

87 Since 1932  
*Years*  
*Touching Lives*



RICHARD PIERIS & COMPANY PLC

ANNUAL REPORT | 2019



# 87

Since 1932  
*Years*

Our Journey of 87 Years is filled with challenges which melt away when we consider the many connections we have made with people and the many ways, both big and small, in which we impacted so many lives for the better. Our concern for ensuring an enduring relationship with our customers and other stakeholders has earned for a wide customer base and won us pride of place as the favourite household brand of Sri Lankans. Our past, present and future is focused on remaining relevant to our customers and to keep delivering to them the signature Arpico quality and dependability they have come to rely on for over generations. It is a brand that will go on to be trusted by the next generations as our brand continues to make valuable connections every single moment of the day.



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Rubber



Plantation



Financial Services

OUR CORE  
BUSINESS

## 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.

## 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 added solid Tyres in the product portfolio.

## FINANCIAL SERVICES SECTOR

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.

## PLASTICS, FURNITURE & ELECTRONICS SECTOR

Our Plastic segment of the sector is in the business of manufacturing and distribution of 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, Water pumps, whilst the furniture operation focuses on manufacturing Sofas, Panel furniture and Wooden furniture. The sector emphasis on the eco- friendly 'Green Gas' concept, seeking to pave the way for a cleaner energy system. The sector also added Electronics to its product portfolio.

## 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 the country. Our brand of St. Clair's Tea is popular both internationally and domestically.

## 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 along 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 products of this sector are also present in the local market through the sale of its export quality rubber mats.



# Vision & Mission

## VISION

To be a market driven, technologically oriented diverse Group.

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

## MISSION

To continually exceed the expectations of our customers.

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

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

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

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

A bright sun in the top left corner of a clear blue sky, with soft white clouds scattered throughout. The sun has a starburst effect with rays extending across the sky.

87

Since 1932

*Years*

*Touching Lives*



## 1932 - 2019

In its 87-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 brands in the country. The Company originated as a 'commission agent, general import and export merchant and dealer in estate supplies', against a 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 War 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 increasing 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 longstanding, stable and profitable corporate entities in the country.



# Financial Highlights

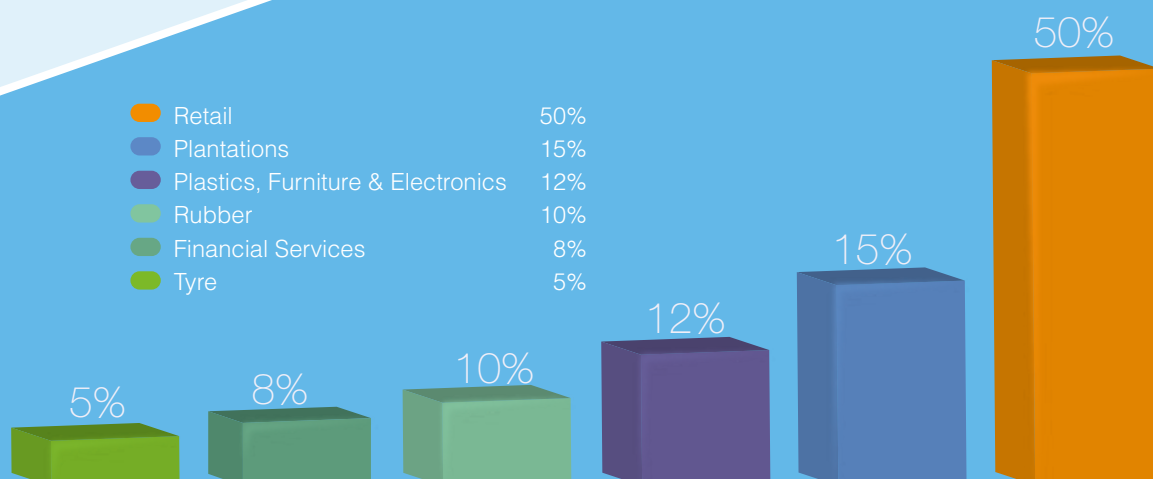
Richard Pieris & Company PLC  
Annual Report 2018/2019

	2018/2019 Rs.'000	2017/2018 Rs.'000
Revenue	55,045,358	52,972,873
Profit from operations	4,879,021	5,396,771
Profit before tax from continuing operations	3,353,592	4,631,552
Income tax expense	(1,006,764)	(1,549,776)
Profit for the year from continuing operations	2,346,828	3,081,776
Profit for the year	2,342,267	3,077,396
Profit attributable to equity holders of the parent	2,009,568	2,686,980
Total assets	64,820,169	55,986,493
Shareholder funds	13,284,607	13,279,405
Market capitalisation	18,722,350	26,048,486
Total value addition	18,234,710	17,996,205

## Per Ordinary Share

Earnings (Rs)	0.99	1.32
Net assets (Rs)	6.53	6.53
Market value (Rs)	9.20	12.80

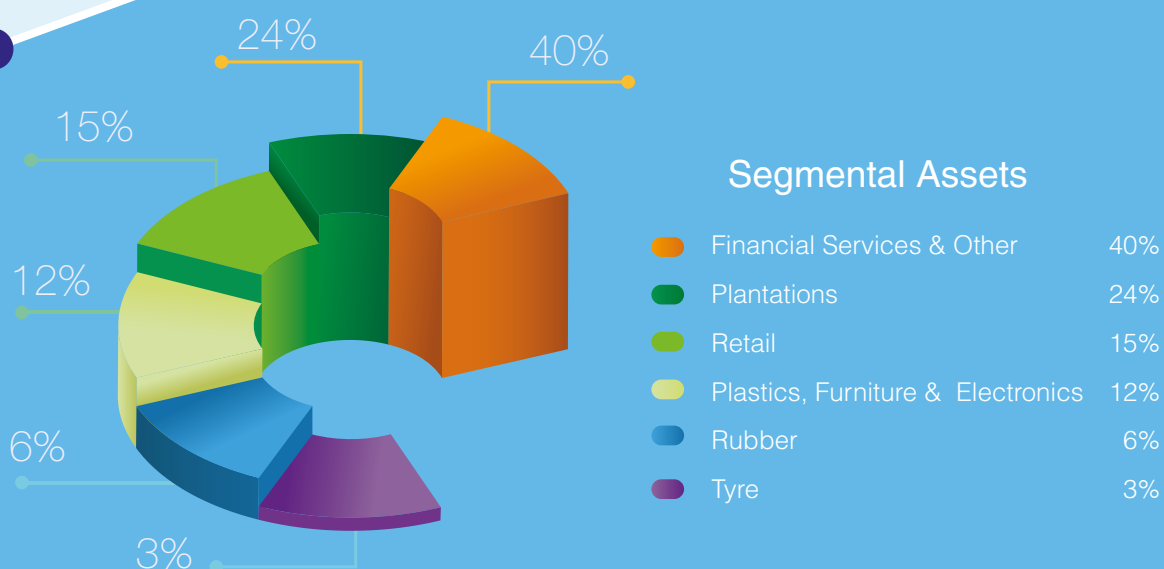
## Group Turnover Composition



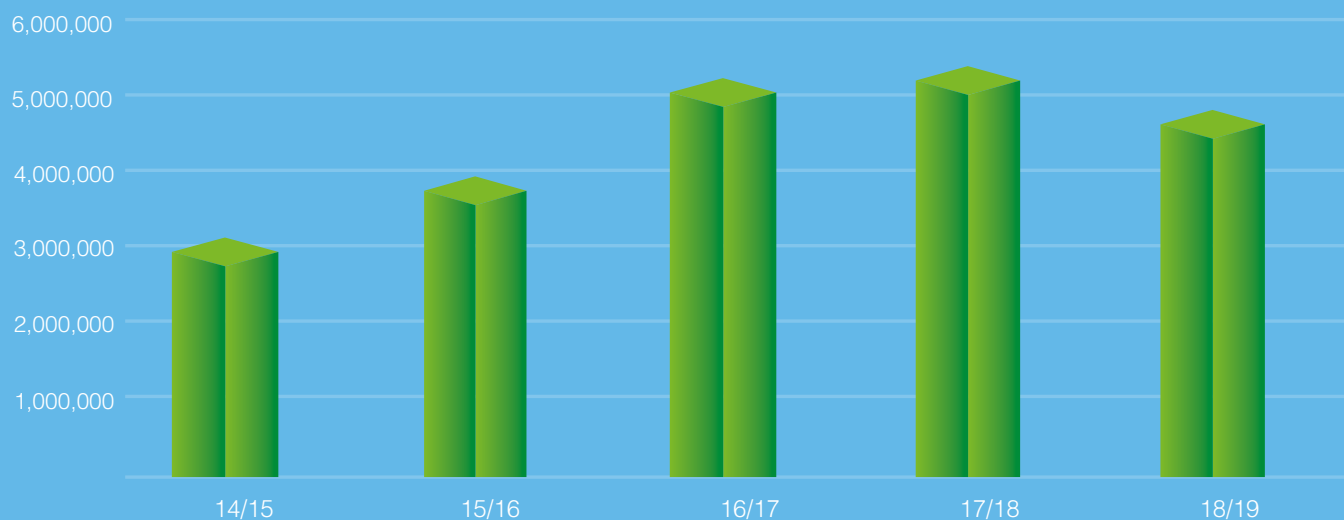
# Financial Highlights

## Ratios

Return on equity (%)	15.13	20.50
Interest cover (No of times)	3.14	6.96
Dividend payout (%)	85.86	83.33
Gearing ratio (%)	55.16	49.05
Price Earnings (No. of times)	9.29	9.70
Dividend per share (Rs)	0.85	1.10
Dividend Cover (No. of times)	1.16	1.20
Current Ratio (No. of times)	1.04	1.07



## Operating Profit





Dr. Sena Yaddhige  
Chairman/CEO/MD

## Dear Valued Shareholders,

It gives me pleasure to present to you the Annual Report and the Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2019. The Company recorded a revenue of Rs. 55bn with a 4% growth and a Profit before tax of Rs. 3.3 bn for 2018/19.

### Group Performance

The Group's Retail arm continues to be the major contributor to Group profits and continued to sustain its strategic capital investments in upgrading infrastructure to improve overall shopper experience, while committing major investments in new outlets which are to be opened during first half of 2019/20. During the year under review, the largest Super Centre outside Colombo was opened in Kegalle in the Sabaragamuwa district, which is the only platinum class green supercentre in the Country.

The Group's Plantation sector was faced with insurmountable odds during the period under consideration. Decline in selling prices, adverse weather patterns and a politically imposed wage hike had a major impact on the sector's profitability. Palm oil being our golden crop was also faced with persistent adverse external influence on replanting. Although the sector remains vulnerable to erratic weather patterns and local and global economic shocks, the Group's plantations sector is fighting to remain one of the strongest in the country.

Further, the Plastics, Furniture and Electronics sector remains sensitive to global material price increases which have been mitigated to a large extent by enhancing productivity and effective cost control mechanisms.

Meanwhile, the Rubber sector is forging ahead on a path to greater profitability as a result of focused market expansion and product development strategies, greater penetration into local and overseas markets, and expanding to new geographies. Demand from export markets showed an upward trend during the year. Richard Pieris Exports and Richard Pieris Natural Foams secured the Gold Award for Agricultural Value-added Exports in the Large/Extra Large business categories at the Annual National Chamber of Exports of Sri Lanka (NCE) Export Awards.

The Tyre sector continued to contribute more than 5% to the Group revenue during the year under review. Going ahead, the company remains focused on optimizing its current manufacturing capacity to supply its slow growing customer base.

Despite being a relatively more recent sector, Financial Services recorded a strong growth during the year under review. The Finance Company recorded an asset base of LKR 19.1 Bn by the end of the financial year with a 32% growth in the revenue. The Company was bestowed with the Silver award as 'the Islamic Finance unit of the Year 2018' and 'Leasing Company of the Year 2018' by the Islamic Finance Forum of South Asia.

Meanwhile, Arpico Insurance Company continued to grow its credentials in the market, anointed the 'Fastest growing Life Insurance Company in Sri Lanka' for the second consecutive year by the Global Banking and Finance Review 2018, while securing the title of the 'Most Successful Insurance Company 2018' by Global Brands.

### Future Outlook

Present in key economic growth sectors aligned to the national strategy for exports, the Group is committed to investing in enhancing capacity, quality and geographical reach of all sectors it operates in. A Lithium battery production facility to be installed soon, with the anticipation of a growing market for electric cars and electric scooters. I remain hopeful that the government will continue to employ investor-friendly strategies and a consistent policy environment, which would go a long way in bringing stability and calm to macro operating conditions.

### Acknowledgements

I wish to thank my colleagues on the Board, senior management, staff, suppliers, customers and business partners for their contribution and support. The Company is in an era of transformation, trying to move to more modern way practices which will be in line with the achievement of our long term goals. I assure you that we will make every effort to continue to stay ahead of our times.



Dr. Sena Yaddehige  
Chairman/CEO/MD

12th June 2019



**1**  
Dr. Sena Yaddehige  
Chairman/ Managing Director/  
Chief Executive Officer



**2**  
Mr. Sunil Liyanage  
Director



**3**  
Mr. Viville Perera  
Director

## **1** Dr. Sena Yaddehige Chairman/ Managing Director/ Chief Executive Officer

Dr. Sena Yaddehige is a Sri Lankan born British Scientist / Engineer and a Swiss based industrialist. 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, Singapore, India and Bangladesh. 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 instrumental in developing the Iwata Dream brand in Japan and the Lithium Battery development unit in Sri Lanka.

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

## **2** Mr. Sunil Liyanage Director

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds a Diploma in Polymer Technology (Singapore), the Diploma of the Plastics Institute (LOND.) and a Licentiate of the Institute of Rubber Industry (LOND.).

He has over 40 years of management experience in the field of Rubber and Plastics. He is a past Chairman of the Ceylon National Chamber of Industries (CNCI) and a past President of the Plastics and Rubber Institute of Sri Lanka (PRISL). Mr. Liyanage is also a visionary business leader, who has been instrumental in launching many innovative products in Polymer category and has the honour of being the first person to commercialize flexible Polyurethane Foam in this country in the form of Mattresses, Cushions and Sheets.

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.

## **3** Mr. Viville Perera Director

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 is the Deputy Vice Chairman of the Industrial Association of Sri Lanka, an affiliated trade association under the aegis of the Ceylon Chamber of Commerce. He is also the Acting Chairman of Arpico Insurance PLC and on the Board of Directors of Several Companies of Richard Pieris Group.



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Mr. Shaminda Yaddehige  
Director



5

Dr. Jayatissa De Costa  
Director



6

Mr. E.P.I. Fernando  
Director



7

Mr. J Felix Fernandopulle  
Director

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## Mr. Shaminda Yaddehige Director

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 is 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.

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## Dr. Jayatissa De Costa P.C. Director

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 48 years at Bar specializing in Civil Matters. In addition he has held numerous positions both in the Public Sector and Private Sector including the Chairmanship of Public Utilities Commission of Sri Lanka and membership of the Law Commission. He was also the Principal of Sri Lanka Law College. Dr. Jayatissa De Costa had functioned as a Law Lecturer in a number of universities both at home and abroad and has published a large number of books in Law.

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

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## Mr. E. P. I. Fernando Director

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 ANZ 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 served as the Chairman/CEO of the Vocational Training Authority (VTA). He has also served as a board member of the National Apprentice and Industrial Training Authority, the Board of Tea Research Institute of 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. Mr. Fernando also served as a board director of Richard Pieris Securities & Namanukala Plantations PLC.

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## Mr. J Felix Fernandopulle Director

Mr. Fernandopulle is a fellow member of the Institute of Chartered Accountants of Sri Lanka and a fellow of the Institute of Certified Management Accountants of Sri Lanka. He is the present Chairman of Richard Pieris Finance Ltd. & the Managing Director of Mahaweli Coconut Plantation where he had also worked in the capacity of Finance Director at the said company.

He has served as a Director of the Coconut Development Authority and Coconut research Institute and has also served on the Advisory Committee on Coconut at the Ministry of Plantation Industries and Coconut Industries. He has represented Sri Lanka's Desiccated Coconut Manufacturers Association at the Asian & Pacific Coconut Council.



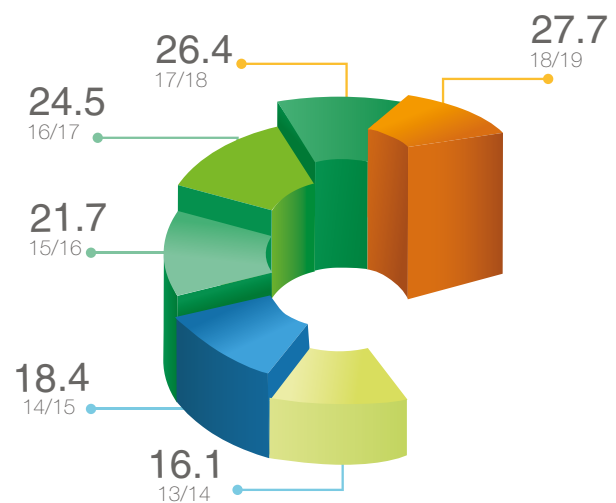


## Our Business

# RETAIL SECTOR

The Retail Sector of the Richard Pieris' Group is a strong and pivotal spoke that connects to the hub of the Group's wheel. The sector comprises of 5 entities: 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 overarching aim of the sector is to manage and administrate the operation of the celebrated retail umbrella brand, Arpico, under which a family of individual brands such as Supercentres, Superstores, Daily, Showrooms and Furniture exist and operate. The strong growth forecast for the sector is mirrored in the performance by the Group's Retail arm, which posted revenues of Rs. 27.7 Bn, which reflects growth of 5% over the previous year.

# 27.7 Bn Revenue



History of the Sector Revenue

## Retail Sector

Just as in the past, the Retail arm has been a major contributor to the revenue and profits of the Group. It is clear that Modern Trade Retail has scaled to greater heights during the financial year under review, but not without its share of challenges encountered from the less than favourable macro-economic environment. Despite obstacles, the Group's retail sector performed reasonably well, with a leverage and potential to further grow and make a mark in the industry as a trend-setter in modern trade retail.

While expanding its brick and mortar presence across the industry in line with customer demands, the sector is also entrenching its digital footprint by capitalizing on the online and e-commerce trend. By making early inroads into online retail, the company enjoys first-mover status when the time is right. In addition to its variety of retail products, the Retail sector further contributes to the Group by providing bespoke interior designing solutions to many institutions and households across the country.

As much as the coming year is expected to pose various challenges to the company, the retail team is geared up to take modern trade retailing to greater heights. The Arpico brand of supermarkets is expected to expand into many strategic cities and towns with the objective of 'touching lives' of many customers and suppliers in different parts of the country.

### **Richard Pieris Distributors Ltd.**

Richard Pieris Distributors Ltd expertly achieves the challenging task of operating and managing the renowned chain of 25 Arpico Supercentres/ Superstores, 12 Showrooms, 24 Arpico Daily Outlets and 2 stand alone Arpico Furniture retail stores. Amid the fiercely contested Modern Trade segment, the company has successfully built a name as a one-stop shop for a wide array and range of Fast Moving Consumer Goods (FMCG), General Merchandise, Household products, Furniture and Electronics.

The diverse products on offer enable customers to shop for all their needs under one roof, while enjoying special promotions and the euphoric atmosphere the stores have to offer.

In addition to improving and expanding its core business of retail, there are a vast array of value added services that customers can enjoy at many Arpico Supercentre and superstores such as utility bill payments, laundry and banking transactions by way of ATM / Mini Branches, bill collection service, restaurants, juice bars, laundry kiosks, salons etc. By providing all these services to its customer, the company ensures the entire family can spend more time at its outlets.

One of the key success pillars of Arpico Supercentres and Superstores has been ample retail space coupled with adequate parking facilities for customers. This aspect has given the company an edge in the marketplace, thus providing a generous retail space for shoppers to browse and parking facilities for a seamless shopping experience. In-store. The company also provides wider aisle space for easy shopping and state-of-the-art infrastructure to display and serve goods in the freshest form and of the best quality.

Enhancing the retail experience at its stores one step higher, the company organizes special events throughout the year at Supercentres/ Superstores, showrooms and Arpico Daily Outlets, including activities for families, in order to infuse excitement and create a sense of anticipation during special religious and cultural festivals. 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 one Supercentre in Kegalle offering unimaginable convenience to the residents of that town as well as the thousands of people who pass through the town daily, as it is a strategic stop on the way to famous tourist sites. The store houses more than 40,000 items under one roof with extensive parking and other ancillary services.

In addition to the large format store openings, 5 Arpico Daily outlets and 1 standalone Arpico Furniture outlet were opened during the year under review, further expanding the brands' island-wide presence. The opening of a new Arpico outlet signals economic prosperity for local communities, as these outlet expansions have created more than 150 jobs both directly and indirectly for numerous service providers.

During the period under consideration, the company invested further in enhancing the overall customer experience, by establishing new infrastructure to showcase fresh produce, creating a vibrant space for vegetables, fruits, seafood and meat at its outlets. This rearrangement generated much hype and excitement amongst customers as it is more in line with international trends. Since Arpico is a firm favourite with the expat community as well, infusing the store with an international look and feel goes a long way in remaining competitive and attracting greater numbers of local and international shoppers.

In-store retail marketing is a key contributory factor for Arpico's success and during the year under review, the brand continued to innovate and pioneer compelling promotional and tactical campaigns such as its popular "Super Deals" and "Daily Deals" in tandem with credit card offers. The Company continued to provide exclusive benefits to its privilege member base including the discount offers from more than 15 partner hotels, restaurants and others merchants island-wide during the year. The Arpico Privilege customer base has continued to grow the company also has benefitted through the co-branded credit/loyalty card partnership where customers of this base are immensely rewarded. with offers right throughout the year as well as with additional loyalty points for purchases made within and outside Arpico.



Marketing promotions have been traditionally conducted expertly at Arpico and attracted a steady stream of shoppers. During the year under review, two breathtaking campaigns were initiated and executed, for April Avurudu season and December Christmas season. The Avurudu campaign was titled "Arpico Ekka Awurudu" whilst the Christmas campaign dazzled under the "Fulfilling Christmas" theme. The promotion proved to be a gift bonanza for customers, many of whom won valuable prizes which included a majestic tour to an exotic destination for the grand winner. The promotions were relayed over social media to generate excitement and engagement with potential customers.

### **Arpimalls Development Company (Pvt) Limited**

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) Limited**

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) Limited**

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**

Rapidly growing into a preferred partner for transforming interiors of work spaces, Arpico Interiors (Pvt) Limited (AIPL) has built up a strong reputation as a specialist in interior solutions for leading corporate clients. The company also supplies products such as furniture & fittings, carpets, ceilings and partitions, which is appreciated by clients who can access the entire interior design service under one roof. The showroom at Hyde Park Corner houses a separate display area for the Interiors operation with a wide range of products on display.

During the year under review, the company expanded its operations and widened its products and service portfolio. The company succeeded in sustaining its profitability as a result of several large scale projects it was engaged in.



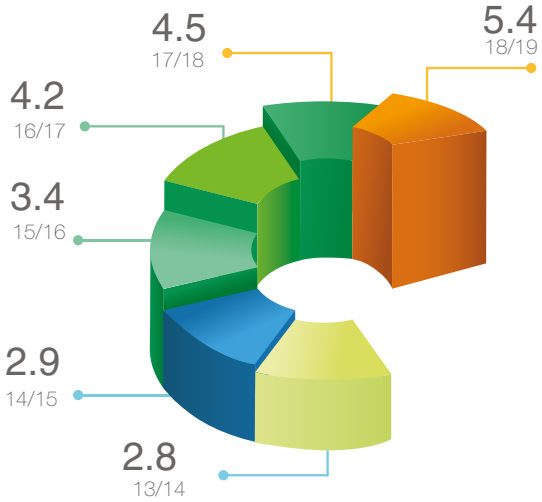
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## Our Business

# RUBBER SECTOR

The Rubber sector of the Group, comprising of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Arpitalian Compact Soles (Pvt) Limited and Micro Minerals (Pvt) Limited, recorded a revenue of 5.4 Bn with a 19% increase over the previous financial year.

# 5.4 Bn Revenue



History of the Sector Revenue

## Rubber Sector

The Group's Rubber sector is poised to seize growth opportunities through diversification of its product portfolio and an enhanced focus on the domestic market. Deployment of new machines and technologies to enhance production capacity, increased efficiency, geographical expansion and an augmented product portfolio are expected to deliver strident growth for the sector in the near future.

### **RICHARD PIERIS EXPORTS PLC**

Richard Pieris Exports PLC (RPE) is the pioneer in manufacturing and exporting rubber mats for numerous applications with the highest quality standards. RPE manufactures a range of rubber products including food grade jar sealing rings, crutch tips, rubber shoe soles and specialised rubber products for the US, European and Asia Pacific markets since its inception in 1983. It has two subsidiaries - Richard Pieris Natural Foams Ltd. and Micro Minerals (Pvt) Ltd. - and one associate company - Arpitalian Compact Soles (Pvt) Ltd. Richard Pieris Exports PLC itself is a subsidiary of the Richard Pieris & Company PLC, the Group's first export-oriented company.

Richard Pieris Exports PLC accelerated growth during the year under review by recording an above average growth of 20% in topline and 26% growth in its bottom line. The company recorded a significant increase in volumes compared to the previous year.

The demand from the US market showed an upward trend while demand in Europe too rebounded, with the company acquiring new customers in Europe. During the year, focus was maintained on introducing and marketing new designs and moulds to customers.

RPE has pioneered the manufacture and export of Rubber Mats for numerous applications and food grade jar sealing rings and specialized products for the US, European and the Asia-Pacific markets. Besides this, RPE continues to sustain its leadership position by being the only company in the world to manufacture natural rubber jar sealants.

RPE remains the largest exporter in its category and its market leadership was underscored by being bestowed with the Gold Award for Agricultural Value-added Exports in the Large business category at the Annual National Chamber of Exports of Sri Lanka (NCE) Export Awards by the National Chamber of Exporters of Sri Lanka. Richard Pieris Exports PLC also won the Gold Award in the Large Category (Rubber sub sector).



## **RICHARD PIERIS NATURAL FOAMS LTD**

Richard Pieris Natural Foams Ltd., manufactures 100% natural latex foam products for the international market and is one of the major contributors to the country's economy. Recognised as one of the biggest players when it comes to manufacturing natural latex foam, the company carries out its production from the state-of-the-art factory located at the Free Trade Zone in Biyagama. Its world-class line-up of latex foam products includes natural latex foam mattresses, toppers, pillows, etc., and their well-established export market covers North America, Europe, Middle East, Australia, South East Asia, China and India in addition to the South Asian region.

The company recorded 22% topline growth and 30% bottom line growth. Profitability grew and topped the highest mark in the company's history. The export markets performed strongly as economic conditions in those markets improved. Both mattress and pillow range showed growth.

During the year, the company further penetrated the Chinese market with its pillow range and expanded market share in Taiwan and USA while regaining a foothold in Korea. A number of factors contributed to the company's success such as ensuring premium quality consistently, service ability and higher value proposition to customers. The company's focus on maintaining exacting service standards remains unwavering.

The company values innovation and continues to develop new products, the latest being new pillow types to cater to a wide market. The company is in the process of adding a line for production of molded topper sheets to cater to growing demand. In expanding the range of products, exports of second grade and scraps grew during the year. Reconstituted products for the local markets are now being exported, generating greater gains. The company's longstanding customer relationships coupled with partnerships with new customers helped to nurture and propel overall profitability.







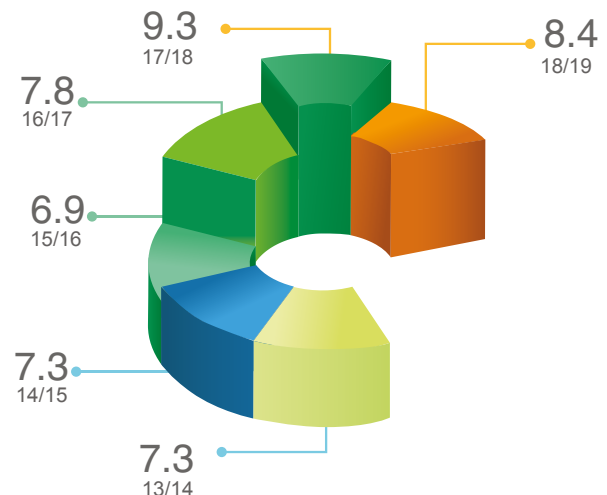
## Our Business

# PLANTATION SECTOR

Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC are part of the Group's Plantation sector. These three Plantation Companies are engaged in the cultivation, processing and selling of high-grown, mid-grown and low-grown tea, rubber, oil palm, coconut, cinnamon and other crops. Richard Pieris Group owns 53 plantation estates in different geographical regions across Sri Lanka, with a land base of 32,097 hectares, making it the largest tea and rubber producer in the country.

As on the financial year ending 31st March 2019, the Group's Plantation sector produced 12 mn kg of tea, 5 mn kg of rubber and 22 mn kg of FFB palm oil, to generate a revenue of Rs 8.8 bn. Maskeliya Tea Garden Ceylon Ltd is the export arm of high-quality pure Ceylon value-added tea, selling globally as well as locally under the brand names of 'St Claire's' and 'Maskeliya Kahata'.

# 8.4 Bn Revenue



## Plantation Sector

The Sri Lankan plantation industry experienced mixed fortunes during the financial year under review. Inclement weather conditions, wage hikes in the latter part of the year, reduction of maximum residue level by Japanese market for tea and low Tea prices affected the performance of the industry while Oil palm prices showed an uptick towards the end of the year. Compounding the situation further, the rubber segment was forced to absorb the negative impacts of depressed market prices as a result of the increased rubber supply from major rubber producing nations. Despite these hurdles, the plantation sector continued to invest in uplifting the living standards of its estate communities, especially in areas such as health and safety, training and education, infrastructure development etc.

### Maskeliya Plantations PLC

Maskeliya Plantations PLC is known to be one of the country's finest black tea manufacturers and operates in four geographical regions - 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 has constantly recorded best prices in the Colombo Tea Auction.

Unfavourable financial and non-financial factors continued to challenge the performance of the Plantation industry, which also affected Maskeliya Plantations PLC. Production was largely affected by extreme climate, with heavy rainfall experienced at the beginning of the year and drought towards the latter part. The Company recorded a harvest of 7.5 Mn Kg which is a decrease of 89,000 Kg from the previous year.

The downturn in tea prices further exacerbated the situation. The Company recorded total revenue of Rs. 4.17 Bn, a decrease of 8% from the previous year, while posting an overall Profit of Rs.5.2 Mn. The combined effects of the adverse weather conditions, rise in other costs such as fuel, the wage hike in the sector towards the latter part of the financial year also contributed towards the constraints on the financial performance of the Company.

Nevertheless, the company remained focused on continuous improvement and enhanced productivity-related parameters such as plucking norms at the estate level. It was able to achieve high quality output to meet market expectations by bringing about quality improvements in harvesting and in the manufacturing process. The Company sustained strategies aimed at long term cost reduction and measures to improve the quality of the end product.



## Kegalle Plantations PLC

Engaged in the production of tea, rubber and coconut, Kegalle Plantations PLC is one of the largest corporate Rubber producers in Sri Lanka, contributing an annual rubber production of 4,080 MT. The Company owns and manages 17 estates in Kegalle, Kurunegala and Badulla districts, with a total land extent of 9,757 hectares. Its rubber production is mainly dominated by the centrifuged latex category. The Company was affected due to the decline in demand for natural rubber in the global market. Apart from the drop in the rubber prices, local consumers moved towards cheaper substitutes from overseas markets which contributed to the drop in local rubber prices.

The Company responded by offsetting the adverse impacts of depleted rubber prices through the implementation of an optimum product mix so as to prevent excess concentration in one product category. During the period under review, cost of production of rubber was reduced by 3% from the previous year to Rs. 281.90. Centrifuged latex rubber accounts for 62% of the Company's rubber output, and this output is mainly sold to Richard Pieris Natural Foams Ltd. Kegalle Plantations continued its direct export of sole crepe rubber to shoe manufacturers in the international market, and this in turn helped to maintain a favorable NSA.

Despite the adverse weather and market condition during the period under review, the Company recorded rubber production of 4,000 MT, which is a 17% increase from the previous year. The Company's rubber replanting efforts were sustained and it is considering crop diversification including planting oil palm.

Total production has dropped by 2% to 1.9 Mn Kgs for the year under consideration. Tea prices too decreased significantly compared to the previous year from Rs. 582.63 to Rs. 510.49. The production drop was mainly due to adverse weather conditions that prevailed in the Kegalle region.

Human resource development received the Company's full attention during this challenging period under review. The Company continued to invest in its human resources through greater training and skill development and in improving worker housing, crèches and other welfare activities, including assisting the university education of children of all employees by way of scholarships.

## Namunukula Plantations PLC

As one of the most diversified plantation companies in the country, Namunukula Plantations PLC produces five main crops - Tea, Rubber, Oil Palm, Coconut and Cinnamon. It comprises of 18 estates in Badulla, Kalutara, Galle and Matara Districts and holds a total land extent of 11,779 hectares, of which cultivated land of 2,108 hectares are utilized for the production of tea, 2,338 hectares for palm oil, 1,429 hectares for rubber and 1,855 hectares for other crops.



The Company's tea production declined to 2.3 Mn Kg recorded in the previous year. The factors which impacted the performance were non-availability of chemicals for weed management, significant dry weather, drop in small holder bought leaf supply and worker unrest and strikes experienced during the year.

Namunukula Plantations has successfully reduced the cost of production of rubber during the year, with a 2% reduction over the previous year. Taking advantage of the crepe processing facility available in the estates, Namunukula Plantations continues to process over 50% of its total production into latex crepe.

The Company continues to invest in the expansion of oil palm. Land suitable for planting in oil palm is being converted to oil palm. Oil palm has continued to be the golden crop of Namunukula Plantations recording a 22.3 Mn Kg of harvesting, which reduced by 1%, compared to the previous year's Fresh Fruit Bunches count. The Company is the second largest producer of oil palm in the island and its estates are situated in Matugama, Galle and Akuressa geographical areas. The Company has an extent of 1,822 hectares of oil palm in production and further 498 hectares are in the immature stage and expansion plans are underway to further increase the land extent.

Namunukula Plantations PLC has harvested 12,441 Kg of cinnamon during the year, compared to that of 11,485 Kg in the previous year. The Company has invested a sum of Rs.248 Mn in the financial year 2018/19 on field development with a view to achieve and sustain required land productivity. The Company values human resources as its greatest asset, thus providing facilities such as housing, sanitation, other basic requirements and more importantly, opportunities for additional income generation.

### Maskeliya Tea Gardens (Ceylon) Limited

Maskeliya Tea Gardens Ceylon Limited (MTG) is the Tea export arm of the Richard Pieris Group. MTG is producing and packing pure Ceylon tea to the international and local market offering the consumers a tea second to none, and a cup of tea that rekindles memories of a bygone era. "St. Clair's Tea", "ARPICO Maskeliya Tea" & "Padamata Kahata" are the Company's most popular brands of tea among Sri Lankan households.

Whilst MTG exports products to Japan, Belarus, Russia and China and has been highly accepted by consumers around the world, it is currently in the process of liaising with potential distributors to establish St. Clair's Brand in other countries as well. In the local market segment our channels cover leading supermarket chains in the country and an Island wide coverage with active distributors in the General Trade and directly cater to reputed government and private sector institutions, hotels and restaurants across the country. The Company has formulated new strategies to expand geographically in the Island by providing the customers new value added and unique products from the Company's own tea gardens located in different agro climatic regions.





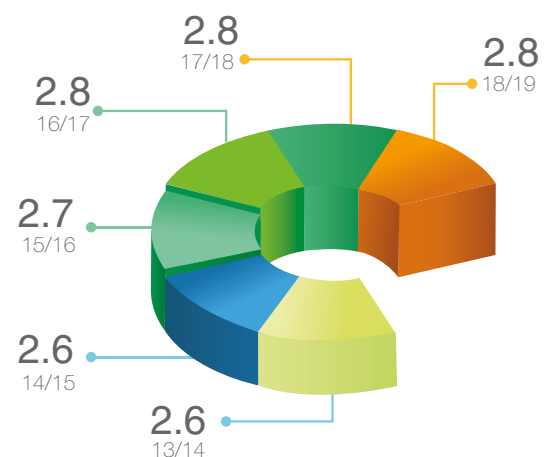


## Our Business

# TYRE SECTOR

The Group's Tyre sector has revolutionized the tyre manufacturing industry in Sri Lanka, effectively placing the country on the global map as a reliable and high quality manufacturer of tyres. The Tyre sector of the Group is made up of four companies, namely, Richard Pieris Tyre Company Limited, Arpidag International (Pvt) Limited, Richard Pieris Rubber Compounds Limited and BGN Industrial Pvt Ltd.

# 2.8 Bn Revenue



## Tyre Sector

Richard Pieris Tyre Company has grown to be the largest retreading tyre supplier in Sri Lanka. The sector further expanded its share of the market with the strategic acquisition of BGN Industrial Tyres (Pvt) Ltd, a reputed Sri Lankan industrial tyre manufacturer known for Solid Tyres. Arpidag International and Richard Pieris Rubber Compounds, also make a valuable contribution to the sector by supplying pre-cured tread cushion gum and other related materials as well as customized mixing facilities. Enjoying a large presence country-wide, the sector's distribution network counts in excess of 1,300 dealers, thereby ensuring easy access to its wide portfolio of Tyres for every segment of the market. The prospects for the Group's Tyre sector look promising as it widens its international customer clientele. Going ahead, the company remains focused on optimizing its current manufacturing capacity to supply to its ever-growing customer base.

### **RICHARD PIERIS TYRE COMPANY LIMITED**

Despite operating in challenging conditions during the 2018 / 19 financial year, Richard Pieris Tyre Company achieved revenues of Rs. 2.6 Bn while making a contribution of approximately 5% to the group revenue. Harnessing astute marketing strategies, the company was successful in surmounting the negative sentiments for retreading tyres that prevail in the market. Apart from ensuring its revenues remained consistent with that of the previous year, the Company looked inward to control costs and bring down overheads by using low cost energy fuel sources and by sourcing raw materials at lesser prices.

These measures served to sustain the company's profit margins and helped mitigate any adverse impact on the company's balance sheet.

Meanwhile, the Richard Pieris Tyre Company remained proactive about capturing a greater share of the market by exploring new business avenues. During the year under review, the company introduced 'Arpico Tyres' to the market by leveraging on the goodwill and strength of the Arpico household name.

In a notable development, the Company expanded its geographical footprint during the year by employing aggressive sales and marketing efforts and also by supporting and encouraging its dealers to increase sales volumes and meet and exceed their targets. Towards this end, the company's Dealer awards, a gala event where top dealers are bestowed with awards and accolades, go a long way in building commitment amongst the network to drive sales of the company's product range.

The Company's expansion to the North and East parts of the country continued through the year. As a home-grown tyre manufacturer, the Richard Pieris Tyre Company has a finger on pulse of right pricing and product type to fulfil present and future needs of customers in each segment.

A key challenge to the company has been the influx of cheaply priced radial tyres from China and competition from family owned small businesses, which the company has successfully fended off by building and leveraging on its trusted and reputed brand.





The Company is also involved in the trading of Tyres, growing its operation through its partnership with as the sole agent of Nexen Tyre of South Korea and Birla Tyre of India, both strong brands known worldwide for durability. During the year under review, the Nexen brand of tyres made an important contribution to the company's overall profitability. Nexen is a premium international brand in operation for over 70 years. Since Richard Pieris Tyre Company launched the brand in Sri Lanka in 2014, it has received an overwhelming response by customers.

The other international brand which strengthens its Trading arm is Birla Tyres, a specialized Indian brand for truck/light truck/two-three wheeler tyres which is specially built for tough road conditions that exist in Sri Lanka, while being priced affordably. Buoyed by the level of acceptance of these two brands in the local market, the company plans to usher in more international premium brands into its portfolio. During the year under review, the company made successful inroads into new export markets.

#### **ARPIDAG INTERNATIONAL (PVT) LIMITED**

Arpidag International (Pvt) Ltd has made steady progress with its joint partner in USA Bandag Inc., manufacturing pre-cured tread materials and related products since 1991. As the pioneer of the cold process technology to Sri Lanka, the company has stayed ahead of the curve by regularly updating and upgrading technology it uses in the manufacturing process.

Sustaining high quality standards and performance of its products has been a key endeavor of the company since its inception. In order to reinforce this ethos further, Arpidag complies with the ISO: 9001 process quality certification to standardize its processes. The company's manufacturing unit is a fully automated facility, backed by advanced research and technology.

#### **RICHARD PIERIS RUBBER COMPOUNDS LIMITED**

Richard Pieris Rubber Compounds plays a pivotal role in the fortunes of the Group's Tyre sector by providing mixing services to Richard Pieris Tyre Company as well as to several other external customers, while simultaneously supplying rubber-related chemicals to small players in the industry. The company invests in continuous improvements in its milling and quality testing processes to ensure consistent superior quality. These measures have thereby facilitated the companies it supplies to achieve a higher share of the market.

#### **BGN INDUSTRIAL TYRES (PVT) LTD**

Acquired in 2017, the BGN Industrial Tyres (Pvt) Ltd, is a reputed Industrial Solid Tyre manufacturing venture founded in 2013 and known for its range of high quality solid tyres. From the time of acquisition, the sector has formulated greater plans to expand its foot print geographically.



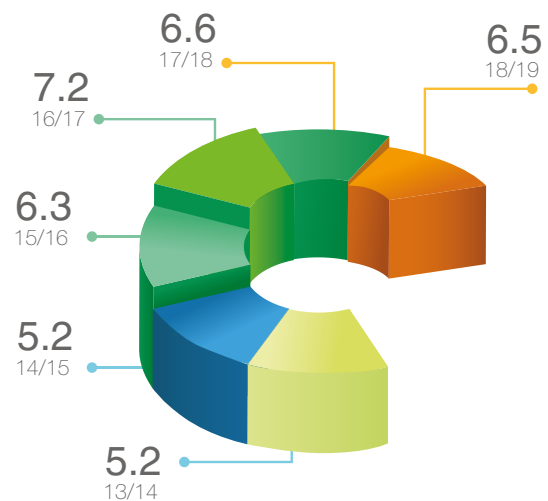


## Our Business

# PLASTICS, FURNITURE & ELECTRONICS SECTOR

Arpitech (Pvt) Ltd, RPC Polymers (Pvt) Ltd, Plastishells Limited, Richard Pieris Rubber Products limited, Arpico Durables (Pvt) limited, Arpico Furniture Distributors (Pvt) Limited, Arpico Plastics Ltd and other Strategic Business Units make up the Plastics , Furniture and Electronics sector of the Group. The product portfolio spans across Mattresses, Electronics, Furniture, Water tanks, Rigifoam products, PVC pipes and fittings, Rubber products and other Consumer durable items. Vinyl mats were also introduced to the product portfolio for the local market last year.

# 6.5 Bn Revenue



## Plastics, Furniture & Electronics Sector

During the year under review, the sector managed to generate revenue of Rs.6.5 Bn which is marginally lower compared to the last year's revenue of Rs. 6.6 Bn whilst 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

Rigifoam products have been one of the successes of the sector, as the material is used for a wide variety of purposes. Sri Lanka's fishery industry in particular is heavily dependent on rigifoam boxes to transport fish under the right temperature. The company has driven sales by partnering with institutions for use in industrial operations. Arpico's rigifoam is a highly reputed brand and enjoys a strong brand recall and recognition, making it the first choice in rigifoam products. In the previous year, the company forged ties with specific sectors and established a direct dealer base island-wide to boost sales. Factors such as strong ties with dealers, enduring business relationships with key customers and on-time delivery and superior customer service have been critical success factors that has enabled the business to sustain its competitive advantage.

### 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, a few years ago has increased the strength of the operation in the industry.

The PVC operation continued to record growth during the year under review with the expansion in the product range, maintaining optimum sales mix and market competitiveness. Prioritization on orders from project and Water Board and strong hardware and direct dealer network have been the critical success factors of PVC operations. However, market conditions such as increase in raw material prices, volatility in the exchange rate and credit recovery are considered as threats. Arpico PVC has conducted several marketing and promotional activities including dealer tie-ups, foreign tour promotions, media campaigns (TV Commercials) and island wide plumber training programs to enhance and strengthen the market awareness.



## Mattress operation

As the pioneer and the market leader, the product category encompasses foam-related household, institutional goods known for quality and the comfort, backed by local and international certifications such as ISO 9001:2008 and SLS 893. The Mattress operation recorded a strong performance due to focused marketing campaigns, and market and product development. The company's exports arm looks lucrative and is in the process of expanding its footprint geographically.

The Company has uplifted its technology to Swiss technology and machinery by introducing the latest coil now being manufactured for the spring mattress as per world class standards. Arpico always have been offering the best for the consumer. Being the key moderniser in the PU industry Arpico has promised its customers the finest comfort in sleep.

## Vinyl Mat operations

The Company focused on growing market share for this new product. For the first time in Sri Lanka Arpico introduces yet another innovative product to the Sri Lankan consumers. One of the exceptionalities in this product is its capability to produce dual colour. There is a comprehensive portfolio of products such as indoor and outdoor floor mats, vehicle mats with many eye catching colours and especially the unique dual colours to suit customers preference. These mats are highly durable.

## 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 continuous improvement of products throughout the history is backed by innovative products introduced to the market by this operation such as the "Three layer water tank", "Rotation moulded water tanks", "Blow moulded water tanks" and "Hybrid water tank". The operation offers a wide range of products including water tanks, garbage bins, septic tanks, compost bins, green gas units and traffic accessories to the market and is backed up by a record of excellence for over 20 years.

Arpico water tanks enhanced its product portfolio by introducing 300L capacity water tanks, as well as a new range of Hybrid Gold & Platinum color tanks to the market with the capacities of 500L, 1000L, 2000L. 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. Further, the operation was focusing on timely delivery, product availability, better after sales service, strong hardware and direct dealer network. The introduction of fishing bait tank and a paddled lock system for Plastic Tank Lids for better safeguarding the quality of water storage last year has given more confidence to the consumers of the product.



During the period under review, Arpico watertanks carried out an attractive consumer promotion named "Rata Pita Rata Sawari", backed by a broad media campaign, offering 200 local tours and 100 foreign tours to its end customers. Various other marketing and branding 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 the business to maintain its position as the market leader in the industry.

## Furniture Operations

Arpico Furniture is being increasingly preferred by customers who want elegant furniture at affordable prices to suit their lifestyle. The Furniture arm is involved in the production of Sofas, Panel furniture and Wooden furniture which is reputed for quality and aesthetics. The product range spans across household and office furniture. The Company also specializes in household items such as Sofa, Dining tables and Bedroom sets manufactured by local craftsmen. Building on a legacy of manufacturing furniture, Arpico Furniture products are found in homes across the Island.

The Company ensures strict compliance with high quality standards and offers superior customer service and flexible installment plans. Every Arpico Furniture product is supported by an industry leading warranty and a dedication to outstanding customer service. The Company showcases its products in well appointed showrooms at the Group retail outlets. Customers look forward to new designs which are regularly introduced to the market

## Printing Rollers / Industrial Rubber Products and Moulded Rubber Goods Operation

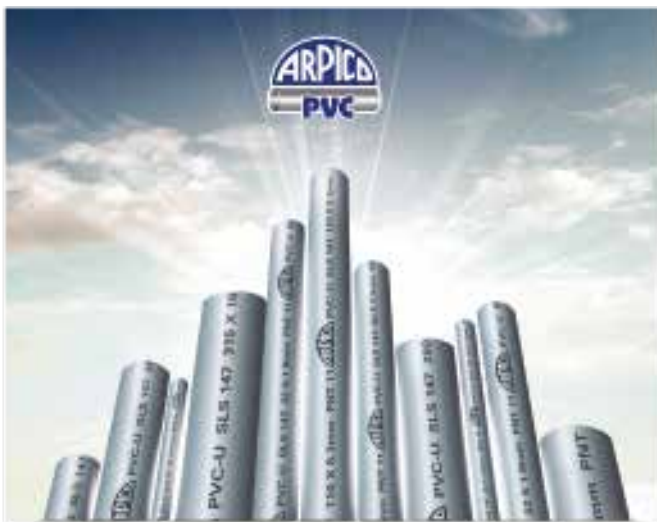
The Rubber business segment manufactures printing rollers, belt rollers, industrial rubber products and moulded rubber goods. Recent new product includes a new hyper range including five new mat designs and five types of rubber hoses, road accessories such as traffic cones, corner guards and road humps. Plans are in the pipeline to invest further in this operation to expand the product range and to drive product efficiencies. Being one of the oldest companies in the Group it still stands strong with unmatched quality and standards of its products.

## Water Pumps Operations

Water pumps operation is in progress of expanding the product portfolio by introducing a whole new range of pumps to the market under the trusted Arpico brand name. Technical improvements are constantly effected, 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 brand awareness.

## Electronics Operations

The sector ventured into the Electronic operations during the year which is in line with the Groups's strategy of continuous product diversification. Arpico branded Electronic products such as, Washing Machines, Televisions, Refrigerators, Kitchen Appliances and other home appliances which are distributed through our Dealer network throughout the Island. The products are under the Arpico brand name and this operation is aggressively focusing on product manufacturing and geographical expansion.







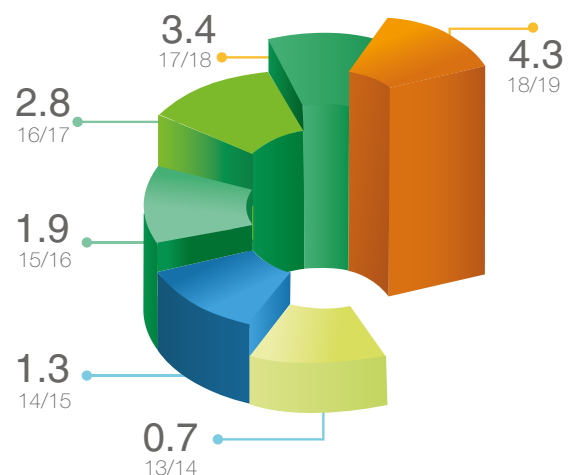


## Our Business

# FINANCIAL SERVICES SECTOR

The Financial Services Sector of the Group includes Richard Pieris & Company PLC, Richard Pieris Finance Limited, Arpico Insurance PLC, Richard Pieris Securities (Pvt) Limited and other Strategic Business Units. As the Holding Company of the Group, Richard Pieris and Company PLC guides the Group in implementing its focused diversification strategy, overall corporate policy and decision-making, as reflected in the giant strides the Group has made in Sri Lanka's corporate sphere and its export markets.

# 4.3 Bn Revenue



History of the Sector Revenue

## Financial Services

The Company acquires a significant 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 and the tyre factory. The Company's various divisions provide support services to all companies in the Group, including services relating to information and communication technology, human resources and procurement.

The Group is strongly supported by advanced ICT platforms consisting of a confluence of software and hardware systems that empower the various sectors as per their specific requirements. The company has forayed strongly onto the digital platform which is helping staff leverage on technology aids such as mobile based applications to better manage sales and distribution functions. Technology not only save time but also heightens productivity and speed of response to customers. The mobile-based attendance recording system in the Plantation sector was launched last year. The Group has also recorded a good response for its new e-commerce site and is witnessing the incidence of online sales which are expected to grow in the years ahead. Developments are continuously carried out to access performance monitoring systems with information dashboards for driving operational excellence.

Human Capital remains the key strength of the Group and much of the credit for the success of managing the total staff strength of more than 27,300 goes to the Group Human Resource division, which is responsible for the overall deployment of the HR policy. Each sector's staff has their own set of needs and managing human capital in each sector is a formidable administrative task that is expertly managed by the Group Human Resources Division.

Further details on the Group's Human Capital strategies in relation to its employees, is available on page 55 of this report.

Furthermore, the Central Commercial Division handles the procurement of raw material and consumables, both from domestic and international sources, playing a crucial role in successfully passing on the benefits of lowered cost to subsidiaries by maintaining sound supplier relations and maximising economies of scale.

The financing requirements of the Group are substantial, considering the highly diversified nature of the business. It is in relation to this that the Group Treasury supports funding requirements of all the businesses in the Group. It is also responsible for negotiating bank facilities for the Group while managing aspects such as foreign exchange exposure and the interest rate risks.

Last but not the least, the centralised Internal Audit function ensures that the internal control systems of the Group are adequate, upto-date and complied with by all Group companies. The variety of risks faced by each sector is diverse and requires a dynamic risk and mitigation action plan. The Internal Audit function is critical as it reinforces the stature of the group as an ethical business and strengthens the confidence of shareholders and other stakeholders.



## RPC LOGISTICS LIMITED

RPC Logistics' portfolio of services includes airfreight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company's portfolio also includes door-to-door cargo services and a variety of other related services.

## RICHARD PIERIS SECURITIES (PVT) LIMITED

The financial year 2018/19 seemed to be changing with mixed fortunes, closing more rewarding especially toward the latter. The current oversold CSE condition, has opened ample opportunities for mergers & acquisitions. The Company will position itself more strongly to face the future.

## ARPICO INSURANCE PLC

Anointed the 'Fastest growing life insurance company' for the second consecutive year in 2018 by the Global Banking and Finance Review, Arpico Insurance is on a strong footing in the industry. In yet another accolade, Global Brands Magazine recognised and awarded Arpico Insurance as the 'Most Successful Life Insurance Company in Sri Lanka 2018'. These awards recognize the Company's record performance during the year under review, when it posted a growth rate of 34% as against an industry growth of 12%.

Its strategy of boosting its geographical presence by expanding its network to 45 branches covering all major localities, has granted greater visibility to the Company. In yet another strategic move, Arpico Insurance has aligned its focus towards delivering convenience, access and affordability to customers and continues to emphasise on factors within its control, which include driving operational improvements, stringent cost control and increasing margins.

## RICHARD PIERIS FINANCE LIMITED

As one of the youngest finance companies in Sri Lanka, Richard Pieris Finance is marking its sixth year of operations by recording reasonable growth while expanding its branch network. The Company offers a variety of financial solutions such as Fixed Deposits, Savings, Leasing Facilities, Loan Facilities, and alternative financial solutions. For a company that is still in its early stages, it has 15 branches island-wide. The Arpico brand is a household name in Sri Lanka and this has been instrumental in growing its deposit base.



The Company has dynamic growth plans for the future and has introduced Home Loans, Gold Loans and Three- Wheeler Leasing during the year under review. New products will be regularly introduced to cater to customer requirements. The Company reflects passion and energy to catapult itself to the forefront of the sector, supported all the way by a skilled and highly professional team. The Company's close engagement with the SME segment places it in a pivotal position to help support SMEs scale up their operations to achieve true financial inclusion.

The Richard Pieris Group enjoys a long history as a responsible corporate citizen, holding a strong sense of commitment towards our stakeholders. Over the decades, the Group has demonstrated its sustainable approach to business through projects that deliver economic, environmental and social benefits by leveraging on its business model which is founded on the pillar of sustainability. Taking measured steps in its sustainability journey, the Group's footprint is becoming more efficient and green with each passing year as we explore ways to do more with less.

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 have a 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 aspire to grow beyond boundaries and have achieved many a milestone through diversification, but our commitment to corporate social responsibility has not been compromised. The Group pioneers new solutions for sustainable development while continuing to shape business responsibly and increasing its economic success.

As one of the largest and oldest diversified conglomerates in Sri Lanka, with a vast number of stakeholders, it is engaged in numerous economic, social, and environmental support initiatives targeted at delivering its responsibilities to all stakeholders.

## Our Customers

Customers are the heart of our operations and all our efforts are directed at winning and retaining customers to ensure sustainability of the business. Our business strategies are aimed at nurturing relationships with customers through a range of customised products and services to meet their needs. The closer we are to customers, the easier it will be to build long-lasting and mutually rewarding relationships with them, which is why the Group has expanded its operations both locally and globally through a widespread network.

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 cold 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 the below Tea Manufacturing Factories of the Company.

- Luckyland Estate
- Kirklees Estate
- Gampaha Estate
- Doteloya Estate
- Yataderiya Estate

## 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

As one of the largest employers in the country, The Richard Pieris Group has a responsibility to demonstrate its human capital management skills honed over decades of operations. Our employees stand apart for their professionalism, high levels of customer care skills and dynamism, to outperform the industry in a fair and ethical manner. In return, the Group ensures the health and safety of employees across all our workplaces, be it a retail store, a warehouse or a factory.

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 necessary requirements, and we aim to create a culture of safety through focus on the fundamental principles of leadership, competence and a safe working environment.

Safety is an integral part of our business framework. Our security function frequently reviews the safety levels at our locations and the results are reported to the management on a timely basis. Our total lost time accident rate is low and there were no major incidents during the year. Being a prudent employer, we have obtained necessary insurance covers to compensate losses.

## Community and Country

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 27,300 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

### Vegetable Out Grower System

During the low cropping months, estate workers' income could fluctuate resulting in a lesser income for the worker communities. Therefore, this vegetable out grower project, being a brain child of our group Chairman, was commenced which provides an additional, steady income for the families of the estate workers during the low cropping periods. Accordingly, the worker families and the entire plantation community engages in growing of vegetable in their home gardens. The produce is purchased through a collection centre located on Strathspey Estate and sent to the shelves of the retail outlets. This project is done in collaboration with the Department of Agriculture.

Further, several crops are being also trialed in plantations including Pearse, Oranges, Avocado, Agarwood and Khaya under many different projects initiated within past few years. The efforts are expected to support the nation in terms of creating new employments and generating additional income.

### Community Driven Waste Management Project and Child Nutrition

Quality of drinking water plays an important role in child and adult nutrition. A community driven waste management project was initiated and developed as a pilot project in the Talawakelle & Upcot regions of Maskeliya Plantations to prevent water sources getting contaminated with domestic waste. The project benefits over 25,000 individuals directly at estate level and millions of people living downstream. This project is also coupled with a child nutrition enhancing program funded by Save the Children International.

### Prevention / Mitigating Honey Bee Attacks

There are plenty of incidents reported on Giant honey bee (*Apis dorsata*) or commonly known "Bambara" attacks in plantations and several human deaths are caused due to this every year. However, there is a solution developed for this burning issue within Maskeliya Plantations by gathering the knowledge on the behavior of Giant honey bees also with an antidote developed for bee venom. Now this knowledge is being spread within the plantations to prevent GHB attacks and avoid human deaths by same, as a national responsibility.

## Community Tree Planting Programme

A community tree planting programme has been undertaken at some of our estates, where over 2,000 plants have been planted. This was done in collaboration with the Department of Agriculture and the Maskeliya Police, as a result of which most of the plants were received free of charge.

## Access to consumption of Fish

Providing of fresh water fish to the estate reservoirs in collaboration with the National Aquatic Resources Development Authority was undertaken in June 2018 in order to enhance the nutritional status of the plantation community. Accordingly, in total six ponds, two each at Laxapana and Talawakelle Estates under Maskeliya Plantations and one each at Tonnacomb Estate under Namunukula Plantations and Moray Estate, Maskeliya Plantations. This is to improve the nutrition status of the plantation community with additional supply of Fish.

## Upgrading of Plantation Operations with Skilled and Dignified Work Force

Initiative of offering technical courses on Proper Operation and Maintenance of Tea Farm Machinery such as Mechanical Harvesters, Pruning Machines, targeting school leavers at plantations. Trainees will be supported with a loan scheme to purchase their own machinery and also job opportunities within the estates to earn and settle their dues. This is to attract young generation back to plantation in a more dignified manner. This concept Termed “Wedata Enna-Hedata Inna” meaning “Come and work and be Smart”.

## Mechanized Harvesting for Female pluckers

For the first time in Sri Lanka, female pluckers have been trained to undertake harvesting of tea using machines, which is an innovative move introduced by the Management of Talawakelle Estate of Maskeliya Plantations. Having gone a step further, the Company has developed an innovative version of a new motorized tea harvester based on a novel concept to make this operation much more convenient for the operator, ergonomically developed a “Belly-mounted Motorised Tea Harvester”, the world’s first model. This machine is a product of Maskeliya Plantations introduced through the research project in collaboration with the Department of Agriculture Engineering, Faculty of Agriculture, University of Peradeniya. As a result of this, crop has increased by 30% and leaf damage has been also minimised by a great extent.

## 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.

A health camp was organised by the Maskeliya & Upcot region estates, serving over 500 individuals, where 32 persons were provided with cataract operations free of charge and were also provided with spectacles thereafter. The estate worker community is provided with healthcare and individual medical history records are maintained in order to provide them with proper medical attention. In addition, Moray Estate introduced documentation of the history of pregnancies of all females of the estate (including non-workers), where each and every female with child/children have a record of their history of pregnancies. This record-keeping has been well accepted and most appreciated by Government hospitals, as, if any individual has had a record of any abnormalities, problems, etc. previously, they could be addressed by the hospital authorities with ease and if the need arises, they could also be referred to other hospitals more equipped to handle such situations, without undue delay. A total sum of Rs. 57 Mn has been spent on worker health facilities in the year 2018 by the Maskeliya Plantations.

## Community Sports Meet

Estates coming under Fair Trade Labelling Organisation (FLO) Certification organised a sports meet for the community. Accordingly, Laxapana, Strathspey, Brunswick and Craig Estates under Maskeliya Plantations PLC took part in this sports meet held on 15th September 2018 at Norwood Stadium, Norwood, where cricket, volley ball & track and field events were held.

## Introduction of a Scholarship Scheme

All Estates have introduced a scholarship scheme for grade five scholars as well as children entering universities where each selected student is provided with a monthly provision until completion of their university education. Grade five scholars are provided with a valuable stationery pack and teachers involved will be provided with gifts in appreciation of their service.



## Child Development Centres

There is large number of Child Development Centres under Plantations Funding. Children attending these Child Development Centres are provided with a mid-day meal. This ensures a healthier future generation. As an example, under this programme Rs. 54 Mn has been spent for the year 2018 by Maskeliya Plantations only.

## Maintenance of Worker Housing

Plantation workers are provided with free residential facilities and especially at Maskeliya Plantations Rs. 41 Mn has been spent for this project in the year 2018.

## 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 a more 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, Kurunagala, Nuwara Eliya and Badulla districts when over 2500 mm of rain is experienced. Most of our Rubber estates in Kegalle, Kalutara and Galle districts spread in between 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 as 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 over a dozen 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 man made lakes of Maussakelle and Castlreigh 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. The local services offered may be the vista, inland fisheries and leisure, together with providing platforms for landing sea planes. Timber plantations and fuel wood plantations found in diversified marginal tea lands due to soil degradation too occupy a 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" (*Austroepatorium 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 (PWNRR), 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	1,374,553
Talawakelle	274,346
<b>Total</b>	<b>1,648,899</b>



## Land Management

As a Group which holds Plantation Companies, we are always concerned about our environment, particularly soil. To safeguard our land and soil erosion, we continuously emphasise 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 enabled 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 depend 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 affairs 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;

- 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.

## Overall Group Performance

During the financial year 2018/19, the Group was able to continue its consistent performance in terms of revenue amounting to Rs. 55 Bn, with an increase of 4% over the previous financial year. The measures taken to increase productivity and efficiencies supported to diminution the impact to the Gross profit, where the Gross profit increased by 1.9 % to Rs. 13.5 Bn during the period under review. Consequently, the Group recorded a Profit before Tax of Rs. 3.3 Bn and Profit after Tax of Rs. 2.3 Bn.

### Revenue Analysis

Revenue growth of the Group was achieved, despite the sluggish economic growth and challenging commercial conditions in the country. Despite these challenges, the Financial sector recorded a growth of 26% over the previous year while Rubber and Retail sectors also established a growth in revenue.

#### 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. 27.7 Bn, indicating a growth of 5% 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 a large format outlet in Kegalle which in turn expanded the total network of large format retail outlets to 25. The sector is also focusing in premeditated geographical expansion in all formats of outlets and expanding its array of products displayed. Throughout the year, the sector continued to be the value driver of the Group, attracting a larger portion of its risk weighted capital.

#### Plastics, Furniture & Electronics Sector

Despite the challenges imposed from the external environment, the Plastics sector was able to report a revenue of Rs. 6.5 Bn for the financial year 2018/19 contributing 12% to the Group revenue. The sector's product portfolio is highly sensitive to the market sentiments. The sector was challenged with numerous factors including fluctuation in the global material prices and rupee depreciation which in turn increased the procuring costs. 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.

#### Rubber Sector

The rubber sector continued its growth momentum during the year with its revenue increasing by 19% to Rs. 5.4 Bn and its contribution to Group Revenue increased to 10%. Richard Pieris Natural Foam continued its consistency of contribution to the Group revenue with a Rs. 3.7 Bn for the period under review. Increase in volumes along with the rupee depreciation induced the sector revenue during the year. The growth reported in this sector 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 of Arpitalian Company also reported as Rs. 374 Mn during the period under review.

#### Tyre Sector

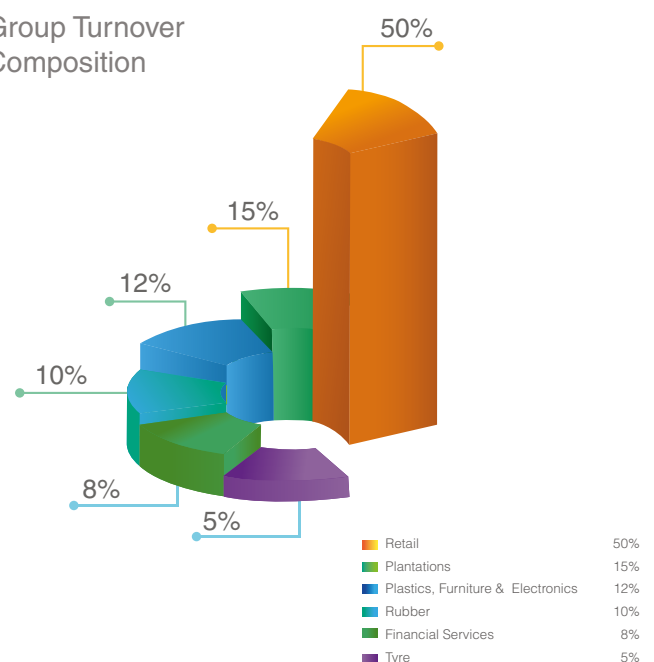
Revenue of the Tyre sector reached Rs. 2.8 Bn, contributing 5% to the Group revenue in the reporting financial year. The re-treading segment continued to dominate the sector's revenue, contributing approximately 68% to the sector revenue. However, the rising competition posed by imported radial tyres, 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. Contribution from the Solid Tyre manufacturing also showed promising results during the year, showcasing a better performance for the next financial year.

#### Plantation Sector

The sector ended the year by recording total revenue of Rs. 8.4 Bn and continued to be the second highest contributor to the Group revenue, contributing more than 15% during the year under review.

The tea output from the sector was 11.8 Mn kg during the reporting financial year compared to 12.4 Mn kg reported during the previous financial year. The sector produced 5.0 Mn Kg of rubber during the year compared with 4.4 Mn Kg in the corresponding period. Further, the average rubber price also recorded a fluctuation during the year under review. Palm Oil segment continued to be a profitable crop to the sector. The sector is poised to restructure its cost structures in future.

### Group Turnover Composition



## Financial Services Sector

The Financial Services sector comprises of the Finance company, Life insurance, stock broking, margin trading and a logistic company. The sector continued its growth momentum in the reporting year, indicating 26% growth in revenue to report Rs. 4.3 Bn contributing 8% of the Group Revenue. The sector growth was driven by the Finance company and the Insurance company during the year.

## Cost of Sales and Operating Expenses

The cost of sales of the Group increased by 5% during the year under review which absorbed 75% of the Group revenue. The cost of sales reported to be Rs. 41.5 Bn in the period under review compared to Rs. 39.7 Bn in the corresponding year.

Administration costs was reported to be Rs. 6.6 Bn in the reporting year compared to Rs. 5.9 Bn in the previous year exhibited an increase of 13%. Meanwhile, the Group's distribution costs, which include advertising and promotional costs as well as sales related expenses, sales incentives, increased by 4% to reach Rs. 3.3 Bn during the year, accounting for 6% of the total revenue. Accordingly, the administration and distribution costs, along with the cost of sales, constituted 94% of the Group's revenue during the financial year under review.

## Profit from Operations

The gross profit was reported to be Rs. 13.5 Bn for the reporting year compared to Rs. 13.3 Bn in the financial year 2017/18. Other operating income for the year was recorded at Rs. 1.4 Bn. Consequently, profit from operations of the Group decreased by 10% to Rs. 4.9 Bn, which reflects an operating profit margin of 9% for the reporting financial year.

## Retail Sector

Retail sector yet again pivoted to be the main contributor to groups returns generated from operations contributing 39% to the Group operating profit compared to 35% in the corresponding year. The operating profit of the Retail sector was Rs. 1.9 Bn, recording a marginal growth compared to 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 in managing the cost structure, backed the recorded operating profit margin of 7%.

## Rubber Sector

The rubber sector emerged to be the second highest contributor for the Group operating profit accounting for 24% during the period under review. The operating profit reached to Rs. 1.2 Bn for the year under review compared to Rs. 814 Mn reported in the previous financial year showcasing a growth of 44%.

## Tyre Sector

The tyre sector reported an operational profit of Rs. 328 Mn for the reporting financial year, contributing 7% 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 the operational cost.

## Plastics, Furniture and Electronics Sector

The Plastic, Furniture and Electronics sector reported a revenue of Rs. 6.5 Bn while recording an operating profit of Rs 387 Mn. During the year, drastic increase in cost of sales was witnessed mainly driven by raw material price increases and selling & distribution expenses hinder the profitability of the sector.

## Plantation Sector

The plantation sector, which experienced a healthy performance in the previous year deteriorated considerably during the current period due to various internal and external adverse market developments reporting an operating profit of Rs. 672 Mn accounting for 14% of the Group operating profit. Price and demand pressure in global markets caused by hard economic conditions and adverse geopolitical developments in the country including the wage hike drove the sector's performance during the year under review.

## Financial Services Sector

The sector reported an operating profit of Rs. 481 Mn for the reporting year, indicating a slight slowdown over the previous year. Revision of countries tax policy affected the deposit base of the Finance company significantly.

## Group Financial Position and Liquidity

### Non-Current Assets

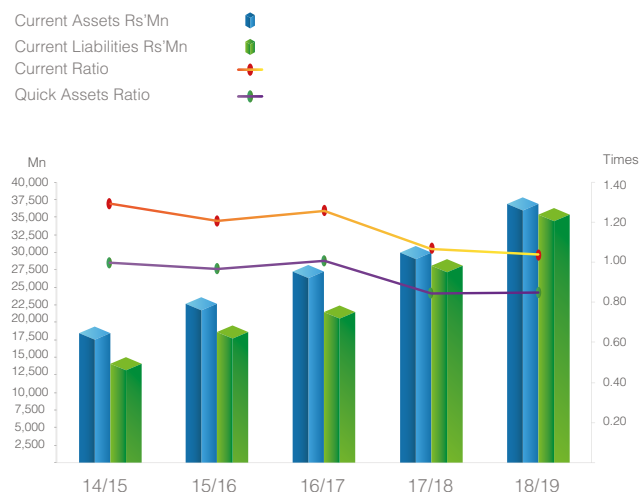
The non-current assets of the Group increased from Rs. 25 Bn to Rs. 27 Bn during the year, and as such represents 42% of total assets. The property, plant and equipment category, which accounts for 31% of the total assets, increased by 4% over the previous financial year. The Retail Sector investments for its expansion and the Plantation sector, with its investment for replanting purposes, also contributed towards this growth.

## Working Capital

During the year, the current assets of the Group reached Rs. 37.8 Bn compared to Rs. 31 Bn reported during the corresponding period, whilst current liabilities also reached to Rs. 36.4 Bn indicating an increase of 22% and 25% respectively. Inventory increased by Rs. 488 Mn as business expanded its volumes. Trade receivables were reported to be Rs. 10.1 Bn in the reporting year compared to Rs. 8.2 Bn in the previous financial year.

The working capital cycle expanded, which induced trade and other payables also to increase to Rs. 9.9 Bn. Accordingly working capital days were managed within the controllable limits. The total current assets of the Group accounted for 58% of its total assets while total current liabilities accounted for 56% of the same. The Group's current ratio was reported to be 1.04 and the quick asset ratio was reported at 0.85 compared to 1.07 and 0.84 times respectively in the corresponding period.

## Working Capital Investment vs. Current Ratio



## Capital Structure

### Equity

The profit attributable to the shareholders for the year was recorded at Rs. 2.0 Bn, which in turn induced the reserves to reach Rs. 11.3 Bn. The Group declared a first interim dividend of Rs. 0.60 on 8th October 2018 and a second interim dividend of Rs. 0.25 on 15th March 2019 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. 19.8 Bn compared to Rs. 15.3 Bn in the previous financial year, an increase of Rs. 4.5 Bn during the year mainly because the Group relied on external funding for the continuous expansion of its core businesses including the Finance Company.

### Market Capitalization

The market capitalization of the Company was Rs. 18.7 Bn at the closing price of the share, down from Rs. 26.0 Bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 12.90, while the lowest price was Rs. 9.00. Close to 39.1 Mn number of shares were traded during the year and the share price closed for the year at Rs. 9.20.

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
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## 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 a 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.
- 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

To minimise risks associated with debtor

### 1. Credit Risk

- defaults.

- Obtaining insurance cover for export debtors.
- Developing and implementing Credit Policies.
- Obtaining bank guarantees, deposits and collateral for all major local customers.
- Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.
- Demarcating the local areas and appointing new distributors thus increasing the number of customers with the objective of reducing credit exposure due to the reliance of a few customers.
- Closely monitoring the debtor balances, laying action plans, and determining the same are under control.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
<b>2. Asset Risk</b>	<ul style="list-style-type: none"> <li>To minimise risk from fire, theft and machinery and equipment breakdown.</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining comprehensive insurance covers for all tangible assets.</li> <li>Adoption of stringent procedures with regards to the moving of assets from one location to another.</li> <li>Carrying out mandatory preventive maintenance programs.</li> <li>Carrying out frequent employee training programs in areas such as fire prevention.</li> </ul>
<b>3. Internal Controls</b>	<ul style="list-style-type: none"> <li>To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.</li> </ul>	<ul style="list-style-type: none"> <li>Carrying out of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department.</li> <li>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.</li> </ul>
<b>4. Reputation Risk</b>	<ul style="list-style-type: none"> <li>To prevent the causes that damage our reputation.</li> <li>To minimise the impact if, despite our best endeavours, a reputation crisis should occur.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community large.</li> <li>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.</li> <li>Ensuring Public Liability Cover to make certain safety of the customers and public at all times.</li> </ul>
<b>5. Human Capital and Labour Risk</b>	<ul style="list-style-type: none"> <li>To ensure a smooth flow of operations without any undue disruptions.</li> <li>To project our self as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining healthy relationships with trade unions through regular dialogue.</li> <li>Entering into agreements with trade unions.</li> <li>Improving employee benefits by way of incentives and welfare activities.</li> <li>Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs.</li> <li>Promoting Performance driven culture.</li> </ul>
<b>6. Technological Risk</b>	<ul style="list-style-type: none"> <li>To keep pace with the current technological developments and safeguard against obsolescence.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous investment in new technologies and automation.</li> <li>Investing in Research and Development activities throughout the year.</li> <li>Investing in hardware and developing software in-house.</li> </ul>
<b>7. Procurement Risk</b>	<ul style="list-style-type: none"> <li>To minimise risk associated with price and availability.</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of total Supply Chain framework including correct procurement process system.</li> <li>Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand.</li> <li>Ensuring effective category management to reduce the risk of non-availability of goods at our retail outlets.</li> <li>Adoption of backward integration strategies.</li> <li>Centralised purchasing division which has enabled us to create a reliable network of global suppliers.</li> <li>Entering into forward contracts for raw material purchases.</li> <li>Ensure Goods in Transit are insured.</li> </ul>

Risk Exposure	Group Objectives	Risk Minimisation Strategies
<b>8. Inventory</b>	<ul style="list-style-type: none"> <li>To reduce stock obsolescence and manage stock holding costs.</li> <li>Reducing the risk associated with theft and shrinkage.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring total inventories are adequately insured.</li> <li>Identifying slow-moving stocks and effectively laying out a channel for these to be sold off.</li> <li>Adopting security systems at the Retail outlets such as security tags with alarm systems, surveillance cameras and deployment of security to manage theft.</li> </ul>
<b>9. Risk of Competition</b>	<ul style="list-style-type: none"> <li>To maximise our market share and maintain market leadership in the respective industries.</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring high standards of quality.</li> <li>Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs.</li> <li>Carrying out Research and Development activities to identify needs.</li> <li>Further strengthening our Arpico brand through aggressive advertising campaigns and target marketing.</li> <li>Introducing pioneering products.</li> <li>The introduction of a CRM program in our retail chain.</li> <li>The provision of various value added services at our key retailing outlets.</li> </ul>
<b>10. Intellectual Capital Risk</b>	<ul style="list-style-type: none"> <li>To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.</li> </ul>	<ul style="list-style-type: none"> <li>Registering our brands and trademarks.</li> <li>Successfully obtaining patents for manufactured radial tyres.</li> <li>Furthering our Arpico brand image through promotions and advertising whilst ensuring value of the brand image is resolute.</li> </ul>
<b>11. Capital Investments Risk</b>	<ul style="list-style-type: none"> <li>To minimise risk of not meeting profit expectations.</li> </ul>	<ul style="list-style-type: none"> <li>Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.</li> <li>Carrying out extensive feasibility studies for large scale investments. External expertise is obtained wherever required.</li> </ul>
<b>12. Information Systems Risk</b>	<ul style="list-style-type: none"> <li>To minimise risk associated with Data Security, Hardware and Communication and Software.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining of spare servers.</li> <li>Mirroring of hard disks with critical data.</li> <li>Data back-ups stored in off-site locations.</li> <li>Vendor agreements for support service and maintenance.</li> <li>Regular upgrading of Virus Scanners, Fire walls etc.</li> <li>Compliance with statutory requirements for environmental preservations.</li> <li>Carrying out Application Control Audits.</li> <li>Having a Disaster Recovery Site.</li> </ul>
<b>13. Environmental, Political and Regulatory Risk</b>	<ul style="list-style-type: none"> <li>To minimise the negative impact from the changes in the external environment which are beyond our control.</li> <li>To Comply with the regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with statutory requirements for all tax and other payments.</li> <li>Prioritise the IT requirements for reporting.</li> <li>Set up internal dead-lines for each criterion.</li> <li>Meet the dead line for Statutory Returns and review all returns by Group Finance before the submission.</li> <li>Continuous dialogue with statutory bodies to get the updated reporting requirements.</li> </ul>
<b>14. Underwriting Risk</b>	<ul style="list-style-type: none"> <li>To Minimise the Claims and to ensure proper pricing.</li> </ul>	<ul style="list-style-type: none"> <li>Assessing the risk exposed by accepting the policy and carrying out proper ratings and loadings before underwriting any policy.</li> <li>Adhering to the guide lines provided by re-insurer.</li> <li>Referring any complicated matters to the re-insurer before accepting the risk.</li> <li>Checking validity and accuracy of all the proofs given by the client before accepting the risk.</li> </ul>

# Statement of Value Added

Richard Pieris & Company PLC  
Annual Report 2018/2019

	2018/2019 Rs.'000	%	2017/2018 Rs.'000	%
Revenue	55,045,358		52,972,873	
Cost of material and services purchased	(38,208,306)		(36,262,278)	
	16,837,052		16,710,595	
Other income	1,397,658		1,285,610	
	18,234,710		17,996,205	
<b>Distribution of value added</b>				
<b>To employees</b>				
-Remuneration	8,585,373	47%	8,359,078	46%
<b>To government</b>				
-Duties and taxes	2,227,374	12%	1,981,323	11%
<b>To providers of capital</b>				
-Interest on loan capital	2,109,249	12%	1,291,017	7%
-Non controlling interest	332,699	2%	390,416	2%
-Dividend to shareholders	1,729,783	9%	2,238,542	12%
<b>Retained in the business</b>				
-Depreciation and amortisation	1,240,664	7%	1,048,847	6%
-Profit retained	2,009,568	11%	2,686,982	15%
	<b>18,234,710</b>	<b>100%</b>	<b>17,996,205</b>	<b>100%</b>



Richard Pieris Group, with its unparalleled heritage of 87 years, has succeeded in positioning itself at the pinnacle of the corporate sector in Sri Lanka, whole-heartedly supported by a team of enthusiastic, dedicated and motivated employees who are blessed with an abundance of talent and dynamism. The Company is committed to nurture an open and warm family atmosphere based on a strong anti-discriminatory policy. The group's human capital management is focused on fostering innovative thinking, creativity and team work which delivers unique value to customers and clients.

The Richard Pieris Group considers its employees to be the asset with the greatest value. The blend of youth and maturity among the employees simultaneously benefits employees as well as the company. Given its aspiration of being counted as a 'Great Place to Work', the Group is dedicated to building an exclusive work environment for its workforce comprising more than 27,300 employees of different nationalities, races, religions and cultures, working together as an integrated team. The Human Resource (HR) policies of the group systematically focus on attracting and retaining the best talent, while empowering employees to achieve their professional and personal goals, thus contributing to the value creation and success of the Group.

## Employee Relations

The Group continuously strives to maintain an open door policy with employees across the hierarchy, which is a key success factor in order to foster a rapid growth momentum to foster dynamism of the 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.

## Equal Opportunity Employer

As an equal opportunity employer, the Richard Pieris Group respects freedom of association and sustains healthy and cordial relationship with the Trade Unions.

The Company follows a zero tolerance policy for gender based discrimination and sexual harassment while ensuring a hazard-free safe workplace.

## 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 structured 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 talent 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 Group's own in-house training academy foster staff of all categories to reach greater heights in their careers.

Going beyond the workplace, different initiatives were executed across communities of different SBUs with the objective to assist 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 employees, whose untiring commitments generated greater value across the group.

## Recreation & Employee Motivation

Maintaining a steady balance between work and personal life, is an essential aspect in employee well being and motivation, since a stress-free environment enhances their performance whilst inspiring innovative ideas. Different recreational activities are organized by the Group which are aimed 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 an optimal work-life balance.



## 1. RUBBER SECTOR

### RICHARD PIERIS EXPORTS PLC

Business Activity	Manufacture and export of rubber mats and sealing rings
Dr. Sena Yaddhige	Chairman/CEO
Mr. Shaminda Yaddhige	Director
Mr. S S G Liyanage	Director
Mr. W J V P Perera	Director
Mr. W R Abeyirigunawardena	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 Yaddhige	Chairman
Mr. Lino Piccolo	Director
Mr. Fabio Piccolo	Director
Mr. W R Abeyirigunawardena	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 Yaddhige	Chairman
Mr. Shaminda Yaddhige	Director
Mr. S S Poholiyadde	Director resigned w e f 02.08.2018
Mr. W R Abeyirigunawardena	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 Yaddhige	Chairman
Mr. Shaminda Yaddhige	Director
Mr. Januka Karunasena	Director
Mr. W R Abeyirigunawardena	Director
Stated Capital	Rs. 90,000,000 represented by 9,000,000 shares
Group Holding	84.93%

### MICRO MINERALS (PRIVATE) LIMITED

Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddhige	Chairman
Mr. W R Abeyirigunawardena	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 Yaddhige	Chairman
Mr. W R Abeyirigunawardena	Director
Mr. Shaminda Yaddhige	Director
Mr. Pradeep Samaratinga	Director
Stated Capital	Rs. 50,000,000 represented by 4,000,000 shares
Group Holding	100%

### ARPIDAG INTERNATIONAL (PRIVATE) LIMITED

Business Activity	Manufacture of pre-cured tyre retreading material
Dr. Sena Yaddhige	Chairman
Mr. W R Abeyirigunawardena	Director
Mr. Shaminda Yaddhige	Director
Mr. Pradeep Samaratinga	Director
Stated Capital	Rs. 58,650,000 represented by 459,999 shares
Group Holding	51.00%

### RICHARD PIERIS RUBBER COMPOUNDS LIMITED

Business Activity	Mixing rubber compounds
Dr. Sena Yaddhige	Chairman
Mr. W R Abeyirigunawardena	Director
Mr. Pradeep Samaratinga	Director
Stated Capital	Rs. 17,000,000 represented by 1,700,000 shares
Group Holding	100%

### BGN INDUSTRIAL TYRE (PRIVATE) LIMITED

Business Activity	Manufacture of Industrial tyre
Mr. Shaminda Yaddhige	Director
Mr. Pradeep Samaratinga	Director
Mr. W R Abeyirigunawardena	Director
Mr. B G Nandana	Director
Ms. B G K Maduhansika	Director
Mr. P A Rohitha Karunarathne	Director
Mr. B S A P Gooneratne	Director
Stated Capital	Rs. 147,364,000 represented by 7,317,680 Shares
Group Holding	51.00%



## 3. PLASTICS SECTOR

### PLASTISHELLS LIMITED

Business Activity	Manufacture of rotational molded products
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Managing Director
Mr. Shaminda Yaddhegige	Director
Mr. Shiron Gooneratne	Director
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 Yaddhegige	Chairman
Mr. S S G Liyanage	Managing Director
Stated Capital	Rs. 29,000,000 represented by 2,900,000 shares
Group Holding	100%

### ARPITECH (PRIVATE) LIMITED

Business Activity	Manufacture of PVC pipes & fittings and polyurethane foam products
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. L C Wijeyesinghe	Director
Mr. Shaminda Yaddhegige	Director
Mr. Shiron Gooneratne	Director
Stated Capital	Rs. 35,000,020 represented by 3,500,002 shares
Group Holding	100%

### R P C POLYMERS (PRIVATE) LIMITED

Business Activity	Manufacturers, exporters and importers of all plastic products
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. Shiron Gooneratne	Director
Stated Capital	Rs. 187,000,020 represented by 18,700,002 shares
Group Holding	98.88%

### RICHARD PIERIS RUBBER PRODUCTS LIMITED

Business Activity	Manufacture of rubber products
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. W R Abeyasirigunawardena	Director
Mr. Shaminda Yaddhegige	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 Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddhegige	Director
Mr. K A S Lasantha	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 Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddhegige	Director
Mr. Pradeep Samararatunga	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%



## 4. RETAIL SECTOR

### RICHARD PIERIS DISTRIBUTORS LIMITED

Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. Ravi Liyanage	Director
Ms. Kimarli Fernando	Director
Mr. Shaminda Yaddhegige	Director/Alternative Director to Dr. Sena Yaddhegige
Mr. W J V P Perera	Director
Stated Capital	Rs. 1,096,760,960 represented by 106,676,096 shares
Group Holding	100%

### ARPICO INTERIORS (PRIVATE) LIMITED

Business Activity	Interior decorating
Dr. Sena Yaddhegige	Chairman resigned w e f 10.09.2018
Mr. S S G Liyanage	Director
Mr. Shaminda Yaddhegige	Director
Mr. K A S Lasantha	Director
Mr. Shiron Gooneratne	Director appointed w e f 10.09.2018
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

## ARFICO 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%

## ARFIMALLS 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 resigned w e f 02.08.2018
Mr. Sriyan Eriyagama	Director appointed w e f 25.10.2018
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 Ratnayake	Director resigned w e f 26.10.2018
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 resigned w e f 02.08.2018
Dr. L S K Hettiarachchi	Director
Mr. J L A Fernando	Director
Mr. Shaminda Yaddehige	Director
Mr. S S G Liyanage	Director appointed w e f 15.08.2018
Dr. Sarath Samaraweera	Director
Stated Capital	Rs. 673,720,950 represented by 53,953,490 shares
Group Holding	83.40%

### KEGALLE PLANTATIONS PLC

Business Activity	Rubber, Tea and Coconut Plantations
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director resigned w e f 02.08.2018
Prof. R C W M P A Nugawela	Director
Dr. S S G Jayawardena	Director
Mr. S S G Liyanage	Director appointed w e f 15.08.2018
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 resigned w e f 02.08.2018
Mr. Sriyan Eriyagama	Director
Mr. S S G Liyanage	Director appointed w e f 01.03.2019
Stated Capital	Rs. 10,000,000 represented by 1,000,000 shares
Group Holding	100%

### HAMEFA KEGALLE (PRIVATE) LIMITED (Discontinued Business)

Business Activity	Manufacture & Export of furniture
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director resigned w e f 02.08.2018
Mr. Lalith Wijeyesinghe	Director
Mr. Sriyan Eriyagama	Director appointed w e f 25.10.2018
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	79.14%

## NAMUNUKULA PLANTATIONS PLC

Business Activity	Rubber, Tea, Cinnamon , Coconut & Oil Palm Plantations
Dr. Sena Yaddehige	Chairman
Mr. S S Poholiyadde	Director resigned w e f 02.08.2018
Mr. N C Pieris	Director
Mr. B A T Rodrigo	Director (Government nominee)
Mr. Shaminda Yaddehige	Director
Mr. S S G Liyanage	Director appointed w e f 15.08.2018
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 Ratnayake	Director resigned w e f 26.10.2018
Mr. M P Welihinda	Director resigned w e f 29.03.2019
Mr. Shaminda Yaddehige	Director
Mr. S S G Liyanage	Director appointed w e f 20.02.2019
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
Mr. Manoj Pathiraja	Director
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
Mr. Shiron Gooneratne	Director appointed w e f 10.09.2018
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
Mr. W J V P Perera	Director
Mr. Shiron Gooneratne	Director appointed w e f 10.09.2018
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	Chairman
Mr. W J V P Perera	Director
Mr. Rohan Yaddehige	Director appointed w e f 13.11.2018
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	Chairman
Mr. W S Kalugala	Director
Mr. Shiron Gooneratne	Director appointed w e f 10.09.2018
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

## ARPICO HOTEL SERVICES (PRIVATE) LIMITED

Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Chairman
Mr. Sanjeewa Manoj Thushara	Director
Mr. Shiron Gooneratne	Director appointed w e f 10.09.2018
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 resigned w e f 29.03.2019
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

## RICHARD PIERIS SECURITIES (PRIVATE) LIMITED

Business Activity	Stock Broking
Dr. Sena Yaddehige	Chairman resigned w e f 24.04.2019
Mr. Shiron Gooneratne	Director
Mr. Faizan Ozman	Director resigned w.e.f 06.06.2019
Mr. R M Saman Wimalarathne	Director resigned w.e.f 31.01.2019
Mr. D P J Hewawitharana	Director resigned w.e.f 25.10.2018
Stated Capital	Rs. 194,500,000 represented by 19,450,000 shares
Group Holding	100%

## RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED

Business Activity	Margin providers
Dr. Sena Yaddehige	Chairman resigned w.e.f 24.04.2019
Mr. Shiron Gooneratne	Director
Mr. Faizan Ozman	Director resigned w.e.f 06.06.2019
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	Chairman
Mr. S S Poholiyadde	Director resigned w e f 02.08.2018
Mr. Sriyan Eriyagama	Director appointed w e f 25.10.2018
Stated Capital	Rs. 40 represented by 4 shares
Group Holding	69.79%

## 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 INSURANCE PLC

Business Activity	Life Insurance
Mr. W J V P Perera	Director
Mrs. L S A Seresinhe	Director
Mr. S Sirikananathan	Director
Mr. Shiron Gooneratne	Director
Mr. Faizan Ozman	Director appointed w e f 24.05.2018 Resigned w.e.f 06.06.2019
Mr. Ravi Liyange	Director appointed w e f 24.05.2018
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	51.00%

## 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. Faizan Ozman	Director resigned w.e.f 06.06.2019
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 resigned w e f 29.03.2019
Mr. S S G Liyanage	Director appointed w e f 05.04.2019
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
Dr. M S Samarakoon	Director
Mr. Shiron Gooneratne	Director
Stated Capital	Rs. 100,000,020 represented by 10,000,002 shares
Group Holding	100%

## ARPICO DEVELOPMENTS (PRIVATE) LIMITED

<b>Business Activity</b>	<b>Construction of shopping malls and renting it out to retail business</b>
Dr. Sena Yaddhegige	Chairman
Mr. S S G Liyanage	Director
Mr. Manoj Pathiraja	Director appointed w e f 13.11.2018
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

## ARPICO PLANTATIONS INTERNATIONAL (PRIVATE) LIMITED

<b>Business Activity</b>	<b>Business of Plantation Management</b>
Dr. Sena Yaddhegige	Chairman
Mr. W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	89.57%

## ARPICO HYDEPARK TOWERS (PRIVATE) LIMITED

<b>Business Activity</b>	<b>Carrying on Property Development Business.</b>
Dr. Sena Yaddhegige	Chairman
Mr. W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

## ARPICO DAILY RETAIL MANAGEMENT (PRIVATE) LIMITED

Mr. S S G Liyanage	Director
Mrs. R S K Rambodagedara	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	50.00%

87 Since 1932  
*Years*

*Touching Lives*



# FINANCIAL INFORMATION

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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 31st March 2019.

The Directors approved the Financial Statements on 12th June 2019

## 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 56 to 61 of the report.

A review of the Group's business and its performance during the year, with comments on financial results and future developments, is contained in the Chairman's Review, Sector Reviews and the Financial Review of this Annual Report. The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 51 to 53 of this report.

## Future Developments

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

## Group Revenue

The revenue of the Group was Rs. 55 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. 5.6 bn. Trade between Group companies is conducted at fair market prices.

## Results & Dividends

Details relating to the Group profits are given in the table on Page 65. The Group reported a Profit after tax amounting to Rs. 2.3 bn.

## Group Investments

The Group Invested Rs. 0.60 bn in equity shares of National Development Bank other than investments in subsidiary companies during the year. Details of this are given in Note 16 and Note 17 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. 2.27 bn. Information relating to this is given in Note 12 to the Financial Statements. Land is included as described in accounting policies in the financial statements. Capital expenditure approved and contracted for after the year-end is given in Note 36 to the Financial Statements. The value of property stated in the Financial Statements is not in excess of its current market values.

## Freehold Property

A description of the property owned by the Group is shown under the Group Real Estate portfolio on page 151.

## Stated Capital

The stated capital of the Company as at 31st March 2019 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 2019 amount to Rs.11.3 bn. (Rs.11.3 bn as at 31st March 2018). The details of which, is given in the Statement of Changes in Equity in page 79.

## Corporate Donations

Donations made by the Group to charitable organisations amounted to Rs.0.9 mn. There are no Donations made by the Company for the year ended 31st March 2019.

## Taxation

The general corporate income tax rate in effect during the year was 28%. The rate of tax on qualified export profits and Agricultural profits were 14%.

Companies that enjoy tax holiday status and other concessionary rates are listed in Note 8.1 to the Financial Statements.

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

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

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

## Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Ten Year Summary on pages 146 & 147 of this report.

## Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2019 are given in page 149 under Shareholder Information.

## Directors

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

To re-elect Mr. S Yaddhige, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director and to elect Mr. J Felix Fernandopulle, who retires in terms of Article 91 at the Annual General Meeting, a Director.

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,

# Annual Report of the Board of Directors

Richard Pieris & Company PLC  
Annual Report 2018/2019

01. 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 73 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 29th May 2019 from Dr. Sena Yaddehige declaring his willingness to be elected to the Directorate of the Company.

02. 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 77 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 30th May 2019 from Dr. Jayatissa De Costa declaring his willingness to be elected to the Directorate of the Company.

03. 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 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said "Mr. Viville P Perera".

The Company has also received a letter dated 30th May 2019 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

	2019 Rs.'000	2018 Rs.'000
The net profit / (loss) earned by the Group after providing for all expenses, known liabilities and depreciation on property plant and equipment was	3,353,592	4,631,552
From which the deduction of income tax and transfer to the deferred taxation account was	(1,006,764)	(1,549,776)
Leaving the Group with a profit after tax from continuing operations of	2,346,828	3,081,776
From which the Loss after tax from discontinued operations deducted was	(4,561)	(4,380)
Leaving the Group with a profit for the year of	2,342,267	3,077,396
From which Non-Controlling Interest deducted was	(332,699)	(390,416)
Leaving a Profit attributable to the equity holders of the parent of	2,009,568	2,686,980
To which the retained profit brought forward from the previous year added was	11,136,984	10,807,381
Adjustments due to changes in shareholding of subsidiaries and transfers	44,235	12,769
Adjustments due to changes in SLFRSs	(153,076)	-
Other comprehensive income	(223,258)	(131,604)
Leaving a profit available for appropriation of	12,814,453	13,375,526

## Appropriations

The amount available has been appropriated as follows,		
Final dividend 2016-17	-	(1,017,519)
Interim dividend 2017-18	-	(1,221,023)
Interim dividend 2018-19	(1,729,783)	-
Leaving a retained profit to be carried forward amounting to	11,084,670	11,136,984

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

## Transactions with Related Undertakings

The list of Directors at each of the subsidiary and associate companies has been disclosed in the Group structure on page 56 to 61.

## Directors' Shareholding

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

## Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 40 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with entities having one or more Directors in common which is summarised above.

## Directors' Remuneration

Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2019 are disclosed in Note 40.6 to the Financial Statements.

## Vision & Long Term Goals

The Group's Vision and Long Term Goals are given in page 5 of this report.

## Environmental Protection

The Company has not engaged in any activities detrimental to the environment. The Group's efforts in relation to environmental protection are set out in the Corporate Social Responsibility Report in pages 42 to 47.

## Employment Policies

Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and to retain them with the Group as long as possible. Health and safety of the employees has always received priority in the HR agenda. The number of persons employed by the company and its subsidiaries at the year end was 27,390.

## Statutory Payments

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

## Events after the Reporting Date

There have not been any material events that occurred subsequent to the Reporting date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 39 to the Financial Statements.

## 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 68 to 69 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 73 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 2018 as issued by the Institute of Chartered Accountants of Sri Lanka.

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

## Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama, on 26th July 2019. The Notice of the Annual General Meeting is on page 155 of this report.

# Annual Report of the Board of Directors

Richard Pieris & Company PLC  
Annual Report 2018/2019

## 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.

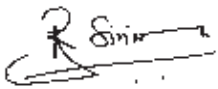
By Order of the Board



W. J. Viville Perera  
Director



S.S.G. Liyanage  
Director



Richard Pieris Group Services (Pvt) Limited  
Secretaries

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

12th June 2019

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

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

## The Board and its Operations

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

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

During the year the Board met on two 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.

Two 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 two Independent Non-Executive Directors namely Dr Jayatissa De Costa P.C., Mr Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr. J F Fernandopulle. Audit Committee Chairman is a Senior Chartered Accountant. The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 71 describes the activities carried out by the Committee during the financial year.

### Remuneration Committee

The Remuneration Committee is comprised of two Independent Non-Executive Directors - its Chairman, Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director Mr. J F Fernandopulle.

The Report of the Remuneration Committee on page 70 highlights its main activities.

## Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of two Independent Non-Executive Directors namely its Chairman Dr. Jayatissa De Costa P.C. and Mr. Prasanna Fernando. The Report of the Related Party Transactions Review Committee on page 72 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.

## 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 51 to 53.

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 42 to 47.

## 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. Yaddhige	x		
Mr. W. J. V. P. Perera	x		
Mr. Shaminda Yaddhige	x		
Mr. S. S. G. Liyanage	x		
Dr. Jayatissa De Costa P.C.		x	x
Mr. Prasanna Fernando		x	x
Mr. J F Fernandopulle		x	

## 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

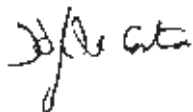
# Report of the Remuneration Committee

The Remuneration Committee appointed by and responsible to the Board of Directors, consisted of two Independent Non- Executive Directors namely Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director Mr. J F Fernandopulle. 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 caliber 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**

12th June 2019



# 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:

01. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
02. Review the system of internal controls and risk management.
03. Monitor and evaluate the effectiveness of the internal audit function.
04. Review the Company's process for monitoring compliance with laws and regulations.
05. Review the independence and performance of the external auditors.
06. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Committee consisted of two Independent Non-Executive Directors namely Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr. J F Fernandopulle. Audit Committee Chairman 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 06 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 of the 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.

## 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 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 when 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, 2020 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.



**J F Fernandopulle**  
Chairman

12th June 2019

# Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee consisted of two Independent Non-Executive Directors namely its' Chairman, Dr. Jayatissa De Costa P.C., Mr. Prasanna Fernando and a Non-Executive Director, Mr. J F Fernandopulle.

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

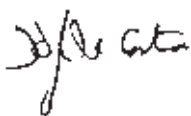
The Objectives of the Committee,

- 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 four 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 144 and 145.



**Dr. Jayatissa De Costa P.C.**  
**Chairman**

12th June 2019

# Statement of Directors' Responsibility

Richard Pieris & Company PLC  
Annual Report 2018/2019

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 pages 74 and 75 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2019 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 76 to 145 inclusive. All material deviations from these standards if any have been disclosed and explained. The judgments and estimates made in the preparation of these financial statements are reasonable and prudent.

The Directors confirm their responsibility for ensuring that all companies within the Group maintain accounting records, which are sufficient to prepare financial statements that disclose with reasonable accuracy, the financial position of the Company and its Group. They also confirm their responsibility towards ensuring that the financial statements presented in the Annual Report give a true and fair view of the state of affairs of the Company and its Group as at 31st March 2019, 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 pages 74 and 75 of this report.

By Order of the Board,



**Richard Pieris Group Services (Pvt) Limited**  
**Secretaries**

310, High Level Road, Nawinna, Maharagama

12th June 2019

# Independent Auditor's Report

Richard Pieris & Company PLC  
Annual Report 2018/2019



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

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## 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 2019, and the 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 2019, 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

##### Annual impairment of Goodwill

The Group is required to annually test Goodwill for impairment which amounted to Rs. 1.13Bn as at 31 March 2019.

This annual impairment test was significant to our audit as the amount is material to the financial statements. In addition, management's assessment process includes a cashflow forecast which is judgmental and based on assumptions, specifically relating to revenue growth and discount rates, which are affected by expected future market and or economic conditions.

#### How our audit addressed the key audit matter

##### We performed the following procedures, amongst others:

- We compared the cash flow forecast to the budget, business plans and other evidence of future intentions approved by the Board of Directors.
- Compared the estimates with those achieved historically
- We involved our specialized internal resources to assist us, in assessing the appropriateness of the model and reasonableness of estimates used by the management.
- We also assessed the adequacy of the related disclosures in Note 14 to the financial statements.

#### Key audit matter

##### Allowance for impairment of Loans and advances, receivable from Lease and Hire purchases.

Our audit considered impairment for loans and leases as a key audit matter. The materiality of the reported amounts for loans and leases (and impairment thereof), the subjectivity associated with management's impairment estimation, complex manual calculations of impairment and transition to Sri Lanka Financial Reporting Standard 9: Financial Instruments (SLFRS 9) underpinned our basis for considering it as a Key Audit Matter

As at 31 March 2019, loans & advances and receivables from lease & hire purchase amounted to Rs. 13,719 Million net of total allowance for impairment of Rs. 797 Million (Note 21). These collectively contributed 21% to the Groups 's total assets. The impact on transition to SLFRS 9 on the Financial Statements has been quantified and presented in the Note 21.3 to the Financial Statements.

The allowance for impairment of these financial assets is estimated by management. Assumptions used by management in this calculation are inherently judgmental. Note 37 to the financial statements more fully describe the sensitivity of key assumptions.

#### How our audit addressed the key audit matter

##### To assess the reasonableness of the allowance for impairment, we carried out audit procedures (among others) to obtain sufficient and appropriate audit evidences, that included the following:

We evaluated the design, implementation and operating effectiveness of key internal controls over estimation of impairment for loans and leases, which included assessing the level of oversight, review and approval of impairment policies by the Board Audit Committee and management.

We test - checked the underlying calculations and data used in such calculations on a sample basis;

In addition to the above, focused procedures were performed as follows:

- For those collectively assessed for impairment:  
We tested the completeness of the underlying information used in the impairment calculations by agreeing details to the source documents and information in IT system.
- We also considered reasonableness of macro-economic and other factors used by management in their judgmental overlays, by comparing them with relevant publicly available data and information sources.
- By using a set of audit procedures similar to those enumerated above, we validated the quantitative impact of the transition
- We assessed the adequacy of the related financial statement disclosures as set out in note 21 and note 37.

# Independent Auditor's Report

Richard Pieris & Company PLC

Annual Report 2018/2019

## Other Information included in the 2019 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.

## 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.



12th June 2019  
Colombo

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

A member firm of Ernst & Young Global Limited

# Statement of Profit or Loss

Richard Pieris & Company PLC  
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For the year ended 31st March	Notes	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Continuing operations</b>					
Revenue from contracts with customers	3.1	50,851,486	49,653,436	635,229	602,294
Revenue from insurance contracts	3.1	1,374,171	1,185,700	-	-
Interest revenue	3.1	2,819,701	2,133,737	-	-
Dividend income	3.1	-	-	2,085,645	1,874,977
Other revenue	3.1	-	-	213,757	217,062
<b>Total revenue</b>		<b>55,045,358</b>	<b>52,972,873</b>	<b>2,934,631</b>	<b>2,694,333</b>
Cost of sales		(41,541,595)	(39,716,317)	-	-
<b>Gross profit</b>		<b>13,503,763</b>	<b>13,256,556</b>	<b>2,934,631</b>	<b>2,694,333</b>
Other operating income	4.1	1,397,260	1,284,686	-	-
Selling and distribution expenses		(3,333,587)	(3,196,096)	-	-
Administrative expenses		(6,648,960)	(5,902,776)	(459,304)	(599,004)
Other operating expenses	4.2	(39,455)	(45,599)	-	-
<b>Operating profit</b>	4.3	<b>4,879,021</b>	<b>5,396,771</b>	<b>2,475,327</b>	<b>2,095,329</b>
Finance costs	5	(2,109,249)	(1,291,017)	(717,540)	(475,884)
Finance income	6	556,240	515,641	41,035	29,758
Share of profit of an associate	7	27,580	10,157	-	-
<b>Profit before tax from continuing operations</b>		<b>3,353,592</b>	<b>4,631,552</b>	<b>1,798,822</b>	<b>1,649,203</b>
Income tax expense	8	(1,006,764)	(1,549,776)	(5,999)	-
<b>Profit for the year from continuing operations</b>		<b>2,346,828</b>	<b>3,081,776</b>	<b>1,792,823</b>	<b>1,649,203</b>
<b>Discontinued operations</b>					
Loss after tax for the year from discontinued operations	9	(4,561)	(4,380)	-	-
<b>Profit for the year</b>		<b>2,342,267</b>	<b>3,077,396</b>	<b>1,792,823</b>	<b>1,649,203</b>
<b>Attributable to:</b>					
Equity holders of the parent		2,009,568	2,686,980		
Non-controlling interests		332,699	390,416		
		<b>2,342,267</b>	<b>3,077,396</b>		
<b>Earnings per share</b>					
Basic	10	Rs.0.99	Rs.1.32		
Diluted	10	-	Rs.1.32		
<b>Earnings per share for continuing operations</b>					
Basic	10	Rs.0.99	Rs.1.32		
Diluted	10	-	Rs.1.32		
Dividend per share	11	Rs.0.85	Rs.1.10		

Figures in brackets indicate deductions.

The accounting policies and notes from page 82 to 145 form an integral part of these financial statements.

# Statement of Comprehensive Income

Richard Pieris & Company PLC  
Annual Report 2018/2019

For the year ended 31st March	Notes	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit for the year		2,342,267	3,077,396	1,792,823	1,649,203
Other comprehensive income/ (loss)					
Other comprehensive income to be reclassified to profit or loss;					
Net gain/(loss) on financial assets at FVOCI		(1,604)	8,539	-	(10,844)
Movement of fair value reserve of financial assets at FVOCI transferred to life fund		1,604	(18,762)	-	-
Exchange differences on translation of foreign operations		60,259	16,061	-	-
Net other comprehensive income/(loss) to be reclassified to profit or loss		60,259	5,838	-	(10,844)
Other comprehensive loss not to be reclassified to profit or loss;					
Net loss on financial assets at FVOCI		(160,644)	-	(142,573)	-
Loss on actuarial valuation	32	(75,928)	(185,292)	(22,994)	(10,521)
Income tax effect		9,618	26,284	-	-
Net other comprehensive loss not to be reclassified to profit or loss		(226,954)	(159,008)	(165,567)	(10,521)
Other comprehensive loss for the year, net of tax		(166,695)	(153,170)	(165,567)	(21,365)
Total comprehensive income for the year, net of tax		2,175,572	2,924,226	1,627,256	1,627,838
Attributable to:					
Equity holders of the parent		1,827,424	2,559,795		
Non-controlling interests		348,148	364,431		
		2,175,572	2,924,226		

Figures in brackets indicate deductions.

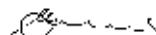
The accounting policies and notes from page 82 to 145 form an integral part of these financial statements.

# Statement of Financial Position

Richard Pieris & Company PLC  
Annual Report 2018/2019

As at 31st March	Notes	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12.1	20,209,899	19,448,765	218,148	188,637
Leasehold properties	12.2	1,293,525	1,224,428	-	-
Investment properties	13	389,481	216,623	1,221,180	1,225,565
Intangible assets	14	1,155,155	1,166,434	-	-
Consumable biological assets	15.1	1,026,885	951,252	-	-
Investments in subsidiaries	16	-	-	3,835,673	3,849,173
Investment in associates	16	149,087	125,562	-	-
Other non-current financial assets	17	2,316,579	1,741,475	752,159	290,229
Deferred tax assets	18	433,396	91,901	-	-
		<b>26,974,007</b>	<b>24,966,440</b>	<b>6,027,160</b>	<b>5,553,604</b>
<b>Current assets</b>					
Inventories	19	6,996,936	6,508,526	-	-
Produce on bearer biological assets	15.3	26,854	32,686	-	-
Trade and other receivables	20	10,080,031	8,218,124	510,636	260,947
Loans and advances	21	13,718,868	10,664,835	-	-
Tax receivables		296,518	205,807	6,987	8,984
Amounts due from subsidiaries	17	-	-	2,656,390	1,492,101
Other current financial assets	17	1,259,746	846,031	-	-
Cash and short-term deposits	23	5,467,209	4,544,044	7,880,056	7,278,859
		<b>37,846,162</b>	<b>31,020,053</b>	<b>11,054,069</b>	<b>9,040,891</b>
<b>Total assets</b>		<b>64,820,169</b>	<b>55,986,493</b>	<b>17,081,229</b>	<b>14,594,495</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Stated capital	24	1,972,829	1,972,829	1,972,829	1,972,829
Revenue reserves		11,084,670	11,136,984	697,798	800,325
Statutory reserve fund	25	76,606	60,204	-	-
Other components of equity	26	150,502	109,388	5,768	5,768
<b>Equity attributable to equity holders of the parent</b>		<b>13,284,607</b>	<b>13,279,405</b>	<b>2,676,395</b>	<b>2,778,922</b>
Non-controlling interests		2,837,869	2,612,630	-	-
<b>Total equity</b>		<b>16,122,476</b>	<b>15,892,035</b>	<b>2,676,395</b>	<b>2,778,922</b>
<b>Non-current liabilities</b>					
Interest-bearing loans and borrowings	28	5,879,463	5,070,978	-	2,143,673
Net liability to the lessor	29	558,642	571,393	-	-
Insurance provision	27	1,391,506	1,154,177	-	-
Provisions	30	123,884	112,203	-	-
Government grants	31	526,770	538,368	-	-
Deferred tax liabilities	18	975,040	855,267	-	-
Employee benefit liabilities	32	2,842,772	2,703,938	70,609	82,471
		<b>12,298,077</b>	<b>11,006,324</b>	<b>70,609</b>	<b>2,226,144</b>
<b>Current liabilities</b>					
Trade and other payables	34	9,933,256	8,888,823	974,203	408,813
Customer deposits	35	6,680,386	5,070,357	-	-
Current portion of interest-bearing loans and borrowings	28	5,190,652	4,052,843	2,170,944	1,018,013
Current portion of net liability to the lessor	29	12,751	12,261	-	-
Amounts due to subsidiaries		-	-	2,442	7,369
Income tax payable		351,434	346,534	-	-
Short term borrowings	22	14,231,137	10,717,316	11,186,636	8,155,234
		<b>36,399,616</b>	<b>29,088,134</b>	<b>14,334,225</b>	<b>9,589,428</b>
<b>Total liabilities</b>		<b>48,697,693</b>	<b>40,094,458</b>	<b>14,404,834</b>	<b>11,815,573</b>
<b>Total equity and liabilities</b>		<b>64,820,169</b>	<b>55,986,493</b>	<b>17,081,229</b>	<b>14,594,495</b>

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 these financial statements. Signed for and on behalf of the Board by:



W J V P Perera  
Director

The accounting policies and notes from pages 82 to 145 form an integral part of these financial statements.  
12th June 2019



S S G Liyanage  
Director



# Statement of Changes in Equity

Richard Pieris & Company PLC  
Annual Report 2018/2019

## Attributable to equity holders of the parent

Group	Stated capital	Revenue reserves	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Statutory reserve fund	Total	Non controlling interest	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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 / (loss)	-	(131,604)	(10,236)	14,655	-	(127,185)	(25,985)	(153,170)
Total comprehensive income / (loss)	-	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)
<b>At 31st March 2018</b>	<b>1,972,829</b>	<b>11,136,984</b>	<b>6,982</b>	<b>102,406</b>	<b>60,204</b>	<b>13,279,405</b>	<b>2,612,630</b>	<b>15,892,035</b>
<b>As at 1st April 2018</b>	<b>1,972,829</b>	<b>11,136,984</b>	<b>6,982</b>	<b>102,406</b>	<b>60,204</b>	<b>13,279,405</b>	<b>2,612,630</b>	<b>15,892,035</b>
Adjustments due to changes in SLFRS	-	(153,076)	-	-	-	(153,076)	(3,268)	(156,344)
<b>Restated as at 1st April 2018</b>	<b>1,972,829</b>	<b>10,983,908</b>	<b>6,982</b>	<b>102,406</b>	<b>60,204</b>	<b>13,126,329</b>	<b>2,609,362</b>	<b>15,735,691</b>
Profit for the year	-	2,009,568	-	-	-	2,009,568	332,699	2,342,267
Other comprehensive income / (loss)	-	(223,258)	2,909	38,205	-	(182,144)	15,449	(166,695)
Total comprehensive income	-	1,786,310	2,909	38,205	-	1,827,424	348,148	2,175,572
Dividends	-	(1,729,783)	-	-	-	(1,729,783)	-	(1,729,783)
Transfers during the year	-	(16,402)	-	-	16,402	-	-	-
Subsidiary dividend to minority shareholders	-	60,637	-	-	-	60,637	(119,641)	(59,004)
<b>At 31st March 2019</b>	<b>1,972,829</b>	<b>11,084,670</b>	<b>9,891</b>	<b>140,611</b>	<b>76,606</b>	<b>13,284,607</b>	<b>2,837,869</b>	<b>16,122,476</b>
<b>Company</b>								
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 loss	-	(10,521)	(10,844)	-	-	(21,365)	-	(21,365)
Total comprehensive income / (loss)	-	1,638,682	(10,844)	-	-	1,627,838	-	1,627,838
Dividends	-	(2,238,542)	-	-	-	(2,238,542)	-	(2,238,542)
<b>At 31st March 2018</b>	<b>1,972,829</b>	<b>800,325</b>	<b>5,768</b>	<b>-</b>	<b>-</b>	<b>2,778,922</b>	<b>-</b>	<b>2,778,922</b>
<b>As at 1st April 2018</b>	<b>1,972,829</b>	<b>800,325</b>	<b>5,768</b>	<b>-</b>	<b>-</b>	<b>2,778,922</b>	<b>-</b>	<b>2,778,922</b>
Profit for the year	-	1,792,823	-	-	-	1,792,823	-	1,792,823
Other comprehensive loss	-	(165,567)	-	-	-	(165,567)	-	(165,567)
Total comprehensive income	-	1,627,256	-	-	-	1,627,256	-	1,627,256
Dividends	-	(1,729,783)	-	-	-	(1,729,783)	-	(1,729,783)
<b>At 31st March 2019</b>	<b>1,972,829</b>	<b>697,798</b>	<b>5,768</b>	<b>-</b>	<b>-</b>	<b>2,676,395</b>	<b>-</b>	<b>2,676,395</b>

Figures in brackets indicate deductions.

The accounting policies and notes from page 82 to 145 form an integral part of these financial statements.

# Statement of Cash Flows

Richard Pieris & Company PLC  
Annual Report 2018/2019

For the year ended 31st March	Notes	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Operating activities</b>					
Profit before tax from continuing operations		3,353,592	4,631,552	1,798,822	1,649,203
Loss from discontinued operations		(4,561)	(4,380)	-	-
Profit before tax		3,349,031	4,627,172	1,798,822	1,649,203
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>					
Depreciation and impairment of property, plant and equipment	12.1	1,213,015	1,016,291	22,975	23,186
Amortization of lease hold properties	12.2	27,649	32,556	-	-
Amortisation and impairment of intangible assets	14	11,732	6,715	-	-
(Gain) / loss on disposal of property, plant and equipment		(1,892)	(226)	-	12,914
Gain on sale of biological assets		5,832	(6,223)	-	-
Net change in the fair value of financial assets at FVTPL		7,542	(2,491)	-	-
Fair value adjustment of biological assets	15	(59,674)	(83,362)	-	-
Finance income	06	(556,240)	(515,641)	(41,035)	(29,758)
Finance costs	05	2,109,249	1,291,017	717,540	475,884
Share of profit of an associate	07	(27,580)	(10,157)	-	-
Provision for bad debts		13,719	24,694	-	-
Provision for slow moving stocks		67,961	105,590	-	-
Provision for defined benefit plan	32	483,798	483,804	14,283	15,833
Impairment of investments		-	-	15,000	96,000
Provision / (reversal) on warranties	30	11,681	(4,675)	-	-
Provision / (reversal) for unrealised profit	19	2,182	(458)	-	-
Grants amortized	31	(26,586)	(26,098)	-	-
Impairment of loans and advances		254,098	223,497	-	-
Exchange differences on translation of foreign currency		332,771	51,076	53,706	-
		7,218,288	7,213,081	2,581,291	2,243,262
<b>Working capital adjustments:</b>					
(Increase) / decrease in trade and other receivables and prepayments		(1,875,618)	(1,869,639)	(1,413,980)	418,697
Increase in inventories		(558,553)	(979,421)	-	-
Increase in trade and other payables		924,495	853,636	440,527	121,225
Changes in operating assets	21	(3,464,475)	239,630	-	-
Changes in operating liabilities	35	1,610,030	1,135,341	-	-
Increase in insurance provision		238,933	320,782	-	-
<b>Cash generated from operations</b>		<b>4,093,100</b>	<b>6,913,410</b>	<b>1,607,838</b>	<b>2,783,184</b>
Interest paid		(1,987,791)	(1,257,951)	(597,606)	(442,818)
Gratuity paid	32	(420,892)	(391,933)	(49,139)	(23,706)
Interest received		556,240	515,641	41,035	29,758
Income tax paid		(1,300,623)	(1,102,344)	(4,000)	(3,974)
<b>Net cash flows from operating activities</b>		<b>940,034</b>	<b>4,676,823</b>	<b>998,128</b>	<b>2,342,444</b>

# Statement of Cash Flows

Richard Pieris & Company PLC  
Annual Report 2018/2019

For the year ended 31st March	Notes	Group		Company	
		2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Investing activities</b>					
Proceeds from sale of property, plant and equipment		50,415	1,898	-	-
Purchase of property, plant and equipment	12	(2,078,292)	(3,987,757)	(44,785)	(122,822)
Purchase of investment properties	13	(172,858)	(13,406)	(3,316)	(4,212)
Intangible assets acquired	14	(453)	(9,999)	-	-
Increase in biological assets due to new planting	15	(15,959)	(3,723)	-	-
Purchase of financial instruments		(1,158,611)	(441,038)	(602,723)	(191,476)
Increase in holding in a subsidiary		-	(231,366)	(1,500)	(136,400)
Acquisition of a subsidiary, net of cash acquired	39	-	(50,877)	-	-
Receipt of government grants	31	14,988	30,226	-	-
Proceeds from sale of biological assets		-	1,595	-	-
<b>Net cash flows used in investing activities</b>		<b>(3,360,770)</b>	<b>(4,704,447)</b>	<b>(652,324)</b>	<b>(454,910)</b>
<b>Net cash (outflow) / inflow before financing</b>		<b>(2,420,736)</b>	<b>(27,624)</b>	<b>345,804</b>	<b>1,887,534</b>
<b>Financing activities</b>					
Payment of finance lease liabilities		(12,261)	(19,883)	-	-
Proceeds from borrowings		8,054,130	3,426,043	1,624,000	1,050,000
Repayment of borrowings		(5,849,002)	(4,204,973)	(2,096,227)	(1,781,944)
Dividends paid to equity holders of the parent	11	(1,729,783)	(2,238,542)	(1,729,782)	(2,238,542)
Dividends paid to non-controlling interests		(59,004)	(167,040)	-	-
<b>Net cash flows from / (used) in financing activities</b>		<b>404,080</b>	<b>(3,204,395)</b>	<b>(2,202,009)</b>	<b>(2,970,486)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(2,016,656)</b>	<b>(3,232,019)</b>	<b>(1,856,205)</b>	<b>(1,082,952)</b>
Cash and cash equivalents as at the beginning of the year	23	(5,123,272)	(1,891,253)	173,625	1,256,577
<b>Cash and cash equivalents as at the end of the year</b>		<b>(7,139,928)</b>	<b>(5,123,272)</b>	<b>(1,682,580)</b>	<b>173,625</b>
<b>Analysis of Cash &amp; Cash equivalents at 31st March</b>					
Bank and cash balances	23	5,467,209	4,544,044	7,880,056	7,278,859
Short term borrowings	23	(12,607,137)	(9,667,316)	(9,562,636)	(7,105,234)
		<b>(7,139,928)</b>	<b>(5,123,272)</b>	<b>(1,682,580)</b>	<b>173,625</b>

Figures in brackets indicate deductions.

The accounting policies and notes from page 82 to 145 form an integral part of these 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 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 2019 were authorised for issue in accordance with a resolution of the directors on 12th June 2019.

## 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 fair value through profit or loss financial assets, fair value through OCI financial assets 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 31st March 2019.

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 Accounting Standards and Transfer Pricing, at the time of the preparation of these Financial Statements.

## Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in Note 08 to the Consolidated Financial Statements.

As per the Inland Revenue Act No. 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. Based on the legal expert opinion obtained, the management is of the view that the Plantation Companies of the Group are predominantly engaged in agricultural business.

## 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 Group assesses loans and advances collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due

to expected loss. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates).

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

## Determination of Performance Obligations

Significant judgments relating to determination of performance obligations in relation to Group's material revenue lines are given in note 2.5.5.1.2

## 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.

## Defined Benefit Plans – Gratuity

The Defined Benefit Obligation and the related charge for the year are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are given in Note 32 to the Consolidated Financial Statements.

## Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## Intangible Assets

For the purposes of impairment testing, goodwill is allocated to cash generating units when cash generating units to which goodwill has been allocated are tested for impairment annually, using Value in Use method. The calculation of value in use for the cash generating unit is most sensitive to the assumptions of sales growth, discount rates and cost increases due to inflation. Further details are given in Note 14 to the Financial Statements.

## Liability Adequacy Test (LAT)

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

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

## 2.5. Summary of Significant Accounting Policies Applied

### 2.5.1. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous financial year, except for the adoption of new standards effective as of 1st January 2018. The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018/19 financial year, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed the Group concluded that SLFRS 15 does not have a material impact on Group's consolidated financial statements.

### SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied SLFRS 9 using the modified retrospective method, with the initial application date of 1st April 2018. The Group has taken an exception not to restate comparative information for prior periods with respect to classification and measurement requirements.

The SLFRS impact significantly arises from the financial sector of the Group, consisting mainly of Richard Pieris Finance Ltd. The resulting impact on the adoption of SLFRS 9 is disclosed in the Note 21.3 Transitional Disclosures. The impact on the adoption of SLFRS 9 on the comparative financial information is incorporated to Equity as at 1st April 2018 in the presentation of these Financial Statements. The comparative figures for the year ended 31st March 2018 remains as audited and published as per the LKAS 39 – "Financial Instruments:

Recognition and Measurement" and the figures and phrases have been rearranged wherever necessary to conform to the current financial year's presentation.

### Classification and measurement

Under SLFRS 9, debt instruments are subsequently measured at amortized cost, fair value through profit or loss or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The classification and measurement requirements of SLFRS 9 did not have a significant impact on the group.

The classification changes on current and non current financial assets are shown in the Note 17 to the Financial Statements.

### Impairment

The Group's accounting treatment for impairment losses for financial assets got changed from incurred loss approach (LKAS 39) to forward-looking expected credit loss (ELC) approach as per SLFRS 9. SLFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Impairment losses were evaluated based on ECLs for debt instruments of the Group which are held to maturity. Impairment losses for Loans & advances of Richard Pieris Finance Ltd were accounted based on the modified retrospective method without restating the comparatives. Other than that, the Group did not have a significant impact on Group which required adjustment in the Financial Statements.

### 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.

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

less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; the gain is recognised in Statement of Profit or Loss.

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

### 2.5.3. Investment in Associates

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

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Profit or Loss reflects the Group's share of results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an associate is shown on the face of the Statement of Profit or Loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Financial Statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in share of losses of an associate in the Statement of Profit or Loss.

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

### 2.5.4. Foreign Currencies

#### Foreign Currency Transactions

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

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

#### Foreign Operations

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

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

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

#### 2.5.5.1. Revenue from Contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### Goods transferred at a point in time

Under SLFRS 15, revenue is recognized upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

#### Services transferred over time

Under SLFRS 15, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

## Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition and geographical region in the operating segment information section.

## Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section of Note 3 to the Financial Statements.

### 2.5.5.1.1 Contract balances

#### Contract assets

Contract assets are Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time, upon satisfaction of the conditions. The Group has not held contract assets as at the reporting date.

#### Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the group has received consideration (or the amount is due) from the customer. Group contract liabilities mainly include loyalty points not yet redeemed. Contract liabilities of the Group have been disclosed under trade and other payables and warranty provisions.

### 2.5.5.1.2 Performance Obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

#### Retail

The Retail sector focuses on modern organised retailing through a chain of supermarkets. Revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

#### Loyalty points programme

The Group has a loyalty point programme – Arpico Privilege Points, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

#### Sale of Rubber, Tyre, Plastic, Furniture and Electronics

The Group is in the business of selling rubber based articles, tyres, plastic products, furniture items and electronic items. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those good or services.

#### Right to return

Certain contracts provide the customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned. Based on the assessment performed, the Group concluded that refund liabilities do not have a material impact on the Group's financial statements that need an adjustment in Financial Statements.

#### Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception since the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

#### Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under LKAS 37 Provisions.

#### Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the controls of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

#### Financial Services and others

Financial Services provides a complete range of financial solutions including leasing, insurance, stock broking and fund management. The services under one contract can be identified as one performance obligation. Entity determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the entity recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The output method will provide a faithful depiction in recognising revenue.

### 2.5.5.2 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.

## 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.

### 2.5.5.3 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.

### 2.5.5.4 Other Revenue

#### Dividends

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

#### 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.

#### Royalties

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

#### 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).

### 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 year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

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

#### Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates 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 and associates, 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

### 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,

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however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

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

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

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this year 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 Note15 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 year in which it arises.

## 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 which is the shorter of the estimated useful life of the assets and the lease term.

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

### Group as a lessor for operating leases

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

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

## 2.5.12. Borrowing Costs

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

## 2.5.13. Investment Properties

Investment properties are measured initially at cost, including transaction costs and subsequently measured at cost less accumulated depreciation and impairment.

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 year of de-recognition. Transfers are made to or from investment property only when there is a change in use.

## 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

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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. 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) Growing Crop Nurseries

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

### f) Consumables and Spares

At actual cost

## 2.5.16. 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.

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.

The following criteria are also applied in assessing impairment of no financial assets.

## Goodwill

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

## Intangible Assets

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

## 2.5.17. Cash and short-term deposits

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

For the purpose of the Consolidated Statement 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.

## 2.5.18. Dividend Distributions

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

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

## 2.5.19. Provisions

### General

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

## 2.5.20. 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.

## 2.5.21. 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 Comprehensive Income.

The actuarial valuation was carried out by a professionally qualified actuary firm Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31st March 2019. Provision made for the year is in compliance with the actuarial valuation report as at 31st March 2019.

### 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 / Ceylon Planters' Provident Fund / Employees' Provident Fund and Employees' Trust Fund respectively.

## 2.5.22. Financial Instruments

### 2.5.22.1. Initial recognition and subsequent measurement (Policies applicable after 01st April 2018)

#### 2.5.22.2. Financial assets

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

### Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow, characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

### Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables and short term investments.

### Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. 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 with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

## Financial assets-de-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

## Impairment of financial assets

From 1 April 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Based on the assessment performed, the Group concluded that SLFRS 9 does not have a material impact on the Group's Financial Statements.

Impairment losses were evaluated based on ECL s for debt instruments of the Group which are held to maturity. Impairment losses for Loans & advances of Richard Pieris Finance Ltd were accounted based on the modified retrospective method without restating the comparatives.

## 2.5.22.3. Financial liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated

embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

## Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss.

## Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition 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.

## 2.5.22.4. Initial recognition and subsequent measurement (Policies applicable prior to 01st April 2018)

### 2.5.22.5. 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.

## Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if,

there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## a) Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

## 2.5.22.6. 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.

## 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.

## 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.

## 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 Partners Consulting Sdn Bhd 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 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 Financial Assets – (Policies applicable after 01st April 2018)

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

#### Debt Instruments

- Instruments measured at amortised cost and fair value through other Comprehensive Income;
- Financing and Receivables commitments; and
- Financial Guarantee Contracts

ECL is not recognised on equity instruments.

Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

#### Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Company determines 12 months ECL from customers who are not significantly credit deteriorated (i.e. less than 30 days past due)

#### Stage 2: Lifetime ECL – not Credit Impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the Financial Asset) is recognised. In being consistent with the policies of the Company, significant deterioration is measured through the rebuttable presumption of 30 days past due in line with the requirements of the standard.

#### Stage 3: Lifetime ECL – Credit Impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and Financing Income is calculated by applying the Effective Rate to the amortised cost (net of provision) rather than the gross carrying amount.

#### Determining the stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the

provision for impairment loss reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for impairment loss for these Financial Assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on a collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

#### Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.
- Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- Financial Guarantee Contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For further details on how the Company calculates ECLs including the use of forward looking information, refer to the Credit quality of Financial Assets section in Note 23. For details on the effect of modifications of Financing and Receivables on the measurement of ECL refer to note on Provision for expected credit loss.

ECLs are recognised using a provision for impairment loss account in Statement of Profit and Loss. The Company recognises the provision charge in Statement of Profit or Loss, with the corresponding amount recognised in other Comprehensive Income, with no reduction in the carrying amount of the asset in the Statement of Financial Position.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

**PD** : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**EAD** : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of capital and financing income, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued financing income from missed payments.

**LGD** : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including the realisation of any collateral.

## 2.6.2.2. Impairment of Loans and Advances - (Policies applicable before 01st April 2018)

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

### Individually Assessed Financial Assets

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

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

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

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

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

### Collectively Assessed Financial Assets

Impairment is assessed on a collective basis in two circumstances:

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

### Incurred but not yet Identified Impairment

Individually assessed financial assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Company has incurred as a result of events occurring before the reporting date, which the Company is

not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual financial assets within the Company, those financial assets are removed from the Company and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

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

### Homogeneous Groups of Financial Assets

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

### Net Flow Rate Method

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

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

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

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

### Write-off of Loans and Advances

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

## 2.7. Segment Information

### 2.7.1. Reporting Segments

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

## 2.7.2. Segment Information

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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. Standards Issued but not Yet Effective

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### a) SLFRS 16 –Leases

SLFRS 16 provides a single lessee accounting model, requiring lessees 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 1st January 2019.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

# Notes to the Financial Statements

Richard Pieris & Company PLC  
Annual Report 2018/2019

## 03. Group Segmental Reporting

Year ended 31st March 2019	Rubber	Tyre	Plastic, Furniture and Electronics	Retail	Financial Services	Other Services	Plantation	Total Segments	Inter/Intra Adjustments	Consolidated
Business Segment	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>										
External customers	5,370,808	2,766,191	6,519,233	27,719,224	4,217,674	44,489	8,407,739	55,045,358	-	55,045,358
Inter-segment	180,197	20,975	897,165	18,320	-	3,137,730	854,262	5,108,649	(5,108,649)	-
Intra - segment	28,726	1,690,208	172,031	247,392	-	-	175,541	2,313,898	(2,313,898)	-
<b>Total revenue</b>	<b>5,579,731</b>	<b>4,477,374</b>	<b>7,588,429</b>	<b>27,984,936</b>	<b>4,217,674</b>	<b>3,182,219</b>	<b>9,437,542</b>	<b>62,467,905</b>	<b>(7,422,547)</b>	<b>55,045,358</b>
<b>Results</b>										
Segment results	1,168,298	328,290	386,509	1,897,784	481,274	2,030,060	672,451	6,964,666	(2,085,645)	4,879,021
Finance costs										(2,109,249)
Finance income										556,240
Share of profit of an associate										27,580
<b>Profit before tax from continuing operations</b>										<b>3,353,592</b>
Income tax expense										(1,006,764)
<b>Profit for the year from continuing operations</b>										<b>2,346,828</b>
Loss after tax for the year from discontinued operations										(4,561)
<b>Profit for the year</b>										<b>2,342,267</b>
Non-controlling interests										(332,699)
<b>Attributable to Equity holders of the parent</b>										<b>2,009,568</b>
<b>Operating assets</b>	<b>4,838,746</b>	<b>2,510,865</b>	<b>10,232,346</b>	<b>12,472,635</b>	<b>22,422,964</b>	<b>10,334,874</b>	<b>20,024,962</b>	<b>82,837,392</b>	<b>(18,166,310)</b>	<b>64,671,082</b>
<b>Operating liabilities</b>	<b>1,805,366</b>	<b>1,365,331</b>	<b>8,826,395</b>	<b>8,725,449</b>	<b>18,184,005</b>	<b>6,911,321</b>	<b>12,100,694</b>	<b>57,918,561</b>	<b>(9,220,868)</b>	<b>48,697,693</b>
<b>Other disclosures</b>										
Investment in an associate	227,906	-	-	-	-	-	12,568	240,474	(91,387)	149,087
Capital expenditure	127,263	2,463	459,901	622,978	260,245	48,101	746,157	2,267,108	-	2,267,108
Depreciation and amortisation	100,545	50,475	154,573	411,749	55,049	28,264	440,007	1,240,662	-	1,240,662

	Sri Lanka Rs.'000	USA Rs.'000	Europe Rs.'000	Other Rs.'000	Total Segments Rs.'000	Inter/Intra Adjustments Rs.'000	Consolidated Rs.'000
<b>Revenue</b>	<b>51,763,721</b>	<b>1,867,838</b>	<b>1,513,363</b>	<b>2,214,334</b>	<b>57,359,256</b>	<b>(2,313,898)</b>	<b>55,045,358</b>

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## Segment Information

Year ended 31st March 2018	Rubber	Tyre	Plastic, Furniture and Electronics	Retail	Financial Services	Other Services	Plantation	Total Segments	Inter/Intra Adjustments	Consolidated
Business Segment	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>										
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	172,735	17,743	862,196	21,935	-	2,991,097	822,518	4,888,224	(4,888,224)	-
Intra - segment	24,212	1,714,979	187,839	247,393	-	-	305,026	2,479,449	(2,479,449)	-
<b>Total revenue</b>	<b>4,726,446</b>	<b>4,511,064</b>	<b>7,671,267</b>	<b>26,633,043</b>	<b>3,350,374</b>	<b>3,036,322</b>	<b>10,412,030</b>	<b>60,340,546</b>	<b>(7,367,673)</b>	<b>52,972,873</b>
<b>Results</b>										
Segment results	813,744	348,323	501,620	1,873,910	495,846	1,666,013	1,572,293	7,271,749	(1,874,978)	5,396,771
Finance costs										(1,291,017)
Finance income										515,641
Share of profit of an associate										10,157
<b>Profit before tax from continuing operations</b>										<b>4,631,552</b>
Income tax expense										(1,549,776)
<b>Profit for the year from continuing operations</b>										<b>3,081,776</b>
Loss after tax for the year from discontinued operations										(4,380)
<b>Profit for the year</b>										<b>3,077,396</b>
Non-controlling interests										(390,416)
<b>Attributable to Equity holders of the parent</b>										<b>2,686,980</b>
<b>Operating assets</b>	<b>4,175,658</b>	<b>2,431,865</b>	<b>9,410,935</b>	<b>11,573,925</b>	<b>16,507,575</b>	<b>8,666,848</b>	<b>19,075,809</b>	<b>71,842,615</b>	<b>(15,981,684)</b>	<b>55,860,931</b>
<b>Operating liabilities</b>	<b>1,928,790</b>	<b>1,370,296</b>	<b>7,448,263</b>	<b>7,576,126</b>	<b>12,904,027</b>	<b>5,060,841</b>	<b>10,851,365</b>	<b>47,139,708</b>	<b>(7,045,250)</b>	<b>40,094,458</b>
<b>Other disclosures</b>										
Investment in an associate	227,905	-	-	-	-	-	12,568	240,473	(114,911)	125,562
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	28,827	395,440	1,048,847	-	1,048,847

## Geographic information

	Sri Lanka	USA	Europe	Other	Total Segments	Inter/Intra Adjustments	Consolidated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Revenue</b>	<b>50,862,345</b>	<b>1,581,157</b>	<b>1,240,377</b>	<b>1,768,443</b>	<b>55,452,322</b>	<b>(2,479,449)</b>	<b>52,972,873</b>

### 3.1 Disaggregation of revenue

Timing of Revenue recognition	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Goods transferred at a point in time	50,783,195	49,577,274	-	-
Services transferred over time	68,291	76,162	635,229	602,294
Total revenue from contracts with customers	50,851,486	49,653,436	635,229	602,294
Revenue from insurance contracts	1,374,171	1,185,700	-	-
Interest revenue	2,819,701	2,133,737	-	-
Dividend income	-	-	2,085,645	1,874,977
Other revenue	-	-	213,757	217,062
<b>Total revenue</b>	<b>55,045,358</b>	<b>52,972,873</b>	<b>2,934,631</b>	<b>2,694,333</b>

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## 4. Other Income/Expenses and Adjustments

### 4.1 Other Operating Income

	Group	
	2019 Rs.'000	2018 Rs.'000
Government grants	26,586	26,098
Net gain on disposal of property, plant and equipment	1,892	445
Space rental income	522,363	476,780
Gain on change in fair value of biological assets	54,105	89,584
Income from partnership promotions from Retail business	149,202	126,676
Foreign exchange gain	90,773	33,891
Scrap sales/sales commission/mixing income	58,591	63,917
Sale of timber/rubber trees	64,293	122,760
Documentation and other service charges from financial services	76,547	38,739
Sundry income	352,908	305,796
<b>Total other operating income</b>	<b>1,397,260</b>	<b>1,284,686</b>

### 4.2 Other Operating Expenses

	Group	
	2019 Rs.'000	2018 Rs.'000
Foreign exchange loss	3,109	4,260
Irrecoverable VAT on management fees of plantation companies	16,005	34,165
Amortisation and impairment of intangible assets	11,732	6,715
Others	8,609	459
<b>Total other operating expenses</b>	<b>39,455</b>	<b>45,599</b>

### 4.3 Profit from operations is stated after charging following expenses

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Directors' remuneration & fees	50,927	57,814	35,156	40,348
Auditors' remuneration & fees	27,788	19,960	1,284	1,233
Depreciation	1,213,015	1,016,291	22,974	23,186
Amortisation of leasehold properties	27,649	32,556	-	-
Amortisation and impairment of intangible assets	11,732	6,715	-	-
Provision made for defined benefit plan cost	483,798	483,804	14,283	15,833
Staff costs including defined contribution plan cost	8,050,648	7,817,460	50,674	125,555
Legal fees	23,981	13,896	1,826	2,448
Donations	874	27,299	-	1,689
Allowances for impairment of receivables and loan and advances	267,817	248,191	-	-
Allowances for impairment of investment	-	-	15,000	96,000

# Notes to the Financial Statements

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## 5. Finance Costs

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Interest on long term loans	493,023	496,162	302,246	360,305
Interest on short term loans	1,616,226	794,855	415,294	115,579
<b>Total finance costs</b>	<b>2,109,249</b>	<b>1,291,017</b>	<b>717,540</b>	<b>475,884</b>

## 6. Finance Income

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Interest income from related companies	-	-	40,972	29,467
Interest income from third parties	556,240	515,641	63	291
<b>Total finance income</b>	<b>556,240</b>	<b>515,641</b>	<b>41,035</b>	<b>29,758</b>

## 7. Share of Results of Associates

The Group can influence up to 33.33% of the voting rights (effective interest of 22.25%) of AEN Palm Oil Processing (Pvt) Limited, an entity involved in the processing of palm oil.

The Group's share of the assets and liabilities as at 31st March 2019 and 2018, and income and expenses of the entity for the years ended 31st March 2019 and 2018, which is accounted under the equity method are as follows.

	2019 Rs.'000	2018 Rs.'000
Revenue	2,684,901	2,450,727
Profit before tax	82,749	30,474
<b>Group's share of profit before tax</b>	<b>27,580</b>	<b>10,157</b>
(-) Tax on associate results	(4,055)	(1,873)
<b>Group share of profit after tax</b>	<b>23,525</b>	<b>8,284</b>
Associate's Statement of Financial Position		
Current assets	238,304	147,827
Non-current assets	257,655	295,591
	<b>495,959</b>	<b>443,418</b>
Current liabilities	(53,397)	(71,167)
Non-current liabilities	(40,256)	(40,529)
	<b>(93,653)</b>	<b>(111,696)</b>
<b>Net assets</b>	<b>402,306</b>	<b>331,722</b>
Share of net assets - 33.33%	134,087	110,562
Goodwill	15,000	15,000
<b>Total investments</b>	<b>149,087</b>	<b>125,562</b>

## Investments in Associates

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	125,562	117,278
Share of profits	27,580	10,157
Taxation	(4,055)	(1,873)
At the end of the year	<b>149,087</b>	<b>125,562</b>

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## 8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2019 and 2018 are:

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Current income tax:				
Current income tax charge	939,725	923,279	5,999	-
Adjustments in respect of current income tax of previous years	1,947	13,480	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	(212,104)	372,714	-	-
ESC Unrecoverable	3,863	-	-	-
Tax on associate results	4,056	1,873	-	-
Dividend tax	269,277	238,430	-	-
Income tax expense reported in the Statement of Profit or Loss	1,006,764	1,549,776	5,999	-

### A. Taxation on current year profit

Profit before tax from continuing operations	3,353,592	4,631,552	1,798,822	1,649,203
Loss before tax from discontinued operations	(4,561)	(4,380)	-	-
Profit from associate companies	(27,580)	(10,157)	-	-
	3,321,451	4,617,015	1,798,882	1,649,203
Disallowed items	4,709,585	4,140,147	375,103	245,606
Allowable expenses	(4,405,738)	(4,962,137)	(69,140)	(54,402)
Resident dividend	-	-	(2,098,359)	(1,879,154)
Qualifying payment on acquisition of a subsidiary	-	(44,567)	-	-
	3,625,298	3,750,458	6,426	(38,747)
Tax loss brought forward	(4,765,959)	(4,723,811)	(574,863)	(531,272)
Tax loss carried forward	5,031,090	5,024,649	574,863	570,019
Taxable Income	3,890,429	4,051,296	6,426	-
Income tax 28%	750,137	771,802	5,999	-
Income tax 20%	35,336	38,721	-	-
Income tax 14%	154,252	-	-	-
Income tax 12%	-	69,704	-	-
Income tax 10%	-	43,052	-	-
	939,725	923,279	5,999	-
Under provision in the previous years	1,947	13,480	-	-
	941,672	936,759	5,999	-
Deferred tax	(212,104)	372,714	-	-
ESC unrecoverable	3,863	-	-	-
Tax on associate results	4,056	1,873	-	-
Dividend tax	269,277	238,430	-	-
Total income tax expense	1,006,764	1,549,776	5,999	-

### B. Deferred tax expenses / (reversals)

Accelerated depreciation for tax purpose	104,702	164,094	-	-
Any other deferred liability	(42,948)	363,953	-	-
Retirement benefits obligation	(19,736)	38,974	-	-
Benefit arising from tax losses	116,430	(71,692)	-	-
Impairment provision for loans & advances	(222,936)	(182,492)	-	-
Other provisions	(147,616)	59,877	-	-
Total deferred tax expense	(212,104)	372,714	-	-



## 8.1 Income tax rates and details of tax holidays enjoyed by the Group

The tax liabilities of resident companies (quoted and unquoted) are computed at the standard rate of 28%.

The taxable income of Richard Pieris Exports PLC, Richard Pieris Natural Foams Ltd and Arpitalian Compact Soles (Pvt) Ltd are liable to Income Tax at 14% under the Inland Revenue Act No. 24 of 2017 from Year of Assessment 2018/19 since these Companies are predominantly conducting the business of exporting goods.

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%.

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 14% on profits from agriculture and 28% on other profits and income, commencing from 1st April 2018.

## 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.

	2019 Rs.'000	2018 Rs.'000
Revenue/Other Income	399	924
Expenses	(4,960)	(5,304)
Loss for the year from discontinued operations	(4,561)	(4,380)

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.

## 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:

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	2019 Rs.'000	2018 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	2,014,129	2,691,360
Loss attributable to ordinary equity holders of the parent from discontinued operations	(4,561)	(4,380)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	2,009,568	2,686,980
Weighted average number of ordinary shares for basic earnings per share	2,035,038,275	2,035,038,275
<b>Effect of dilution:</b>		
Effect of potential ordinary shares from share options	-	5,635,098
Weighted average number of ordinary shares adjusted for the effect of dilution	2,035,038,275	2,040,673,373

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.

	2019 Rs.	2018 Rs.
Basic earnings per share	0.99	1.32
Diluted earnings per share	-	1.32
Earnings per share from continuing operations - Basic	0.99	1.32
Earnings per share from continuing operations - Diluted	-	1.32

## 11. Dividend per Share

	2019 Per Share Rs.	2019 Rs.'000	2018 Per Share Rs.	2018 Rs.'000
Interim Dividend of Rs.0.60 per share (2017/18 Rs.0.60 per share)	0.60	1,221,023	0.60	1,221,023
Second Interim Dividend of Rs.0.25 per share	0.25	508,760	-	-
Final Dividend of Rs.0.50 per share for 2016/2017	-	-	0.50	1,017,519
	0.85	1,729,783	1.10	2,238,542

- 1.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.
- 1.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.
- 2.a) The first interim dividend of Rs. 0.60 per share for the financial year ended 31st March 2019 was declared on 08th October 2018 and paid on 26th October 2018.
- 2.b) The second interim dividend of Rs.0.25 per share for the financial year ended 31st March 2019 was declared on 15th March 2019 and paid on 29th March 2019.

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## 12. Property Plant & Equipment

### 12.1 Group

	As at 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Cost</b>					
Land / land improvements	3,793,873	70,879	(12,690)	-	3,852,062
Buildings	5,130,334	336,301	-	10,318	5,476,953
Immature / mature plantations	8,892,979	627,841	-	-	9,520,820
Plant, machinery, tools & electrical installations	6,214,310	304,012	(26,284)	58,017	6,550,055
Office & other equipment	1,714,594	177,618	-	-	1,892,212
Furniture, fixtures & fittings	724,515	72,720	-	1,992	799,227
Motor vehicles	1,008,141	102,570	(4,800)	197	1,106,108
Computers	623,103	67,392	(820)	-	689,675
	28,101,849	1,759,333	(44,594)	70,524	29,887,112
Capital work in progress	752,710	246,881	(43,685)	-	955,906
Total gross carrying amount	28,854,559	2,006,214	(88,279)	70,524	30,843,018

	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Depreciation / amortization</b>					
Land improvements	112,010	5,325	-	-	117,335
Buildings	1,424,012	217,150	-	1,623	1,642,785
Immature / mature plantations	1,673,176	242,047	-	-	1,915,223
Plant, machinery, tools & electrical installations	3,714,379	357,658	(9,467)	25,733	4,088,303
Office & other equipment	911,209	169,663	-	-	1,080,872
Furniture, fixtures & fittings	486,407	55,498	-	1,844	543,749
Motor vehicles	792,102	82,911	(4,800)	197	870,410
Computers	503,821	47,556	(820)	-	550,557
	9,617,116	1,177,808	(15,087)	29,397	10,809,234

<b>Net Book Values</b>	2019 Rs.'000	2018 Rs.'000
Land / land improvements	3,734,727	3,681,863
Buildings	3,834,168	3,706,322
Immature / mature plantations	7,605,597	7,219,803
Plant, machinery, tools & electrical installations	2,461,752	2,499,931
Office & other equipment	811,340	803,385
Furniture, fixtures & fittings	255,478	238,108
Motor vehicles	235,698	216,039
Computers	139,118	119,282
	19,077,878	18,484,733
Capital work in progress	955,906	752,710
Total carrying amount	20,033,784	19,237,443

	As at 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Assets acquired on finance leases</b>					
<b>Cost</b>					
Immature / mature plantations	773,460	-	-	-	773,460
Plant & machinery	134,369	-	-	-	134,369
Office & other equipment	836	-	-	-	836
Motor vehicles	54,692	-	-	-	54,692
	963,357	-	-	-	963,357

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	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Depreciation / amortization</b>					
Immature / mature plantations	600,750	26,972	-	-	627,722
Plant & machinery	134,369	-	-	-	134,369
Office & other equipment	479	16	-	-	495
Motor vehicles	16,437	8,219	-	-	24,656
	752,035	35,207	-	-	787,242

	2019 Rs.'000	2018 Rs.'000
<b>Net Book Values</b>		
Immature / mature plantations	145,738	172,710
Plant & machinery	-	-
Office & other equipment	341	357
Motor vehicles	30,036	38,255
	176,115	211,322
<b>Total carrying amount of property, plant &amp; equipment</b>	<b>20,209,899</b>	<b>19,448,765</b>

Property, plant and equipment with a carrying amount of Rs.13,030 mn (2018 - Rs. 15,047 mn) are pledged as security for loans obtained. (Note 28.1)

## 12.2 Leasehold Property

	As at 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Cost / valuation</b>					
Right to use land	1,559,598	345	(19,016)	-	1,540,927
Buildings	278,694	115,417	-	-	394,111
	1,838,292	115,762	(19,016)	-	1,935,038

	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2019 Rs.'000
<b>Amortization</b>					
Right to use land	382,033	15,490	-	-	397,523
Buildings	231,831	12,159	-	-	243,990
	613,864	27,649	-	-	641,513

	2019 Rs.'000	2018 Rs.'000
Right to use land	1,143,404	1,177,565
Buildings	150,121	46,863
<b>Total carrying amount of leasehold properties</b>	<b>1,293,525</b>	<b>1,224,428</b>

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs.3,719 mn (2018 - Rs. 3,274 mn). During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 2,078 mn (2018 - Rs. 3,988 mn) for cash considerations.

### Right to use of Land - Plantations Sector

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

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SoRP) for right-to-use of land does not permit further revaluation of right-to-use land. The values have been taken into the Statements of Financial Position of the three plantation companies as at 22 June 1992.

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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 reporting date was 26 years.

Borrowing costs amounting to Rs. 82.7 mn (2018 - Rs 54.1 mn) incurred to meet expenses relating to immature plantations has been capitalised as a part of the cost of immature plantations in the plantation sector using a capitalisation rate of 12.31% (2018 - 9.77%)

## The title restriction of Property, Plant and Equipment

There is 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 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of Adjustments Rs.'000	As at 31.03.2019 Rs.'000
<b>Cost</b>					
Buildings	52,208	-	-	-	52,208
Plant, machinery, tools & electrical installations	95,724	-	-	-	95,724
Office & other equipment	34,713	180	-	-	34,893
Furniture, fixtures & fittings	23,865	188	-	-	24,053
Motor vehicles	64,981	1,007	-	-	65,988
Computers	49,007	1,248	-	-	50,255
	320,498	2,623	-	-	323,121
Capital work in progress	115,463	42,162	-	-	157,625
Total gross carrying amount	435,961	44,785	-	-	480,746

	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Adjustments Rs.'000	As at 31.03.2019 Rs.'000
<b>Depreciation / amortization</b>					
Buildings	21,322	5,221	-	-	26,543
Plant, machinery, tools & electrical installations	72,418	4,061	-	-	76,479
Office & other equipment	28,882	1,161	-	-	30,043
Furniture, fixtures & fittings	19,660	917	-	-	20,577
Motor vehicles	64,905	192	-	-	65,097
Computers	40,137	3,722	-	-	43,859
	247,324	15,274	-	-	262,598

	2019 Rs.'000	2018 Rs.'000
<b>Net Book Values</b>		
Buildings	25,665	30,886
Plant, machinery, tools & electrical installations	19,245	23,306
Office & other equipment	4,850	5,831
Furniture, fixtures & fittings	3,476	4,205
Motor vehicles	891	76
Computers	6,396	8,870
	60,523	73,174
Capital work in progress	157,625	115,463
Total carrying amount	218,148	188,637

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 189 mn (2018 - Rs. 184 mn).

During the financial year, the Company acquired property plant and equipment to the aggregate value of Rs. 44 mn (2018 - Rs. 122 mn) for cash considerations.

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## 13. Investment properties

### 13.1 Group

	As at 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2019 Rs.'000
<b>Gross carrying amounts</b>				
Freehold land	180,115	172,858	-	352,973
Buildings	38,080	-	-	38,080
	218,195	172,858	-	391,053

	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2019 Rs.'000
<b>Depreciation</b>				
Buildings	1,572	-	-	1,572
	1,572	-	-	1,572

<b>Net Book Values</b>	2019 Rs.'000	2018 Rs.'000
Freehold land	352,973	180,115
Buildings	36,508	36,508
Total carrying amount of investment properties	389,481	216,623

### 13.2 Company

	As at 01.04.2018 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2019 Rs.'000
<b>Gross carrying amounts</b>				
Freehold land	1,038,063	3,316	-	1,041,379
Buildings and building integrals	306,504	-	-	306,504
	1,344,567	3,316	-	1,347,883

	As at 01.04.2018 Rs.'000	Charge for the year Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2019 Rs.'000
<b>Depreciation</b>				
Buildings and building integrals	119,002	7,701	-	126,703
	119,002	7,701	-	126,703

<b>Net Book Values</b>	2019 Rs.'000	2018 Rs.'000
Freehold land	1,041,379	1,038,063
Buildings on freehold land	179,801	187,502
Total carrying amount of investment properties	1,221,180	1,225,565

	2019 Rs. Mn	2018 Rs. Mn
Rental income derived from investment properties	213	217
Direct operating expenses incurred	9.3	8.9
Fair value of investment properties	14,471	12,652

As at 31st March 2019, investment properties were valued by qualified valuer Mr. P.B.Kalugalagedara.

During the financial year, the Group acquired investment properties to the aggregate value of Rs. 173 mn ( 2018 - Rs. 13 mn ) for cash considerations.

Fair values of investment properties are given in Group Real Estate Portfolio in page 151

# Notes to the Financial Statements

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## 14. Intangible Assets

	Goodwill Rs.'000	Licenses Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
As at 1st April 2018	1,219,937	58,735	19,903	1,298,575
Acquired / incurred during the year	-	-	453	453
As at 31st March 2019	1,219,937	58,735	20,356	1,299,028
<b>Amortisation and Impairment</b>				
As at 1st April 2018	86,303	40,226	5,612	132,141
Amortisation/impairment for the year	8,100	1,451	2,181	11,732
As at 31st March 2019	94,403	41,677	7,793	143,873
<b>Net Book Value</b>				
As at 31st March 2018	1,133,634	18,509	14,291	1,166,434
As at 31st March 2019	1,125,534	17,058	12,563	1,155,155

### (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;

	Goodwill Rs.'000
1. Kegalle Plantations PLC	} 327,736
2. Namunukula Plantations PLC	
3. Maskeliya Plantations PLC	
4. Arpico Super Centre - Kandy	153,142
5. Six estates of Uva range Namunukula Plantations PLC	316,415
6. BGN Industrial Tyre (Private) Limited	22,228
7. Richard Pieris Finance Limited	306,013

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.

### 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 range of the key rates that are used in the assumptions are as follows.

10 year Risk Free ( Treasury bond) rate	- 9% - 12%	Weighted Average Cost of Equity	- 13% - 19%
Hurdle rate for equity	- 18% - 23%	Terminal growth rate of the company	- 0% - 1%
Cost of Debt	- 9% - 14%		

## 15. Biological Assets

### 15.1 Consumable Biological Assets

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	951,252	865,762
Increase due to new planting	15,959	3,723
Decrease due to harvesting	-	(1,595)
Gain in fair value	59,674	83,362
<b>At the end of the year</b>	<b>1,026,885</b>	<b>951,252</b>

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, FIV(SL) MRICS (Chartered Valuation surveyor), using discounted cash flow method.

#### Key assumptions used in valuation are as follows:

1. Timber price was based on the price list of the State Timber Corporation of sawn timber logs.
2. The prices adopted are net of expenditure
3. Time period of maturity estimated at 30 years ( 2018 - 30 years ) .
4. Discount rate used was 14% ( 2018 - 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 2019	-10% Rs.'000	Rs.'000	+10% Rs.'000
Managed timber	924,197	1,026,885	1,129,573
Total	924,197	1,026,885	1,129,573

#### 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 2019	15.50% Rs.'000	14.00% Rs.'000	12.50% Rs.'000
Managed timber	950,435	1,026,885	1,103,376
Total	950,435	1,026,885	1,103,376



# Notes to the Financial Statements

## 15.3 Produce on Bearer Biological Assets

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	32,686	26,463
Gain arising from changes in fair value of biological assets	(5,832)	6,223
At the end of the year	26,854	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 2019 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Assets measured at fair value</b>				
Consumable biological assets - timber	1,026,885	-	-	1,026,885
Produce on bearer biological assets	26,854	-	26,854	-
	1,053,739	-	26,854	1,026,885

	31st March 2018 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Assets measured at fair value</b>				
Consumable biological assets - timber	951,252	-	-	951,252
Produce on bearer biological assets	32,686	-	32,686	-
	983,938	-	32,686	951,252

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.

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## 16 . Investments

### A. Company investments in subsidiaries

	% Holding		No of shares			Value Rs.'000		
	31.03.2019	31.03.2018	31.03.2019	Movement	31.03.2018	31.03.2019	Movement	31.03.2018
<b>Quoted investments</b>								
Richard Pieris Exports PLC (Rs. 1,986 mn) *	84	84	9,366,027	-	9,366,027	296,955	-	296,955
Kegalle Plantations PLC (Rs. 1,088 mn) * +	-	-	9,500	-	9,500	1,441	-	1,441
Arpico Insurance PLC (Rs. 1,067 mn) *	82	82	15,125,001	-	15,125,001	151,250	-	151,250
<b>Unquoted investments</b>								
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	86	14,022,254	-	14,022,254	143,479	-	143,479
Arpitalian Compact Soles (Pvt) Limited								
Ordinary Shares	59	59	10,666,667	-	10,666,667	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	7,499,999	-	7,499,999	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	2,000,001	-	2,000,001	20,000	-	20,000
Richard Pieris Plantations (Pvt) Limited	100	100	1	-	1	-	-	-
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	3,500,002	-	3,500,002	285,000	-	285,000
Arpimalls 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	19,449,999	150,000	19,299,999	194,500	1,500	193,000
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	2,040,002	-	2,040,002	20,400	-	20,400
Richard Pieris Finance Limited	98	98	93,583,063	-	93,583,063	935,831	-	935,831
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 Retail Developments Company (Pvt) Limited	100	100	1	-	1	-	-	-
Arpico Pharmaceuticals (Pvt) Limited	100	100	10,000,001	-	10,000,001	100,000	-	100,000
Richard Pieris Trading Company ( Pte ) Limited	100	100	618,500	-	618,500	65,349	-	65,349
						4,188,755	1,500	4,187,255
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						(72,082)	(15,000)	(57,082)
Arpico Pharmaceuticals (Pvt) Limited						(100,000)	-	(100,000)
Richard Pieris Securities (Pvt) limited						(80,000)	-	(80,000)
<b>Company investments in subsidiaries</b>						<b>3,835,673</b>	<b>(13,500)</b>	<b>3,849,173</b>

# Notes to the Financial Statements

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## B) Group investments in subsidiaries

	% Holding		No of shares			Value Rs.'000		
	31.03.2019	31.03.2018	31.03.2019	Movement	31.03.2018	31.03.2019	Movement	31.03.2018
<b>Investor</b>								
Richard Pieris Distributors Limited								
<b>Investee</b>								
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. 796 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	-	-	-
<b>Investor</b>								
Arpico Industrial Development Company (Pvt) Limited								
<b>Investee</b>								
R P C Polymers (Pvt) Limited	31	31	5,700,000	-	5,700,000	57,000	-	57,000
<b>Investor</b>								
Richard Pieris Exports PLC								
<b>Investee</b>								
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
<b>Investor</b>								
Richard Pieris Natural Foams Limited								
<b>Investee</b>								
Arpico Natural Latex Foams (Pvt) Limited	56	56	5,000,000	-	5,000,000	50,000	-	50,000
<b>Investor</b>								
Plastishells Limited								
<b>Investee</b>								
R P C Polymers (Pvt) Limited	70	70	13,000,001	-	13,000,001	130,000	-	130,000
<b>Investor</b>								
Richard Pieris Plantations (Pvt) Limited								
<b>Investee</b>								
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

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## B) Group investments in subsidiaries contd.

	% Holding		No of shares			Value Rs.'000		
	31.03.2019	31.03.2018	31.03.2019	Movement	31.03.2018	31.03.2019	Movement	31.03.2018
<b>Investor</b>								
RPC Management Services (Pvt) Limited								
<b>Investee</b>								
Maskeliya Plantations PLC (Rs. 486 mn) *	83	83	44,998,397	-	44,998,397	778,329	-	778,329
Kegalle Plantations PLC (Rs. 1,088 mn) * +			3,900	-	3,900	591	-	591
<b>Investor</b>								
RPC Plantation Management Services (Pvt) Limited								
<b>Investee</b>								
Namunukula Plantations PLC (Rs. 1,026 mn) *	67	67	16,026,561	-	16,026,561	744,313	-	744,313
Kegalle Plantations PLC (Rs. 1,088 mn) *	79	79	19,770,477	-	19,770,477	336,040	-	336,040
<b>Investor</b>								
Kegalle Plantations PLC								
<b>Investee</b>								
Richard Pieris Natural Foams Limited	35	35	2,250,000	-	2,250,000	225,000	-	225,000
Hamefa Kegalle (Pvt) Limited	100	100	2,800,000	-	2,800,000	14,000	-	14,000
Arpico Insurance PLC (Rs. 796 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
<b>Investor</b>								
Arpitech (Pvt) Limited								
<b>Investee</b>								
RPC Properties (Pvt) Limited	49	49	49	-	49	-	-	-
<b>Investor</b>								
Richard Pieris Tyre Company Limited								
<b>Investee</b>								
BGN Industrial Tyre (Pvt) Limited	51	51	7,319	-	7,319	84,150	-	84,150
						5,457,172	-	5,457,172
Provision for fall in value of investment in;								
Kegalle Plantations PLC						(120)		(120)
Arpico Natural Latex Foams (Pvt) Limited						(90,000)		(90,000)
						5,367,052		5,367,052

## C) Company / Group investment in associate

	% Holding		No of shares			Value Rs.'000		
	31.03.2019	31.03.2018	31.03.2019	Movement	31.03.2018	31.03.2019	Movement	31.03.2018
<b>Group investments in associate;</b>								
<b>Unquoted Investments</b>								
<b>Investor</b>								
Namunukula Plantations PLC								
<b>Investee</b>								
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						136,519	23,525	112,994
<b>Group investment in associates (equity basis)</b>						149,087	23,525	125,562

\* Amounts stated within brackets correspond to market value as at 31st March 2019. In the opinion of the Directors, any reduction in market value below cost is considered to be of temporary nature.

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

The value of unquoted investments based on net assets amounted to Rs.12,589 mn (2018 - Rs.13,197 mn).

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## 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 2019	Plantations Rs.'000	Rubber Rs.'000	Financial Services Rs.'000
<b>Summarised Statement of Profit or Loss</b>			
Revenue	9,003,339	1,284,310	1,374,171
Operating cost	(8,256,828)	(786,217)	(1,375,291)
Finance cost	(580,674)	(4,838)	-
Finance income	218,822	28,536	206,015
Share of profit of an associate	24,722	-	-
<b>Profit before tax</b>	<b>409,381</b>	<b>521,791</b>	<b>204,895</b>
Income tax expense	(44,327)	(51,414)	300,350
<b>Profit for the year</b>	<b>365,054</b>	<b>470,377</b>	<b>505,245</b>
Other comprehensive income	(40,750)	(1,544)	(64)
<b>Total comprehensive income</b>	<b>324,304</b>	<b>468,833</b>	<b>505,181</b>
Profit attributable to NCI	103,598	75,979	93,027
Dividend paid to NCI	26,075	32,352	-
<b>As at 31st March 2019</b>			
<b>Summarised Statement of Financial Position</b>			
Current assets	5,235,329	1,263,500	1,482,099
Non current assets	11,149,525	693,279	1,620,931
<b>Total assets</b>	<b>16,384,854</b>	<b>1,956,779</b>	<b>3,103,030</b>
Current liabilities	5,483,593	370,519	247,445
Non current liabilities	4,530,314	61,003	1,401,898
<b>Total liabilities</b>	<b>10,013,907</b>	<b>431,522</b>	<b>1,649,343</b>
Accumulated balance of material NCI	1,624,919	245,567	267,624
<b>Summarised cash flow information for the year ending 31st March</b>			
Cash flows from operating activities	827,274	623,231	642,783
Cash flows used in investing activities	(698,852)	(13,455)	(438,353)
Cash flows used in financing activities	(1,076,201)	(200,948)	-
Net increase / (decrease) in cash and cash equivalents	(947,779)	408,828	204,430

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

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

Plantation Sector	Rubber Sector	Financial Services Sector
Maskeliya Plantations PLC 16.60%	Richard Pieris Exports PLC 16.10%	Arpico Insurance PLC 18.41%
Kegalle Plantations PLC 20.86%		
Namunukula Plantations PLC 33.24%		

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## 17. Other Financial Assets

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Fair Value Through Profit or Loss / 2018 AFS FVTPL</b>				
<b>Unquoted equity shares</b>				
Credit Information Bureau	593	593	-	-
Finance Houses Consortium	200	200	-	-
	793	793	-	-
<b>Quoted equity shares</b>				
Piramal Glass Ceylon PLC	1,483	2,458	-	-
Sampath Bank PLC	11,092	17,585	-	-
Hatton National Bank PLC (Non voting)	315	389	-	-
	12,890	20,432	-	-
<b>Total Fair Value Through Profit or Loss Investments</b>	<b>13,683</b>	<b>21,225</b>	<b>-</b>	<b>-</b>
<b>Fair Value Through Other Comprehensive Income</b>				
<b>Unquoted equity shares</b>				
Asset Trust Management (Pvt) Limited	5,625	-	5,625	-
Asia Auto Parts LLP	54,213	-	-	-
	59,838	-	5,625	-
<b>Quoted equity shares</b>				
Commercial Bank of Ceylon PLC	9	-	9	-
John Keells Holdings PLC	19	-	19	-
Asian Hotel Properties PLC	26,491	-	26,491	-
Dialog Axiata PLC	100	-	100	-
National Development Bank PLC	719,915	-	719,915	-
	746,534	-	746,534	-
<b>Total Fair Value Through Other Comprehensive Income</b>	<b>806,372</b>	<b>-</b>	<b>752,159</b>	<b>-</b>
<b>Amortized Cost</b>				
Treasury bill investments	363,900	-	-	-
Treasury bond investments	3,010	-	-	-
Fixed deposits	319,591	-	-	-
Other loans and receivables	257,917	-	-	-
<b>Total Financial Assets at Amortized Cost</b>	<b>944,418</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Available for sale investments</b>				
<b>Unquoted equity shares</b>				
Asset Trust Management (Pvt) Limited	-	5,625	-	5,625
Asia Auto Parts LLP	-	72,284	-	-
	-	77,909	-	5,625
<b>Quoted equity shares</b>				
Commercial Bank of Ceylon PLC	-	9	-	9
John Keells Holdings PLC	-	15	-	15
Asian Hotel Properties PLC	-	31,738	-	31,738
Dialog Axiata PLC	-	152	-	152
National Development Bank PLC	-	252,690	-	252,690
	-	284,604	-	284,604
<b>Government securities</b>				
Treasury bill investments	-	310,068	-	-
Treasury bond investments	377,226	345,999	-	-
	377,226	656,067	-	-
<b>Total available for sale investments at fair value</b>	<b>377,226</b>	<b>1,018,580</b>	<b>-</b>	<b>290,229</b>
<b>Loans and receivables</b>				
Investments in corporate debts	871,262	555,219	-	-
Investment in repurchase agreement	508,586	515,531	-	-
Fixed deposits	-	180,909	-	-
Other loans and receivables	54,778	296,042	-	-
<b>Total loans and receivables</b>	<b>1,434,626</b>	<b>1,547,701</b>	<b>-</b>	<b>-</b>
<b>Total other financial assets</b>	<b>3,576,325</b>	<b>2,587,506</b>	<b>752,159</b>	<b>290,229</b>
<b>Total current</b>	<b>1,259,746</b>	<b>846,031</b>	<b>-</b>	<b>-</b>
<b>Total non-current</b>	<b>2,316,579</b>	<b>1,741,475</b>	<b>752,159</b>	<b>290,229</b>

# Notes to the Financial Statements

## 17.1 Fair values

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

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

- Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Interest bearing borrowings, loans and other receivables are evaluated by the Group Treasury based on parameters such as interest rates, credit risk and other relevant risk factors. Based on the evaluation, allowances are taken to account for the expected losses of these receivables where the carrying amounts of which are not materially different from their calculated fair values.
- Fair Value of Available for Sale financial asset and financial assets at Fair Value Through OCI are derived from quoted market prices in active markets where unrealized gains/losses are 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

Assets measured at fair value	31st March 2019 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Fair Value Through Other Comprehensive Income</b>				
Equity Shares - Quoted	746,534	746,534	-	-
Unquoted	59,838	-	-	59,838
	806,372	746,534	-	59,838
<b>Fair value through profit or loss</b>				
Equity Shares - Quoted	12,890	12,890	-	-
Unquoted	793	-	-	793
	13,683	12,890	-	793
<b>Amortized Cost</b>				
Treasury bill investments	363,900	363,900	-	-
Treasury bond investments	3,010	-	3,010	-
Fixed deposits	319,591	-	319,591	-
Other loans and receivables	257,917	-	257,917	-
	944,418	363,900	580,518	-
<b>Available for sale investments</b>				
Treasury bond investments	377,226	-	377,226	-
	377,226	-	377,226	-
<b>Loans and receivables</b>				
Investments in corporate debts	871,262	-	871,262	-
Investment in repurchase agreement	508,586	-	508,586	-
Other loans and receivables	54,778	-	54,778	-
	1,434,626	-	1,434,626	-
	3,576,325	1,123,324	2,392,370	60,631

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	31st March 2018 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
<b>Available for sale financial assets</b>				
Equity Shares - Quoted	284,604	284,604	-	-
Unquoted	77,909	-	-	77,909
Government Securities	656,067	-	656,067	-
	1,018,580	284,604	656,067	77,909
<b>Fair value through profit or loss</b>				
Equity Shares - Quoted	20,432	20,432	-	-
Unquoted	793	-	-	793
	21,225	20,432	-	793
<b>Loans and receivables</b>				
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	-	1,547,701	-
	2,587,506	305,036	2,203,768	78,702

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

Group	Carrying amount		Fair Value	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Financial assets</b>				
Trade and other Recievables	10,080,031	8,218,124	9,114,467	7,069,559
Loans and advances	13,718,868	10,664,835	14,091,567	11,164,233
Cash and short-term deposits	5,467,209	4,544,044	5,467,209	4,544,044
<b>Other Financial Assets</b>				
Fair Value Through Other Comprehensive Income	806,372	-	806,372	-
Fair value through profit or loss	13,683	21,225	13,683	21,225
Amortized Cost	944,418	-	919,442	-
Available for sale investments	377,226	1,018,580	377,226	1,048,153
Loan and receivables	1,434,626	1,547,701	1,786,073	1,709,624
<b>Total</b>	<b>32,842,433</b>	<b>26,014,509</b>	<b>32,576,039</b>	<b>25,556,838</b>
<b>Financial liabilities</b>				
Net liability to the lessor	571,393	583,654	571,393	583,654
Interest-bearing loans and borrowings	11,070,115	9,123,821	11,070,115	9,123,821
Customer deposits	6,680,386	5,070,357	6,880,756	5,045,104
Trade and Other payables	9,933,256	8,497,067	9,933,256	8,497,067
Short term borrowings	14,231,137	10,717,316	14,231,137	10,717,316
<b>Total</b>	<b>42,486,287</b>	<b>33,992,215</b>	<b>42,686,657</b>	<b>33,966,962</b>



# Notes to the Financial Statements

## 17.2 Transitional disclosures

Assets	As per LKAS 39 as at 31st March 2018			Reclassifications		As per SLFRS 9 as at 01st April 2018		
	Category	Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000	Group Rs.'000	Company Rs.'000	Category
<b>Available for sale financial instruments</b>								
Unquoted equity shares	ONCFA	77,909	5,625	(77,909)	(5,625)	-	-	
Quoted equity shares	ONCFA	284,604	284,604	(284,604)	(284,604)	-	-	
Government securities - Treasury bills	OCFA	310,068	-	(310,068)	-	-	-	
Government securities - Treasury bonds	ONCFA	345,999	-	-	-	345,999	-	ONCFA
		1,018,580	290,229	(672,581)	(290,229)	345,999	-	
<b>Financial assets fair value through profit or loss</b>								
Unquoted equity shares	ONCFA	793	-	-	-	793	-	ONCFA
Quoted equity shares	OCFA	20,432	-	-	-	20,432	-	OCFA
		21,225	-	-	-	21,225	-	
<b>Loans and receivables</b>								
Loans and receivables	ONCFA	1,032,170	-	(180,909)	-	851,261	-	ONCFA
Investments in repurchase agreements	OCFA	515,531	-	-	-	515,531	-	OCFA
		1,547,701	-	(180,909)	-	1,366,792	-	
<b>Financial assets FVOCI</b>								
Unquoted equity shares		-	-	77,909	5,625	77,909	5,625	ONCFA
Quoted equity shares		-	-	284,604	284,604	284,604	284,604	ONCFA
		-	-	362,513	290,229	362,513	290,229	
<b>Financial assets at amortised cost</b>								
Government securities - Treasury bills		-	-	310,068	-	310,068	-	OCFA
Fixed deposits		-	-	180,909	-	180,909	-	ONCFA
		-	-	490,977	-	490,977	-	
Other current financial assets		846,031	-	-	-	846,031	-	
Other non current financial assets		1,741,475	290,229	-	-	1,741,475	290,229	
		2,587,506	290,229	-	-	2,587,506	290,229	

\* ONCFA -Other non current financial assets

\* OCFA -Other current financial assets

# Notes to the Financial Statements

## 18. Deferred Tax (Assets) / Liabilities

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Deferred tax assets	(433,396)	(91,901)	-	-
Deferred tax liabilities	975,040	855,267	-	-
<b>Net deferred tax liabilities</b>	<b>541,644</b>	<b>763,366</b>	<b>-</b>	<b>-</b>
<b>Net deferred tax liabilities</b>				
At the beginning of the year	763,366	416,938	-	-
Transfer (to) / from Statement of Profit and Loss	(212,104)	372,712	-	-
Transfer to the Statement of Other Comprehensive Income	(9,618)	(26,284)	-	-
<b>At the end of the year</b>	<b>541,644</b>	<b>763,366</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Accelerated depreciation for tax purposes -PPE	650,828	986,551	37,279	43,776
Accelerated depreciation for tax purposes -Biological assets	1,181,207	1,120,142	-	-
Other deferred liabilities	573,439	236,855	-	-
	<b>2,405,474</b>	<b>2,343,548</b>	<b>37,279</b>	<b>43,776</b>
<b>Deferred tax assets</b>				
Retirement benefit obligations	(471,119)	(440,694)	(19,771)	(17,838)
Un-utilised tax losses	(601,484)	(719,786)	(13,308)	(11,091)
Other provisions	(791,227)	(419,702)	(4,200)	(14,847)
	<b>(1,863,830)</b>	<b>(1,580,182)</b>	<b>(37,279)</b>	<b>(43,776)</b>
<b>Net Deferred Tax Liabilities</b>	<b>541,644</b>	<b>763,366</b>	<b>-</b>	<b>-</b>

Arpico Insurance PLC is liable to pay income tax at the rate of 28% as per section 67 of Inland Revenue Act No. 24 of 2017 which was effective from 1st April 2018 and the Act allow deducting 100% of the taxable income against the brought forward tax losses.

According to the transitional provision of the new Act brought forward tax losses can be claimed against taxable income for a period of six years with effect from 1st April 2018.

The company made an assessment of future taxable profits and identified that total tax losses can be claimed within the prescribed period of the new Act. Accordingly a deferred tax asset has been recognized amounting to Rs. 304 Million during the period on carried forward tax losses of Rs. 1,087 Million.

Deferred tax assets amounting to Rs. 117 mn (2018 - Rs.61 mn) for the Group and Rs. 94 mn (2018 - Rs.52 mn) for the company has not been recognized since the companies do not expect these assets to reverse in the foreseeable future.

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## 19. Inventories

	Group	
	2019 Rs.'000	2018 Rs.'000
Raw materials	1,584,768	1,677,509
Growing crop-nurseries	95,989	91,576
Work in progress	251,988	208,677
Finished goods	4,312,911	3,665,313
Produce inventories	936,702	957,475
Other inventories	145,671	103,116
Goods in transit	5,589	62,314
	7,333,618	6,765,980
Provision for slow moving inventories	(314,815)	(237,769)
Provision for unrealized profits	(21,867)	(19,685)
Net inventory	6,996,936	6,508,526

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

The amount of write-down of inventories recognised as an expense is Rs. 196 mn (2018 Rs. 159 mn) which is recognised under administrative expenses.

Provision for slow moving inventories as an expense is Rs. 68 mn (2018 - Rs.105 mn )

Inventories carried at net realisable value as at 31st March 2019 amounted to Rs. 1,351 mn ( 2018 Rs. 1,375 mn)

Inventories with a carrying amount of Rs.777 mn (2018 Rs. 838 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 31st 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						
2019	5,768,017	3,784,017	782,469	209,914	121,895	869,722
2018	5,247,555	3,364,284	875,691	210,986	74,785	721,809

20.2 Impairment of trade receivables	Total Rs.'000	Individual		Collective	
		Fully Impaired Rs.'000	Partially Impaired Rs.'000	Fully Impaired Rs.'000	Partially Impaired Rs.'000
As at 1st April 2018	487,713	235,392	44,209	20,209	187,903
Charge for the year	24,190	16,440	-	268	7,482
Unused amounts reversed	(10,471)	(10,204)	-	-	(267)
Provisions written off	-	-	-	-	-
As at 31st March 2019	501,432	241,628	44,209	20,477	195,118

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Net trade receivables	5,266,585	4,759,842	-	-
Advances and deposits	1,203,839	962,443	-	-
Loans to employees	12,942	13,973	10,761	10,545
Other receivables	2,460,627	1,266,104	166,412	37,004
Premium Receivable	49,376	72,576	-	-
Reinsurance Receivable	40,912	24,194	-	-
	9,034,281	7,099,132	177,173	47,549
Other non financial receivables	1,045,750	1,118,992	333,463	213,398
	10,080,031	8,218,124	510,636	260,947

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## 21. Loans and Advances

	2019 Rs.'000	2018 Rs.'000
Finance lease/ Ijarah rental receivables	7,202,675	5,348,244
Hire purchase/ Muraba rental receivables	88,685	135,599
Term Loans/ Mortgage loans/ Wakala rental receivables	5,791,210	4,824,662
Short term loans/ Trading Muraba rental receivables	216,698	117,968
Other loans and advances	1,216,145	883,120
	<b>14,515,413</b>	<b>11,309,593</b>
Less: Impairment losses - Collective	(796,545)	(644,758)
Net loans and advances receivables (Note 21.1)	<b>13,718,868</b>	<b>10,664,835</b>

### 21.1 Analysis of rental receivables on loans and advances

	2019				2018			
	Within one year Rs.'000	1-5 years Rs.'000	More than 5 Years Rs.'000	Total Rs.'000	Within one year Rs.'000	1-5 years Rs.'000	More than 5 Years Rs.'000	Total Rs.'000
<b>Finance Lease/ Ijarah rental receivables</b>								
Gross rental receivables	3,301,987	6,778,974	51,856	10,132,817	2,554,082	4,646,071	34,405	7,234,558
(-) Unearned income	(1,255,516)	(1,667,919)	(6,707)	(2,930,142)	(857,877)	(1,023,754)	(4,683)	(1,886,314)
Net rental receivables	2,046,471	5,111,055	45,149	7,202,675	1,696,205	3,622,317	29,722	5,348,244
(-) Allowance for impairment loss - Collective	(170,960)	(144,690)	-	(315,650)	(84,658)	(263,949)	-	(348,607)
<b>Total net rental receivables</b>	<b>1,875,511</b>	<b>4,966,365</b>	<b>45,149</b>	<b>6,887,025</b>	<b>1,611,547</b>	<b>3,358,368</b>	<b>29,722</b>	<b>4,999,637</b>
<b>Hire purchase/ Muraba rental receivables</b>								
Gross rental receivables	42,640	81,270	604	124,514	78,558	99,039	-	177,597
(-) Unearned income	(14,384)	(21,227)	(218)	(35,829)	(19,220)	(22,778)	-	(41,998)
Net rental receivables	28,256	60,043	386	88,685	59,338	76,261	-	135,599
(-) Allowance for impairment loss - Collective	(21,259)	(3,642)	-	(24,901)	(7,120)	(14,352)	-	(21,472)
<b>Total net rental receivables</b>	<b>6,997</b>	<b>56,401</b>	<b>386</b>	<b>63,784</b>	<b>52,218</b>	<b>61,909</b>	<b>-</b>	<b>114,127</b>
<b>Loans and Advances</b>								
<b>Term loans/ Mortgage loans/ Wakala</b>								
Gross rental receivables	1,834,764	6,440,682	97,698	8,373,144	2,577,790	4,094,145	10,025	6,681,960
(-) Unearned income	(1,092,538)	(1,480,108)	(9,288)	(2,581,934)	(836,829)	(1,019,475)	(994)	(1,857,298)
Net rental receivables	742,226	4,960,574	88,410	5,791,210	1,740,961	3,074,670	9,031	4,824,662
(-) Allowance for impairment loss - Collective	(332,317)	-	-	(332,317)	(225,383)	-	-	(225,383)
<b>Total net rental receivables</b>	<b>409,909</b>	<b>4,960,574</b>	<b>88,410</b>	<b>5,458,893</b>	<b>1,515,578</b>	<b>3,074,670</b>	<b>9,031</b>	<b>4,599,279</b>
<b>Short term loans/ Trading Muraba</b>								
Gross rental receivables	118,912	178,549	-	297,461	119,223	13,418	-	132,641
(-) Unearned income	(38,464)	(42,299)	-	(80,763)	(12,180)	(2,493)	-	(14,673)
Net rental receivables	80,448	136,250	-	216,698	107,043	10,925	-	117,968
(-) Allowance for impairment loss - Collective	(59,422)	-	-	(59,422)	(29,966)	-	-	(29,966)
<b>Total net rental receivables</b>	<b>21,026</b>	<b>136,250</b>	<b>-</b>	<b>157,276</b>	<b>77,077</b>	<b>10,925</b>	<b>-</b>	<b>88,002</b>
<b>Other loans and advances</b>								
Gross rental receivables	786,574	602,446	-	1,389,020	583,648	357,409	-	941,057
(-) Unearned income	(74,086)	(98,789)	-	(172,875)	(36,116)	(21,821)	-	(57,937)
Net rental receivables	712,488	503,657	-	1,216,145	547,532	335,588	-	883,120
(-) Allowance for impairment loss - Collective	(64,255)	-	-	(64,255)	(19,330)	-	-	(19,330)
<b>Total net rental receivables</b>	<b>648,233</b>	<b>503,657</b>	<b>-</b>	<b>1,151,890</b>	<b>528,202</b>	<b>335,588</b>	<b>-</b>	<b>863,790</b>
<b>Total net loans and advances</b>	<b>2,961,676</b>	<b>10,623,247</b>	<b>133,945</b>	<b>13,718,868</b>	<b>3,784,622</b>	<b>6,841,460</b>	<b>38,753</b>	<b>10,664,835</b>

## 21.2 Collective Assessment of Impairment

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped considering credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets 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.

## 21.3 Transitional Disclosures

The following set out the impact of transition arising from Richard Pieris Finance Ltd, by adopting SLFRS 9's expected credit loss method by replacing LKAS 39's incurred loss calculation method.

A reconciliation between the carrying amounts under LKAS 39 to the balances reported under SLFRS 9 as of 1st April 2018 is as follows.

	LKAS 39 Measurement as at 31st March 2018		Remeasurement		SLFRS 9 Measurement as at 01st April 2018	
	Category	Amount Rs.'000	ECL Rs.'000	Other Rs.'000	Amount Rs.'000	Category
Loan receivables	Loans and advances	5,825,750	(35,050)	-	5,790,700	Loans and advances at amortised cost
Lease receivables	Loans and advances	5,348,244	(127,608)	-	5,220,636	Loans and advances at amortised cost
Hire purchase receivables	Loans and advances	135,599	6,314	-	141,913	Loans and advances at amortised cost
		11,309,593	(156,344)	-	11,153,249	

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## 21.4 Analysis of Maximum Exposure to Credit Risk and Movement in Allowance for ECL

	Stage 1 Rs.'000	Stage 2 Rs.'000	Stage 3 Rs.'000	Total Rs.'000
<b>Finance Lease/ Ijarah rental receivables</b>				
<b>Maximum exposure to credit risk</b>				
Gross lease receivables - subject to collective impairment	5,022,433	1,824,244	355,998	7,202,675
Allowance for expected credit losses (ECL)	158,225	(81,599)	(392,276)	(315,650)
	5,180,658	1,742,645	(36,278)	6,887,025
<b>Movement in allowance for expected credit losses</b>				
Balance as at 31st March 2018	-	-	-	348,607
Impact of adoption of SLFRS 09 as at 01st April 2018	-	-	-	127,609
Adjusted Balance as at 01st April 2018	(37,410)	(70,058)	(368,747)	(476,215)
(Charge) / Reversal to income statement	195,635	(11,541)	(76,911)	107,183
Written-off during the year	-	-	53,382	53,382
Balance as at 31st March 2019	158,225	(81,599)	(392,276)	(315,650)
<b>Hire purchase/ Muraba rental receivables</b>				
<b>Maximum exposure to credit risk</b>				
Gross hire purchase receivables - subject to collective impairment	28,256	60,044	385	88,685
Allowance for expected credit losses (ECL)	(24,137)	(723)	(41)	(24,901)
	4,119	59,321	344	63,784
<b>Movement in allowance for expected credit losses</b>				
Balance as at 31st March 2018	-	-	-	21,472
Impact of adoption of SLFRS 09 as at 01st April 2018	-	-	-	(6,315)
Adjusted Balance as at 01st April 2018	(934)	(340)	(13,883)	(15,157)
(Charge) / Reversal to income statement	(23,203)	(383)	7,107	(16,479)
Written-off during the year	-	-	6,735	6,735
Balance as at 31st March 2019	(24,137)	(723)	(41)	(24,901)
<b>Loans and Advances</b>				
<b>Maximum exposure to credit risk</b>				
Gross loans and advances receivables - subject to collective impairment	4,185,042	2,078,021	960,991	7,224,054
Allowance for expected credit losses (ECL)	(28,533)	(124,008)	(303,454)	(455,995)
	4,156,509	1,954,013	657,537	6,768,059
<b>Movement in allowance for expected credit losses</b>				
Balance as at 31st March 2018	-	-	-	236,988
Impact of adoption of SLFRS 09 as at 01st April 2018	-	-	-	35,050
Adjusted Balance as at 01st April 2018	(41,431)	(117,098)	(113,509)	(272,038)
(Charge) / Reversal to income statement	12,898	(6,910)	(350,792)	(344,804)
Written-off during the year	-	-	160,847	160,847
Balance as at 31st March 2019	(28,533)	(124,008)	(303,454)	(455,995)

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## 22. Short Term Borrowings

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Import loans (a)	50,000	82,764	-	-
Short term borrowings settled within 90 days (b)	6,205,381	5,558,613	5,915,000	4,860,000
Bank overdrafts (c)	6,401,756	4,108,703	3,647,636	2,245,234
Other short term borrowings	1,574,000	967,236	1,624,000	1,050,000
	14,231,137	10,717,316	11,186,636	8,155,234

(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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cash at banks and in hand	5,467,209	4,544,044	7,880,056	7,278,859
Short term borrowings settled within 90 days (Note 22)	(6,205,381)	(5,558,613)	(5,915,000)	(4,860,000)
Bank overdrafts (Note 22)	(6,401,756)	(4,108,703)	(3,647,636)	(2,245,234)
Cash and cash equivalents	(7,139,928)	(5,123,272)	(1,682,580)	173,625

## 24. Stated Capital

	No of Shares in' 000	Value of Shares Rs.'000
As at 1st April 2018	2,035,038	1,972,829
As at 31st March 2019	2,035,038	1,972,829

## 25. Statutory Reserve Fund

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	60,204	46,024
Transfers during the year	16,402	17,092
Adjustments due to business combinations	-	(2,912)
<b>At the end of the year</b>	<b>76,606</b>	<b>60,204</b>

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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Fair value reserve on Financial Assets at FVOCI	9,891	6,982	5,768	5,768
Foreign currency translation reserve	140,611	102,406	-	-
	150,502	109,388	5,768	5,768

## 27. Insurance Provision

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	1,154,177	814,633
Net increase in life insurance fund	235,725	320,782
Movement in fair value reserve on financial assets at FVOCI transferred to life fund	1,604	18,762
At the end of the year	1,391,506	1,154,177

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 2018 was assessed by M/S Actuarial Partners Consulting Sdn Bhd. According to the Actuarial Valuation which is based on a distribution basis, the reserve amounted to Rs. 1,325 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.133 mn as at 31st December 2018 before any transfers to shareholders. Accordingly based on the recommendations made by the Actuary a sum of Rs.133 mn has been transferred to Shareholders fund from the Life Insurance Fund in 2018.

### Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract liability was carried out by Actuarial Partners, as at 31st December 2018 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 2018. No additional provision was required against the LAT as at 31st December 2018.



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## 28. Interest Bearing Loans and Borrowings

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
<b>Non current portion of interest bearing loans and borrowings</b>				
Interest bearing loans	5,876,070	5,063,853	-	2,143,673
Finance lease obligations	3,393	7,125	-	-
<b>Total Non current interest bearing loans and borrowings</b>	<b>5,879,463</b>	<b>5,070,978</b>	<b>-</b>	<b>2,143,673</b>
<b>Current portion of interest bearing loans and borrowings</b>				
Interest bearing loans	5,187,046	4,044,338	2,170,944	1,018,013
Finance lease obligations	3,606	8,505	-	-
<b>Total Current interest bearing loans and borrowings</b>	<b>5,190,652</b>	<b>4,052,843</b>	<b>2,170,944</b>	<b>1,018,013</b>

## 28.1 Interest Bearing Loans and Borrowings

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	9,108,191	10,357,552	3,161,686	4,439,602
On acquisition of new subsidiaries	-	32,612	-	-
New loans obtained	6,430,130	2,376,046	-	-
Repayments	(4,790,369)	(3,719,972)	(1,046,227)	(1,296,944)
Amortisation of debenture issue cost	1,524	3,055	1,524	3,055
Effect of foreign currency translation	313,640	58,898	53,961	15,973
	11,063,116	9,108,191	2,170,944	3,161,686
Transferred to current liabilities	(5,187,046)	(4,044,338)	(2,170,944)	(1,018,013)
<b>At the end of the year</b>	<b>5,876,070</b>	<b>5,063,853</b>	<b>-</b>	<b>2,143,673</b>

## 28.2 Finance lease obligations

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	10,510	-
New leases obtained	-	23,725
Repayments during the year	(3,511)	(8,093)
At the end of the year	6,999	15,632
Finance charge allocated to future periods	(2,699)	(5,122)
<b>Net lease obligation at the end of the year</b>	<b>4,300</b>	<b>10,510</b>

# Notes to the Financial Statements

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## Analysis of Finance Lease Obligations by Year of Repayments

	Repayment			Total Rs.'000
	Repayable Within 01 year Rs.'000	Repayable After 01 year less than 05 years Rs.'000	Repayable after 05 years Rs.'000	
<b>As at 31st March 2018</b>				
Net Liability	6,010	4,500	-	10,510
Add : Finance income allocated to future periods	2,497	2,625	-	5,122
Gross Liability	8,507	7,125	-	15,632

	Repayment			Total Rs.'000
	Repayable Within 01 year Rs.'000	Repayable After 01 year less than 05 years Rs.'000	Repayable after 05 years Rs.'000	
<b>As at 31st March 2019</b>				
Net Liability	2,190	2,110	-	4,300
Add : Finance income allocated to future periods	1,416	1,283	-	2,699
Gross Liability	3,606	3,393	-	6,999

# Notes to the Financial Statements

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## 28.3 Interest bearing loans and borrowings repayable after one year.

### Interest bearing loans and borrowing repayable after one year

Company	Lender / Instrument	31.03.2019 Rs'000	31.03.2018 Rs'000	Repayment	Security
Richard Pieris and Company PLC	Hatton National Bank PLC	-	26,666	Fully settled	Secondary mortgage over land and buildings at Union Place, Colombo 02.
	HSBC	246,093	511,546	US \$ 156,250 per month	Clean basis.
	Listed Debenture	669,601	1,368,224	Bullet Repayments in May 2019	Clean basis.
Richard Pieris Distributors Limited	IFC Loan	1,990,343	1,886,333	US \$1.131 Mn semi annual w.e.f. February 2019	Mortgage over land and buildings at Dehiwla, Negambo, Kadawatha, Matara, Panaduara and Solar Panels at all Super Centres.
Richard Pieris Natural Foams Ltd	HSBC	102,375	142,707	US \$ 27,777/77 per month w.e.f. January 2018	Clean basis.
BGN Industrial Tyre (Pvt) Ltd	Sampath Bank	19,310	27,319	Rs. 0.947 mn per month	Primary mortgage over land & machinery at Horana.
Richard Pieris Finance Limited	Sampath Bank PLC	900,812	-	Rs. 16.6 mn per month	Assignment over Lease & hire purchase receivables.
	Sampath Bank PLC	45,083	105,085	Rs. 5.0 mn per month	Assignment over Lease & hire purchase receivables.
	Sampath Bank PLC	216,027	316,227	Rs.8.35 mn per month	Re purchase receivables.
	Trust Certificates	2,206,184	-	Monthly paymtns in varied installments	Assignment over Lease & hire purchase receivables.
	Trust Certificates	-	98,897	Fully settled	Securitization of Lease & hire purchase receivables.
	Seylan Bank PLC	116,630	41,867	Rs.2.083 mn per month	Assignment over Lease & hire purchase receivables.
	Seylan Bank PLC	109,763	172,738	Rs. 5.21 mn per month w.e.f. December 2016	Assignment over Lease & hire purchase receivables.
	Seylan Bank PLC	683,092	-	Rs. 15.625 mn per month	Assignment over Lease & hire purchase receivables.
	Indian Bank	146,246	87,829	Rs. 4.167 mn per month	Assignment over Lease & hire purchase receivables.
	Indian Bank	54,092	111,668	Rs.4.44 mn per month w.e.f. March 2017	Assignment over Lease & hire purchase receivables.
	Cargills Bank	-	155	Fully settled	Assignment over Lease & hire purchase receivables.
	Cargills Bank	-	151,696	Fully settled	Assignment over Lease & hire purchase receivables.
	Peoples Bank	398,269	650,919	Rs. 20.8 mn per month w.e. f. November 2016	Assignment over Lease , hire purchase & Loan receivables.
	Nations Trust Bank PLC	470,992	167,654	Rs. 20.83 mn per quarter w.e.f. March 2017	Assignment over Lease , hire purchase & Loan receivables.
	Muslim Commercial Bank	64,980	85,020	Rs. 1.67 mn per month	Assignment over Lease , hire purchase & Loan receivables.
	HDFC Bank	323,439	425,503	Monthly paymtns in varied installments	Assignment over Lease , hire purchase & Loan receivables.
	Bank of Ceylon	459,916	42,161	Monthly paymtns in varied installments	Securitization of Lease & hire purchase receivables.
Maskeliya Plantations PLC	Hatton National Bank PLC	13,360	39,280	Rs. 2.1 mn per month	Primary mortgage over leasehold rights of St. Clair estate.
	Hatton National Bank PLC	10,000	34,000	Rs. 2 mn per month	Primary mortgage over leasehold rights of Ampittikande and Craig estates.
	Hatton National Bank PLC	208,410	308,370	Rs.8.3mn per month	Primary mortgage over leasehold rights of Ampittikande, Craig ,St.Clair and Glenugei estates
	Hatton National Bank PLC	204,240	-	Rs.4.1 mn per month	Primary mortgage over leasehold rights of Ampittikande, Craig ,St.Clair and Glenugei estates
	National Development Bank PLC	-	17,000	Fully settled	Primary mortgage over leasehold rights of Brunswick estate.
	National Development Bank PLC	30,000	148,000	36 monthly payments in varied installments w.e.f. July 2016	Securitization of future sales proceeds.
	Tea Board - ( Government Loan )	19,555	34,222	Rs.1.22 mn per month w.e.f August 2017	Clean basis.
	Tea Board - ( Government Loan )	29,827	55,965	Rs. 2.16 mn per month w.e.f August 2017	Clean basis.
	Union Bank of Ceylon PLC	90,000	130,000	Rs. 3.33 mn per month	Primary mortgage over leasehold rights of Moray estate..

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Company	Lender / Instrument	31.03.2019 Rs'000	31.03.2018 Rs'000	Repayment	Security
Kegalle Plantations PLC	Commercial Bank of Ceylon PLC	88,066	233,738	US \$ 83,300 per month	Primary mortgage over leasehold rights of Etana and Kirklees estates.
	Commercial Bank of Ceylon PLC	603,280	729,750	US \$ 104,167 per month	Secondary mortgage over leasehold rights of Etana and Kirklees estates and Negative Pledge over leasehold rights of Allagolla, Eadella and Doteloya estates
	Indian Overseas Bank	22,819	52,744	Rs. 2.49 mn per month	
	Indian Bank	15,216	35,163	Rs. 1.66 mn per month	Primary mortgage over leasehold rights of Higgoda and Madeniya estates.
	State Bank of India	22,819	52,744	Rs. 2.49 mn per month	
	Indian Overseas Bank	399,789	573,992	54 monthly payments in varied installments	Primary mortgage over leasehold rights of Ambadebiya, Hathbawa and Udupola estates.
	National Development Bank PLC	-	73,859	Fully settled	Quaternary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yataderiya estates.
	Tea Board - ( Government Loan )	10,221	17,889	Rs.0.638 mn per month w.e.f. August 2017	Clean Basis.
	Tea Board - ( Government Loan )	12,167	22,828	Rs.0.892 mn per month w.e.f. May 2017	Clean Basis.
	Namunukula Plantations PLC	ADB/ Lanka Orix Leasing Company PLC	-	213	Fully settled
National Development Bank PLC		390	8,430		Primary mortgage over plant & machinery.
Indian Bank		17,500	37,300	Rs. 1.65 mn per month	
Indian Overseas Bank		17,500	37,300	Rs. 1.65 mn per month	Primary mortgage over leasehold rights of Yatadola estate.
Tea Board - ( Government Loan )		9,333	16,333	Rs. 0.58 mn per month w.e.f. August 2017	Clean Basis.
Tea Board - ( Government Loan )		15,377	28,851	Rs. 1.22 mn per month w.e.f. May 2017	Clean Basis.
<b>Total Term Loans</b>		<b>11,063,116</b>	<b>9,108,191</b>		
<b>Transferred to Current Liabilities</b>		<b>(5,187,046)</b>	<b>(4,044,338)</b>		
		<b>5,876,070</b>	<b>5,063,853</b>		

## 28.4 Rated Unsecured Redeemable Debentures

As at 31st March 2019	Group				Company			
	Type A	Type B Rs.'000	Type C Rs.'000	Total Rs.'000	Type A	Type B Rs.'000	Type C Rs.'000	Total Rs.'000
At the beginning of the year	-	699,809	668,415	1,368,224	-	699,809	1,923,667	2,623,476
Repayment	-	(700,000)	-	(700,000)	-	(700,000)	-	(700,000)
Amortisation of debenture issue expense	-	191	1,186	1,377	-	191	1,186	1,377
Repayable within one year	-	-	669,601	669,601	-	-	1,924,853	1,924,853

As at 31st March 2018	Group				Company			
	Type A	Type B Rs.'000	Type C Rs.'000	Total Rs.'000	Type A	Type B Rs.'000	Type C Rs.'000	Total Rs.'000
At the beginning of the year	874,681	698,259	667,229	2,240,169	874,681	698,259	1,922,481	3,495,421
Repayment	(875,000)	-	-	(875,000)	(875,000)	-	-	(875,000)
Amortisation of debenture issue expense	319	1,550	1,186	3,055	319	1,550	1,186	3,055
Repayable at the end of the year	-	699,809	668,415	1,368,224	-	699,809	1,923,667	2,623,476

Interest rate of comparable government securities net of tax for the Type C debentures is 9.47% as of 31st March 2019.

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## 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	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)	-	-	(12,261)
<b>As at 31st March 2018</b>	-	-	-	571,393
Gross liability	35,674	142,696	757,885	936,255
Less: Finance charges	(22,923)	(86,382)	(255,557)	(364,862)
Net liability	12,751	56,314	502,328	571,393
Transferred to current liabilities	(12,751)	-	-	(12,751)
<b>As at 31st March 2019</b>	-	-	-	558,642

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.34.37 mn, Rs.40.27 mn and Rs.48.09 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

## 30. Provisions

	Maintenance Warranties	
	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	112,203	116,878
(Reversal)/arising during the year	11,681	(4,675)
<b>At the end of the year</b>	<b>123,884</b>	<b>112,203</b>

### 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

	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	538,368	534,240
Received during the year	14,988	30,226
Released in the statement of profit or loss	(26,586)	(26,098)
<b>At the end of the year</b>	<b>526,770</b>	<b>538,368</b>

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.

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## 32. Post Employee Benefit Liabilities

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
At the beginning of the year	2,703,938	2,426,498	82,471	79,823
On acquisition of new subsidiaries	-	277		
<b>Recognised in the statement of profit or loss:</b>				
Current service cost	191,682	202,357	5,211	5,850
Interest cost	292,116	281,447	9,072	9,983
	483,798	483,804	14,283	15,833
<b>Recognised in the statement of other comprehensive income:</b>				
Actuarial losses on obligation	75,928	185,292	22,994	10,521
Benefits paid	(420,892)	(391,933)	(49,139)	(23,706)
<b>Benefit liabilities at the end of the year</b>	<b>2,842,772</b>	<b>2,703,938</b>	<b>70,609</b>	<b>82,471</b>

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2019 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

	2018/2019	2017/2018
<b>Demographic assumptions</b>		
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	5.3	4.7
Non Executives	3.1	3.9
Staff turnover rates:		
Executives	0.00-0.33	0.00-0.40
Non Executives	0.00-0.59	0.00-0.22
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	7.88 years	7.71 years
Staff	5.83 years	5.47 years
<b>Financial assumptions</b>		
In respect of non plantation companies,		
Rate of discount	11.00%	11.00%
Rate of salary increment ( average )	6.50%	8.00 %
In respect of plantation companies,		
Rate of discount	11.50%	11.00%
Rate of salary increment:		
Workers	16% every two years	16% every two years
Staff employees	8% per year	8% per year

# Notes to the Financial Statements

## 32.1 Sensitivity Analysis

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

Salary Escalation Rate	Discount Rate	Present value of Defined Benefit Obligation	
		Group Rs.'000	Company Rs.'000
One point increase	As given in report - ( 11.00% , 11.50% )	2,666,869	67,895
One point decrease	As given in report - ( 11.00% , 11.50% )	3,039,305	73,576
As given in Report - ( 8.00% , 6.50% )	One point increase	2,958,797	73,978
As given in report - ( 8.00% , 6.50% )	One point decrease	2,730,846	67,485

## 32.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2019 is as follows.

Future Working Life Time	Defined Benefit Obligation	
	Group Rs.'000	Company Rs.'000
Within the next 12 months	516,698	19,356
Between 2-5 years	867,497	30,338
Beyond 5 years	1,458,577	20,915
<b>Total</b>	<b>2,842,772</b>	<b>70,609</b>

## 33. Contingent Liabilities

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2019. Guarantees given by subsidiaries on loans obtained amounted to Rs. 80 mn.

### Namunukula Plantations PLC

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. However, the Magistrate has ordered the company to pay the dues stating that the company has the possession of the 6 estates and to pay the arrears of the employee statutory dues. As oppose, company filed revision to the High Court. Further company has made Rs. 14.75 mn as a refundable security deposit in the court.

For Namunukula Plantations, depending on the timing of the taxability of certain fair value adjustments, Namunukula Plantation PLC has a contingent liability amounting approximately to Rs. 1.7 mn (2017/18 - Rs 3.9 mn).

### Income Tax Assessments for the years of assessments 2012/13, 2013/14 and 2014/15

The company has lodged valid appeals against the assessments raised in 2012/13 & 2013/14 and is contesting under the appellate procedure with the Tax Appeal Commission while 2014/15 assessment is under the appellate procedure with the Commissioner General of Inland Revenue. Having discussed with tax experts and based on the information available, the contingent liability as at 31st March 2019 is estimated at Rs. 16 mn.

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## Richard Pieris Exports PLC

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 & Company PLC

The contingent liability of Richard Pieris & Company PLC as at 31st March 2019, relates to the following:

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.

### Income Tax Assessments for the years of assessments 2011/12 , 2012/13 , 2013/14

The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure with the Tax Appeals commission. Having discussed with tax experts and based on the information available, the contingent liabilities as at 31st March 2019 for 2011/12, 2012/13, 2013/14 is estimated at Rs. 369 mn, Rs. 167 mn, Rs. 380 mn respectively.

### Income Tax Assessments for the years of assessments 2014/15 and 2015/16

The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure with the Commissioner General of Inland Revenue.

Having discussed with tax experts and based on the information available, the contingent liabilities as at 31st March 2019 for 2014/15 and 2015/16 is estimated at Rs. 17 mn and Rs. 217 mn respectively.

## Richard Pieris Finance Limited

The contingent liability of Richard Pieris Finance Limited as at 31st March 2019, relates to the following:

### Income Tax Assessments for the year of assessments 2014/15

Assessments were raised on claiming qualifying payments on the acquisition of Chillaw Finance. The company has lodged valid appeals against the assessments raised and is contesting under the appellate procedure with the Commissioner General of Inland Revenue.

Having discussed with tax experts and based on the information available, the contingent liability as at 31st March 2019 is estimated at Rs. 36 mn.

34. Trade and Other Payables	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Trade payables	5,860,139	5,606,632	-	-
Accrued expenses	1,947,023	1,821,681	-	-
Other financial liabilities	1,285,247	740,845	847,576	291,753
Reinsurance Payables	52,396	32,297	-	-
Contract Liabilities	350,607	295,611	-	-
	9,495,412	8,497,066	847,576	291,753
Other non financial liabilities	437,844	391,757	126,627	117,060
Total trade and other payables	9,933,256	8,888,823	974,203	408,813

35. Customer Deposits	Group	
	2019 Rs.'000	2018 Rs.'000
Fixed deposits	6,615,614	5,011,740
Savings deposits	64,772	58,617
	6,680,386	5,070,357



## 36. Capital and Lease Commitments

### 36.1 Capital Commitments

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

	Group	
	2019 Rs.'000	2018 Rs.'000
Contracted but not provided for	408,926	282,044
Approved but not contracted for	995,152	1,345,952
	<b>1,404,078</b>	<b>1,627,996</b>

### 36.2 Lease Commitments

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

	Group	
	2019 Rs.'000	2018 Rs.'000
Within one year	108,362	102,030
After one year but not more than five years	207,656	304,484
More than five years	502,650	483,461
	<b>818,668</b>	<b>889,975</b>

## 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.

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## Interest rate risk

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

Group	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs. Millions
2017/18	+100 bps	(184.71)
	-100 bps	184.71
2018/19	+100 bps	(246.32)
	-100 bps	246.32

Company	Increase/decrease in interest rate by basis points	Effect on profit before tax Rs. Mn
2017/18	+100 bps	(86.92)
	-100 bps	86.92
2018/19	+100 bps	(114.33)
	-100 bps	114.33

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.

## Effects of Currency Translation

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

## Commodity price risk

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

## Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to 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.

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Group	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
<b>Year ended 31st March 2019</b>							
Interest bearing borrowings	28	-	1,546,056	3,412,393	6,111,666	-	11,070,115
Net liability to the lessor	29	-	2,411	10,381	151,526	407,075	571,393
Trade and other payables	34	893,266	8,510,105	38,970	53,071	-	9,495,412
Customer Deposits	35	-	1,773,961	3,030,939	1,875,486	-	6,680,386
Import loans	22	-	50,000	-	-	-	50,000
Bank overdrafts	22	6,401,756	-	-	-	-	6,401,756
Other short term borrowings	22	-	6,205,381	1,574,000	-	-	7,779,381
		7,295,022	18,087,914	8,066,683	8,191,749	407,075	42,048,443

Group	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
<b>Year ended 31st March 2018</b>							
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	8,338,810	50,531	56,049	-	8,497,066
Public deposits	35	-	1,621,113	1,830,972	1,618,272	-	5,070,357
Import loans	22	-	82,764	-	-	-	82,764
Bank overdrafts	22	4,108,703	-	-	-	-	4,108,703
Other short term borrowings	22	-	5,558,613	967,236	-	-	6,525,849
		4,160,379	17,324,314	5,190,870	6,554,510	762,141	33,992,214

Company	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
<b>Year ended 31st March 2019</b>							
Interest bearing borrowings	28	-	2,006,884	164,060	-	-	2,170,944
Trade and other payables	34	847,576	-	-	-	-	847,576
Bank overdrafts	22	3,647,636	-	-	-	-	3,647,636
Other short term borrowings	22	-	2,715,000	4,824,000	-	-	7,539,000
		4,495,212	4,721,884	4,988,060	-	-	14,205,156

Company	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
<b>Year ended 31st March 2018</b>							
Interest bearing borrowings	28	-	782,110	235,902	2,143,674	-	3,161,686
Trade and other payables	34	291,753	-	-	-	-	291,753
Bank overdrafts	22	2,245,234	-	-	-	-	2,245,234
Other short term borrowings	22	-	1,910,000	4,000,000	-	-	5,910,000
		2,536,987	2,692,110	4,235,902	2,143,674	-	11,608,673

## Risk Exposure of Arpico Insurance PLC

The largest credit risk exposure of 79% is arising from investments in debt securities. The exposure to credit risk is managed by analyzing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue.

### Insurance Risk

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

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

### Life Insurance Risk

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

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

- Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- Longevity risk is the risk that annuitants live longer than expected.
- Investment return risk is the risk that actual returns are 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 associated with the variation of investment income due to the changes in the financial markets.
- Credit risk is the risk resulting from counterparties failing to fulfill the financial obligations.

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.

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

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

## Reinsurance Risk

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

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

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

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

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

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

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

## Risk Exposure of Richard Pieris Finance Limited

### 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.

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## Default risk

Default risk is 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.

## 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

As at 31st March 2019	Maximum exposure to credit risk Rs.'000	Net exposure Rs.'000
Cash and bank balances	679,291	650,256
Investments in fixed deposits	319,591	319,591
Lease receivable	6,887,025	-
Hire purchase receivable	63,784	-
Loans and receivables	6,768,059	1,577,727
Other financial assets	366,910	366,910
<b>Total financial assets</b>	<b>15,084,660</b>	<b>2,914,484</b>

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

As at 31st March 2019	Neither past due nor impaired Rs.'000	Past due but not impaired Rs.'000	Individually impaired Rs.'000	Total Rs.'000
<b>Assets</b>				
Cash and bank balances	679,291	-	-	679,291
Investments in fixed deposits	319,591	-	-	319,591
Lease receivable	6,823,715	378,960	-	7,202,675
Hire purchase receivable	82,877	5,808	-	88,685
Loans and receivables	6,632,417	591,636	-	7,224,053
Other financial assets	366,910	-	-	366,910
Collective impairment provision	-	-	-	(796,545)
<b>Total financial assets</b>	<b>14,904,801</b>	<b>976,404</b>	<b>-</b>	<b>15,084,660</b>

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

	Past due but not impaired				Total Rs.'000
	Less than 31 days Rs.'000	31 to 60 days Rs.'000	61 to 90 days Rs.'000	More than 90 days Rs.'000	
Lease receivable	28,241	66,803	90,361	193,555	378,960
Hire purchase receivable	267	516	1,775	3,249	5,807
Loans and receivables	21,064	41,779	51,927	476,867	591,637
	49,572	109,098	144,063	673,671	976,404

## 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 arising 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.



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## Net Interest Income (NII) Sensitivity by Interest Rate Change

Parallel Increase / Decrease of Basis Points (bps)	2019	
	+/- 100 bps	+/- 200 bps
Impact on NII (Rs.'000)	7,769/(7,769)	15,537/(15,537)

## 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.

	Up to 03 months Rs.'000	03-12 months Rs.'000	01-03 years Rs.'000	03-05 years Rs.'000	Over 05 years Rs.'000	Non interest bearing Rs.'000	Total as at 31.03.2019 Rs.'000
<b>Assets</b>							
Cash and bank balances	-	-	-	-	-	679,291	679,291
Investments in fixed deposits	183,644	135,947	-	-	-	-	319,591
Lease receivable	790,495	1,533,154	2,931,041	1,587,186	45,149	-	6,887,025
Hire purchase receivable	1,018	20,897	17,877	23,607	385	-	63,784
Loans and receivables	1,173,342	1,900,537	2,161,646	1,408,753	123,781	-	6,768,059
Other financial assets	59,959	303,941	-	-	3,010	-	366,910
Other debtors & repayments	-	-	-	-	-	3,130,365	3,130,365
<b>Total financial assets</b>	<b>2,208,458</b>	<b>3,894,476</b>	<b>5,110,564</b>	<b>3,019,546</b>	<b>172,325</b>	<b>3,809,656</b>	<b>18,215,025</b>
<b>Financial liabilities</b>							
Short term borrowings	2,229,976	-	-	-	-	-	2,229,976
Public deposits	1,773,961	3,030,938	1,091,780	783,707	-	-	6,680,386
Interest bearing borrowings	732,116	1,836,884	2,987,201	639,321	-	-	6,195,525
Trade and other payables	-	-	-	-	-	1,060,264	1,060,264
<b>Total financial liabilities</b>	<b>4,736,053</b>	<b>4,867,825</b>	<b>4,078,981</b>	<b>1,423,028</b>	<b>-</b>	<b>1,060,264</b>	<b>16,166,151</b>
<b>Interest sensitivity gap</b>	<b>(2,527,595)</b>	<b>(973,349)</b>	<b>1,031,583</b>	<b>1,596,518</b>	<b>172,325</b>	<b>2,749,392</b>	<b>2,048,874</b>

## 38. Employee Share Option Schemes

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. No option shares were issued under this scheme during the financial year and this scheme was dissolved with effect from 24th August 2018 as the time was expired.

Details of ESOP2 is presented in the table below.

	Number of Shares ESOP-2
Available as at 1st April 2018	7,420,705
Available as at 31st March 2019	-

The company has not provided any financial assistance to the employees to purchase shares under this scheme.

## 39. Events After the Reporting Date

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

# Notes to the Financial Statements

## 40. Related Party Disclosures

### 40.1 Amount due from/to related parties - Subsidiaries

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Amounts receivable as at 31st March	-	-	2,656,390	1,492,101
Amounts payable as at 31st March	-	-	2,442	7,369

### 40.2 Transaction with related parties - Subsidiaries

Allocation of common personnel and administration expenses	-	-	211,499	210,512
Rendering of services	-	-	109,094	118,432
Rent income	-	-	213,757	216,977
Royalty income	-	-	442,145	407,973
Corporate expenses	-	-	61,224	61,224
Interest income	-	-	37,862	30,977
<b>Post employment benefit plan</b>				
Contribution to the provident fund	165,122	162,652	109,026	104,279

### 40.3 Associates

Amounts receivable as at 31st March	19,775	17,529	-	-
Sale of goods/services	897,748	969,314	-	-

### 40.4 Terms and conditions

Outstanding balances and transactions 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 2018 audited financial statements, which required additional disclosures in the 2018/19 Annual Report under Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the Securities Exchange Commission directive issued under section 13(c) of the Securities 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 2018 audited financial statements, which required additional disclosures in 2018/19 Annual Report under Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the Securities Exchange Commission directive issued under section 13(c) of the Securities Exchange Commission Act.

### 40.5 Off Balance Sheet Items

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

## 40.6 Transactions with key management personnel of the company or its parent

The Key Management Personnel include members of the Board of Directors of Richard Pieris and Company PLC.

### a) Key management personnel compensation

	Group		Company	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Short-term employee benefits	50,927	57,814	35,156	40,348

### 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.

## 40.7 Other related party disclosures

- 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.
- Rentals/ rental advances amounting to Rs. 63.5 mn were paid by the Group to related parties of a key management personnel.
- Fees amounting to Rs. 3 mn were paid by the Group to an entity in which a key management personal is a director.
- Fees amounting to Rs. 21.1 mn were paid by the Group to a related party of a key management personnel.

# Ten Year Summary

Richard Pieris & Company PLC  
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	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
<b>TRADING RESULTS</b>					
Revenue	55,045,358	52,972,873	49,149,395	43,018,502	37,802,243
Profit from operations	4,879,021	5,396,771	5,290,459	3,955,303	3,103,509
Loss on disposal of investment				-	-
Finance cost	(2,109,249)	(1,291,017)	(955,768)	(826,092)	(811,166)
Finance income	556,240	515,641	383,695	233,759	244,304
Profit from operations after finance cost and finance income	3,326,012	4,621,395	4,718,386	3,362,970	2,536,647
Income from associates before tax	27,580	10,157	83,028	35,944	42,299
Profit/(loss) before tax from continuing operations	3,353,592	4,631,552	4,801,414	3,398,914	2,578,946
Income tax expense	(1,006,764)	(1,549,776)	(1,237,426)	(1,137,461)	(747,009)
Profit/(loss) for the year from continuing operations	2,346,828	3,081,776	3,563,988	2,261,453	1,831,937
Loss after tax from discontinued operations	(4,561)	(4,380)	(5,018)	(3,536)	(3,457)
Profit/(loss) for the year	2,342,267	3,077,396	3,558,970	2,257,917	1,828,480
Non controlling interest	332,699	390,416	388,875	110,232	176,388
Profit/(loss) attributable to equity holders of parent	2,009,568	2,686,980	3,170,095	2,147,685	1,652,092
Gross dividend	1,729,783	2,238,542	1,221,023	1,017,519	508,760

	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000	2014/15 Rs.'000
<b>BALANCE SHEET</b>					
<b>Assets</b>					
Property, plant and equipment/Leasehold properties	21,503,424	20,673,193	17,635,423	16,491,231	15,819,465
Investment properties	389,481	216,623	166,709	165,209	165,152
Intangible assets	1,155,155	1,166,434	1,140,835	1,147,321	1,158,307
Biological assets	1,026,885	951,252	865,762	824,557	794,128
Investments in associates and other investments	149,087	125,562	117,278	241,302	88,962
Other non current financial assets	2,316,579	1,741,475	1,683,037	1,112,049	606,839
Deferred tax assets	433,396	91,901	75,918	109,937	-
Current assets	37,846,162	31,020,053	28,244,173	23,593,348	19,450,377
	64,820,169	55,986,493	49,929,135	43,684,954	38,083,230

<b>Equity and liabilities</b>					
Stated Capital	1,972,829	1,972,829	1,972,829	1,972,829	1,972,829
Capital and revenue reserves	11,084,670	11,136,984	10,807,381	8,786,806	7,861,271
Statutory reserve fund/Investment fund reserve	76,606	60,204	46,024	23,190	2,478
Foreign currency translation	-	-	-	-	-
Other components of equity	150,502	109,388	104,969	89,903	75,826
Non controlling interest	2,837,869	2,612,630	2,614,195	2,412,573	2,431,421
Term loans payable after one year	5,879,463	5,070,978	6,924,988	6,272,108	6,224,424
Insurance provision	1,391,506	1,154,177	814,633	501,933	307,092
Deferred income and deferred tax	1,501,810	1,393,635	1,027,096	938,493	800,429
Provisions and other liabilities	2,966,656	2,816,141	2,543,376	2,545,350	2,725,406
Net liability to the lessor payable after one year	558,642	571,393	583,654	595,444	606,780
Current liabilities	36,399,616	29,088,134	22,489,990	19,546,325	15,075,274
	64,820,169	55,986,493	49,929,135	43,684,954	38,083,230

<b>RATIOS &amp; OTHER INFORMATION</b>					
Earnings per share (Rs.)	0.99	1.32	1.56	1.05	0.82
Market value per share (Rs.)	9.20	12.80	8.30	7.20	7.40
Price earnings ratio (No. of Times)	9.29	9.70	5.32	6.86	9.00
Net assets per share (Rs.)	6.53	6.53	6.35	5.34	4.87
Return on equity (%)	15.13	20.50	26.64	20.67	17.84
Dividend per share (Rs.)	0.85	1.10	0.60	0.50	0.25
Dividend cover (No. of Times)	1.16	1.20	2.60	2.11	3.29
Interest cover (No. of Times)	3.14	6.96	9.25	6.68	5.47
Current ratio (No. of Times)	1.04	1.07	1.26	1.21	1.29
Gearing ratio (%)	55.16	49.05	45.03	41.55	40.49

\* All figures are based on Sri Lanka Accounting Standards.

# Ten Year Summary

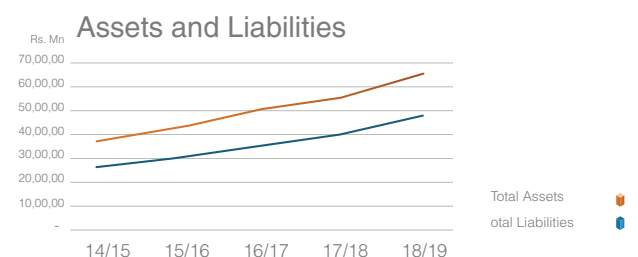
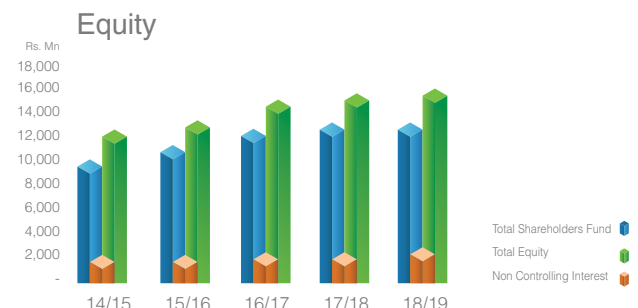
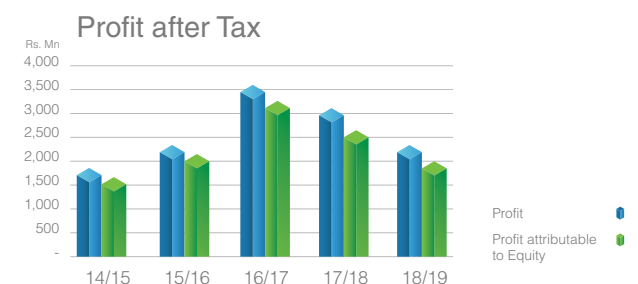
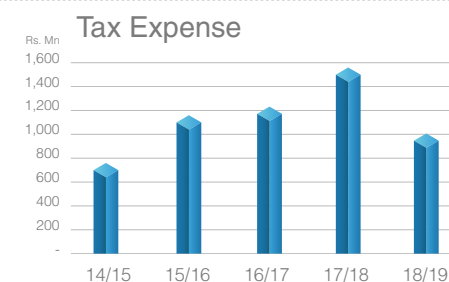
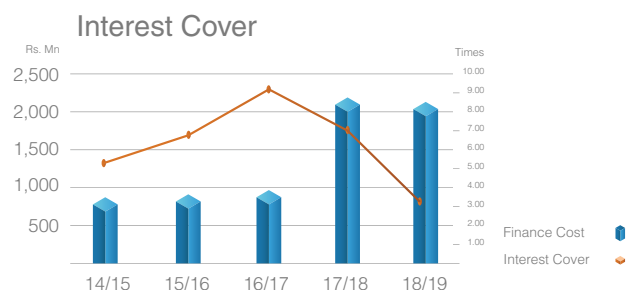
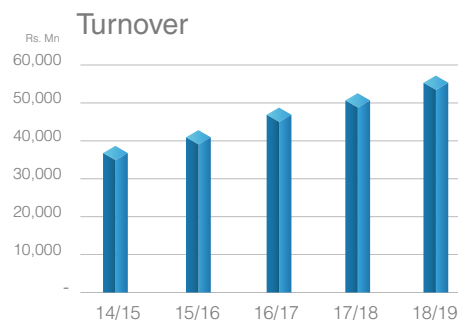
2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11* Rs.'000	2009/10* Rs.'000
34,699,111	34,690,340	32,005,182	27,241,577	22,339,288
2,807,127	3,599,997	3,952,638	3,450,366	1,969,697
-	-	-	-	-
(922,062)	(1,031,521)	(798,277)	(794,617)	(969,147)
389,584	302,054	301,991	-	-
2,274,649	2,870,530	3,456,352	2,655,749	1,000,550
27,902	63,765	62,436	113,008	59,609
2,302,551	2,934,295	3,518,788	2,768,757	1,060,159
(643,970)	(737,082)	(644,540)	(616,566)	(330,592)
1,658,581	2,197,213	2,874,248	2,152,191	729,567
(2,396)	(581)	(4,374)	(11,609)	(17,873)
1,656,185	2,196,632	2,869,874	2,140,582	711,694
238,970	360,297	294,813	459,898	131,490
1,417,215	1,836,335	2,575,061	1,680,684	580,204
886,270	387,848	1,550,621	515,946	-

2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000	2010/11 Rs.'000	2009/10 Rs.'000
--------------------	--------------------	--------------------	--------------------	--------------------

14,247,201	12,330,580	11,600,282	10,926,376	10,142,760
140,698	140,404	139,628	139,628	-
507,192	508,893	518,494	469,487	480,177
619,519	568,037	507,191	542,689	-
39,708	24,990	74,143	456,186	180,919
559,332	590,002	503,922	24,000	-
-	-	-	-	-
16,462,737	13,110,630	10,381,632	8,805,222	6,560,961
32,576,387	27,273,536	23,725,292	21,363,588	17,364,817

1,814,824	1,637,236	1,633,853	1,627,612	1,578,475
6,712,869	6,234,927	4,603,788	3,682,853	2,185,500
6,852	2,222	-	-	-
-	-	-	-	31,152
73,390	75,057	68,692	68,935	-
2,150,514	2,217,100	1,994,660	1,976,302	1,500,836
4,166,767	3,368,878	2,177,814	1,998,292	1,957,680
193,371	67,575	9,390	-	-
774,843	792,831	704,126	735,923	553,879
2,196,023	1,912,450	2,032,691	1,704,417	1,529,685
617,679	628,159	638,237	650,980	672,158
13,869,255	10,337,101	9,862,041	8,918,274	7,355,452
32,576,387	27,273,536	23,725,292	21,363,588	17,364,817

0.72	0.95	1.33	0.87	4.52
6.60	6.60	7.50	13.60	55.00
9.17	6.95	5.64	15.63	12.17
4.34	4.10	3.25	2.58	29.57
17.12	25.76	45.56	38.22	16.56
0.45	0.20	0.70	0.30	1.00
1.60	4.75	1.90	2.90	4.52
5.27	4.94	7.96	4.34	2.03
1.19	1.27	1.05	0.99	0.89
37.69	29.50	34.17	37.44	49.68



# Share and Debenture Information

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

## As at the financial year ended 31st March 2019

### Distribution of Shareholders

Range of shareholding		No of share holders as at 31.03.2019	No of shares	% of Shareholding	No of share holders as at 31.03.2018	No of shares	% of Shareholding
1	1,000	4,383	1,528,228	0.08%	3,740	1,523,105	0.07%
1,001	10,000	2,766	10,800,821	0.53%	2,775	10,967,811	0.54%
10,001	100,000	1,024	31,348,831	1.54%	1,049	32,353,836	1.59%
100,001	1,000,000	231	70,887,386	3.48%	246	77,021,884	3.78%
1,000,001	& above	58	1,920,473,009	94.37%	60	1,913,171,639	94.01%
		8,462	2,035,038,275	100.00%	7,870	2,035,038,275	100.00%

### Composition of Shareholders

Category	No of share holders as at 31.03.2019	No of shares	% of Shareholding	No of share holders as at 31.03.2018	No of shares	% of Shareholding
Institutional Investors	285	1,735,520,109	85.28%	270	1,712,177,746	84.13%
Individual Investors	8,177	299,518,166	14.72%	7,600	322,860,529	15.87%
Total	8,462	2,035,038,275	100.00%	7,870	2,035,038,275	100.00%
Resident shareholders	8,363	848,552,966	41.70%	7,769	862,802,516	42.40%
Non-resident shareholders	99	1,186,485,309	58.30%	101	1,172,235,759	57.60%
Total	8,462	2,035,038,275	100.00%	7,870	2,035,038,275	100.00%

The percentage of shares held by the public as at 31st March 2019 was 42.14% represented by 8,455 public shareholders. (Public shareholding as at 31st March 2018 was 42.15% represented by 7,864 public shareholders )

The Company complies with option 2 of the Listing rules 7.13.1 (a) - Rs 7.5Bn - Float Adjusted Market capitalization which requires 500 minimum public shareholders and 5% minimum Public shareholding percentage.

### Market Activity

	31.03.2019	Date	31.03.2018	
Highest Price (Rs.)	12.9	28-May-18	14.1	25-Oct-17
Lowest Price (Rs.)	9.0	15-Mar-19	8.2	4-Apr-17
Year End Price (Rs.)	9.2	29-Mar-19	12.8	31-Mar-17
No of Transactions	5,799		13,804	
No of shares traded	39,133,745		137,413,916	
Share turnover (Rs.)	434,444,807		1,673,079,078	

# Share and Debenture Information

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## Major Shareholders

Name of the Shareholder	As at 31.03.2019	%	As at 31.03.2018	%
1 Skyworld Overseas Holdings Limited	516,388,590	25.37%	516,388,590	25.37%
2 Camille Consulting Corp.	327,704,846	16.10%	327,704,846	16.10%
3 HSBC International Nominees Ltd-SSBT- Deutsche Bank	224,853,787	11.05%	224,853,787	11.05%
4 Sezeka Limited	197,981,846	9.73%	183,585,152	9.02%
5 Employees Provident Fund	169,899,520	8.35%	169,899,520	8.35%
6 Rockport Limited	108,660,116	5.34%	108,660,116	5.34%
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	32,901,164	1.62%	32,125,746	1.58%
10 The Executor of the Estate of Late 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%	8,753,190	0.43%
14 Seylan Bank PLC/Channa Nalin Rajahmoney	11,991,550	0.59%	12,126,030	0.60%
15 Northern Trust Company S/A Hosking Global Fund	10,293,194	0.51%	11,988,508	0.59%
16 Bank of Ceylon No. 1 Account	6,889,225	0.34%	6,889,225	0.34%
17 Dr C.M. Fernando	6,660,570	0.33%	6,660,570	0.33%
18 National Savings Bank	6,463,907	0.32%	6,463,907	0.32%
19 The Incorporated Trustees of the Church of Ceylon	4,868,795	0.24%	4,868,795	0.24%
20 Mrs. D.M. Sinnnetamby Devayani Maheshwari	3,989,877	0.20%	4,086,877	0.20%
	1,848,245,731	90.82%	1,831,627,573	90.00%

## Directors Shareholding

Name of the Director	Number of shares as at 31st March 2019	Number of shares as at 31st March 2018
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 P.C.	-	-
6 Mr. Prasanna Fernando	-	-
7 Mr. Joseph Felix Fernandopulle (appointed w.e.f. 09th October 2018)	107,623	95,275

# Share and Debenture Information

## Directors Shareholding

Details regarding the listed debentures are as follows.

Three types of Rated Unsecured Redeemable Debentures with different maturities were issued on 7th May 2014, allotted on 16th May 2014 and subsequently Listed on 23rd May 2014. The debentures are quoted in Colombo Stock Exchange and Type A Debenture matured on 16th May 2017 and Type B debentures were redeemed on 16th May 2018.

Type of Debenture	Interest Rate	Frequency of Interest Payment	Redemption Date	Interest Rate of Government Security*
Type C	11.25%	Semi-annual	16th May 2019	9.47%

## Debentures traded during financial year as of 31st March 2019

	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

	31.03.2019	31.03.2018
Debt/Equity Ratio	4.99	4.07
Quick Asset Ratio	0.77	0.94
Interest Cover	3.66	4.83



# Group Real Estate Portfolio

Richard Pieris & Company PLC

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Freehold Land & Buildings Owning Company	Location	Land in Perches	Building in (Sq.Ft)	No of Buildings	Market Value 2019 Rs. Mn	
Richard Pieris & Company PLC	Hyde Park Corner	783	85,000	2	13,393	
	Maharagama	1,773	289,509	10	2,991	
RPC Real Estate Development Company (Pvt) Limited	Kandy	162	52,500	1	922	
Arpico Industrial Development Company (Pvt) Limited	Mattegoda	1,112	149,700	1	602	
Richard Pieris Distributors Limited	Siyambalagoda	467	57,130	1	249	
	Maharagama	183	28,726	1	490	
	Moratuwa	85	-	-	79	
	Mulleriyawa	192	-	-	7	
	Matara	362	38,000	1	489	
RPC Retail Development (Pvt) Limited	Panadura	-	18,800	1	89	
	Negambo	226	47,542	1	503	
	Kadawatha	99	21,850	1	362	
Arpimalls Development (Pvt) Limited	Wattala	101	-	-	151	
	Kelaniya	102	-	-	61	
	Dehiwala	166	44,616	1	625	
Plastishells Limited	Battaramulla	124	67,134	1	702	
	Mattegoda	340	45,825	2	50	
Arpotech (Pvt) Limited	Dambulla	284	12,494	1	28	
	Horethuduwa	488	-	-	32	
Richard Pieris Exports PLC	Kudamaduwa	104	-	-	8	
	Mattegoda	514	143,200	2	51	
	Ja-Ela	640	73,190	5	265	
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	1	42	
Richard Pieris Tyre Company Limited	Kurunagala	413	22,566	1	72	
Arpidag International (Pvt) Limited	Maharagama	80	10,040	1	99	
RPC Plantation Management Services (Pvt) Limited	Panadura	333	10,760	1	407	
Richard Pieris Finance (Pvt) Limited	Chilaw	172	-	-	22	
	Nattandiya	160	1,021	1	3	
	Mahawewa	38	-	-	2	
	Chilaw	76	17,487	1	145	
	Chilaw	30	-	-	17	
	Chilaw - Bazaar Street	10	2,335	1	33	
	Elpitiya	40	-	-	3	
	Wattakkaliya	23	4,152	1	15	
	Biyagama	1,118	-	-	81	
	Dematagoda	8	-	-	26	
	Kurunagala	945	-	-	9	
	Kesbewa	61	-	-	19	
	RPC Properties (Pvt) Limited	Polgasovita	1,047	-	-	507
		Maskeliya	7,629	-	-	55
		Mattegoda	529	88,000	3	265
Kiribathgoda		292	-	-	179	
Boraluwewa		1,623	-	-	18	

## Leasehold Land & Buildings

Owning Company	Location	Land in Hec	Building in (Sq.Ft)
<b>(A) Leasehold Land of Plantations</b>			
Maskeliya Plantations PLC		10,561	7,112,890
Kegalle Plantations PLC		9,757	3,507,810
Namunukula Plantations PLC		11,779	4,585,874
<b>(B) Leasehold Land of other subsidiaries</b>			
Plasitishells Limited	Koggala	160	4,027
Arpitech (Pvt) Limited	Pallekale	160	4,211
	Matara	342	36,980
RPC Polymers (Pvt) Limited	Polgahawela	-	32,260
	Dampe	12,782	-
	Horana	1,392	78,339
Arpitalian Compact Soles (Pvt) Limited	Biyagama	655	36,884
Richard Pieris Natural Foams (Pvt) Limited	Biyagama	1,091	126,508
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
Richard Pieris Distributors Limited	Kegalle	215	60,900

# Group Real Estate Portfolio

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Richard Pieris & Company PLC  
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As at 31st March 2019, the fair values of the land & buildings are based on valuations performed by an accredited independent valuer Mr. P B Kalugalagedara.

Valuation models used for valuation include cost Basis Method, Investment Method and comparison Method which are in compliance with the SLFRS / LKAS and also in accordance with the 8th Edition of International Valuation Standards recommended by the International Valuation Standards committee.

The effective date of valuation of the land & buildings is 31st March 2019

## A

### Associate Company:

An entity over which the investor has significant influence.

### AWPLR:

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

## B

### 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 & amortisation.

### Effective Tax Rate:

Tax expenses divided by profit before tax.

## G

### Gearing Ratio:

Proportion of net interest bearing liabilities to total capital employed.

### Gross Dividend:

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

## I

### Interest Cover:

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

### Investment Property:

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

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

- b) Sale in the ordinary course of business.

## M

### Market Capitalization:

Number of shares in issue at the end of the period multiplied by the market price at the end of the period

## N

### Net Assets:

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

### Net Assets per Share:

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

### NSA - Net Sales Average:

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

### Non-Controlling Interest:

The equity in a subsidiary not attributable directly or indirectly, to a parent

## P

### PBIT:

Profit before interest & 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.

## N

### **Related Parties:**

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

### **Return on Total Capital Employed:**

Profit before finance cost & tax (PBIT) divided by average total capital employed for the period.

### **Return on Equity:**

Profit attributable to equity holders of the parent expressed as a percentage of average ordinary shareholders' fund for the period.

### **Revenue Reserves:**

Reserves considered as being available for distributions.

## S

### **Segmental Analysis:**

Analysis of financial information to segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

### **Shareholders' Fund:**

Stated capital plus revenue reserves and other components of equity.

### **Stated Capital:**

The total of all amounts received by the entity or due and payable to the entity by shareholders in respect of the issue of shares and calls on shares.

### **Subsidiary Company:**

An entity that is controlled by another entity.

## T

### **Total Capital Employed:**

Total equity plus net interest bearing borrowings

## V

### **Value Addition:**

The quantum of wealth generated by the activities of the Group measured as the differences between net revenue (including other income) and the cost of materials and services bought in.

## W

### **Working Capital Investment:**

Capital required for financing the day-to-day operations computed as current assets exclusive of liquid funds and interest earning financial receivables less operating liabilities

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eightieth 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, 26th July 2019 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 2019 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 73 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 77 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 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said "Mr. Viville P Perera"

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

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

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

8. To authorize the Directors to determine contributions to charities

9. To consider any other business of which due notice has been given.

By Order of the Board



**Richard Pieris Group Services (Private) Limited  
Secretaries**

No. 310, High Level Road, Nawinna, Maharagama

12th June 2019

**Note :**

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

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

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



# Form of Proxy

I / We\* (in block letters).....of  
.....  
..... being a member / members of the RICHARD PIERIS & COMPANY PLC, hereby appoint  
.....  
of..... whom failing DR. SENA YADDEHIGE whom failing VIVILLE PRAXIDUS PERERA whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE whom failing SHAMNINDA YADDEHIGE whom failing DR. JAYATISSA DE COSTA whom failing PRASANNA INNOCENT FERNANDO\* whom failing FELIX FERNANDOPULLE\* as my/our proxy to represent me/us and to vote on my/our behalf at the 80th ANNUAL GENERAL MEETING of the Company to be held on 26th July 2019 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

		In favour	Against
01)	To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.		
01)	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		
02)	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		
03)	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		
04)	To re-elect Mr. S Yaddehige, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director		
04)	To elect Mr. Felix Fernandopulle, who retires in terms of Article 91 at the Annual General Meeting, a Director		

Dated this ..... day of ..... 2018

Signature of shareholder

**Note :**

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

## INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 4.00 p. m. on Wednesday, 24th July 2019.

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.



## 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. SenaYaddehige	- Chairman/ Managing Director/CEO
Mr. W. J. Viville P. Perera	- Director
Mr. S.S.G. Liyanage	- Director
Mr. ShamindaYaddehige	- Director/COO
Dr. Jayatissa DeCosta P.C.	- Director
Mr. Prasanna Fernando	- Director
Mr. Joseph Felix Fernandopulle	- Director – appointed w.e.f. 09th October 2018

## Registered Office

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

Telephone : + (94) 114310500  
Fax : + (94) 114310777  
Website : [www.arpico.com](http://www.arpico.com)  
E-mail : [cpu@arpico.com](mailto: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.

## List of Bankers

Bank of Ceylon  
Cargills Bank  
Commercial Bank of Ceylon  
Deutsche Bank of Ceylon  
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  
Habib Bank

