurance Provisions

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

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

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

2.6.1.2 Reinsurance Contracts

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

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

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

2.6.2.1 Impairment of Loans and Advances

For financial assets carried at amortised cost, such as loans and advances taken by customers, held to maturity investments etc., the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that

NOTES TO THE FINANCIAL STATEMENTS

are not individually significant. In the event the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. However assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

Individually Assessed Financial Assets
The criteria used to determine whether there is objective evidence of impairment include:

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

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

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

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

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

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

The collective impairment allowance is determined after taking into account:

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

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

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

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

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

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

2.7 Segment Information

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

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

2.8 Effect of Sri Lanka Accounting Standards Issued But Not Yet Effective
The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the 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 de recognition of financial instruments from LKAS 39. SLFRS 9 is effective for annual reporting periods beginning on or after 01 January 2018, with early adoption permitted. The Group plans to adopt the new standard on the required effective date.

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 lessee 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

NOTES TO THE FINANCIAL STATEMENTS

03. Group Segmental Reporting

Year ended 31st March 2018 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	4,529,499	2,778,342	6,621,232	26,363,715	3,350,374	45,225	9,284,486	52,972,873	-	52,972,873
Inter- segment	191,887	17,743	862,196	49,486	-	2,991,097	822,518	4,934,927	(4,934,927)	-
Intra - segment	5,060	1,714,979	187,839	219,842	-	80	305,026	2,432,826	(2,432,826)	-
Total revenue	4,726,446	4,511,064	7,671,267	26,633,043	3,350,374	3,036,402	10,412,030	60,340,626	(7,367,753)	52,972,873
Results										
Segment results	813,744	348,323	493,292	1,882,238	495,846	1,650,040	1,572,293	7,255,776	(1,874,978)	5,380,798
Finance costs										(1,275,044)
Finance income										515,641
Share of profit of an associate										10,157
Profit before tax from continuing operations										4,631,552
Income tax expense										(1,549,776)
Profit for the year from continuing operations										3,081,776
Loss after tax for the year from discontinued operations										(4,380)
Profit for the year										3,077,396
Non-controlling interests										(390,416)
Attributable to Equity holders of the parent										2,686,980
Operating assets	4,175,658	2,431,865	8,201,401	12,783,459	16,507,575	8,666,848	19,075,809	71,842,615	(15,981,685)	55,860,930
Operating liabilities	1,928,790	1,370,296	7,448,263	7,576,126	12,904,027	5,060,841	10,851,365	47,139,708	(7,045,249)	40,094,458
Other disclosures										
Investment in an associate	227,905	-	-	-	-	-	12,568	240,473	(114,910)	125,563
Capital expenditure	238,893	3,196	1,607,088	1,094,752	103,137	114,780	843,040	4,004,886	-	4,004,886
Depreciation and amortisation	75,730	44,497	140,763	326,196	37,394	28,828	395,440	1,048,848	-	1,048,848

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	50,815,642	1,581,157	1,240,377	1,768,443	55,405,619	(2,432,746)	52,972,873

NOTES TO THE FINANCIAL STATEMENTS

Segment Information

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

NOTES TO THE FINANCIAL STATEMENTS

4. Other Income/Expenses and Adjustments

4.1 Other Operating Income

	Group	
	2018	2017
	Rs.'000	Rs.'000
Government grants	26,098	28,739
Net gain on disposal of property, plant and equipment	445	32,776
Rental income	476,780	388,566
Gain on change in fair value of biological assets	89,584	51,852
Income from partnership promotions	126,676	130,061
Foreign exchange gain	33,891	22,805
Scrap sales/sales commission/mixing income	63,917	54,459
Sale of timber/rubber trees	122,760	41,773
Documentation and other service charges from financial services	38,739	56,858
Sundry income	305,796	263,771
Total other operating income	1,284,686	1,071,660

4.2 Other Operating Expenses

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Foreign exchange loss	20,233	31,664	15,973	31,664
Irrecoverable VAT on management fees of plantation companies	34,165	16,653	-	-
Amortisation and impairment of intangible assets	6,715	6,486	-	-
Others	459	667	-	-
Total other operating expenses	61,572	55,470	15,973	31,664

4.3 Profit from operations is stated after charging following expenses

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' remuneration & fees	57,814	49,391	40,348	39,598
Auditors' remuneration & fees	19,960	23,810	1,233	1,111
Depreciation	1,016,294	884,892	23,186	23,467
Amortisation of leasehold properties	29,101	32,428	-	-
Amortisation and impairment of intangible assets	6,715	6,486	-	-
Provision made for defined benefit plan cost	483,800	445,293	15,833	13,893
Staff costs including defined contribution plan cost	7,817,460	6,940,694	125,555	92,494
Legal fees	13,896	19,307	2,448	2,507
Donations	27,299	4,874	1,689	202
Allowances for impairment of receivables and debts written off	247,926	176,496	-	-

5. Finance Costs

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest on long term loans	480,189	507,765	344,332	360,787
Interest on short term loans	794,855	448,003	115,579	23,631
Total finance costs	1,275,044	955,768	459,911	384,418

6. Finance Income

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest income from related companies	-	-	29,467	22,064
Interest income from third parties	515,641	383,695	291	226
Total finance income	515,641	383,695	29,758	22,290

7. Share of Results of Associates

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

The Group's share of the assets and liabilities, and income and expenses of the entity, which is accounted under the equity method are as follows.

	2018 Rs.'000	2017 Rs.'000
Revenue	2,450,727	2,476,615
Profit before tax	30,474	249,108
Group's share of profit before tax	10,157	83,028
(-) Tax on associate results	(1,873)	(13,035)
Group share of profit after tax	8,284	69,993
Associate's Statement of Financial Position		
Current assets	147,827	133,084
Non-current assets	295,591	297,853
	443,418	430,937
Current liabilities	(71,167)	(84,744)
Non-current liabilities	(40,529)	(39,327)
	(111,696)	(124,071)

Investments in Associates	2018 Rs.'000	2017 Rs.'000
At the beginning of the year	117,278	241,302
Share of profits	10,157	83,028
Taxation	(1,873)	(13,035)
Share of dividends to minority shareholders	-	(194,017)
At the end of the year	125,562	117,278

NOTES TO THE FINANCIAL STATEMENTS

8. Income Tax Expense

The major components of income tax expense for the years ended 31 st March 2018 and 2017 are:

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current income tax:				
Current income tax charge	923,279	909,072	-	-
Adjustments in respect of current income tax of previous years	13,480	(16,079)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	372,714	125,828	-	11,726
ESC Unrecoverable	-	9,127	-	-
Tax on associate results	1,873	13,035	-	-
Dividend tax	238,430	196,443	-	-
Income tax expense reported in the Statement of Profit or Loss	1,549,776	1,237,426	-	11,726
A. Taxation on current year profit				
Profit before tax from continuing operations	4,631,552	4,801,414	1,649,202	1,374,234
Loss before tax from discontinued operations	(4,380)	(5,018)	-	-
Profit from associate companies	(10,157)	(83,028)	-	-
	4,617,015	4,713,368	1,649,202	1,374,234
Disallowed items	4,140,147	2,637,165	245,606	207,834
Allowable expenses	(4,962,137)	(2,968,171)	(54,402)	(44,090)
Resident dividend	-	-	(1,879,154)	(1,548,797)
Qualifying payment on acquisition of a subsidiary	(44,567)	(100,387)	-	-
	3,750,458	4,281,975	(38,748)	(10,819)
Tax loss brought forward	(4,723,811)	(4,919,971)	(531,271)	(525,154)
Tax loss carried forward	5,024,649	4,733,964	570,019	535,973
Taxable Income	4,051,296	4,095,968	-	-
Income tax 28%	771,802	746,704	-	-
Income tax 20%	38,721	72,597	-	-
Income tax 15%	-	56	-	-
Income tax 12%	69,704	75,396	-	-
Income tax 10%	43,052	12,672	-	-
Income tax at other rates	-	1,647	-	-
	923,279	909,072	-	-
(Over) / under provision in the previous years	13,480	(16,079)	-	-
	936,759	892,993	-	-
Deferred tax	372,714	125,828	-	11,726
ESC unrecoverable	-	9,127	-	-
Tax on associate results	1,873	13,035	-	-
Dividend tax	238,430	196,443	-	-
	1,549,776	1,237,426	-	11,726

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose - PPE	164,094	212,508	-	-
Accelerated depreciation for tax purpose - Biological assets and others	363,953	-	-	
Retirement benefits obligation	38,974	(25,896)	-	-
Benefit arising from tax losses	(71,692)	(64,590)	-	11,726
Other provisions	(122,615)	3,806	-	-
Total deferred tax expense	372,714	125,828	-	11,726

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 sec. 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.

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.

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.

	2018 Rs.'000	2017 Rs.'000
Revenue/Other Income	924	1,241
Expenses	(5,304)	(6,259)
Loss for the year from discontinued operations	(4,380)	(5,018)

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:

	2018 Rs.'000	2017 Rs.'000
Total assets	71,824	76,464
Total liabilities	98,289	98,186

Cash flow implications for the year are presented below:

	2018 Rs.'000	2017 Rs.'000
Net cash flows from operating activities	(51)	(49)

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:

	2018 Rs.'000	2017 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	2,691,360	3,175,113
Loss attributable to ordinary equity holders of the parent from discontinued operations	(4,380)	(5,018)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	2,686,980	3,170,095
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	5,635,098	4,636,811
Weighted average number of ordinary shares adjusted for the effect of dilution	2,040,673,373	2,039,675,086

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.

	2018 Rs.	2017 Rs.
Basic earnings per share	1.32	1.56
Diluted earnings per share	1.32	1.55
Earnings per share from continuing operations - Basic	1.32	1.56
Earnings per share from continuing operations - Diluted	1.32	1.55

11. Dividend per Share

	2018 Per share	2018 Rs.'000	2017 Per share	2017 Rs.'000
Interim Dividend of Rs.0.60 per share (2016/17 Rs.0.60 per share)	0.60	1,221,023	0.60	1,221,023
Final Dividend of Rs.0.50 per share for 2016/2017	0.50	1,017,519	-	-
	1.10	2,238,542	0.60	1,221,023

1. The first interim dividend of Rs. 0.60 per share for the financial year ended 31st March 2017 was declared on 08th February 2017 and was paid on 01st March 2017.

2.a The final dividend of Rs. 0.50 per share for the financial year ended 31st March 2017 was declared on 01st June 2017 and was paid on 10th July 2017.

2.b The first interim dividend of Rs. 0.60 per share for the financial year ended 31st March 2018 was declared on 08th January 2018 and was paid on 26th January 2018.

NOTES TO THE FINANCIAL STATEMENTS

12. Property Plant & Equipment

12.1 Group

	As at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Cost							
Land / land improvements	3,245,520	548,353	-	-	-		3,793,873
Buildings	4,471,491	617,540	-	1,890	(38,080)	77,493	5,130,334
Immature / mature plantations	8,248,635	644,344	-	-	-	-	8,892,979
Plant, machinery, tools & electrical installations	5,712,636	438,849	(3,280)	10,620	-	55,485	6,214,310
Office & other equipment	1,404,819	309,776	(148)	-	-	147	1,714,594
Furniture, fixtures & fittings	630,343	93,988	(177)	361	-		724,515
Motor vehicles	862,083	149,766	(4,467)	36	-	723	1,008,141
Computers	567,154	55,806	(203)	-	-	346	623,103
	25,142,681	2,858,422	(8,275)	12,907	(38,080)	134,194	28,101,849
Capital work in progress	359,418	1,285,605	(892,313)	-	-	-	752,710
Total gross carrying amount	25,502,099	4,144,027	(900,588)	12,907	(38,080)	134,194	28,854,559

	As at 01.04.2017 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Depreciation / amortization							
Land improvements	106,685	5,325	-	-	-	-	112,010
Buildings	1,244,377	178,253	-	252	(1,572)	2,702	1,424,012
Immature / mature plantations	1,460,386	212,790	-	-	-	-	1,673,176
Plant, machinery, tools & electrical installations	3,372,785	313,591	(1,833)	4,378	-	25,458	3,714,379
Office & other equipment	776,889	134,251	(17)	-	-	86	911,209
Furniture, fixtures & fittings	444,404	41,783	(111)	331	-	-	486,407
Motor vehicles	743,299	52,882	(4,468)	36	-	353	792,102
Computers	461,156	42,649	(174)	-	-	190	503,821
	8,609,981	981,524	(6,603)	4,997	(1,572)	28,789	9,617,116

Net Book Values	2018 Rs.'000	2017 Rs.'000
Land / land improvements	3,681,863	3,138,835
Buildings	3,706,322	3,227,114
Immature / mature plantations	7,219,803	6,788,249
Plant, machinery, tools & electrical installations	2,499,931	2,339,851
Office & other equipment	803,385	627,930
Furniture, fixtures & fittings	238,108	185,939
Motor vehicles	216,039	118,784
Computers	119,282	105,998
	18,484,733	16,532,700
Capital work in progress	752,710	359,418
Total carrying amount	19,237,443	16,892,118

NOTES TO THE FINANCIAL STATEMENTS

Assets acquired on finance leases	As at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Cost / valuation						
Immature / mature plantations	773,460	-	-	-	-	773,460
Plant & machinery	134,369	-	-	-	-	134,369
Office & other equipment	836	-	-	-	-	836
Motor vehicles	30,967	23,725	-	-	-	54,692
	939,632	23,725	-	-	-	963,357

	As at 01.04.2017 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Depreciation / amortization						
Immature / mature plantations	573,743	27,007	-	-	-	600,750
Plant & machinery	134,369	-	-	-	-	134,369
Office & other equipment	464	15	-	-	-	479
Motor vehicles	8,692	7,745	-	-	-	16,437
	717,268	34,767	-	-	-	752,035

Net Book Values	2018 Rs.'000	2017 Rs.'000
Immature / mature plantations	172,710	199,717
Plant & machinery	-	-
Office & other equipment	357	372
Motor vehicles	38,255	22,275
	211,322	222,364
Total carrying amount of property, plant & equipment	19,448,765	17,114,482

Property plant and equipment with a carrying amount of Rs. 15,047 mn (2017 - Rs. 8,322 mn) are pledged as security for loans obtained. (Note 28.1)

12.2 Leasehold Property

	As at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Cost / valuation							
Right to use land	827,863	731,735	-	-	-	-	1,559,598
Buildings	274,386	4,308	-	-	-	-	278,694
	1,102,249	736,043	-	-	-	-	1,838,292

NOTES TO THE FINANCIAL STATEMENTS

	As at 01.04.2017 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	Acquisition through business combination Rs.'000	As at 31.03.2018 Rs.'000
Amortization							
Right to use land	366,549	15,484	-	-	-	-	382,033
Buildings	214,759	17,072	-	-	-	-	231,831
	581,308	32,556	-	-	-	-	613,864

	2018 Rs.'000	2017 Rs.'000
Right to use land	1,177,565	461,314
Buildings	46,863	59,627
Total carrying amount of leasehold properties	1,224,428	520,941

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 3,274 mn (2017 - Rs. 2,941 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 4,001 mn (2017 - Rs. 2,053 mn) for cash considerations.

Right to use of land - Plantation 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 of land does not permit further revaluation of right-to-use land.

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

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

The unexpired period of the lease as at the balance sheet date was 27 years.

Borrowing costs amounting to Rs. 54.1 mn (2017 - Rs. 54.5 mn) have been capitalised which was incurred on long term loans related to immature plantations in the plantation sector using a capitalisation rate of 8.42% (2017 - 9.47%).

The title restriction Property, Plant and Equipment

There are no restrictions that existed on the title of the property, plant and equipment of the company as at the reporting date.

12.3 Company

	As at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2018 Rs.'000
Cost / valuation				
Buildings	52,208	-	-	52,208
Plant, machinery, tools & electrical installations	95,724	-	-	95,724
Office & other equipment	34,057	656	-	34,713
Furniture, fixtures & fittings	23,321	544	-	23,865
Motor vehicles	64,981	-	-	64,981
Computers	42,848	6,159	-	49,007
	313,139	7,359	-	320,498
Capital work in progress	12,914	115,463	(12,914)	115,463
Total gross carrying amount	326,053	122,822	(12,914)	435,961

	As at 01.04.2017 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2018 Rs.'000
Depreciation / amortization				
Buildings	16,102	5,220	-	21,322
Plant, machinery, tools & electrical installations	67,770	4,648	-	72,418
Office & other equipment	27,728	1,154	-	28,882
Furniture, fixtures & fittings	18,762	898	-	19,660
Motor vehicles	64,748	157	-	64,905
Computers	36,690	3,447	-	40,137
	231,800	15,524	-	247,324

Net Book Values	2018 Rs.'000	2017 Rs.'000
Buildings	30,886	36,106
Plant, machinery, tools & electrical installations	23,306	27,954
Office & other equipment	5,831	6,329
Furniture, fixtures & fittings	4,205	4,559
Motor vehicles	76	233
Computers	8,870	6,158
	73,174	81,339
Capital work in progress	115,463	12,914
Total carrying amount	188,637	94,253

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 184 mn (2017 - Rs. 175 mn).

During the financial year, the Company acquired property plant and equipment to the aggregate value of Rs. 122 mn (2017 - Rs. 4.7 mn) for cash considerations.

NOTES TO THE FINANCIAL STATEMENTS

13. Investment properties

13.1 Group

	As at 01.04.2017 Rs.'000	Adjustments Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2018 Rs.'000
Gross carrying amounts					
Freehold land	166,709	-	13,406	-	180,115
Buildings	-	38,080	-	-	38,080
	166,709	38,080	13,406	-	218,195

	As at 01.04.2017 Rs.'000	Adjustments Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2018 Rs.'000
Depreciation					
Buildings	-	1,572	-	-	1,572
	-	1,572	-	-	1,572

Net Book Values	2018 Rs.'000	2017 Rs.'000
Freehold land	180,115	166,709
Buildings	36,508	-
Total carrying amount of investment properties	216,623	166,709

13.2 Company

	As at 01.04.2017 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2018 Rs.'000
Gross carrying amounts				
Freehold land	1,038,063	-	-	1,038,063
Buildings and building integrals	302,292	4,212	-	306,504
	1,340,355	4,212	-	1,344,567

	As at 01.04.2017 Rs.'000	Charge for the Year Rs.'000	Adjustments Rs.'000	As at 31.03.2018 Rs.'000
Depreciation				
Buildings and building integrals	111,341	7,661	-	119,002
	111,341	7,661	-	119,002

Net Book Values	2018 Rs.'000	2017 Rs.'000
Freehold land	1,038,063	1,038,063
Buildings on freehold land	187,502	190,951
Total carrying amount of investment properties	1,225,565	1,229,014

	2018 Rs. Mn	2017 Rs. Mn
Rental income derived from investment properties	217	186
Direct operating expenses incurred	8.9	8.7
Fair value of investment properties	12,652	10,211

As at 31st March 2018, investment properties were valued by qualified valuer Mr. P.B. Kalugalagedara.

Fair values of investment properties are given in Group Real Estate Portfolio in page 149.

14. Intangible Assets

	Goodwill Rs.'000	Licenses Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
As at 1st April 2017	1,197,709	58,735	9,817	1,266,261
Acquisition through business combinations	-	-	87	87
Acquired/incurred during the period	22,228	-	9,999	32,227
As at 31st March 2018	1,219,937	58,735	19,903	1,298,575
Amortisation and Impairment				
As at 1st April 2017	82,803	38,775	3,848	125,426
Amortisation/impairment for the year	3,500	1,451	1,764	6,715
As at 31st March 2018	86,303	40,226	5,612	132,141
Net Book Value				
As at 31st March 2017	1,114,906	19,960	5,969	1,140,835
As at 31st March 2018	1,133,634	18,509	14,291	1,166,434

(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 seven 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. Six estates of Uva range Namunukula Plantations PLC
6. BGN Industrial Tyre (Private) Limited
7. Richard Pieris Finance Limited

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 Richard Pieris Finance Limited to manage operations.

NOTES TO THE FINANCIAL STATEMENTS

Key assumptions used in value in use calculations
Volume growth - Volume growth is based on past performance, the approved budget and expected performance of such CGU based on the actual performance and to evaluate future investment proposals.

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

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

The value rage of the key rates that are used in the assumptions are as follows.

10 year Risk Free (Treasury bond) rate - 9% - 12%
Hurdle rate for equity - 18% - 23%
Cost of debt - 7% - 19%
Weighted Average Cost of Equity - 13% - 19%
Terminal growth rate of the company - 0 - 1%

15. Biological Assets

15.1 Bearer Biological Assets

	2018 Rs.'000	2017 Rs'000
At the beginning of the year	865,762	824,557
Increase due to new planting	3,723	7,266
Decrease due to harvesting	(1,595)	(4,515)
Gain in fair value	83,362	38,454
At the end of the year	951,252	865,762

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 Mr. W.M. Chandrasena, Chartered Valuation Surveyor, 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. The prices adopted are net of expenditure
3. Time period of maturity estimated at 30 years.
4. Discount rate used was 14%.

15.2 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 2018	-10% Rs.'000	Rs.'000	+10% Rs.'000
Managed timber	856,126	951,252	1,046,376
Total	856,126	951,252	1,046,376

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 2018	15.50% Rs.'000	14.00% Rs.'000	12.50% Rs.'000
Managed timber	873,428	951,252	1,043,232
Total	873,428	951,252	1,043,232

15.3 Produce on Bearer Biological Assets

	2018 Rs.'000
At the beginning of the year	26,463
Gain arising from changes in fair value of biological assets	6,223
At the end of the year	32,686

15.4 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 2018 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Assets measured at fair value				
Consumable biological assets - timber	951,252	-	-	951,252
Produce on bearer biological assets	32,686	-	32,686	-
	983,938	-	32,686	951,252

	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

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

16 Investments

A Company investments in subsidiaries

	% Holding		No. of shares			Value Rs.000		
	31.03.2018	31.03.2017	31.03.2018	Movement	31.03.2017	31.03.2018	Movement	31.03.2017
Quoted investments								
Richard Pieris Exports PLC (Rs. 1,574 mn) *	84	80	9,366,027	406,030	8,959,997	296,955	96,400	200,555
Kegalle Plantations PLC (Rs. 1,304mn) * +	-	-	9,500	-	9,500	1,441	-	1,441
Arpico Insurance PLC (Rs. 1,073 mn) *	82	82	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 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	86	84	14,022,253	-	14,022,253	143,479	-	143,479
Arpitalian Compact Soles (Pvt) Limited								
Ordinary Shares	59	57	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 (Pvt) Limited	100	100	2,000,002	-	2,000,002	20,000	-	20,000
Richard Pieris Plantations (Pvt) Limited	100	100	7	-	7	-	-	-
R P C Real Estate Development Company (Pvt) Limited	100	100	1	-	1	-	-	-
Arpico Homes (Pvt) 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
RPC Construction (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
Arpimall Development Company (Pvt) Limited	100	100	5,000,000	-	5,000,000	50,000	-	50,000
Arpico Interiors (Pvt) Limited	100	100	2,500,000	-	2,500,000	25,000	-	25,000
Richard Pieris Securities (Pvt) Limited	100	100	15,299,999	-	15,299,999	193,000	40,000	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	98	98	93,583,063	-	93,583,063	935,830	-	935,830
Arpico Durables (Pvt) Limited	100	100	1	-	1	-	-	-
Arpico Furniture Distributors (Pvt) Limited	100	100	1	-	1	-	-	-
Arpico Developments (Pvt) Limited	100	100	1	-	1	-	-	-
RPC Retails Developments Company (Pvt) Limited	100	100	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
						4,187,254	136,400	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)
RPC Construction (Pvt) Limited						(20,000)	-	(20,000)
Arpitech (Pvt) Limited						(35,000)	-	(35,000)
Arpitalian Compact Soles (Pvt) Limited						(57,082)	(16,000)	(41,082)
Arpico Pharmaceuticals (Pvt) Limited						(100,000)	-	(100,000)
Richard Pieris Securities (Pvt) limited						(80,000)	(80,000)	-
Company investments in subsidiaries						3,849,172	120,400	3,808,772

B Group investments in subsidiaries

	% Holding		No. of shares			Value Rs.000		
	31.03.2018	31.03.2017	31.03.2018	Movement	31.03.2017	31.03.2018	Movement	31.03.2017
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 (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 Development (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 Garden Limited	100	100	1,500,000	-	1,500,000	15,000	-	15,000
RPC Plantation Management Services (Pvt) Limited	100	100	24,106,249	-	24,106,249	330,000	-	330,000
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

B Group investments in subsidiaries Contd.

	% Holding		No. of shares			Value Rs.000		
	31.03.2018	31.03.2017	31.03.2018	Movement	31.03.2017	31.03.2018	Movement	31.03.2017
Investor								
RPC Plantation Management Services (Pvt) Limited								
Investee								
Namunukula Plantations PLC (Rs. 1,141 mn) *	67	65	15,412,737	-	15,412,737	573,484	55,863	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	2,250,000	-	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	-	(30,515,314)	30,515,314	-	(804,765)	804,765
Investor								
Arpitech (Pvt) Limited								
Investee								
RPC Properties (Pvt) Limited	49	49	49	-	49	-	-	-
Investor								
Richard Pieris Tyre Company Limited								
Investee								
BGN Industrial Tyre (Pvt) Limited	51	-	7,319	7,319	-	84,150	84,150	-
						5,457,176	(664,752)	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)
						5,338,009	(664,752)	6,002,761

C Company / Group investment in associate

	% Holding		No. of shares			Value Rs.000		
	31.03.2018	31.03.2017	31.03.2018	Movement	31.03.2017	31.03.2018	Movement	31.03.2017
Group investments in associate;								
Unquoted Investments								
Investor								
Namunukula Plantations PLC								
Investee								
AEN Palm Oil Processing (Pvt) Limited	33	33	699,027	-	699,027	12,568	-	12,568
Group investment in associate (at cost)						12,568	-	12,568
Share of reserves						112,994	8,284	104,710
Group investment in associates (equity basis)						125,562	8,284	117,278

* Amounts stated within brackets correspond to market value as at 31st March 2018. 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%.

** 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.

The value of unquoted investments based on net assets amounted to Rs. 16,237 mn (2017 - Rs. 12,587 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	9,864,588	1,066,436	1,185,700
Operating cost	(8,306,089)	(674,746)	(1,137,326)
Finance cost	(504,993)	(4,701)	-
Finance income	218,455	20,217	160,798
Share of profit of an associate	7,091	-	-
Profit before tax	1,279,052	407,206	209,172
Income tax expense	(418,639)	(33,389)	-
Profit for the year	860,413	373,817	209,172
Other comprehensive income	(133,528)	(482)	(1,034)
Total comprehensive income	726,885	373,335	208,138
Profit attributable to NCI	246,860	66,691	38,693
Dividend paid to NCI	134,610	28,390	2,387

As at 31st March			
Summarised Statement of Financial Position			
Current assets	5,060,478	779,209	1,324,083
Non current assets	10,812,434	704,758	947,237
Total assets	15,872,912	1,483,967	2,271,320
Current liabilities	4,625,780	152,064	161,480
Non current liabilities	5,050,769	56,460	1,161,331
Total liabilities	9,676,549	208,524	1,322,811
Accumulated balance of material NCI	1,555,421	205,346	174,620
Summarised cash flow information for the year ending 31st March			
Cash flows from operating activities	1,408,553	314,137	321,170
Cash flows (used in) investing activities	(809,838)	(4,780)	(101,472)
Cash flows (used in) financing activities	(361,330)	(195,180)	(26,492)
Net increase in cash and cash equivalents	237,385	114,177	193,206

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 16.6%	Richard Pieris Exports PLC 16.1%	Arpico Insurance PLC 18.4%
Kegalle Plantations PLC 20.86%		
Namunukula Plantations PLC 33.24%		

NOTES TO THE FINANCIAL STATEMENTS

17. Other Financial Assets

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 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	14,229	-	-
Arpico Tyre Limited	15,344	-	-	-
	107,482	92,138	5,625	5,625
Quoted equity shares				
Commercial Bank of Ceylon PLC	9	10	9	10
John Keells Holdings PLC	15	17	15	17
Asian Hotel Properties PLC	31,738	35,089	31,738	35,089
Dialog Axiata PLC	152	124	152	124
National Development Bank PLC	252,690	2,980	252,690	2,980
	284,604	38,220	284,604	38,220
Government securities				
Treasury bill investments	310,068	254,534	-	-
Treasury bond investments	345,999	594,374	-	-
	656,067	848,908	-	-
Total available for sale investments at fair value	1,048,153	979,266	290,229	43,845
Fair value through profit or loss				
Quoted equity shares				
Piramal Glass Ceylon PLC	2,458	2,373	-	-
Sampath Bank PLC	17,585	15,182	-	-
Hatton National Bank PLC (Non voting)	389	386	-	-
	20,432	17,941	-	-
Unquoted equity shares				
Credit Information Bureau	593	593	-	-
Finance Houses Consortium	200	200	-	-
	793	793	-	-
Total fair value through profit or loss investment	21,225	18,734	-	-
Held to maturity				
Government securities				
Treasury bill investments	-	55,264	-	-
Treasury bond investments	-	8,482	-	-
Total held to maturity investments	-	63,746	-	-
Loans and receivables				
Investments in corporate debts	555,219	603,771	-	65,750
Investment in repurchase agreement	515,531	154,246	-	-
Fixed deposits	180,909	40,259	-	-
Other loans and receivables	296,042	305,000	-	-
Total loans and receivables	1,547,701	1,103,276	-	65,750
Total other financial assets	2,617,079	2,165,022	290,229	109,595
Total current	846,031	481,985	-	-
Total non-current	1,771,048	1,683,037	290,229	109,595

17.1 Fair values

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.

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

Assets measured at fair value	31st March 2018 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for sale financial assets				
Equity Shares	392,086	284,604	-	107,482
Government Securities	656,067	656,067	-	-
	1,048,153	940,671	-	107,482
Fair value through profit or loss				
Equity Shares	21,225	20,432	-	793
	21,225	20,432	-	793
Loans and receivables				
Investments in corporate debts	555,219	555,219	-	-
Investment in repurchase agreement	515,531	515,531	-	-
Fixed deposits	180,909	180,909	-	-
Other loans and receivables	296,042	-	-	296,042
	1,547,701	1,251,659	-	296,042

NOTES TO THE FINANCIAL STATEMENTS

	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
Held to maturity				
Government Securities	63,746	63,746	-	-
	63,746	63,746	-	-
Loans and receivables				
Investments in corporate debts	603,771	603,771	-	-
Investment in repurchase agreement	154,246	154,246	-	-
Fixed deposits	40,259	40,259	-	-
Other loans and receivables	305,000	-	-	305,000
	1,103,276	798,276	-	305,000

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

	Carrying amount		Fair Value	
Group	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial assets				
Trade and other Receivables	7,069,559	5,585,527	7,069,559	5,585,527
Other Financial Assets				
Available for Sale investments*	1,048,153	979,266	1,048,153	979,266
Loans and advances	10,664,835	11,127,962	11,164,233	11,168,828
Fair value through profit or loss	21,225	18,734	21,225	18,734
Held to maturity Assets	-	63,746	-	63,746
Cash and short-term deposits	4,544,044	4,467,603	4,544,044	4,467,603
Total	16,278,257	16,657,311	16,777,655	16,698,177
Financial liabilities				
Net liability to the lessor	583,654	595,444	583,654	595,444
Interest-bearing loans and borrowings	9,123,821	10,357,552	9,123,821	10,357,552
Customer deposits	5,070,357	3,935,016	5,045,104	3,896,435
Trade and Other payables	8,497,067	7,526,919	8,497,067	7,526,919
Short term borrowings	10,717,316	6,843,856	10,717,316	6,843,856
Total	33,992,215	29,258,787	33,966,962	29,220,206

* Available for Sale Investments are recorded at fair value. The cost of the Available for Sale Investments as at 31.03.2018 amounted to Rs. 1,042 mn. (2017 - Rs. 962.5 mn)

18. Deferred Tax (Assets) / Liabilities

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred tax assets	(91,901)	(75,918)	-	-
Deferred tax liabilities	855,267	492,856	-	-
Net deferred tax liabilities	763,366	416,938	-	-
Net deferred tax liabilities				
At the beginning of the period	416,938	277,099	-	(11,726)
Transfer from Statement of Profit and Loss	372,712	125,828	-	11,726
Transfer to the Statement of Other Comprehensive Income	(26,284)	12,709	-	-
Effect of changes in exchange rates	-	1,302	-	-
At the end of the period	763,366	416,938	-	-
Deferred tax liabilities				
Accelerated depreciation for tax purposes - PPE	986,551	894,660	43,776	43,776
Accelerated depreciation for tax purposes - Biological Assets	1,120,142	746,798	-	-
Other deferred liabilities	236,855	174,946	-	-
	2,343,548	1,816,404	43,776	43,776
Deferred tax assets				
Retirement benefit obligations	(440,694)	(449,201)	(17,838)	(17,838)
Un-utilised tax losses	(719,786)	(786,048)	(11,091)	(11,091)
Other provisions	(419,702)	(164,217)	(14,847)	(14,847)
	(1,580,182)	(1,399,466)	(43,776)	(43,776)
Deferred tax liabilities	763,366	416,938	-	-

Deferred tax assets amounting to Rs. 61 mn (2017 - Rs.79 mn) for the Group and Rs. 52 mn (2017 - Rs.71 mn) for the company has not been recognized since the companies do not expect these assets to reverse in the foreseeable future.

19. Inventories

	Group	
	2018	2017
	Rs.'000	Rs.'000
Raw materials	1,677,509	1,485,031
Growing crop-nurseries	91,576	71,060
Work in progress	208,677	121,812
Finished goods	3,665,313	3,279,707
Produce inventories	957,475	772,413
Other inventories	103,116	84,305
Goods in transit	62,314	3,058
	6,765,980	5,817,386
Provision for slow moving inventories	(237,769)	(176,224)
Provision for unrealized profits	(19,685)	(20,143)
Net inventory	6,508,526	5,621,019

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

NOTES TO THE FINANCIAL STATEMENTS

The amount of write-down of inventories recognised as an expense is Rs. 159 mn (2017 Rs. 127 mn) which is recognised under administrative expenses.

Provision for slow moving inventories recognised as an expense is Rs. 105 mn (2017 - 146 mn).

Inventories carried at net realisable value as at 31st March 2018 amounted to Rs. 1,375 mn (2017 Rs. 1,227 mn).

Inventories with a carrying amount of Rs. 838 mn (2017 Rs. 786 mn) are pledged as security for loans obtained, details of which are disclosed in Note 28.3 to the Consolidated Financial Statements.

20. Trade and Other Receivables

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

	Group					
	Total Rs.'000	Current Rs.'000	30-60 days Rs.'000	61-90 days Rs.'000	91-120 days Rs.'000	> 120 days Rs.'000
20.1 Gross trade receivables						
2018	5,247,555	3,364,284	875,691	210,986	74,785	721,809
2017	4,774,717	2,996,583	835,244	219,872	168,231	554,787

		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 2017	467,734	212,650	44,209	20,954	189,921
Charge for the year	25,477	26,105	-	-	(628)
Unused amounts reversed	(781)	(36)	-	(745)	-
Provisions written off	(4,717)	(3,327)	-	-	(1,390)
As at 31st March 2018	487,713	235,392	44,209	20,209	187,903

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Net trade receivables	4,759,842	4,306,983	-	-
Advances and deposits	947,099	673,923	-	-
Loans to employees	13,973	14,694	10,545	12,214
Other receivables	1,251,875	543,561	37,004	22,110
Premium receivable	72,576	37,579	-	-
Reinsurance receivable	24,194	8,787	-	-
	7,069,559	5,585,527	47,549	34,324
Other non financial receivables	1,118,992	748,132	213,398	175,658
	8,188,551	6,333,659	260,947	209,982

21. Loans and Advances

	2018 Rs.'000	2017 Rs'000
Finance lease/ Ijarah rental receivables	5,348,244	4,911,693
Hire purchase/ Muraba rental receivables	135,599	289,780
Term Loans/ Mortgage loans/ Wakala rental receivables	4,824,662	5,356,078
Short term loans/ Trading Muraba rental receivables	117,968	142,722
Other loans and advances	883,120	848,950
	11,309,593	11,549,223
Less: Impairment losses - Collective	(644,758)	(421,148)
- Individual	-	(113)
Net loans and advances receivables (Note 21.1)	10,664,835	11,127,962

21.1 Analysis of rental receivables on loans and advances

	2018			2017		
	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	2,531,275	4,703,283	7,234,558	2,312,245	3,980,042	6,292,287
(-) Unearned income	(848,247)	(1,038,067)	(1,886,314)	(661,297)	(719,297)	(1,380,594)
Net rental receivables	1,683,028	3,665,216	5,348,244	1,650,948	3,260,745	4,911,693
(-) Allowance for impairment loss - Individual	-	-	-	-	-	-
- Collective	(348,607)	-	(348,607)	(39,874)	(146,606)	(186,480)
Total net rental receivables	1,334,421	3,665,216	4,999,637	1,611,074	3,114,139	4,725,213
Hire purchase/ Muraba rental receivables	-					
Gross rental receivables	76,836	100,761	177,597	167,141	196,292	363,433
(-) Unearned income	(19,120)	(22,878)	(41,998)	(36,870)	(36,783)	(73,653)
Net rental receivables	57,716	77,883	135,599	130,271	159,509	289,780
(-) Allowance for impairment loss - Individual	-	-	-	-	-	-
- Collective	(21,472)	-	(21,472)	(11,810)	(8,768)	(20,578)
Total net rental receivables	36,244	77,883	114,127	118,461	150,741	269,202
Term loans/ Mortgage loans/ Wakala						
Gross rental receivables	2,577,790	4,104,170	6,681,960	3,629,059	3,045,168	6,674,227
(-) Unearned income	(836,829)	(1,020,469)	(1,857,298)	(718,784)	(599,365)	(1,318,149)
Net rental receivables	1,740,961	3,083,701	4,824,662	2,910,275	2,445,803	5,356,078
(-) Allowance for impairment loss - Individual	-	-	-	-	-	-
- Collective	(225,383)	-	(225,383)	(10,845)	(172,738)	(183,583)
Total net rental receivables	1,515,578	3,083,701	4,599,279	2,899,430	2,273,065	5,172,495

21.1 Analysis of rental receivables on loans and advances Contd.

	2018			2017		
	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
Short term loans/ Trading Muraba						
Gross rental receivables	119,223	13,418	132,641	200,192	5,928	206,120
(-) Unearned income	(12,180)	(2,493)	(14,673)	(62,022)	(1,376)	(63,398)
Net rental receivables	107,043	10,925	117,968	138,170	4,552	142,722
(-) Allowance for impairment loss - Collective	(29,966)	-	(29,966)	-	(23,533)	(23,533)
Total net rental receivables	77,077	10,925	88,002	138,170	(18,981)	119,189
Other loans and advances						
Gross rental receivables	583,648	357,409	941,057	747,826	107,590	855,416
(-) Unearned income	(36,116)	(21,821)	(57,937)	(3,612)	(2,854)	(6,466)
Net rental receivables	547,532	335,588	883,120	744,214	104,736	848,950
(-) Allowance for impairment loss - Individual	-	-	-	(113)	-	(113)
- Collective	(19,330)	-	(19,330)	(2,516)	(4,458)	(6,974)
Total net rental receivables	528,202	335,588	863,790	741,585	100,278	841,863
Total net loans and advances	3,491,522	7,173,313	10,664,835	5,508,720	5,619,242	11,127,962

21.2 Collective Assessment of Impairment

Cash flows on loans and advances that are collectively evaluated for impairment, are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year-to-year such as changes in;

- Changes in unemployment rate
- Property prices
- Commodity prices
- Payment status
- Inflation rates
- Changes in laws and regulations
- Interest rates
- Recent lending portfolio growth and product mix

The methodology and assumptions used for estimating provision for impairment including assumptions for projecting future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

22. Short Term Borrowings

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Import loans (a)	82,764	175,889	-	-
Short term borrowings settled within 90 days (b)	5,558,613	3,535,036	4,860,000	3,310,000
Bank overdrafts (c)	4,108,703	2,823,820	2,245,234	1,168,417
Other short term borrowings	967,236	309,111	1,050,000	485,000
	10,717,316	6,843,856	8,155,234	4,963,417

(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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash at banks and in hand	4,544,044	4,467,603	7,278,859	5,734,994
Short term borrowings settled within 90 days (Note 22)	(5,558,613)	(3,535,036)	(4,860,000)	(3,310,000)
Bank overdrafts (Note 22)	(4,108,703)	(2,823,820)	(2,245,234)	(1,168,417)
Cash and cash equivalents	(5,123,272)	(1,891,253)	173,625	1,256,577

24. Stated Capital

Ordinary shares issued and fully paid	No. of Shares in '000	Value of Shares Rs.'000
As at 1st April 2017	2,035,038	1,972,829
As at 31st March 2018	2,035,038	1,972,829

25. Statutory Reserve Fund

	2018 Rs.'000	2017 Rs.'000
At the beginning of the year	46,024	23,190
Transfers during the year	17,092	22,834
Adjustments due to business combinations	(2,912)	
At the end of the year	60,204	46,024

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

NOTES TO THE FINANCIAL STATEMENTS

26. Other Components of Equity

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Available for sale reserve	6,982	17,218	5,768	16,612
Foreign currency translation reserve	102,406	87,751	-	-
Total other components of equity	109,388	104,969	5,768	16,612

27. Insurance Provision

	2018 Rs.'000	2017 Rs.'000
At the beginning of the year	814,633	501,933
Net increase in life insurance fund	320,782	309,606
Movement in AFS reserve transferred to life fund	18,762	3,094
At the end of the period	1,154,177	814,633

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 upon the following;

- Interest rates which vary by product and as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.

The valuation of the Life Insurance business as at 31st December 2017 was assessed by M/S Actuarial Partners Consulting Sdn Bhd. According to the Actuarial Valuation on which is based on a distribution basis, the reserve amounted to Rs.1025 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 exceed the required actuarial reserves by Rs.155.946 mn as at 31st December 2017 before any transfers to shareholders. Accordingly based on the recommendations made by the Actuary a sum of Rs.155.946 mn has been transferred to Shareholders fund from the Life Insurance Fund in 2017.

Liability Adequacy Test (LAT)
A Liability Adequacy Test ("LAT") for Life Insurance contract liability was carried out by Actuarial Partners, as at 31st December 2017 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 2017. No additional provision was required against the LAT as at 31st December 2017.

28. Interest Bearing Loans and Borrowings

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Non current portion of interest bearing loans and borrowings				
Interest bearing loans	5,063,853	6,924,988	2,143,673	3,146,317
Finance lease obligations	7,125	-	-	-
Total Non current interest bearing loans and borrowings	5,070,978	6,924,988	2,143,673	3,146,317
Current portion of interest bearing loans and borrowings				
Interest bearing loans	4,044,338	3,432,564	1,018,013	1,293,285
Finance lease obligations	8,505	-	-	-
Total Current interest bearing loans and borrowings	4,052,843	3,432,564	1,018,013	1,293,285

28.1 Interest bearing loans

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
At the beginning of the year	10,357,552	8,770,787	4,439,602	4,918,067
On acquisition of new subsidiaries	32,612	-	-	-
New loans obtained	2,376,046	4,148,399	-	-
Repayments	(3,719,972)	(2,629,818)	(1,296,944)	(515,448)
Amortisation of debenture issue cost	3,055	5,319	3,055	5,319
Effect of foreign currency translation	58,898	62,865	15,973	31,664
	9,108,191	10,357,552	3,161,686	4,439,602
Transferred to current liabilities	(4,044,338)	(3,432,564)	(1,018,013)	(1,293,285)
At the end of the year	5,063,853	6,924,988	2,143,673	3,146,317

28.2 Finance lease obligation

	2018 Rs.'000
At the beginning of the year	-
New leases obtained	23,725
Repayments during the year	(8,093)
At the end of the year	15,632
Finance charge allocated to future periods	(5,123)
Net lease obligation at the end of the year	10,509

NOTES TO THE FINANCIAL STATEMENTS

Analysis of Finance Lease Obligations by Year of Repayments

	Repayment			
	Repayable Within 01 year Rs.'000	Repayable After 01 year less than 05 years Rs.'000	Repayable after 05 years Rs.'000	Total Rs.'000
Net Liability	6,008	4,501	-	10,509
Add : Finance income allocated to future periods	2,497	2,625	-	5,122
Gross Liability	8,505	7,126	-	15,631

28.3 Interest bearing loans and borrowings repayable after one year.

Company	Lender /Instrument	31.03.2018 Rs.'000	31.03.2017 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank of Ceylon PLC		93,510	Fully settled	Primary mortgage over land and buildings at Kandy & Battaramulla.
	Hatton National Bank PLC	26,666	66,667	Rs. 3.33 mn per month	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	Listed Debenture	1,368,224	2,240,171	Bullet Repayments w.e.f. May 2017	Clean Basis.
	HSBC	511,546	784,008	US $ 156,250 per month	Clean Basis.
Richard Pieris Distributors Limited	Commercial Bank of Ceylon PLC		8,333	Fully settled	Primary mortgage over land at Moratuwa and land & buildings at Battaramulla.
	IFC Loan	1,886,333	1,692,750	US $1.1 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 / Super Stores.
Richard Pieris Exports PLC	DFCC Bank	-	16,472	Fully settled	Primary mortgage over land and buildings and plant & machinery at Ekala .
Richard Pieris Natural Foams Ltd	HSBC	142,707	-	US $ 27,777/77 per month w.e.f. January 2018	Clean basis.
BGN Industrial Tyre (Pvt) Ltd	Sampath Bank	27,319	-	Rs. 0.947 mn per month	Primary mortgage over land & machinery at Horana.
Richard Pieris Finance Limited	Sampath Bank PLC	105,085	165,004	Rs. 5.0 mn per month	Assignment over Lease & hire purchase receivables.
	Sampath Bank PLC	316,227	416,069	Rs. 8.35 mn per month	Assignment over Lease & hire purchase receivables.
	Trust Certificates	98,897	597,298	monthly payments in varied instalments	Securitization of Lease & hire purchase receivables.
	Seylan Bank PLC	41,867	67,109	Rs. 2.083 mn per month	Assignment over Lease & hire purchase receivables.
	Seylan Bank PLC	172,738	235,662	Rs. 5.21 mn per month w.e.f. December 2016	Assignment over Lease & hire purchase receivables.
	Indian Bank	87,829	137,112	Rs. 4.167 mn per month	Assignment over Lease & hire purchase receivables.
	Indian Bank	111,668	159,165	Rs. 4.44 mn per month w.e.f. March 2017	Assignment over Lease & hire purchase receivables.
	Cargills Bank	155	99,929	Rs. 100 mn per annum w.e .f. March 2017	Assignment over Lease & hire purchase receivables.
	Cargills Bank	151,696	-	Rs. 150 mn per annum w.e.f. March 2017	Assignment over Lease & hire purchase receivables.
	Peoples Bank	650,919	902,709	Rs. 20.8 mn per month w.e.f. November 2016	Assignment over Lease , hire purchase & Loan receivables.
	Nations Trust Bank PLC	167,654	249,600	Rs. 20.83 mn per quarter w.e.f. March 2017	Assignment over Lease , hire purchase & Loan receivables.
	Muslim Commercial Bank	85,020	-	Rs. 1.67 mn per month	Assignment over lease, hire purchase and loan receivables.
	HDFC Bank	425,503	-	Monthly payments in varied instalments	Assignment over Lease, hire purchase & Loan receivables.
	Bank of Ceylon	42,161	-	Monthly payments in varied instalments	Securitization of Lease & hire purchase receivables.
Maskeliya Plantations PLC	National Development Bank PLC	17,000	34,000	Rs. 1.4 mn per month	Primary mortgage over leasehold rights of Brunswick estate.
	Hatton National Bank PLC	39,280	65,200	Rs. 2.1 mn per month	Primary mortgage over leasehold rights of St. Clair estate.
	Hatton National Bank PLC	34,000	58,000	Rs. 2 mn per month	Primary mortgage over leasehold rights of Ampittiakande and Craig estates.
	Hatton National Bank PLC	308,370	-	Rs. 8.3 mn per month	Primary mortgage over leasehold rights of Ampittiakande ,Craig ,St.Clair and Glenugei estates
	National Development Bank PLC	148,000	255,400	36 monthly payments in varied instalments w.e.f. July 2016	Securitization of future sales proceeds.
	National Development Bank PLC	-	58,250	Rs. 11.6 mn per month	Primary mortgage over leasehold rights of Brunswick estate
	Union Bank of Ceylon PLC	130,000	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)	34,222	44,000	Rs. 1.22 mn per month w.e.f August 2017	Clean Basis.
	Tea Board - (Government Loan)	55,965	-	Rs. 2.16 mn per month w.e.f August 2017	Clean Basis.

Company	Lender /Instrument	31.03.2018 Rs.'000	31.03.2017 Rs.'000	Repayment	Security
Kegalle Plantations PLC	ADB/ National Development Bank PLC	-	3,651	Rs. 0.79 mn per month	Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates
	ADB/ National Development Bank PLC	-	2,445	Rs. 0.47 mn per month	
	ADB/ National Development Bank PLC	-	23,063	Rs. 2.88 mn per month	Tertiary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	National Development Bank PLC	73,859	147,715	Rs. 6.15 mn per month	Quaternary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	Indian Overseas Bank	52,744	82,669	Rs. 2.49 mn per month	Primary mortgage over leasehold rights of Higgoda and Madeniya estates.
	Indian Bank	35,163	55,112	Rs. 1.66 mn per month	
	State Bank of India	52,744	82,669	Rs. 2.49 mn per month	
	Indian Overseas Bank	573,992	762,683	54 monthly payments in varied instalments	Primary mortgage over leasehold rights of Ambadeniya,Hathbawa and Udapola estates.
	Commercial Bank of Ceylon PLC	233,738	380,277	US $ 83,300 per month	Primary mortgage over leasehold rights of Doteloya,Etana and Kirklees estates.
	Commercial Bank of Ceylon PLC	729,750	-		
	Tea Board - (Government Loan)	17,889	23,000	Rs. 0.638 mn per month w.e.f. August 2017	Clean Basis.
	Tea Board - (Government Loan)	22,828	-	Rs. 0.892mn per month w.e.f. May 2017	
Namunukula Plantations PLC	ADB/ Lanka Orix Leasing Company PLC	-	212	Rs. 0.10 mn per month	Corporate Guarantee given by RPC Plantation Management Services (Pvt) Ltd.
	ADB/ Lanka Orix Leasing Company PLC	-	629	Rs. 0.08 mn per month	
	ADB/ Lanka Orix Leasing Company PLC	213	2,768	Rs. 0.212 mn per month	
	National Development Bank PLC	8,430	16,470	Rs. 0.67 mn per month	Primary mortgage over plant & machinery.
	Indian Bank	37,300	57,100	Rs. 1.65 mn per month	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	37,300	57,100	Rs. 1.65 mn per month	
	Tea Board - (Government Loan)	16,333	21,000	Rs. 0.58 mn per month w.e.f. August 2017	Clean Basis.
	Tea Board - (Government Loan)	28,851	-	Rs. 1.22 mn per month w.e.f. May 2017	Clean Basis.
	Total Term Loans	9,108,191	10,357,552		
	Transferred to Current Liabilities	(4,044,338)	(3,432,564)		
		5,063,853	6,924,988		

28.4 Rated Unsecured Redeemable Debentures

	Group				Company			
As at 31st March 2018	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	-	700,000	1,925,000	2,625,000	-	700,000	1,925,000	2,625,000
Amortisation of debenture issue expense	318	1,550	1,186	3,054	318	1,550	1,186	3,054
Repayable after one year	318	701,550	1,926,186	2,628,054	318	701,550	1,926,186	2,628,054

Interest rate of comparable government securities net of tax for the Type B and Type C debentures are respectively 8.41% and 9.46% as of 31st March 2018.

	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

Interest rate of comparable government securities net of tax for the Type B and Type C debentures are respectively 8.41% and 9.46% as of 31st March 2018.

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	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
Gross liability	35,674	142,696	793,559	971,929
Less: Finance charges	(23,413)	(88,547)	(276,315)	(388,275)
Net liability	12,261	54,149	517,244	583,654
Transferred to current liabilities	-	-	-	(12,261)
As at 31st March 2018	12,261	-	-	571,393

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.

The Statement of Recommended Practice (SoRP) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Subsequently, the amendments to the SoRP along with the modification to the title as Statement of Alternative Treatment (SoAT) were approved by the Council on 21 August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 13% , liability would be as follows.

The contingent rental charged to the Statement of Profit or Loss amounted to Rs. 31.25 mn, Rs. 36.22 mn and Rs. 43.25 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

30. Provisions

	Maintenance Warranties 2018 Rs.'000	2017 Rs.'000
At the beginning of the year	116,878	104,565
(Reversal)/arising during the year	(4,675)	12,313
At the end of the year	112,203	116,878

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

	2018 Rs.'000	2017 Rs.'000
At the beginning of the period	534,240	551,457
Received during the year	30,226	12,747
Released in the statement of profit or loss	(26,098)	(29,964)
At the end of the period	538,368	534,240

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

32. Post Employee Benefit Liabilities

	Group		Company	
	2018 Rs.'000	2017 Rs.000	2018 Rs.000	2017 Rs.000
At the beginning of the period	2,426,498	2,440,785	79,823	85,791
On acquisition of new subsidiaries	277	-	-	-
Recognised in the statement of profit or loss:				
Current service cost	202,357	188,282	5,850	5,705
Interest cost	281,447	257,011	9,983	9,437
	483,804	445,293	15,833	15,142
Recognised in the statement of other comprehensive income:				
Actuarial losses / (gains) on obligation	185,292	(136,265)	10,521	(4,179)
Benefits paid	(391,933)	(323,315)	(23,706)	(16,931)
Benefit liabilities at the end of the period	2,703,938	2,426,498	82,471	79,823

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2018 by Messrs'. Actuarial and Management Consultants (Pvt) Limited.

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

Assumptions	2017/2018	2016/2017
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	4.7	4.9
Non Executives	3.9	5.9
Staff turnover rates:		
Executives	0.00-0.40	0.00-0.42
Non Executives	0.00-0.22	0.00-0.22

NOTES TO THE FINANCIAL STATEMENTS

Assumptions	2017/2018	2016/2017
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	7.71 years	7.24 years
Staff	5.47 years	3.68 years
Financial assumptions		
In respect of non plantation companies,		
Rate of discount	11.00%	12.5%
Rate of salary increment	8%	8%
In respect of plantation companies,		
Rate of discount	11.00%	12.25%
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 - 8%	2,541,375	79,533
One point decrease	As given in report - 8%	2,887,192	85,673
As given in Report - 8%	One point increase	2,822,919	86,065
As given in report - 8%	One point decrease	2,591,052	79,124

32.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2018 is as follows.

	Defined Benefit Obligation	
Future Working Life Time	Group Rs.'000	Company Rs.'000
Within the next 12 months	509,189	26,648
Between 2-5 years	868,723	36,037
Beyond 5 years	1,326,026	19,786
Total	2,703,938	82,471

33. Contingent Liabilities

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2018. Guarantees given by subsidiaries on loans obtained amounted to Rs. 70 Mn.

Namunukula Plantations PLC, a subsidiary of the Group took over 6 estates which were previously sub leased to Tusker Bottling Ltd. 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. The Court has directed the Commissioner of Labour to find out the correct respondent who is liable to pay such dues and institute fresh legal action against the correct party. In the event the sub lease agreement is cancelled and the Company takes possession of the 6 sub leased estates the Company may be called upon to pay the arrears of statutory dues to the employees, which the Sub Lessee, Tusker Bottling Co. (Pvt) Ltd failed to pay, is estimated at Rs. 69 Mn. (without penalty).

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. The workers' union demanded Rs.136 Mn on behalf of the terminated employees to which the company opposed. Since negotiations failed, the matter has been referred to arbitration by Minister of Labour. The company contested the appointment of the Arbitrator before the Court of Appeal and the Court of Appeal held in favour of the Company. Accordingly a new Arbitrator was appointed and the case is now being heard before him. Further, the lawyers of the Company are unable to predict the final outcome of this case at this stage, as it is the practice in any court case. But the Company is rigorously contesting it. Therefore, no provision has been made in the accounts.

Richard Pieris and Company PLC and Richard Pieris Distributors Limited, a subsidiary of the Group, is contesting certain claims made by a former employee in a case filed before the Commercial High Court, Colombo.

34. Trade and Other Payables

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Trade payables	5,902,244	5,307,819	-	-
Accrued expenses	1,821,681	1,432,506	-	-
Other financial liabilities	740,845	756,846	291,753	175,375
Reinsurance Payables	32,297	29,748	-	-
	8,497,067	7,526,919	291,753	175,375
Other non financial liabilities	391,756	486,483	117,059	102,546
Total trade and other payables	8,888,823	8,013,402	408,812	277,921

35. Customer Deposits

	2018 Rs.'000	2017 Rs.'000
Fixed deposits	5,011,740	3,891,130
Savings deposits	58,617	43,886
	5,070,357	3,935,016

NOTES TO THE FINANCIAL STATEMENTS

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 2018 , approved by the Board are as follows:

	Group	
	2018	2017
	Rs.'000	Rs.'000
Contracted but not provided for	282,044	538,458
Approved but not contracted for	1,345,952	1,272,654
	1,627,996	1,811,112

36.2 Lease Commitments

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

	Group	
	2018	2017
	Rs.'000	Rs.'000
Within one year	102,030	104,256
After one year but not more than five years	304,484	417,666
More than five years	483,461	569,205
	889,975	1,091,127

37. Financial Risk Management Objectives and Policies

The Group has loans and other receivables, trade receivables and cash and short-term deposits that arise directly from its operations. The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, public deposits and financial guarantees. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors guide the Group Treasury which is centralized to provide assistance to the Group's senior management that the Group's financial risk taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

Market risk

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

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

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

Interest rate risk
Interest rate risk is the risk that the company is exposed due to change in absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, the policy rates, market liquidity, reforms in fiscal policies, credit ceilings on lending, average deposit rates, etc. are considered to be main determining factors on the quoted interest rates for short term and long term lending facilities. These external factors stresses 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
2016/17	+100 bps	(154.25)
	-100 bps	154.25
2017/18	+100 bps	(140.15)
	-100 bps	140.15

Company	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs.'000
2016/17	+100 bps	(84.12)
	-100 bps	84.12
2017/18	+100 bps	(34.15)
	-100 bps	34.15

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

- Based on the studies and research on interest rate risk, the treasury division advises and takes appropriate measures to capitalize on the interest rate movements to be beneficial to the Group profitability where the facilities will be fixed for longer tenors when the market lending rates are in lower bound and take short term positioning when the market lending rates are in the higher bound.
- Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings to the mix of export and local revenue of the Group.
- Using fixed and variable rate borrowings to strike a balance.
- Centralized Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms.
- Practicing effective hedging techniques as and when required.
- Centralized cash management system to get the advantage of the total pooling of funds.

Foreign currency risk
The Group is exposed to currency risk on sales, purchases and borrowings of the Group, primarily in US Dollars (USD), and also in EURO, Singapore Dollars (SGD) and Pound Sterling (GBP) especially with regard to trade related transactions. The imported materials are mainly billed in USD, EUR and SGD. Group treasury division continuously monitors the exchange rate movement of the above currencies.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using 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 favorable terms.

Effects of Currency Translation

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

Commodity price risk

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

Equity price risk

Equity price risk is the risk that the company is exposed to change in market price of the company's share. Company's share price can affect by demand and supply for the share, Deterioration of company's fundamental value drivers and due to capital market conditions. Whenever share is trading below the intrinsic value of the stock company is at a equity price risk.

Credit risk

Credit risk is the risk that counterparty 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 counterparty risk. The Group manages its operations to avoid any excessive concentration of counterparty risk and take every possible step to ensure counterparties fulfill 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 & borrowings, short term borrowings less Cash & Cash Equivalents, excluding discontinued operations.

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

Table A

Group Year ended 31st March 2018	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	-	1,722,434	2,330,409	4,728,008	342,970	9,123,821
Net liability to the lessor	29	-	580	11,722	152,181	419,171	583,654
Trade and other payables	34	51,676	6,716,743	50,531	56,049	-	6,874,999
Public deposits	35	-	1,621,113	1,830,972	1,618,272	-	5,070,357
Import loans	22	-	40,764	-	-	-	40,764
Bank overdrafts	22	5,897,704	2,386,772	-	-	-	8,284,476
Other short term borrowings	22	-	91,843	2,300,234	-	-	2,392,077
		5,949,380	12,580,249	6,523,868	6,554,510	762,141	32,370,148

Group 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	-	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

Company Year ended 31st March 2018	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	-	782,110	235,902	2,143,676	-	3,161,688
Trade and other payables	34	291,753	-	-	-	-	291,753
Bank overdrafts	22	2,245,234	-	-	-	-	2,245,234
Other short term borrowings	22	-	-	5,910,000	-	-	5,910,000
		2,536,987	782,110	6,145,902	2,143,676	-	11,608,675

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Life Insurance Risk

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

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

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

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

The Arpico Insurance further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

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

Life Underwriting Risk Management

- Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- Only registered laboratories are used when obtaining medical reports and regular visits are made by the management to such laboratories to monitor the quality of service.

- Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English.
- A proposal form with Customer Need Analysis is used to identify customers' requirements and sell the most appropriate policy.

Life Claims Risk Management

- An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.
- 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.

Reinsurance Risk

The objectives of Arpico Insurance PLC for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Company's capital efficiency. Reinsurance ceded is placed on a proportional basis. A proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programs which is taken out to reduce the overall exposure of the Company to certain classes of business. Premium ceded to the reinsurers is in accordance with the terms on the programs already agreed based on the risks written by the insurance companies.

Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policyholders rests with the Company. Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

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

Credit Rating of Reinsurance Companies 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 counterparty to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

NOTES TO THE FINANCIAL STATEMENTS

Concentration risk
Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counterparty, 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

Table B

As at 31 March 2018	Maximum exposure to credit risk Rs.'000	Net Exposure Rs.'000
Cash and bank balances	348,985	295,052
Investments in fixed deposits	180,909	180,909
Lease receivable	5,421,217	-
Hire purchase receivable	130,753	-
Loans and receivables	6,039,684	1,771,507
Other financial aseets	328,220	328,220
Total financial assets	12,449,768	2,575,688

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

Table C

As at 31 March 2018	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	348,985	-	-	348,985
Investments in fixed deposits	180,909	-	-	180,909
Lease receivable	5,358,960	293,520	-	5,652,480
Hire purchase receivable	135,600	23,269	-	158,869
Loans and receivables	5,673,067	515,212	-	6,188,279
Other financial assets	328,220	-	-	328,220
Collective impairment provision	-	-	-	(644,758)
Individual impairment provision	-	-	-	
Total financial assets	12,025,741	832,001	-	12,212,984

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

Table D

	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	21,308	47,455	53,678	171,079	293,520
Hire purchase receivable	1,116	820	2,519	18,814	23,269
Loans and receivables	15,166	33,226	41,061	425,759	515,212
	37,590	81,501	97,258	615,652	832,001

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 Company's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is 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 company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to 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 conducts periodic reviews and re-prices its assets accordingly.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the companies' net interest income.

NOTES TO THE FINANCIAL STATEMENTS

Net Interest Income (NII) sensitivity by interest rate change

Table E

Parallel Increase / Decrease of Basis Points (bps)	2018 +/ - 100 bps	 +/ - 200 bps
Impact on NII (Rs.'000)	19,098/(19,098)	38,196/(38,196)

Interest rate risk exposure on financial assets and liabilities

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

Table F

As at 31st March 2018	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	-	-	-	-	348,985	348,985
Investments in fixed deposits	178,798	2,110	-	-	-	180,908
Lease receivable	485,412	1,287,200	2,640,704	1,007,900	-	5,421,216
Hire purchase receivable	11,538	42,994	50,474	25,746	-	130,752
Loans and receivables	1,075,120	1,659,604	2,335,838	969,121	-	6,039,683
Other financial aseets	145,622	165,129	-	17,264	-	328,015
Total financial assets	1,896,490	3,157,037	5,027,016	2,020,031	348,985	12,449,559
Financial liabilities						
Bank overdraft	1,070,096	-	-	-	-	1,070,096
Public deposits	1,854,038	2,079,283	1,015,326	121,709	-	5,070,356
Interest bearing loans and borrowings	650,822	1,090,888	2,009,689	299,145	-	4,050,544
Other payables	-	-	-	-	1,063,118	1,063,118
Total financial liabilities	3,574,956	3,170,171	3,025,015	420,854	1,063,118	11,254,114
Interest sensitivity gap	(1,678,466)	(13,134)	2,002,001	1,599,177	(714,133)	1,195,445

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 2017	7,420,705
Available as at 31st March 2018	7,420,705

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

39. Acquisition of Subsidiaries

39.1 The acquisition had the following effects on the Group's assets and liabilities based on the fair valuations.

	2018 Acquisition of B GN Industrial Tyre (Pvt) Ltd Rs.'000
Property, plant and equiment	105,405
Intangible assets	87
Inventories	13,218
Trade & other receivables	9,935
Employee benefit obligations	(277)
Short term borrowings	(2)
Interest bearing borrowings	(32,612)
Trade and other payables	(7,612)
Net identifiable assets and liabilities	88,142
Non controlling interests	(59,493)
Goodwill acquired on business combination	22,228
	50,877

39.2 Satisfied by

Cash consideration	50,877

Analysis of cash and cash equivalents on acquisition of subsidiary;

Cash consideration	(84,150)
Cash at bank and in hand acquired	33,273
	(50,877)

39.3 During the year, Richard Pieris Tyre Company Limited, a subsidiary of Richard Pieris and Company PLC acquired 51% of shareholding of BGN Industrial Tyre Company (Pvt) Ltd.

40. 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.

NOTES TO THE FINANCIAL STATEMENTS

41. Related Party Disclosures

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
41.1 Amount due from/to related parties - Subsidiaries				
Amounts receivable as at 31 March	-	-	1,492,101	1,961,764
Amounts payable as at 31 March	-	-	7,369	2,997

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
41.2 Transaction with related parties - Subsidiaries				
Allocation of common personnel and administration expenses	-	-	210,512	210,609
Rendering of services	-	-	118,432	116,139
Rent income	-	-	216,977	186,377
Royalty income	-	-	407,973	384,588
Corporate expenses	-	-	61,224	61,224
Interest income	-	-	30,977	22,064
Post employment benefit plan				
Contribution to the provident fund	162,652	147,866	104,279	92,483
41.3 Associates				
Amounts receivable as at 31 March	17,529	8,726	-	-
Sale of goods/services	969,314	928,266	-	-

41.4 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 2017 audited financial statements, which required additional disclosures in the 2017/18 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 2017 audited financial statements, which required additional disclosures in 2017/18 Annual Report 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.

41.5 Off Balance Sheet Items

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

41.6 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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Short-term employee benefits	57,814	49,391	40,348	39,598

b) Other transactions with key management personnel

Richard Pieris and Company carries out transactions with Key Management Personnel (KMPs) and their close family members on an arm's length basis except any concessions which have been availed under concessionary schemes uniformly applicable to all staff. This is mainly evident in the Arpico sales outlets island wide.

c) Options exercised by key management personnel

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

41.7 Other related party disclosures

(a) 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.

(b) Rentals amounting to Rs. 43.5 mn were paid by the Group to a related party of a key management personnel.

(c) Fees amounting to Rs. 2.9 mn were paid by the Group to an entity in which a key management personnel was a Director.

(d) Fixed deposit amounting to Rs. 2 mn is being maintained in one of the subsidiaries of the group by a related party of a key management personnel.

TEN YEAR SUMMARY

	2017/18 Rs. '001	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
TRADING RESULTS					
Revenue	52,972,873	49,149,395	43,018,502	37,802,243	34,699,111
Profit from operations	5,380,798	5,290,459	3,955,303	3,103,509	2,807,127
Finance cost	(1,275,044)	(955,768)	(826,092)	(811,166)	(922,062)
Finance income	515,641	383,695	233,759	244,304	389,584
Profit from operations after finance cost and finance income	4,621,395	4,718,386	3,362,970	2,536,647	2,274,649
Income from associates before tax	10,157	83,028	35,944	42,299	27,902
Profit/(loss) before tax from continuing operations	4,631,552	4,801,414	3,398,914	2,578,946	2,302,551
Income tax expense	(1,549,776)	(1,237,426)	(1,137,461)	(747,009)	(643,970)
Profit/(loss) for the year from continuing operations	3,081,776	3,563,988	2,261,453	1,831,937	1,658,581
Loss after tax from discontinued operations	(4,380)	(5,018)	(3,536)	(3,457)	(2,396)
Profit/(loss) for the year	3,077,396	3,558,970	2,257,917	1,828,480	1,656,185
Non controlling interest	390,416	388,875	110,232	176,388	238,970
Profit/(loss) attributable to equity holders of parent	2,686,980	3,170,095	2,147,685	1,652,092	1,417,215
Gross dividend	2,238,542	1,221,023	1,017,519	508,760	886,270

	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000	2013/14 Rs.'000
BALANCE SHEET					
Assets					
Property, plant and equipment/Leasehold properties	20,673,193	17,635,423	16,491,231	15,819,465	14,247,201
Investment properties	216,623	166,709	165,209	165,152	140,698
Intangible assets	1,166,434	1,140,835	1,147,321	1,158,307	507,192
Biological assets	951,252	865,762	824,557	794,128	619,519
Investments in associates and other investments	125,562	117,278	241,302	88,962	39,708
Other non current financial assets	1,771,048	1,683,037	1,112,049	606,839	559,332
Deferred tax assets	91,901	75,918	109,937	-	-
Current assets	30,990,480	28,244,173	23,593,348	19,450,377	16,462,737
	55,986,493	49,929,135	43,684,954	38,083,230	32,576,387
Equity and liabilities					
Stated Capital	1,972,829	1,972,829	1,972,829	1,972,829	1,814,824
Capital and revenue reserves	11,136,984	10,807,381	8,786,806	7,861,271	6,712,869
Statutory reserve fund/Investment fund reserve	60,204	46,024	23,190	2,478	6,852
Foreign currency translation	-	-	-	-	-
Other components of equity	109,388	104,969	89,903	75,826	73,390
Non controlling interest	2,612,630	2,614,195	2,412,573	2,431,421	2,150,514
Term loans payable after one year	5,070,978	6,924,988	6,272,108	6,224,424	4,166,767
Insurance provision	1,154,177	814,633	501,933	307,092	193,371
Deferred income and deferred tax	1,393,635	1,027,096	938,493	800,429	774,843
Provisions and other liabilities	2,816,141	2,543,376	2,545,350	2,725,406	2,196,023
Net liability to the lessor payable after one year	571,393	583,654	595,444	606,780	617,679
Current liabilities	29,088,134	22,489,990	19,546,325	15,075,274	13,869,255
	55,986,493	49,929,135	43,684,954	38,083,230	32,576,387
RATIOS & OTHER INFORMATION					
Earnings per share (Rs.)	1.32	1.56	1.05	0.82	0.72
Market value per share (Rs.)	12.80	8.30	7.20	7.40	6.60
Price earnings ratio (No. of Times)	9.69	5.32	6.86	9.00	9.17
Net assets per share (Rs.)	6.53	6.35	5.34	4.87	4.34
Return on equity (%)	20.50	26.64	20.67	17.84	17.12
Dividend per share (Rs.)	1.10	0.60	0.50	0.25	0.45
Dividend cover (No. of Times)	1.20	2.60	2.11	3.29	1.60
Interest cover (No. of Times)	7.09	9.25	6.68	5.47	5.27
Current ratio (No. of Times)	0.77	1.26	1.21	1.29	1.19
Gearing ratio (%)	49.00	45.03	41.55	40.49	37.69

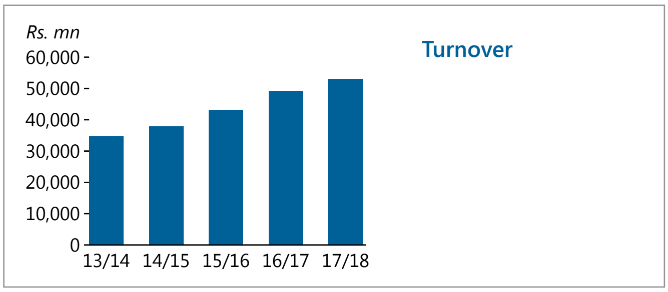
* All figures are based on Sri Lanka Accounting Standards.

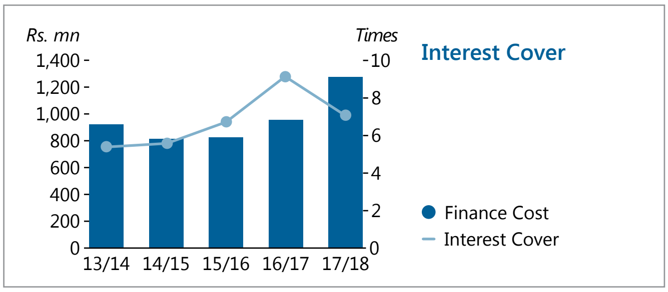
TEN YEAR SUMMARY

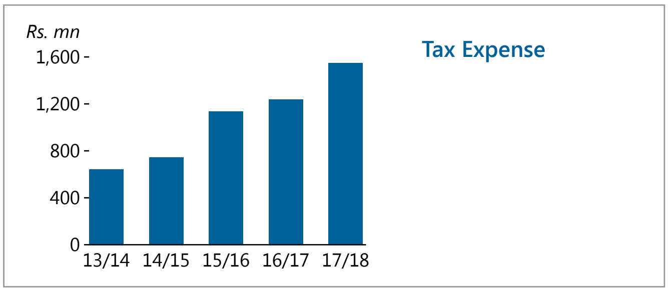
2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011* Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000
34,690,340	32,005,182	27,241,577	22,339,288	21,103,176
3,599,997	3,952,638	3,450,366	1,969,697	1,378,556
(1,031,521)	(798,277)	(794,617)	(969,147)	(1,436,225)
302,054	301,991	-	-	-
2,870,530	3,456,352	2,655,749	1,000,550	(57,669)
63,765	62,436	113,008	59,609	41,015
2,934,295	3,518,788	2,768,757	1,060,159	(16,654)
(737,082)	(644,540)	(616,566)	(330,592)	(180,411)
2,197,213	2,874,248	2,152,191	729,567	(197,065)
(581)	(4,374)	(11,609)	(17,873)	(107,963)
2,196,632	2,869,874	2,140,582	711,694	(305,028)
360,297	294,813	459,898	131,490	24,055
1,836,335	2,575,061	1,680,684	580,204	(329,083)
387,848	1,550,621	515,946	-	-

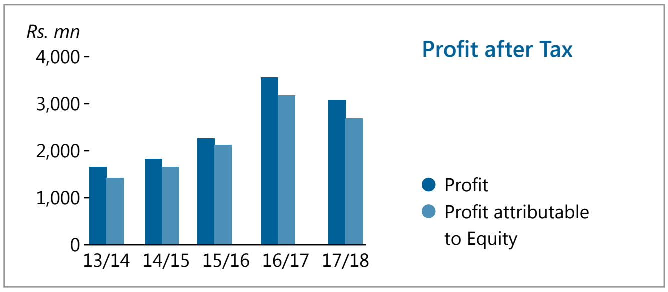
2012/13 Rs.'000	2011/2012 Rs.'000	2010/2011* Rs.'000	2009/2010* Rs.'000	2008/2009* Rs.'000
12,330,580	11,600,282	10,926,376	10,142,760	10,167,170
140,404	139,628	139,628	-	-
508,893	518,494	469,487	480,177	491,491
568,037	507,191	542,689	-	-
24,990	74,143	456,186	180,919	136,757
590,002	503,922	24,000	-	-
-	-	-	-	-
13,110,630	10,381,632	8,805,222	6,560,961	6,128,679
27,273,536	23,725,292	21,363,588	17,364,817	16,924,097
1,637,236	1,633,853	1,627,612	1,578,475	1,578,475
6,234,927	4,603,788	3,682,853	2,185,500	1,603,061
2,222	-	-	-	-
-	-	-	31,152	32,371
75,057	68,692	68,935	-	-
2,217,100	1,994,660	1,976,302	1,500,836	1,380,908
3,368,878	2,177,814	1,998,292	1,957,680	2,354,617
67,575	9,390	-	-	-
792,831	704,126	735,923	553,879	499,951
1,912,450	2,032,691	1,704,417	1,529,685	1,103,222
628,159	638,237	650,980	672,158	697,432
10,337,101	9,862,041	8,918,274	7,355,452	7,674,060
27,273,536	23,725,292	21,363,588	17,364,817	16,924,097

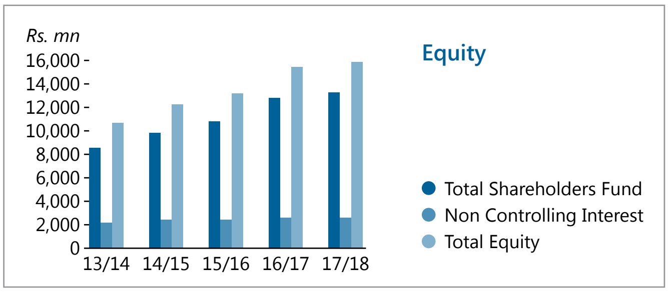
0.95	1.33	0.87	4.52	(2.57)
6.60	7.50	13.60	55.00	25.00
6.95	5.64	15.63	12.17	-
4.10	3.25	2.58	29.57	25.06
25.76	45.56	38.22	16.56	(10.24)
0.20	0.70	0.30	1.00	-
4.75	1.90	2.90	4.52	-
4.94	7.96	4.34	2.03	0.96
1.27	1.05	0.99	0.89	0.79
29.50	34.17	37.44	49.68	59.80

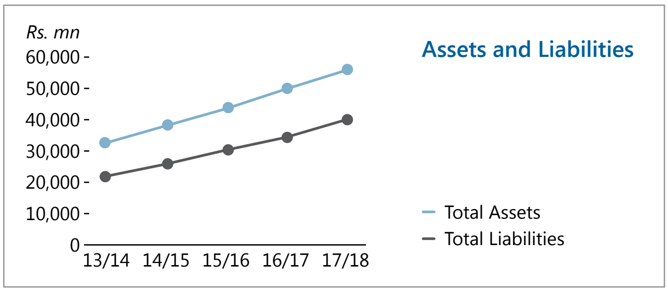












SHARE AND DEBENTURE INFORMATION

The Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

As at the financial year ended 31st March 2018

Distribution of Shareholders

Range of shareholding		No of share holders as at 31.03.2018	No of shares	% of Shareholding	No of share holders as at 31.03.2017	No of shares	% of Shareholding
1	1,000	3,740	1,523,105	0.07%	3,730	1,630,592	0.08%
1,001	10,000	2,775	10,967,811	0.54%	3,277	13,274,682	0.65%
10,001	100,000	1,049	32,353,836	1.59%	1,326	41,239,467	2.03%
100,001	1,000,000	246	77,021,884	3.78%	308	94,486,087	4.64%
1,000,001	& above	60	1,913,171,639	94.01%	64	1,884,407,447	92.60%
		7,870	2,035,038,275	100.00%	8,705	2,035,038,275	100.00%

Composition of Shareholders

Category	No of share holders as at 31.03.2018	No of shares	% of Shareholding	No of share holders as at 31.03.2017	No of shares	% of Shareholding
Institutional Investors	270	1,712,177,764	84.13%	299	1,681,240,309	82.61%
Individual Investors	7,600	322,866,529	15.87%	8,406	353,797,966	17.39%
Total	7,870	2,035,038,275	100%	8,705	2,035,038,275	100.00%
Resident shareholders	7,769	862,802,516	42.40%	8,597	889,869,369	43.73%
Non-resident shareholders	101	1,172,235,759	57.60%	108	1,145,168,906	56.27%
Total	7,870	2,035,038,275	100%	8,705	2,035,038,275	100.00%

The percentage of shares held by the public as at 31st March 2018 was 42.15% represented by 7,864 public shareholders. (Public shareholding as at 31st March 2017 was 42.66%% represented by 8,699 public shareholders)

Market Activity

31.03.2018	31.03.2018	Date	31.03.2017	Date
Highest Price (Rs.)	14.1	25-Oct-17	9.2	12-Aug-16
Lowest Price (Rs.)	8.2	04-Apr-17	7.4	12-Apr-16
Year End Price (Rs.)	12.8	31-Mar-18	8.3	31-Mar-17
No of Transactions	13,802		7,391	
No of shares traded	137,413,916		81,152,300	
Share turnover (Rs.)	1,673,079,078		660,885,185	

SHARE AND DEBENTURE INFORMATION

Major Shareholders

	Name of the Shareholder	As at 31.03.2018	%	As at 31.03.2017	%
1	Skyworld Overseas Holdings Limited	516,388,590	25.37%	516,388,590	25.37%
2	Camille Consulting Corp.	327,704,846	16.10%	316,935,120	15.57%
3	HSBC International Nominees Ltd-SSBT- Deutsche Bank	224,853,787	11.05%	225,153,787	11.06%
4	Sezeka Limited	183,585,152	9.02%	174,447,000	8.57%
5	Employees Provident Fund	169,899,520	8.35%	169,899,520	8.35%
6	Rockport Limited	108,660,116	5.34%	99,506,865	4.89%
7	Dr. Sena Yaddehige	104,375,732	5.13%	104,375,732	5.13%
8	Dhanasiri Recreation Pvt Ltd	33,655,437	1.65%	33,655,437	1.65%
9	J.B. Cocoshell (Pvt) Ltd	32,125,746	1.58%	16,094,048	0.79%
10	Mr. D.W.R. Rutnam	25,759,500	1.27%	25,759,500	1.27%
11	The Executor of the Estate of Late Mrs L.B. S. Pieris	22,782,045	1.12%	22,782,045	1.12%
12	Investment Resource Company (Private Limited)	20,000,000	0.98%	20,000,000	0.98%
13	Kalday (Pvt) Ltd.	12,126,030	0.60%	12,126,030	0.60%
14	Seylan Bank PLC/Channa Nalin Rajahmoney	11,988,508	0.59%	11,988,509	0.59%
15	Northern Trsut Company S/A Hosking Global Fund	8,753,190	0.43%	8,753,190	0.43%
16	Seb Ab-Tundra Frontier Opportunities Fund	7,399,372	0.36%	7,399,372	0.36%
17	Bank of Ceylon No. 1 Account	6,889,225	0.34%	6,889,225	0.34%
18	Dr C.M. Fernando	6,660,570	0.33%	6,660,570	0.33%
19	National Savings Bank	6,463,907	0.32%	12,001,659	0.59%
20	The Incorporated Trustees of the Church of Ceylon	4,868,795	0.24%	4,868,795	0.24%
		1,834,940,068	90.17%	1,795,684,994	88.24%

Directors Shareholding

	Name of the Director	Number of shares as at 31st March 2018	Number of shares as at 31st March 2017
1	Dr. Sena Yaddehige	104,375,732	104,375,732
2	Mr. W J V P Perera	4,500	4,500
3	Mr. S S G Liyanage	3,942,825	3,942,825
4	Mr. Shaminda Yaddehige	-	-
5	Dr. Jayatissa De Costa	-	-
6	Mr. Prasanna Fernando	-	-
7	Late Mr. Jagath C Korale	-	-

SHARE AND DEBENTURE INFORMATION

Listed Debentures
Details regarding the listed debentures are as follows.

Three types of Rated Unsecured Redeemable Debentures with different maturities were issued on 7th May 2014, alloted on 16th May 2014 and subsequently Listed on 23rd May 2014. The debentures are quoted in Colombo Stock Exchange and Type A debentures matured on 16th May 2017.

Type of Debenture	Interest Rate	Frequency of Interest Payment	Redemption Date	Interest Rate of Government Security*
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 2018.

Debentures traded during financial year as of 31st March 2018

	No. of Transactions	No. of Debentures Traded	Highest Price (Rs.)	Lowest Price (Rs.)	Last Traded Price (Rs.)	Value of Debentures Traded (Rs.)
Type A	1	200	98.00	98.00	98.00	19,600
Type C	31	197,000	98.50	98.50	98.20	19,153,900

Ratios

	31.03.2018	31.03.2017
Debt/Equity Ratio	4.07	2.77
Quick Asset Ratio	0.94	1.21
Interest Cover	9.83	4.79

GROUP REAL ESTATE PORTFOLIO

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2018 (Rs. mn)
Richard Pieris & Company PLC	Hyde Park Corner	783	85,000	11,611
	Maharagama	1,773	289,509	2,544
RPC Real Estate Development Company (Pvt) Limited	Kandy	162	52,500	846
Arpico Industrial Development Company (Pvt) Limited	Mattegoda	1,112	149,700	575
	Siyambalagoda	467	57,130	237
Richard Pieris Distributors Limited	Maharagama	183	28,726	455
	Moratuwa	85	-	71
	Mulleriyawa	192	-	6
	Matara	362	38,000	475
	Panadura	-	18,800	89
RPC Retail Development (Pvt) Limited	Negambo	226	47,542	490
	Kadawatha	99	21,850	337
	Wattala	101	-	141
	Kelaniya	102	-	56
Arpimalls Development (Pvt) Limited	Dehiwala.	166	44,616	580
	Battaramulla	124	67,134	678
Plastishells Limited	Mattegoda	340	45,825	47
	Dambulla	284	12,494	26
Arpitech (Pvt) Limited	Horethuduwa	488	-	29
	Mathegodawatte	104	-	8
	Mattegoda	514	143,200	51
Richard Pieris Exports PLC	Ja-Ela	640	73,190	252
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	41
Richard Pieris Tyre Company Limited	Kurunagala	413	22,566	67
Arpidag International (Pvt) Limited	Maharagama	80	17,946	89
RPC Plantation Management Services (Pvt) Limited	Panadura	333	10,760	407
Richard Pieris Finance PLC	Chilaw	172	-	22
	Nattandiya	160	1,021	3
	Palugahawatte - Mahawewa	38	-	2
RPC Properties (Pvt) Limited	Siyambalagoda	1,057	-	390
	Mattegoda Estate	491	-	283
	Maskeliya	3,186	-	55
	Kiribathgoda	113	-	179
	Mattegoda	545	-	18

Leasehold Land & Buildings

Owning Company	Land in Hec	Building in (Sq.Ft)
(A) Leasehold Land of Plantations		
Maskeliya Plantations PLC	10,561	7,112,890
Kegalle Plantations PLC	9,757	3,507,810
Namunukula Plantations PLC	11,779	4,585,874

	Location	Land in 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
	Dampe Estate	12,782	-
RPC Polymers (Pvt) Limited	Horana	1,392	78,339
Arpitalian Compact Soles (Pvt) Limited	Biyagama	655	36,884
Richard Pieris Natural Foams (Pvt) Limited	Biyagama	1,091	92,940
Richard Pieris Tyre Company Limited	Pallekale	252	34,936
	Weligama	432	9,030
	Polonnaruwa	540	27,185
BGN Industrial Tyre (Pvt) Limited	Horana	320	21,668

GLOSSARY OF FINANCIAL TERMS

A

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

AWPLR
Average Weighted 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.

GLOSSARY OF FINANCIAL TERMS

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 Ninth 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, 29th June 2018 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 2018 with the Report of the Auditors thereon.

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

   Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, a shareholder of the Company.
   "That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 72 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige"

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

   Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Shantha Kalugala of No. 174/G, Uthuwankanda Road, Thalawathugoda, a shareholder of the Company.
   "That Dr. Henry Jayatissa De Costa of No. 496/3, Havelock Road, Colombo 06, who is 76 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Henry Jayatissa De Costa "

4. To approve the appointment of Mr. Viville P Perera 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. Adrian Oswald of No. 32, St. Sebastian Road, Galwetiya, Wattala, a shareholder of the Company.
   "That Mr. Viville P Perera of 33, C 1, King's Gate, Keells Housing Scheme, Buthgamuwa Road, Kalapaluwawa, Rajagiriya who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said "Mr. Viville P Perera"

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

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

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

8. 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 2018

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

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 whom failing PRASANNA INNOCENT FERNANDO* as my/our proxy to represent me/us and to vote on my/our behalf at the 79th ANNUAL GENERAL MEETING of the Company to be held on 29THJune 2018 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 2018 with the Report of the Auditors thereon.		
2.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddehige at this Annual General Meeting, a Director.		
3.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Jayatissa De Costa at this Annual General Meeting, a Director.		
4.	To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Viville Perera at this Annual General Meeting, a Director.		
5.	To re-elect Mr. Sunil Liyanage, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director.		
6.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
7.	To authorize the Directors to determine contributions to charities.		
8.	To consider any other business of which due notice has been given.		

Dated this .... day of 2018

....
Signature of shareholder

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

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 4.00 p. m. on Wednesday, 27th June 2018.

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.

Name of the Company
Richard Pieris & 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. W. J. Viville P. Perera - *Director*
Mr. S. S. G. Liyanage - *Director*
Mr. Shaminda Yaddehige -*Director/COO*
Dr. Jayatissa De Costa P.C. - *Director*
Mr. Prasanna Fernando - *Director*
Mr. Jagath C. Korale - *Director - Demised on 21st May 2018*

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
Muslim Commercial Bank
HDFC Bank

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

www.arpico.com