Richard Pieris & Company PLC
Annual Report 2011 / 2012

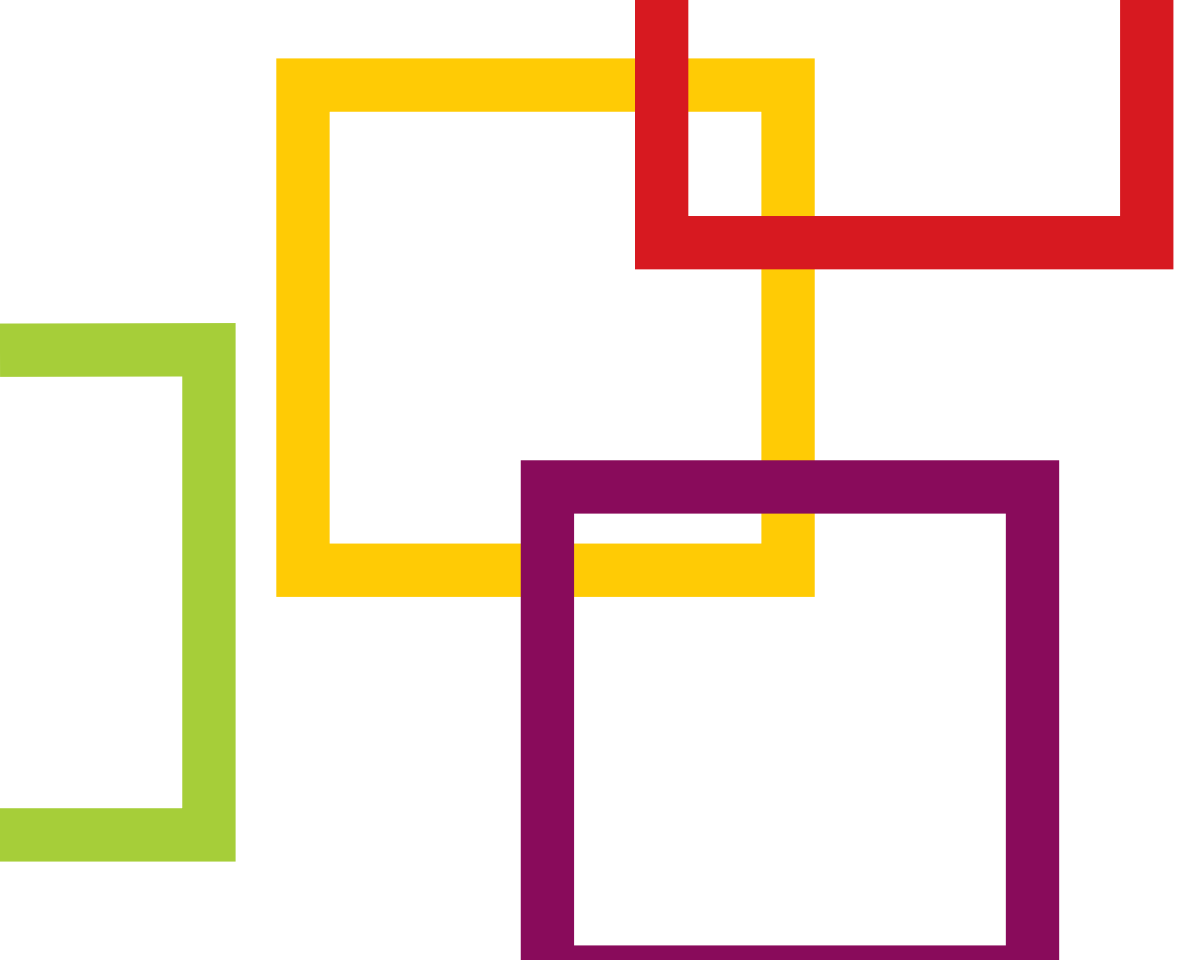
TOUCHING LIVES

80 Years

Since 1932

TOUCHING LIVES

For 80 years, Richard Pieris and Company has been touching the lives of Sri Lankans all over the island. We have made an indelible mark in the industry and together with a team that is focused on success, have taken our business to new heights. This year, as we celebrate a myriad of achievements, we look back on the illustrious years that have bought us to where we are today; a company that has stood the test of time, growing and adapting with time to become an unmistakable part of local lives. This is our legacy and our contribution to a budding economy, embodying the spirit and optimism of a growing nation while creating value for all.



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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.

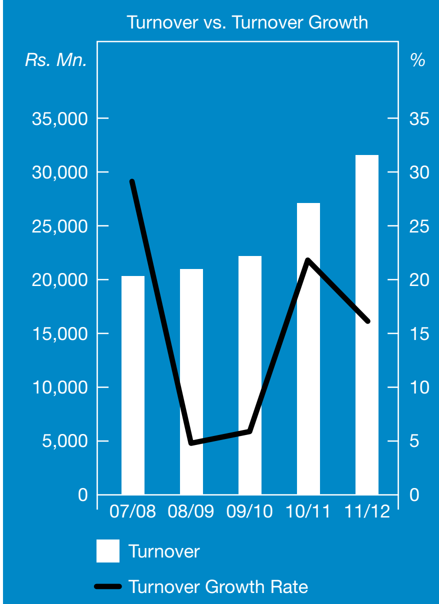
To provide a satisfactory return to shareholders whilst retaining sufficient funds for reinvestment, thereby enhancing corporate wealth.

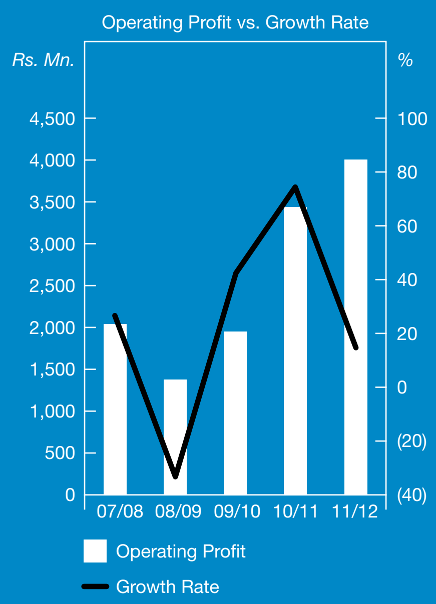
To ensure continuous growth by the planned expansion and diversification of business activities.

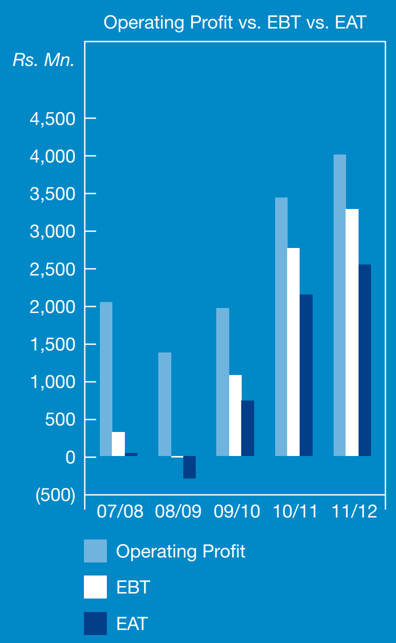
To continually strive for the upliftment of our community whilst adhering to high ethical standards in business.

Financial Highlights

	2011/2012 Rs.'000	2010/2011 Rs.'000
Net turnover	**31,497,914**	27,241,577
Profit from operations	**4,003,765**	3,450,366
Profit before tax from continuing operations	**3,271,937**	2,768,757
Income tax expense	**(706,128)**	(616,566)
Profit for the year from continuing operations	**2,565,809**	2,152,191
Loss after tax from discontinued operations	**(4,374)**	(11,609)
Profit for the year	**2,561,435**	2,140,582
Profit attributable to equity holders of the parent	**2,339,854**	1,680,684
Total assets	**22,903,233**	20,639,457
Shareholder funds	**5,809,325**	5,002,929
Market capitalisation	**14,539,431**	26,346,485
Total value addition	**10,684,413**	9,889,518
Per Ordinary Share		
Earnings (Rs.)	**1.21**	0.87
Net assets (Rs.)	**3.00**	2.58
Market value (Rs.)	**7.50**	13.60
Ratios		
Return on equity (%)	**43.28**	38.22
Interest cover (No of times)	**5.04**	4.34
Gearing ratio (%)	**33.28**	38.62







Corporate Information

Name of the Company
Richard Pieris and Company PLC

Legal Form
A quoted public Company with limited liability, incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 on 11th May 1940. The Company registration number is PQ 138.

Stock Exchange Listing
The Ordinary shares of the Company are listed in the Colombo Stock Exchange of Sri Lanka.

Board of Directors
Dr. Sena Yaddehige	-	Chairman/ Managing Director/CEO
Mr. J. H. Paul Ratnayeke	-	Director
Prof. Lakshman R. Watawala	-	Director
Prof. Susantha D. Pathirana	-	Director
Mr. M. M. Udeshi	-	Director (Ceased to be a director w.e.f. 30.06. 2011)
Mr. W. J. Viville. P. Perera	-	Director
Mr. S.S.G. Liyanage	-	Director (Appointed w.e.f. 27.01.2012)

Head/Registered Office
No. 310, High Level Road,
Nawinna, Maharagama,
Sri Lanka.
Telephone : + (94) 114310500
Fax : + (94) 114310777
Website : www.arpico.com
E-mail : cpu@arpico.com

Secretaries
Richard Pieris Group Services (Private) Limited
No. 310, High Level Road,
Nawinna, Maharagama,
Sri Lanka.

Auditors
Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10,
Sri Lanka.

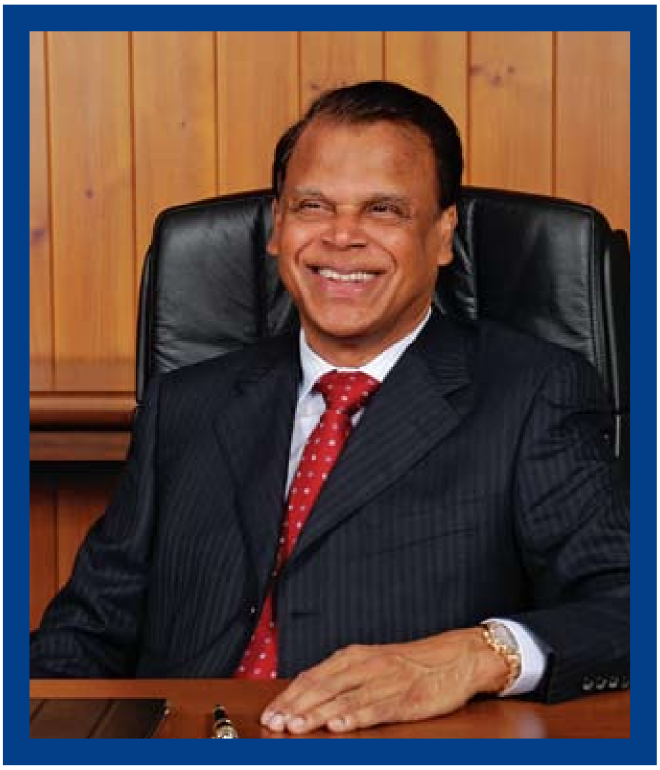
Bankers
Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank A G
DFCC Bank PLC
DFCC Vardhana Bank Limited
Hatton National Bank PLC
Hongkong & Shanghai Banking Corporation PLC
Indian Bank
Nations Trust Bank PLC
NDB Bank PLC
PABC Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
State Bank of India

Legal Advisors
Paul Ratnayeke Associates
International Legal Consultants,
Solicitors and Attorneys-at-Law,
No. 59, Gregory's Road,
Colombo 7, Sri Lanka.

Nithya Partners
Attorneys-at-Law,
No. 97A, Galle Road, Colombo 3, Sri Lanka.

Executive Management Committee
Dr. Sena Yaddehige (Chairman)
Kumar Abeysinghe
Wasantha Abeysirigunawardena
Michael Andree
Jagath Dissanayake
Thushara Hettithantrige
Sunil Jayakoddy
Januka Jayanga
Ravi Liyanage
Sunil Liyanage
Jayantha Perera
Viville Perera
Fabio Piccolo
Sunil Poholiyadde
Pradeep Samaratunge
Niranjan Vithanage
Muditha Welihinda

Chairman's Review



The milestones that the Group has reached today, in terms of a remarkable journey of 80 years as well as consistently excellent financial performance, have come through much hard work and dedication.

It is my great honour to present to you the Annual Report and Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2012. As the Group steps in to the 80th year of its existence, a fact that undoubtedly calls for celebration, I am pleased to announce that during the financial year under review the Group succeeded in achieving the highest turnover and earnings in its history, giving us another reason to celebrate.

The milestones that the Group has reached today, in terms of a remarkable journey of 80 years as well as consistently excellent financial performance, have come through much hard work and dedication. Focused attention on core businesses and the selective and conservative expansion of existing business areas has allowed it to excel in what it does. Looking forward the Group is aggressively entering the financial services industry. Last year the Group set up its own stock broking company. During the year it entered the Insurance Business under the "Arpico Insurance" and also obtained the provisional license to operate a Finance Company. The Group's simultaneous attention on effective cost management and efficient working capital management has also contributed towards strengthening its performance. Of course, no entity could survive a competitive and dynamic business climate without consistent novelty, and Richard Pieris and Company PLC has faced this challenge remarkably for 80 years - new ways of thinking and new ideas, along with changes in key managerial positions have allowed it to outshine competitors and emerge with triumphant results. The remarkable success together with the sustainability of future growth leads the Company to be ranked at the 13th place among the Top Twenty Businesses in Sri Lanka surveyed by Business Today in October 2011.

Financial Highlights

Revenue and Profitability

The Group's strong financials continued their robust trend during the year, experiencing a growth of 16% in turnover to reach a record high level of Rs. 31.5 bn. During the year the Group reported a Gross Profit of Rs. 6.9 bn which is a growth of 4% over the previous year. This was achieved despite the increase in globally compounded raw material prices due to the devaluation of domestic currency, the 27.5% increase in the wage rate in the plantations sector, together with the acceleration of energy prices exerted upward pressure on costs.

The Group Operating Profit for the year grew by 16% to Rs.4 bn, which is a reflection of steady performance in all business sectors. The business Operating Profits for 2011/12 financial year amounted to Rs.3.3 bn and a Capital Gain of Rs.717 mn which arose from the Group's disposal of its 25% stake in Asian Alliance Insurance Company PLC boosted the results further.

The profit before tax also grew by 18% to Rs. 3.3 bn. indicating an outstanding achievement, profit after tax for the Group reached Rs. 2.6 bn having grown at 20% and consequently, the profit attributable to shareholders heightened significantly, at a growth of 39%, to post Rs. 2.3 bn compared to Rs. 1.7 bn in the previous financial year.

Assets and Liabilities

While the Group's health in terms of revenue and earnings boosted, it was also successful in strengthening its asset-liability and cash flow positions. Total assets of the Group grew by 11% to Rs. 23 bn, while total shareholder's funds strengthened by 16% to reach Rs. 5.8 bn as at the year-end. Despite the Group being engaged in continuous expansion of core business, its strategy of funding expansion through internally generated funds resulted in the reduction of borrowings by Rs. 500 mn to reach Rs. 3.8 bn during the year. The gearing ratio also recorded a positive change when it dropped from 39% to 33% during the year, and it is expected that this will enhance the Group's ability to aggressively expand its current business portfolio.

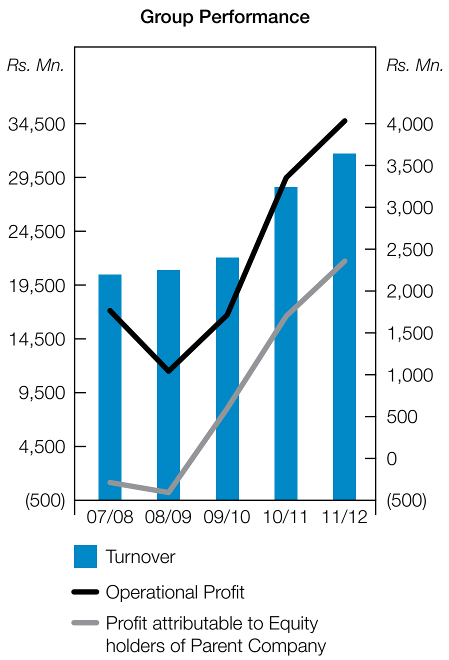
In terms of liquidity, Net Working Capital Investment of the Group further improved by Rs. 942 mn to record a net working capital position of Rs. 1.1 bn as at end of the year. The operational cash position declined from of Rs. 2.9 bn to Rs. 2 bn, but it is observed that such reduction is attributable to the increase in tax payment due to increased profitability.

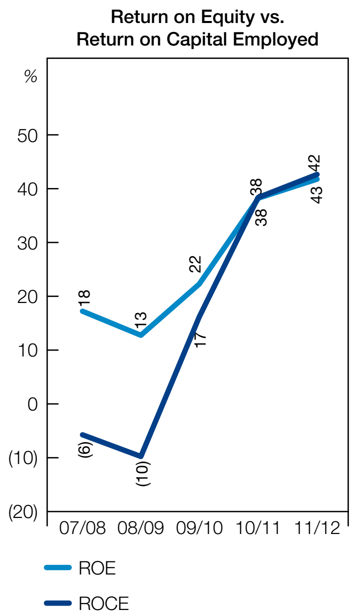
The Economic Climate

The Sri Lankan economy succeeded in recording growth of 8.3% in 2011, which is highlighted as the second consecutive achievement of over 8%. While the Industries and Services sub-sectors grew by 10.3% and 8.6% respectively, growth in the Agricultural sector was only 1.5% compared to 7% of the previous year, largely due to the adverse weather conditions that persisted during the initial part of 2011. Along with the significant expansion in the overall economy, the per capita income also increased to USD 2,836 during the year. The government estimates this figure to improve to USD 4,000 by 2016 - an ambitious target which will nevertheless enhance the potential of the entire economy, if achieved. High economic growth has also resulted in the unemployment rate declining from 4.9% to 4.2%, and despite the numerous development projects in the pipeline, the government fiscal deficit reduced to 6.9% of Gross Domestic Product compared to 8% in the previous year.

Annual average inflation measured by Colombo Consumer Price Index increased marginally from 6.2% to 6.7% by December 2011, while point-to-point inflation stood at 4.9%. Hikes in global commodity prices and devaluation of the domestic currency resulted in further upward pressure on inflation during the final quarter of the current financial year.

Monetary policy experienced considerable change during the latter part of the year, largely due to two reasons: firstly, the





Chairman's Review Contd.

decline in Gross Official Reserves following the intervention of the Central Bank of Sri Lanka to maintain the peg on the domestic currency and secondly, the necessity to curtail credit growth of the banking sector. Accordingly, policy rates were increased by 50 basis points in February 2012 while a ceiling of 18% was placed on credit extended by banks. Following these developments, interest rates increased across maturities during the latter part of the financial year, with AWPLR, which indicates the cost of borrowing for corporates, standing at 12.4% by end March 2012 compared to 9.2% at the corresponding point in the previous year.

The financial year under consideration marked many difficulties for the balance of payments in Sri Lanka which requested a significant depreciation of local currency to bring back the equilibrium to expanding trade deficit. The sudden devaluation of 3% of the local currency, which was recommended from Budget for 2012 in November 2011, was not sufficient to ease the mounting pressure from external parties such as the International monetary Fund on the Central Bank of Sri Lanka to withdraw from the currency peg and allowing the Sri Lankan Rupee to float freely in the market. Following these developments, the local currency depreciated by approximately 16% to close at Rs. 128.50 as at 31st March 2012.

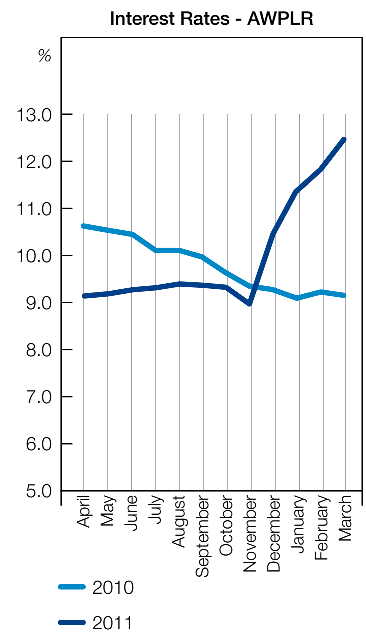
The deficit on the trade account for 2011 was recorded at USD 9.7 bn, up from USD 4.8 bn in 2011, mainly due to high oil prices as well as the importation of a large number of vehicles, construction equipment, material for infrastructure development projects and consumer goods. Although there were receipts of USD 4.6 bn as private transfers and USD 1 bn as Foreign Direct Investment, they were insufficient to bridge the USD 1 bn deficit in the overall balance of payments.

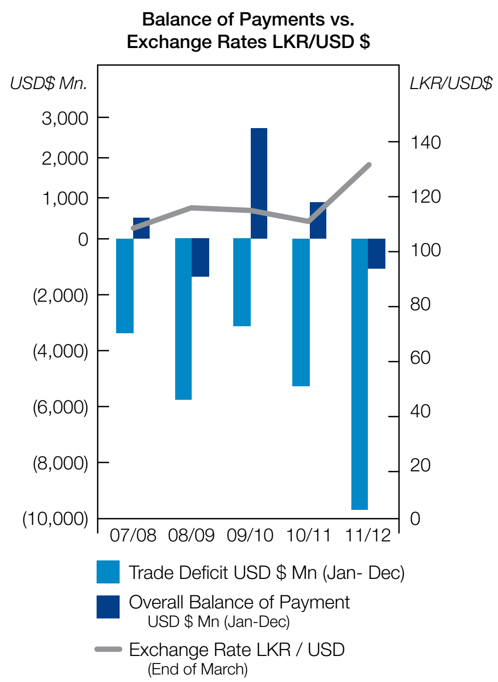
It was a doomed year for the Sri Lankan capital market as well, and the market experienced massive correction with the ASI and Milanka Price indices declining by 9% and 26%, respectively. The market capitalisation stood at Rs. 2.2 trillion as at the end of December 2011.

Sectorial Reviews

The retail sector continued its lead as the largest contributor to turnover by accounting for 44% of Group revenue and 36% of Group operating profit. The positive change in overall economic growth leading to expansion in per capita disposable income of consumers was the main contributor towards this feat. These economic changes were compounded to the business strategy of the Group by the opening of three large Supercenters in Kadawatha, Kochichikade and Kalutara areas, as well as by the opening of more retail and furniture showrooms in many areas of the country.

Coming up in the second place behind the retail sector is the plantation sector, contributing to 23% of Group turnover and 30% of Group operating profit. During the year the plantation sector was faced with many hardships arising due to factors in the domestic and global markets. Worries began in the early part of the year when the tea and rubber output declined considerably.





The wage hike of 27.5% following the collective agreement led to high costs, which affected the bottom line of the Group by approximately Rs. 247 mn due to the revision of gratuity provision. In addition, the industry also had to face declining demand from the Middle Eastern countries due to political uncertainties in their own economies, which resulted in lower sales.

Meanwhile, contribution from the plastics sector was 16% and 17% of Group revenue and operating profit, respectively. This sector was able to successfully record a turnover of Rs. 4.9 bn, growing by 29% over the previous year's revenue, largely assisted by the booming construction industry, expansion in the distribution network as well as the Group's focus on new product development, especially the formulation of the Green Gas Concept.

The tyre sector remained consistent in its performance, contributing to 9% of Group turnover and 7% of Group operating profit. Further, the rubber sector, which accounted for 8% of Group turnover, improved its profitability by 665% and contributed to 3% of Group operating profit, due to the cumulative effects of the depreciation of the local currency, lower rubber prices, new market/product development and efficient cost management.

The services sector accounted for 6% of the Group's operating profit, mainly supported by the capital gains realized upon the disposal of the Group's stake in Asian Alliance Insurance PLC, which accounted for Rs. 516 mn.

Special Achievements

At this historic juncture of marking its 80th anniversary, the Group invested in its latest business venture, life insurance, under the name of Arpico Insurance Limited, which has performed well above expectation during its short lifespan. The Group's stock broking arm and wealth management companies also blossomed during the year as start-up companies.

Indicating yet another landmark in its endeavours, the Group has already secured a provisional license to open a new finance company, the operations of which will commence during the financial year 2012/13. With this new advent, the Group will strengthen its presence in the finance sector, and will be able to provide all types of financial solutions to its customers.

Future Outlook

As a Group of companies with a marked presence in a diverse range of businesses, we are optimistic of the future that the Sri Lankan economy holds. The direction of the economy and the large scale infrastructure developments will enhance its potential, yielding many benefits to all stakeholders, and we are geared to reap such benefits.

As personal disposable income increases, we believe that our retail sector will perform well; thus, we expect to allocate more funds for the expansion of our retail sector in the coming years. With the depreciation of the local currency and the smooth recovery of Western economies, the plantation sector is likely to benefit, although production costs would remain a main concern for the tea sub-sector. We also recognise that there is potential for renewable energy sources in Sri Lanka, and we anticipate securing the land and the permit necessary for a solar power generation project.

We as a Group also envisage building profitable relationships with foreign partners to expand our plantations sector to global markets. With this purpose in mind, we have already commenced dialogues with regulatory bodies of some countries, and we remain optimistic of the outcome of such discussions.

Dividends

During the year, the Group declared and paid an interim dividend of Rs. 0.40 in December and Rs. 0.30 in March. These aggregate to Rs. 0.70 for the financial year 2011/12, constituting a dividend yield of 9% as at the year end.

Conclusion

No achievement of the Group would have been possible if not for the continued commitment and dedication of our many stakeholders. My sincerest gratitude is therefore offered to the management team, employees, suppliers, customers and business partners who have all contributed in many ways towards making this year victorious. My special thanks also go out to Mr. M.M. Udeshi, my co-director, who resigned during the year. I welcome to the Board our new director Mr. Sunil Liyanage, Managing Director of the plastic sector, who has worked for over 35 years in the Group.

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

Dr. Sena Yaddehige
Chairman/CEO/MD

24th May 2012

The Board of Directors

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[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. He was the Managing Director of an European Company, which is part of a group involved in the development of high technology, automated manufacturing, and export of automotive components and systems to Europe, China and the United States. He holds a number of worldwide patents on radiation processing, contactless sensors and drive by wire systems along with a Sri Lankan patent for slow release fertilizer.

He is Founder, Chairman and Director of numerous companies in Sri Lanka and abroad.

Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising 5 Listed Companies and almost over 45 companies wholly or majority owned by Richard Pieris and Company PLC. He was appointed to the Board of Directors of National Development Bank PLC in December 2007 and was in the directorate until his resignation from the Bank in November 2010.

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

[2] Mr. J. H. P. Ratnayeke

Mr. Paul Ratnayeke is a Senior Corporate Lawyer who is also the precedent partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

Mr. Ratnayeke is a Solicitor of England and Wales and an Attorney - at - Law of the Supreme Court of Sri Lanka. He holds a Bachelors Degree in Law with honours and has been awarded a Masters Degree in Law by the University of London.

Currently Mr. Ratnayeke holds directorships in several companies of which 8 are public quoted companies. He has also been elected/appointed as Chairman/ Deputy Chairman to several of these companies.

At Paul Ratnayeke Associates, he specializes in corporate and commercial areas of law including mergers and acquisitions, aviation, insurance and maritime law.

[3] Prof. Lakshman R. Watawala

Prof. Lakshman R. Watawala is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Institute of Certified Management Accountants of Sri Lanka and Fellow of the Chartered Institute of Management Accountants in UK. He is the Former Chairman and Director General of the Board of Investment of Sri Lanka, former Chairman of People's Bank, People's Merchant Bank, State Mining and Mineral Development

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Corporation and the Ceylon Leather Products Corporation, currently a Committee Member of the Ceylon Chamber of Commerce. He is also President of the Institute of Certified Management Accountants-Sri Lanka. Past President of the Institute of Chartered Accountants of Sri Lanka and South Asian Federation of Accountants, Founder President of AAT Sri Lanka and Past President- Organisation of Professional Associations of Sri Lanka. He also serves on the Board of Directors of several public listed companies.

[4] Prof. Susantha Pathirana

Prof. Susantha Pathirana is a graduate in Production Engineering from the University of Peradeniya with a MSc in Automatic Control and a PhD in Mechanical Engineering. He is a Member of the Institute of Engineering & Technology - U.K, Fellow of the Institution of Engineers - Sri Lanka and a Member of the Institution of Electrical & Electronic Engineers – U.S.A. He is the former Head of the Department of Production Engineering and former Dean of the Faculty of Engineering at the University of Peradeniya, Sri Lanka. He is currently a Professor in the Department of Production Engineering at the University of Peradeniya, Sri Lanka.

[5] Mr. Viville Perera

Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr. Perera has over 30 years experience in senior managerial capacity in leading business organizations such as Associated Newspapers of Ceylon Limited, Middeleway Ltd (Ceylinco Group) and Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer and Vice President of Sri Lanka Institute of Packaging.

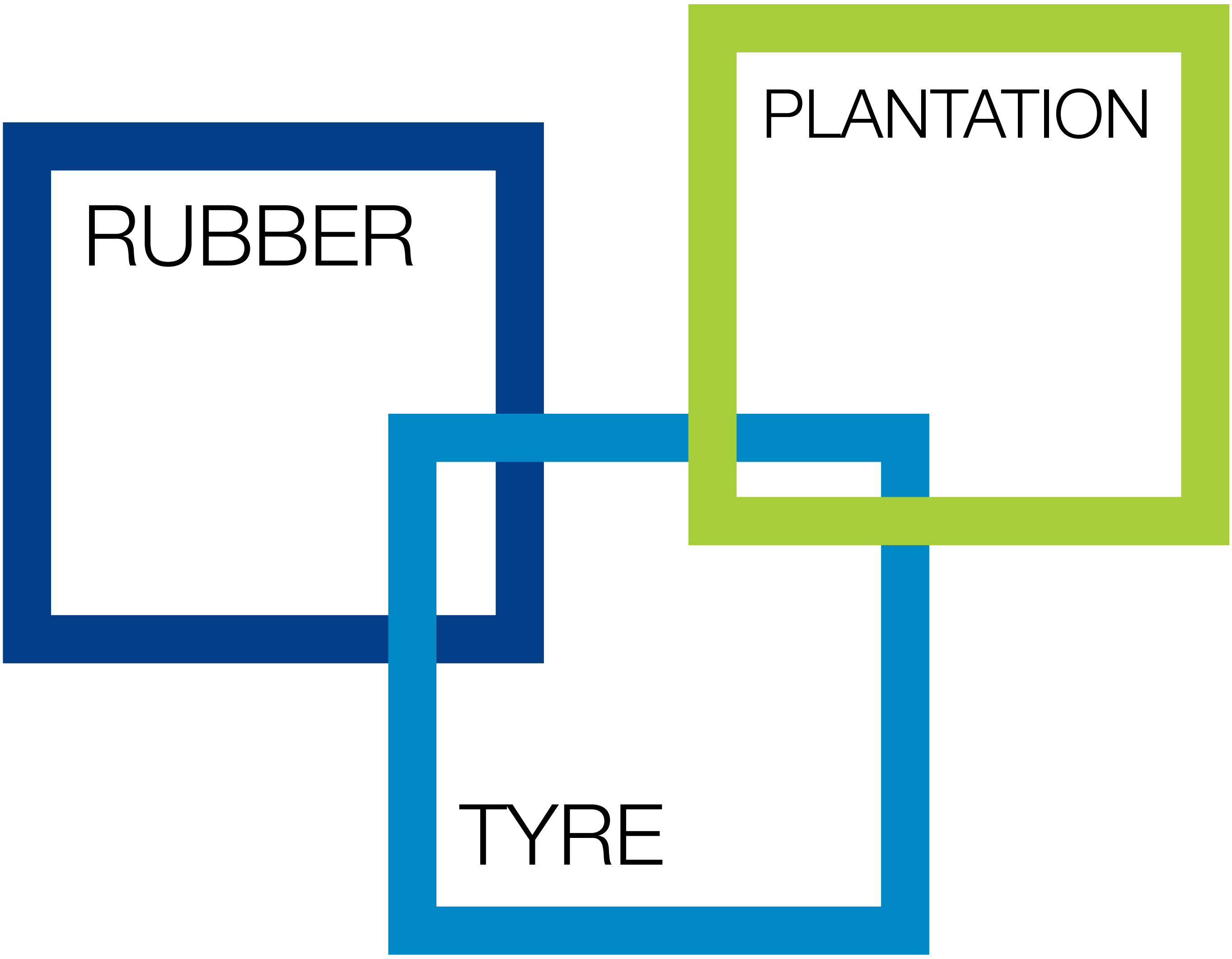
He is also on the Board of Directors of Several Companies of Richard Pieris Group.

[6] Mr. Sunil Liyanage

Mr. Sunil Liyanage is a Fellow of the Plastics and Rubber Institute of Sri Lanka (FPRI) and holds Diploma in Polymer Technology (Singapore), the Diploma of the Plastics Institute (LOND.) and a Licentiate of the Institute of Rubber Industry (LOND.). He has over 35 year's of management experience in the field of Rubber & Plastics. He is a past Chairman of the Ceylon National Chamber of Industries (CNCI) and a past President of the Plastics and Rubber Institute of Sri Lanka (PRISL). Mr. Liyanage is also a visionary business leader who has been instrumental in launching many innovative products in Polymer category and has the honour of being the first person to commercialise flexible polyurethane foam in this country in the form of mattresses, cushions and sheets. Currently, Mr. Liyanage heads the Local Manufacturing and Distribution Sector of the Richard Pieris Group as the Managing Director. He is also a Director of Richard Pieris Distributors Ltd and Richard Pieris Exports PLC.

Product Portfolio

OUR BUSINESS



PLASTIC

RETAIL

SERVICE AND OTHER

Sector Review - Retail

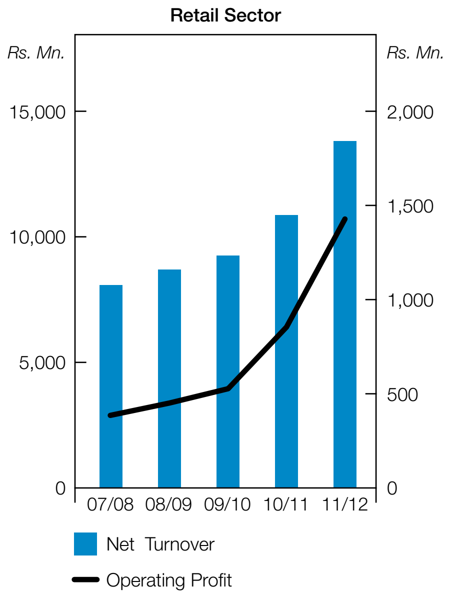
Retail

The Arpico Privilege Card customer base continued to grow with its membership increasing to approximately 210,000 by the end of the year.

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

VEGGIES
GROCERY
BREADS &
EGGS

Sector Review - Retail Contd.



The Retail Sector operates the Arpico Supercentres, Superstores and a network of showrooms including furniture outlets, and also provides interior decorating solutions for institutions. During recent times this sector has been a key growth oriented arm of the Group. The Sector Performed very well in the year under review by reporting a turnover of Rs. 14 bn and maintaining a steady level of profitability, demonstrating the potential growth. This demonstrates the potential of the retail industry in Sri Lanka for future growth. The steady improvement of the economy in post war Sri Lanka is also having a positive sentiment on consumer confidence, which has helped drive retailing in the Country.

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

Richard Pieris Distributors Ltd.

Richard Pieris Distributors operates the well-known Arpico chain of Supercentres, Superstores and an islandwide network of Showrooms including furniture outlets. The network retails a wide array of fast moving consumer goods (FMCG), household goods, including furniture & electronics, and offers a host of value added services through its fourteen super centres/stores, twenty six showrooms, five mini stores and four furniture outlets.

The turnover and profitability of the Company improved steadily compared to the previous year. All key product categories including FMCG, household goods including furniture & electronics, recorded a steady growth in business during the year under review. These positive trends are expected to continue into the coming year as well.

The Company opened three large format retail outlets in the towns of Kadawatha, Kochchikade and Kalutara in the months of April, September and December 2011 respectively. These new outlets have been well received by the consumers in these towns as it has given them a convenient and comfortable environment to shop in. The Company also commenced trading in three new showrooms in the towns of Matale, Nawalapitiya & Pottuvil and three new furniture outlets in the towns of Matara, Ja-ela & Peradeniya in the year under review. This has helped enhance the reach as well as the volume growth of the Company.

Customer convenience and product variety has enabled the Arpico Supercentres and stores to gain a competitive edge over its rivals. All super centres and stores have ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products. We continue to focus on improving levels of convenience and service and also strive to operate in an environmentally friendly manner.

Special events were continuously organised throughout the year, including special activities for families in order to create an added level of excitement and provide customers a comfortable ambience to shop in. The Arpico Family range of branded products, which is a value brand was expanded and new products adapted to suit today's market.

Carefully targeted marketing and sales strategies over the years have led to better awareness of the Arpico Brand. The Company continued with its re-branding exercise on its “fresh ideas everyday” tag line. The Company had a very successful “Christmas Millionaires” seasonal campaign in December where a Millionaire was created on a weekly basis for seven consecutive weeks. This had a positive impact on the turnover growth of the Company. The Company also continued enhancing the provision of value added products and services through its chain of retail outlets during the year under review.

The Arpico Privilege Card customer base continued to grow with its membership increasing to approximately 210,000 by the end of the year. Tempting rewards to members contributed to the increasing popularity of the use of the Privilege Card. The Arpico Privilege family beach holiday, which was held for the second consecutive year was the key focus of the Privilege campaign as it entertained fifty Privilege card member families over an exciting weekend in a luxurious hotel. This was very well appreciated by all participants thus enhancing the commitment towards the loyalty programme.

The focus on cost management programmes has enabled the retail operation to run efficiently keeping expenses well within budgeted proportions while continuing to improve the quality of its products and services. The constant development of the supply chain has helped enhance the capability of selling a wide range of high quality products at competitive prices.

The training academy at Nawinna, which opened three years ago, continued to provide training to all the employees thus improving efficiency and customer service.

The selective expansion of its chain of Supercentres/stores in targeted areas of the country will continue, capitalising on the post war economic boom that is expected in the ensuing years.

Arpimalls Development Company (Pvt.) Ltd.

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

RPC Retail Developments (Pvt.) Ltd.

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

RPC Real Estate Development (Pvt.) Ltd.

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

Arpico Interiors (Pvt) Ltd.

Arpico Interiors provides institutional and corporate customers in both the public and private sectors and the discerning individual customers with comprehensive services in interior decorating solutions. Over the years, Arpico Interiors has built up a strong reputation as a provider of interior décor solutions and supplier of state of the art and purpose built furniture. It focuses on projects for hotels, apartments, hospitals, factories and offices and residences, from concept planning to complete turnkey solutions. The products are of high quality, sourced from reputed local manufacturers as well as those of personally handpicked suppliers from U.S.A, Europe, Dubai, China and Malaysia. Its wide range of products, are on display at the Interior Décor Showroom at Hyde Park Corner. The Company continues to maintain its market share despite the slow recovery from the global economic slowdown which had a significant impact on the construction industry and the institutional sector in particular. The impact on its profitability was further compounded by the increasing cost of import duties and taxes. Consequently, the plans to introduce high-end items to its product portfolio have now been successfully launched since market conditions have become more favourable. Arpico Interiors, while continuing to adopt a cautious approach during the coming year, is confident of improving its profitability, with the recovery of economic activities. The company has drawn up plans to meet the opportunities of the coming year with increased offerings of a wider range of products and services.

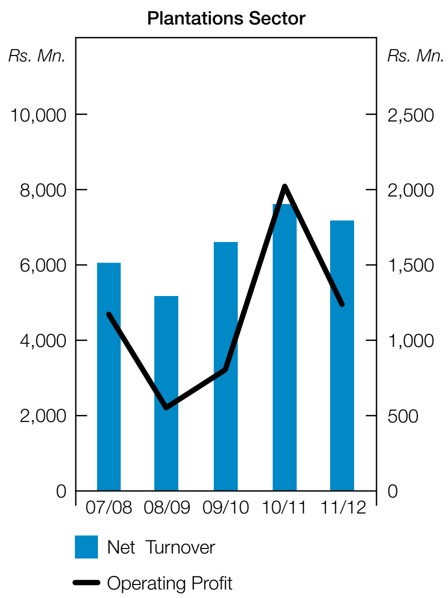
Sector Review - Plantations

Plantation

The three Plantation Companies namely Kegalle, Namunukula and Maskeliya Plantations, together produced 12.8 mn kg of Tea, 5.5 mn kg of Rubber and 14.4 mn kg of Oil Palm with a total revenue generation of Rs. 7.2 bn to the Group.

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

Sector Review - Plantations Contd.



The portfolio of the Plantations Sector of the Richard Pieris Group consists of the largest tea and rubber producer in Sri Lanka among the 22 Regional Plantation Companies. The three Plantation Companies namely Kegalle, Namunukula and Maskeliya Plantations, together produced 12.8 mn kg of Tea, 5.5 mn kg of Rubber and 14.4 mn kg of Oil Palm with a total revenue generation of Rs. 7.2 bn to the Group.

Whilst previous financial year being the most profitable year in the history of the Plantations Sector of the Group and other management companies, the current financial year has been a challenge.

In the backdrop of a 27.5% wage increase for workers and having given due consideration to the gratuity adjustment to the tune of Rs. 247 mn directly affecting its bottom line, the Sector has done considerably well. Kegalle Plantations PLC and Namunukula Plantations PLC contributed Rs. 1.07 bn to the Group despite the respective Rs. 67 mn and Rs. 43 mn gratuity Impact to its Profitability. Maskeliya Plantations recorded a net loss of Rs. 370 mn in the year under review.

As predicted, the inability to focus and align the wage rate to productivity during negotiations, had an immediate adverse effect in the Cost of Production. This effect was seen throughout all the Plantation Companies in the Country. Companies having diversified crops showed a lesser impact on the profits. Whilst Ceylon Tea remained the most expensive tea on offer globally, an analysis, worthy of note reveals that the Wage rate in Sri Lanka has increased by 986% from 1991 to 2011. As a result, Sri Lanka's wage rate is highest at 137% of the average auction tea price whilst India and Kenya maintaining their averages at 93% and 79% respectively.

However, with excellent agricultural practices and the expedited replanting programs adopted by the Plantations Sector in the Group, each crop has seen an encouraging increase in production and their respective yields compared to last year despite the overall National Production having reduced for the period from January to December 2011. During the year under review, this Sector spent Rs. 782 mn on Capital Expenditure and strictly adhered to the escalated replanting program for all crops and upgrading of Machinery and factories.

Tea and Rubber prices dipped irregularly from the beginning of the year but auction prices in both these crops have seen a steady increase in the consequent months continuing towards the latter part of the financial year. Rupee depreciation no doubt contributed positively on its increased Net Sale Averages over the last few weeks of the year.

Robust increases in tea prices were seen in all elevations of tea growing areas with a marked increase in the low grown sector. Low Grown teas dipped rapidly during October 2011 but has seen a more favourable price increases since then. Political turmoil in the Middle Eastern countries and their "wait and see" attitude has created significant uncertainties for demand as the largest buyer of our teas and the heavy exposure to the region. The negative effect for demand for tea and prices is already seen with international sanctions imposed and political unrest in certain large tea buying countries in the world.

Kegalle Plantations PLC

Kegalle Plantations owns and manages 17 estates in Kegalle and Udapussellawa Region with Tea, Rubber and Coconut. With a land base of 7,209 hectares, Kegalle Plantations is recognized as the largest Rubber producer with an annual production of 4.2 mn kg. The Company also maximizes on the facility of dual manufacturing capabilities of leafy and small leaf teas whilst centrifuged latex dominates rubber production, which is 46% of the total rubber production.

The year closed with a profit of Rs. 682 mn corresponding to a Turnover of Rs. 2.81 bn. In comparison to the best ever profits in the year 2011, Kegalle Plantations did exceedingly well to achieve this profit.

Main crop being Rubber, the Company closed yet another successful year with 4,155 kg in production and Rs. 1,865 mn in terms of revenue. This denotes a 10% decrease in comparison to that of the last year. Tea profitability declined with its high cost of production and inclement weather with a turnover of Rs. 783 mn mainly in the Udapussallawa region, corresponding 13.8% decrease with that of the last year. Coconut production was higher than the previous year and contributed Rs. 43 mn to the Company's turnover.

Kegalle Plantations invested Rs. 250 mn as capital expenditure in the year under review 34 hectares of Tea were replanted at a cost of Rs. 43 mn, whilst 248 hectares of Rubber was replanted expending Rs. 145 mn. Capital expenditure on factory development for the year amounted to Rs. 19 mn. Affluent water treatment plant was constructed in Etana Estate and rain guarding in 739 hectares of Rubber were carried out during the year under review.

Kegalle Plantations own 5,374 hectares of both mature and immature Rubber plantations. Out of which, 3,653 hectares are in the mature fields with yields ranging from 1,000 kg/ha to 1,250 kg/ha. 248 hectares of high yielding clones of rubber were replanted during the year, under the guidance of the Rubber Research Institute whilst removing the unproductive and old fields.

All five Tea factories in the Company, Luckyland, Kirklees, Gampaha, Doteloya and Yataderiya Estates producing almost 3 mn kg obtained ISO 22000:2005 certification for Food Safety Management System during the year.

Udapussallawa region Luckyland, Gampaha and Kirklees Estates fetched 66 top tea prices for BOPSp, BOP, BOPF and OP grades although tea growth and yields were hampered by the drought, throughout the year. Dual Manufacturing systems in this region aided the best manufacturing mix to maximize on the demand patterns.

Namunukula Plantations PLC

Namunukula Plantations PLC comprises of 13 estates with Rubber, Tea, Oil Palm, Coconut and Cinnamon with a total extent of 7,482 Hectares and is the most diversified Plantation Company in the Group. Out of the original extent of this Plantation, 115 hectares were acquired for the Southern Highway construction. This Plantation Company owns 2,365 hectares of Rubber, 497 hectares of Tea, 1,442 hectares of Oil Palm, and 522 hectares for other crops.

The Company recorded a Rs. 1,863 mn Turnover and a profit of Rs. 331 mn, and in comparison to last year, corresponds to a 10.22% and 7.8% decrease respectively. Out of the Revenue

Sector Review - Plantations Contd.

39% was generated from tea whilst 39.6%,19.5% & 1.9% were contributed by Rubber, Oil Palm and Other Crops respectively.

As in the past, the Company efficiently managed the bought leaf operation as 81% of the tea represents this segment. The Company actively and rigorously pursued its endeavours to enhance the bought leaf operation. However, its bought leaf quantity decreased from 10 mn kg to 8.1 mn kg in comparison to last financial year. Low Grown Teas commenced the year with uncertain and unsettled prices in comparison to the period in the previous year. Even during the July to September quarter, Low grown prices continued to dip, plagued with the Wage increase and continued to incur losses. Erratic weather patterns not only hampered the plucking rounds but also made the quality of the tea irregular. However, by November, a clear escalation of low grown prices was seen at the Colombo Tea Auctions despite the debt crisis in the European region.

Rubber being the second largest crop and next to Oil Palm, saw yet another successful year with high prices from the beginning of April till the latter part of 2011.

During the year Namunukula Plantations replanted 69 hectares of Rubber new clearings. 123 hectares of Oil palm were planted according to the expedited capital program, which covered both new and replanting schedules. Rs. 250 mn was spent on Capital Expenditure during the year under review. Baddegama Estate Tea Factory was renovated and expanded to capture increased quantities of bought leaf in the area and was fully operational by April 2012. Rs. 52 mn was spent on this expansion.

Out of the Tea factories, whilst Baddegama Factory has already obtained ISO 22000 Certification for Food and Safety System, 5 more Tea Factories namely Walpita, Tennahena, Belmont, Akuressa and Pelawatte are already in the process of obtaining this certification and is expected to be finalized during 2012.

The Company's Oil Palm Processing joint venture, AEN Palm Oil Processing Limited continued to operate successfully thereby securing high prices for the fresh fruit bunches for processing.

The Company is well positioned to reap the benefits of 1,442 hectares of cultivated oil palm out of which 1,106 hectares are in bearing. Expedited cultivation of this crop in the areas of Kalutara, Galle and Matara areas will see yet another 199 hectares being planted by the end of 2013 together with 23 hectares of Coconut and 25 hectares of Cinnamon being planted during the year under review.

Maskeliya Plantations PLC

Maskeliya Plantations PLC is the only Plantation with only high grown Tea as their crop and situated in Western High elevation in Sri Lanka. The Company has, in its possession, 18 Estates with a total extent of 10,560 hectares at four different elevations. This is after amalgamation of three estates to existing estates to bring about economies of scale. World renowned for its exclusive quality of tea, the Company went through a rough year with a loss of Rs. 441 mn for the year under review. The main contributor to this loss was the 27.5% wage hike, which plagued the Company with a Rs. 136 mn Gratuity Impact, being in a labour intensive set up such as this.

The year commenced with large quantities of tea on offer at the Colombo Tea Auctions. The momentum for High Grown teas were maintained at reasonable levels in the wake of the pending wage negotiations. The trend did not continue as seen in the previous years when the Euro crisis and Middle Eastern unrest continued to plague the high-end teas on offer.

Maskeliya Plantations PLC produced 9.2 mn kg of Tea during the year and is a marginal increase in comparison to last year despite the fact that statistics show a national drop in tea production. Total revenue of the Company was Rs. 3.1 bn for the year, an decrease of 6% from previous period. The Company maintained its high standards to maintain its reputation as the best high grown tea producer and fetched 139 top prices during the year for Brunswick, Laxapana, Moray and Craig estates. Productivity related parameters such as plucking norms were enhanced at estate level to somewhat reduce the exorbitant cost of production.

Gross Sale Average price per kg was maintained at Rs. 339 per kg which is a 6% decrease from the previous year.

The Company spent Rs. 296 mn on Capital Expenditure out of which Rs. 193 mn was spent on replanting. The Dual Manufacturing Systems, which enables both low grown and small leaf manufacture were implemented in Poonagala, St. Clair's, Ampitikanda and Craig Estates with expenditure on a capital amounting to Rs. 61.2 mn, in the form of factory upgrading.

All fourteen factories of the Company continued their certification on “Ethical Tea Partnership UK” and twelve of those have obtained ISO 22000 (Food and Safety System Certification). The four estates with the Fair Trade Labeling Organisation Certificate continued to maintain the status.

Maskeliya Tea Gardens Ceylon Ltd

Maskeliya Tea Gardens’ flagship brand “St. Clair’s” yet again posted an impressive growth, establishing record turnover and profitability levels for the year under review, negating the previous financial year’s poor performance, and showing a positive revenue reserve at the close of the year under review. Marketing top quality Pure Ceylon Tea globally as well as locally, St. Clair’s continued to offer a wide range of teas from Orthodox black leafy teas to flavoured teas in tea bags through to gift items. Over the years St. Clair’s products have established a reputation for their outstanding quality, offering an uncompromising approach to showcase quality and style.

Maskeliya Tea Gardens focused its attention on strengthening its presence in Russia by increasing St. Clair’s’ marketing and promotional activities and broadening the product depth and width, showcasing these at the Russian food and beverage exposition in February 2012. New products and innovative concepts have increased the brand visibility and a marked increase in sales has strengthened the brand’s presence in Russia.

Favourable market conditions in the Russian Federation and the Central Asian Republics have opened up new possibilities in what is otherwise very closed markets. Negotiations are underway with distributors in Belarus and Lithuania in establishing St. Clair’s in those countries.

Posting a reasonable turnover, the St. Clair’s Tea Center at Talawakelle continues to attract a wide range of local and foreign tourists, offering them a very refreshing stop-over and a tantalizing product range of tea items, bundled with service par-excellence and old-world charm.

Maskeliya Tea Gardens has taken upon itself an optimistic target in terms of turnover for the next financial year and is confident that with its aggressive push in both the export and local fields, these large targets can be met.

Sector Review - Tyre

Tyre

Richard Pieris Tyre Sector is the pioneer in tyre retreading in Sri Lanka providing retreading solutions from three wheeler tyres to heavy industrial tyres.

The Product Portfolio: Retreaded Tyres for Light and Heavy Commercial Vehicles, Re-Manufactured Radial Tyres, Tubes and Flaps, trading in tubes, flaps and new tyres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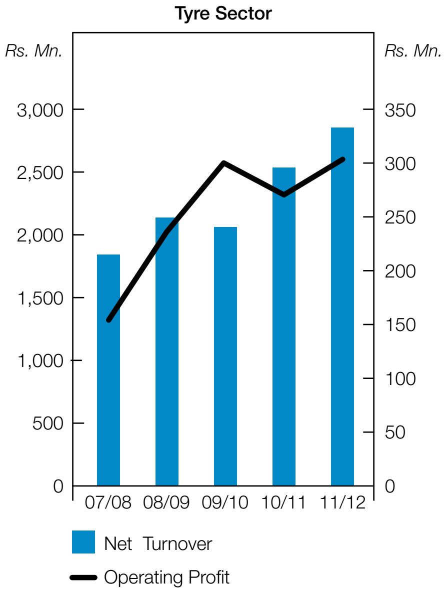
Sector Review - Tyre Contd.



Richard Pieris Tyre Sector is the pioneer in tyre retreading in Sri Lanka providing retreading solutions from three wheeler tyres to heavy industrial tyres. Being the market leader for retreading tyres the Company indirectly contributes to the national economy by decreasing transport costs and outflow of foreign exchange on imported tyres. This also immensely helps the reduction in damage to the environment. The tyre sector comprises three Companies, Richard Pieris Tyre Co Ltd, Arpidag International (Pvt) Ltd, and Richard Pieris Rubber Compounds Ltd.

Richard Pieris Tyre Company is the established market leader having the largest tyre distribution network in the Country. Arpidag International (Pvt.) Ltd and Richard Pieris Rubber Compounds Ltd are the supportive companies supplying pre-cured tread, cushion gum, cement and other related materials and customised mixing facilities to the Tyre Company. Arpidag International also has extended its services by supplying treads and consumables to mini plants in the industry.

There was a need for upgraded products in the market place during the year, which was largely driven by the development in roads and other infrastructure that took place in the country. Richard Pieris Tyre Company being a continuous innovator bridged this gap by improving consistent performance of its product portfolio. Rubber prices during the year were volatile where the sector took advantage of low rubber prices during the mid year, but there was an escalation of rubber prices towards the end of the financial year. Apart from this, the cost base was adversely affected by high-energy costs, interest rates, fuel prices and the devaluation of currency. Above factors contributed towards a deterioration in margins, which leaves a huge challenge for 2012/13 in terms of profitability. However, the sector is geared to meet there challenges by continues process improvements and marketing strategies.

Richard Pieris Tyre Company

Richard Pieris Tyre Company, the largest tyre retreader in Asia, having a large dealer network with 1300 Dealers Island wide, rebuilds more than 500,000 tyres per annum. Its operations involve the retreading of tyres, in which it holds a larger share of the local market, and trading, a business it entered into a few years ago. Retreading still forms over 80% of the company's turnover. During the year under review, it increased its manufacturing capacity and enhanced its product range, both in the retreading and trading product in order to meet increased customer demand. The company's retreading turnover increased by 18% increasing its share of the market. The wide dealer network and location of plants island wide has proved to be a significant competitive advantage, which has enabled the timely delivery of imported tyres island wide within a day. An optimal product portfolio, which exceeds performance and dynamic service levels, has been the key to the sector's success.

A new factory was set up for pre-cured process in Gampaha district In addition to Nawinna factory to improve service levels in western province aiming to get large share of growing tyre retreading industry. This factory equipped to cater to one third of the potential demand in the western province.

The tyre industry in Asia including our country is in the early stages of using radial tyres, the retreading solution for radial tyres. Our own brand of radial tyres "Arpiradial" is well accepted by its consumers and there was a significant increase in sales volume during the year. The Company intends introducing a wider product range in the radial tyres as there is a shift in the customer base moving to radial tyres from the bias ply tyres, increasing the demand for more radial tyres in the future.

The capacity for conventional tyres was further enhanced in order to meet the increased demand due to opening of North / East and government policies in the Agricultural segment, which is the fastest growing segment.

During the year, the Company continued to focus on its tyre trading business. The Company is the sole agent for Birla tyres (India) which is a fast growing company in India. Birla Tyres (India) are the manufacturers of truck, light truck on bias ply and radial ply, agricultural, industrial vehicles, two wheelers and three wheelers. Birla radial truck tyres which were introduced recently are performing well in the market and reaching premium product category in the country.

The automotive battery “Altima” an Indian battery was introduced to the market with a Sri Lanka standard certification, and the performance of the same proved to be successful. Birla two wheel and three wheel tyres were added to the company’s trading portfolio expecting a market share in this category, since these tyres are up to the country’s standard with a competitive price.

The sharp increase in the raw material prices and macro-economic changes in later part of the period proved to be a considerable challenge to the industry. Steps have been taken to increase efficiency and maintain productivity at the optimum level for each plant.

Arpidag International (Pvt.) Ltd

Arpidag International is a pioneer in supplying the pre- cured treads to the tyre industry. It supplies pre-cured tread mainly to the Richard Pieris Tyre Company while it also supplies to external customers through the ATM brand. The Company has been awarded with the process quality certification of “ISO : 9001”

The Company’s profitability was affected by the high price of raw material during the year. Efficient management of costs however enabled the company to maintain its profitability.

Richard Pieris Rubber Compounds Ltd.

Richard Pieris Rubber Compounds provides mixing services to Richard Pieris Tyre Company, several other companies within the Group, and various external customers. The company has state-of-the-art machinery in its factory, which provides a high level of quality. The company now also sells chemicals to local manufacturers.

The Company was able to facilitate substantial volume for external customers, 30% of its mixing volume are from external customers, helps to improve its bottom line than expected at the beginning of the year. It is continuing the improvements in process for consistent quality and help the other two companies in the sector to achieve a higher market share by providing an excellent mixing service.

Sector Review - Plastics

Plastics

The company has also expanded its operation in the manufacture of sofas and panel furniture for the local market by commissioning a range of machinery and ancillary equipment to cater to increased demand.

The Product Portfolio: Water Tanks, Polyurethane Foam Mattresses, Water Pumps, CFL Bulbs, Moulded Plastic & Expandable Rigid Polystyrene Products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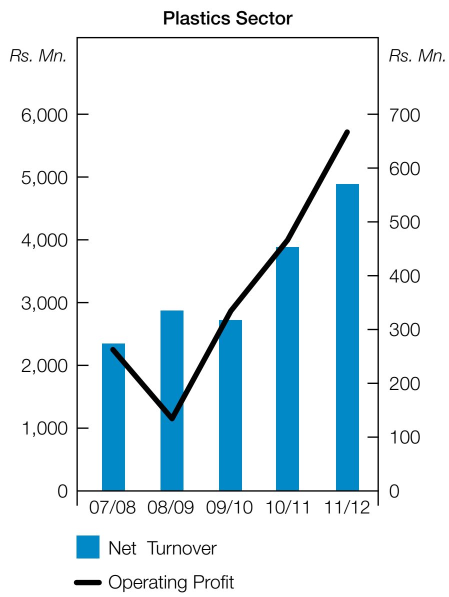
Sector Review - Plastics Contd.



The performance & success of the Plastic Sector is due to the Sector exploration of new possibilities and making conscious choices in business, infrastructure, management processes etc, maintaining a balance that will deliver dynamism, growth and success.

The Plastics Sector manufactures and markets a wide range of diverse products from polyurethane foam, rotational moulded plastics, expanded rigid polystyrene, PVC pipes and other product categories such as water pumps, PVC doors and CFL bulbs. It has also commenced the manufacture of furniture in the recent past.
The Sector comprises five strategic business units – RPC Polymers (Pvt) Limited – Water Tank, RPC Polymers (Pvt.) Ltd. – Rigifoam, Plastishells Ltd, Arpitech (Pvt) Limited, Re-Distribution Division and Rubber Products Ltd.

Expanded rigid Polystyrene

RPC Polymers - Rigifoam manufactures expanded rigid polystyrene products, commonly known as "Rigifoam". These products include containers, sheets and packaging for the local market and the Maldives.

This company which has been earning high margins on operations however will be faced with managing the rising cost of energy which is a considerable component of the product composition.

The company maintains its position as the market leader with a market share of 51%

The Polyurethane Operation

The Polyurethane Foam operation performed exceptionally well making a major contribution to the plastic sector performance.

The Company's Market share of mattresses improved to approximately 45% despite intense competition. The company continued to show a positive growth in specialized products such as sports goods, bedding for hotel industry etc. The company has also expanded its operation in the manufacture of sofas and panel furniture for the local market by commissioning a range of machinery and ancillary equipment to cater to increased demand.

This Polyurethane operation achieved a profit which was exceptionally better than last year; this was helped by intensive work-in-capital management which resulted in the consequent positive impact on finance costs.

Rotational Mouldings

The company has achieved a dominant position in the local moulded water tank market, with the Arpico branded water tanks commanding 43% of the market share.

Products are manufactured at the factories in Horana, Pallakalle, Koggala and Dambulla which give easy access to island wide distribution.

There has been an impressive increase in the water tank sales due to booming of the construction industry, and the introduction of the new design with branding of the products associated with a healthy life.

The Company has aggressively marketed the eco friendly "Green Gas" concept which is paving way to a cleaner and better energy system through generation of LP Gas.

PVC Operation

Arpitech (Pvt) Ltd manufactures a range of pipes and fittings under the brand name "Arpico PVC", having received the Sri Lanka Standards (SLS) certification for its range of pipes.

The PVC operation achieved a credible level of growth during the year under review with an increase in Distribution coverage which has led to an increase in market share.

The company has also commissioned machinery to commence the manufacture of plastic garden hoses.

Re-Distribution Division

The Re-Distribution Division distributes products island-wide through a network of distributors and dealers. The Group is proud of this distribution channel, which is one of the largest in the country, catering to over five thousand Hardware & Furniture outlets island-wide.

This division showed a steady growth in sales of all product lines, with all lines maintaining steady profitability levels whilst also showing an upward trend in the cash position of the company. Further, The division is focusing on continued diversification into new areas of business.

The division also distributes the water pumps, which is currently the market leader. This division has also expanded its transport fleet and warehousing operations to cater to the growing market with the goal of being a dominant player in the Hardware and Furniture sectors.

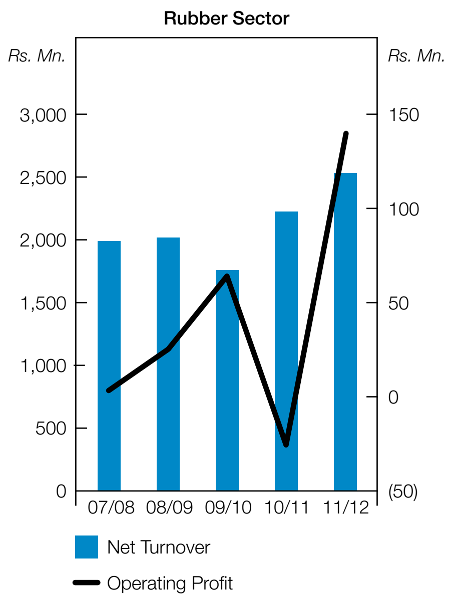
Sector Review - Rubber

Rubber

The Rubber sector achieved steady results during the year under review. The turnover and profitability of the sector improved steadily compared to the previous year.

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

Sector Review - Rubber Contd.



This sector is comprised of Richard Pieris Exports, Richard Pieris Natural Foams, Arpitalian Compact Soles, Micro Minerals, and Richard Pieris Rubber Products.

The Rubber sector achieved steady results during the year under review. The turnover and profitability of the sector improved steadily compared to the previous year. The positive trends are expected to continue in to the coming year as well.

The Group's Rubber Sector provides a wide range of value added rubber products for export and local markets. This sector has traditionally played a major role in the Group's reputation for providing products of high quality and dependability. Manufacturing was well planned resulting in increased productivity, and catered to market demand in terms of both quality and quantity, while keeping in view the need of effective controls on inventory levels. Continued focus on quality control at all stages of the production process and the introduction of innovative processes further strengthened the quality of products.

The whole rubber based industry including our sector went through a challenging year due to the fluctuations of rubber prices and significant increase in the energy cost during second half of the year. However, even though the entire rubber industry was affected by many challenges the sector was able to achieve a substantial profit for the year due to the production and energy efficiencies minimizing overhead cost coupled with aggressive sales and marketing.

The increasing costs of labour, energy ,shipping and transportation are also of concern for the future.

Richard Pieris Exports PLC

Richard Pieris Exports manufacture and exports rubber flooring and mats to the Europe, USA and Asia Pacific regions from its factory in Ekala since 1984. In addition to the mats it also produces jar sealing rings and crutch tips for European markets. Company also penetrated in to the local market by selling export quality rubber mats.

The company's range of mats include specialized products for industrial use, entrance, agriculture, playgrounds, gymnasiums and specialty items such as fire retardant mats, electrical safety mats and antistatic mats. Every year the company does innovations in new products with the help of the Research & Development division. Many new products were introduced to the agricultural and industrial markets during the year under review.

In the year under review the company operated in a volatile environment. During the year the sector experienced fluctuations in rubber prices which had a negative impact on the competitiveness of our range of products in international markets. Nevertheless, the various proactive measures undertaken by the company, enabled to negate these adversities and report an improved performance during the year in terms of profitability. The noteworthy feature of our achievement was the ability to retain the customer base intact in spite of stiff competition faced from our global competitors.

Richard Pieris Natural Foams Ltd.

Richard Pieris Natural Foams Limited (RPNF) manufactures and market 100% natural latex foam blocks, sheets and pillows for international market from the factory located in free trade zone, Biyagama.

The company recorded the highest sales volume, turnover and operating profit since its inception in the current financial year. Focus on wastage reduction, quality improvement, overhead cost reduction coupled with aggressive sales and marketing campaign contributed to exceptional achievements in the financial year under review.

Manufacturing facility recorded the lowest wastage levels and the highest quality standards with continuous improvements. Re-engineering of processes and restructured workflow system yield higher productivity to cater to increased demand at lower cost.

Reduced latex prices in the 2nd half of the year helped recovery of reduced margins in the first half of the year. 4th quarter results were pushed up with strategic sourcing of raw material (price vs time) together with rupee devaluation during the period.

Sound working capital management with recorded profitability enabled RPNF to reduce borrowings by significant amount in the current financial year.

Arpitalian Compact Soles (Pvt) Limited

Arpitalian Compact Soles manufactures shoe soling sheets for the International shoe manufacturers. The Company is a joint venture with Davos SPA, a globally reputed manufacturer for shoe soles.

The company is in a continuous process of making new compound and many initiatives were undertaken during the year in the production process. A new range of products under the brand name “Diamond” was launched during the year which uses waste compound.

During the year “India” emerged as the main market and the company has successfully implemented market segmentation strategies. The company is beginning to reap the benefits of such strategies and a 40% value growth is expected during the 2012/13 financial year. Also the new developments of the products continues with the full and extensive support of Davos - Italy as per the design and fashion trends in the market.

The Company entered into new markets through DAVOS such as Brazil, Morocco, Lebanon, Hong Kong, China and targeting new market such as Vietnam, Bangladesh and Thailand. This will help the company to establish itself in the market in the coming years.

With the focus of on new product development, the company expects a marginal growth in the next financial year.

Micro Minerals (Pvt.) Ltd

Micro Minerals (Pvt.) Ltd produces mineral products which are essential as a raw material for the polymer industry. This company mainly supplies to the Richard Pieris Group of Companies. The manufacturing plant of the Company is located in Bandaragama.

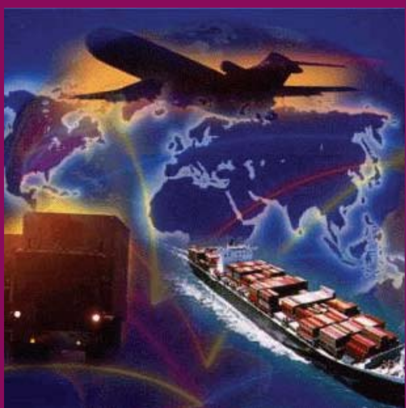
We are happy to note that in spite of various constraints the company faced in its operations, it has achieved its budgeted turnover and profits and shows further potential for growth.

Richard Pieris Rubber Products Ltd.

Richard Pieris Rubber Products Ltd, the market leader in Sri Lankan Rubber Products Industry is the largest domestic door mat manufacturer and the pioneers in manufacturing rubber vehicle related carpeting applications.

The company has been introducing various types of new door mat designs from Rubber for indoor and outdoor purposes. The company has also expanded its operations in supplying Printing Rollers and rubber based industrial applications, such as large Industrial Rollers, Bridge Bearings and Conveyor Belts etc. The company performed well during the year under review with turnover growing by 22% and profits growing by42% compared to the previous year.

Sector Review - Service and Other

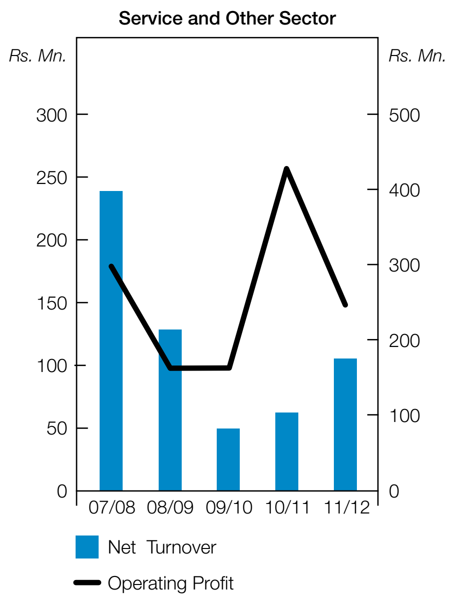


Services and Other

Arpico Insurance Limited was established in June 2011 and commercial operations commenced in January 2012 under the theme "Insurance for the Living".

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

Sector Review - Service and Other Contd.



This sector includes the Group's holding company, Richard Pieris and Company PLC, and subsidiary companies in various businesses outside the Group's main sectors of Plantations, Rubber, Tyre, Retailing and Plastics. It includes companies involved in Logistics, Insurance, Real Estate and Financial Services.

Richard Pieris and Company PLC

Richard Pieris and Company PLC is the holding company of the Group and is responsible for the overall corporate policy and direction of the Group. Richard Pieris and Company PLC generates a proportion of its income by way of dividends from its subsidiaries. It also owns and rents real estate, including the Hyde Park Corner retailing complex and the Nawinna complex which houses the tyre factory, the head office and a Super Centre. The Group entered the insurance industry with its own identity with the exit from its investment in Asian Alliance Insurance Company PLC where the Group reported a Capital Gain of Rs.717m. Commercial Operations of Arpico Insurance Limited commenced in January 2012. The period under review also saw the commencement of business operations of RPC Financial Services (Pvt) Limited which focuses on Margin Trading Activities and is an ideal extention to the Group's stock broking firm "Richard Pieris Securities (Pvt) Limited" which was established last year. The company's various divisions provide support services to all companies in the Group. This includes services relating to information and communication technology, human resources and procurement.

The IT Division has continued to provide systems integration, managed services and "end-to-end" services and solutions for both Software and Hardware. This has enabled the Group to generate more value through an innovative approach to business processes, well-integrated supporting technologies and strategic investments. The technical staff have an in-depth understanding of company's technological needs and businesses and a proven track record of delivering results in many industrial sectors. The division manages the data center, disaster recovery center and central PABX. During the year under review, the internally developed ERP solution, Marksys was expanded with several other modules to cater to Financial sector and Insurance sector and certain other services such as CCTV and surveillance installations would be provided into the future.

The Group Human Resource Division is responsible for the overall HR policy of the Group. It deals with the administrative work relating to employees and coordinates training and staff development. More details on its activities are to be found in the report "Our People" on page 56.

The Central Commercial Division handles the procurement of raw materials and consumables, both domestic and imports. It has been successful in passing on the low costs to our SBUs by maintaining sound supplier relations and maximizing economies of scale. During the year it was successful in negotiating several dealerships to the Group which would be carried out by relevant SBUs.

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

The Group Corporate Planning Unit coordinates the Group's overall strategic planning process. It provides expertise to all SBUs to develop and monitor Key Performance Indicators. This unit also analyses all new business ventures, develops business plans and continuously monitors existing businesses in order to ensure optimal allocation of resources.

The internal audit function which is centralized ensures that internal control systems are adequate; procedures are up- to-date and are adhered to by all group companies. Its activities are based on the risks faced by the group in the different industries.

R P C Logistics Ltd.

R P C Logistics is primarily engaged in international freight forwarding and customs broking. At present, two thirds of the Company's revenue is generated from its freight forwarding and customs broking activities. The Company's portfolio of services includes airfreight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company's services include door-to-door cargo services with the assistance of the Company's overseas agents and a variety of other connected services.

The main focus of the Company was to service the needs of other entities within the Richard Pieris Group. The Company is presently looking forward in obtaining agencies for Machinery and Equipment used by the Plantation and other SBUs. During the year under review, the agency for Colour Sorter Machines from Anhui Zhonke Optic – electronic Colour Sorter Company China, was secured.

Richard Pieris Securities (Pvt.) Ltd.

The Group re-entered the financial services industry with the formation of its fully owned subsidiary RP Securities (Pvt) Ltd. With a modern office with all facilities, the company, which commenced operations in January 2011, has attracted the best of professionals in the industry to form the nucleus of this operation. From the outset the performance has been good with a decent client base and positive results. The Group intends to be a dominant player in the financial services market domain by taking full advantage of its brand equity and infrastructure throughout the country.

Arpico Insurance Limited

To further strengthen the financial services sector of the Group as well as to harness the opportunities of the post conflict era, Group has launched Arpico Insurance Ltd just within 2 ½ months of obtaining licence from the Insurance Board of Sri Lanka on 11th January 2012 redefining the life insurance category as well as to give the category a new meaning by creating a new market space "Insurance for the Living". The initial response from the public was overwhelming with extremely positive participation by the target consumers. "Insurance for the Living" denotes the power of positive thinking that will and can change the attitude towards insurance and clearly differentiate from its competition.

The initial distribution thrust will be focused on the Western Zone due to the fact that it generates a significant portion of the GDP of the country and swift expansion in to the other areas of the island based on its potential will follow through. Plans are also underway to extend services to "Arpico Retail Customers" where foot fall exceeds 700,000 on a monthly basis. Since life insurance is often sold and not bought one of the key success factors for any life insurance company would be its sales force and sales management. The company has a unique approach already mapped out with "key result areas for measurement with its optimum frequency". Performance management being an integral part of a sales led business model, the company has also strengthened it's training and development function to address probable performance gaps.

Arpico Insurance is proud to be associated with Munich Re the No 01 reinsurer in the world to share its risk towards the business. Munich Re with its global presence in over 30 countries and with premium income of € 46 bn (2010) shares its expertise with Arpico Insurance risk portfolio and is a testimony of prudent financial management irrespective of being a new entrant to the market.

Services of an ICT led, fully integrated financial services model is well in place to manage all interfaces of the business which includes Customer Relationship Management to provide an unmatched customer service to policyholders capturing all policyholder touch points.

Completion of a fully fledged business model to commence operation within just two and half months of obtaining license from the Insurance Board of Sri Lanka shows the determination, dedication and commitment of Richard Pieris Group to provide financial security to the Sri Lankan public in a new market space.

The icon "tree of life" is a visual identity that symbolizes the wisdom, protection, strength and stability of the Richard Pieris Group which is in the backdrop of the brand. The stretched out tree, is a very powerful symbol to represent the Group's 80 years of deep rooted heritage, continuous growth and diversification because a tree is the only living thing that continues to grow throughout its life-time. The colour scheme of the entire logo is a mixture of blue, signifying strength and stability with orange depicting warmth, energy, expansiveness, loyalty and confidence. White is universally accepted as representing purity thus establishing the company's integrity. "To make it contemporary and for visual appeal we have introduced a stylized tree."

Corporate Social Responsibility

The challenges our world faces nowadays go far beyond the financial statements. We believe at Arpico that every business we handle has an obligation, to address issues that impact the society as a whole.

Our Group is underpinned by a proud heritage and driven by strong principles, like quality, value, and integrity at the heart of our business strategy. The Group is one of the largest and the oldest diversified conglomerates in Sri Lanka with a large number of stakeholders, which engages in a number of economic, social, and environmental support initiatives thereby contributing towards its responsibilities to all stakeholders.

We have a proud history of running our business in a socially responsible manner and making a difference in the communities we serve. Our commitment to corporate social responsibility continues to develop and strengthen year by year, where we have learned that looking at our customers from a sustainability perspective opens the world of new opportunities.

We aim to engage positively with all stakeholders, responding to them swiftly and efficiently while continuing to welcome their views.

Customers

Our greatest pride and our primary strength lies in our vast customer base and the strong and lasting relationships we have forged with them. The Group mobilises its competencies, energy, and resources to build a higher performing service to its customers, treating their needs and wants as the main priority.

All companies in the Group guarantee the highest quality in their products and services. Many companies have international and national certifications and strive to provide the maximum level of convenience, service, and value for money to its customers.

Food Safety

Being a leading retail chain in Sri Lanka, one of our key priorities is food safety. We have outclassed other entities by providing the best products to the customers with the theme "fresh ideas everyday". The Arpico Supercentres maintain stringent policies on food safety and quality. More than 150,000 Customers a week pass through our doors, and our colleagues across the business work hard each day to deliver great service to them.

The continued investment in local sourcing and maintenance of long term loyal relationships with shoppers and suppliers have not only benefited the local community but have ensured long term sustainability of the business. Food safety is also a key requirement in the plantation sector. Several of our tea factories have obtained certifications from Fair-Trade Labeling organization and the Ethical Tea Partnership, whose members are leading retailers in the U.K.

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.

Employees

Employees' Health and Safety

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

The health and safety of our employees is a key priority which is ensured in all factories and other workplaces by providing equipment that will ensure high safety standards. Training programmes are conducted to educate employees on health and safety measures in the workplace. Medical facilities are provided to all employees.

Community & Country

The Richard Pieris Group carries out a wide range of diverse activities across all provinces in Sri Lanka contributing towards the goodwill of the entire country, which has enabled us to have a long held reputation of being a responsible corporate body.

Its initiatives reach out across the island from small villages to urban centres thereby touching the life of every Sri Lankan across the island. The Group also provides employment for more than 28,000 people in the country. We have always promoted a positive attitude towards age diversity, believing that a blend of youth and maturity will benefit both the Company and employees at the same time.

CSR Initiatives

Welfare Activities

RPC Polymers (Pvt) Ltd., provided a complete water storage solution to the Madhu church in Mannar district, with the objective to benefit 700,000 Catholic worshippers and devotees who visit the Madhu festival each year. The water storage solution was assembled utilizing Arpico water tanks, pipes, and fittings etc. Further, the Company donated traffic cones to the Nugegoda Police Division Headquarters.

Children's day programs were conducted in our estates by the staff welfare societies of the estates. In these programs children of the resident workers and in some instances, children of the villagers participated.

Volley ball courts were built at Strathspey & Moray estate to encourage sports activities among the residents of that estate.

Concrete roads were developed at some of our estates of Maskeliya Plantation. Further, Re roofing was done for 94 housing units in the regions of Hatton and Badulla.

Supporting Health Care

The Privilege Club of Richard Pieris Distributors, was able to support a child in the School for the Deaf with a brand new hearing aid. We will also be launching "Hear the Sleighbells" appeal during the month of December by having a till at all Supercentres for this purpose. The customers will be able to again donate their Privilege Points to this very worthwhile cause.

Arpico Supercentres joined hands with Mortein for dengue awareness and prevention campaign. The project also gave shoppers the opportunity to donate funds towards this dengue prevention campaign that benefited several children's homes in our country.

The 4th consecutive Annual Medical Camp of Uva range was successfully held, where more than 2,000 patients were treated by a team of qualified physicians.

During the year, Maskeliya Plantation PLC built 165 Latrines in the Hatton region and 10 in Badulla region with the objective of serving the employees and the local community to meet the basic needs of day to day life.

Assisting Education

Arpico Gold Medal honour was awarded to the best performer in the special degree program in Information and Communication Technology, Faculty of Applied Sciences at Rajarata University.

Financial assistance was given to all estate employees' children who qualified for University education, as done in the prior years.

Suppliers

Building lasting partnerships with our suppliers

Integration with the supply chain has enabled the group to purchase high quality input at its best price. By thoroughly understanding the supply chains in which we and our customers operate, we were able to promote sustainable development within those chains, which enabled us, to deepen the relationship with our customers and to build new and innovative partnerships.

We therefore aim to be a loyal customer to our suppliers. Arpico has a large number of suppliers from different parts of the world. Year after year, the group strives to develop partnerships with Small and Medium sized Enterprises in Sri Lanka and supports small producers in Sri Lanka by providing them with guidance, in the use of appropriate technology for manufacture and channel to market.

Our Commitment towards the Environment

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

The introduction of degradable loyalty card, "Eco Privilege" in the Sri Lankan retail market was a fresh experience to the market and further encouraged the use of recyclable bags. Each of our stores is designed individually, built with style and character that are ideal to the locations in which they are situated. The integral store's design enables the natural / sky light to spill through the building, eliminating the need for artificial light, which immensely contributes towards high energy saving. The new supercenters are opened with the concept of "Go Green" by using initiatives such as water treatment plants.

Corporate Social Responsibility Contd.

Arpico's locally manufactured products were awarded the best locally manufactured product stall at the INCO 2011. The local innovation and introduction of environmental concepts like the Arpico Green Gas Unit contributed towards the achievement of this award. The Arpico Green Gas Unit won the Presidential award for innovative products in the year 2010. This product enables households, hotels, restaurants, etc to produce Biogas through organic waste. The users could additionally benefit from the active 100% liquid compost fertilizer, which is a by-product of the System which could be used for agricultural and gardening purposes. Arpico has a range of industrial garbage bins and compost bins to better manage the domestic waste. Further, it's essential to highlight that the Arpico Plastishells Water Tank is the only water tank to be ISO 9001: 2008 certified.

Sri Lanka's first nano technological air purification CFL bulb was introduced during the year by Arpico. The Arpilight CFL bulb enhances the quality of life by purifying and eliminating germs / bacteria. Further, this product saves 80 % of the electricity and is perfect for areas with persistent odours such as restaurants, factories, etc. The Arpilight CFL bulbs won the best new product award at recently concluded CHEMEX 2011exhibition held at Colombo commemorating the United Nations "International year of Chemistry". The product was rated as a highly environmental friendly CFL bulb. This was certified as a five star product by the Sri Lankan Sustainable Energy Authority.

As a Group that is engaged in plantations, we are intensely involved in forest conservation. The Group obtains environmental certifications from global and local environmental authorities, wherever applicable. This includes ISO 2000 certificate and certifications from the Forest Stewardship Council, the Central Environmental Authority.

The energy efficient machinery with the use of Trucco energy efficient heater, in Kirklees Estate in Kegalle Plantation, has helped to bring down fuel consumption substantially by way of higher thermal and optimum heat transfer. The effluent treatment plants constructed in our rubber factories has helped to treat toxic waste before it leaves our estate boundaries.

The Group inculcates environmental friendly practices in every employee in their work habits and their personal lives by encouraging them to, use energy conservation measures and recycle waste and by –products.

Financial Review

Overall Group Performance

During the financial year 2011/12, the Group recorded Turnover of Rs. 31,498 mn at a remarkable growth of 16% over the previous financial year. In line with the Turnover however, Cost of Sales also increased and this led to the Gross Profit growing only marginally by 4%. Nevertheless, positive changes in Other Operating Income worked towards boosting profits of the Group and accordingly, the Net Profit improved by 20% to Rs. 2,561 mn by the year end.

Turnover Analysis

Group Turnover for the year increased from Rs. 27,242 mn in the financial year 2010/11 to Rs. 31,498 mn in the financial year 2011/12, recording growth of 16%.

A key factor that drove Turnover during the year was the increase in disposable income of consumers which was facilitated by the momentous growth of the Sri Lankan economy by 8.3%. The effects of this development were compounded to the Group's business operations by the expansion of its chain of retail outlets. Another macro-economic development that affected Turnover was the depreciation of the local currency, which raised the value of Turnover in the export sector, specifically because of higher sales volume in the face of lower prices in terms of foreign currency. Further, the Turnover of the plastic sector also experienced high growth, particularly supported by the boom in the construction industry, and the sector's expanded distributor coverage, continuous product development and mass promotional campaigns ensured that the Group reaped full benefits of the opportunities offered by the macro-economy.

Retail Sector

The retail sector emerged as the most significant contributor to Group Turnover for yet another year, accounting for 44% as opposed to the 40% contribution made in the previous financial year. Total Turnover for the sector improved by 27% to Rs. 13,862 mn, enabling it to become the sector with the second best rate of growth. The superlative performance of the sector was largely assisted by the opening of three Super centers in Kadawatha, Kochchikade and Kalutara, which in turn expanded the total network of large format retail outlets to 14. Throughout the year, the sector continued to be the value driver of the Group, attracting a larger portion of its risk weighted capital.

Plastic Sector

The plastic sector performed victoriously during the year by recording the highest growth rate among all revenue generating sectors at 29%. Accordingly, Turnover of the sector increased from Rs. 3,809 mn to Rs. 4,930 mn, accounting for 16% of Group Turnover.

The drivers behind this growth are manifold. The boom in the construction industry in post-war optimistic Sri Lanka is one such key macro-economic factor. In addition, the sector's efforts to improve its performance, such as the expansion of its distribution coverage and the conducting of large scale promotional activities, also yielded results. Simultaneously, the sector focused on continuously introducing new products to penetrate the market and to maintain its dominant position, while continuing to invest in the expansion of factory/warehouse operations, transport fleet and product differentiation, to meet the increasing demand arising from the expansion in aggregate economic activity.

Plantation Sector

The plantation sector ended the year by being the second highest contributor to Group Turnover by contributing 23%. However, its relative weight in aggregate Turnover declined due to the bulky growth in other sectors such as retail and plastic. In absolute terms, the Turnover for the sector was recorded at Rs. 7,226 mn, down by 6% from Rs. 7,699 mn in the previous year. This was due to a drop in tea production and the lower prices prevailed for tea and rubber during the early half of the year under review.

Despite 9% decline in the national tea production during the period under review, the Group tea sector only declined by 4% to 12.8 mn Kg. This drop was due to inclement weather conditions which prevailed during the same period. Simultaneously there also existed a negative pressure exerted by the reduction in tea prices, especially high grown and medium grown tea, due to the contracted level of demand from main buyers such as Iran, Iraq and Syria, which were experiencing political instability. The tea segment turnover was adversely affected by these two factors during the period.

Despite the production increasing by 5% to 5.5 mn kg from 5.2 mn kg, revenue derived from the rubber segment also experienced a decline of 7%. This was the result of the drop in prices, on average, by 11% during the first half of the year which, gradually recovered latter part of the year giving some positive outlook for the particular segment in the coming year. On the other hand, demand for rubber was also adversely affected by the decline in the production of automobiles following the Tsunami in Japan and the financial crisis experienced by the European Region.

Financial Review Contd.

On a positive note, Revenue from the palm oil segment increased by 30% and is identified as the best performing crop for the year. For the palm oil segment, total Revenue increased from Rs. 282 mn to Rs. 366 mn, while the total crop increased from 12.1 mn kg to 14.4 mn kg. The price of palm oil also experienced an upward revision when it rose from Rs. 23 per kg to Rs. 25 per kg, due to hikes in global crude oil prices and the increased use of palm oil as edible oil, which fuelled its demand.

Rubber Sector

The rubber sector continued its growth momentum during the year with its' Turnover growing by 15%, and its contribution to overall Revenue remained the same as the previous year at 8%. Within the sector, the natural latex segment recorded its highest ever growth since inception when it successfully achieved 26% growth, mainly due to the increase in prices and also supported by the growth in volume. Ardent efforts on new product development, aggressive marketing and improvements in quality also facilitated this segment's boom.

However, the year was not so successful for the 'Flooring Rubber and Mats' segment and 'Shoe Soles Manufacturing' segment. The 'Flooring Rubber and Mats' segment recorded negative growth both in volume and revenue, dropping by 11% and 2%, respectively, primarily affected by the economic crisis in the European Union to which a large proportion of the produce from this segment is exported. This drop however was somewhat compensated by the 9% improvement of average container value due to the depreciation of the domestic currency.

For the 'Shoe Soles Manufacturing' segment, Turnover increased by 15% to Rs. 522 mn, but the margins declined drastically due to the rising cost of imported raw material on which more than 75% of its cost depends. The volume of this segment increased marginally, by 2%, while average container value grew by 13%, again due to the depreciation of the local currency.

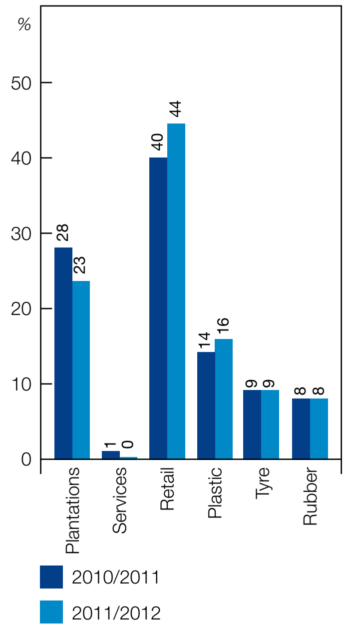
Tyre Sector

Turnover for the tyre segment reached Rs. 2,834 mn in the financial year 2011/12, growing by 12%, and succeeded in maintaining its share of Group Turnover at 9%. The average value per unit grew by 20%, and this growth is attributable to the revision of selling prices in line with the increase in imported material and energy costs. However this segment was adversely affected by the rising competition from upcoming Radial Tyres which offer a lower cost per kilo meter, and the volume resultantly dropped by 3%. Meanwhile, the trading segment posted a marginal growth of 2% during the year.

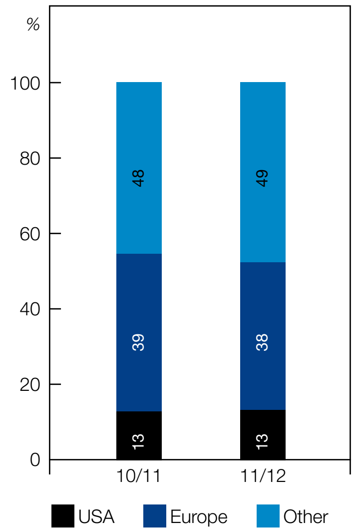
Service Sector

The service sector consists of the newly added business arm of the Group, Life Insurance, Stock Broking, Margin Trading and Assets Management. Consolidation effect of these segments, caused the sector to record 67% growth in Revenue. Despite the sector's Turnover growing from Rs. 62 mn to Rs. 104 mn however, it was the least contributor to Group Turnover.

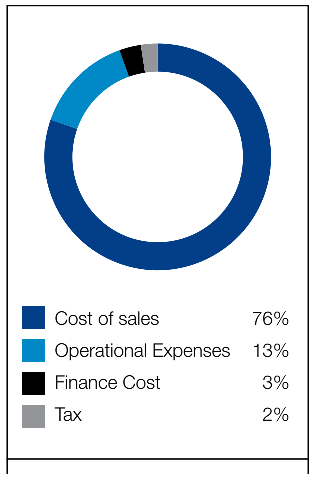
Segmental Turnover Composition



Geographical Turnover Composition



Expenses Analysis 2010/2011



Cost of Sales and Operating Expense Analysis

Cost of Sales of the Group increased form Rs. 20,631 mn in the financial year 2010/11 to Rs. 24,617 mn in the financial year 2011/12, at a growth of 19%, and absorbed 78% of Group Turnover.

This significant increase in Cost of Sales is attributable to many reasons. First, the Group's import costs rose due to the depreciation of the local currency which made imports more expensive, and this accounted for approximately 3% of the increase in Cost of Sales. Secondly, there was a hike in energy prices, with furnace oil prices rising by 80%, fuel cost rising by 50% and electricity cost rising by 15%, all of which exerted upward pressure on production costs. Similarly, the 27.5% increase in the daily wage rate of the plantation sector further aggravated the problem of rising costs.

The upward trend in Cost of Sales was duly followed by Administration Costs of the Group as well, which experienced a rise of 21% during the year under review, absorbing 10% of Group Turnover. Approximately Rs. 500 mn of this incremental expense is attributable to the expansion of the retail sector. This was also affected by the increase in labour force following the formation of new business lines such as insurance, margin trading and asset management and the increase in personnel costs due to the expansion in the production/ operational capacities of the plastic sector.

The Group's Distribution Cost also increased by 25% to Rs. 1,063 mn during the year, accounting for 3.3% of total Turnover and was mainly driven by the high advertising and launching costs of the new insurance company, aggressive sales promotion in retail and plastic sectors and the increased level of Turnover which led to higher sales commissions.

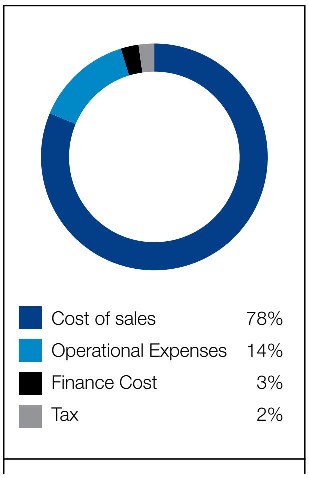
In cumulative terms, the Administration, Distribution Costs along with the Cost of Sales constituted 92% of Group Turnover during the current financial year, having risen from 89% in the previous financial year.

Profit from Operations

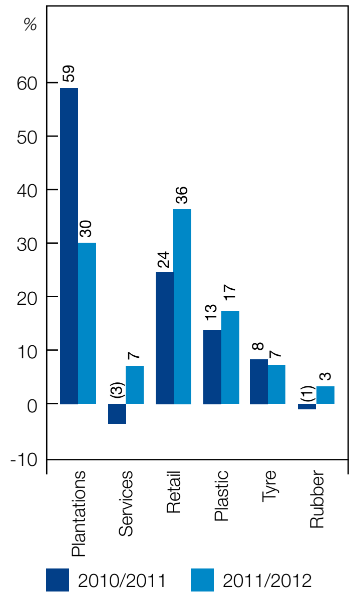
Despite the Gross Profit of the Group recording a 4% increase during the year, Gross Margins experienced a decline from 24% to 22% following the hike in material, labor and energy costs, as explained before. Meanwhile, Other Operating Income increased by Rs. 988 mn, mainly supported by the capital gain of Rs. 717 mn arising from the disposal of the Group's stake in Asian Alliance PLC.

Following these developments, Profit from Operations grew by 16% and the operating margin continued to stand at healthy level of over 10% in lying with industry peers even excluding the nonrecurring capital gains recorded during the period.

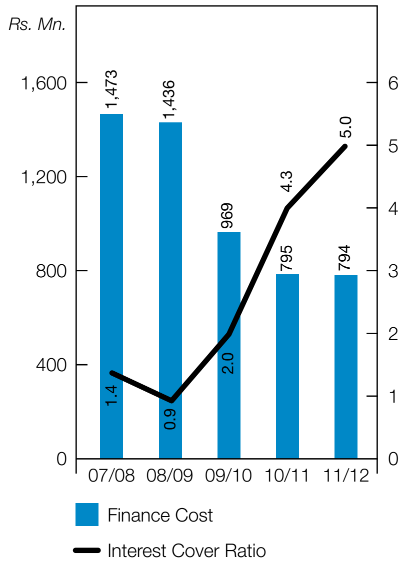
Expenses Analysis 2011/2012



Segmental Profit Composition



Finance Cost vs. Interest Cover Ratio



Financial Review Contd.

Retail Sector

The retail sector was the highest contributor to Group Profits, accounting for 36%, which is an impressive performance considering its' contribution was merely 24% last year. With its high profitability, the sector was able to emerge victorious by beating the plantation sector, which was the highest contributor to Group Profit in the previous financial year.

In absolute terms, the Operating Profit of the retail sector was recorded at Rs. 1,438 mn, having grown by 74%, which included a part of capital gain arising from the Group disposal of its stakes in Asian Alliance Insurance PLC. The sector's concentrated efforts towards maintaining the proper balance within the product mix (FMCG, GM and Furniture) was another crucial factor that contributed towards this victory.

Plantation Sector

The plantation sector, which had been crowned as the best performing sector in the previous financial year, experienced a dip in profitability of 40% to Rs. 1,217 mn during the financial year under review, and accounted only for 30% of Group Operating Profit. The primary reason behind such dip was the hike in labour wage rates following a collective agreement, which had an impact of approximately Rs. 247 mn on sector profits, as non-recurring gratuity provision.

Plastic Sector

The plastic sector accounted for 17% of total Profit and emerged as the third largest contributor of all segments. Its Operating Profit grew by 44% during the year, while Operating Profit Margins improved from 12% in the financial year 2010/11 to 13.4% in the financial year 2011/12. Its impressive performance resulted primarily from the synergetic effects of the merger between the sector's mattress production and PVC pipe production companies, while cost efficient production methods, efficient procurement and better working capital management also made a considerable positive impact.

Tyre Sector

The Group's tyre sector recorded growth of 14% in terms of its Profits over the year and reached Rs. 300 mn, although the increase in energy prices together with the currency devaluation slowed its growth of profitability.

Rubber Sector

During the financial year 2011/12, the rubber sector emerged as the best sector in terms of growth, with its Operating Profit rising by over 665%. This growth meant that the sector was successful in converting its loss of Rs. 25 mn in the financial year 2010/11 to a profit of Rs. 139 mn during the financial year 2011/12. The sector's performance exceeded expectations in spite of the crises looming over the western world, and was mainly supported by the low prices of raw material, the devaluation of the local currency and the conversion towards the use of efficient energy sources. The cumulative effect of these developments was the improvement of the sector's Profit Margin from -1% to 6%.

Finance Cost

The decision of the Central Bank of Sri Lanka to tighten its hold on the monetary policy following the significant decline in Gross Official Reserve due to its continuous intervention to maintain the currency peg, resulted in policy rates being increased by 50 basis points in February 2012 while a ceiling of 18% was placed on the credit growth of the banking sector. These developments resulted in interest rates increasing across all maturities during the year, with AWPLR, which indicates the cost of borrowing for corporates, standing at 12.4% as at end of March 2012 compared to 9.2% in the previous year.

Due to such changes in policy measures, the Finance Cost reported on the face of Income Statement of the Group remains largely unchanged from the previous year at Rs. 794Mn, despite the debt of the Group being reduced by almost Rs. 500 mn. This high Finance Cost was also affected by the Group's decision to categorise Finance Income under Other Operating Income instead of setting it off against the Finance Cost.

Finance Income of the Group was recorded at Rs. 275 mn for the year, while the same was recorded at Rs. 134 mn in the previous year. The 105% growth of Finance Income was mainly due to an increase in the cash balance from Rs. 2,564 mn to Rs.3,446 mn. Meanwhile the Net Finance Cost declined from Rs. 661 mn in 2010/11 to Rs. 519 mn in 2011/12, at a negative growth of 21%.

For the year, the interest cover for the Group improved from 5 times to 8 times based on Net Finance Cost, while based on Finance Cost reported on the face of the Income Statement the interest cover improved from 4 times to 5 times. EBITDA for the current year is 3 times of the Group's Net Debt serviceable within a year, signaling the strong position of the Group in terms of liquidity and solvency.

Share of Associates

The associate's share of the Group comprised of the 25% stake in Asian Alliance Insurance PLC which was disposed in

September 2011, and the 19% stake in AEN Palm Oil Limited. Accordingly, the share of profits of associates for the Group stood at Rs. 62 mn compared to Rs. 113 mn in the previous year.

Profits/Loss on Discontinued Operations

The loss from discontinued operations for the Group reduced from Rs.12 mn to Rs.4.4 mn during the year, due to the reduction in fixed costs.

Minority Interest

Since the losses compounded by lower tea prices, labour wage revisions and lower crop due to adverse weather conditions depleted the sound profit posted by the rubber and palm oil segments in the plantation sector, the Minority Interest also reduced from Rs. 460 mn to Rs.222 mn during the year, recording a significant drop of 52%.

Investments/Acquisitions and Disposal

The most significant disposal made by the Group during the year was its disposal of the 25% stake in Asian Alliance Insurance PLC, which was made for a consideration of Rs. 1,125 mn, yielding a capital gain of Rs. 717 mn.

Several important investments were also made by the Group during the year. Accordingly, to strengthen the Group's identity in the financial services industry, the Group invested Rs. 500 mn in a life insurance business under the name of Arpico Insurance Limited. The expected economic boom, increase in per capita income and the low level of penetration in life insurance business in Sri Lanka has made the Group optimistic about the future outlook of this investment.

The Group also invested Rs. 35 mn in its stock broking company to strength their capital base and liquidity position. Richard Pieris Securities has successfully completed their first year of operations with satisfactory level of profits despite the setback experienced in the capital market, especially during the latter part of the financial year. With the expected economic growth and the expected foreign participation in direct investment, the Group is highly confident that the company will reach superlative performance levels in the near future.

In addition to above investments, the Group continued to invest in its most lucrative sector, retail. Accordingly, the year witnessed the opening of three new large format retail outlets and a few more showrooms. Further, despite the losses of the tea segment, the plantation sector also continued its investments in replanting, with a view to improve the yield as well as the production.

Group Financial Position and Liquidity
Non Current Assets

The non-current assets of the Group increased from Rs. 11,585 mn to Rs.11,936 mn at a growth of 3% during the year and represents 58% of total assets. Key contributors to this growth were the retail sector, at Rs. 538 mn, due to expansion in retail outlets and the plantation sector, at Rs. 576 mn, due to replanting. The rise is also attributable to the Group's continued investments in property, plant and equipment, which grew by 7% and accordingly accounted for 47% of total assets by the year end.

While the Group's investments in associates declined by Rs. 382 mn following the disposal of its 25% stake in Asian Alliance Insurance PLC, the market value of the Group's real estate rose by Rs. 812 mn to reach Rs. 10,530, details of which are given on page 124.

Working Capital

During the year, the current assets of the Group increased by 21% to reach Rs. 10,967 mn, while an 11% increase was observed in current liabilities, which reached Rs. 9,839 mn. Inventory increased by Rs. 267 mn, more than adequately off-setting the increase in trade payables of Rs.947 mn. The trade receivable balance also increased to Rs.3,675 mn, following the hefty growth in Turnover and the expansion of Group's operations. Accordingly, by the year-end, the total current assets of the Group accounted for 48% of its total assets while total current liabilities accounted for 43% of total assets.

The Group's timely and forward looking strategies in terms of efficient working capital management, maintenance of strong cash profits, divestment of investments and selective expansion led cash and cash equivalents to increase to Rs. 3,446 mn by the year-end, while the net working capital investment stood at Rs. 1,128 mn, growing by 508% compared to the previous financial year. Although the current ratio from of the Group improved from 1.02 to 1.11 and the acid test ratio improved from 0.64 to 0.75, both were below the targets of 2 and 1, respectively. Nevertheless, the management is determined to achieve these targets by the end of next financial year.

Cash Flows

While the cash profit after working capital movement stood at Rs. 3,774 mn, the rise in the tax payment of the Group by approximately 100% due to higher dividend payment and increased level of profits led to a 30% decline in the cash flow from operating activities.

Financial Review Contd.

Expansion of the retail sector and replanting in the plantation sector aggregated to a cash outflow from investment activities of Rs. 1,348 mn. Further, while the disposal of the stake in Asian Alliance Insurance PLC resulted in an inflow of cash worth Rs. 1,126 mn, the increase in the plantation sector share holding caused a cash outflow of Rs. 185 mn.

In terms of financing activities, the Group's conservative policy on debt continued to its second consecutive year, with net loan repayments of Rs. 7 mn being made, on top of the repayment of Rs. 114 mn in the previous year. The Group also conducted its highest ever distribution of dividends in cash, at Rs. 969 mn, which indicated a growth of 88%. Due to these occurrences, the cash outflow from financing activities was Rs. 1,097 mn, as opposed to Rs.645 mn in the previous year.

The cumulative impact of all such developments was the net increase in cash and cash equivalents for the year being recorded at Rs. 497 mn, at a drop of 37% over the last year's figure of Rs. 784 mn.

Capital Structure

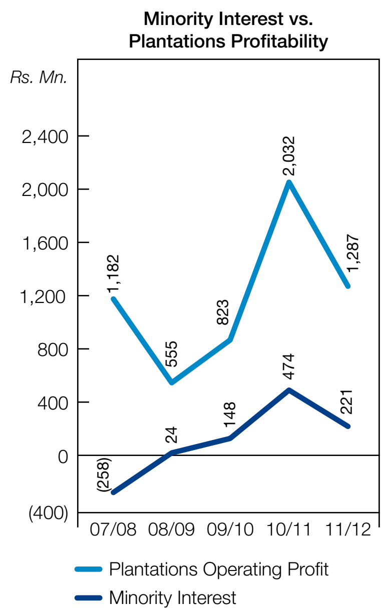
Equity

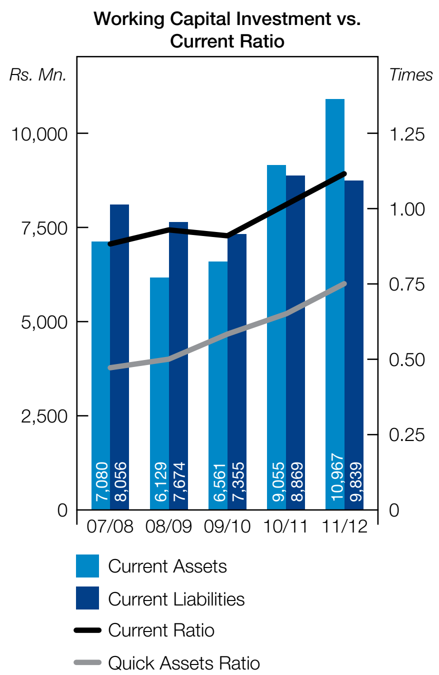
The Group's decision to conduct an Employees' Share Option Scheme resulted in its Stated Capital increasing by Rs. 6 mn, and the total number of shares increased from 1,937,241,535 to 1,938,590,800. During the year, Reserves of the Group increased by 25% to reach Rs.789 mn, while Profit for the year was recorded at Rs. 2,561 mn. However, the positive effects of these developments were depleted by the dividend distributed together with proposed of Rs. 1,655 mn. Consequent to the drop in the profitability of plantation sector, the minority interest also declined to Rs. 1,848 mn compared to Rs. 1,861 mn during the previous period.

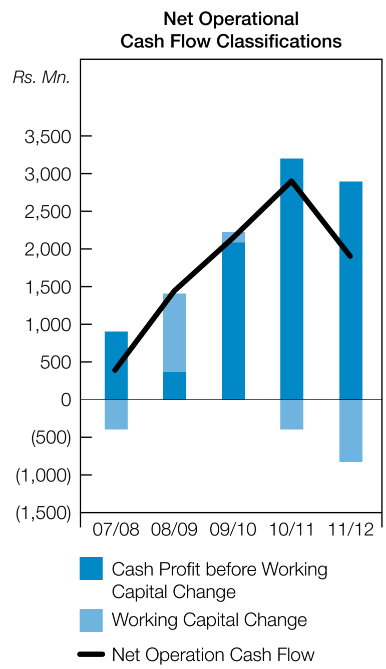
Borrowing

In terms of borrowings, the net debt including cash balances reduced from Rs. 4,319 mn to Rs.3,819 mn, mainly due to the Group's conservative strategy with regard to debt. However, debt of the retail sector increased by Rs. 223 mn following large scale expansion, while the debt of the plantation sector also increased by Rs.236 mn as a result of the cash losses suffered due to the negative performance in the tea segment.

Consequent to the reduction in overall debt levels, the Group's gearing ratio improved to 33% from 39%, indicating that the Group has a sound cushion to leverage and expand upon. The debt-to-equity ratio also improved from 0.63 to 0.50, signaling a strong position relative to competitors. Short term borrowings reduced their portion of total borrowings from 54% to 43%, while long term borrowings increased on a relative basis from 46% to 57%. Of its' total debt, 94% was denominated in local currency and the Group's timely decision to limit its exposure towards US Dollar debt to 6% of total debt proved crucial in saving it from







massive foreign currency losses following the depreciation of the local currency. The Group's conservative attitude has also ensured that 60% of its debt is secured.

Shareholders Return

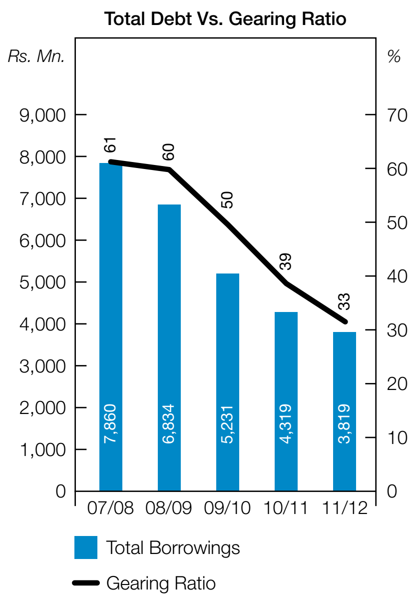
The improvement in profit attributable to the shareholders of the parent by 39% to Rs. 2,340 mn resulted in EPS rising by 39%, while diluted EPS also rose from Rs. 0.84 to Rs.1.16 at a growth of 38%. The earnings yield for the year was recorded at 16%, while the dividend yield improved to 9% on year end share price. However, the total gain of shareholders was noted as being a negative 40%, due to the net effect of the capital loss of 45% and positive dividend yield of 5%, on opening price.

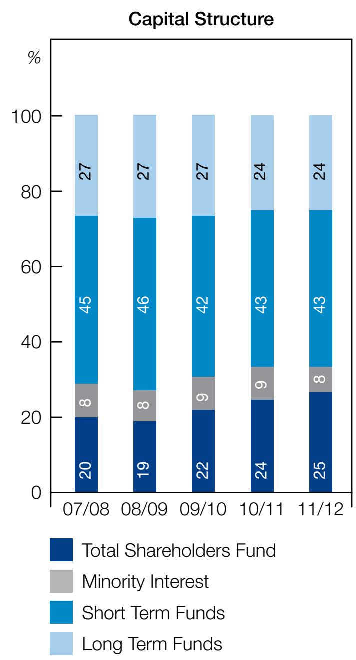
Market Capitalisation

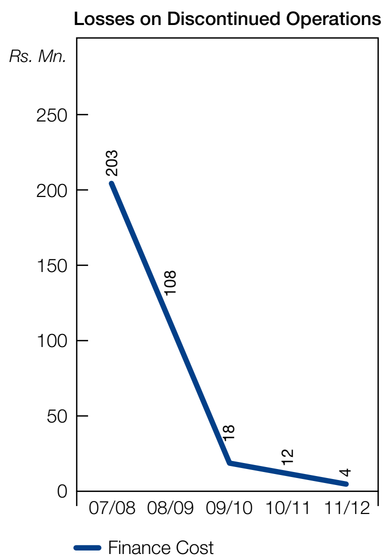
The downward trend of the capital market led to a reduction of the Group's market capitalization by 45% to reach Rs. 14,539 mn from Rs. 26,346 mn in the previous year. Over the year under review, the highest traded price of the Group's share was Rs. 14 while the lowest price was observed at Rs. 6.50. 169 mn shares were traded during the year and the share closed the year at Rs. 7.50.

Financial Risks

Financial risks associated with the operations of the Group and its risk management processes are discussed in detail in the risk management report on page 52 - 55.







Risk Management

Managing business and financial risks are fundamental importance 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 "minimization" 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 Minimization Strategies
Financial Risk Management		
1. Liquidity and Cash Management	• To ensure faster response to market opportunities by ensuring instant funding ability. • To maintain a 'sufficient' liquidity position at all times.	• Funding of long term assets through Equity and Long Term Loans. • Availability of short term borrowing facilities to the Group at all times. • Funding of inventory by short term creditors. • The Group owns land and buildings with market values significantly in excess of its book values that can be offered as collateral for future funding requirements. • Sourcing of funding requirements through many financial institutions.
2. Interest Rate Risk	• To minimize adverse effects of interest rate volatility. • To ensure cost of borrowing is at minimum level. • To optimize the return on the Shareholder's Fund and Life Policy Fund of Insurance Company.	• Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings. Continuous monitoring is being done to match the mix of foreign and local denominated borrowings to the mix of export and local turnover 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 such as interest rate swaps. • Centralized 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 minimize risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.	• Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge. • Ensuring effective Treasury operations through various hedging techniques such as forward bookings, forward sales, swaps and options contracts etc.

Risk Exposure	Group Objectives	Risk Minimization Strategies
Business Risk Management		
1. Credit Risk	• To minimize risks associated with debtor defaults.	• Obtaining insurance cover for export debtors. • Developing and implementing Credit Policies • Measuring the credit risk and maintaining risk rating system. • Obtaining bank guarantees, deposits and collateral for all major local customers. • Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit. • Demarcating the local areas and appointing new distributors thus increasing the number of customers with the objective of reducing credit exposure due to the reliance of a few customers. • Closely monitoring the debtor balances, laying action plans, and determining the same are under control.
2. Asset Risk	• To minimize risk from fire, theft and machinery and equipment breakdown.	• Obtaining comprehensive insurance covers for all tangible assets. • Adoption of stringent procedures with regards to the moving of assets from one location to another. • Carrying out mandatory preventive maintenance programs. • Carrying out frequent employee training programs in areas such as fire prevention.
3. Internal Controls	• To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.	• Carrying out of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department.
4. Reputation Risk	• To prevent the causes that damage our reputation. • To minimize the impact if, despite our best endeavors, a reputation crisis should occur.	• 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. • Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the inputs, processes and outputs of own brand and in-house manufactured products. • Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large. • Providing the front line managers and the sales staff with adequate training in order to improve service standards as well as to educate staff on the importance of customer service.

Risk Management Contd.

Risk Exposure	Group Objectives	Risk Minimization Strategies
5. Human Capital and Labour Risk	• To ensure a smooth flow of operations without any undue disruptions. • To project ourself as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.	• Maintaining healthy relationships with trade unions through regular dialogue • Entering into collective agreements with trade unions. • Improving employee benefits by way of financial incentives and welfare activities. • Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs.
6. Technological Risk	• To keep pace with the current technological developments and safeguard against obsolescence.	• Continuous investment in new machines. • Investing in Research and Development activities throughout the year. • Investing in hardware and developing software in-house.
7. Procurement Risk	• To minimize risk associated with price and availability.	• Developing new products to improve quality and manage costs. • Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand. • Ensuring effective category management to reduce the risk of non-availability of goods at our retail outlets. • Adoption of backward integration strategies. • Centralized purchasing division which has enabled us to create a reliable network of global suppliers. • Entering into forward contracts for raw material purchases.
8. Inventory	• To reduce stock obsolescence and manage stock holding costs. • Reducing the risk associated with theft and shrinkage.	• Adopting a monthly declaration policy. • Identifying slow-moving stocks and effectively laying out a channel for these to be sold off. • Adopting security systems at the Retail outlets such as security tags with alarm systems, surveillance cameras and deployment of security to manage theft.
9. Risk of Competition	• To maximize our market share and maintain market leadership in the respective industries.	• Ensuring high standards of quality in the eyes of the customer. • Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs. • Carrying out Research and Development activities to identify needs. • Further strengthening our Arpico brand through aggressive advertising campaigns and target marketing. • Introducing pioneering products
10. Intellectual Capital Risk	• To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.	• The introduction of a CRM program in our retail chain. • The provision of various value added services at our key retailing outlets.

Risk Exposure	Group Objectives	Risk Minimization Strategies
11. Capital Investments Risk	• To minimize risk of not meeting profit expectations.	• Registering our brands and trade marks. • Successfully obtaining patents for manufactured radial tyres. • Furthering our Arpico brand image through promotions and advertising. • Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back. • Carrying out extensive feasibility studies for large scale investments. External expertise is obtained wherever required.
12. Information Systems Risk	• To minimize risk associated with Data Security, Hardware and Communication and Software.	• Maintaining of spare servers. • Mirroring of hard disks with critical data. • Data back-ups stored in off-site locations. • Vendor agreements for support service and maintenance. • Regular upgrading of Virus Scanners, Firewalls etc. • Compliance with statutory requirements for environmental preservations. • Carrying out Application Control Audits.
13. Environmental, Political and Regulatory Risk	• To minimize the negative impact from the changes in the external environment which are beyond our control. • To Comply with the Regulatory Requirements.	• Compliance with statutory requirements for all tax and other payments. • Prioritize the IT requirements for reporting • Set up internal dead-lines for each criterion • Meet the dead line for Statutory Returns and review all returns by Group Finance before the submission. • Continuous dialogue with statutory bodies to get the updated reporting requirements.
14. Underwriting Risk	• To Minimize the Claims and to ensure proper pricing.	• Assessing the risk exposed by accepting the policy and carrying out proper ratings and loadings before underwriting any policy. • Adhering to the guide lines provided by reinsurer • Referring any complicated matters to the reinsurer before accepting the risk. • Checking validity and accuracy of all the proofs given by the client before accepting the risk.

Our People

The Group, whilst being proud to be in the elite league of conglomerates that employ more than 28,000 employees, firmly believes that the greatest strength that it possesses is its people and their attributes, expertise, innovative and creative thinking, challenging perspectives, boundless skills and collective experience. Thus attracting and retaining the best talent and training and developing them in a free and delightful family atmosphere has always been the utmost priority at Richard Pieris Group. With the Group's anti-discriminatory policy, it is committed to build an exclusive work environment in which all employees regardless of their nationality, race, religion, gender or age can achieve their professional and personal commitments whilst contributing to the success of the Group.

Training & Development

Training and Development of staff at all levels is an integral part of Human Resource Management of the Group and it considers that any spending on such training and development, in inherent terms, as 'investment' in 'human capital'.

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

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

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

Performance Based Rewards

The Group acknowledges that the employees have played a pivotal role in the successes and achievements that it had accomplished in its 80 year old history. Thus, the strategic human resource management policy of the Group embraces the importance of recognising, appreciating and valuing employees for their sincere contribution. The transparent and comprehensive Performance Management System (PMS) which is in existence in the Group for staff is aimed at enhancing performance of employees and procuring the best of their abilities whilst rewarding them accordingly.

The PMS is carried out with a top down approach across the Group and we firmly believe that it increases performance, productivity, quality, innovations, decision making process which in return enables Richard Pieris Group to succeed in its endeavours on a day to day basis. The Group continuously thrives towards building and maintaining a high-performance culture in all aspects whilst encouraging a work life balance to employees through its integrated rewards and recognition scheme applied for different sectors to appreciate the contribution of the employees at different levels. The process begins with a predetermined but dynamic set of Goals, objectives and targets agreed between the leader and the team member (Appraiser and the Appraisee) beginning of each financial year with subsequent evaluations agreed at the beginning of the year.

Employees Recreational Activities

The company recognizes the significance of maintaining a steady balance between work and personal life since a relaxed mind enhances performance of employees whilst promoting innovative ideas. This induces the Group to plan, organize and carry out recreational activities in every possible way not disturbing the on going operations but facilitating an increase in the satisfaction of employees and delighting them with opportunities and benefits whilst extending the same to their immediate families too. Such activities include staff outings, musical shows, sporting events and festivals, competitions, employee's trade exhibitions, organising staff health camps as ongoing projects to sustain the staff momentum of belonging to a balanced culture.

Industrial Relations

Maintenance of harmonious and peaceful relationship with employees of all levels is critically significant to sustain a rapid growth momentum of a large conglomerate such as Richard Pieris Group. It practices an open-door policy in terms of industrial relations and encourages participatory management system where employees are encouraged and even rewarded for taking part in active management of respective companies.

Richard Pieris Group is a model organization for diversity with employment of 28,304 employees of different nationalities, races, religions and cultures. The Group respects all such diversities and maintains an anti-discriminatory work environment. It honours right of employees for association and collective bargaining and sustains healthy and cordial relationship with Trade Unions and employees. All employee grievances are addressed promptly and positively and the group is further committed to ensure hazard-free safe work place. The Group condemns sexual harassment and gender based discrimination and affirms equal rights and opportunities for all employees irrespective of the gender.

Therefore, everyone who joins the Richard Pieris (Arpico) Group joins a caring family, a family with a proud legacy of 80 years.

Statement of Value Added

	2011/2012 Rs .000	%	2010/2011 Rs .000	%
Turnover (Gross)	32,564,590		27,541,404	
Cost of material & services purchased	(23,431,226)		(18,149,161)	
	9,128,364		9,392,243	
Other Income	1,556,049		497,275	
	10,684,413		9,889,518	
Distribution of value added				
To employees				
- Remuneration	4,745,444	44%	4,576,864	46%
To government				
- Duties & taxes	1,859,332	17%	1,769,112	18%
To providers of capital				
- Interest on loan capital	794,264	7%	794,617	8%
- Minority interest	221,581		459,898	
- Dividend to shareholders				
Retained in the business				
- Depreciation	653,421	6%	608,343	6%
- Profit/(loss) retained	2,410,372	23%	1,680,684	17%
	10,684,413		9,889,518	

Corporate Structure

1. RUBBER SECTOR

RICHARD PIERIS EXPORTS PLC	
Business Activity	Manufacture and export of rubber mats and sealing rings
Dr. Sena Yaddehige	Chairman/CEO
Shaminda Yaddehige	Director
J H P Ratnayeke	Director
S S G Liyanage	Director
Renton De Alwis	Director resigned w.e.f. 31.03.2012
Viville P Perera	Director
W R Abeysirigunawardena	Director
Kumar Abeysinghe	Director appointed w.e.f. 01.05.2011
Stated Capital	Rs. 220,262,000 represented by 11,163,745 shares
Group Holding	80.26%

ARPITALIAN COMPACT SOLES (PRIVATE) LIMITED	
Business Activity	Manufacture and export of resin rubber shoe soling sheets
Dr. Sena Yaddehige	Chairman
Lino Piccolo	Director
Fabio Piccolo	Director
J H P Ratnayeke	Director
Stated Capital	Rs. 415,983,330 represented by 35,193,833 ordinary shares ; 6,404,500 preferential shares
Group Holding	51.62%

RICHARD PIERIS NATURAL FOAMS LIMITED	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
J H P Ratnayeke	Director
S S Poholiyadde	Director
Stated Capital	Rs. 640,822,600 represented by 64,082,260 shares
Group Holding	81.10%

ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Not in operation)	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Viville P Perera	Director appointed w.e.f. 01.02.2012
Shaminda Yaddehige	Director
Stated Capital	Rs. 90,000,000 represented by 9,000,000 shares
Group Holding	80.70%

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

MICRO MINERALS (PRIVATE) LIMITED	
Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddehige	Chairman
W R Abeysirigunawardene	Director
B L P Jayawardana	Director
Stated Capital	Rs. 9,126,000 represented by 912,600 shares
Group Holding	55.18%

2. TYRE SECTOR

RICHARD PIERIS TYRE COMPANY LIMITED	
Business Activity	Tyre retreading, Re-manufacturing & trading
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

ARPIDAG INTERNATIONAL (PRIVATE) LIMITED	
Business Activity	Manufacture of pre-cured tyre retreading material
Dr. Sena Yaddehige	Chairman
Ms. M A Tirona	Director
J H P Ratnayeke	Director
Stated Capital	Rs. 45,999,800 represented by 459,998 shares
Group Holding	51%

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

3. PLASTICS SECTOR

ARPICO FLEXIFOAM (PRIVATE) LIMITED (Amalgamated with Arpitech (Pvt) Ltd w.e.f. 28.06.2011)	
Business Activity	Manufacturing of polyurethane foam products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Managing Director
E A Senanayake	Director
L C Wijeyesinghe	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 250,000,210 represented by 25,000,021 shares
Group Holding	100%

PLASTISHELLS LIMITED	
Business Activity	Manufacture of rotational moulded products
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
S S G Liyanage	Managing Director
E A Senanayake	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 34,160,030 represented by 3,416,003 shares
Group Holding	98%

ARPICO PLASTICS LIMITED	
Business Activity	Manufacture of plastic products
Dr. Sena Yaddehige	Chairman
S S G Liyanage	Managing Director
E A Senanayake	Director
J H P Ratnayeke	Director
P A S Kularatne	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 29,000,000 represented by 2,900,000 shares
Group Holding	100%

ARPITECH (PRIVATE) LIMITED (Amalgamated with Arpico Flexifoam (Pvt) Ltd w.e.f. 28.06.2011)	
Business Activity	Manufacture of PVC pipes & fittings & polyurethane foam products
Dr. Sena Yaddehige	Chairman
S S G Liyanage	Director
J H P Ratnayeke	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
E A Senanayake	Director
L C Wijeyesinghe	Director
Stated Capital	Rs. 35,000,020 represented by 3,500,002 shares
Group Holding	100%

R P C POLYMERS (PRIVATE) LIMITED	
Business Activity	Manufacturers, exporters and importers of all plastic products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
Dr. K Weerapperuma	Director
Prof. U Liyanage	Director
Stated Capital	Rs. 187,000,020 represented by 18,700,002 shares
Group Holding	100%

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED	
Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
Dr. Harsha Cabral	Director
Andrew J Dalby	Director vacated w. e. f 11.04.2012
P A S Kularatne	Director
Stated Capital	Rs. 1,096,760,960 represented by 106,676,096 shares
Group Holding	100%

ARPICO INTERIORS (PRIVATE) LIMITED	
Business Activity	Interior decorating
Dr. Sena Yaddehige	Chairman
F N Vithanage	Director
J H P Ratnayeke	Director
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

Corporate Structure Contd.

ARPICO FURNITURE LIMITED	
Business Activity	Cessation of business
J H P Ratnayeke	Chairman
Viville P Perera	Director appointed w.e.f. 24.02.2012
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED			
Business Activity		Operates retailing centers	
Dr. Sena Yaddehige		Chairman	
J H P Ratnayeke		Director	
Viville P Perera		Director appointed w.e.f.15.12.2011	
Company		RPD	RPC
No. of shares	Ord.	16,000,001	5,000,001
	Pref.	22,000,000	-
Stated Capital		Rs. 430,000,020 represented by 43,000,002 shares	
Group Holding		100%	

RPC REAL ESTATE DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Property & Real Estate Development Projects
Dr. Sena Yaddehige	Chairman
Andrew J Dalby	Director vacated w.e.f. 11.04.2012
Viville P Perera	Director appointed w.e.f. 15.12.2011
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
Andrew J Dalby	Director vacated w.e.f. 11.04.2012
Viville P Perera	Director
Stated Capital	Rs. 387,000,020 represented by 38,700,002 shares
Group Holding	100%

5. PLANTATION SECTOR

RICHARD PIERIS PLANTATIONS (PVT.) LTD	
Business Activity	Managing agents of plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Viville P Perera	Director
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

RPC MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of the plantation companies
Dr. Sena Yaddehige	Director
J H P Ratnayeke (alternate director to Dr. Sena Yaddehige)	Deputy Chairman
J M A Ratnayeke	Director
Prof. K Goonesekera	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
J H P Ratnayeke	Deputy Chairman
S P Jayakoddy	Director
Dr. S A B Ekanayake	Director
Dr. H S D Soysa	Director
Stated Capital	Rs. 350,000,000 represented by 26,976,745 shares
Group Holding	73.48%

KEGALLE PLANTATIONS PLC	
Business Activity	Rubber, Tea and Coconut Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Deputy Chairman
S S Poholiyadde	Director
Prof. R C W M P A Nugawela	Director
Dr. S S G Jayawardena	Director
Stated Capital	Rs. 250,000,010 represented by 25,000,001 shares
Group Holding	70.42%

EXOTIC HORTICULTURE (PVT.) LTD	
Business Activity	Cultivation of fruits
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S Poholiyadde	Director
Stated Capital	Rs. 10,000,000 represented by 1,000,000 shares
Group Holding	100%

HAMEFA KEGALLE (PRIVATE) LTD	
Business Activity	Manufacture & Export of furniture
Dr. Sena Yaddehige	Chairman
S.S.Poholiyadde	Director appointed w.e f. 15.09.2011
J H P Ratnayeke	Director
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	70.42%

NAMUNUKULA PLANTATIONS PLC	
Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
N C Pieris	Director
J H P Ratnayeke	Director
S S Poholiyadde	Director
Ms. L D Senanayake	Director (Government nominee)
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	62.84%

RPC PLANTATION MANAGEMENT SERVICES (PVT) LTD	
Business Activity	Investment & management of plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
J M A Ratnayeke	Director
M P Welihinda	Director appointed w. e .f. 15.02.2012
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
J H P Ratnayeke	Director
Ms. Lilanthi C Herath	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	Provides Company secretarial services
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Ms. R J Siriweera	Director
Stated Capital	Rs.20 represented by 2 shares
Group Holding	100%

ARPICO INDUSTRIAL DEVELOPMENT COMPANY (PRIVATE) LIMITED	
Business Activity	Operates industrial estates
Dr. Sena Yaddehige	Chairman
Andrew J Dalby	Director vacated w.e f. 11.04.2012
Viville P Perera	Director appointed w.e.f. 15.12.2011
Stated Capital	Rs. 106,400,000 represented by 10,640,000 shares
Group Holding	100%

RPC LOGISTICS LIMITED	
Business Activity	Freight forwarding and allied services
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Viville P Perera	Director appointed w.e.f 15.12.2011
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO EXOTICA ASIANA (PRIVATE) LIMITED	
Business Activity	Leisure
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
Viville P Perera	Director appointed w.e f.15.12.2011
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RPC CONSTRUCTION (PRIVATE) LIMITED	
Business Activity	Business of construction nationally and internationally
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Deputy Chairman
Andrew J Dalby	Director vacated w.e.f. 11.04.2012
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO HOMES LIMITED	
Business Activity	Property & Real Estate Development
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
Viville P Perera	Director appointed w.e.f. 15.12.2011
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

R P C GLOBAL TRAVELS (PRIVATE) LIMITED (RPC Global Travels (Pvt) Ltd name changed as Arpico Hotel Services (Pvt) Ltd w.e.f. 23.06.2011)	
Business Activity	Business of national and international airline travel and trade Cessation of Business
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
M M Udeshi	Director resigned w.e.f 30.06.2011
Viville P Perera	Director appointed w.e.f. 15.12.2011
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

Corporate Structure Contd.

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	
Dr. Sena Yaddehige	Chairman
Viville P Perera	Director appointed w.e.f. 15.12.2011
S Kalugala	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RICHARD PIERIS SECURITIES (PRIVATE) LIMITED	
Business Activity	Carrying on the business of a stock-broker
Dr. Sena Yaddehige	Chairman
Andrew J Dalby	Director vacated w.e.f. 11.04.2012
H J C Perera	Director
N J K Disanayaka	Director appointed w.e.f. 15.11.2011
Prof. Lakshman R Watawala	Director resigned w.e.f. 01.06.2011
Stated Capital	Rs. 100,000,000 represented by 10,000,000 shares
Group Holding	100%

RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED	
Business Activity	Acting as margin providers
Dr. Sena Yaddehige	Chairman
Andrew J Dlaby	Director vacated w.e.f. 11.04.2012
Viville P Perera	Director
Stated Capital	Rs. 35,000,000 shares represented by 3,500,000 shares
Group Holding	100%

ARPICO INSURANCE (PRIVATE) LIMITED	
Business Activity	Life Insurance
Viville P Perera	Director
N J K Disanayaka	Director appointed w.e.f. 25.02.2012
Stated Capital	Rs. 503,000,000 represented by 50,300,000 shares
Group Holding	86.50%

Financial Information

Annual Report of the Board of Directors

The Directors of Richard Pieris and Company PLC are pleased to present to their members the Annual Report together with the audited financial statements of its Group and the Company, for the year ended 31 March 2012.

The Directors approved the financial statements on 24th May 2012.

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 58 - 62 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 52 - 55 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 it's retail, plantation, tyre, rubber and plastics business sectors. Further information on future developments is provided in the Chairman's Review and Sector Review of this report.

Group Revenue

The turnover of the Group was Rs. 31.5 bn. A detailed analysis of the Group's turnover identifying the contributions from different sectors is given in Note 21 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 2.8 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. 2.56 bn.

Group Investments

Investments made by the Group during the year is disclosed in notes 5 and 8 to the Financial Statements.

Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 1.46 bn. Information relating to this is given in Note 3 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 32 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 124.

Stated Capital

The stated capital of the Company as at 31 March 2012 was Rs. 1.63 bn. The details of the stated capital is given in Note 9 to the Financial Statements.

Reserves

Total Group Reserves as at 31st March 2012 amount to Rs. 4.2 bn. (Rs. 3.4 bn as at 31 March 2011). The details of which are given in Notes 10, 11 and 12 to the Financial Statements.

Corporate Donations

Donations made by the Company and Group to charitable organisations amounted to Rs. 0.2 mn and Rs. 2.95 mn respectively.

Taxation

The general corporate income tax rate in effect during the year was 28%. The rate of tax on qualified export profits was 12%. Agricultural profits were taxed at 10%. Companies that enjoy tax holiday status and other concessionary rates are listed in Note 27 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 27 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 120 - 121 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2012 are given in pages 122 and 123 under Shareholder Information.

Directors

The names of Directors who served during the year are given on pages 7, 12 and 13 of this report, under the caption of 'Board of Directors'. Mr. Sunil Liyanage who was appointed to the Board with effect from 27th January 2012, retires in terms of Article 91 of the Articles of Association of the Company and being eligible offer himself for election at the Annual General Meeting.

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

Group Profits	2011/12 Rs.'000	2010/11 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	**3,271,937**	2,768,757
From which the deduction of income tax and transfer to the deferred taxation account was	**(706,128)**	(616,566)
Leaving the Group with a profit after tax from continuing operations of	**2,565,809**	2,152,191
From which the loss after tax from discontinued operations deducted was	**(4,374)**	(11,609)
Leaving the Group with a profit for the year of	**2,561,435**	2,140,582
From which Minority Interest deducted was	**(221,581)**	(459,898)
Leaving a profit attributable to the equity holders of the parent was	**2,339,854**	1,680,684
To which the retained profit brought forward form the previous year added was	**3,041,659**	1,876,921
Leaving a profit available for appropriation of	**5,381,513**	3,557,605
Appropriations		
The amount available has been appropriated as follows		
Final Dividend 2009-10	**-**	(128,850)
Interim Dividend 2010-11	**-**	(387,096)
Final Dividend 2010-11	**(193,749)**	-
Interim Dividend 2011-12	**(1,356,872)**	-
Leaving a retained profit to be carried forward amounting to	**3,830,892**	3,041,659

Annual Report of the Board of Directors Contd.

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

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on page 66, 118 and 119. 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

	Name of Director	Position	Transaction Details	2011/2012 Rs.mn	2010/2011 Rs.mn
Group					
Asia Siyaka Commodities (Pvt) Ltd	Mr. J.H.P. Ratnayeke	Director	Packing Materials	**7.45**	11.76

The list of Directors at each of the subsidiary and associate Companies have been disclosed in the group structure on page 58 to 62.

Directors' Shareholding

Directors' Shareholding in Richard Pieris and Company PLC is stated in page 123.

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 35 (Related party disclosures) to the financial statements. In addition, the Company carried out transactions in the ordinary course of business with the following 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 2012 are disclosed in Note 35.2 to the Financial Statements.

Vision & Long Term Goals

The Group's Vision and Long Term Goals are given in page 4 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 - 44.

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. The health and safety of the employees has always received priority in the HR agenda. The number of persons employed by the company and its subsidiaries at the year end was 28,304.

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 Subsequent To the Balance Sheet Date

There have not been any material events that occurred subsequent to the Balance Sheet Date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 34 to the Financial Statements.

Board Committees

The Board has appointed two sub-committees namely, the Audit Committee and the Remuneration Committee. Their compositions and functions are given in pages 71 - 73 of the report.

Corporate Governance / Internal Control

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The practices carried out by the Company in relation to corporate governance and internal controls are explained in pages 68 - 70 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 74 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 will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. Training activities were conducted in house and members in finance divisions of Group Companies have attended seminars conducted by the leading accounting bodies in Sri Lanka.

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama, on 29th June 2012. The Notice of the Annual General Meeting is on page 130 of this report.

Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as Auditors to the Company and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

W J Viville Perera
Director

J H P Ratnayeke
Director

Richard Pieris Group Services (Pvt) Limited
Secretaries

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

24th May 2012

Corporate Governance

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

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

The Board and its Operations

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

The Board comprises six Directors, of which four are Executive Directors whilst two are Non-Executive Directors who are Independent, 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 5 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 Group Director Operations and an Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU). The Finance function devolves 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 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.

All Non-Executive Directors are independent with no direct or indirect material relationship with the Company. 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 two Board Sub Committees which operate within clearly defined terms of reference.

Audit Committee

The Audit Committee is composed of two Independent Non-Executive Directors namely Prof. Lakshman R. Watawala, Chairman and Prof. Susantha Pathirana. The Chief Executive Officer, Group Director Operations, Group Chief Financial Officer, Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 72 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

The Remuneration Committee is composed of two Independent Non-Executive Directors - its Chairman, Prof. Lakshman R. Watawala and Prof. Susantha Pathirana.

The Report of the Remuneration Committee on page 71 highlights its main activities.

Appointment of Directors

The Company does not have a Nomination Committee to recommend additions to the Board. The Board as a whole decides on the appointments of new members. Mr. S.S.G. Liyanage was appointed to the Board with effect from 27th January 2012. Mr. M.M. Udeshi ceased to be a Director with effect from 30th June 2011.

Relationship with Shareholders

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

Internal Controls

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 52 - 55.

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 Internal Audit Division reporting to the Chairman, regularly evaluates the internal control system across the organization and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

Name of Director	Executive	Non- Executive	Independent
Dr. S Yaddehige	✓		
Mr. J H P Ratnayeke	✓		
Mr. W J V P Perera	✓		
Mr. S.S.G.Liyanage	✓		
Prof. Lakshman R Watawala		✓	✓
Prof. Susantha Pathirana		✓	✓

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

Corporate Governance Contd.

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Group as a whole inculcates this practice. Internal communication is mainly conducted through the quarterly newsletter, e-mails, memos and circulars.

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The group promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 42 - 44.

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 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.

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of two Independent Non-Executive Directors Prof. Lakshman R Watawala and Prof. Susantha Pathirana. The Committee is chaired by Prof. Lakshman R Watawala.The Committee met on several occasions during the financial year.

The Remuneration Committee has reviewed and recommended the following to the Board of Directors:

1. Policy on remuneration of the Executive Staff
2. Specific remuneration package for the Executive Directors

In a highly competitive environment attracting and retaining high 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.

Prof. Lakshman R Watawala
Chairman

24th May 2012

Report of the Audit Committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process

2. Review the system of internal control and risk management

3. Monitor the effectiveness of the internal audit function

4. Review the Company's process for monitoring compliance with laws and regulations.

5. Review the independence and performance of the external auditors

6. To make recommendations to the board on the appointment of external auditors and recommend their remuneration and terms of engagement

The Audit Committee consisted of two Independent and Non-Executive Directors, namely Prof. Lakshman R. Watawala and Prof. Susantha Pathirana. The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

Meetings

The Audit Committee held 4 meetings during the year under review.

The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of the Strategic Business Units (SBUs) were invited if deemed necessary for audit committee meetings.

Meetings were held with the external auditors regarding the scope and the conduct of the annual audits.

Internal Audit and Risk Management

The Internal Audit Programme was reviewed by the Committee to ensure that it covered the major business units of the Group.

The Chief Internal Auditor was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and investigations carried out by his department for the period. The responses from the Managing Directors of the SBUs to the internal audit findings were reviewed and where necessary corrective action was recommended and implementation monitored.

The Committee also had the responsibility to review the loss making SBU's of the Group and strategies for turning round these Companies and recommending suitable corrective action.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organisation and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. A comprehensive Management Report and Accounts are produced at month end highlighting all key performance criteria pertaining to the Company's SBUs which is reviewed by the Senior Management on a monthly basis.

SBU Boards review performance on a quarterly basis.

Financial Statements

The Committee reviewed the Group's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. It also reviewed the adequacy of disclosure in published financial statements.

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. Training activities were conducted in house and members in finance divisions of Group Companies have attended seminars conducted by the leading accounting bodies in Sri Lanka.

External Auditors

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure their independence as Auditors has not been compromised.

The Committee reviewed the Management Letters issued by the External Auditors, the Management response thereto and also attended to matters specifically addressed to them. The external auditors kept the Audit Committee informed on an ongoing basis of all matters of significance. The committee met with the auditors and discussed issues arising from the audit and corrective action taken where necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31st March, 2013 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 organisation provides reasonable assurance regarding the reliability of the financial reporting of the Group, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.

Prof. Lakshman R Watawala
Chairman

24th May 2012

Statement of Directors' Responsibility

In keeping with the provisions under the Companies Act No. 7 of 2007, the Directors of Richard Pieris and Company PLC, acknowledge their responsibility in relation to financial reporting of both, the Company and that of its Group. These responsibilities differ from those of its Auditors, M/s. Ernst & Young, which are set out in their report, appearing on page 75 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2012 included in this report, have been prepared and presented in accordance with the Sri Lanka Accounting Standards, 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 119 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 2012, and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing the fact that there is no single system of internal control that could provide absolute assurance against material misstatements and fraud, the Directors confirm that the prevalent internal control systems instituted by them and which comprise internal checks, internal audit and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorized and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Directors' are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going- concern basis in the preparation of these financial statements.

The Directors' have provided the Auditors M/s. Ernst & Young Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the financial statements together with all financial records and related data and express their opinion which appears as reported by them on page 75 of this report.

By Order of the Board,

Richard Pieris Group Services (Pvt) Limited
Secretaries
310, High Level Road, Nawinna, Maharagama

24th May 2012

Independent Auditor's Report

ERNST & YOUNG

Chartered Accountants
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Sri Lanka
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SPF/BVP

TO THE SHAREHOLDERS OF RICHARD PIERIS AND COMPANY PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of Richard Pieris and Company PLC ("Company"), the consolidated Financial Statements of the Company and its subsidiaries (together "Group") which comprise the balance sheets as at 31 March 2012, and the Income Statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, Company maintained proper accounting records for the year ended 31 March 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated Financial Statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these Financial Statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

(Sgd.)
Ernst & Young
Chartered Accountants

24th May 2012
Colombo

Balance Sheet

		Group		Company	
		2012	2011	2012	2011
As at March 31	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	3	10,731,588	10,001,325	36,121	46,404
Leasehold properties	3	582,270	605,934	-	-
Investment properties	3	-	-	688,458	691,393
Intangible assets	4	542,758	497,279	-	-
Investments in subsidiaries	5	-	-	2,696,013	2,560,917
Investments in associates	5	74,143	456,186	-	159,756
Other investments	5	5,625	24,000	71,375	89,750
Deferred tax assets	16	-	-	36,953	36,953
		11,936,384	11,584,724	3,528,920	3,585,173
Current assets					
Inventories	6	3,609,378	3,341,884	-	-
Trade and other receivables	7	3,675,232	2,908,800	39,955	52,706
Tax receivables		184,309	180,650	-	-
Amounts due from subsidiaries		-	-	1,761,629	984,541
Short term investments	8	51,942	59,540	51,942	59,540
Cash at bank and in hand	20	3,445,988	2,563,859	25,210	63,349
		10,966,849	9,054,733	1,878,736	1,160,136
Total assets		22,903,233	20,639,457	5,407,656	4,745,309
Equity and liabilities					
Equity attributable to equity holders of the parent					
Stated capital	9	1,633,853	1,627,612	1,633,853	1,627,612
Capital reserves	10	126,901	126,901	10,574	10,574
Revenue reserves	11	4,010,335	3,221,102	560,011	617,905
Foreign currency translation	12	38,236	27,314	-	-
		5,809,325	5,002,929	2,204,438	2,256,091
Minority interest		1,847,746	1,860,693	-	-
Total equity		7,657,071	6,863,622	2,204,438	2,256,091
Non-current liabilities					
Insurance provisions		9,390	-	-	-
Interest bearing borrowings	13	2,177,814	1,998,291	220,000	149,084
Net liability to the lessor payable	14	638,237	650,980	-	-
Deferred income	15	577,609	584,763	-	-
Deferred tax liabilities	16	63,692	10,589	-	-
Employee benefit liabilities	17	1,940,629	1,662,131	59,674	48,578
		5,407,371	4,906,754	279,674	197,662
Current liabilities					
Trade and other payables	18	4,600,058	3,653,146	873,129	258,991
Current portion of interest bearing borrowings	13	893,957	1,075,241	209,083	275,000
Current portion of net liability to the lessor	14	12,398	21,978	-	-
Deposits		2,482	2,838	2,482	2,838
Amounts due to subsidiaries		-	-	322,008	177,515
Current tax liabilities		138,593	309,944	9,654	5,880
Short term borrowings	19	4,191,303	3,805,934	1,507,188	1,571,332
		9,838,791	8,869,081	2,923,544	2,291,556
Total liabilities		15,246,162	13,775,835	3,203,218	2,489,218
Total equity and liabilities		22,903,233	20,639,457	5,407,656	4,745,309

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

Jagath Dissanayake
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.

W J Viville Perera
Director

J H P Ratnayeke
Director

The accounting policies and notes from pages 81 to 119 form an integral part of these financial statements.

24th May 2012

Income Statement

		Group		Company	
		2012	2011	2012	2011
For the year ended March 31	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Continuing operations					
Revenue	21	31,497,914	27,241,577	1,542,190	968,388
Cost of sales		(24,617,471)	(20,631,178)	-	-
Gross profit		6,880,443	6,610,399	1,542,190	968,388
Other operating income	22	1,481,016	492,906	515,832	17,483
Distribution costs		(1,063,422)	(849,644)	-	-
Administrative expenses		(3,190,562)	(2,638,251)	(327,975)	(303,251)
Other operating expenses	23	(103,710)	(165,044)	(11,165)	-
Profit from operations	24	4,003,765	3,450,366	1,718,882	682,620
Finance cost	25	(794,264)	(794,617)	(206,472)	(178,317)
Profit from operations after finance cost		3,209,501	2,655,749	1,512,410	504,303
Share of results of associates	26	62,436	113,008	-	-
Profit before tax		3,271,937	2,768,757	1,512,410	504,303
Income tax expense	27	(706,128)	(616,566)	(19,683)	(25,414)
Profit for the year from continuing operations		2,565,809	2,152,191	1,492,727	478,889
Discontinued Operations					
Loss after tax for the year from discontinued operations	28	(4,374)	(11,609)	-	-
Profit for the year		2,561,435	2,140,582	1,492,727	478,889

Attributable to:			
Equity holders of the parent		2,339,854	1,680,684
Minority interest		221,581	459,898
		2,561,435	2,140,582

		Rs.	Rs.
Earnings/(loss) per share			
Basic	29	1.21	0.87
Diluted	29	1.16	0.84
Earnings/(loss) per share from continuing operations			
Basic	29	1.21	0.88
Diluted	29	1.16	0.84
Dividend per share	30	0.70	0.30

Figures in brackets indicate deductions.

The accounting policies and notes from pages 81 to 119 form an integral part of these financial statements.

Cash Flow Statement

	Group		Company	
For the year ended March 31	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Cash flows from / (used in) operating activities				
Profit before tax from continuing operations	3,271,937	2,768,757	1,512,410	504,303
Loss before tax from discontinued operations	(4,374)	(11,609)	-	-
Adjustments for				
Depreciation	615,472	584,916	25,567	25,393
Impairment of property, plant and equipment	39,285	62,019	-	-
Amortization of leasehold property	23,664	23,427	-	-
Interest charges	794,264	794,617	206,472	178,317
Provision for defined benefit plans	462,219	282,843	26,172	3,103
Profit/(loss) on sales of property, plant and equipment	(1,225)	477	-	-
Change in the value of short term Investments	11,165	(17,483)	11,165	(17,483)
Profit disposal of Investments in associate	(717,178)	-	(515,832)	-
Other Provisions	24,000	-	57,529	-
Share of net profit of associates	(62,436)	(113,008)	-	-
Exchange differences on translation of foreign currency	(13,130)	(4,019)	-	-
Amortization of grants and subsidies	(25,899)	(22,303)	-	-
Allowances for bad debt and bad debts written off	91,125	114,909	-	79,249
Allowances for obsolete and slow moving inventories	79,334	56,680	-	-
Amortization and impairment of intangible assets	15,004	45,208	-	-
Allowances for unrealized profit	(122)	(4,939)	-	-
Negative goodwill in investment in subsidiary	-	(16,200)	-	-
Loss on disposal of subsidiary	1,554	10,319	-	-
Operating profit before working capital changes	4,604,657	4,554,611	1,323,483	772,882
Increase in inventories	(346,704)	(938,263)	-	-
(Increase) / decrease in trade and other receivables	(857,557)	(470,952)	(768,522)	586,426
Increase / (decrease) in trade and other payables	364,982	1,038,229	176,703	51,190
Increase in insurance provision	9,390	-	-	-
Cash generated from operations	3,774,768	4,183,625	731,664	1,410,498
Interest paid	(794,264)	(794,617)	(206,472)	(178,317)
Income tax paid	(828,038)	(419,729)	(15,909)	(12,577)
Defined benefit plan costs paid	(183,721)	(150,397)	(15,076)	(4,788)
Net cash from operating activities	1,968,745	2,818,882	494,207	1,214,816

For the year ended March 31		Group 2012 Rs. '000	Group 2011 Rs. '000	Company 2012 Rs. '000	Company 2011 Rs. '000
Cash Flows from / (used in) investing activities					
Increase in holding in a subsidiary		**(184,947)**	(56,908)	**-**	-
Purchase of investment in associate and other investment		**-**	(203,527)	**(164,442)**	(235,589)
Disposal of subsidiary		**-**	5,337	**-**	-
Purchase of other investments		**(9,192)**	-	**(9,193)**	-
Proceeds from sale of the investment in associate		**1,125,697**	-	**675,588**	-
Purchase and construction of property plant and equipment		**(1,347,906)**	(1,191,977)	**(12,352)**	(2,503)
Proceeds from sale of property, plant and equipment		**1,225**	2,533	**-**	-
Intangible assets acquired		**(13,077)**	(63,349)	**-**	-
Grants received		**17,187**	78,167	**-**	-
Dividend received from associate		**35,960**	40,647	**-**	-
Net cash flows used in investing activities		**(375,053)**	(1,389,077)	**489,601**	(238,092)
Net cash inflows before financing		**1,593,693**	1,429,805	**983,808**	976,724
Cash Flows from / (Used in) Financing Activities					
Increase in minority share holding		**-**	16,264	**-**	-
Proceeds from issue of ordinary shares		**6,241**	49,139	**6,241**	49,137
Proceeds from interest bearing loans and borrowings		**1,055,733**	1,133,979	**300,000**	-
Repayment of interest bearing loans and borrowings		**(1,062,506)**	(1,248,156)	**(295,001)**	(609,385)
Principal payment under finance lease liabilities		**(22,323)**	(24,593)	**-**	-
Dividend paid to equity holders of parent		**(969,044)**	(515,946)	**(969,044)**	(515,946)
Dividend paid by subsidiary companies to outside shareholders		**(105,034)**	(56,117)	**-**	-
Net cash flows used in financing activities		**(1,096,933)**	(645,432)	**(957,804)**	(1,076,194)
Net increase / (decrease) in cash and cash equivalents		**496,760**	784,373	**26,004**	(99,470)
Cash and cash equivalents at the beginning of the year		**(1,242,075)**	(2,026,448)	**(1,507,983)**	(1,408,513)
Cash and cash equivalents at the end of the year		**(745,315)**	(1,242,075)	**(1,481,979)**	(1,507,983)
Analysis of cash and cash equivalents at the end of the year					
Bank and cash balances	20	**3,445,988**	2,563,859	**25,210**	63,349
Short term borrowings	19	**(4,191,303)**	(3,805,934)	**(1,507,188)**	(1,571,332)
		(745,315)	(1,242,075)	**(1,481,978)**	(1,507,983)

The accounting policies and notes from pages 81 to 119 form an integral part of these financial statements.

Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Stated capital	Capital reserves	Revenue reserves	Retained profit	Foreign currency translation	Total	Minority interest	Total equity
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group								
Balance as at 31st March 2010	1,578,475	126,901	179,443	1,876,921	31,152	3,792,892	1,503,071	5,295,963
Net profit for the period	-	-	-	1,680,684	-	1,680,684	459,898	2,140,582
Dividends	-	-	-	(515,946)	-	(515,946)	-	(515,946)
Issue of share capital	49,137	-	-	-	-	49,137	-	49,137
Adjustment due to changes in holding	-	-	-	-	-	-	12,217	12,217
Acquisition of minority interest	-	-	-	-	-	-	(56,908)	(56,908)
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(56,117)	(56,117)
Effect of foreign currency translation	-	-	-	-	(3,838)	(3,838)	(1,468)	(5,306)
Balance as at 31st March 2011	1,627,612	126,901	179,443	3,041,659	27,314	5,002,929	1,860,693	6,863,622
Balance as at 31st March 2011	1,627,612	126,901	179,443	3,041,659	27,314	5,002,929	1,860,693	6,863,622
Net profit for the period	-	-	-	2,339,854	-	2,339,854	221,581	2,561,435
Dividends	-	-	-	(1,550,621)	-	(1,550,621)	-	(1,550,621)
Issue of share capital	6,241	-	-	-	-	6,241	-	6,241
Acquisition of minority interest	-	-	-	-	-	-	(141,151)	(141,151)
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(105,034)	(105,034)
Effect of foreign currency translation	-	-	-	-	10,922	10,922	11,657	22,579
Balance as at 31st March 2012	1,633,853	126,901	179,443	3,830,892	38,236	5,809,325	1,847,746	7,657,071
Company								
Balance as at 1st April 2010	1,578,475	10,574	-	654,962	-	2,244,011	-	2,244,011
Net profit for the period	-	-	-	478,889	-	478,889	-	478,889
Issue of share capital	49,137	-	-	-	-	49,137	-	49,137
Dividends	-	-	-	(515,946)	-	(515,946)	-	(515,946)
Balance as at 31st March 2011	1,627,612	10,574	-	617,905	-	2,256,091	-	2,256,091
Balance as at 31st March 2011	1,627,612	10,574	-	617,905	-	2,256,091	-	2,256,091
Net profit for the period	-	-	-	1,492,727	-	1,492,727	-	1,492,727
Issue of share capital	6,241	-	-	-	-	6,241	-	6,241
Dividends	-	-	-	(1,550,621)	-	(1,550,621)	-	(1,550,621)
Balance as at 31st March 2012	1,633,853	10,574	-	560,011	-	2,204,438	-	2,204,438

The accounting policies and notes from pages 81 to 119 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

Richard Pieris and Company PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located 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. The financial statements for the year ended 31st March 2012 were authorized for issue by the Directors on 24th May 2012.

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

All values presented in the financial statements are in Sri Lanka rupees thousands (Rs.'000s) unless otherwise indicated. The significant accounting policies are discussed below.

1.1 GENERAL POLICIES

1.1.1 Statement of compliance

The Balance Sheet, Income Statement, Statement of Changes in Equity and the Cash Flow Statement, together with the accounting policies and notes (the "financial statements") have been prepared in compliance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka.

1.1.2 Basis of preparation

The financial statements, presented in Sri Lankan Rupees, have been prepared on an accrual basis and under the historical cost convention unless stated otherwise. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

1.1.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

1.1.4 Comparative information

The accounting policies applied by the group are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged, wherever necessary, to conform to the current year's presentation.

1.1.5 Events after the balance sheet date

All material post balance sheet events have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

1.2 CONSOLIDATION POLICY

1.2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the company, its subsidiaries and other companies over which it has control.

The Group's Financial Statements comprise the consolidated financial statements of the company and the group which have been prepared in compliance with the group's accounting policies.

All intra-group balances, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

1.2.2 Acquisitions and divestments

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The results of subsidiaries, joint ventures and associates acquired or incorporated during the year have been included from the date of acquisition, or incorporation while results of subsidiaries, joint ventures and associates disposed have been included up to the date of disposal.

1.2.3 Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries are consolidated from the date the parent obtains control until the date that control ceases.

Subsidiaries consolidated have been listed in the Group Structure.

The total profits and losses for the period, of the Company and of its subsidiaries included in consolidation and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Income Statement and Balance Sheet respectively.

Minority interests, 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 period in the Income Statement and

Notes to the Financial Statements Contd.

as a component of equity in the Consolidated Balance Sheet, separately from parent shareholders' equity.

The Consolidated Cash Flow Statement includes the cash flows of the Company and its subsidiaries.

1.2.4 Associates

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group.

All associates are incorporated in Sri Lanka.

The investments in associates are carried in the Balance Sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The Income Statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes in the Statement of Changes in Equity.

When the Group's share of losses in an associate equals or exceeds the interest in the undertaking, the Group does not recognize further losses unless it has incurred obligations or made payments on behalf of the entity.

The Group ceases to use the equity method of accounting on the date from which it no longer has significant influence in the associate.

The accounting policies of associate companies conform to those used for similar transactions of the Group.

1.2.5 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognized. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of 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.

1.2.6 Financial year

Results of all subsidiaries and associates (except for Asian Alliance Insurance PLC) are drawn for the twelve months period up to 31st March, which is their year end.

The result of Asian Alliance Insurance PLC is drawn for the twelve month period up to 31st December, which is their year end.

2.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

2.1.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

Going Concern

When preparing 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 28 to the 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 16.

Allowance for doubtful debts

The Group reviews at each balance sheet date all receivables to assess whether an allowance should be recorded in the Income Statement. The management uses judgment in estimating such amounts in the light of the duration of, outstanding and any other factors management is aware of that indicates uncertainty in recovery.

2.1.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

Defined benefit plans

The cost of defined benefit plans- gratuity is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 17.

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 4.

Inventory valuation - Produce inventory

The Group has valued part of unsold produce inventory at since realized prices. The balance unsold inventory remained as at the balance sheet date valued at an estimated selling price based on the most recent selling prices available subsequent to the year end.

2.2 FOREIGN CURRENCY TRANSLATION

2.2.1 Foreign currency transactions

The consolidated financial statements are presented in Sri Lanka rupees, which is the company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the group operate.

All foreign exchange transactions are converted to Sri Lanka rupees, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lankan Rupee equivalents at the exchange rate prevailing at the Balance Sheet date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

2.2.2 Foreign operations

The Balance Sheet and Income Statement of subsidiaries which are deemed to be foreign operations are translated to Sri Lankan Rupees at the rate of exchange prevailing as at the Balance Sheet date and at the average annual rate of exchange for the period respectively.

Arpitalian Compact Soles (Private) Limited use US dollars as its functional currency as it conducts the majority of its business in US dollars and is entitled to the benefits provided to companies approved by the Board of Investment of Sri Lanka. Arpitalian Compact Soles (Private) Limited adopted US dollars as its measurement and functional currency in line with SLAS 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.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the Income Statement.

Notes to the Financial Statements Contd.

2.3 TAX

2.3.1 Current tax

Provision for income tax is based on the elements of income and expenditure as reported in the financial statements and is computed in accordance with the provisions of the relevant tax statutes.

2.3.2 Deferred tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognize and measure assets and liabilities with rules that differ from those of the consolidated financial statements.

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

Deferred tax assets are recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet 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 utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the balance sheet date.

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

Deferred tax relating to items recognized directly in equity is recognized in equity.

2.4 VALUATION OF ASSETS AND THEIR BASES OF MEASUREMENT

2.4.1 Property, plant and equipment

a) Cost and valuation

Property, plant and equipment is stated at cost or fair value less accumulated depreciation and any accumulated impairment in value.

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued at fair value.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the Income Statement, in which case the increase is recognized in the Income Statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognized as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Items of property, plant and equipment are de-recognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Income Statement in the year the asset is de-recognized.

Immature and mature plantations

The cost of replanting and new planting are classified as immature plantations up to the time of harvesting the crop. Further the general charges incurred on the plantation are apportioned based on the labour days spent on respective replanting and new planting, and capitalized on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred. The cost of areas coming in to bearing are transferred to mature plantations and depreciated over their useful life period.

Infilling cost

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized in accordance with Sri

Lanka Accounting Standard 32 "Plantations" and depreciated over the useful life as rates applicable to mature plantations. Infilling costs that are not capitalized have been charged to the Income Statement in the year in which they are incurred.

b) Depreciation

Provision for depreciation is calculated by using a straight line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful lives of assets are as follows:

Buildings	20-60 years
Plant, machinery tools and electrical installations	5-10 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 useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

c) Finance leases

Property, plant and equipment on finance leases, which effectively transfer to the group substantially all the risk and benefits incidental to ownership of the leased items, are capitalized and disclosed as finance leases at their cash price and depreciated over the period the group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the Income Statement over the period of lease.

The cost of improvements to leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

d) Operating leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases.

Lease payments are recognized as an expense in the Income Statement over the term of the lease.

2.4.2 Leasehold property

Leasehold property is stated at recorded carrying values as at the effective date - Sri Lanka Accounting Standard 19 - Leases. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever in shorter. No further revaluations of these leasehold properties will be carried out.

The leasehold rights are being amortized in equal amounts over the following periods:

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

2.4.3 Investment property

Properties held to earn rental income, and properties held for capital appreciation have been classified as investment property.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

After initial recognition the company measures all of its investment property using the cost model in accordance with the requirements in SLAS 18 (Revised 2005) Property, Plant and Equipment other than those that meet the criteria to be classified as held for sale.

Investment properties are de-recognized when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognized in the Income Statement in the year of retirement or disposal.

Notes to the Financial Statements Contd.

Transfers are made to investment property, when there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property, when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Where group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for as per SLAS 18 (revised 2005) Property, Plant and Equipment.

2.4.4 Intangible assets

An intangible asset is initially recognized at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

2.4.5 Investments

All quoted and un-quoted securities, which are held as non-current investments, are valued at cost. The cost of the investment is the cost of acquisition inclusive of brokerage and costs of transaction. The carrying amounts of long term investments are reduced to recognize a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.

In the company's financial statements, investments in subsidiaries and associate companies have been accounted for at cost, net of any impairment losses which are charged to the Income Statement. Incomes from these investments are recognized only to the extent of dividends received.

Short term investments are carried at market value.

2.4.6 Impairment of 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 groups 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the income statement except for impairment losses in respect of property, plant and equipment which are recognized against the revaluation reserve to the extent that it reverses a previous revaluation surplus.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. Previously recognized impairment losses other than in respect of goodwill, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognized to the extent of the carrying amount had no impairment losses been recognized previously.

2.4.7 Inventories

Inventories other than produce 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 the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

a) Raw materials

At actual cost on first-in first-out basis 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) Produce inventories
At estimated selling prices or since realized price

f) Growing Crop Nurseries
At the cost of direct materials, direct Labour and an appropriate proportion of directly attributable overheads.

f) Input Material
At average cost

g) Consumables and Spares
At Actual cost

2.4.8 Trade and other receivables
Trade and other receivables are stated at the amounts they are estimated to realize, net of allowances for bad and doubtful receivables.

Allowances have been made for bad and doubtful debts. Bad debts are written off when identified.

2.4.9 Cash and cash equivalents
Cash and cash equivalents in the cash flow statement comprise cash at bank and in hand and short term deposits with a maturity of 3 months or less, net of outstanding bank overdrafts and short term borrowings.

2.5 LIABILITIES AND PROVISIONS
2.5.1 Employee Benefit Liabilities
a) Defined benefit plan - Gratuity
The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan using Projected Unit Credit method (PUC).

The service of a qualified actuary is obtained to determine the valuation once in every 2 years for plantation companies and every 3 years for other companies in the Group.

Actuarial gains and losses are recognized as income or expenses immediately.

This item is stated under Employee Benefit Liabilities in the Balance Sheet.

The basis of payment of retiring gratuity as follows:

Length of service (years)	No. of months salary for each completed year of service
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.

b) Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund
Employees are eligible for Arpico Employees' Provident Fund Contributions / Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective Statutes and Regulations. The Companies contribute 12% and 3% of gross emoluments of employees to the Arpico Employees' Provident Fund / Employees' Provident Fund and Employees' Trust Fund respectively.

2.5.2 Grants and subsidies
Grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and is released to the Income Statement over the expected useful life of the relevant asset by equal annual installments.

Notes to the Financial Statements Contd.

2.5.3 Provisions, contingent assets and contingent liabilities

Provisions are made for all obligations existing as at the Balance Sheet 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.

2.6 INCOME STATEMENT

2.6.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the group.

The following specific criteria are used for recognition of revenue:

a) Sale of goods

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of the goods have passed to the buyer with the group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

b) Rendering of services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or performed.

c) Construction revenue

Construction revenue is recognized by reference to the stage of completion, determined by taking into accounts the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent of expenses incurred that are recoverable.

d) Plantation companies

In keeping with the practice in the Plantation Industry revenue or profit or loss on Perennial Crops are recognized in the financial period of harvesting. Revenue is recorded at invoice value net of brokerage, public sale expenses and other levies related to turnover.

e) Turnover based taxes

Turnover based taxes include Value Added Tax, Economic Service Charge, Turnover Tax and Nation Building Tax. Companies in the group pay such taxes in accordance with the respective statutes.

2.6.2 Dividend

Dividend income is recognized when the shareholders' right to receive the payment is established.

2.6.3 Rental income

Rental income is recognized on an accrual basis over the term of the lease.

2.6.4 Royalties

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

2.6.5 Interest income

Interest income is recognized as and when the interest accrues.

2.6.6 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 Income Statement, 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 aggregated, reported and presented on a net basis.

2.6.7 Other income

Other income is recognized on an accrual basis.

2.6.8 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.

2.7 SIGNIFICANT ACCOUNTING POLICIES THAT ARE SPECIFIC TO THE BUSINESS OF INSURANCE COMPANIES

2.7.1 Actuarial Valuations of the Insurance Provisions

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

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

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

2.7.2 Life Insurance Business – Gross Written Premium

Premiums from traditional long term insurance contacts, including participating contacts and annuity policies with life contingencies, are recognized as revenue when cash is received from the policyholder. The “Single Premium” contracts are also recognized as income when cash received.

2.8 SEGMENT INFORMATION

2.8.1 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 21 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 turnover has been analyzed into the geographical location.

2.8.2 Segment information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

2.9 Sri Lanka Accounting Standards effective from 01 January 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

(a) SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements.
LKAS 1 - Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity’s objectives, policies and processes for managing capital.

(b) LKAS 16 – Property Plant and Equipment requires a company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

Notes to the Financial Statements Contd.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(c) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets . As such the current method of assessing for impairment will have to be changed to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the company/group does not identify, categorize and measure financial assets and liabilities as per the requirements of the standard and also does not recognize certain derivative instruments on the balance sheet.

(d) SLFRS 2 – Share Based Payments, will require the company to reflect in its profit or loss and financial position the effects of share based payment transactions, including expenses associated with share options granted to employees. An entity is required to recognize share based payment transactions when goods are received or services obtained based on the fair value of goods or services or the fair value of equity instruments granted. Hence the company will be required to determine the fair value of options issued to employees as remuneration and recognize an expense in the statement of financial performance. This standard is not limited to options and extends to all forms of equity based remuneration and payments.

(e) SLFRS 3 – Business combinations will require the company to apply this standard to transactions and other events that meet the new definition of a business i.e. an integrated set of assets (inputs) and activities(processes) which are capable of being conducted and managed to provide a return, as opposed to a mere asset acquisition. Under the new acquisition method of accounting, in addition to recognizing and measuring in its financial statements the identifiable assets acquired and liabilities assumed the standard also requires recognition and measurement of any non-controlling interest in the acquiree and re-measuring to fair value any previously held interests which could have an impact on the recognition of goodwill. Subsequent to the acquisition of control any acquisitions or disposals of non-controlling interest without loss of control will be accounted for as equity transactions and cannot be recognized as profit/loss on disposal of investments in the statement of financial performance.

(f) LKAS 23 – Borrowing Cost, the company/group must capitalize borrowing costs in relation to a qualifying asset. [if applicable] Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.

(g) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

(h) LKAS 18 – Revenue requires the company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the company/Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

(i) SLFRS 4 -Insurance Contacts has scoped in only products which fall within the definition of insurance contracts or financial instruments issued with a discretionary participation features as defined in SLFRS 4. For the purpose of identifying the contracts that can be scoped in, the company is at present performing a detailed product analysis. Any contract which is recorded at present as an insurance contract but does not meet the definitions of SLFRS 4 is required to be measured and accounted as financial instruments which will impact the recognition of Gross Written Premium and deferred acquisition costs.

(j) IFRIC 15 Agreements for Construction of Real Estate - This interpretation clarifies whether LKAS 18, 'Revenue' or LKAS 11 'Construction contracts' should be applied to particular transactions. It also explains the point at which revenue and related expenses from a sale of real estate unit should be recognized, if an agreement between a developer and a buyer is reached before the construction of the real estate unit is completed. The company's/ Group's current accounting policy for all residential property sales is to recognize revenue on the percentage completion of construction, which practice is most likely to be changed by the application of IFRIC 15. As per this interpretation, contracts which do not fall within the definition of construction contracts in accordance with LKAS 11, can only be accounted for under the percentage of completion method if the company/Group continuously transfer to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state of construction progresses.

The Institute of Chartered Accountants of Sri Lanka has resolved an amendment to Sri Lanka Accounting Standard 10, whereby the provision contained in paragraphs 30 and 31 of SLAS 10 – Accounting Policies, Changes in Accounting Estimates and Errors, would not be applicable for financial statements prepared in respect of financial periods commencing before 1 January 2012 and hence the impact of this transition is not required to be disclosed in these financial statements.

Notes to the Financial Statements Contd.

3. Property plant & equipment

A. Group

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2012 Rs.'000
Cost / Valuation						
Land / Land Improvements	1,875,594	103	-	-	-	**1,875,697**
Buildings / Buildings improvements	2,441,627	274,259	-	-	12,139	**2,728,025**
Immature / mature plantations	4,361,931	656,875	-	-	-	**5,018,806**
Plant, machinery, tools & electrical installations	3,635,556	190,204	-	-	74,715	**3,900,475**
Office & other equipment	529,046	116,596	-	-	-	**645,642**
Furniture, fixtures & fittings	421,003	12,837	-	-	1,646	**435,486**
Motor vehicles	521,121	146,280	-	(3,117)	180	**664,464**
Computers	336,935	31,203	-	-	-	**368,138**
Capital work in progress	273,971	32,659	-	(113,107)	-	**193,523**
	14,396,784	1,461,016	-	(116,224)	88,680	**15,830,256**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2012 Rs.'000
Depreciation / Amortization						
Land Improvements	46,706	8,162	-	-	-	**54,868**
Buildings	492,798	93,470	-	-	3,755	**590,023**
Immature / mature plantations	599,408	106,139	-	-	-	**705,547**
Plant, machinery, tools & electrical installations	2,234,820	234,369	39,285	-	46,091	**2,554,565**
Office & other equipment	348,827	50,911	-	-	-	**399,738**
Furniture, fixtures & fittings	265,521	32,522	-	-	1,543	**299,586**
Motor vehicles	462,684	40,233	-	(3,117)	180	**499,980**
Computers	294,718	19,126	-	-	-	**313,844**
	4,745,482	584,932	39,285	(3,117)	51,569	**5,418,151**

	2012 Rs.'000	2011 Rs.'000
Net Book Values		
Land / Land Improvements	**1,820,829**	1,828,888
Buildings / Buildings improvements	**2,138,002**	1,948,829
Immature / mature plantations	**4,313,259**	3,762,523
Plant, machinery, tools & electrical installations	**1,345,910**	1,400,736
Office & other equipment	**245,904**	180,219
Furniture, fixtures & fittings	**135,900**	155,482
Motor vehicles	**164,484**	58,437
Computers	**54,294**	42,217
Capital work in progress	**193,523**	273,971
	10,412,105	9,651,302

3. Property plant & equipment Contd.

Assets acquired on finance leases	As at 01.04.2011 Rs.'000	Additions Rs.'000	Impairment Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2012 Rs.'000
Cost / Valuation						
Immature / mature plantations	758,385	-	-	-	-	**758,385**
Plant & machinery	134,286	-	-	-	-	**134,286**
Office & other equipment	836	-	-	-	-	**836**
Motor vehicles	3,997	-	-	-	-	**3,997**
	897,504	-	-	-	-	**897,504**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	Impairment Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2012 Rs.'000
Depreciation / Amortization						
Immature / mature plantations	415,957	24,831	-	-	-	**440,788**
Plant & machinery	127,158	5,693	-	-	-	**132,851**
Office & other equipment	369	16	-	-	-	**385**
Motor vehicles	3,997	-	-	-	-	**3,997**
	547,481	30,540	-	-	-	**578,021**

	2012 Rs.'000	2011 Rs.'000
Net Book Values		
Immature / mature plantations	**317,597**	342,428
Plant & machinery	**1,435**	7,128
Office & other equipment	**451**	467
Motor vehicles	**-**	-
	319,483	350,023
Total carrying amount of property, plant and equipment	**10,731,588**	10,001,325

B. Leasehold Property

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ Transfers	As at 31.03.2012 Rs.'000
Cost / Valuation				
Land	827,863	-	-	**827,863**
Buildings	201,281	-	-	**201,281**
	1,029,144	-	-	**1,029,144**

Notes to the Financial Statements Contd.

3. Property plant & equipment Contd.

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	On Disposals Rs.'000	As at 31.03.2012 Rs.'000
Amortization				
Land	272,531	16,574	-	**289,105**
Buildings	150,679	7,090	-	**157,769**
	423,210	23,664	-	**446,874**

	2012 Rs.'000	2011 Rs.'000
Land	**538,758**	555,332
Buildings	**43,512**	50,602
Total carrying amount of leasedhold property	**582,270**	605,934

Of the 42 JEDB / SLSPC estates handed over to the Kegalle Plantations PLC and Maskeliya Plantations PLC, all estate leases except for that of Ambanpitiya Estate has been executed as at the balance sheet date. With regard to Namunukula Plantations, lease agreements for 10 estates have been executed and memorandum of record has been signed for the balance 10 estates. All of these leases will be retroactive to June 22, 1992 the date of formation of the companies. In terms of the ruling obtained from Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka the leasehold right to bare land and all immovable assets under finance lease in these estates have been taken into the books of the companies retroactive to June 22, 1992. While the bare land has been accounted for based on a value established just prior to the formation of the companies upon a revaluation carried out by a valuation specialist, Mr. D.R. Wickremasinghe, all other immovable assets under finance leases have been taken into the books of the companies at their book values as they appeared in the books of JEDB /SLSPC, on the day immediately preceding the date of formation of the companies.

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

Buildings and certain movable assets and liabilities of the SLSPC at Glencroft Office situated at Norwood Estate have not been incorporated in the financial statements of Maskeliya Plantations PLC.

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

The unexpired period of the lease as at the balance sheet date was 33 years.

Lease rentals prepaid to acquire land use rights, which was previously shown under property plant and equipment have now been re-classified under leasehold property. Prepaid lease rentals paid to acquire land rights are amortized over the lease term in accordance with the pattern of benefits provided.

Property (excluding leasehold property) with a carrying amount of Rs. 6,199 mn (2011 Rs. 5,949) are pledged as security for loans obtained. (Note 13 B)

Borrowing costs amounting to Rs. 37.3 mn (2011 Rs. 26.6 mn) have been capitalized which was incurred on long term loans related to immature plantations in the plantation sector using a capitalization rate of 11% - 12% (2011 - 11.82%).

3. Property plant & equipment Contd.

Impairment of property, plant and equipment

The recoverable amount for certain items of plant and machinery was estimated and impairment losses were recognized to reduce the carrying amounts as follows:

Richard Pieris Natural Foams Ltd - Rs. 14.3 mn (2011 Rs.55 mn)
Arpitalian Compact Soles Pvt Ltd - Rs. 25 mn

C. Company

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2012 Rs.'000
Cost / Valuation				
Plant, machinery, tools & electrical installations	59,268	486	-	**59,754**
Office & other equipment	26,046	176	-	**26,222**
Furniture, fixtures & fittings	16,710	340	-	**17,050**
Motor vehicles	66,776	148	(1,684)	**65,240**
Computers	27,620	1,700	-	**29,320**
Capital Work in progress	-	4,325	-	**4,325**
	196,420	7,175	(1,684)	**201,911**

	As at 01.04.2011 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2012 Rs.'000
Depreciation / Amortization				
Plant, machinery, tools & electrical installations	46,811	2,820	-	**49,631**
Office & other equipment	20,987	1,193	-	**22,180**
Furniture, fixtures & fittings	10,253	1,128	-	**11,381**
Motor vehicles	50,566	8,841	(1,684)	**57,723**
Computers	21,399	3,476	-	**24,875**
	150,016	17,458	(1,684)	**165,790**

Net book value	2012 Rs.'000	2011 Rs.'000
Plant, machinery, tools & electrical installations	**10,123**	12,457
Office & other equipment	**4,042**	5,059
Furniture, fixtures & fittings	**5,669**	6,457
Motor vehicles	**7,517**	16,210
Computers	**4,445**	6,221
Capital Work in progress	**4,325**	-
	36,121	46,404

Notes to the Financial Statements Contd.

3. Property plant & equipment Contd.

Investment property

D. Company

	As at 01.04.2011 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2012 Rs.'000
Gross carrying amounts				
Freehold land	474,423	-	-	**474,423**
Buildings on freehold land	285,799	5,175	-	**290,974**
	760,222	5,175	-	**765,397**

	As at 01.04.2011 Rs.'000	Charge for the Year Rs.'000	On Disposals Rs.'000	As at 31.03.2012 Rs.'000
Depreciation				
Buildings on freehold land	68,830	8,110	-	**76,940**
	68,830	8,110	-	**76,940**

Net Book Values	2012 Rs 000	2011 Rs 000
Freehold land	**474,423**	474,423
Buildings on freehold land	**214,034**	216,970
Total carrying amount of investment property	**688,458**	691,393

Rental income earned from investment properties by the Company amounted to Rs. 127 mn (Rs.128mn in 2010/2011).
Direct operating expenses incurred by the company amounted to Rs. 2.3 mn (Rs.1.37 mn in 2010/2011).

Fair value of Investment property as at 31 March 2012 amounted to Rs. 5.939 mn (2011 Rs. 5.407 mn.)

4 Intangible Assets

	Goodwill Rs.000	Licences Rs.000	Other intangibles Rs.000	Total Rs.000
Cost/Carrying value				
As at 1 April 2011	480,207	45,657	70,082	595,946
Acquired / Incurred during the period	43,796	13,077	-	56,873
As at 31 March 2012	524,003	58,734	70,082	652,819
Accumulated Amortization/Impairment				
As at 1 April 2011	43,125	13,729	41,813	98,667
Amortization for the year	-	7,390	7,614	15,004
Exchange translation difference	-	-	(3,610)	(3,610)
As at 31 March 2011	43,125	21,119	45,817	110,061
Net book value				
As at 1 April 2011	437,082	31,929	28,269	497,279
As at 31 March 2012	480,878	37,615	24,265	542,758

(a) Goodwill

Goodwill represents the excess of an acquisition over the Group 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 four cash-generating units, for impairment testing as follows;

1. Kegalle Plantations PLC
2. Namunukula Plantations PLC
3. Maskeliya Plantations PLC
4. Arpico Super centre in Kandy (which is under the purview of Richard Pieris Distributors Ltd)

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.

During the year the group marginally increased its stake in Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC which resulted in a goodwill of Rs. 43.7 mn.

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. Licences acquired during the year have been amortized evenly over the validity period of the licence.

During the year Richard Pieris Distributors Limited obtained licenses to sell alcoholic beverages at a cost of Rs.13 mn.

(c) Other intangible assets

Other intangible assets represents the value of services provided by a foreign collaborator on engineering assembly know-how training, technological assistance and works management to Arpitalian Compact Soles (Private) Limited. This is amortized over a period of fifteen years commencing from the financial year 2000/2001.

The recoverable amount of the know-how 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.

Key assumptions used in Value in Use calculations

Volume growth - Volume growth is based on past performance, the approved budget and expected performance of such CGU based on the actual performance and to evaluate future investment proposals.

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

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

Notes to the Financial Statements Contd.

5 Investments

A Company investment in subsidiaries

	% Holding		No of shares			Value Rs.000		
	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011	31.03.2012	Movement	31.03.2011
Quoted investments								
Richard Pieris Exports PLC (Rs. 197 mn) *	81	81	8,959,997	-	8,959,997	200,555	-	200,555
Kegalle Plantations PLC (Rs. 1 mn) * +	-	-	9,500	9,500	-	1,441	1,441	-
Unquoted investments								
Richard Pieris Distributors Ltd.	100	100	106,673,960	-	106,673,960	812,130	-	812,130
Arpidag International (Pvt) Ltd.	51	51	234,598	-	234,598	27,110	-	27,110
Richard Pieris Tyre Co. Ltd.	100	100	4,000,000	-	4,000,000	50,000	-	50,000
Richard Pieris Rubber Products Ltd.	100	100	2,700,000	-	2,700,000	27,000	-	27,000
Richard Pieris Rubber Compounds Ltd.	100	100	1,700,000	-	1,700,000	17,000	-	17,000
Arpico Furniture Ltd.	100	100	4,000,000	-	4,000,000	40,000	-	40,000
Arpico Plastics Ltd.	100	100	2,900,000	-	2,900,000	29,000	-	29,000
Arpico Industrial Development Co. Ltd.								
Ordinary Shares	100	100	1,500,000	-	1,500,000	15,000	-	15,000
12% Redeemable Cumulative preference shares	-	-	9,140,000	-	9,140,000	91,400	-	91,400
Plastishells Ltd.	98	98	3,361,000	-	3,361,000	35,615	-	35,615
Richard Pieris Natural Foams Ltd.	22	22	14,022,253	-	14,022,253	143,479	-	143,479
Arpico Flexifoam (Pvt) Ltd.	100	100	25,000,018	-	25,000,018	250,000	-	250,000
Arpitalian Compact Soles (Pvt) Ltd.								
Ordinary Shares	15	15	5,333,333	-	5,333,333	53,333	-	53,333
10% Redeemable Cumulative Preference Shares	-	-	6,404,500	-	6,404,500	64,045	-	64,045
RPC Management Services (Pvt) Ltd.	100	100	7,500,000	-	7,500,000	550,250	-	550,250
Richard Pieris Group Services (Pvt) Ltd.	100	100	2	-	2	-	-	-
Arp-Eco (Pvt) Ltd	100	100	2	-	2	-	-	-
RPC Logistics (Pvt) Ltd.	100	100	2,000,002	-	2,000,002	20,000	-	20,000
Richard Pieris Plantations (Pvt) Ltd.	100	100	7	-	7	-	-	-
R P C Real Estate Development Co. (Pvt) Ltd.	100	100	2	-	2	-	-	-
Arpico Homes (Pvt) Ltd.	100	100	2	-	2	-	-	-
Arpico Exotica Asiana (Pvt) Ltd.	100	100	2	-	2	-	-	-
Arpico Hotel Services (Pvt) Ltd.	100	100	600,000	-	600,000	6,000	-	6,000
RPC Construction (Pvt) Ltd.	100	100	2,000,000	-	2,000,000	20,000	-	20,000
Arpitech (Pvt) Ltd.	100	100	3,500,000	-	3,500,000	35,000	-	35,000
Arpimall Development Co (Pvt) Ltd.	24	24	5,000,000	-	5,000,000	50,000	-	50,000
Arpico Interiors (Pvt) Ltd.	83	83	2,500,000	-	2,500,000	25,000	-	25,000
Richard Pieris Securities (Pvt) Ltd	100	100	9,999,999	3,500,000	6,499,999	100,000	35,000	65,000
Richard Pieris Financial Services (Pvt) Ltd	100	100	3,499,999	-	3,499,999	35,000	-	35,000
Arpico Insurance Ltd	25	-	12,800,000	12,800,000	-	128,000	128,000	-
						2,826,358	164,441	2,661,917
Provision for fall in value of the investments in;								
Arpico Furniture Ltd.						(40,000)	-	(40,000)
RPC Hotel Services (Pvt) Ltd.						(6,000)	-	(6,000)
RPC Construction (Pvt) Ltd.						(20,000)	-	(20,000)
Arpitech (Pvt) Ltd.						(35,000)	-	(35,000)
Arpitalian Compact Soles (Pvt) Ltd.						(29,345)	(29,345)	-
Company investments in subsidiaries						2,696,013	135,096	2,560,917

B Group investments in subsidiaries

	% Holding		No of shares			Value Rs.000		
	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011	31.03.2012	Movement	31.03.2011
Investor								
Richard Pieris Distributors Ltd.								
Investee								
Playcraft Lanka (Pvt) Ltd.	-	36	-	(213,756)	213,756	-	(2,138)	2,138
Arpimalls Development Co (Pvt) Ltd.								
Ordinary shares	76	76	16,000,000	-	16,000,000	160,000	-	160,000
6% redeemable cumulative preference shares	-	-	22,000,000	-	22,000,000	220,000	-	220,000
Arpico Interiors (Pvt) Ltd.	17	17	500,000	-	500,000	5,000	-	5,000
RPC Real Esatate Development (Pvt) Ltd.								
6% redeemable cumulative preference shares	-	-	66,700,000	-	66,700,000	667,000	-	667,000
RPC Retail Development (Pvt) Ltd.								
6% redeemable cumulative preference shares	-	-	38,700,000	-	38,700,000	387,000	-	387,000
Arpico Insurance (Pvt) Ltd	30	-	15,000,000	15,000,000	-	150,000	150,000	-
Investor								
Arpico Industrial Development Company (Pvt) Ltd								
Investee								
R P C Polymers (Pvt) Ltd	31	31	5,700,000	-	5,700,000	57,000	-	57,000
Investor								
Richard Pieris Exports PLC								
Investee								
Richard Pieris Natural Foams Ltd	43	43	27,560,000	-	27,560,000	284,820	-	284,820
Playcraft Lanka (Pvt) Ltd.	-	36	-	(213,750)	213,750	-	(2,138)	2,138
Micro Minerals (Pvt) Ltd.	69	69	627,400	-	627,400	6,274	-	6,274
Arpitalian Compact Soles (Pvt) Ltd.	45	45	15,993,334	-	15,993,334	159,933	-	159,933
Arpico Natural Latex Foams (Pvt) Ltd.	44	44	4,000,000	-	4,000,000	40,000	-	40,000
Investor								
Richard Pieris Natural Foams Ltd.								
Investee								
Arpico Natural Latex Foams (Pvt) Ltd.	56	56	5,000,000	-	5,000,000	50,000	-	50,000
Investor								
Plastishells Ltd.								
Investee								
R P C Polymers (Pvt) Ltd	69	69	13,000,000	-	13,000,000	130,000	-	130,000
Investor								
Richard Pieris Plantations (Pvt) Ltd.								
Investee								
Exotic Horticulture (Pvt) Ltd.	100	100	1,000,000	-	1,000,000	10,000	-	10,000
Maskeliya Tea Garden Ltd.	100	100	1,500,000	-	1,500,000	15,000	-	15,000
RPC Plantation Management Services (Pvt) Ltd.	100	100	24,106,249	-	24,106,249	330,000	-	330,000
Investor								
RPC Management Services (Pvt) Ltd.								
Investee								
Maskeliya Plantations PLC (Rs. 339 mn) *	73	71	19,823,644	651,500	19,172,144	476,232	18,775	457,457
Kegalle Plantations PLC (Rs. 0.4 mn) * +	-	-	3,900	3,900	-	591	591	-

Notes to the Financial Statements Contd.

B Group investments in subsidiaries Contd.

	% Holding		No of shares			Value Rs.000		
	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011	31.03.2012	Movement	31.03.2011
Investor								
RPC Plantation Management Services (Pvt) Ltd.								
Investee								
Namunukula Plantations PLC (Rs. 895 mn)*	63	59	14,923,400	973,400	13,950,000	479,341	82,178	397,163
Kegalle Plantations PLC (Rs. 1,812 mn)*	70	68	17,591,500	576,500	17,015,000	272,933	81,959	190,974
Investor								
Kegalle Plantations PLC								
Investee								
Richard Pieris Natural Foams Ltd.	35	35	22,500,000	-	22,500,000	225,000	-	225,000
Hamefa Kegalle (Pvt) Ltd.	100	100	2,800,000	-	2,800,000	14,000	-	14,000
Arpico Insurance Ltd	45	-	22,500,000	22,500,000	-	225,000	225,000	-
						4,365,124	554,227	3,810,897
Provision for fall in value of investment in;								
Playcraft Lanka (Pvt) ltd.						-	4,276	(4,276)
Namunukula Plantations PLC						(29,167)	-	(29,167)
Arpico Natural Latex Foams (Pvt) Ltd.						(50,000)	-	(50,000)
						4,285,957	558,503	3,727,454

C Company / Group investment in associates

	% Holding		No of shares			Value Rs.000		
	31.03.2012	31.03.2011	31.03.2012	Movement	31.03.2011	31.03.2012	Movement	31.03.2011
Company								
Quoted investments								
Asian Alliance Insurance PLC	-	15	-	(5,629,900)	5,629,900	-	(159,756)	159,756
Company investments in associates (at cost)						-	(159,756)	159,756
Group investments in associates								
Quoted Investments								
Investor								
Richard Pieris Distributors Ltd.								
Investee								
Asian Alliance Insurance PLC	-	10	-	(3,750,912)	3,750,912	-	(106,277)	106,277
Unquoted Investments								
Investor								
Namunukula Plantations PLC								
Investee								
AEN Palm Oil Processing (Pvt) Ltd.	33	33	2,696,012	-	2,696,012	29,960	-	29,960
Group investment in associates (at cost)						29,960	(266,033)	295,993
Group share of associate companies								
Asian Alliance Insurance PLC						-	(129,170)	129,170
AEN Palm Oil Processing (Pvt) Ltd.						44,183	13,160	31,023
Group investment in associates						74,143	382,043	456,186

D Other investments

Investor	Investment	31.03.2012	Value Rs.'000 Movement	31.03.2011
Richard Pieris and Company PLC	Un-quoted investments			
	Richard Pieris Plantations (Pvt.) Ltd. - Debentures	**65,750**	-	65,750
	RPC Timberline Ltd - Debentures	**55,000**	-	55,000
	RPC Timberline Ltd - Equity shares	**12,985**	-	12,985
	Wealth Trust Corporation	**5,625**	5,625	-
		139,360	5,625	133,735
Provision for value of investment in Timberline Ltd		**(67,985)**	(24,000)	(43,985)
Other investment by the company		**71,375**	(18,375)	89,750
Reversal of intra-group debentures / adjustments		**(65,750)**	-	(65,750)
Other investment by the Group		**5,625**	(18,375)	24,000

* Amounts stated within brackets correspond to market values as at 31st March 2012 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 un-quoted investments based on net assets amounted to Rs. 6,340 mn (Rs. 5,000 mn in 2010/2011)

6 Inventories

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Raw materials	**726,136**	722,599	-	-
Growing crop-nurseries	**33,224**	27,283	-	-
Work-in-progress	**147,389**	144,349	-	-
Finished goods	**2,056,872**	1,610,543	-	-
Produce inventories	**611,854**	798,321	-	-
Other inventories	**41,275**	46,074	-	-
Goods in transit	**6,818**	7,028	-	-
	3,623,568	3,356,197	-	-
Provision for unrealized profit	**(14,190)**	(14,313)	-	-
	3,609,378	3,341,884	-	-

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

The amount of write-down of inventories recognized as an expense is Rs. 79 mn (2011 Rs. 57mn) which is recognized under administration expenses.

Inventories carried at net realisable value as at 31st March 2012 amounted Rs. 736 mn (2011 Rs. 886 mn) which is recognized in cost of sales and administrative expenses.

Inventories with a carrying amount of Rs. 1,129 mn (2011 Rs. 1,250 mn) are pledged as security for loans obtained, details of which are disclosed in Note 13 to the financial statements.

Notes to the Financial Statements Contd.

7 Trade and other receivables

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Trade debtors	2,866,922	2,330,762	-	-
Less: Allowances for bad and doubtful debts	(261,672)	(421,008)	-	-
	2,605,250	1,909,754	-	-
Advances, deposits and prepayments	458,833	370,638	-	
Loans to employees	9,576	10,189	2,530	1,472
Other debtors	601,573	618,219	37,425	51,234
	3,675,232	2,908,800	39,955	52,706

8 Short term investments

			Group / Company			
	2011/2012	2010/2011	2011/2012		2010/2011	
Quoted investments	No. of shares	No. of shares	Market value Rs. '000	Cost Rs. '000	Market value Rs. '000	Cost Rs. '000
Commercial Bank of Ceylon PLC	78	-	8	2	-	-
John Keells Holdings PLC	78	54	16	6	26	6
Asian Hotel Properties PLC	639,400	319,700	49,314	17,721	59,399	17,721
NDB Bank PLC	20,800	-	2,526	3,567	-	-
Dialog Axiata PLC	11,110	10,100	78	192	115	192
			51,942	21,488	59,540	17,919
Appreciation / (provision) for fall in value of investment			-	30,454	-	41,621
			51,942	51,942	59,540	59,540

9 Stated capital

	2011/2012		2010/2011	
	Number of shares in '000	Value of shares Rs. '000	Number of shares in '000	Value of shares Rs. '000
Fully paid ordinary shares at the beginning of the year	1,937,241	1,627,612	1,923,765	1,578,475
Share options exercised during the year	1,349	6,241	13,476	49,137
Balance at the end of the year	1,938,590	1,633,853	1,937,241	1,627,612

9.1 The Company exercised a sub division of shares in the proportion of 15 shares for every 1 share held on 4th October 2010, the impact of which has been adjusted for the comparative column.

10 Capital reserves

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Capital reserve	124,526	124,526	8,199	8,199
Revaluation reserve	2,375	2,375	2,375	2,375
	126,901	126,901	10,574	10,574

10.1 Capital Reserves compromise surplus arising from revaluations and other statutory reserves.

11 Revenue reserves

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
A. General reserve	179,443	179,443	-	-
	179,443	179,443	-	-
B. Retained profit	3,830,892	3,041,659	560,011	617,905
	4,010,335	3,221,102	560,011	617,905

11.1 General reserves represent amounts set aside from time to time by the directors for general application. These have been appropriated by the board complying with the articles of association which provides for such amounts being set aside for future use and utilized based on board approval.

12 Foreign currency translation

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
At the beginning of the year	27,314	31,152	-	-
Exchange translation difference for the year	10,922	(3,838)	-	-
At the end of the year	38,236	27,314	-	-

Foreign currency translation relates to the resulting exchange difference on translation of financial statements of Arpitalian Compact Soles (Pvt) Ltd maintained in US dollars, into Sri Lankan rupees.

13 Interest bearing loans and borrowing

	Group		Company	
	2011/2012 Rs.'000	2010/2011 Rs.'000	2011/2012 Rs.'000	2010/2011 Rs.'000
At beginning of the year	3,073,532	3,197,229	424,084	1,033,469
Effect of foreign currency translation	5,012	(8,433)	-	-
Disposal of subsidiary	-	(1,087)	-	-
New Loans obtained	1,055,733	1,133,979	300,000	-
	4,134,277	4,321,688	724,084	1,033,469
Repayments	(1,062,506)	(1,248,156)	(295,001)	(609,385)
	3,071,771	3,073,532	429,083	424,084
Transferred to current Liabilities	(893,957)	(1,075,241)	(209,083)	(275,000)
At the end of the year	2,177,814	1,998,291	220,000	149,084
Total Interest Bearing Loans & Borrowings				
Repayable within one year	893,957	1,075,241	209,083	275,000
Repayable after one year	2,177,814	1,998,291	220,000	149,084
	3,071,771	3,073,532	429,083	424,084

Notes to the Financial Statements Contd.

B. Interest bearing loans and borrowings repayable after one year

Company	Lender	2011/2012 31.03.2012 Rs.'000	2010/2011 31.03.2011 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank of Ceylon PLC	76,000	234,800	Rs. 42 mn per quarter	Mortgage over Land and Building at Kandy & Battaramulla.
	Commercial Bank of Ceylon PLC	-	9,200	Rs. 7.5 mn per quarter	Mortgage over shares of Namunukula Plantations PLC
	DFCC Bank PLC	29,332	61,333	Rs. 2.67 mn per month	Mortgage over Machinery
	Indian Bank	43,750	118,750	Rs. 6.25 mn per month	Mortgage over Land & Building at Mattegoda
	Hatton National Bank PLC	280,000	-	Rs. 5mn per month	Mortgage over Land and Buildings at Union Place, Colombo 02
Richard Pieris Distributors Limited	Commercial Bank of Ceylon PLC	521,800	570,400	W.e.f. August 2011 Monthly Repayment	Credit Card receivables at Hyde Park Corner & Battaramulla Super Center
	State Bank of India	97,900	170,000	W.e.f. August 2011 Monthly Repayment	
	NDB AVIVA Fund Management	-	14,979	W.e.f. August 2011 Monthly Repayment	
	National Development Bank PLC	259,600	259,600	W.e.f February 2013	
	National Development Bank PLC	150,000	195,000	Rs. 15 mn per quarter	Clean Basis
Arpitech (Pvt) Limited	Pan Asia Bank PLC	-	28,496	Rs. 1.25 mn per month	Mortgage over Land, Plant & Machinery at Mattegoda
RPC Retail Development Company Limited	LOLC PLC	118,562	163,562	Rs. 3.75 mn per month	Mortgage over Land and Building at Negambo
Richard Pieris Exports PLC	Hatton National Bank PLC	29,327	76,760	US $ 125,000 per quarter	Mortgage over Land and Buildings at Union Place, Colombo 02
	State Bank of India	-	68,994	US $ 62,500 per month	Mortgage over Stocks, Debtors, Plant & Machinery and Land & Building at Ekala .
RPC Management Services (Pvt) Limited	DFCC Bank PLC	82,987	128,245	Rs. 3.772 mn per month	Mortgage over Shares of Maskeliya Plantations PLC
RPC Plantations Management Services (Pvt) Limited	Hatton National Bank PLC	14,572	27,076	Rs. 1mn per month	Promissory Note
Maskeliya Plantations PLC	ADB/ National Development Bank PLC	-	1,942	Rs. 0.28mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray Estates.
	ADB/ National Development Bank PLC	883	3,000	Rs. 0.18mn per month	
	ADB/ National Development Bank PLC	348	1,738	Rs. 0.16mn per month	
	ADB/ National Development Bank PLC	6,203	10,337	Rs. 0.35mn per month	Secondary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray Estates. Primary mortgage over leasehold rights of Talawakelle Estate.
	ADB/ National Development Bank PLC	8,616	13,786	Rs. 0.43mn per month	
	ADB/ National Development Bank PLC	2,490	4,063	Rs. 0.13mn per month	
	ADB/ National Development Bank PLC	10,454	16,427	Rs. 0.50mn per month	Tertiary mortgage over leasehold rights of Brunswick, Strathspey, Laxapana and Moray Estates. Secondary mortgage over leasehold rights of Talawakelle Estate.
	ADB/ National Development Bank PLC	8,972	14,099	Rs. 0.43mn per month	
	ADB/ National Development Bank PLC	2,935	4,612	Rs. 0.14mn per month	
	ADB/Seylan Bank PLC	14,798	19,128	Rs. 0.36mn per month	Primary mortgage over leasehold rights of Mousakelle Estates.
	ADB/Seylan Bank PLC	13,889	17,954	Rs. 0.34mn per month	
	ADB/Seylan Bank PLC	2,740	3,441	Rs. 0.06mn per month	
	DFCC Bank PLC	5,105	9,189	Rs. 0.34mn per month	Corporate Guarantee given by RPC Management Services (Pvt) Ltd
	Hatton National Bank PLC	563	4,313	Rs. 0.31mn per month	
	Hatton National Bank PLC	320,800	-	Rs. 5.8mn per month	Primary mortgage over leasehold rights of Ampitittiakande & Craig Estates.
	National Development Bank PLC- E-Friend Loan	13,874	23,128	Rs. 0.77mn per month	
	National Development Bank PLC- Government Relief Package	-	27,000	As per monthly Trust Papers	Securitization of future tea receivables
	NDB Investment Bank	-	112,600	As per monthly Trust Papers	Securitization of future tea receivables
	National Development Bank PLC	119,000	119,000	W.e.f.April 2012 Rs.1.4mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspy, Laxapana, Moray estates and Thalawakelle estate
Kegalle Plantations PLC	ADB/ National Development Bank PLC	-	4,133	Rs. 0.46mn per month	Corporate guarantee by Richard Pieris and Company PLC for Rs 33mn and Primary and secondary mortgage over leasehold rights of Atale, Pallegama, Parambe, Weniwella and Yatederiya Estates
	ADB/ National Development Bank PLC	8,883	14,709	Rs. 0.49mn per month	
	ADB/ National Development Bank PLC	11,315	17,649	Rs. 0.53mn per month	
	ADB/ Seylan Bank PLC	19,111	24,681	Rs. 0.46mn per month	Primary mortgage over leasehold rights of Eadella Estates
	Hatton National Bank PLC - E friend Loan	7,384	10,540	Rs. 0.26mn per month	Primary floating mortgage over leasehold property at Luckyland Estate, Udupussellawa, Badulla Estates
	ADB/ National Development Bank PLC	50,811	56,313	Rs. 0.63mn per month	Primary Mortgage over leased hold rights of Atale, Etana, Doteloya, Kirkless and Secondary mortgage over Pallegama, Parambe, Weniwella and Yataderiya Estates.
	ADB/ National Development Bank PLC	26,906	29,352	Rs. 0.407mn per month	

Company	Lender	2011/2012 31.03.2012 Rs.'000	2010/2011 31.03.2011 Rs.'000	Repayment	Security
	ADB/ National Development Bank PLC	173,000	173,000	Rs. 2.8mn per month	Tertiary Mortgage over leasehold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya Estates.
	ADB/ National Development Bank PLC	-	6,000	Rs.1.83mn per month	Securitized Sales Proceeds
	LOLC PLC	5,679	7,193	Rs. 0.13mn per month	Mortgage over Plant & Machineries at Luskeyland Estate
	National Development Bank PLC - E-Friend Loan	6,667		Rs. 0.22mn per month	Quanternary Mortgge over leasehold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya Estates.
	National Development Bank PLC - Field Development	397,733		Rs. 6.15mn per month	
Namunukula Plantations PLC	DFCC Bank PLC	35,773	56,064	Rs 2mn per month	Primary mortgage over leasehold rights of Hulandawa, Pallegoda, Yatadola & Hallala estates and undertaking from RPC Plantations Management Services (Pvt) Ltd
	ADB/LOLC PLC	12,133	14,932	Rs.0.23mn per month	Corporate Guarantee given by RPC Plantation Management Services (Pvt) Ltd
	ADB/LOLC PLC	6,560	7,830	Rs. 0.10mn per month	
	ADB/LOLC PLC	6,011	7,088	Rs.0.08mn per month	
	ADB/LOLC PLC	15,535	18,089	Rs.0.212mn per month	
	NDB Investment Bank	-	93,000	As per monthly Trust Papers	Promissory Note/ Securitization of future tea receivables
	NDB Investment Bank	52,770		Rs. 0.67mn per month	Primary Mortgage over machinery
	Total Term Loans	3,071,771	3,073,532		
	Transferred to Current Liabilities	(893,957)	(1,075,241)		
		2,177,814	1,998,291		

14 Net liability to the lessor of SLSPC / JEDB estates 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 as at 31.03.2012 Rs.'000	Repayable within 1 year Rs.'000	Repayable after 1 year less than 5 years Rs.'000	Repayable after 5 years Rs.'000	Total as at 31.03.2011 Rs.'000
Group								
Gross liability (14.1)	35,674	142,696	1,007,603	1,185,973	35,674	142,696	1,043,277	1,221,650
Less: finance charges	(25,984)	(99,902)	(412,160)	(538,046)	(26,358)	(101,548)	(436,498)	(564,404)
Net liability	9,690	42,794	595,443	647,927	9,316	41,148	606,779	657,246
Transferred to current liabilities				(9,690)				(9,316)
Net liability to the lessor of SLSPC/JEDB				638,237				647,930
Gross liability - other lease	2,795	-	-	2,795	14,025	3,137	-	17,162
Less: finance charges	(87)	-	-	(87)	(1,363)	(87)	-	(1,450)
Net liability to the other lessors	2,708	-	-	2,708	12,662	3,050	-	15,712
Transferred to current liabilities				(2,708)				(12,662)
				-				3,050
Total net liability to the lessor	12,398			638,237	21,978			650,980

14.1 The leases of the estates have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/- per estate per annum. The first rental payable under the revised basis was Rs. 6.744 mn and Rs. 15.744 mn for Maskeliya Plantations PLC and Kegalle Plantations PLC respectively from 22nd June 1996 to 21st June 1997.

Notes to the Financial Statements Contd.

Rentals payable according to the original Lease agreement stipulated that the frozen Average GDP Deflator for the Calendar Years 2002 to 2006 be used to calculate the lease rentals payable and to be reviewed at the time of the expiry of this agreement, in June 2008. The Regional Plantation Companies were at the negotiation table during the previous financial year as well as the year under review to continue the same basis for the ensuing periods. Subsequently in their communication with Regional Plantation Companies in May 2010, Ministry of Plantation Industries stated that the Lease Rentals should be calculated on the GDP Deflator from 2008/9 as stipulated in the original lease agreement.

This resulted in an arrears in Lease rental payments amounting to Rs. 37.3 mn and Rs. 32.2 mn for Kegalle and Namunukula Plantations respectively, payable in 12 equal installments

15 Deferred income

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Deferred grants and subsidies		
At beginning of the year	**584,763**	528,898
Grants received during the year	**17,187**	78,167
Amortized during the year	**(25,899)**	(22,302)
Disposal of subsidiary	**1,558**	-
At end of the year	**577,609**	584,763

16 Deferred tax liability / (assets)

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
At beginning of the year	**10,589**	24,981	**(36,953)**	(36,953)
Transfer from / (to) income statement	**53,103**	(14,392)	**-**	-
At end of the year	**63,692**	10,589	**(36,953)**	(36,953)

Deferred tax assets, liabilities related to the following:	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**331,977**	273,802	**31,708**	32,402
	331,977	273,802	**31,708**	32,402
Deferred tax assets				
Retirement benefit obligations	**(122,412)**	(119,337)	**(16,709)**	(13,602)
Benefits arising from tax losses	**(89,791)**	(99,434)	**(51,952)**	(55,753)
Other provisions	**(56,082)**	(44,442)	**-**	-
	(268,285)	(263,213)	**(68,661)**	(69,355)
Net deferred tax liability / (assets)	**63,692**	10,589	**(36,953)**	(36,953)

Deferred tax assets amounting to Rs. 214 mn (2011 Rs. 330 mn) for the Group and Rs. 72 mn (2011 Rs. 74 mn) for the company has not recognized since the companies do not expect these assets to reverse in the foreseeable future.

17 Employee benefit liabilities

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Provision for retiring gratuity				
At beginning of the year	1,662,131	1,529,685	48,578	50,141
Provision for the year	462,219	282,843	26,172	3,103
Payments	(183,721)	(150,397)	(15,076)	(4,788)
Transfers	-	-	-	122
At end of the year	1,940,629	1,662,131	59,674	48,578

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2012 by Messrs. Actuarial & Management Consultants (Pvt) Ltd. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

Assumptions	2011/2012	2010/2011
a) Demographic assumptions		
Retiring age:		
Executives	55-60 years	55-60 years
Non Executives	55 years	55 years
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
b) Financial assumptions		
Rate of interest net of tax per annum	11%	10.5%
Rate of salary increment	9%	9%
Rate of discount	11%	10.5%
In respect of plantation companies,		
Rate of interest net of tax per annum	11%	11%
Rate of salary increment:		
Workers	16% every two years	16% every two years
Staff employees	10% per year	10% per year
Rate of discount	11%	11%

18 Trade and other payables

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Trade payables	2,285,882	1,925,213	-	-
Accrued expenses	908,467	945,938	-	-
Others	1,405,709	781,995	873,129	258,991
	4,600,058	3,653,146	873,129	258,991

Notes to the Financial Statements Contd.

19 Short term borrowings

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Commercial papers (a)	**291,466**	125,853	**291,466**	125,853
Import loans (b)	**108,207**	78,611	**-**	-
Other short term borrowings (c)	**1,048,824**	1,799,678	**650,000**	1,400,000
Bank overdrafts (d)	**2,742,806**	1,801,792	**565,722**	45,479
	4,191,303	3,805,934	**1,507,188**	1,571,332

(a) Repayment of commercial papers will be less than three months.

(b) Import loans have been obtained for the purpose of operations and is repayable within thirty to ninety days.

(c) Short term borrowings mainly consist of money market borrowings and will be repayable at maturity within seven to ninety days.

(d) Bank overdrafts are repayable on demand.

20 Cash and cash equivalents

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Cash at bank and in hand	**3,445,988**	1,274,365	**25,210**	63,349
Treasury bills	**-**	1,289,494	**-**	-
	3,445,988	2,563,859	**25,210**	63,349
Short term borrowings (Note 19)	**(4,191,303)**	(3,805,934)	**(1,507,188)**	(1,571,332)
	(745,315)	(1,242,075)	**(1,481,978)**	(1,507,983)

21 Group segmental reporting

Business segment Year ended March 31 2012	Rubber Rs. '000	Tyre Rs. '000	Plastics Rs. '000	Retail Rs. '000	Services Rs. '000	Plantations Rs. '000	Inter segment eliminations Rs. '000	Group Rs. '000
Turnover								
External sales	2,541,168	2,833,996	4,930,480	13,862,300	103,614	7,226,356	-	31,497,914
Inter-segment sales	205,998	47,347	322,738	154,976	1,712,841	783,085	(3,226,985)	-
Intra-segment sales	39,518	1,458,164	2,321,432	75,551	-	322,265	(4,216,930)	-
Net turnover	2,786,684	4,339,507	7,574,650	14,092,827	1,816,455	8,331,706	(7,443,915)	31,497,914
Results								
Segment results	139,144	300,157	662,387	1,495,225	1,407,042	1,216,832	(1,217,022)	4,003,765
								4,003,765
Finance costs								(794,264)
Share of associate company profits								62,436
Profit before taxation								3,271,937
Taxation on profits								(706,128)
Profit for the year from continuing operations								2,565,809
Profit/(loss) after tax from discontinued operations								(4,374)
								2,561,435
Minority interest								(221,581)
Profit/(loss) attributable to equity holders of the parent								2,339,854
Segmental asset								
Assets	2,408,522	1,698,275	3,173,925	6,849,456	6,882,498	13,174,833	(11,358,419)	22,829,090
Investments in associates	159,933	-	-	-	64,045	29,960	(179,795)	74,143
Consolidated total assets								22,903,233
Segment liabilities								
Trade & other payables	200,654	107,529	809,185	1,580,945	963,220	1,589,160	-	5,250,693
Non interest bearing liabilities	87,954	126,035	79,135	214,229	85,690	2,194,599	(57,729)	2,729,913
Interest bearing liabilities	699,388	559,273	227,679	1,767,840	2,156,232	1,855,144	-	7,265,556
								15,246,162
Other information								
Capital expenditure	34,272	21,930	30,670	444,687	25,914	790,433	-	1,347,906
Depreciation	68,077	41,898	50,102	149,632	39,688	289,739	-	639,136
Impairment of Property, Plant & Equipment	39,285	-	-	-	-	-	-	39,285
Segmental cash flow								
Operating	324,552	117,746	291,276	(268,439)	248,715	1,142,428	112,467	1,968,745
Investing	(34,114)	(21,929)	(13,442)	(60,298)	(81,751)	(710,671)	547,152	(375,053)
Financing	(129,811)	(71,000)	(20,099)	(247,379)	(463,829)	(216,969)	52,154	(1,096,933)

Geographical segment	Sri Lanka Rs. '000	USA Rs. '000	Europe Rs. '000	Japan Rs. '000	Other Rs. '000	Inter segment eliminations Rs. '000	Group Rs. '000
Net turnover	32,944,147	353,925	1,063,086	81,004	1,272,682	(4,216,930)	31,497,914

Notes to the Financial Statements Contd.

21 Group segmental reporting contd.

Business segment	Rubber	Tyre	Plastics	Retail	Services	Plantations	Inter segment eliminations	Group
Year ended March 31 2011	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Turnover								
External sales	2,215,025	2,529,920	3,809,412	10,925,548	62,013	7,699,659	-	27,241,577
Inter-segment sales	202,149	58,742	373,271	119,855	1,128,256	810,090	(2,692,363)	-
Intra-segment sales	36,849	1,268,640	1,774,328	76,135	-	413,498	(3,569,450)	-
Net turnover	2,454,023	3,857,302	5,957,011	11,121,538	1,190,269	8,923,247	(6,261,813)	27,241,577
Results								
Segment results	(24,643)	263,943	460,200	827,759	429,316	2,031,672	(537,881)	3,450,366
								3,450,366
Finance costs								(794,617)
Share of associate company profits								113,008
Profit before taxation								2,768,757
Taxation on profits								(616,566)
Profit for the year from Continuing Operations								2,152,191
Profit/ (loss) after tax from Discontinued Operation								(11,609)
								2,140,582
Minority interest								(459,898)
Profit attributable to ordinary shareholders								1,680,684
Segmental assets								
Assets	2,284,492	1,757,046	2,924,522	5,960,404	5,375,493	11,674,794	(9,793,480)	20,183,271
Investments in associates	159,933			106,277	223,801	29,960	(63,785)	456,186
Consolidated total assets								20,639,457
Segment liabilities								
Trade & other payables	153,058	154,937	582,143	1,462,247	370,898	1,602,821	-	4,326,104
Non interest bearing liabilities	76,301	115,977	132,271	295,799	57,352	1,952,385	(62,658)	2,567,427
Interest bearing liabilities	804,154	585,518	476,614	1,555,457	2,163,185	1,297,376	-	6,882,304
								13,775,835
Other information								
Capital expenditure	30,395	18,870	11,601	483,569	12,910	643,872	-	1,201,217
Depreciation	80,452	42,055	56,335	112,741	46,967	269,793	-	608,343
Impairment of Property, Plant & Equipment	55,000	-	-	-	-	7,019	-	62,019
Segmental cash flow								
Operating	16,227	(108,557)	168,161	(93,278)	1,096,808	2,076,871	(337,352)	2,818,880
Investing	(69,875)	(18,341)	11,596	(622,892)	(378,381)	(634,853)	323,670	(1,389,076)
Financing	(142,898)	(31,000)	(82,080)	962,546	(1,092,809)	(593,063)	333,874	(645,432)

Geographical segment	Sri Lanka	USA	Europe	Japan	Other	Inter segment eliminations	Group
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Net turnover	28,380,258	315,829	959,356	-	1,155,583	(3,569,449)	27,241,577

22 Other operating income

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Profit from sale of property, plant and equipment	1,225	1,627	-	-
Amortization of capital grants and subsidies (Note 15)	25,898	22,303	-	-
Exchange gain	39,799	6,382	-	-
Interest income	276,545	134,078	-	-
Profit from sale of investments (Note 22.1)	717,178	-	515,832	
Scrap sales	20,011	12,107	-	-
Rental income	184,306	132,851	-	-
Sundry income	216,054	149,875	-	-
Change in the value of short term Investments	-	17,483	-	17,483
Negative goodwill	-	16,200	-	-
	1,481,016	492,906	515,832	17,483

22.1 During the year the group disposed its stake in Asian Alliance Insurance PLC and it ceased to be an associate company.

23 Other operating expenses

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
VAT on management fees of plantation companies	37,837	47,609	-	-
Loss on disposal of subsidiary (Note 23.1)	1,554	10,319	-	-
Amortization and impairment of tangible/intangible assets	45,226	45,208	-	-
Change in the value of short term investments	11,165	-	11,165	-
Others	7,928	61,908	-	-
	103,710	165,044	11,165	-

23.1 During the year the Group liquidated its subsidiary Playcraft Ltd whose operations were terminated several years ago.

24 Profits from operations is stated after charging

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Directors' remuneration & fees	31,885	39,472	11,454	17,683
Auditors' remuneration & fees	12,176	11,358	667	617
Depreciation	615,471	584,916	25,567	25,393
Amortization of leasehold property	23,664	23,427	-	-
Impairment losses	39,285	62,019	-	-
Provision for retiring gratuity	462,219	282,843	26,172	3,103
Staff costs including EPF/ETF contributions	5,240,987	4,254,549	46,946	41,975
Legal fees	6,631	6,292	973	611
Donations	2,954	4,123	207	219
Allowances for bad and doubtful debts & bad debts written off	91,125	108,909	28,184	73,249
Allowance for fall in value of investment	24,000	6,000	29,345	6,000
Amortization of Intangible Assets	15,004	10,808	-	-

Notes to the Financial Statements Contd.

25 Finance cost

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Interest on long term loans	274,982	363,835	92,913	80,243
Interest on short term loans	519,282	430,782	113,559	98,074
	794,264	794,617	206,472	178,317

26 Share of results of associates

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Turnover	1,882,579	2,965,608
Profit before tax	304,155	474,589
Group's share of profit before tax	62,436	113,008

Total assets and total liabilities of the associates amounts to Rs. 529 mn (2010/2011 Rs. 389 mn) and Rs. 112 mn (2010/2011 Rs. 66 mn) respectively.

The Group can influence up to 33.33% of the voting rights of the AEN Palm Oil Processing (Pvt) Ltd with the effective control of 19.58%.

During the year the group disposed its stake in Asian Alliance Insurance PLC and accordingly it ceased to be an associate company.

27 Income tax expense

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
27.1 Taxation on current year profit				
Richard Pieris and Company PLC	19,683	25,414	19,683	25,414
Subsidiaries	514,022	548,856	-	-
	533,705	574,270	19,683	25,414
Associates	-	620	-	-
Dividend tax	119,320	56,068	-	-
Deferred taxation (Note 27.3)	53,103	(14,392)	-	-
	706,128	616,566	19,683	25,414

27.2 Reconciliation of accounting profit to income tax expense of the company and its subsidiaries

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Profit before tax from continuing operations	3,271,937	2,768,757	1,512,410	504,303
Profit before tax from discontinued operations	(4,374)	(11,609)	-	-
Profit from associate companies	(62,436)	(113,008)	-	-
	3,205,127	2,644,140	1,512,410	504,303
Disallowed items	1,632,516	1,691,542	229,895	205,837
Allowable expenses	(2,697,174)	(2,061,580)	(1,113,012)	(600,080)
Tax exempted income	(1,520,235)	(1,247,464)	(515,832)	-
	620,234	1,026,638	113,461	110,060
Tax loss brought forward	(3,141,384)	(3,141,561)	(481,547)	(501,408)
Tax losses carried forward	3,250,181	2,989,665	441,836	462,887
Taxable income	729,031	874,742	73,750	71,539
Income tax @ 28% (2011 - 35%)	438,577	516,092	20,650	25,039
Income tax @ 15%	4,261	44,981	-	-
Income tax @ 12%	7,780	-	-	-
Income tax @ 10%	78,074	-	-	-
Income tax at other rates	3,528	3,656	-	-
Social Reasonability Levy (1.5%)	-	8,820	-	375
	532,220	573,549	20,650	25,414
(Over) / Under provision in the respect of previous year	1,485	721	(967)	
	533,705	574,270	19,683	25,414
Tax on associates results	-	620	-	-
Dividend tax	119,320	56,068	-	-
Deferred tax	53,103	(14,392)	-	-
Total income tax expense	706,128	616,566	19,683	25,414

27.3 Deferred tax expenses / (reversal)

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Accelerated depreciation for tax purpose	58,175	(29,957)	(3,523)	2,829
Retirement benefit obligations	(3,075)	(644)	840	(3,947)
Benefit arising from tax losses	9,643	15,527	2,683	1,118
Others	(11,640)	682	-	-
Total deferred tax (reversal) / charge	53,103	(14,392)	-	-

The deferred tax effect on undistributed reserves of subsidiaries has not been recognized since the parent can control the timing of the reversal of these temporary differences.

Notes to the Financial Statements Contd.

27.4 Income tax rates and details of tax holidays enjoyed by the group

The tax liabilities of resident companies (quoted and un-quoted) are computed at the standard rate of 28% (Previous year 35 %) & manufacturing & services undertakings below the turnover thresh hold of Rs. 300 mn are taxed at 10 %.

The export profits of Richard Pieris Exports PLC is liable to income tax at a concessionary rate of 12% for a period of twenty years commencing from the year of assessment 1995/1996, in terms of Section 52 of the Inland Revenue Act No. 10 of 2006. (Previous year 15 %).The export profits of Richard Pieris Natural Foams Limited is also liable to income tax at 12% & Other profit & income is liable to tax at 28%.

Under the Board of Investment Law No. 04 of 1978, the profits of Arpitalian Compact Soles (Private) Limited is liable to income tax at 12% for the year of assessment 2011/12.Other profits and income is liable to tax at 28%.

RPC Polymers has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the BOI law and accordingly its profit and income is exempt from income tax for a period of three years commencing from the year of assessment 2008/09.Currently the Company will be liable to tax at 10% for a period of 2 years immediately succeeding the last day of said exemption period and thereafter it will be liable at the reduced income tax rate of 20%.

In terms of an agreement entered in to with the Board of Investments of Sri Lanka under the BOI Law NO.04 OF 1978, RPC Retail Development (Private) Limited will be exempt 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 will be liable to income tax at 10% for two years and at 20% thereafter.

The profits of Arpico Industrial Development Company (Private) Limited is subject to a concessionary income tax rate of 2% on turnover for a period of fifteen years from the financial year 2002/2003 in terms of the agreement entered into with the Board of Investment of Sri Lanka.

Micro Mineral (Private) Limited is taxed at a concessionary rate of 15%, in terms of an agreement entered into with the Board of Investment of Sri Lanka under the Board of Investment of Law No. 04 of 1978. It is entitled to this concessionary rate for a period of twenty years commencing 1st September 1996.

Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC are liable for income tax at the rates of 28% on manufacturing activities and profits from agriculture were exempt ed from income tax for five years which ended up 31st March 2011 & tax at 10 % commencing from 1st April 2011.

27.5 Social Responsibility Levy

As per the provision of the Finance Act No. 08 of 2008, Social Responsibility Levy (SRL) was payable in last year at the rate 1.5% on the income tax payable and this has been removed with effect from 1st April 2011.

28 Discontinued Operations

The Group continued to focus on its core business operations and restructure or exist from marginal businesses with limited potential. Accordingly operations of four businesses with incurring heavy losses have been discontinued namely, Arpico Homes Limited, Hamefa Kegalle (Private) Limited, R P C Global Travels (Private) Limited, Arpico Natural Latexfoams (Private) Limited.

The results of discontinued operations are given below.

	2011/2012 Rs. '000	2010/2011 Rs. '000
Revenue	-	-
Cost of Sales	-	-
Gross Profit / (Loss)	-	-
Other Income	4,515	4,369
Expenses	(8,889)	(15,978)
Loss for the year from discontinued operations	(4,374)	(11,609)

Cash flow implications for the year are presented below:

	2011/2012 Rs. '000	2010/2011 Rs. '000
Net cash flows from operating activities	2,143	(2,989)

Assets and Liabilities of Entities that are not going concern

The financial statements of the companies stated above have been prepared on a basis other than on a going concern reflecting the closure of discontinued operations.

The aggregated amount of assets and liabilities of such companies as at 31March 2012 are as follows.

Total assets Rs. 124 mn (2011 Rs.132 mn)
Total liabilities Rs. 450 mn (2011 Rs. 454 mn)

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

29 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, without a corresponding change in the resources such as a bonus issue.

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

Notes to the Financial Statements Contd.

29 Earnings per ordinary share Contd.

	2011/2012 Rs. '000	2010/2011 Rs. '000
Profit attributable to equity holders of the parent from continuing operations	**2,339,854**	1,692,293
Loss attributable to equity holders of the parent from a discontinued operation	**(4,374)**	(11,609)
Net Profit/ (Loss) attributable to equity holders of the parent	**2,335,480**	1,680,684
Weighted average number of ordinary shares applicable to basic earnings per share	**1,937,928,458**	1,933,017,932
Adjusted Weighted average number of ordinary shares applicable to diluted earnings per share	**2,020,146,917**	2,009,454,318
Basic earnings per share	**1.21**	0.87
Diluted earnings per share	**1.16**	0.84
Earning Per Share from continuing operations - Basic	**1.21**	0.88
Earning Per Share from continuing operations - Diluted	**1.16**	0.84

30 Dividend per share

	2012 Rs.000	2011 Rs.000
Final dividend 2010/11 Rs.0.10 per share	**193,749**	-
Interim dividend Rs.0.70 per share (2010/11 Rs.0.20 per share)	**1,356,872**	387,096
	1,550,621	387,096

(1) The final dividend of Rs.0.10 per share for the financial year ended 31 March 2011 was paid on 08th June 2011.

(2) The 1st interim dividend of Rs.0.40 per share for the financial year ended 31.03.2012 was declared on 25th November 2011 and was paid on 15th December 2011.

(3) The 2nd interim dividend of Rs.0.30 per share for the financial year ended 31.03.2012 was declared on 29th March 2012 and was paid on 23rd April 2012.

31 Contingent liabilities

The contingent liabilities as at 31st March 2012 on corporate guarantee issued by the Company on loans obtained by subsidiary companies has been decreased from Rs. 63 mn to Rs. 49 mn. Guarantees given by subsidiaries on loans obtained amounted to Rs. 164 mn.

Following a strike at Richard Pieris Exports PLC a subsidiary of the Group, which was considered as unjustifiable, 160 workers were terminated on 28th December 2007. Since negotiations failed, the matter has been referred to arbitration by Minister of Labour and contested at the court of appeal at present. The maximum amount demanded by the union on behalf of the workers is Rs.136 mn, which demand the company has resisted/opposed.

Namunukula Plantations PLC, a subsidiary of the Group sub leased six (6) estates to Tusker Bottling Ltd. Tusker Bottling Ltd is currently being wound up pursuant to a Court Order.

In the event the sub lease agreement is cancelled and the company takes possession of the six sub leased estates, Namunukula Plantations PLC may be called upon to pay the arrears of statutory payments to the employees which the leases; Tusker Bottling Ltd failed to pay which is estimated at Rs. 69.6 mn.

There are more than 29 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Ltd, Namunukula Plantations PLC 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. Namunukula Plantations PLC 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 party.

32 Capital and lease commitments

The capital commitments for property, plant and equipment incidental to the ordinary course of business as at 31st March 2012, approved by the Board are as follows:

	Group		Company	
	2011/2012 Rs. '000	2010/2011 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000
Contracted but not provided for	**251,530**	105,061	**-**	-
Approved but not contracted for	**944,763**	408,848	**-**	-
	1,196,293	513,909	**-**	-

B Lease Commitments

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

	Group	
	2011/2012 Rs.'000	2010/2011 Rs.'000
Within one year	**76,384**	73,920
After one year but not more than five years	**425,533**	322,689
More than five years	**356,417**	535,646
	858,334	932,255

33 Employee share option plan

The initial Employee Share Option Plan (ESOP 1) was set up by a Special Resolution adopted by the shareholders at an Extraordinary General Meeting (EGM) of the company held on 10th June 1998 by allocating 5% of the issued share capital of the company to this scheme.

A second ESOP scheme was set up following a Special Resolution adopted by the shareholders at an EGM of the company held on 29th July 2005 by allocating and granting 5% of the issued share capital of the company.

Details of these schemes are presented in the table below.

	Number of Shares	
	ESOP-1	ESOP-2
Available as at 1.4.2011	48,371,330	84,750,615
Options exercised during the year (ESOP1 at Rs. 5.23 and ESOP2 at Rs. 3.08)	(970,000)	(379,265)
Available as at 31.03.2012	47,401,330	84,371,350

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

33.1 The Company exercised a sub division of shares in the proportion of 15 shares for every 1 share held on 4th October 2010 and the impact of which has been adjusted for in the comparative column.

Notes to the Financial Statements Contd.

34 Post balance sheet events

There have been no material events occurring after the Balance Sheet date that require adjustments to disclosure in the Financial Statements.

35 Related party disclosures

35.1 Transaction with related entities

	Nature of transactions	Group 2011/2012 Rs. '000	Group 2010/2011 Rs. '000	Company 2011/2012 Rs. '000	Company 2010/2011 Rs. '000
35.1.1	Subsidiaries				
	Amounts receivable as at 31 March	-	-	1,761,629	984,541
	Amounts Payable as at 31 March	-	-	322,008	177,515
	Allocation of common personnel and administration expenses	-	-	165,554	145,636
	Rendering of Services	-	-	62,201	63,877
	Net investments made	-	-	164,442	113,333
	Dividends received	-	-	1,074,536	537,881
	Rent income	-	-	127,174	128,432
	Royalty income	-	-	267,401	215,757
	Allowances for doubtful debt	-	-	33,528	48,739
35.1.2	Associates				
	Amounts receivable as at 31 March	139,685	-	-	-
	Sale of goods/services	366,198	282,041	-	-
	Purchase of goods/services	-	9,185	-	-
35.1.3	Significant Investor				
	Dividend paid	258,194	137,704	258,194	137,704

35.1.4 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at the year end are unsecured.

35.1.5 Off balance sheet items

Guarantees given by the Company to Banks on behalf of related parties are disclosed in Note 13 to the financial statements.

35.2 Transactions with key management personnel of the company or its parent

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

a) Key management personnel compensation

	Group 2011/2012 Rs. '000	Group 2010/2011 Rs. '000	Company 2011/2012 Rs. '000	Company 2010/2011 Rs. '000
Short-term employee benefits	31,885	39,472	11,454	17,683

b) Other transactions with key management personnel

Richard Pieris and Company carries out transactions with Key Management Personnel 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 granted to key management personnel

The options granted and held by Key Management Personnel under the Employee Share Option Plan were as follows:

	Group	
	2011/2012 Rs. '000	2010/2011 Rs. '000
Options granted and obtained under ESOP-1	**49,341,330**	48,371,330
Cumulative options granted and obtained under ESOP-2	**85,129,880**	84,750,615

Value of options exercised by Key Management Personnel that resulted increase in stated capital amounted to Rs. 6.24 mn.

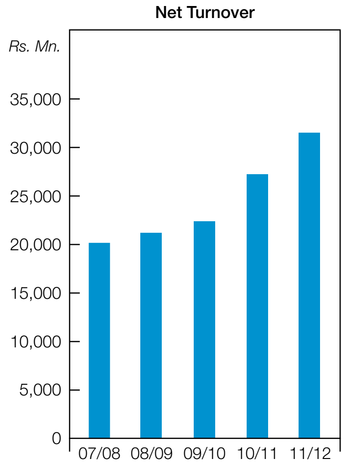
35.3 Other related party disclosures

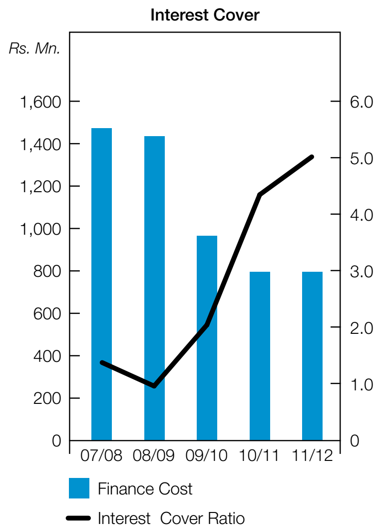
Legal fees amounting to Rs. 4.4 mn (2011 Rs. 5.7 mn) was paid by the Group to an entity in which a Key Management personnel was a Partner.

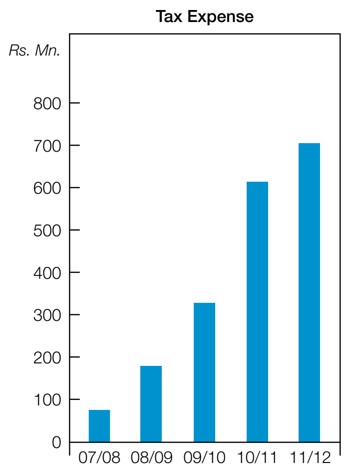
35.4 Other transactions with group companies

During the year, Richard Pieris Distributors Ltd and Richard Pieris Plantations Pvt Ltd, which are fully owned subsidiaries of Richard Pieris and Company PLC paid dividends to Richard Pieris and Company PLC amounting to Rs. 587 mn and Rs. 274 mn respectively.

Ten Year Summary



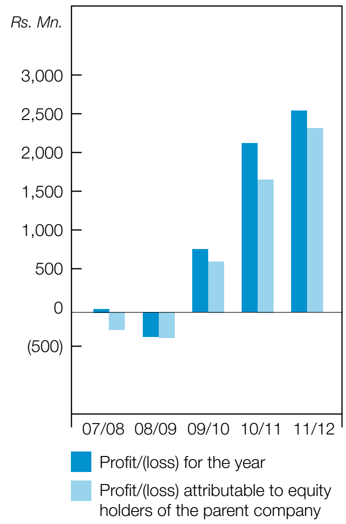




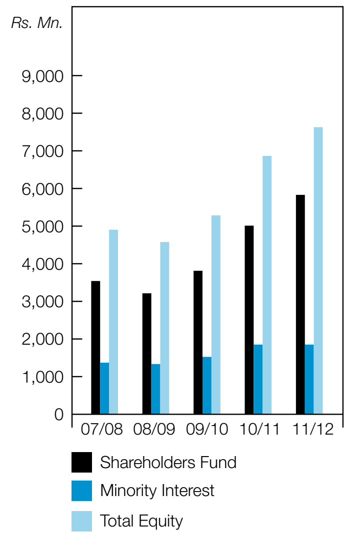
	2011/2012 Rs. '000	2010/2011 Rs. '000	2009/2010 Rs. '000
TRADING RESULTS			
Net turnover	**31,497,914**	27,241,577	22,339,288
Profit from operations	**4,003,765**	3,450,366	1,969,697
Loss on disposal of investment	**-**	-	-
Finance cost	**(794,264)**	(794,617)	(969,147)
Profit from operations after finance cost	**3,209,501**	2,655,749	1,000,550
Income from associates before tax	**62,436**	113,008	59,609
Profit/(loss) before tax from continuing operations	**3,271,937**	2,768,757	1,060,159
Income tax expense	**(706,128)**	(616,566)	(330,592)
Profit/(loss) for the year from continuing operations	**2,565,809**	2,152,191	729,567
Loss after tax from discontinued operations	**(4,374)**	(11,609)	(17,873)
Profit/(loss) for the year	**2,561,435**	2,140,582	711,694
Minority interest	**221,581**	459,898	131,490
Profit/(loss) attributable to equity holders of parent	**2,339,854**	1,680,684	580,204
Gross dividend	**1,550,621**	515,946	-
BALANCE SHEET			
Assets			
Property, plant and equipment	**11,313,855**	10,607,259	10,142,760
Intangible assets	**542,758**	497,279	480,177
Investments in associates and other investments	**79,768**	480,186	180,919
Current assets	**10,966,849**	9,054,733	6,560,961
	22,903,230	20,639,457	17,364,817
Equity and liabilities			
Stated Capital	**1,633,853**	1,627,612	1,578,475
Capital and revenue reserves	**4,137,236**	3,348,003	2,185,500
Foreign currency translation	**38,236**	27,314	31,152
Preliminary and pre-operating expenses	**-**	-	-
Minority interest	**1,847,746**	1,860,693	1,500,836
Term loans payable after one year	**2,177,814**	1,998,291	1,957,680
Deferred income and Deferred tax	**641,301**	595,352	553,879
Provisions and other liabilities	**1,940,629**	1,662,131	1,529,685
Net liability to the lessor payable after one year	**638,237**	650,980	672,158
Current liabilities	**9,838,791**	8,869,081	7,355,452
	22,893,839	20,639,457	17,364,817
RATIOS & OTHER INFORMATION			
Earnings per share (Rs.)	**1.21**	0.87	4.52
Market value per share (Rs.)	**7.50**	13.60	55.00
Price earnings ratio (No. of Times)	**6.20**	15.63	12.17
Net assets per share (Rs.)	**3.00**	2.58	29.57
Return on equity (%)	**43.28**	38.22	16.56
Dividend per share (Rs.)	**0.70**	0.30	1.00
Dividend cover (No. of Times)	**1.73**	2.90	4.52
Interest cover (No. of Times)	**5.04**	4.34	2.03
Current ratio (No. of Times)	**1.11**	1.02	0.89
Gearing ratio (%)	**33.28**	38.62	49.68

2008/2009	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004	2002/2003
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
21,103,176	20,142,591	15,627,638	13,093,791	10,118,693	5,237,157	4,351,197
1,378,556	2,045,930	1,640,288	1,256,820	1,316,639	498,085	260,807
-	(277,000)	-	-	-	-	-
(1,436,225)	(1,472,629)	(879,601)	(548,240)	(313,895)	(120,136)	(171,343)
(57,669)	296,301	760,687	708,580	1,002,744	377,949	89,464
41,015	27,969	11,646	4,593	101,455	193,647	97,149
(16,654)	324,270	772,333	713,173	1,104,199	571,597	186,613
(180,411)	(77,278)	(92,231)	(120,150)	(151,567)	(71,738)	(29,728)
(197,065)	246,992	680,102	-	-	-	-
(107,963)	(203,216)	(165,527)	-	-	-	-
(305,028)	43,776	514,575	593,023	952,632	499,859	156,885
24,055	(258,853)	(208,180)	(63,994)	(82,229)	(19,194)	(31,095)
(329,083)	(215,077)	306,395	529,029	870,403	480,665	125,790
-	-	59,193	177,578	207,174	177,403	47,111
10,167,170	10,125,468	9,433,192	9,464,246	6,203,485	5,481,116	2,105,783
491,491	500,857	500,816	520,058	272,053	286,989	74,655
136,757	101,007	1,765,956	96,408	73,694	628,540	1,018,016
6,128,679	7,079,997	5,983,116	5,801,373	4,143,522	2,543,878	1,408,965
16,924,097	17,807,329	17,683,080	15,882,085	10,692,754	8,940,523	4,607,419
1,578,475	1,578,475	1,183,856	1,183,856	591,928	590,540	235,556
1,603,061	1,932,144	2,601,033	2,395,652	2,576,931	1,902,699	1,880,271
32,371	21,599	23,363	17,162	13,878	12,315	11,765
-	-	-	-	-	-	-
1,380,908	1,390,232	1,197,663	1,022,198	805,191	760,230	220,763
2,354,617	2,683,162	2,968,288	2,197,653	1,224,344	1,515,237	553,159
499,951	386,143	353,751	521,598	435,731	434,425	106,790
1,103,222	1,037,650	871,716	832,373	595,252	563,882	151,082
697,432	722,234	713,740	691,219	441,632	446,411	-
7,674,060	8,055,690	7,769,670	7,020,374	4,007,867	2,714,783	1,448,033
16,924,097	17,807,329	17,683,080	15,882,085	10,692,754	8,940,523	4,607,419
(2.57)	(1.68)	2.39	4.47	7.36	4.07	1.07
25.00	39.00	65.00	75.00	165.00	92.75	92.50
-	-	27.20	16.78	11.28	11.39	17.29
25.06	27.54	32.17	30.38	53.77	42.43	36.03
(10.24)	(6.09)	8.05	15.61	30.60	20.75	5.99
-	-	0.50	1.50	3.50	3.00	2.00
-	-	4.78	2.98	4.20	2.71	2.67
0.96	1.20	1.86	2.30	4.52	5.76	2.09
0.79	0.88	0.77	0.83	1.03	0.94	0.97
59.80	61.49	63.03	58.61	41.93	45.22	41.13

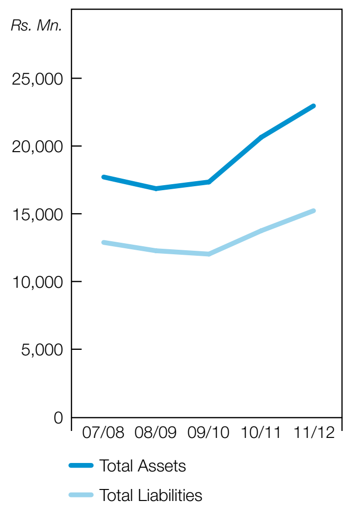
Profitability



Equity



Net Assets



Shareholder Information

The Ordinary Shares of the Company are listed in the Colombo Stock Exchange.
The audited Income statement for the year ended March 31, 2012 and the audited Balance Sheet of the Company as at date will be submitted to the Colombo Stock Exchange within two months of the Balance Sheet Date.

As at the financial year ended 31st March

Distribution of Shareholders

Range of Shareholding		No of share holders as at 31/03/2012	No of shares	% of Shareholding	No of share holders as at 31/03/2011	No of shares	% of Shareholding
1	500	**2,594**	**626,463**	**0.03%**	2,116	514,654	0.03%
501	5,000	**5,684**	**12,378,700**	**0.64%**	4,943	10,981,915	0.56%
5,001	10,000	**1,331**	**10,841,741**	**0.56%**	1,275	10,489,700	0.54%
10,001	20,000	**945**	**14,255,376**	**0.74%**	894	13,555,558	0.70%
20,001	30,000	**398**	**10,307,610**	**0.53%**	387	9,985,942	0.52%
30,001	40,000	**199**	**6,995,036**	**0.36%**	190	6,785,040	0.35%
40,001	50,000	**162**	**7,577,172**	**0.39%**	175	8,259,876	0.43%
50,001	100,000	**322**	**23,764,749**	**1.23%**	336	25,043,620	1.29%
100,001	1,000,000	**378**	**112,308,960**	**5.79%**	430	129,452,380	6.68%
1,000,001	& above	**74**	**1,739,534,993**	**89.73%**	77	1,722,172,850	88.90%
		12,087	**1,938,590,800**	**100.00%**	10,823	1,937,241,535	100.00%

As at the financial year ended 31st March

Composition of Shareholders

Category	No of share holders as at 31/03/2012	No of shares	% of Shareholding	No of share holders as at 31/03/2011	No of shares	% of Shareholding
Institutional Investors	**457**	**1,619,751,084**	**83.55%**	483	1,602,110,606	82.70%
Individual Investors	**11,630**	**318,839,716**	**16.45%**	10,340	335,130,929	17.30%
Total	**12,087**	**1,938,590,800**	**100.00%**	10,823	1,937,241,535	100.00%
Resident shareholders	**11,917**	**782,914,470**	**40.39%**	10,624	551,702,825	28.48%
Non-resident shareholders	**170**	**1,155,676,330**	**59.61%**	199	1,385,538,710	71.52%
Total	**12,087**	**1,938,590,800**	**100.00%**	10,823	1,937,241,535	100.00%

Public share holding as at March 31, 2012 is 44.91% (31.03.2011 Restated - 44.86%)

Market Activity

	2011/12	Date	2010/11	Date
Highest Price (Rs.)	**14.00**	23-Jun-11	16.00	10-Feb-11
Lowest Price (Rs.)	**6.50**	15-Feb-12	3.65	5-Apr-10
Year End Price (Rs.)	**7.50**	30-Mar-12	13.60	31-Mar-11
No of Transactions	**30,989**		83,296	
No of shares traded	**169,330,634**		498,981,700	
Share turnover (Rs.)	**1,917,959,866**		12,317,878,175	

Major Shareholders as at 31st March

	Name of the Shareholder	3/31/2012	%	3/31/2011	%
1	Skyworld Overseas Holdings Limited	**516,388,590**	26.64%	516,274,590	26.65%
2	Camille Consulting Corp.	**316,935,120**	16.35%	316,935,120	16.36%
3	HSBC International Nominees Ltd-SSBT- Deutsche Bank	**225,375,570**	11.63%	225,375,570	11.63%
4	Sezeka Limited	**174,447,000**	9.00%	174,447,000	9.00%
5	Employees Provident Fund	**130,983,643**	6.76%	99,186,140	5.12%
6	Rockport Limited	**99,506,865**	5.13%	99,506,865	5.14%
7	Mr. D.W.R.Rutnam & Mr. J.L.G. Wilson (The Executors of the estate of Late Mr. M.D. Rutnam)	**25,759,500**	1.33%	25,759,500	1.33%
8	The Executor of the Estate of Late Mrs L.B. S. Pieris	**22,782,045**	1.18%	22,782,045	1.18%
9	Mr. H.A. Pieris	**20,458,015**	1.06%	20,458,015	1.06%
10	Mercantile Investments and Finance PLC	**15,785,995**	0.81%	16,035,995	0.83%
11	Dhanasiri Recreation Pvt Ltd	**12,401,015**	0.64%	N/A	N/A
12	Kalday (Pvt) Ltd.	**12,126,030**	0.63%	12,126,030	0.63%
13	Mr. K. R. Dharmendra	**7,576,900**	0.39%	7,576,900	0.39%
14	Mr. R.C. Peries	**7,188,780**	0.37%	7,253,780	0.37%
15	Seylan Bank PLC - Account No: 03	**7,000,000**	0.36%	5,000,000	0.26%
16	Dr. C.M. Fernando	**6,660,570**	0.34%	6,660,165	0.34%
17	Employees Trust Fund Board	**6,419,095**	0.33%	N/A	N/A
18	Mrs. S. Wambeek	**6,217,800**	0.32%	9,248,200	0.48%
19	Mr. M.M. Udeshi	**6,003,600**	0.31%	6,156,000	0.32%
20	National Savings Bank	**5,323,900**	0.27%	N/A	N/A
		1,625,340,033	83.85%	1,570,781,915	81.09%

Directors Shareholding as at 31st March

No.	Name of Director	No. of shares as at 31st March 2012	No. of shares as at 31st March 2011
1	Dr. Sena Yaddehige	**-**	-
2	Mr. J H Paul Ratnayeke	**3,250,005**	3,250,005
3	Prof. Lakshman R Watawala	**40,000**	105,000
4	Dr. Susantha Pathirana	**-**	-
5	Mr. Viville Perera	**4,500**	2,500
6	Mr. Sunil Liyanage (Appointed w.e.f. 27/01/2012)	**3,708,505**	N/A
7	Mr. M M Udeshi (Ceased to be a director w.e.f. 30/06/2011)	**6,003,600**	6,156,000

Group Real Estate Portfolio

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2012 Rs.'mn	Market Value 2011 Rs.'mn
Richard Pieris & Co. Ltd.	Hyde Park Corner	709	59,182	**4,123**	3,900
	Maharagama	1,739	347,217	**1,816**	1,557
RPC Real Estate Co. Ltd	Kandy	162	36,890	**977**	943
Arpico Industrial Dev Co (Pvt) Ltd.	Mattegoda	1,402	223,405	**658**	553
Richard Pieris Distributors Ltd.	Maharagama.	195	38,306	**261**	220
	Moratuwa.	85	-	**110**	100
	Mulleriyawa.	192	-	**10**	10
RPC Retail Development (Pvt) Ltd.	Negamboo	226	43,000	**424**	380
	Kelaniya	102	-	**95**	93
	Wattala	100	-	**131**	126
Arpimall Development (Pvt0 Ltd.	Dehiwala.	169	83,600	**670**	643
	Battaramulla.	116	40,757	**479**	459
Plastishells Ltd.	Mathegoda.	340	45,825	**192**	192
	Dambulla.	284	4,600	**19**	19
Arpico Flexifoam (Pvt) Ltd	Mattegoda	1,136	-	**284**	284
Richard Pieris Exports Ltd	Ja-Ela	640	36,300	**120**	120
Micro Minerals (Pvt) Limited	Bandaragama	320	16,500	**15**	15
Richard Pieris Tyre Company Ltd	Kurunagala	450	26,015	**40**	40
Arpidag International (Pvt) Ltd	Maharagama	80	17,946	**106**	64
Total				**10,530**	9,718

Leasehold Land & Buildings

Owning Company	Location	Land in Hec	Building in (Sq.Ft)
(A) Leasehold Land of Plantations			
Maskeliya Plantations PLC		10,561	7,112,890
Kegalle Plantations PLC		9,757	3,507,810
Namunukula Plantations PLC		11,775	3,026,546

		Land in Per	Building in (Sq.Ft)
(B) Leasehold Land of other subsidiaries			
Plastishells Ltd	Koggala	160	2,980
	Pallekale	160	2,980
RPC Polymers (Pvt) Ltd	Horana	1,392	60,000
Arpitalian Compact Soles (Pvt) Ltd	Biyagama	751	30,062
Richard Pieris Natural Foams (Pvt) Ltd	Biyagama	851	80,920
Richard Pieris Tyre Company Ltd	Pallekale	252	27,530
	Weligama	432	28,347
	Polonnaruwa	540	30,690

Glossary of Financial Terms

Associate Company
A Company other than a subsidiary in which a holding company has a participating interest and exercises significant influence over its operating and financial policies.

Current Ratio
Current Assets divided by Current Liabilities. A measure of short term liquidity.

Debt to Equity Ratio
Long term Interest Bearing Borrowings divided by Net Assets.

Deferred Taxation
Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

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 at the year end.

Dividend Yield
Gross Dividend per share as a percentage of the year end market price per share. A measure of return on shareholders' investment.

Earnings Per Share (EPS)
Profits attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares in issue.

Earnings Yield
Earnings per Share as a percentage of the year end market price per share.

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

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

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

Interest Cover
Profit Before Tax (PBT) plus net finance cost divided by net finance cost. Measure of entity's debt service ability.

Investment Property
A property that is not occupied by the owner, usually purchased specifically to generate profit through rental income and/or capital gains.

Market Capitalization
Number of shares in issue multiplied by the market value of a share at the reported date.

Minority Interest
An outside ownership interest in a subsidiary that is consolidated with the parent for financial reporting purposes.

Net Assets per Share
Shareholders' fund divided by weighted average number of Ordinary Shares in issue. A basis of relative share valuation.

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

Price to Book Value
Market price of a share divided by Net Assets per share.

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.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the business.

Return on Total Capital Employed
Profit before Tax plus net finance cost divided by average total capital employed.

Glossary of Financial Terms Contd.

Return on Equity
Profit after Tax less Preference Share dividend if any, expressed as a percentage of Average Ordinary Shareholders' Fund.

Revenue Reserves
Reserves considered as being available for distributions.

Recession
Reduction of a country's GDP or negative real economic growth for at least two consecutive quarters.

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

Shareholders' Fund
Stated Capital plus Revenue Reserves.

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

Subsidiary Company
A company is a subsidiary of another company if the parent company holds more than 50% of the voting rights or controls the composition of its Board of Directors.

Total Capital Employed
Total Shareholders' Fund plus Minority Interest plus total interest bearing borrowings.

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.

Working Capital Investment
Capital required financing the day-to-day operations computed as the excess of current assets over current liabilities.

Notes

Notes Contd.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Third Annual General Meeting of Richard Pieris & Company PLC will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama on Friday, 29th June 2012 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 2012 with the Report of the Auditors thereon.

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

3. To elect Mr. Sunil Liyanage who retires in terms of Article 91 as a Director.

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

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

6. 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

24th May 2012

Note:

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

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

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

Form of Proxy

I/We* (in block letters) ....
of .... being a member / members of the RICHARD PIERIS & COMPANY PLC, hereby appoint ....
.... of
....
whom failing DR. SENA YADDEHIGE whom failing JAMES HENRY PAUL RATNAYEKE whom failing PROF. LAKSHMAN RAVENDRA WATAWALA whom failing PROF. SUSANTHA DEDDUWA PATHIRANA whom failing VIVILLE PRAXIDUS PERERA whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE* as my/our proxy to represent me/us and to vote on my/our behalf at the Seventy Third ANNUAL GENERAL MEETING of the Company to be held on 29th June 2012 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

		In favour	Against
1.	To consider the Report of the Directors and the Statement of Accounts for the year ended 31st March 2012 with the Report of the Auditors thereon.		
2	To re-elect Mr. J H P Ratnayeke, who retires by rotation in terms of Article 85 at the Annual General Meeting, as a Director		
3.	To elect Mr. Sunil Liyanage, who retires in terms of Article 91 at the as a Director		
4.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
5.	To authorize the Directors to determine contributions to charities		
6.	To consider any other business of which due notice has been given		

Dated this .... day of 2012

....
Signature of shareholder

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

Form of Proxy Contd.

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

To be valid, this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 4.00 p.m. on Wednesday, 27th June 2012.

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.

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Richard Pieris & Company PLC
310, High Level Road, Nawinna, Maharagama, Sri Lanka.

www.arpico.com