82 Years Since 1932

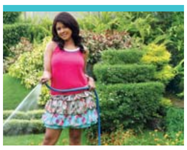
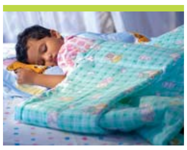
TOUCHING LIVES

Richard Pieris & Company PLC
Annual Report 2013 / 2014

Contents

Our Business




Financial Information

82 Years Since 1932

TOUCHING LIVES

As Richard Pieris and Company adds another year to its illustrious history we continue our mission to be a part of every Sri Lankan life.

A company that has redefined limits and stood as an inspiration; as a beacon in the darkness.

An enterprise that embodies strength and resilience amidst challenges and opportunities.

A team that believes in the message we deliver, in the vision we have maintained.

A heritage that has lasted 82 years.

About Us

We, Richard Pieris and Company PLC, are one of the oldest and largest diversified conglomerates in Sri Lanka, touching the lives of numerous stakeholders in numerous manners. Enriched with a proud heritage and driven by strong principles which have been carved in to the very heart of our business strategy, we have successfully extended our reach across the country, from the most rural areas to the most urbanized. Our team, of over 30,000 dedicated employees, has consistently embarked upon a progressive journey of success, taking our business to new heights. Our commitment to embody the spirit and optimism of the growing nation while creating value for all is our legacy, our contribution to this progressing economy.

For more information...

http://www.arpico.com/

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.

Our Products

With interests vested in a multitude of business segments, our Group is renowned for the wide range of products it offers to the Sri Lankan market.

Our Retail Sector is involved in the sale of a wide array of FMCG, Household goods, Furniture, Electric goods and Apparel, while also providing value-added services such as bank service points, ATMs and credit card & mobile bill payment facilities, and delivering a unique shopping experience to customers.

Our Plantation Sector has the largest extents in Sri Lanka, with Tea, Rubber, Palm Oil, Coconut and spices. We are also the largest Tea/Rubber producer in Sri Lanka. Our brand of St. Clair's Tea is highly popular both internationally and domestically.

Our Tyre Sector has successfully made its mark across the island as the finest and the largest Tyre Retreader in Sri Lanka. We have introduced popular Tyre brands to the domestic market.

Our Plastics Sector produces Plastic furniture, Mattresses, Cushions and sheets, Water tanks, Rigifoam products, PVC Pipes and Fittings, Water pumps, day-to-day consumer durables, as well as industrial and domestic Rubber products, while the Furniture operation focuses on manufacturing Sofas, Panel furniture and Wooden furniture. The Sector emphasises on the eco-friendly "Green Gas" concept, seeking to pave the way to a cleaner energy system.

Our Rubber Sector, which mainly caters to the export market, is involved with products such as Mattresses, Pillows, Latex rings, Crush tips, Shoe soles and Jar rings with specialty items such as Fire retardant mats, Electrical safety mats and Anti-static mats. We have also introduced new products such as Arpico Organic Latex Foam, certified by Global Organic Latex Standards (GOLS). The Sector is also present in the local market through the sale of its export quality Rubber mats.

Our Services Sector includes various Companies such as Insurance, Finance, Stock Broking, Margin Trading, Logistic and a Pharmaceutical arm. Our Finance Company offers a variety of products such as Fixed Deposits, Savings Deposits, Leasing, Hire Purchase, Term Loans and Islamic Finance, while the portfolio of the Insurance arm includes Endowment, Term Assurance, Education, Hospitalisation, Investment, Group Assurance and Loan Protection Plans. RPC Logistics Limited, the Logistics & Transportation arm of the Group, provides fully-fledged integrated logistics solutions both locally and internationally.

For more information...
http://www.arpico.com/

Milestones

1932 - 2014

Search any household in Sri Lanka, from the highest to the most humble, and your chances of not finding at least one product manufactured or sold by Richard Pieris and Company PLC are slim indeed. From food products, plastic and rubber, household goods to foam mattresses and furniture, Sri Lanka's consumers turn to us for an almost incredible variety of products. In the process, made 'Arpico' a household name across the country.

The beginning of this national institution was modest. The founding partners set themselves up in business as 'commission agents, general import and export merchants and dealers in estate supplies', and by doing so they were actually creating new dimensions for a Ceylonese mercantile community to emerge. The Company's first business venture was a filling station. Revenue grew by more than 400% in the first seven years. In 1940 the business was converted into a limited-liability Company with the founding partners as Directors. The issued share capital of Rs. 50,000 was substantial for its day, and the new Company boasted 70 employees.

When the world went to war, Rubber became a precious commodity to the Allies and Tyres were reserved for military use. Seeing a business opportunity in the midst of those dark days, Richard Pieris and Company launched a Tyre rebuilding business to meet the demand for these essential products. The Company's first manufacturing venture met with abiding success; today, our Arpico and Arpidag brands remain leaders in the domestic rebuild Tyre market.

Today, Richard Pieris and Company PLC can justifiably claim a place in the front rank of the country's diversified business conglomerates. Our diversified manufacturing operations in rubber and plastic products combined with our investments in Sri Lanka's largest retail super centres, and in management of the plantations, make our Company shares a secure and dependable long-term investment. The Group is consistent, substantial and above all has shown continuous profitability over several decades. We have gradually evolved into being the market leaders in almost every line of merchandise manufactured and distributed by us. The Group is well established, stable, diversified and forward-looking.

1932 - 1940

Employing a staff of 4 the Company carried on the business of importing and repairing of Motor cars, Tyres and Tubes, commission agents, general import and export merchants and dealers in Cars, Tyres, Tubes, Petrol, Oil, Motor accessories and Estate supplies. Revenue grew by more than 400 percent in the first seven years.

1941 - 1950

The business was converted into a limited liability Company with the founding partners as Directors. The issued share capital of Rs. 50,000 was substantial for its day, and the new Company boasted 70 employees. Latex product line was added on to the portfolio. The Company's automobile business commenced in 1945, and several automobile agencies were obtained. When the world went to war, rubber became a precious commodity to the Allies and tyres were reserved for military use. Seeing a business opportunity in the midst of those dark days, the Company launched a tyre rebuilding business to meet the demand for these essential products.

1951 - 1960

Incorporated as a public limited liability Company after a steady consolidation and expansion. A popular automobile brand was obtain during the period. The Company took the products of its local manufacturing endeavor beyond the boundaries of Sri Lanka, during the year, with an export consignment of latex toys to the UK. The factory at Hyde Park Corner was shifted to Nawinna during the period.

1961 - 1970

Closed economy fostered spectacular growth with the focus on industrialisation.

1971 - 1980

Range of products including manufacturing of plastics, artificial leather cloth, polyurethane foam, expanded polystyrene, foamed and dipped latex and steel tubular furniture were added to the Company's product portfolio. In manufacturing Rigifoam and Polyurethane, Arpico were the pioneers. A popular automobile brand was obtain during the period.

1981 - 1990

During this period, a high growth was recorded in the sales of dry rubber goods, latex foam, artificial leather cloth, plastics, rigifoam and metal products. Trading operations of the retail business was expanded to include the marketing of all products manufactured at our Nawinna factory and those items previously imported by Richard Pieris & Co. Ltd through a wider network of retail outlets and distributors throughout the island. In 1983 Richard Pieris Exports Ltd was incorporated as a public limited liability Company with a equity collaboration from Holland and Germany, to manufacture rubber products exclusively for export market. In 1984 Richard Pieris exports pioneered the process of manufacturing food jar sealing rings for reputed glass jar manufacturer in Germany. In 1985 the Company reached Rs. 275 mn revenue. Group revenue recorded Rs. 350 mn in 1987. Richard Pieris Distributors opened its own distribution outlets in Dehiwela and Moratuwa. By 1990 total number of employees touched 2060 with a 756 mn revenue.

1991 – 2000

Arpico introduced Rotational molded water tanks to the market during the period. In 1991 pioneered the Pre-cured tyre retread process with technical collaboration of Bandag USA. In 1994 Richard Pieris Natural Foams (pvt) Ltd commenced its operation in Biyagama to manufacture natural foam rubber mattresses cores for export. Richard Pieris Exports was awarded the presidential export award in 1997.

2001 – 2010

During this period the large format retail outlets were opened including Dehiwala, Battaramulla, Hyde Park Corner, Nawinna, and Negambo. In 2004/05, revenue of Rs. 10.1 bn with a pretax profit of Rs. 1.1 bn was recorded for the first time in the history of the Company. In this period the Group acquired the controlling stake in Kegalle, Namunukula and Maskeliya plantations.

2011 - 2014

Large format retail outlets like Wattala, Matara, Piliyandala, Kalutara, Kadawatha were opened during the period. Opening of Richard Pieris Arpico Finance Company, Arpico Insurance, Arpico Pharmaceuticals, Richard Pieris Securities Company and the Margin trading operation were added to the Groups portfolio, speaks of the future potential and the earning capacity of the Group. Total number of employees in the Group recorded 30,538 as at 31st March 2014.

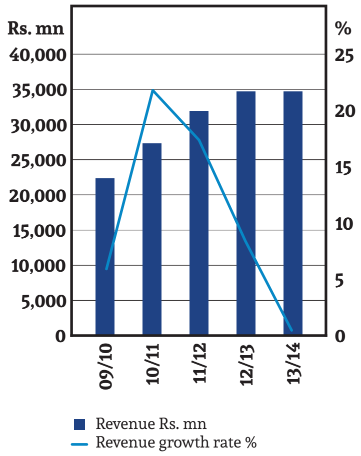
82 Years Since 1932
TOUCHING LIVES

Financial Highlights

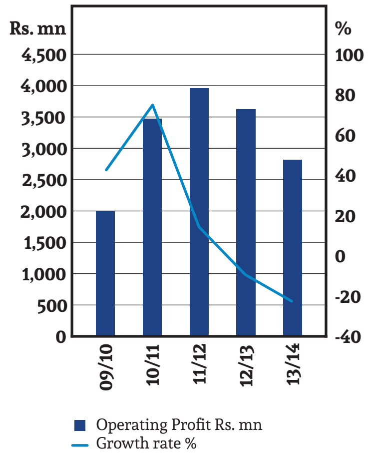
	2013/2014 Rs.'000	2012/2013 Rs.'000
Net revenue	**34,699,111**	34,690,340
Profit from operations	**2,807,127**	3,599,997
Profit before tax from continuing operations	**2,302,551**	2,934,295
Income tax expense	**(643,970)**	(737,082)
Profit for the year from continuing operations	**1,658,581**	2,197,213
Loss after tax from discontinued operations	**(2,396)**	(581)
Profit for the year	**1,656,185**	2,196,632
Profit attributable to equity holders of the parent	**1,417,215**	1,836,335
Total assets	**32,576,387**	27,273,536
Shareholder funds	**8,607,935**	7,949,442
Market capitalisation	**13,092,670**	12,798,968
Total value addition	**11,525,241**	11,289,890
Per Ordinary Share		
Earnings (Rs.)	**0.72**	0.95
Net assets (Rs.)	**4.34**	4.10
Market value (Rs.)	**6.60**	6.60
Ratios		
Return on equity (%)	**17.12**	25.76
Interest cover (No of times)	**5.27**	4.94
Gearing ratio (%)	**37.69**	29.50

*“**Group recorded Revenue of Rs. 34.7 Bn, and a Gross Profit of Rs. 8 Bn,** while the Group’s Profit for the year was recorded at Rs. 1.6 Bn.”*

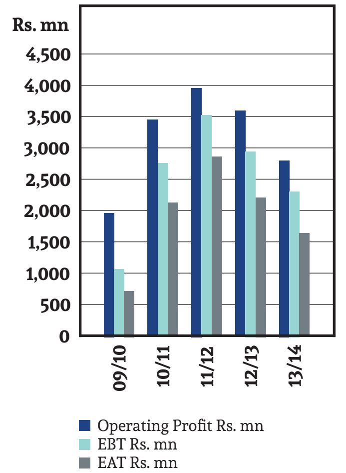
Revenue vs. Revenue Growth



Operating Profit



Operating Profit vs. EBT vs. EAT



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. W. J. Viville P. Perera - Director
Mr. S. S. G. Liyanage - Director
Dr. S. A. B. Ekanayake - Director

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, DFCC Vardhana Bank PLC, Hatton National Bank PLC, Hongkong & Shanghai Banking Corporation PLC, Indian Bank, Nations Trust Bank PLC, National Development Bank PLC, Pan Asia Banking Corporation PLC, People's Bank, Sampath Bank PLC, Seylan Bank PLC Standard Chartered Bank, State Bank of India, Indian Overseas Bank

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.

Chairman's Review

Indicating yet another landmark in its endeavors, the Group launched its new finance company in April 2013, under the brand name of Richard Pieris Arpico Finance Limited. The Company has exhibited sturdy performance during its short period of existence, exceeding the expectations of many

Our Valued Shareholders,
It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2014.

The financial year 2013/14 has been a challenging year for the Group, as multitudes of adverse developments impacted our business. The regulatory pressure imposed through the introduction of Value Added Tax affected the retail business whilst negative social and economic factors along with unfavourable weather conditions affected the plantation business, in turn affecting the performance of the Group. On a positive note, rubber exports along with the tyre retreading business, showed a healthy performance and enabled the Group to be compensated to an extent for the negative performance derived from other main business lines, reiterating that diversification benefits are mostly appreciated during times of intricacy.

Despite these difficult conditions however, your Group was able to maintain its consistent reputation for profitability, marking a Profit After Tax of Rs. 1.6 bn for the year under review.

Economic Environment

According to data published by the International Monetary Fund (IMF), the world economy grew by 3.0% in 2013, lower than 3.2% recorded in 2012. While China indicated an economic growth of 7.7%, BRIC countries, which account for almost two-thirds of the increase in global output, grew by 4.7% in 2013.

When considering the economic prospects of the current year, it is observed that the major impulse to the world economy is expected to be derived from the anticipated recovery of the US economy, which is expected to grow by 2.8% in 2014 and by 3.0% in 2015. The Eurozone, which is gradually recovering from the Severe Recession, is projected to grow at 1.2% during the current

Revenue

34.7 Bn

The Group declared and paid interim dividends of Rs. 0.25 in August 2013 and Rs. 0.20 was declared in March 2014. These aggregate to a total dividend of Rs. 0.45 for the financial year 2013/14, constituting a dividend yield of 6.8% by the year end.

year, underpinned by strong consumer and business spending in Germany and cuts on government spending in other Euro countries. However, the high government debt levels of Italy and Spain and the deflationary pressure that threatens the entire region, are likely to be of concern to the policy makers. Meanwhile, Japan recovered from its period of economic stagnation through the government bond-buying programme, and despite the recent increase in consumption tax, is forecasted to grow by 1.4%. Moreover, China is expected to grow at 7.5% in 2014 and Russia by 1.3%, while emerging markets are projected to grow at 4.9%, mainly assisted by the anticipated recovery of the US.

In the domestic sphere, the Sri Lankan economy indicated a robust growth of 7.3% for the year 2013, following growth of 6.3% in 2012 and over 8% growth in the two preceding years.

The year witnessed the implementation of an expansionary monetary stance by the Central Bank of Sri Lanka in order to provide liquidity to the market and to improve the economic climate with the objective of triggering business activities. Consequently, government borrowing rates declined sharply during the year and induced market interest rates to fall, as reflected by the prime lending rate declining by over 5% to reach 8.57% by the year end.

Amongst other key economic indicators, inflation remained at single digit levels of 6.9% in 2013 indicating a decline from 7.6% in 2012. Per Capita income, which rose from USD 2,922 in 2012 to USD 3,280 in 2013, is set to achieve the target of USD 4,000 by 2016. In the external sector, exports showed a growth of 6.34% while imports declined by 6.19%, thereby enabling the trade deficit to reduce by 19%. Furthermore, the current account deficit also declined to 3.8% of GDP, largely assisted by the increase in worker remittances to USD 6,407 mn. The local currency fluctuated sharply against US dollar during the current financial year and depreciated by 3.34% to be at Rs. 130.72, from Rs. 126.50 recorded a year earlier.

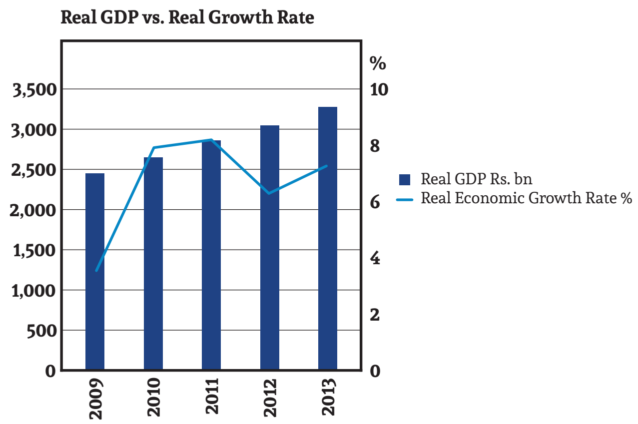
Corporate Performance

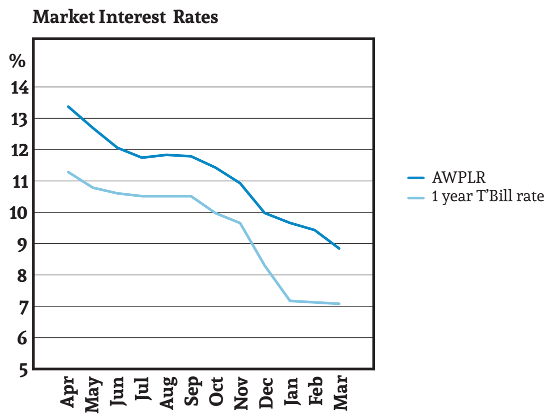
Your Group had to pass through a challenging time during the financial year under review. The Group's performance for the financial year 2013/14 was affected by severe and adverse forces of external pressures. Imposition of the Value Added Tax affected the retail businesses whilst economic factors along with unfavourable weather conditions exerted pressure to the plantation sector. Nevertheless, your Group was able to withstand these pressures to an extent.

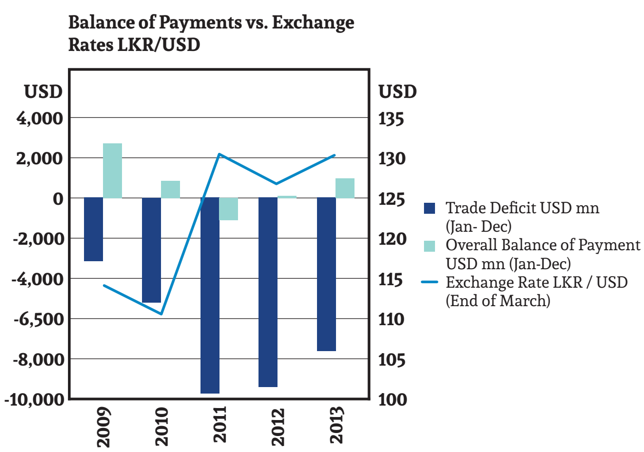
The retail sector holds growth potential, despite the challenges consistently thrown its way by the external environment. The sector persevered with its strategy of expansion by opening a large format retail outlet in Matara as well as by opening five more showrooms across the country. Though the imposition of Value Added Tax to retail businesses from January 2013 caused regulatory costs to increase, the sector continued to be consistent in its performance through effective cost management and improvement in the quality of service rendered. In the ensuing years, the Company intends to proceed with the strategy of selectively expanding its chain of Supercentres/ Superstores in targeted areas of the country giving lifestyle shopping experience.

The plantation sector was faced with many hardships during the year due to external factors. Firstly, the unfavourable weather conditions that prevailed during the first half of the financial year caused the tea and rubber output to decline considerably. Furthermore, the wage hike of 20% eventually

Chairman's Review Contd.







affected the performance with the upward revision of gratuity provision. Additionally, rubber prices fell sharply during the year, severely affecting the revenue and the profitability yielded from the sector.

The plastic sector which is highly sensitive towards demand, mainly for water pumps, mattresses and tanks had to storm difficult conditions that prevailed in the market. However, the sector was successful in improving both revenue and profitability in the product categories of mattresses, water tanks, PVC pipes and fittings in later part of the financial year. Meanwhile, the sector embarked upon expanding its manufacturing operations for polyurethane, furniture and PVC products, thereby furthering its opportunities of reaping fruits in coming years.

It is noteworthy that the rubber sector, which consists of companies engaging in exporting value added rubber related products, indicated yet another year of strong performance despite numerous constraints posed by both the external and internal environments. Lower rubber prices and the increase in volumes of exports, coupled with new market/ product development and efficient cost management assisted the sector in recording a strong performance during the year. Fundamentals are now firmly in place and that it is poised to be taken off to the next level of operations.

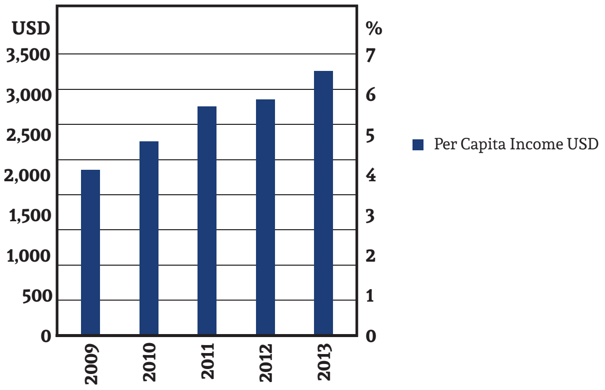
The tyre sector remained consistent in its performance for the year under review. The sector was able to partner with Nexen, a world renowned global brand, witnessed a successful year promoting entire range of tyres to the Sri Lankan Market. Services sector was further strengthened with the launch of the new finance company. Insurance arm of the Group has expanded its services to North & East regions and the rapid expansion experienced recently has made the insurance company to be competitive in the insurance industry.

Special Achievements

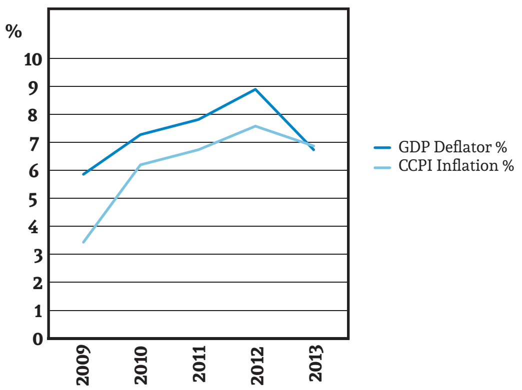
Indicating yet another landmark in its endeavors, the Group launched its new finance company in April 2013, under the brand name of Richard Pieris Arpico Finance Limited. The Company has exhibited sturdy performance during its short period of existence, exceeding the expectations of many. With this new advent, the Group has strengthened its presence in the financial services sector and is able to provide a range of financial solutions to its customers.

Diversification has been the strategy that the Group perceives on, and in furthering this strategy, initiatives were taken to enter into healthcare sector of the country. Thus, the year witnessed

Per Capita Income (in USD)



CCPI Movement vs GDP Deflator



the Group's investment in its latest business venture, Arpico Pharmaceuticals, which is operative in full-scale since April 2013.

Future Outlook

As a Group, we are continuously looking out for strategic investment opportunities. Two major projects are earmarked for ground breaking during the next fiscal year giving due consideration to all aspects of investment. The Group is aggressively pursuing their interest in the real estate sector in the country with the proposed mixed development project which is a state of the art shopping complex, a modern luxury city hotel, apartments along with an office complex.

Furthermore, investment in plantation sector is critically evaluated and expansion in the palm oil cultivation is expected to break grounds in Indonesia by next fiscal year. Higher margins along with inherent expertise in palm oil cultivation along with the base your Company do have in plantations create much enthusiasm to expand its horizons beyond boundaries.

Dividends

The Group declared and paid interim dividends of Rs. 0.25 in August 2013 and Rs. 0.20 was declared in March 2014. These aggregate to a total dividend of Rs. 0.45 for the financial year 2013/14, constituting a dividend yield of 6.8% by the year end.

Conclusion

I would like to take this opportunity to appreciate 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 towards our success in many ways.

Despite the reporting year being a difficult year for the Group, we as a team would like to reiterate that all possible measures have been embarked upon to combat such external pressures. I assure you that in the coming years, we will stay ahead of our times in satisfying our stakeholders.

Dr. Sena Yaddehige
Chairman/CEO/MD

29th May 2014

The Board of Directors

[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 is the Managing Director of an European Company, which was 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 is also the Chairman, CEO of a US company supplying automotive markets. He holds a large number of worldwide patents on radiation processing, contactless sensors and drive by wire systems along with a Sri Lankan patent for slow release fertiliser.

He is a 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, including three plantation companies and over 50 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.

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[2] Mr. J. H. P. Ratnayeke
Mr. Paul Ratnayeke is a Senior Corporate Lawyer who is also the Senior Partner of Paul Ratnayeke Associates, a leading law firm in Sri Lanka which he founded in 1987 handling all areas of law and international legal consultancy work.

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

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

At Paul Ratnayeke Associates, he specialises in corporate and commercial areas of law, and also in the fields of 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, National Insurance Trust Fund, State Mining and Mineral Development Corporation, Ceylon Leather Products Corporation and Pan Asia Bank. Currently a Committee Member of the Ceylon Chamber of Commerce. He is also President of the Institute of Certified Management Accountants Sri Lanka and the Institute of Certified Professional Managers. Past President of the Institute of Chartered Accountants of Sri Lanka and South Asian Federation of Accountants, Founder President of AAT Sri Lanka and Past President - Organisation of Professional Associations of Sri Lanka. He also serves on the Board of Directors of several public listed companies.

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[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.

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[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 organisations such as Associated Newspapers of Ceylon Limited, Middleway Ltd (Ceylinco Group) and Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer and Vice President of Sri Lanka Institute of Packaging. He is also on the Board of Directors of Several Companies of Richard Pieris Group.

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[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., Richard Pieris Exports PLC and Arpico Interiors [Pvt.] Ltd.

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[7] Dr. Anura Ekanayake

Dr. Ekanayake is a past Chairman of Ceylon Chamber of Commerce (CCC),a former Chairman of Industrial Association of Sri Lanka, and Chairman of International Natural Rubber Council, based in Kuala Lumpur. He had an illustrious career in the Public Service as Senior Economist of Mahaweli Authority, Director in the Boards of State Plantation Corporation and JEDB, Director of Planning of Ministry of Plantation Industries and Director General of Ministry of Public Administration prior to joining the private sector in 1998. After a two decade long public service and he joined Unilever Sri Lanka and served as Director – Human Resources and Corporate Relations.

Dr. Ekanayake, has held directorships in all 23 Regional Plantations Companies subsequent to their initial formation and over the years several other listed and non-listed companies in a diverse range of businesses from Agriculture to Finance, Exports and Manufacturing.

Dr. Ekanayake holds B.A. (Econ) Hons, and MSc (Agriculture) from University of Peradeniya and PhD. in Economics from Australian National University. His research work and publications cover agriculture, irrigation, environment, industries, and economic policy. He is also a fellow member of Institute of Certified Professional Managers.

Our Business

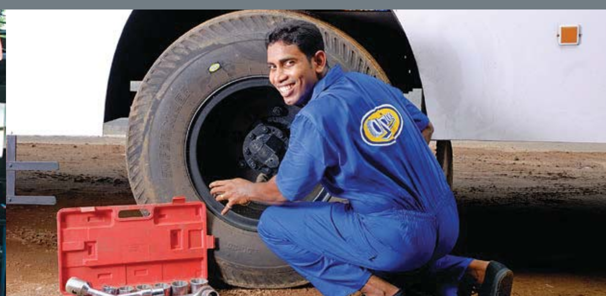
RETAIL

The Retail Sector, being one of the most lucrative sectors of the Group, has consistently boosted the Group's overall performance and brand strength and the year under review was no exception. Despite the numerous challenges posed by the operating environment, the Sector was successful in outperforming its peers as a leading retail brand of the country. The Group is highly cognizant of its immense potential and therefore will take steps to reap maximum benefits from the Sector in the coming years.

PLANTATIONS

The year under review proved an extremely challenging year for the Plantation Sector, mainly due to the hike in wage rates and the inclement weather conditions that persisted. However, the Group companies in the Plantation Sector engaged in diverse endeavours to minimise the adverse effects of such developments through focus on expansion of operations, improvements in efficiency and greater value addition. It is the strong belief of the Group that through these measures the Sector will gauge the ability to respond more effectively to external shocks and deliver sound financials in the coming years.

TYRE



The Tyre Sector has immensely assisted the Group in maintaining its presence in a unique market segment, while earning a superior reputation for performance since the manufacturing of all the products takes place under a controlled environment using the highest quality materials. In order to further enhance the performance of its products, the Sector engages in a comprehensive selection process and further, steps have been taken to improve customer awareness on how to use the products in an optimal manner.

PLASTICS AND FURNITURE

Plastics and Furniture Sector, with a wide variety of items on offer, the focus of the Group has rested on generating continuous product innovation and the delivery of enhanced customer service. These key focus areas have enabled the main product categories of the Sector to maintain their market dominance, in turn strengthening the brand image of the Group. For the coming years, the Sector envisages the reaching of greater heights in its performance through continued diversification into new areas of business, with the goal of further strengthening its dominance in the market.

RUBBER

Rubber Sector of the Group delivered mixed results in the face of difficult market conditions posed by both domestic and international developments. Nevertheless, the Sector was able to negate many of such adverse impacts through establishment of better management practices, efficiency enhancements as well as new product and market development. The Group believes that the performance of the Sector will improve significantly in the coming years, as a result of the anticipated recovery of international economies as well as the Sector's continued efforts in reducing costs and improving margins.

SERVICES AND OTHER

Sector provides variety of services comprising Finance, Insurance, Logistics, Stock Broking, Margin Trading and a Pharmaceutical arm.

Retail Sector

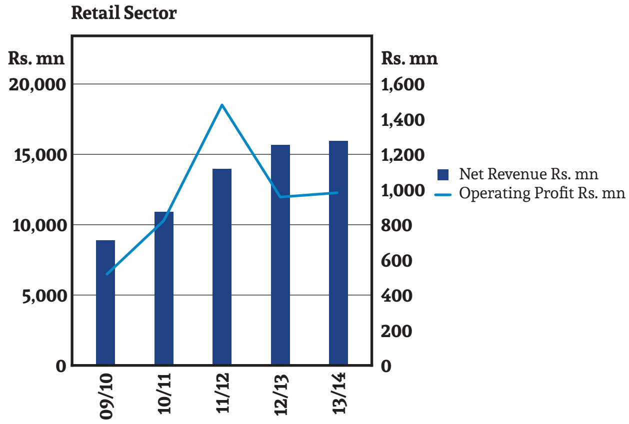
Arpico Supercentres and Superstores have succeeded in gaining a competitive edge over its rivals through the unique shopping experience it delivers to customers. All Supercentres and Superstores are equipped with ample parking space, wider aisle space for easy shopping and state-of-the-art cool rooms to provide fresh products.

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

Revenue

16.1Bn

The Sector reported revenue of Rs. 16.1 bn, which is a 2.5 % growth over the previous financial year, and a growth in operating profit of 3.6% and the imposition of VAT on the retail industry which was effective from January 2013 is identified as the key reason for the reduced growth rate.



The Retail Sector of the Group is represented by Richard Pieris Distributors Ltd., Arpimalls Development Company (Pvt) Ltd., RPC Retail Developments (Pvt) Ltd., RPC Real Estate Development Company (Pvt) Ltd. and Arpico Interiors (Pvt) Ltd. The Sector is responsible for operating the well-known Arpico Supercentres, Superstores and an island wide network of showrooms, while also providing interior decorating solutions for institutions.

The Retail Sector has been, and continues to be, one of the significant contributors to the revenue and profits of the Group. It holds great growth potential, despite the challenges consistently thrown its way by the external environment. During the year under review, the Sector reported revenue of Rs. 16.1 bn, which is a 2.5 % growth over the previous financial year, and a growth in operating profit of 3.6% and the imposition of VAT on the retail industry which was effective from January 2013 is identified as the key reason for the reduced growth rate.

Richard Pieris Distributors Ltd.

Richard Pieris Distributors Ltd. manages the renowned chain of 15 Arpico Supercentres/Superstores, and 29 showrooms spread island wide. This network is involved in the retail sale of a wide array of fast moving consumer goods (FMCG), household goods, apparel, furniture and electric goods while additionally providing a host of value added services such as bank service points, ATM machines and credit card & mobile bill payment facilities.

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

During the year under review, the Company opened a Supercentre in Matara, the first Supercentre in the south and the beginning of a new “lifestyle shopping experience” for the people of Matara, providing them with the convenience of accessing a broad range of products under one roof. The Company also opened showrooms in Akkaraipattu, Wellawaya, Nittambuwa, Galewela and Kattankudy during the year under review, and thereby succeeded in widening its reach to consumers across the island. Meanwhile, in furthering its objective of providing a unique shopping experience to customers, Arpico Hyde Park Corner launched AICON, a lifestyle store with a difference, in September 2013, devoted to a variety of lifestyle necessities labelled as ‘Iconic Gift Ideas,’ ‘Living Space,’, ‘Fine Dining’ and ‘Garden’.

The application of carefully targeted marketing and sales strategies over the years has led to better awareness of the Arpico brand, and in fostering this objective the Company launched its popular “Buy What You Want, Not What You Get” campaign during the year under review. The Company also continued with its successful “Christmas Millionaires” seasonal campaign where a millionaire was produced on a weekly basis throughout the campaign period in the months of November and December 2013.

Retail Sector Contd.

Embarking upon a milestone in the retail industry, during the year the Company launched the first-ever retail co-branded credit card in collaboration with Standard Chartered Bank. The card provides a host of benefits to loyal customers of both institutes, thereby creating a new culture in retail and banking in the country. The co-branded card could be used as a credit card as well as a privilege card for collecting loyalty points.

Concurrently the Arpico Privilege Card customer base continued to grow, with its membership increasing to approximately 310,000 by the end of the year. The offering of tempting rewards to members contributed towards the increasing popularity of its usage. The Arpico Privilege Family Beach Holiday, which was held for the fourth consecutive year, was a key event of the Privilege campaign, treating fifty member-families to an exciting weekend in a luxurious hotel. This initiative was very well appreciated by all participants, thus signifying the commitment of our customers towards the loyalty programme.

Considering the financial performance of the Company, it is observed that the revenue improved marginally compared to the previous year and operating profits due to the imposition of VAT as well as the reduction in disposable income, which resulted in a drop in demand for non-essential items. It is identified that the focus on cost management has enabled the retail operation to run efficiently, managing expenses within budgeted proportions while continuing to improve the quality of its products and services. The constant development of the supply chain has also helped to enhance the capability of selling a wide range of high quality products at competitive prices.

In the ensuing years, the Company intends to proceed with the strategy of selectively expanding its chain of Supercentres/ Superstores in targeted areas of the country. This strategy will be pursued despite the negative economic conditions anticipated in the short to medium term and the continuous challenges faced from regulations, as the Company has immense faith in the potential of the retail business in the long term.

Arpimalls Development Company (Pvt) Ltd.

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

RPC Retail Developments (Pvt) Ltd.

RPC Retail Developments (Pvt) Ltd. owns the two large Arpico Supercentres in Negombo and Kadawatha and during the year under review, the Company continued to improve its performance.

RPC Real Estate Development Company (Pvt) Ltd.

RPC Real Estate Development Company (Pvt) Ltd. owns the Arpico Supercentre in Kandy. Keeping up with its peers, the Company also continued to generate profits during the year under review.

Arpico Interiors (Pvt) Ltd.

Arpico Interiors (Pvt) Ltd. launched its business of providing interior design solutions to the Sri Lankan market in 2003. It imports a wide array of high quality products from

internationally reputed suppliers including handpicked suppliers from Germany, Belgium, Malaysia, China, USA and UAE and over the years, the Company has completed many landmark projects, thus gradually enhancing its reputation as a provider of state-of-the-art interior decorating solutions and purpose-built furniture. Its wide range of products is on display at its Hyde Park Corner showroom.

During the year under review, the Company continued to maintain its market share despite the challenges imposed in the business environment affected the sector. The profitability of the Company was further challenged by the high import duties and taxes.

Nevertheless, despite the challenges faced in the past, the Company anticipates three-fold growth in its business in the coming years, as it intends to pursue fresh strategies. The Company’s highly qualified and innovative interior designers and the state-of-the-art designing facility will play key roles in the coming years in boosting the Company to step in to the next level. The management is confident of its ability to improve its profitability in the ensuing years through the application of a cautious and strategic approach to gauge the opportunities presented by the market.

Plantations Sector

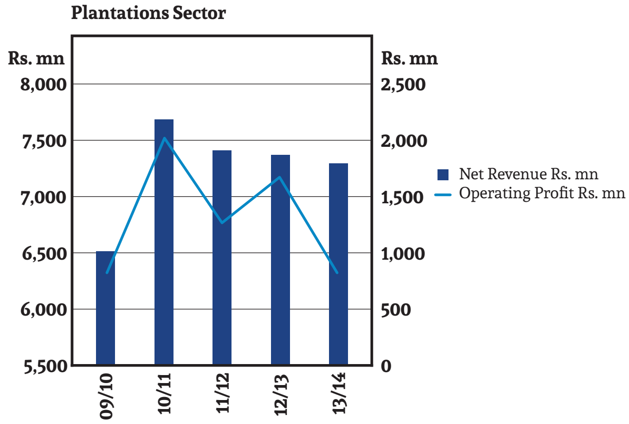
Despite the nature of this business, the Sector has consistently faced challenging conditions emanating from the external environment and these challenges were prominent in the year under review as well.

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

Revenue

7.3 Bn

This sector produced 13 mn kg of Tea, 5.5 mn kg of Rubber and 16.5 mn kg of Palm oil, while revenue of Rs. 7.3 bn was generated to boost the top-line of the Group.



The Plantation Sector of the Group, which operates under the purview of three companies, i.e. Kegalle, Namunukula and Maskeliya Plantations, has continuously boosted the financial performance of the Group over the years, and by virtue of their scale of operations the Richard Pieris Group is ranked the largest tea and rubber producer in the country. During the year, this sector produced 13 mn kg of tea, 5.5 mn kg of rubber and 16.5 mn kg of palm oil, while revenue of Rs. 7.3 bn was generated to boost the revenue of the Group.

Despite the lucrative nature of this business however, the Sector has consistently faced challenging conditions emanating from the external environment and these challenges were prominent in the year under review as well. One such challenge was posed to the rubber segment, which was forced to absorb the negative impacts of depressed market prices as a result of the increased rubber supply from major rubber producing nations and the high stock levels of the major manufacturers in China & Japan. Meanwhile, in the domestic market, adverse weather conditions and the compulsory increase in wage rates posed pressure on the financial performance of the Sector; in the backdrop of a 20% wage increase for workers, a gratuity adjustment of Rs. 204 mn has been made, and this in turn directly affected the profitability of the plantation companies.

On a positive note, it is noted that the tea production of Sri Lanka reached an all-time high of 340.2 mn kg, surpassing the previous best of 331.4 mn kg recorded in 2010, and gaining 11.8 mn kg over the output of 2012. It is noteworthy that the low grown tea production, totaling 207.9 mn kg, is also a historical high exceeding the previous best of 201.5 mn kg achieved during 2012. Meanwhile, the prices at the Colombo tea auction also performed exceptionally, in the face of strong demand for Sri Lankan tea from the CIS countries and the Middle Eastern region.

Kegalle Plantations PLC

Kegalle Plantations PLC, is involved in the production of Tea, Rubber and Coconut, owns and manages 17 estates in Kegalle, Kurunegala and Badulla districts. The Company boasts of a total land base of 9,747 ha, and is also recognised as the largest rubber producer in Sri Lanka, accounting for an annual rubber production of 4 mn kg. Its rubber production is mainly dominated by the centrifuged latex category.

The trading conditions relating to rubber output had not recovered from its downturn of the previous year due to slow recovery of the economic crisis in the US and Europe regions. The low demand in China & India and the high level of supply in the global market, has directly impacted the performance of the Company. In response therefore, the Company attempted to offset the adverse impacts of depleted rubber prices through the implementation of an optimum product mix so as to prevent excess concentration in one product category.

It is positively noted that despite the poor demand especially during the latter part of the year, the Company was able to produce 4,016 MT of rubber, which is 1% less than its output of the previous year. With this output, the Company was able to secure its position as the country's largest producer of natural rubber, accounting for over 3% of the national production. Centrifuged latex accounts for 48% of the Company's rubber output, and this output is mainly sold to the sister company of the Group, i.e. Richard Pieris Natural Foams Ltd. Meanwhile, the direct exports of sole crepe rubber to world famous shoe manufacturers also continued during the year.

Plantations Sector Contd.

An important achievement during the financial year 2013/14 was, the Company obtaining certification from the Control Union Certification (CU) of Netherlands for producing Bio Latex at Udapola, Eadella and Weniwella estates. Two of the Company's estates, succeeded in achieving top prices at auctions, 18 times and 16 times, respectively.

Despite the challenging market conditions prevailed, the Company was successful in offsetting the adverse impacts of such occurrences through the adoption of effective management practices. Consequently, the Company was able to maintain the COP at Rs. 254.21 only 4% above the COP of Rs. 245.01 recorded in the previous year, in spite of allowing for a 20 % wage increase. Moreover, the Yield per Hectare also experienced an improvement, from 977 kg recorded last year, to 1,011 kg this year.

With regard to the tea output, the Company produced 2.24 mn kg of tea during the year, slightly higher than the output of 2.16 mn kg recorded in the previous year. It is noted that despite the substantial increase in wage rates, unfavorable weather conditions and the shortfall in fertiliser supplies, the performance of the tea segment improved compared with the previous year.

During the year under review, the Company invested Rs. 294 mn as capital expenditure, replanting 19 ha of tea at a cost of Rs. 49 mn and 247 ha of rubber at a cost of Rs. 226 mn.

Namunukula Plantations PLC

Namunukula Plantations PLC comprises of 12 estates producing rubber, tea, palm oil, coconut and cinnamon. It is identified as the most diversified planation company of the Group, and holds a total land extent of 7,482 ha, of which 2,270 ha are utilised for the production of rubber, 413 ha for tea, 1,785 ha for palm oil and 468 ha for other crops.

During the year under review, the Company succeeded in recording a total tea production of 2.28 mn kg, which is 0.3 mn kg over the previous year. Concurrently, the Company also maintained its stance as one of the largest manufacturers of bought leaf among the regional plantation companies, purchasing 9.458 mn kg from tea small holders, which is 124% higher than the purchases of the previous year. Continued commitment to sustain product quality, higher sale average and by offering a competitive purchase price, Namunukula Plantations acquired the trust of small holder suppliers.

The Tea sector of the Company performed well during the year, having made a profit of Rs. 16 mn at estate level against Rs. 4 mn in the previous year. It's a noteworthy achievement for the Company and this was made possible due to the substantial increase and upward movement in the sales average, improved worker productivity coupled with required inputs.

Meanwhile, the rubber sector of the Company also performed satisfactorily during the year, recording a profit of Rs. 67.6 mn for the year. Although the profit declined following a sharp reduction in the sales average at the Colombo auction, this performance is nevertheless considered satisfactory, as it was recorded despite absorbing a 20% wage together with the increased material costs.

The rubber crop harvested during the year was 1.482 mn kg which is 94% of that of previous year. The production during the year could have been higher if not for the continued inclement weather experienced during the 1st and the 2nd quarter of the year loosing as much as 34% of the budgeted tapping days.

The Company has once again performed extremely well in securing a profit at estate level of Rs. 405 mn from Palm Oil which is 33% higher than last year. The Company harvested 16.5 mn kg Fresh Fruit Bunch (FFB) during the year which is an increase of 14% compared to the previous year. The Company has recorded a yield of 14,634 kg which is the highest ever yield recorded since its inception in the year 2005/06. Yield recorded by the Eladuwa estate at 20 MT/ha is considered the highest yield recorded by a plantation in Sri Lanka.

The Company continues to invest in the expansion of palm oil. Hence suitable land for planting in palm oil is currently in the process of being converted. Accordingly during the year the Company planted an extent of 220.19 ha and now possesses 657.13 ha as immature area. With this extent, total area cultivated under oil palm increased to 1,784.99 ha as at the end of this financial year. The Company plans to expand its oil palm extent to 2,600 ha by year 2018.

The total coconut production for the season was 846,972 nuts against 891,442 recorded in the previous season. Namunukula Plantations PLC has harvested 12,499 Kg of cinnamon during the year, compared to that of 12,952 Kg in the previous year.

The Company has invested a sum of Rs. 284 mn in the financial year 2013/14 on field development with a view to achieve and sustain required land productivity.

The AEN Palm Oil Processing Ltd, a joint venture of Namunukula Plantations PLC continue to operate at profit, with attractive price being offered for the FFB bunches supplied by the estate for processing.

The decision to accelerate the expansion of palm oil cultivation will certainly yield higher revenue to the Company and will justify the return on investment to the shareholders. It is therefore the strategy of the Company to manage the existing crop mix to achieve optimum output to sustain consistent growth.

Plantations Sector Contd.

Maskeliya Plantations PLC

Maskeliya Plantations PLC, the planation company which is renowned for its high grown tea, possesses 18 estates with a total land extent of 10,560 ha. The Company produced 8.2 mn kg of tea during the year, indicating a decrease in comparison to the previous year, and was also successful in maintaining its reputation as the best high grown tea producer by securing top prices 248 times during the year, for its Brunswick, Strathphy, Gentilt, Laxapana, Moray, St. Clairs, Ampitikanda, Poonagala and Craig estates.

However, the year under review proved to be an extremely challenging year for the Company. Its total revenue was recorded at Rs. 3.4 bn, a decrease of 4% from the previous year, while it recorded an overall loss of Rs. 92 mn. These financial outcomes are mainly a result of the wage hike of the plantation sector. The combined effects of the adverse weather conditions, the shortfall in the fertiliser supply, the drastic drop in the output and the significant rise in other costs such as electricity and fuel, also contributed towards worsening the pressure on the financial performance of the Company.

With the objective of creating a turnaround, the Company is currently engaged in the process of diversifying its product portfolio. For this purpose, steps have been taken to utilise marginal tea land and to cultivate bare land in the Bandarawela region for rubber, fruits and cinnamon production. Accordingly, rubber has been planted in 89 ha, fruits in 34 ha and cinnamon in 40 ha. Plans have been also established to improve productivity and to eliminate losses arising due to the shortage of workers.

Meanwhile, the Company has also commenced a timber harvesting programme in accordance with the Forestry Management Plan. Arrangements have been initiated to plant timber species in areas where the land has already been mowed, with the twin objectives of re-establishing the same canopy in the plantation and generating future income.

Despite its unhealthy financial performance, it is observed that productivity-related parameters such as plucking norms were enhanced at estate-level, thereby reducing the costs of production. Concurrently, the gross sales average price was maintained at Rs. 425 per kg which is a 4 % increase from the previous year. Additionally, the Company recorded Rs. 230 mn as capital expenditure, of which Rs. 219 mn was utilised for replanting.

Maskeliya Tea Gardens Ceylon Ltd.

Maskeliya Tea Gardens Ceylon Ltd. is the exporting arm of the plantation companies of the Richard Pieris Group. The Company has continuously offered tea distribution services for over 50 years, to international locations such as Europe, USA and CIS countries as well as to local destinations.

Although the Company failed to meet its budgetary targets during the year under review, the year nevertheless marked a significant milestone in the Company's history, as the Company moved to its own warehouse at Kottawa, thereby centralising the production and storing activities which were previously conducted at five different locations. This new warehouse is equipped with form filling, over-wrapping and domino printing machines, which are essential for the effective disbursements of the Company's services. Meanwhile, the Saudi Arabian and Holland markets were also added to the Company's export map, and the local tea distribution operation reached 12,000 outlets within 16 territories, during the year under review.

Tyre Sector

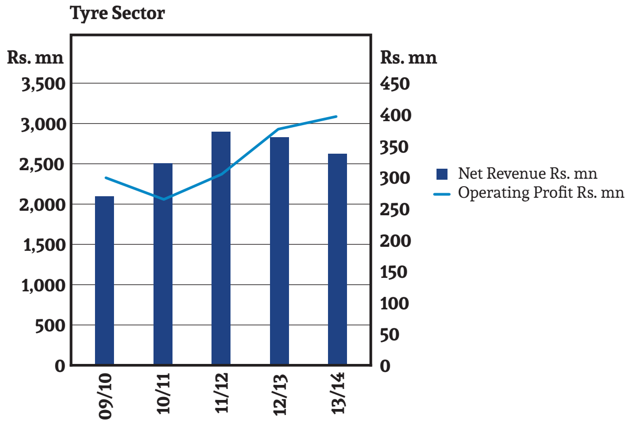
One of the key landmarks achieved by the Sector during the year under review was its collaboration with Nexen, a globally acclaimed brand with more than 250 dealers spread across 120 countries over the world.

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

Revenue

2.6 Bn

Continuous expansion of the agricultural and industrial segments during the past few years has raised the Company's presence in regional markets such as the North and the East, enabling the Company to increase its footprint across the country.



The Tyre Sector of the Group comprises three Companies, Richard Pieris Tyre Company Ltd., Arpidag International (Pvt) Ltd., and Richard Pieris Rubber Compounds Ltd., and has enabled the Group to earn the reputation of being the finest and the largest tyre retreader in Sri Lanka. Richard Pieris Tyre Company Ltd. is well-known for its customised tyre retreading services while Arpidag International (Pvt) Ltd and Richard Pieris Rubber Compounds Ltd. operate as supportive business units supplying pre-cured tread, cushion gum, cement and other related materials as well as customised mixing facilities to Richard Pieris Tyre Company Ltd. Holding over 50% market share, the Sector has successfully made its mark all across the island through its network of over 1,300 operating dealers.

One of the key landmarks achieved by the Sector during the year under review was its collaboration with Nexen, a globally acclaimed brand with more than 250 dealers spread across 120 countries over the world. It is identified as Korea's best-selling tyre, renowned for zero defects. The introduction of the entire range of Nexen tyre products to the Sri Lankan market is deemed as the initial step in a journey towards capturing premium brands under the Company's portfolio.

Richard Pieris Tyre Company Ltd.

Richard Pieris Tyre Company Ltd. was successful in improving its gross margins during the year under review, especially supported by the consistent low input prices that prevailed in the market towards the latter half of the year. Moreover, the investment in the firewood boiler, resulted in lower energy consumption, in turn positively affecting the profitability and the margins of the Company.

The retreading segment continued to dominate the revenue of the Company during the year under review, accounting for 80% of the revenue. Trading activities, which were commenced by the Company recently, accounted for the remaining 20% of the revenue. However, it is noted that the retreading market underwent a decline, as volumes failed to pick up and competing products strengthened.

Continuous expansion of the agricultural and industrial segments during the past few years has raised the Company's presence in regional markets such as the North and the East, enabling the Company to increase its footprint across the country and consequently to generate higher sales volumes. Meanwhile, the Company was also able to further penetrate the market and capture greater market share through the utilisation of innovative marketing techniques as well as through product development, competitive pricing and efficient distribution. The expansion of the trading operation and the consolidation of the retreading processes also contributed to the healthy financial performance of the Company during the year. Consequent to these developments, the Company was able to record a 36% growth in its profit before tax over the previous financial year.

Arpiradial, the most recent brand introduced to the market by the Company showed promising performance during the year and the volumes are expected to increase further in the coming years. The Company also operates as the sole agent for Birla Tyres (India), which is a fast growing manufacturer of truck, light truck on bias ply and radial ply, agricultural, industrial, two wheeler and three wheeler tyres.

Tyre Sector Contd.

Arpidag International (Pvt) Ltd.

Arpidag International (Pvt) Ltd, which was established with the objective of introducing the cold process technology to Sri Lanka with its joint partner in USA Bandag Inc., has been manufacturing pre-cured tread materials and related products since 1991. The Company has claimed unmatched quality for its products since its inception and its performance has improved on a consistent basis over its lifespan.

The Company abides by the process quality certification of "ISO: 9001" to standardise the process. It also has extended its services supplying treads and consumables to mini plants in the industry, in addition to its main customer Richard Pieris Tyre Company Ltd.

Richard Pieris Rubber Compounds Ltd.

Richard Pieris Rubber Compounds Ltd. provides mixing services to Richard Pieris Tyre Company Ltd. as well as to several other external customers, while also being engaged in the sale of rubber-related chemicals to small players in the industry.

During the year under review, continuous improvements were put in place in the milling and quality testing processes with the objective of ensuring consistent quality, thereby assisting the other companies in the Sector to achieve higher market share through the use of superior quality products. Consequent to these improvements, the Company was able to increase its volume of external customers and to record a healthy financial performance during the year.

BIRLA TYRES
Unbeatable !

arpidag

NEXEN
PERFORMANCE TYRES

Plastics and Furniture Sector

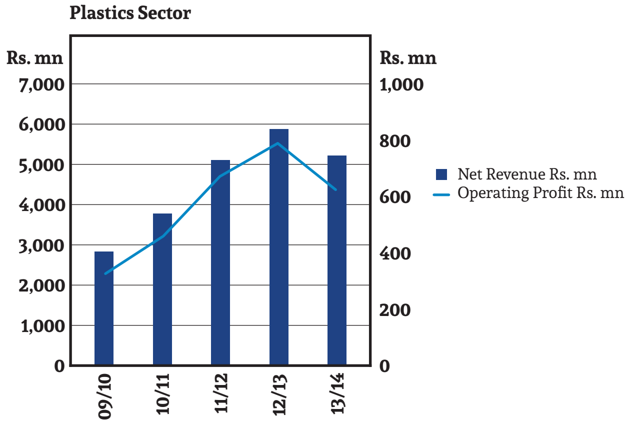
"The difficult conditions that prevailed in the markets made the year under review challenging for the Plastics Sector, but the final outcome in terms of its performance indicates that the Sector was successful in improving both revenue and profitability in key product categories."

The Product Portfolio: Water Tanks, Polyurethane Foam Mattresses, Cushions & Sheets, PVC Pipes & Fittings, Moulded Plastic & Expandable Rigid Polystyrene Products, Wooden, Panel and PU Furniture, Water Pumps, CFL Bulbs.

Revenue

5.2 Bn

Group proudly boasts of the possession that Re-Distribution Operation is one of the largest distribution networks of the country, catering to over ten thousand hardware & furniture outlets located across the island.



The Plastics Sector of the Group, represented by Arpitech (Pvt.) Ltd., RPC Polymers (Pvt.) Ltd., Plastishells Ltd, Richard Pieris Rubber Products Ltd and the re-distribution operation, is involved with the manufacturing and trading of an array of plastic products for a wide range of customers.

Accordingly, in the furniture category, the Group's interest is divested on plastic furniture, mattresses, cushions and sheets, while the hardware category is involved with items such as water tanks, rigifoam products, PVC pipes and fittings, water pumps, day to-day consumer durables, as well as industrial and domestic rubber products. Moreover, industrial roller products and printing roller products are offered on a B2B basis.

The difficult conditions that prevailed in the markets made the year under review challenging for the Plastics Sector, but the final outcome in terms of its performance indicates that the Sector was successful in improving both revenue and profitability in key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products. Meanwhile, during the year the Sector also embarked upon the expansion of its manufacturing operations for polyurethane, furniture and PVC products, thereby furthering its opportunities of reaping fruits in the coming years.

Rigid Polystyrene Operation

The rigid polystyrene or "rigifoam" manufacturing operation conducted by RPC Polymers (Pvt.) Ltd., mainly serving the fisheries industry, continued to perform strongly despite the economic downturn with a commendable sales volume in the export market. The Company also successfully expanded its operations to bring under its wing new products such as containers, sheets and packaging, targeting both the local and export markets. Following its untiring efforts to remain competitive and deliver greater value to its customers, the Company effectively maintained its market share despite intensified competition, and achieved a growth in both its top line and bottom line during the year under review, when compared with the previous year.

Polyurethane Operation

The polyurethane foam operation, involved with foam-related household, institutional and sports goods supplied to the local market, is an ISO 9001:2000 certified operation which also possess SLS 893 standard.

The year under review witnessed considerable expansion in this operation as well, where the Company commenced functioning of its second manufacturing unit, with the objective of catering to the increasing demand in the mass market. Moreover, the Company also continued with its efforts of delivering greater value addition, especially with regard to the mattresses, in response to identified customer demand patterns.

Consequently, the Company continues to occupy the market leadership position in this category, enabling it to record healthy growth levels despite intense competition stemming from the market. The strong performance is especially apparent with respect to specialised and top-end products, such as spring mattresses and furniture products, as well as bedding products for the hotel industry.

Furniture Operation

The furniture operation of the Group is mainly involved with the manufacturing of sofas, panel furniture and wooden furniture. Several manufacturing units have been set up to

Plastics and Furniture Sector Contd.

manufacture both office and household furniture to cater to the diverse and changing needs of the Sri Lankan market, and it is positively noted that these units are progressing steadily towards reaching full potential.

Rotational Mouldings

Arpico water tanks, the undisputed market leader since its introduction to the local market in 1992, commands over 40% market share and is the pioneer brand in the local rotation moulded water tank market. Additionally the Company also produces a wide range of bins and utility items and specialised large volume fabrications.

The Company has continuously embarked on a variety of endeavours to maintain its dominant position in the market. It has always led the introduction of innovative products to the market, including water tanks, compost bins, sumps, chemical tanks for storage of fuel, septic tanks for disposing waste water, as well as superior moulded tanks.

The 'Compost Bin' product targeted at creating greater awareness on environmental protection as well as the Arpico Green Gas Unit, introduced by Plastishells Ltd. was a great success in terms of delivering a positive perception to the market regarding the Company's attitudes towards the environment, and these endeavours received ample appreciation from the market. Further, on its environmental front, the Company has aggressively marketed the eco-friendly "Green Gas" concept, which seeks to pave the way to a cleaner energy system through the generation of bio-gas.

Manufacturing activities of the Group under the rotational mouldings operation occurs at factories located in Horana, Pallekelle, Koggala and Dambulla, and the dispersed nature of these locations enables the Company to maintain a smooth process of island-wide distribution.

In the coming years, the Company plans to further enhance its dominance in the market by expanding the value delivered through its existing range of products, as well as by introducing new products which deliver greater value, supported by state-of-the-art technology.

PVC Operation

The recipient of the SLS certification for its products, Arpitech (Pvt.) Ltd. is involved with manufacturing a wide range of pipes and fittings under the brand name "Arpico PVC".

One of the main endeavours of the PVC operation during the year was the introduction of two new products to its portfolio. Accordingly, the plastic garden hose and the Arpico ball valve were introduced to the market, and their performance during the year indicates that they are already on course to becoming the most preferred products in the domestic market.

Consequent to these new endeavours as well as the continued efforts to maintain its market position, the Company's sales volumes recorded strong growth during the year under review, signifying that it has succeeded in penetrating the market and improving its brand acceptance. As such, significant growth in both revenue and profits was witnessed by the PVC operation during the year.

Industrial Rubber Products and Moulded Rubber Goods Operation

The industrial rubber products and moulded rubber goods operation of the Group is conducted by Richard Pieris Rubber Products Ltd., which is represented by three divisions involved in the manufacturing of moulded rubber items, industrial rollers & belts and re-rubberising printing rollers.

Under this operation, expansionary activities conducted with respect to the industrial roller division and the re-rubberising division have led to a commendable increase in operating profits, at a growth of 21% compared to the previous year. Moreover, competitive prices, along with timely and appropriate promotions, helped in maintaining the market share for garden hoses and vehicle floor mats, where the Company is the established market leader.

Re-Distribution Operation

The re-distribution operation primarily holds the responsibility for the island-wide distribution of products through a network of distributors and dealers. The Group proudly boasts of the possession of one of the largest distribution networks of the country, catering to over ten thousand hardware & furniture outlets located across the island.

Rubber Sector

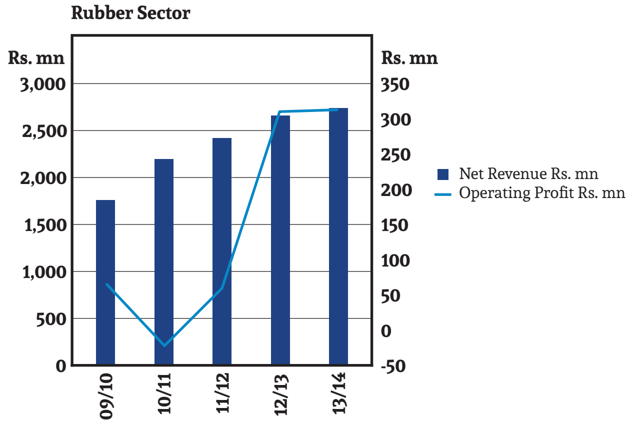
"Richard Pieris Exports PLC, which proudly recorded 30 years of existence on 30th June 2013, is engaged in the manufacturing and export of various types of rubber mats, jar sealing rings and small moulded products."

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

Revenue

2.7 Bn

The growth momentum experienced in the rubber sector moderated during the year and operating profit increased to reach Rs. 316 mn.



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

The most outstanding performance of the Rubber Sector during the year was witnessed in the Exports Company, which recorded a 34% increase in its profits compared to the previous financial year. It is positively noted that the Sector's exports segment has not only achieved the budget but has exceeded the given targets, despite numerous constraints posed by both the external and internal environments.

On the external front, the dreary economic conditions of USA and Europe as well as the slow growth in some of the key markets in the Asia Pacific and Latin American regions posed a threat to the performance of exports. However, the low prices that prevailed for rubber, which is a main input, assisted to negate the effects of these adverse conditions, while the stable exchange rate that was witnessed during the year also reduced the exposure of the exports segment to fluctuations in import prices.

These impressive results were also made possible due to the proactive decision making process operative in all areas of the Sector as well as to the timely management of the respective companies. Improvements in compound formulations, better management of working capital, reduction of wastage and control of overheads can also be highlighted as noteworthy contributors towards achieving such results. Consequently, it is the view of the Group that the fundamentals for the exports segment are now firmly in place and that it is poised for a higher level of growth in profitability in the ensuing years.

Richard Pieris Exports PLC

Richard Pieris Exports PLC, which proudly recorded 30 years of existence on 30th June 2013, is engaged in the manufacturing and export of various types of rubber mats, jar sealing rings and small moulded products to Europe, USA and the Asia Pacific region. The Company is also present in the local market through the sale of its export quality rubber mats, which include specialised products for industrial use, agriculture, gymnasiums, and specialty items such as fire retardant mats, electrical safety mats and anti-static mats.

During the year under review, the Company's sales volumes were adversely affected by the decline in demand in the European continent, although the overall sales volume recorded a 5.7% increase compared to the previous financial year following increased sales to the USA. Moreover, the Company recorded a 34% growth in its operational profits, which is a remarkable achievement when considering the environment within which it had to operate.

Such remarkable financials, achieved amidst difficult market conditions, indicate that the Company's strategy of maintaining a close relationship with its clients has paid due dividends. Accordingly, measures such as planned customer visits, constant contact with overseas customers and offering of price advantages to customers, the Company was able to maintain and establish its footprint around the world. Moreover, by obtaining annual sales forecasts from its major customers, the Company was able to strategise the production process, thereby reducing the level of inventory and implementing just-in-time delivery.

Rubber Sector Contd.

Product innovation and new product development being key areas of focus for the Company. The Company successfully introduced several new products to the market in response to market demand, during the year under review. To further enhance the growth in sales volume and margins, the Company introduced new stable mats to the Australian and New Zealand markets, while the development of super soft anti-fatigue mats and soft cow mats is in progress to cater to the industrial and agricultural sectors. Improvements to energy efficiency have further strengthened the position of the Company, and it continues to invest in its workforce as well, with the belief that the efficient management of human resources is vital for its growth.

Richard Pieris Natural Foams Ltd.

Richard Pieris Natural Foams Ltd. manufactures and markets 100% natural latex foam blocks, sheets and pillows for the international market. The Company has been able to consolidate its position as the leading contributor to the performance of the Rubber Sector of the Group by reporting steady revenues and profits. The current financial year marked a significant milestone, as it recorded the highest ever sales volume, revenue, operating profit and net profit in the history of the Company.

Such performance was achieved through aggressive globalised market development, including venturing out to North America and Asia, restructuring of distribution channels, relationship marketing and above all, via management efficiencies achieved in critical areas. Simultaneous efforts targeting the reduction of wastage, energy and overhead costs, and continual improvements in quality levels also worked to broaden profit margins. Re-structuring and optimum utilisation of assets and resources enabled the Company to manufacture the highest volume in its recent history with minimal capital investment, while sound working capital management coupled with record profitability enabled the Company to reduce bank borrowing during the year under review.

On the environmental front, the Company introduced new products such as Arpico Organic Latex Foam certified by Global Organic Latex Standards (GOLS) while also moving in to bio-mass energy sources and enhancing its effluent treatment facility to create a greener supply chain.

Continuous research and development, technological improvements and value addition to existing products will be prioritised in the coming years to ensure the delivery of premium quality and innovation to customers. Moreover, the Company intends to commence a product diversification programme in 2014, which would help the Company to significantly increase its sales volume and capacity while improving its cost efficiency. Through such measures, the Company will further its efforts to secure the dominance in the global market with a vision to become the world's largest 100% natural latex foam manufacturer.

Arpitalian Compact Soles (Pvt) Ltd.

Arpitalian Compact Soles (Pvt) Ltd., which is a joint venture of the Group with Davos SPA, a globally reputed manufacturer for shoe soles, manufactures shoe soling sheets for international shoe manufacturers.


After having recorded continuous losses for numerous years, the Company was able to turn around its business during the year under review. This profit, which was achieved despite the drop in sales volumes, is mainly attributable to the decline in raw material prices, stability in the exchange rate, proper management of overheads and the effective management of cash flows. The Company also placed attention on developing new products to cater to the latest trends in the shoe industry, while improving on its response times for the development and delivery of samples and the finishing of products.

Even amidst stiff competition from low quality products available in the market at substantially low prices, Arpitalian continued to retain its status as a high quality component provider for the global shoe industry that caters mainly to the high-end market. Into the future, the Company is determined to pursue this strategy, as opposed to competing in the mass market where the margins are thinner. The Company strongly believes that continuous improvement to product quality and design is the most prudent strategy to differentiate its product line from competitors and to position itself in desirable market segments by enhancing its brand image.

With its intensified marketing efforts in countries such as Vietnam, Bangladesh, West Asia, North India and certain regions in South India, the Company is confident of volume gains in the coming years. Meanwhile Davos SPA, the other party of the joint venture, is seeking entry to the Chinese market, with Arpitalian as the supply point, which in turn will increase the potential of the Company. Simultaneous efforts are in place to enhance sales to the local market within the timeline stipulated by the Board of Investment. The Company is also in the process of building a new business line by utilising its excess machine capacity.

Micro Minerals (Pvt) Ltd.

Micro Minerals (Pvt) Ltd., whose manufacturing plant is located at Bandaragama, produces mineral products which are recognised as essential raw material in the polymer industry, and mainly supplies to member companies of the Richard Pieris Group.

It was an immense challenge for the Company to maintain its market share following the entry of a few new local competitors with low price offers, and hence, it did not perform as expected during the year under review. To overcome this situation the Company is now considering the possibility of expanding its product base while retaining its existing customers by offering better services. During the year, the buffing operation, which was located at the premises of Richard Pieris Exports PLC was shifted to Micro Minerals (Pvt) Ltd., so that a separate business could be developed to cater to external parties. This resulted in a revenue growth of 33% compared with the previous financial year, and the Company is confident of improving its performance in the coming years.

Services and Other Sector

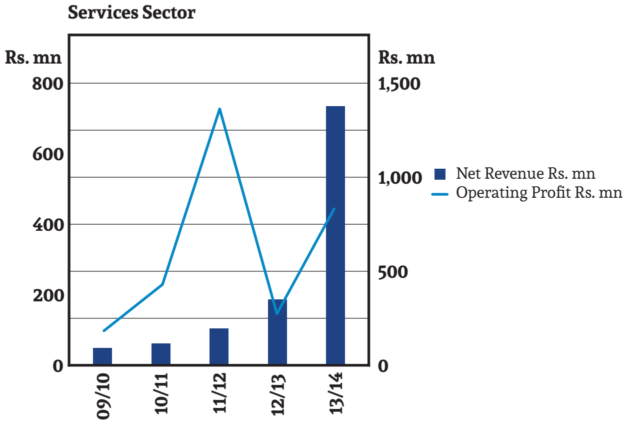
During the financial year Richard Pieris Arpico Finance Ltd was able to gather momentum with a strong performance, speaks its promising future prospects.

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

Revenue

660.7 Mn

Arpico Insurance has set new benchmarks in the industry by defining a new market space for "Insurance for Living".



This sector includes the Group's holding Company, Richard Pieris and Company PLC, and subsidiary companies engaged in financial services and a range of businesses falling outside the scope of the Group's other sectors i.e. Plantations, Rubber, Tyre, Retail and Plastics.

Richard Pieris and Company PLC

Richard Pieris and Company PLC is the holding Company of the Group and is responsible for its overall corporate policy and direction. It generates a proportion of its income by way of dividends from its subsidiaries. It also owns and rents real estate, including the Hyde Park Corner retailing complex as well as the premises located at Nawinna, which houses the head office, the Tyre factory and a supercentre.

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

The overall IT functions of the Group are assisted by the Group IT Division, which has strengthened its competitive advantage through the implementation of state-of the-art IT systems and solutions which are continuously being enhanced to support the diversified needs of the Group. During the year under review, the IT Division also strengthened its data center through investments in new equipment, with the objectives of enhancing performance, security infrastructure and strengthening business continuity. Moreover, emphasis was also placed on the automation of factories to enable activity based costing in product lines.

The Group Human Resource Division is responsible for the overall deployment of the HR policy of the Group. It deals with the administrative work relating to employees and coordinates training and staff development activities. More details on its activities can be found in the report "Our People" appearing on page 55.

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

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

The Group Corporate Planning Unit coordinates the Group's overall strategic planning process and provides its expertise to all SBUs in developing and monitoring Key Performance Indicators. This unit is also involved in analysing new business ventures, developing business plans and continuously monitoring existing businesses to ensure optimal allocation of resources.

The centralised Internal Audit Function ensures that internal control systems of the Group are adequate, up-to-date and are adhered to by all Group companies. Its activities are based on the risks faced by the Group in the different industries it operates.

Services and Other Sector Contd.

RPC Logistics Ltd.

The key activities of RPC Logistics Ltd. are international freight forwarding and customs broking, which currently account for approximately two-thirds of the Company's revenue. The Company's portfolio of services includes air freight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company provides door-to-door cargo services with the assistance of overseas agents and a variety of other connected services.

With the view of expanding the services rendered by the Company to the Richard Pieris Group, it is currently in the process of obtaining agencies for machinery and equipment used by the plantation and other SBUs. During the year under review, the Company succeeded in securing the agency for Colour Sorter Machines from Anhui Zhongke Optic-electronic Color Sorter Machinery Co. Ltd. of China.

Richard Pieris Securities (Pvt) Ltd.

The year under review proved to be a highly challenging year for Richard Pieris Securities (Pvt) Ltd., and the Company's performance was hampered by poor market conditions mainly fuelled by the emerging market sell-off.

Arpico Insurance

After launching on 11th January 2012 by defining a new market space "Insurance for the Living", Arpico Insurance has set new benchmarks in the industry. The Company has expanded its services to North & East and region of Sri Lanka in the second year of operation. This rapid expansion has made the Company to stand tall in the insurance industry as it has recorded Rs. 226 mn of total revenue by 31st March 2014 in the 2nd year of operation.

In an era of intense challenges and environment with increasing cost of living, Arpico Insurance's performance was remarkable. Development of Human resources and stringent performance management enabled Arpico Insurance to successfully sail through the rough seas.

Richard Pieris Arpico Finance

During the financial year RPC Group invested in Richard Pieris Arpico Finance Limited with a vision to provide innovative financial solutions to its valued customers. The Company was able to gather momentum from the first year of operations and indicated strong performance reflecting its ability to sustain in the competitive finance sector, thereby adding value to the shareholders.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175.25 179.00 175.00
129.50 130.00 129.75
100<< BEVERAGE FOOD & TOBACCO >>
67.50 68.00 68.00
100BFL.N0000 8.75 9.00 9.00
93.00 105.75 0.00
0BREW.N0000 63.00 78.75 0.00
16.75 17.00 17.00
200CARG.N0000 510.00 0.00 0.00
132.75 138.00 0.00
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200COCO.N0000 18.50 19.00 18.50
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1.0KCTC.N0000 60.00 62.00 0.00
157.00 160.00 160.00
100CTEA.N0000 246.00 275.00 0.00
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100FERN.N0000 7.50 8.50 0.00
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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 has 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. We aspire to grow beyond boundaries and we have achieved so many mile stones in our business through diversification but still our commitment to corporate social responsibility continued 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 concurrently 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. Approximately 200,000 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 investments 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 Labelling organisation 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 programs 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. The Group also provides employment for more than 30,000 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

The Company donated a total water solution to various schools around the island. Under this program, Arpico partnered with the Shakthi FM to assist schools in setting up free water storage solution for their day to day clean water supply. This has greatly contributed to schools which doesn’t have enough funds to supply water storage solution/facility for their school students. All water solutions were completed using Arpico water tank, Arpitech water pump and Arpico PVC pipes & fittings. As an

on-going CSR operation, the Company continued to donate high jump mattresses to schools. During the period under review Wethara Primary School in Mattegoda was given mattresses for their school children's needs.

"Giving Sounds to Silence" is a programme that seeks to provide hearing aid to less fortunate children at an early age, because early intervention would ensure that the child would grow and develop as a normal child. If not they would have to live a life of dependency and isolation. Arpico Supercentre Privilege Care programme has been helping the hearing impaired children by purchasing the hearing aids for them to live their lives in the hearing world. Shoppers were given the opportunity to contribute either Privilege points or cash and Arpico Supercentres doubled their contributions. Continued contribution from customers has helped number of children in need and the Company will continue the same in the future.

With the inception of "Fairtrade International Certification" activities on the estates the resident population has been benefiting immensely by way of uplifting their living standards, which has also helped the plantation in increasing its productivity and internationally recognise the Company product. Strathspey estate was awarded 1st Runner up in 2013 competition conducted by FLO.

The proposed Indian housing project on plantations is under way with the commencement of earmarking the suitable plot of land for reducing the problem of over-crowding and obliteration of temporary sheds in our plantation in order to provide a healthy living environment to the community. Water, sanitation and other health related services are provided in a routine manner to ensure contented and trouble-free life of our worker population. The Company is committed to improve the sports activities such as Volleyball, Football, Cricket, etc. amongst our population.

Local Operations of Maskeliya Tea Gardens Ceylon Limited organised a refreshment hut in Anuradhapura to cater people who come for the Poson Pilgrimage. Maskeliya Tea Gardens gave away free cups of Tea to encourage and to refresh them to continue the journey. In total more than 50,000 cups of Tea were given away to the pilgrims.

The Company was involved in many other welfare activities where Richard Pieris Natural Foams donated latex mattresses & pillows to all elders at Udupila Elder's Home and Annual fixtures being conducted in many estates. Arpidag tyres and Arpico water tanks donated plastic traffic cones to the Maharagama police station in order to facilitate better management of daily traffic in and around the Maharagama area. The traffic cones were handed over at the Maharagama Police station in the presence of the OIC and OIC traffic.

Supporting Health Care

Health camp including free eye consultations were conducted where estate / factory workers and the spraying workers were immensely benefitted due to this effective campaign.

Celebration of International Women's Day and International Elder's Day were organised in our estates where by conducting several clinics such as eye clinic, dental clinic, and screening worker population in which diagnosing ailments were undertaken.

Various activities were undertaken in plantations with the assistance of NGOs operating in the respective areas towards achieving common goals such as general improvement in health standards of the population, eradicating dengue menace and other parasitic and communicable diseases, preventing line birth, infant and maternal deaths by strictly ensuring institutionalised births through government hospitals, implementing immunisation programmes and improved maternal and health care and decreasing malnutrition in children and anaemia among women pluckers.

Assisting Education

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

English and computer classes were conducted for workers children at estates to improve their knowledge. Books and uniforms were distributed to the school children of our estate workers as well. Further, scholarship were granted to children of employees to pursue their studies at Universities.

Corporate Social Responsibility Contd.

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 manufacturing and channeling to markets.

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 savings. The new supercentres are opened with the concept of "Go Green" by using initiatives such as water treatment plants.

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 bio-gas through organic waste. The users could additionally benefit from the active 100% liquid compost fertiliser, 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 last 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 CHEMEX 2011 exhibition 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 Lanka 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

The financial year 2013/14 proved to be a challenging year for the Group, as developments in the external environment exerted direct adverse impacts on business operations. The compulsory 20% wage hike as well as unfavourable weather conditions had a negative impact on the plantation sector, while the regulatory pressure imposed through the introduction of Value Added Tax (VAT) and other undesirable social and economic factors presented challenging operating conditions for the retail sector. Amidst these trials, the Group recorded revenue of Rs. 34.7 bn, and a gross profit of Rs. 8.0 bn, while the Group's profit for the year was recorded at Rs. 1.6 bn.

Revenue Analysis

Group revenue of the year has been static for the current financial year when compared with the previous financial year and was reported to be Rs. 34.7 bn.

The Group's stagnant performance was significantly affected by the overall economic sentiment that prevailed over the year. Although the Sri Lankan economy indicated a robust growth of 7.3% for the year 2013 and an expansionary monetary stance was implemented by the Central Bank of Sri Lanka with the objective of improving the economic climate, a reduction in consumer spending was evident throughout the year, and this in turn resulted in an overall drop in demand which affected many sectors of the Group.

Accordingly, a drop was observed in sales of non-essential items, especially affecting the plastic and retail arms of the Group. Meanwhile the plantations sector, mainly the rubber cluster, was forced to absorb the negative impacts of depressed market prices as a result of the increased rubber supply from major rubber producing nations and the high stock levels of the key manufacturers located in China and Japan. In the domestic market, adverse weather conditions posed pressure on the financial performance of the plantations sector in the backdrop of a 20% wage increase. It is nevertheless noted that despite these effects, the Group reaped full benefits from its strategy of diversification, thereby maintaining its reputation for profitability.

Retail Sector

The retail sector emerged as the most significant contributor to the Group revenue for yet another year, accounting for 46.4% as opposed to the 45.3% contribution made in the previous financial year. Total revenue of the sector improved marginally by 2.6% to Rs. 16.1 bn even with the slowdown of the economy and the implementation of VAT.

During the year, the sector continued its selective policy of expansion and accordingly, one large format outlet and five more showrooms were opened in order to widen its reach to customers. Thus the total network of large format retail outlets increased to 15 during the year under review.

Plastic Sector

The difficult conditions that prevailed in the markets made the year under review challenging for the plastics sector as well. Accordingly, the revenue of the sector was reported at Rs. 5.2 bn for the financial year 2013/14 at 11.4% decline compared to the revenue of Rs. 5.9 bn recorded in the previous financial year. The revenue of the sector accounted for 15.1% of the Group revenue.

However, the sector was successful in improving the top-lines and bottom-lines of key product categories, i.e. mattresses, water tanks, PVC pipes and fittings and rigifoam products. The sector also embarked upon the expansion of its manufacturing operations for polyurethane, furniture and PVC products, thereby furthering its ability of reaping fruits in the coming years.

Plantation Sector

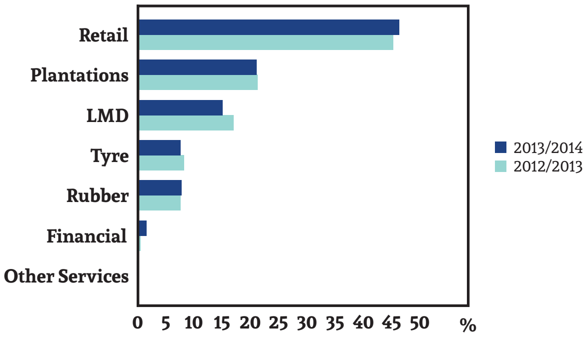
The plantation sector was yet another sector faced with many trials during the year. Unfavourable weather conditions resulted in the decline in the tea and rubber output considerably, especially during first half of the financial year, while the low prices quoted for rubber also exerted adverse pressure on the top-line. Accordingly, the sector ended the year by recording revenue of Rs. 7.3 bn, indicating a marginal decline of 1.1% from Rs. 7.4 bn recorded in the previous year. The sector was the second highest contributor to Group revenue, contributing 21.1%.

Despite the national tea production during the period reaching an all-time high of 340.2 mn kg, surpassing the previous best of 331.4 mn kg recorded in 2010, the Group's tea output declined by 3% to 12.8 mn kg. Meanwhile, the prices at the Colombo tea auction performed exceptionally in the face of strong demand for Sri Lankan tea from the CIS countries and the Middle Eastern region.

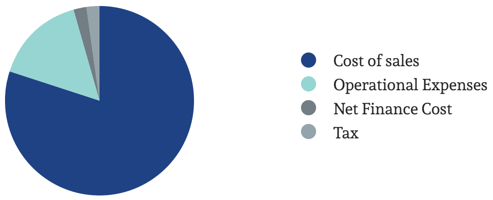
During the year under review, the rubber production showed a marginal decline of 3% to 5.5 mn kg from the 5.7 mn kg recorded in the previous year. Revenue derived from the rubber segment experienced a significant decline of 17.0% as the average rubber price reduced from Rs. 394.9 per kg to Rs. 336.8 per kg during the current year. Thus it is observed that the decline in revenue can be attributed to the drop in prices, on average by 14.7% during the period, coupled with the decline in volume.

Financial Review contd.

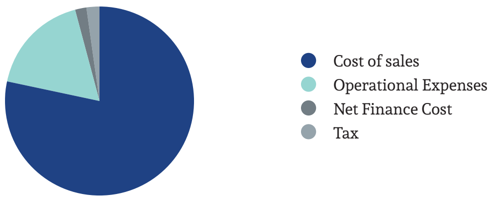
Segmental Revenue Composition



Expenses against Revenue Analysis 2012/2013



Expenses against Revenue Analysis 2013/2014



Meanwhile, palm oil emerged as the best performing crop of the year, with revenue from the segment increasing by 26.6% from Rs. 439.7 mn to Rs. 556.7 mn, mainly assisted by the 14.2% increase in crop output to 16.5 mn kg in the year under review. The average price of palm oil also exhibited an upward trend, rising from Rs. 30.4 per kg to Rs. 33.7 per kg, due to the increased use of palm oil as an edible form of oil.

Rubber Sector

The rubber sector continued its growth momentum during the year with its revenue growing by 3.2%, while it contributed 7.9% to the overall Group revenue. Within the sector, the 'Natural Latex' segment operated in its full capacity, reporting revenue of Rs. 1.5 bn for the year under review. The segment succeeded in thwarting the stiff competition that existed in the market through price competition, backed by the lower rubber prices.

It is noteworthy that the 'Flooring Rubber and Mats' segment recorded a 4.0% value expansion during the year under review, while its volumes expanded by 7.0%. The growth reported in this segment is impressive, given the sluggish growth in economies in the European Union, to which a large proportion of the produce from this segment is exported.

Revenue of the 'Shoe Soles Manufacturing' segment declined by 2.7% to Rs. 455.5 mn during the year under review, mainly because the volume of this operation declined by 4.6%, although the average container value grew marginally by 2.0% mainly due to the depreciation of the LKR.

Tyre Sector

Revenue of the tyre sector was reported at Rs. 2.6 bn in the financial year 2013/14, indicating a decline of 6.9%. This sluggish performance in turn reduced the sector's share of the Group revenue to 7.6%, from 8.2% in the financial year 2012/13.

This sector was adversely affected by the rising competition posed by imported radial tyres which offer a lower cost per kilometer, leading to a decline in volume by 7.7%. Simultaneously, the value generated also declined by 8.9% to Rs. 2.0 bn from Rs. 2.2 bn recorded in the previous year. This, in turn, resulted in an average unit value of Rs. 5,178.6, a marginal decline of 1.2% from the prior year's average unit value of Rs. 5,243.9. Meanwhile, the trading segment also posted a decline of 6.4% in volume during the year though its value generation increased by 15.4% to Rs. 496.0 mn.

Financial Services Sector
The financial service sector, the newly added business arm of the Group, comprises of the newly established finance Company as well as the Life Insurance, Stock Broking, Margin Trading and Assets Management clusters. The sector recorded approximately two-fold growth in revenue, which was reported at Rs. 514.7 mn for the year under review.

Other Services Sector
The other services sector includes the newly established pharmaceutical Company and other service oriented businesses of the Group. The sector reported approximately ten-fold growth in revenue to report Rs. 146.1 mn for the financial year 2013/14, mainly backed by the pharmaceutical operations. Despite the sector's revenue growing considerably however, it remained the smallest contributor to the Group revenue.

Cost of Sales and Operating Expense Analysis

The cost of sales of the Group increased from Rs. 26.3 bn in the financial year 2012/13 to Rs. 26.7 bn during the year under review, growing marginally by 1.5%, and absorbing 76.9% of Group revenue.

The increase in cost of sales by 1.5%, well below the average inflation of 6.9% recorded for the period, speaks volumes of the Group's ability of controlling its production costs through increased productivity and efficiency. It deserves to be noted that this low growth in cost of sales was achieved despite the 20% increase in the wage rate of the plantations sector, which exerted upward pressure on the costs of the sector. Therefore, it is observed that the Group was able to maintain a moderate growth in its costs at a time multitudes of external factors exerted upward pressure on its cost structure.

Administration costs of the Group also showed an increase of 4.4% to report Rs. 3.9 bn during the year under review, absorbing 11.5% of the Group revenue. This was mainly affected by the increase in costs related to the formation of new business lines such as the finance and pharmaceutical companies, as well as the continuous expansion of the operational capacities in the plastic and rubber sectors.

Meanwhile, the Group's distribution costs, which include advertising and promotional costs as well as commissions paid on sales volumes, escalated sharply by 19.5% to reach Rs. 1.7 bn during the year, accounting for 5.0% of the total revenue.

In cumulative terms, the administration and distribution costs, along with the cost of sales, constituted 93.4% of the Group's revenue during the financial year under review.

Profit from Operations

The gross profit of the Group for the financial year 2013/14 was reported at Rs. 8.0 bn, compared to Rs. 8.4 bn reported in the previous financial year.

Other operating income for the year was recorded at Rs. 575.1 mn, up from Rs. 550.2 mn recorded for the previous year.

It is nevertheless noted that despite maintaining a confined cost structure, profit from operations of the Group declined sharply by 22.0% for the year under review, and reached Rs. 2.8 bn, due to the multitude of challenges imposed on the Group's businesses, as discussed elsewhere. Accordingly, the operating profit margin also declined to 8.1%, from 10.4% recorded in the previous year.

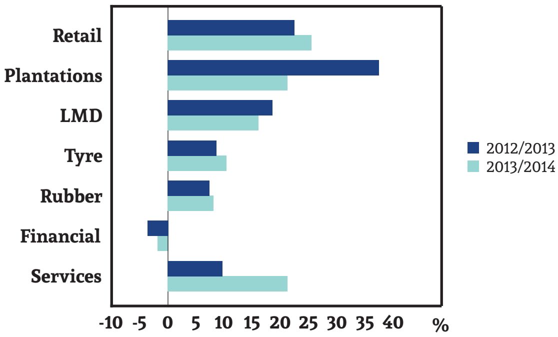
Retail Sector
The retail sector was in the lead as the highest contributor to Group profit, accounting for 25.4%, compared to its contribution of 22.3% in the previous year. In absolute terms, the operating profit of the retail sector was recorded Rs. 987.3 mn, indicating a marginal increase of 3.6% from the comparative period. However, the sector contributed to the drop in operating profit of the Group during the year under review, mainly due to the imposition of VAT on the sector as well as the reduction in consumer spending that resulted in a drop in demand for non-essential items.

Plantation Sector
The profitability of the plantation sector, which experienced a bullish run during the financial year 2012/13, indicated a sharp decline of 48.7% during the financial year 2013/14 due to reasons stated earlier. The wage hike of 20% had a severe effect on the bottom-line of the sector, as it necessitated the revision of the gratuity provision by approximately Rs. 204 mn. The operating profit of the sector was reported at Rs. 820 mn, accounting for 21.1% of Group operating profit.

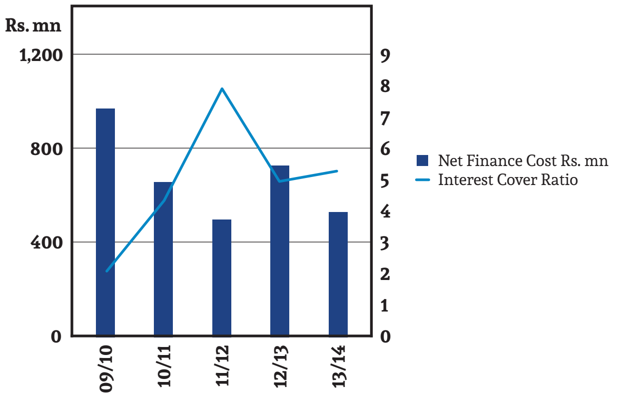
Plastic Sector
The plastic sector accounted for 16.0% of the Group profit though its operating profit indicated a decline of 20.9% for the year to record Rs. 623.1 mn. Concurrently, the operating profit margin deteriorated to 11.9% in the financial year 2013/14 from 13.3% in the financial year 2012/13.

Financial Review contd.

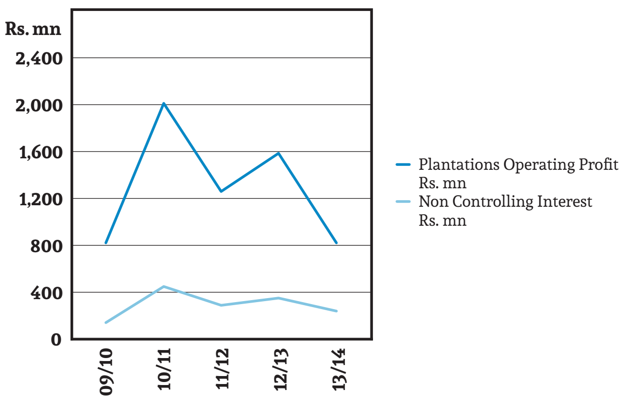
Segmental Profit Composition



Net Finance Cost vs. Interest Cover Ratio



Non Controlling Interest vs. Plantations Profitability



Tyre Sector

The Group's tyre sector recorded a 9.2% growth in its profit during the year and reached Rs. 399.5 mn, increasing its contribution to Group operating profit to 10.3%. The timely and prudent decision to invest in the firewood boiler, which replaced the previously used main source of energy, resulted in lower energy consumption. This fact, coupled with the consistent low input prices that prevailed in the market towards the latter half of the year, positively affected the bottom-line and margins of the sector.

Rubber Sector

The growth momentum experienced in the rubber sector moderated during the financial year 2013/14, and operating profit increased marginally to reach Rs. 316.0 mn for the year under review. The sector's performance exceeded expectations in spite of the sluggish economic conditions that loomed over the Western economies, and was mainly supported by the move towards the use of efficient energy sources as well as aggressive promotional activities. Thus the operating profit margin of the sector was 11.5% for the year under review.

Finance Cost

The Central Bank of Sri Lanka eased its monetary policy stance during the year, with the objective of injecting liquidity in to the economy, and consequently there was a decline in market interest rates by over 5.2%.

In the backdrop of these changes in the monetary policy, the finance costs of the Group reported a decline of 10.6% from Rs. 1,031.5 mn recorded in the previous financial year to Rs. 922.1 mn during the year under review, despite the overall debt level of the Group increasing sharply to Rs. 6.5 bn. The finance income of the Group was recorded at Rs. 389.6 mn for the year, increasing sharply by 29% from the Rs. 302.1 mn recorded in the previous financial year, mainly due to the cash balance of the Group increased from Rs. 4.6 bn to Rs. 6.0 bn. Consequently, the net finance cost declined from Rs. 729.5 mn in 2012/13 to Rs. 532.5 mn in 2013/14. However during the year, the interest cover for the Group, based on net finance cost, improved from 4.9 times to 5.3 times, while the interest cover based on finance cost moved from 3.4 times to 3.0 times.

Share of Associates

The Group's investment in associate companies relates to a 21.63% stake in AEN Palm Oil Limited. The share of profits of associates for the Group stood at Rs. 27.9 mn during the year under review, compared to Rs. 63.8 mn in the previous year, indicating a sharp decline of 56.2%.

Non Controlling Interest

Despite increasing the stake in plantation companies, the sub-par performance of the plantation sector in terms of its profitability, led to a decline of 33.7% in the Non Controlling Interest from Rs. 360.3 mn in the financial year 2012/13 to Rs. 238.9 mn during the year under review.

Investments/Acquisitions and Disposals

Several important investments were made by the Group during the year with the objectives of pursuing its diversification strategy and enhancing its productive capacity.

Accordingly, to diversify its business portfolio, the Group ventured in to the healthcare sector with a proposed investment of Rs. 100 mn in Arpico Pharmaceuticals (Pvt) Ltd. Additionally, the Group also continued its investments in its most lucrative sector, retail, where the opening of a new large format retail outlet was witnessed in Matara in January 2014. Furthermore, the plantation sector also continued its investments in replanting, with the objective of improving crop yields.

Group Financial Position and Liquidity

Non-Current Assets

The non-current assets of the Group increased from Rs. 14.2 bn to Rs. 18.3 bn during the year, recording a rapid growth of 29.2%, and representing 56.2% of total assets. The rise is primarily attributable to the Group's continued investments in property, plant and equipment, which grew by 16.5% and accounted for 42.1% of the total assets by the year-end. The retail sector, with over Rs. 473 mn investments conducted for its expansion, and the plantation sector, with recurrent capital expenditure of Rs. 793 mn for replanting purposes, also contributed towards this growth.

Concurrently, the consolidation of the newly established finance Company into the Group resulted in the increase of other non-current financial assets by approximately four-fold to Rs. 2.8 bn during the year under review.

Working Capital

During the year, the current assets of the Group increased by 8.9% to reach Rs. 14.3 bn, while a 34.2% increase was observed in current liabilities which reached Rs. 13.9 bn. Inventory increased by Rs. 115.2 mn, but trade receivables indicated a sharp decline of 10.9% to Rs. 4.0 bn while trade & other payables increased by Rs. 723.9 mn. Accordingly, by the year-end, the total current assets of the Group accounted for 43.8% of its total assets while total current liabilities accounted for 42.6% of the same.

The Group's working capital position was adversely affected during the year due to the moderation of its profit coupled with the Group's investments for expansion in the financial services sector and other businesses. Thus, the net working capital investment stood at Rs. 401.7 mn, reflecting a decline in the liquidity position by 85.5% compared to the previous financial year, which induced the Group to increase its short term borrowings by Rs. 2.5 bn in order to bridge the funding gap. Consequently, the current ratio of the Group deteriorated from 1.3 to 1.0 and the acid test ratio followed suit, declining from 0.9 to 0.8, both being recorded below the targets of 2 and 1, respectively.

Capital Structure

Equity

The Group's decision to conduct an Employee Share Option Scheme resulted in its stated capital increasing by Rs. 177.6 mn, and the total number of shares increased from 1,939,236,825 to 1,983,737,845. While the profit for the year was recorded at Rs. 1.6 bn, reserves of the Group increased by 7.7% to reach Rs. 6.7 bn. The Group declared and paid interim dividends of Rs. 0.25 in August 2013 and declared Rs. 0.20 in March 2014, constituting a dividend yield of 6.8% for the year.

Borrowing

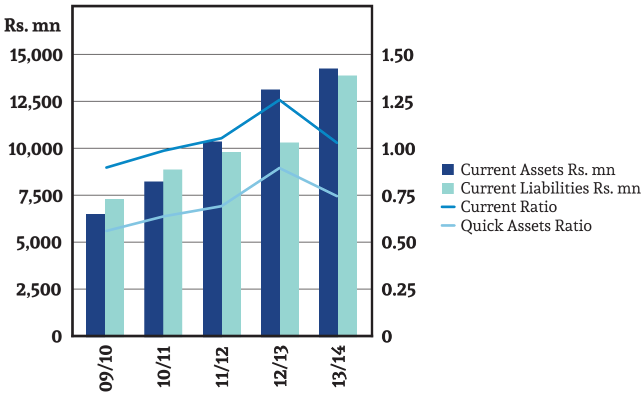
In terms of borrowings, the net debt including cash balances was stationed at Rs. 6.5 bn during the year, an increase of Rs. 2.2 bn, mainly because the Group relied on external funding for the continuous expansion of its core business whilst diversifying horizontally.

A significant increase in debt, amounting to Rs. 1.5 bn is observed in the financial services sector, following the commencement of operations of the Finance Company. The debt of the plantation sector increased by Rs. 620.6 mn and at the holding Company level, debt escalated by approximately Rs. 612.4 mn, mainly to facilitate the acquisition of property and other capital expenditure.

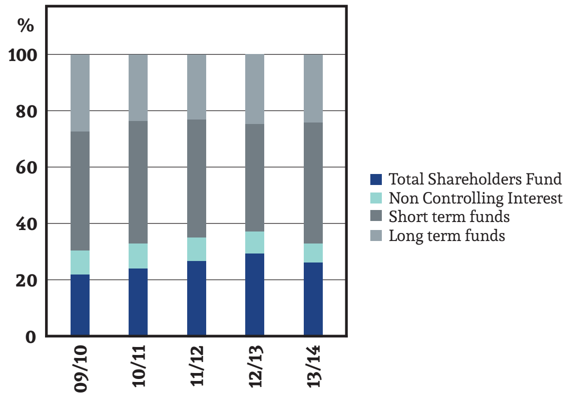
Consequently, the Group's gearing ratio increased to 37.7% from 29.5%, while the debt-to-equity ratio also weakened from 0.42 to 0.60. Of the total debt, 87.4% was denominated in local currency whilst debt denominated in foreign currency accounted to approximately 12.6%, in turn providing the Group with a sufficient buffer towards widening its foreign currency borrowings, given that approximately 15% of the cash inflows to the Group are denominated in foreign currency. Meanwhile, the Group's conservative attitude has ensured that 60% of its debt is secured.

Financial Review contd.

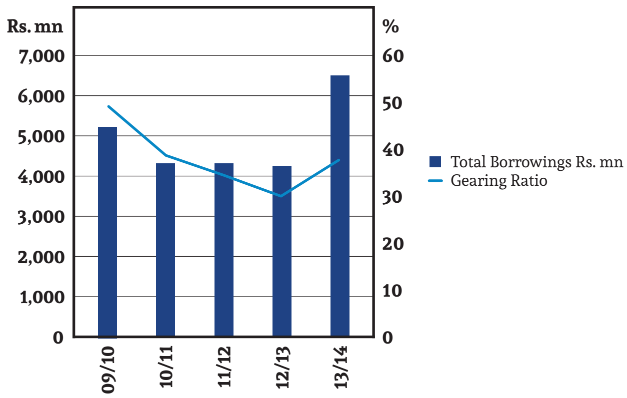
Working Capital Investment vs. Current Ratio



Capital Structure



Total Debt Vs. Gearing Ratio



Returns to Shareholders

Profit attributable to the shareholders was reported at Rs. 1.4 bn for the year under review. EPS declined by 24.2% to Rs. 0.72, while diluted EPS also followed suit, declining by 22.8% from Rs. 0.92 to Rs. 0.71. The earnings yield for the year was recorded at 10.9%, while the dividend yield showed a sharp increase to 6.8%, based on the year-end share price, compared to 3.0% recorded in the previous year. However, the total gain for shareholders during the period remained at 6.8%, given that the share price remained at a constant level of Rs. 6.6 per share.

Market Capitalisation

The market capitalisation of the Company was Rs. 13.1 bn at the closing price of the share, up from Rs. 12.8 bn recorded in the previous year.

During the year under review, the highest traded price of the Group's share was Rs. 7.8, while the lowest price was Rs. 5.9. 88.5 mn shares were traded during the year and the share price closed for the year at Rs. 6.6.

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 found elsewhere in this Annual Report.

Risk Management

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

Risk Exposure	Group Objectives	Risk Minimisation Strategies
Financial Risk Management		
1. Liquidity and Cash Management	• To ensure faster response to market opportunities by ensuring instant funding ability. • To maintain a 'sufficient' liquidity position at all times.	• Funding of long term assets through Equity and Long Term Loans. • Availability of short term borrowing facilities to the Group at all times. • Funding of inventory by short term creditors. • The Group owns land and buildings with market values significantly in excess of its book values that can be offered as collateral for future funding requirements. • Sourcing of funding requirements through many financial institutions.
2. Interest Rate Risk	• To minimise adverse effects of interest rate volatility. • To ensure cost of borrowing is at minimum level. • To optimise the return on the Shareholder's Fund and Life Policy Fund of Insurance Company.	• Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings. Continuous monitoring is being done to match the mix of foreign and local denominated borrowings to the mix of export and local revenue of the Group. • Using fixed and variable rate borrowings to strike a balance. • Centralised Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms. • Practicing effective hedging techniques such as interest rate swaps. • Centralised Treasury function to get the advantage of the total pooling of funds. • Matching the Assets and Liabilities of maturities. • Duration Management.
3. Currency Risk	• To minimise risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.	• Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge. • Ensuring effective Treasury operations through various hedging techniques such as forward bookings, forward sales, swaps and options contracts etc.

Risk Management contd.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
Business Risk Management		
1. Credit Risk	• To minimise 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 minimise risk from fire, theft and machinery and equipment breakdown.	• Obtaining comprehensive insurance covers for all tangible assets. • Adoption of stringent procedures with regards to the moving of assets from one location to another. • Carrying out mandatory preventive maintenance programs. • Carrying out frequent employee training programs in areas such as fire prevention.
3. Internal Controls	• To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.	• Carrying out of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department. • Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the Group's performance is in line with its targets.
4. Reputation Risk	• To prevent the causes that damage our reputation. • To minimise the impact if, despite our best endeavours, a reputation crisis should occur.	• Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the inputs, processes and outputs of own brand and in-house manufactured products. • Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large. • Providing the front line managers and the sales staff with adequate training in order to improve service standards as well as to educate staff on the importance of customer service.
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.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
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 minimise 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. • Centralised 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 maximise 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 • The introduction of a CRM program in our retail chain. • The provision of various value added services at our key retailing outlets.
10. Intellectual Capital Risk	• To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.	• Registering our brands and trade marks. • Successfully obtaining patents for manufactured radial tyres. • Furthering our Arpico brand image through promotions and advertising.
11. Capital Investments Risk	• To minimise risk of not meeting profit expectations.	• Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back. • Carrying out extensive feasibility studies for large scale investments. External expertise is obtained wherever required.

Risk Management contd.

Risk Exposure	Group Objectives	Risk Minimisation Strategies
12. Information Systems Risk	• To minimise risk associated with Data Security, Hardware and Communication and Software.	• Maintaining of spare servers. • Mirroring of hard disks with critical data. • Data back-ups stored in off-site locations. • Vendor agreements for support service and maintenance. • Regular upgrading of Virus Scanners, Fire walls etc. • Compliance with statutory requirements for environmental preservations. • Carrying out Application Control Audits.
13. Environmental, Political and Regulatory Risk	• To minimise the negative impact from the changes in the external environment which are beyond our control. • To Comply with the Regulatory Requirements.	• Compliance with statutory requirements for all tax and other payments. • Prioritise the IT requirements for reporting • Set up internal dead-lines for each criterion • Meet the dead line for Statutory Returns and review all returns by Group Finance before the submission. • Continuous dialogue with statutory bodies to get the updated reporting requirements.
14. Underwriting Risk	• To Minimise the Claims and to ensure proper pricing.	• Assessing the risk exposed by accepting the policy and carrying out proper ratings and loadings before underwriting any policy. • Adhering to the guide lines provided by re-insurer • Referring any complicated matters to the re-insurer before accepting the risk. • Checking validity and accuracy of all the proofs given by the client before accepting the risk.

Our People

The financial year 2013 / 2014 was a challenging year for the Group primarily owing to unanticipated adverse external factors and dynamics that were mostly beyond the control of the Group. However, the well-spirited resilience of the employees of the Group managed to wither the storm and held the Group's profitability intact, although the performance was not as good as the previous two years. Preserving the eight decade long heritage the Group further fostered its family atmosphere for its employees whilst encouraging and rewarding their creativity, innovative thinking, talents and skills to stimulate the performance of the Group.

Employee Relations

The Group continued to practice its open door policy in addressing issues concerning employees as it always believes that the ideology of industrial democracy is the best tool for managing relations with employees. Given our family tradition which is deep rooted the business leaders and managers within the Group are trained and required to listen to grievances of employees not only in relation to employment but also concerning their personal lives and assist them finding viable solutions. With its relationship based strategy the Group has won the hearts and minds of 30,538 employees across 49 subsidiaries and thus the Group proudly rejoiced yet another year free of any industrial dispute that led to work stoppage.

Whilst adopting an open and welcoming stance on freedom of association and collective bargaining, the Group is committed to strengthen its relations with employees and trade unions so that prevailing harmonious environment is long-lived.

Human Resource Development

Without a doubt customer satisfaction and meeting expectations of valued customers have been the key success factors behind our successful existence in the country for over 82 years. The ability of the Group to attract and retain customers and becoming a leading household name in the Island was a result of the dedication of employees to innovate and provide high quality products and services beyond the expectation of everyone. Hence the Group always considers that it is of paramount importance to nurture, groom and foster the pool of talents that we have at Arpico which not only benefits the Group but also the entire nation. The Group invests heavily on human capital development in training and retraining of talents at all levels ranging from employees of our stunning tea estates to pluck best quality leaves to provide the most delicious cup of tea, to the staff of our supercenters to provide a truly amiable hospitality to our customers and further extends to most senior Chief Executive Officers who maneuver respective subsidiaries in the path of success. Structured skills development programs are in line with Group's Training Policy continued to be conducted at subsidiary levels.

Recreation & Employee Motivation

The Group recognises the significance of maintaining a steady balance between work and personal life of employees, and to maintain sound physical and mental health since a relaxed mind in a healthy physique always enhances employee performance whilst stimulating innovative ideas. The Group organises recreational activities intended at increasing employee satisfaction and delighting them with opportunities and benefits whilst extending the same to their immediate families too. Recreational activities include staff outings, musical shows, sporting events and festivals, cultural shows, competitions, exhibitions, organising staff health camps intended at sustaining a balanced life.

Motivation of employees plays a pivotal role in our strategic human resource management. The Group practices a performance based reward and recognition scheme following a comprehensive employee performance evaluation in order to enhance performance, productivity, quality, innovations, decision making process which in return enables the Group to achieve its objectives and targets. The process begins with a predetermined but dynamic set of goals, objectives and targets agreed between the team leaders and the team members beginning of each financial year with subsequent evaluations periodically and end of the financial year followed by extremely attractive rewards and benefits.

Statement of Value Added

	2013/2014 Rs.'000	%	2012/2013 Rs.'000	%
Revenue (Gross)	**35,019,249**		34,998,062	
Cost of material and services purchased	**(24,065,965)**		(24,262,786)	
	10,953,284		10,735,276	
Other income	**571,957**		554,614	
	11,525,241		11,289,890	
Distribution of value added				
To employees				
-Remuneration	**6,331,922**	**55%**	5,559,740	50%
To government				
-Duties and taxes	**2,019,484**	**17%**	1,702,811	15%
To providers of capital				
-Interest on loan capital	**922,062**	**8%**	1,031,521	9%
-Non controlling interest	**225,117**	**2%**	378,813	3%
-Dividend to shareholders				
Retained in the business				
-Depreciation	**680,955**	**6%**	707,916	6%
-Profit/(loss) retained	**1,345,701**	**12%**	1,909,089	17%
	11,525,241		11,289,890	

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
W J V P Perera	Director
W R Abeysirigunawardena	Director
Kumar Abeysinghe	Director
Dr.L M K Tillekeratne	Director appointed w. e. f. 01.11.2013
A.M.Patrick	Director appointed w e f 01.11.2013
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
J H P Ratnayeke	Director
Lino Piccolo	Director
Fabio Piccolo	Director
Kumar Abeysinghe	Director
Stated Capital	Rs. 542,371,660 represented by 60,471,499 ordinary shares ; 6,404,500 preferential shares
Group Holding	56.91%

RICHARD PIERIS NATURAL FOAMS LIMITED	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
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	83.32%

ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
W J V P Perera	Director
Stated Capital	Rs. 90,000,000 represented by 9,000,000 shares
Group Holding	81.99%

MICRO MINERALS (PRIVATE) LIMITED	
Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddehige	Chairman
W R Abeysirigunawardena	Director
B L P Jayawardena	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. 50,000,000 represented by 4,000,000 shares
Group Holding	100%

ARPIDAG INTERNATIONAL (PRIVATE) LIMITED	
Business Activity	Manufacture of pre-cured tyre retreading material
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W R Abeysirigunawardena	Director
Stated Capital	Rs. 58,650,000 represented by 459,999 shares
Group Holding	51%

Corporate Structure Contd.

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

3. PLASTICS SECTOR

PLASTISHELLS LIMITED	
Business Activity	Manufacture of rotational molded products
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
S S G Liyanage	Managing 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
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	
Business Activity	Manufacture of PVC pipes & fittings and polyurethane foam products
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
L C Wijeyesinghe	Director
Prof. U Liyanage	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%

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

4. RETAIL SECTOR

RICHARD PIERIS DISTRIBUTORS LIMITED	
Business Activity	Managing & operating a chain of retail network
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S G Liyanage	Director
Dr. Harsha Cabral	Director
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
J H P Ratnayeke	Director
S S G Liyanage	Director
Stated Capital	Rs. 30,000,020 represented by 3,000,002 shares
Group Holding	100%

ARPICO FURNITURE LIMITED (Discontinued Business)	
Business Activity	Furniture Industry
J H P Ratnayeke	Chairman
W J V P Perera	Director
Stated Capital	Rs. 40,000,000 represented by 4,000,000 shares
Group Holding	100%

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

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

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

5. PLANTATION SECTOR

RICHARD PIERIS PLANTATIONS (PRIVATE) LIMITED	
Business Activity	Managing agents of plantation companies
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V 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 resigned w. e. f. 31.12.2013
Stated Capital	Rs. 169,000,000 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 S Poholiyadde	Director
Dr. H S D Soysa	Director
E M M Boyagoda	Director appointed w. e. f. 02.05.2013
Stated Capital	Rs. 673,720,950 represented by 53,953,490 shares
Group Holding	83.40%

Corporate Structure Contd.

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	76.68%

EXOTIC HORTICULTURE (PRIVATE) LIMITED	
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) LIMITED (Discontinued Business)	
Business Activity	Manufacture & Export of furniture
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S.S.Poholiyadde	Director
Stated Capital	Rs. 28,000,020 represented by 2,800,002 shares
Group Holding	76.68%

NAMUNUKULA PLANTATIONS PLC	
Business Activity	Rubber, Tea, Cinnamon & Coconut Plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
S S Poholiyadde	Director
N C Pieris	Director
A K Perera	Director appointed w e f 16.08.2013 (Government nominee)
Stated Capital	Rs. 350,000,010 represented by 23,750,001 shares
Group Holding	64.90%

RPC PLANTATION MANAGEMENT SERVICES (PRIVATE) LIMITED	
Business Activity	Investment & management of plantations
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
J M A Ratnayeke	Director
M P Welihinda	Director
Dr. H Jayatissa De Costa	Director appointed w. e. f. 15.09.2013
Stated Capital	Rs. 475,000,000 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
R N Liyanage	Director resigned w. e. f. 07.03.2014
Athula 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	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	Operating industrial estates
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
E M Andree	Director
Stated Capital	Rs. 106,400,000 represented by 15,000 ordinary shares ; 91,400 preferential shares
Group Holding	100%

RPC LOGISTICS LIMITED	
Business Activity	Freight forwarding and allied services
Dr. Sena Yaddehige	Chairman
J H P Ratnayeke	Director
W J V P Perera	Director
Dr. K M M Dassanayake	Director appointed w. e. f. 16.01.2014
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
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RPC CONSTRUCTION (PRIVATE) LIMITED	
Business Activity	Business of construction
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Deputy Chairman
W J V P Perera	Director
Stated Capital	Rs. 20,000,070 represented by 2,000,007 shares
Group Holding	100%

ARPICO HOMES LIMITED (Discontinued Business)	
Business Activity	Property & Real Estate Development
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 70 represented by 7 shares
Group Holding	100%

ARPICO HOTEL SERVICES (PRIVATE) LIMITED (Discontinued Business)	
Business Activity	Business of national and international airline travel and trade
Dr. Sena Yaddehige	Director
J H P Ratnayeke	Director
W J V P Perera	Director
Stated Capital	Rs. 6,000,020 represented by 600,002 shares
Group Holding	100%

MARKRAY SYSTEMS (PRIVATE) LIMITED	
Business Activity	IT related activities
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
S Kalugala	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

RICHARD PIERIS SECURITIES (PRIVATE) LIMITED	
Business Activity	Stock broking
Dr. Sena Yaddehige	Chairman
H J C Perera	Director resigned w .e .f 04.02.2014
J Dissanayake	Director
Russell De Mel	Director appointed w. e. f. 19.12.2013
Cherille Rosa	Director appointed w e f 19.12.2013
Stated Capital	Rs. 153,000,000 represented by 15,300,000 shares
Group Holding	100%

RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED	
Business Activity	Margin providers
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 35,000,000 shares represented by 3,500,000 shares
Group Holding	100%

ARPICO HOSPITAL (PRIVATE) LIMITED	
Business Activity	Human health care and allied services
Dr. Sena Yaddehige	Director
S S Poholiyadde	Director
W J V P Perera	Director
Stated Capital	Rs. 40 represented by 4 shares
Group Holding	69.17%

ARPICO WAREHOUSE (PRIVATE) LIMITED	
Business Activity	Warehousing
S S Poholiyadde	Director
W J V P Perera	Director
Stated Capital	Rs. 30 represented by 3 shares
Group Holding	92.22%

Corporate Structure Contd.

ARPICO INSURANCE LIMITED	
Business Activity	Life Insurance
W J V P Perera	Director
J Dissanayake	Director
Ms. L S A Seresinhe	Director appointed w. e. f. 17.01.2014
S Sirikananathan	Director appointed w. e. f. 17.01.2014
Stated Capital	Rs. 596,000,060 represented by 59,600,006 shares
Group Holding	89.51%

ARPICO ATARAXIA ASSET MANAGEMENT (PRIVATE) LIMITED	
Business Activity	Asset management
W J V P Perera	Director
H J C Perera	Director resigned w .e. f. 04.02.2014
Savantha Sebastian	Director
Sharad Sridharan	Director
Stated Capital	Rs. 40,000,020 represented by 4,000,002 shares
Group Holding	51%

RICHARD PIERIS ARPICO FINANCE LIMITED	
Business Activity	Leasing, hire purchasing & other financial services
R N Liyanage	Chairman resigned w. e. f. 07.03.2014
W J V P Perera	Director resigned w. e. f. 30.10.2013
J F Fernandopulle	Director
A Hettiarachchy	Director
D P J Hewavitharana	Director
J D N Kekulawala	Director appointed w. e. f. 15.09.2013
Stated Capital	Rs. 400,000,070 represented by 40,000,007 shares
Group Holding	93%

ARPICO FURNITURE DISTRIBUTORS (PRIVATE) LIMITED	
Business Activity	Buying and selling of furniture items
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO INFOSYS (PRIVATE) LIMITED	
Business Activity	Information communication technology/business process outsourcing
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

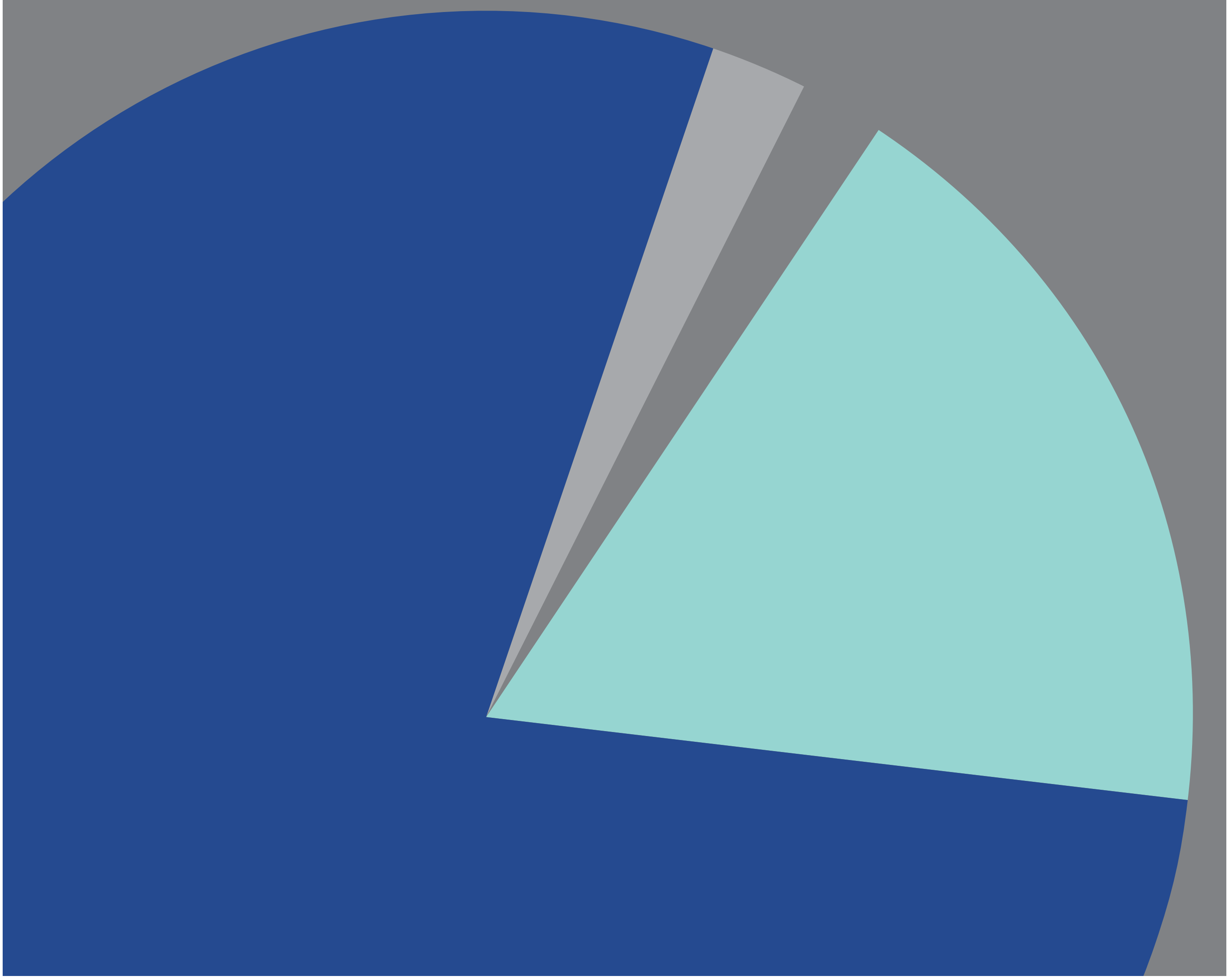
ARPICO PHARMACEUTICALS (PRIVATE) LIMITED	
Business Activity	Trading of pharmaceutical products
Dr. Sena Yaddehige	Chairman
W J V P Perera	Director resigned w. e. f. 15.02.2014
E M Andree	Director appointed w. e. f. 01.08.2013
Dr. P M S S Pathinisekara	Director appointed w. e. f. 01.08.2013
L M Jayasuriya	Director appointed w. e. f. 15.02.2014
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO DEVELOPMENTS (PRIVATE) LIMITED	
Business Activity	Construction of shopping malls and renting it out to retail business
Dr. Sena Yaddehige	Director appointed w. e. f. 15.11.2013
S S G Liyanage	Director
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO DURABLES (PRIVATE) LIMITED	
Business Activity	Business of trading and distributing goods
Dr. Sena Yaddehige	Director appointed w. e. f. 15.11.2013
S S G Liyanage	Director
P A S Kularatne	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

ARPICO CAPITAL LIMITED	
Business Activity	Financial Agent/Intermediary/ Consultant
Dr. Sena Yaddehige	Director
W J V P Perera	Director
Stated Capital	Rs. 20 represented by 2 shares
Group Holding	100%

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 2014.

The Directors approved the Financial Statements on 29th May 2014.

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 57 - 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 and CEO's Review, Sector Reviews and the Financial Review of this Annual Report. The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 51 - 54 of this report.

Future Developments

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

Group Revenue

The revenue of the Group was Rs. 34.7 bn. A detailed analysis of the Group's revenue identifying the contributions from different sectors is given in Note 3 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 2.9 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. 1.6 bn.

Group Investments

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

Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 2.6 bn. Information relating to this is given in Note 12 and 13 to the Financial Statements. Land is included as described in accounting policies in the financial statements. Capital expenditure approved and contracted for after the year-end is given in Note 34 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 140.

Stated Capital

The stated capital of the Company as at 31 March 2014 was Rs. 1.8 bn. The details of the stated capital is given in Note 23 to the Financial Statements.

Reserves

Total Group Reserves as at 31st March 2014 amount to Rs. 6.7 bn. (Rs. 6.2 bn as at 31 March 2013). The details of which, is given in the Statement of Equity in page 77.

Corporate Donations

Donations made by the Company and Group to charitable organisations amounted to Rs. 0.25 mn and Rs. 2.9 mn respectively.

Taxation

The general corporate income tax rate in effect during the year was 28%. The rate of tax on qualified export profits was 12%. Agricultural profits were taxed at 10%. Companies that enjoy tax holiday status and other concessionary rates are listed in Note 8.1 to the Financial Statements.

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

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

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

Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Ten Year Summary on pages 136 - 137 of this report.

Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2014 are given in pages 138 and 139 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'.

Prof. Lakshman R. Watawala 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.

Prof. Lakshman R Watawala and Prof. S. D Pathirana were appointed to the Directorate of the Company as independent Directors. Prof. Lakshman R Watawala and Prof. S. D Pathirana declared that they have no significant shareholding or material business relationship with the Company. Therefore, as requested by the Board of Directors, Prof. Lakshman R Watawala and Prof. S. D Pathirana have agreed to continue in the Directorate of the Company as Independent Directors.

Group Profits	2013/2014 Rs.'000	Adjusted 2012/2013 Rs.'000
The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property, plant and equipment was	2,302,551	2,934,295
From which the deduction of income tax and transfer to the deferred taxation account was	(643,970)	(737,082)
Leaving the Group with a profit after tax from continuing operations of	1,658,581	2,197,213
From which the loss after tax from discontinued operations deducted was	(2,396)	(581)
Leaving the Group with a profit for the year of	1,656,185	2,196,632
From which Non-Controlling Interest deducted was	(238,970)	(360,297)
Leaving a profit attributable to the equity holders of the parent was	1,417,215	1,836,335
To which the retained profit brought forward from the previous year added was	6,234,927	4,603,788
Adjustments due to changes in shareholding of subsidiaries & transfers	16,844	116,263
Other Comprehensive Income	(69,847)	66,389
Leaving a profit available for appropriation of	7,599,139	6,622,775

Appropriations

The amount available has been appropriated as follows,		
Interim Dividend 2012 - 13	-	(387,848)
Interim Dividend 2013-14	(886,270)	-
Leaving a retained profit to be carried forward amounting to	6,712,869	6,234,927

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, 134 and 135. 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.

Annual Report of the Board of Directors Contd.

Transactions with Related Undertakings

Company	Name of the Director	Position Details	Transaction	2013/2014 Rs.'000	2012/2013 Rs.'000
Asian Alliance PLC	Mr. J.H.P. Ratnayeke	Deputy Chairman	Insurance Premium	-	18,339
Alpha Industries (Pvt) Ltd.	Dr. S. A. B. Ekanayake	Director	Purchases	419	964
Lanka Commodity Brokers Limited	Dr. S. A. B. Ekanayake	Director	Services	4,832	917
Lakehouse Printers and Publishers PLC	Prof. Lakshman R Watawala	Director	Services	4,178	-
Gestetner (Ceylon) PLC	Prof. Lakshman R Watawala	Deputy Chairman	Purchases	723	-
Intercast (Pvt) Limited	Mr. W J V P Perera	Director	Services	147	-
Asia Siyaka Commodities PLC	Dr. S. A. B Ekanayake	Director	Purchases	14,525	-
Link Natural Products (Pvt) Limited	Dr. S. A. B Ekanayake	Director	Purchases	13,847	9,719

The list of Directors at each of the subsidiary and associate companies have been disclosed in the Group structure on page 57 to 62.

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 38 (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' Shareholding
Directors' Shareholding in Richard Pieris and Company PLC is stated in page 139. During the year Dr. Sena Yaddehige purchased 18,850,000 ordinary shares from ESOP 1 and 25,650,215 ordinary shares from ESOP 02.

Directors' Remuneration
Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2014 are disclosed in Note 38.2 to the Financial Statements.

Vision & Long Term Goals
The Group's Vision and Long Term Goals are given in page 2 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. 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 30,538.

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

Events after the Reporting Date
There have not been any material events that occurred subsequent to the reporting date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 37 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 70 - 71 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 - 69 of this report. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in page 72 of this report.

Compliance with Other Laws & Regulations

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

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

Annual General Meeting

The Annual General Meeting will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama, on 30th June 2014. The Notice of the Annual General Meeting is on page 143 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 authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

W. J. V. P. Perera
Director

J.H.P. Ratnayeke
Director

Richard Pieris Group Services (Pvt) Limited
Secretaries

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

29th May 2014

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 recognises the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and the other communities in which it operates. The Group complies with the rules on Corporate Governance, included in the Listing Rules of the Colombo Stock Exchange, and is guided by the principles included in the "Code of Best Practice on Corporate Governance" issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. This statement sets out the Corporate Governance policies, practices and processes adopted by the Board.

The Board and its Operations

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

The Board comprises seven Directors, of which four are Executive Directors whilst three are Non-Executive 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 4 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 Chief Financial Officer and an Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU). The Finance function evolves on the Group Chief Financial Officer, who is present by invitation at Board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

The main functions of the Board are to:

- Direct the business and affairs of the Company.
- Formulate short and long term strategies, as a basis for the operational plans of the Company and monitor implementation.
- Report on their stewardship to shareholders.
- Identify the principal risks of the business and ensure adequate risk management systems are in place.
- Ensure internal controls are adequate and effective.
- Approve the annual capital and operating budgets and review performance against budgets.
- Approve the interim and final Financial Statements of the Group.
- Determine and recommend interim and final dividends for the approval of shareholders.
- Ensure compliance with laws and regulations.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

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 three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala - Chairman, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake. 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 71 describes the activities carried out by the Committee during the financial year.

Remuneration Committee

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

The Report of the Remuneration Committee on page 70 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.

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 51 to 54.

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 organisation and its findings are reviewed first by the Audit Committee and significant issues are thereafter reported to the Board. The Board reviewed the internal control procedures in existence and are satisfied with its effectiveness.

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Group as a whole inculcates this practice. Internal communication is mainly conducted through 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 organisation. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 42 to 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 new Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Going Concern

The Directors have continued to use the 'Going Concern' basis in the preparation of the Financial Statements, after careful review of the financial position and cash flow status of the Group. The Board of Directors believes that the Group has adequate resources to continue its operation for the foreseeable future.

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

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

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

Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non- Executive Directors, Prof. Lakshman R. Watawala, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake. The Committee is chaired by Prof. Lakshman R Watawala. The Committee met on several occasions during the financial year.

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

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

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Group. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Group.

Prof. Lakshman R. Watawala
Chairman

29th May 2014

Report of the Audit Committee

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

The purpose of the Audit Committee is to:
1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal control and risk management.
3. Monitor the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.
6. To make recommendations to the Board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee consisted of three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala - Chairman, Prof. Susantha Pathirana and Dr. S.A.B. Ekanayake. 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 7 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 the published Financial Statements.

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

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

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

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young be re-appointed as Auditors for the financial year ending 31st March, 2015 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

29th May 2014

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 73 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2014 included in this report, have been prepared and presented in accordance with the new Sri Lanka Accounting Standards (LKAS and SLFRS), and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the financial statements exhibited on pages from 74 to 135 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 2014, 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 recognising 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 authorised 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 73 of this report.
By Order of the Board,

Richard Pieris Group Services (Pvt) Limited
Secretaries

No. 310, High Level Road, Nawinna, Maharagama

29th May 2014

Independent Auditor's Report

Ernst & Young
Chartered Accountants
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Sri Lanka

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SPF/MAR/KAVS/KAS

TO THE SHAREHOLDERS OF THE 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 which comprise the Statements of Financial Position as at 31 March 2014, and Income Statements, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 74 to 135 of the annual report.

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 controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, 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, the Company maintained proper accounting records for the year ended 31 March 2014 and the Financial Statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance 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 financial position as at 31 March 2014 and the financial performance 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 concern the Shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Section 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

Ernst & Young

29 May 2014
Colombo

Income Statement

		Group		Company	
For the year ended 31st March		2014	2013	2014	2013
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing operations					
Revenue	3	34,699,111	34,690,340	1,667,348	1,164,265
Cost of sales		(26,683,905)	(26,296,545)	-	-
Gross profit		8,015,206	8,393,795	1,667,348	1,164,265
Other operating income	4.1	575,064	550,194	-	-
Selling and distribution expenses		(1,737,793)	(1,454,437)	-	-
Administrative expenses		(3,994,359)	(3,825,085)	(374,930)	(380,437)
Other operating expenses	4.2	(50,991)	(64,470)	-	-
Operating profit	4.3	2,807,127	3,599,997	1,292,418	783,828
Finance costs	5	(922,062)	(1,031,521)	(420,287)	(436,705)
Finance income	6	389,584	302,054	95,960	28,475
Share of profit of an associate	7	27,902	63,765	-	-
Profit before tax from continuing operations		2,302,551	2,934,295	968,091	375,598
Income tax expense	8	(643,970)	(737,082)	-	(11,314)
Profit for the year from continuing operations		1,658,581	2,197,213	968,091	364,284
Discontinued operations					
Loss after tax for the year from discontinued operations	9	(2,396)	(581)	-	-
Profit for the year		1,656,185	2,196,632	968,091	364,284
Attributable to:					
Equity holders of the parent		1,417,215	1,836,335		
Non-controlling interests		238,970	360,297		
		1,656,185	2,196,632		
Earnings per share					
Basic	10	Rs. 0.72	Rs. 0.95		
Diluted	10	Rs. 0.71	Rs. 0.92		
Earnings per share for continuing operations					
Basic	10	Rs. 0.73	Rs. 0.95		
Diluted	10	Rs. 0.71	Rs. 0.92		
Dividend per share	11	Rs. 0.45	Rs. 0.20		

Figures in brackets indicate deductions.

The accounting policies and notes from pages 80 to 135 form an integral part of these Financial Statements.

Statement of Comprehensive Income

For the year ended 31st March	Notes	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Profit for the year		**1,656,185**	2,196,632	**968,091**	364,284
Other comprehensive income					
Exchange differences on translation of foreign operations		**14,807**	(1,190)	-	-
Gains/(losses) on actuari-al valuation	31	**(99,193)**	121,212	**(2,031)**	14,012
Net gains/(losses) on available for sale financial assets		**(15,094)**	4,403	**(6,800)**	(4,165)
Income tax effect		**14,113**	(33,155)	-	-
Other comprehensive income / (loss) for the year, net of tax		**(85,367)**	**91,270**	**(8,831)**	**9,847**
Total comprehensive income for the year, net of tax		**1,570,818**	**2,287,902**	**959,260**	**374,131**
Attributable to:					
Equity holders of the parent		**1,345,701**	1,909,089		
Non-controlling interests		**225,117**	378,813		
		1,570,818	2,287,902		

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 135 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Notes	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Assets					
Non-current assets					
Property, plant and equipment	12.1	13,709,173	11,768,456	105,240	38,382
Leasehold properties	12.2	538,028	562,124	-	-
Investment properties	13	140,698	140,404	1,251,360	690,641
Intangible assets	14	507,192	508,893	-	-
Biological assets	15	619,519	568,037	-	-
Investments in subsidiaries	16	-	-	2,967,593	2,906,343
Investment in associates	16	39,708	24,990	-	-
Other non-current financial assets	17	2,751,129	590,002	71,375	71,375
Deferred tax assets	18	-	-	36,953	36,953
		18,305,447	14,162,906	4,432,521	3,743,694
Current assets					
Inventories	19	3,860,578	3,745,361	-	-
Trade and other receivables	20	4,030,666	4,526,248	98,664	522,185
Tax receivables		140,646	142,680	-	-
Amounts due from subsidiaries		-	-	2,632,037	1,763,350
Other current financial assets	17	222,311	47,777	40,977	47,777
Cash and short-term deposits	22	6,016,739	4,648,564	1,087,621	332,280
		14,270,940	13,110,630	3,859,299	2,665,592
Total assets		32,576,387	27,273,536	8,291,820	6,409,286
Equity and liabilities					
Equity					
Stated capital	23	1,814,824	1,637,236	1,814,824	1,637,236
Revenue reserves		6,712,869	6,234,927	596,862	517,072
Investment fund reserve	24	6,852	2,222	-	-
Other components of equity	25	73,390	75,057	19,491	26,291
Equity attributable to equity holders of the parent		8,607,935	7,949,442	2,431,177	2,180,599
Non-controlling interests		2,150,514	2,217,100	-	-
Total equity		10,758,449	10,166,542	2,431,177	2,180,599
Non-current liabilities					
Insurance provision	26	193,371	67,575	-	-
Interest-bearing loans and borrowings	27	4,166,767	3,368,878	660,097	683,390
Net liability to the lessor	28	617,679	628,159	-	-
Provisions	29	134,020	115,172	-	-
Government grants	30	554,869	564,992	-	-
Deferred tax liabilities	18	219,974	227,839		
Employee benefit liabilities	31	2,062,003	1,797,278	63,707	54,328
		7,948,683	6,769,893	723,804	737,718
Current liabilities					
Trade and other payables	33	5,354,858	4,630,882	568,872	279,889
Current portion of interest-bearing loans and borrowings	27	1,240,850	962,843	259,960	219,960
Current portion of net liability to the lessor	28	10,481	10,078	-	-
Amounts due to subsidiaries		-	-	402,441	436,366
Income tax payable		146,731	161,504	1,700	1,932
Short term borrowings	21	7,116,335	4,571,794	3,903,866	2,552,822
		13,869,255	10,337,101	5,136,839	3,490,969
Total liabilities		21,817,938	17,106,994	5,860,643	4,228,687
Total equity and liabilities		32,576,387	27,273,536	8,291,820	6,409,286

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. Signed for and on behalf of the Board by:

W. J. V. P. Perera
Director

J. H. P. Ratnayeke
Director

The accounting policies and notes from page 80 to 135 form an integral part of these Financial Statements.

29th May 2014
Colombo

Statement of Changes in Equity

Group	Stated capital Rs.'000	Revenue reserves Rs.'000	Available-for-sale reserve Rs.'000	Foreign currency translation reserve Rs.'000	Investment fund reserve Rs.'000	Total Rs.'000	Non controlling interest Rs.'000	Total equity Rs.'000
	Attributable to equity holders of the parent							
As at 1st April 2012	1,633,853	4,603,788	30,456	38,236	-	6,306,333	1,994,660	8,300,993
Profit for the period	-	1,836,335	-	-	-	1,836,335	360,297	2,196,632
Other comprehensive income	-	66,389	4,403	1,962	-	72,754	18,516	91,270
Total comprehensive income	-	1,902,724	4,403	1,962	-	1,909,089	378,813	2,287,902
Exercise of options	3,383	-	-	-	-	3,383	-	3,383
Dividends paid	-	(387,848)	-	-	-	(387,848)	-	(387,848)
Acquisition of non-controlling interests	-	116,263	-	-	-	116,263	(156,273)	(40,010)
Transfers during the year	-	-	-	-	2,222	2,222	-	2,222
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(100)	(100)
As at 31st March 2013	1,637,236	6,234,927	34,859	40,198	2,222	7,949,442	2,217,100	10,166,542
As at 1st April 2013	1,637,236	6,234,927	34,859	40,198	2,222	7,949,442	2,217,100	10,166,542
Profit for the period	-	1,417,215	-	-	-	1,417,215	238,970	1,656,185
Other comprehensive income	-	(69,847)	(14,205)	12,538	-	(71,514)	(13,853)	(85,367)
Total comprehensive income	-	1,347,368	(14,205)	12,538	-	1,345,701	225,117	1,570,818
Exercise of options	177,588	-	-	-	-	177,588	-	177,588
Dividends paid	-	(886,270)	-	-	-	(886,270)	-	(886,270)
Adjustments due to changes in holding	-	21,474	-	-	-	21,474	(121,671)	(100,197)
Transfers during the year	-	(4,630)	-	-	4,630	-	-	-
Subsidiary dividend to minority shareholders	-	-	-	-	-	-	(170,032)	(170,032)
As at 31st March 2014	1,814,824	6,712,869	20,654	52,736	6,852	8,607,935	2,150,514	10,758,449
Company								
As at 1st April 2012	1,633,853	526,624	30,456	-	-	2,190,933	-	2,190,933
Profit for the period	-	364,284	-	-	-	364,284	-	364,284
Other comprehensive income	-	14,012	(4,165)	-	-	9,847	-	9,847
Total comprehensive income	-	378,296	(4,165)	-	-	374,131	-	374,131
Exercise of options	3,383	-	-	-	-	3,383	-	3,383
Dividends paid	-	(387,848)	-	-	-	(387,848)	-	(387,848)
As at 31st March 2013	1,637,236	517,072	26,291	-	-	2,180,599	-	2,180,599
As at 1st April 2013	1,637,236	517,072	26,291	-	-	2,180,599	-	2,180,599
Profit for the period	-	968,091	-	-	-	968,091	-	968,091
Other comprehensive income	-	(2,031)	(6,800)	-	-	(8,831)	-	(8,831)
Total comprehensive income	-	966,060	(6,800)	-	-	959,260	-	959,260
Exercise of options	177,588	-	-	-	-	177,588	-	177,588
Dividends paid	-	(886,270)	-	-	-	(886,270)	-	(886,270)
As at 31st March 2014	1,814,824	596,862	19,491	-	-	2,431,177	-	2,431,177

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 135 form an integral part of these Financial Statements.

Statement of Cash Flows

		Group		Company	
For the year ended 31st March		2014	2013	2014	2013
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating activities					
Profit before tax from continuing operations		2,302,551	2,934,295	968,091	375,598
Loss from discontinued operations	9	(2,396)	(581)	-	-
Profit before tax		2,300,155	2,933,714	968,091	375,598
Non-cash adjustment to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant & equipment	12/13	656,859	684,570	14,709	22,495
Amortisation of lease hold property	12	24,096	23,346	-	-
Amortisation and impairment of intangible assets	14	1,701	12,101	-	-
Gain on disposal of property, plant and equipment	4.1	(3,032)	(8,424)	-	(80)
Loss on sale of biological assets		16,987	-	-	-
Fair value adjustment on biological assets	15	(81,497)	(49,061)	-	-
Finance income	6	(389,584)	(302,054)	(95,960)	(28,475)
Finance costs	5	922,062	1,031,521	420,287	436,705
Share of profit of an associate	7	(26,852)	(57,964)	-	-
Provision for bad debts	4.3	69,571	93,319	-	-
Provision for slow moving stocks		111,991	103,808	-	-
Provision for defined benefit plan	31	348,156	202,289	11,764	10,646
Profit on sale of financial assets	4.1	(2,497)	-	-	-
Provision for warranties	29	18,848	23,962	-	-
Unrealised (profit)/ loss		(14,264)	16,829	-	-
Other provisions	4.3	-	-	-	11,738
Grants amortised	30	(25,139)	(25,301)	-	-
Exchange differences on translation of foreign currency		10,308	(5,798)	-	-
Operating profit before working capital changes		3,937,869	**4,676,857**	1,318,891	**828,627**
Working capital adjustments:					
(Increase)/ decrease in trade and other receivables and prepayments		244,677	(942,927)	(444,435)	(483,951)
Increase in inventories		(212,943)	(347,377)	-	-
Increase/ (decrease) in trade and other payables		333,595	400	(141,687)	(502,507)
Increase in investment fund reserve		-	2,222	-	-
Increase in loans and advances		(2,227,433)	-	-	-
Increase in insurance provision		125,796	58,185	-	-
Cash generated from/(used in) operations		2,201,561	**3,447,360**	732,769	**(157,831)**
Interest paid		(922,062)	(1,031,521)	(420,287)	(436,705)
Gratuity paid	31	(182,624)	(224,428)	(4,416)	(1,980)
Interest received		389,584	302,054	95,960	28,475
Income tax paid		(650,462)	(604,373)	(966)	(19,037)
Warranty claims paid	29	-	(852)	-	-
Net cash flows from / (used in) operating activities		835,995	**1,888,240**	403,060	**(587,078)**

		Group		Company	
For the year ended 31st March		**2014**	**2013**	**2014**	**2013**
	Notes	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Investing activities					
Proceeds from sale of property, plant and equipment		**5,879**	8,759	1,500	80
Purchase of property, plant and equipment	12/13	**(2,597,386)**	(1,441,917)	(643,785)	(19,301)
Increase in biological assets due to new planting	15	**(14,085)**	(11,786)	-	-
Intangible asset acquired		**-**	(2,500)	-	-
Purchase of financial instruments		**(25,288)**	(146,524)	-	-
Acquisition of a subsidiary, net of cash acquired		**-**	-	(61,250)	-
Dividend received from an associate	7	**12,134**	107,117	-	-
Increase in holding in a subsidiary		**(100,197)**	(112,986)	-	(222,067)
Receipt of government grants	30	**15,016**	12,684	-	-
Proceeds from sale of other investments		**55,760**	-	-	-
Proceeds from sale of biological assets		**27,113**	-	-	-
Net cash flows used in investing activities		**(2,621,054)**	**(1,587,153)**	**(703,535)**	**(241,288)**
Net cash inflow/(outflow) before financing		**(1,785,059)**	301,087	(300,475)	(828,366)
Financing activities					
Proceeds from exercise of share options	23	**177,588**	3,383	177,588	3,383
Increase in non-controlling interest		**-**	72,973	-	-
Payment of finance lease liabilities		**(10,076)**	(12,398)	-	-
Proceeds from borrowings	27	**2,047,667**	2,276,782	250,000	750,000
Repayment of borrowings	27	**(976,970)**	(1,009,632)	(233,294)	(275,733)
Dividends paid to equity holders of the parent		**(489,522)**	(387,848)	(489,522)	(387,848)
Dividends paid to non-controlling interests		**(170,032)**	(100)	-	-
Net drawdown of financial instruments		**30,038**	69,012	-	-
Net cash flows from/(used in) financing activities		**608,693**	**1,012,172**	**(295,228)**	**89,802**
Net increase/ (Decrease) in cash and cash equivalents		**(1,176,366)**	**1,313,259**	**(595,703)**	**(738,564)**
Cash and cash equivalents at 1st April	22	**76,770**	(1,236,489)	(2,220,542)	(1,481,978)
Cash and cash equivalents at 31st March		**(1,099,596)**	**76,770**	**(2,816,245)**	**(2,220,542)**
Analysis of Cash & Cash equivalents at 31st March					
Bank and cash balances	22	**6,016,739**	4,648,564	1,087,621	332,280
Short term borrowings	22	**(7,116,335)**	(4,571,794)	(3,903,866)	(2,552,822)
		(1,099,596)	**76,770**	**(2,816,245)**	**(2,220,542)**

Figures in brackets indicate deductions.

The accounting policies and notes from page 80 to 135 form an integral part of these Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principle Activities and Nature of Operations

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

1.3 Parent Entity and Ultimate Parent Entity

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

1.4 Date of Authorisation for Issue

The Consolidated Financial Statements of the Group for the year ended 31st March 2014 were authorised for issue in accordance with a resolution of the directors on 29th May 2014.

2. STATEMENT OF COMPLIANCE

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

2.1 Basis of Preparation

The Financial Statements have been prepared on an accrual basis and under the historical cost convention except for Financial Instruments Available-for-Sale and consumable biological assets that has been measured at fair value.

2.2 Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR) and all values are rounded to the nearest thousand (Rs.000), except when otherwise indicated.

Each material class of similar items is presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard- LKAS 01, Presentation of Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.3 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2014.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

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

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in Other Comprehensive Income to profit or loss or retained earnings, as appropriate.

2.3 Significant Accounting Judgements, Estimates and Assumptions

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

2.3.1 Judgements

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

Going Concern

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

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

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

Operating Lease Commitments-the Group as Lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting a substantial portion of the economic life of the commercial property,) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Impairment of Receivables
The Group reviews at each Reporting date all receivables to assess whether an allowance should be recorded in the 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.

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

Impairment of Non-Financial Assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Defined Benefit Plans -Gratuity
The cost of gratuity is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details are given in Note 31 to the Financial Statements.

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

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

Liability Adequacy Test (LAT)
At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that is sufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and

Notes to the Financial Statements Contd.

policy administration expenses, policy holder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on the managements prudent expectation of current market interest rates.

Any deficiencies shall be recognized in the income statement by setting up a provision for liability adequacy. Further details are given in note 26 to the Financial Statements.

2.4 Summary of Significant Accounting Policies Applied

2.4.1 Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those used in the previous year except for the accounting policy on retirement benefit obligation(Gratuity) (Note 2.4.23) , which has been changed due to revisions made to LKAS 19- Employee benefits.

As per previous policy, actuarial gain/ (loss) in full, in the year of occurrence was recognized in the income statement. Revised standard requires recognition of actuarial gain or loss in full, in the year of occurrence in the Statement of Other Comprehensive Income (OCI).

Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for bettor presentation and to be comparable with those of the current year.

The following are the significant accounting policies applied by the Group in preparing its consolidated Financial Statements:

2.4.2 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of LKAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value either in profit or loss or as a change to Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination transferred; the gain is recognised in profit or loss.

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

2.4.3 Investment in Associates

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

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

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

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

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

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

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

2.4.4 Foreign Currencies

Foreign Currency Transactions

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on re-translation are recognised in profit and loss. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on re-translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Foreign Operations

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

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

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

Arpitalian Compact Soles (Private) Limited uses US dollars as its functional currency as it conducts the majority of its business in US dollars and is entitled to the benefits provided to companies approved by the Board of Investment of Sri Lanka. Arpitalian Compact Soles (Private) Limited adopted US dollars as its measurement and functional currency in line with LKAS 21 which deals with "effects of Changes in Foreign exchange Rates" and has been translated to the presentation currency of the Group, Sri Lankan Rupees, for consolidation purpose.

2.4.5 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Notes to the Financial Statements Contd.

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

c) Construction Revenue
Revenue from rendering of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

d)Plantation Companies
Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, public sale expenses and other levies related to revenue.

e) Insurance Revenue
Gross Premium
Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business revenue is recognized on the date on which the policy is effective.

Reinsurance Premium
Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Reinsurance premiums are decided based on rates agreed with re-insurers.

Fees and Commission Income
Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due.

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

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

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

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

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

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

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

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

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

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

k) Gains and Losses
Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the 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 presented in aggregate basis. (reported and presented on a net basis).

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

2.4.6 Grants & Subsidies
Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual installments.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements Contd.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

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

Sales Tax

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

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

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

2.4.8 Non-Current Assets Held for Sale and Discontinued Operations

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

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

2.4.9 Property, Plant and Equipment

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

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

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

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

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

2.4.10 Biological Assets

2.4.10.1 Immature and Mature Plantations

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

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

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

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

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

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

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

2.4.10.2 Infilling Cost on Bearer Biological Assets

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

Infilling costs that are not capitalised have been charged to the income statement in the year in which they are incurred.

2.4.11 Leases

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

Group as a Lessee

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

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

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

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

Group as a Lessor for Operating Leases

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

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

2.4.12 Borrowing costs

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

2.4.13 Investment properties

Investment properties are measured initially at cost, including transaction costs.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

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The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change.

2.4.14 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Income Statement when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is de-recognised.

2.4.15 Financial Instruments-Initial Recognition and Subsequent Measurement

2.4.15.1 Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, in the case of assets not at fair value through profit or loss.

The Group's financial assets include cash and short term deposits, trade and other receivables (including rental receivable on finance leases, hire purchases, operating leases and advances and other loans to customers), quoted and unquoted equity instruments and other financial instruments.

Subsequent Measurement

The subsequent measurement of financial assets depends on their initial classification and is as described below:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the Income Statement.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

The Group evaluates its financial assets held-for-trading, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. The

EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

c) Held-to-Maturity Investments
Non derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

d) Available-for-Sale Financial Investments
Available-for-Sale financial investments held at the reporting date consist of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is de-recognised, at which time, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Income Statement in finance costs and removed from the available-for-sale reserve.

De-recognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

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

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

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

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

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

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

b) Available-for-Sale Financial Investments
For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in

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the fair value of the investment below its cost. 'Significant is evaluated against the original cost of the investment and 'prolonged 'against the period in which the fair values has been below its original cost. Where there is evidence of impairment, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement-is removed from Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the Income Statement; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

2.4.15.3 Financial Liabilities

Initial Recognition and Measurement

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

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

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, and other financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income Statement when the liabilities are de-recognised as well as through the effective interest rate method (EIR) amortisation process.

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

2.4.15.4 Offsetting Of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the consolidated Statement of Financial Position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

2.4.15.5 Fair Value Of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17, to the Financial Statements.

2.4.16 Inventories

Inventories are valued at the lower of cost and net realizable value after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

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

a) Raw material

At actual cost on first-in-first-out and weighted average cost.

b) Work-in-Progress

At the cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

c) Finished Goods

At purchase cost and/or cost of direct materials, direct labour and an appropriate proportion of production overheads based on normal operating capacity.

d) Goods in Transit

At actual cost

e) Purchase Inventories

At estimated selling price or since realized price.

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

g) Input Material
At average cost

h) Consumables and Spares
At actual cost

2.4.17 Impairment of Non-Financial Assets
The Company 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 Company 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 Companies of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

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

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

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

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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

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

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

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

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2.4.21 Customer Loyalty Awards Points
The award points granted to customers at all Arpico Super centre/store retailing locations is recognized as a Liability in the Statement of Financial Position of the Group. When these award points are redeemed, the value redeemed is transferred from Liabilities in the Statement of Financial Position to the Income Statement.

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

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

2.4.23Post-Employment Benefits
Defined Benefit Plan
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in note 31 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The basis of payment of retiring gratuity as follows:

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

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

In accordance with revised LKAS 19 Employee Benefits, effective from reporting periods beginning on or after 01st April 2013, the Group has recognized all actuarial gains and losses immediately in the Other Compressive Income and will no longer be deferred. The revision was applied retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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

The change in this accounting policy did not have an impact on the Statement of Financial Position, Statement of Cash Flows and there is no significant impact on the Group's basic and diluted EPS.

2.5 Significant Accounting Policies that are Specific to Other Businesses

2.5.1 Insurance Company
2.5.1.1 Actuarial Valuations of the Insurance Provisions
The valuation of Long term Insurance Provision was carried out by Messrs. Actuarial and Management Consultants (Pvt) 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.

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

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

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

2.5.1.3 Premium Receivable

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Income Statement.

Life Insurance premiums (only the premiums due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

2.5.1.4 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

2.5.1.5 Liability Adequacy Test

As required by the SLFRS 4- Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of a qualified actuary. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. If that assessment that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Statement of Income by creating an additional provision in the Statement of Financial Position.

2.5.2 Finance Company

2.5.2.1 Impairment of Loans and advances

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

Individually Assessed Financial Assets

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

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured by discounting the expected future cash flows of a financial asset at its original effective interest rate and comparing the resultant present value with the financial asset's current carrying amount. The impairment allowances on individually significant accounts

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are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

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

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

Collectively Assessed Financial Assets
Impairment is assessed on a collective basis in two circumstances:

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

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

The collective impairment allowance is determined after taking into account:

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

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

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

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

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

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

2.6 Segment Information

2.6.1 Reporting Segments

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

2.6.2 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.

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

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's Financial Statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

a) SLFRS 9 - Financial Instruments : Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. . The standard is effective for annual periods beginning on or after 1 January 2015.

b) SLFRS 10-Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated Financial Statements. It also includes the issues raised in Standing Interpretations Committee - SIC-12 Consolidation - Special Purpose Entities. This standard becomes effective for annual periods beginning on or after 1st January 2014.

c) SLFRS 11-Joint Arrangements

SLFRS 11 replaces LKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Ventures. SLFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2014.

d) SLFRS 12-Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. This standard becomes effective for annual periods beginning on or after 1 January 2014.

e) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements.

SLFRS 9 will be effective for financial periods beginning on or after 1 January 2015 whilst SLFRS 13 will be effective for financial periods beginning on or after 1 January 2014.

2.8 Exemptions Applied

(a) SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS, or of interests in associates and joint ventures that occurred before 1 April 2011.

Use of this exemption means that the previous SLAS carrying amounts of assets and liabilities, that are required to be recognised under SLFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SLFRS. Assets and liabilities that do not qualify for recognition under SLFRS are excluded from the opening SLFRS Statement of Financial Position.

Notes to the Financial Statements Contd.

3. Group Segmental Reporting

Year ended 31st March 2014 Business Segment	Rubber Rs.'000	Tyre Rs.'000	Plastics Rs.'000	Retail Rs.'000	Financial Services Rs.'000	Other Services Rs.'000	Plantations Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue										
External customers	2,750,547	2,641,946	5,228,289	16,109,248	514,657	146,058	7,308,366	34,699,111	-	34,699,111
Inter- segment	109,434	41,698	474,394	-	-	1,795,554	778,427	3,199,507	(3,199,507)	-
Intra - segment	462	1,095,604	289,151	229,733	-	88,697	281,022	1,984,669	(1,984,669)	-
Total revenue	**2,860,443**	**3,779,248**	**5,991,834**	**16,338,981**	**514,657**	**2,030,309**	**8,367,815**	**39,883,287**	**(5,184,176)**	**34,699,111**
Results										
Segment results	316,004	399,484	623,136	987,345	(76,179)	819,036	820,029	3,888,855	(1,081,728)	2,807,127
Finance costs										(922,062)
Finance Income										389,584
Share of profit of an associate										27,902
Profit before tax from continuing operations										2,302,551
Income tax expense										(643,970)
Profit for the year from continuing operations										1,658,581
Discontinued operations										
Loss after tax for the year from discontinued operations										(2,396)
Profit for the year										1,656,185
Non-controlling interests										(238,970)
Attributable to Equity holders of the parent										**1,417,215**
Operating assets	2,462,788	1,981,629	5,107,314	7,151,443	3,583,557	8,135,667	17,148,100	45,570,498	(13,033,819)	32,536,679
Operating liabilities	659,420	684,214	2,404,661	3,545,706	2,375,224	4,766,844	7,506,878	21,942,947	(125,009)	21,817,938
Other disclosures										
Investment in an associate	227,905	-	-	-	-	64,045	29,960	321,910	(282,202)	39,708
Capital expenditure	31,499	5,206	351,793	473,445	28,504	647,865	1,073,159	2,611,471	-	2,611,471
Depreciation/ Amortisation	53,135	36,620	65,986	188,814	11,624	22,714	302,062	680,955	-	680,955

Geographic information	Sri Lanka Rs.'000	USA Rs.'000	Europe Rs.'000	Other Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue	33,830,950	693,032	880,163	1,279,635	36,683,780	(1,984,669)	34,699,111

Segment Information

Year ended 31st March 2013 Business Segment	Rubber Rs.'000	Tyre Rs.'000	Plastics Rs.'000	Retail Rs.'000	Financial Services Rs.'000	Other Services Rs.'000	Plantations Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue										
External customers	2,666,231	2,837,449	5,901,072	15,703,432	180,086	10,652	7,391,418	34,690,340	-	34,690,340
Inter-segment	104,560	26,488	494,253	23,957	-	1,358,150	874,043	2,881,451	(2,881,451)	-
Intra - segment	2,360	1,324,325	2,291,674	461,605	-	-	347,160	4,427,124	(4,427,124)	-
Total revenue	**2,773,151**	**4,188,262**	**8,686,999**	**16,188,994**	**180,086**	**1,368,802**	**8,612,621**	**41,998,915**	**(7,308,575)**	**34,690,340**
Results										
Segment results	315,300	365,978	787,560	953,030	(158,289)	408,940	1,597,233	4,269,752	(669,755)	3,599,997
Finance costs										(1,031,521)
Finance Income										302,054
Share of profit of an associate										63,765
Profit before tax from continuing operations										2,934,295
Income tax expense										(737,082)
Profit for the year from continuing operations										2,197,213
Discontinued operations										
Loss after tax for the year from discontinued operations										(581)
Profit for the year										2,196,632
Non-controlling interests										(360,297)
Attributable to Equity holders of the parent										1,836,335
Operating assets	2,281,242	1,872,483	4,260,946	7,246,631	1,305,776	6,840,146	15,612,131	39,419,355	(12,170,809)	27,248,546
Operating liabilities	728,910	678,224	1,563,568	4,019,366	171,648	3,735,720	6,300,771	17,198,207	(91,213)	17,106,994
Other disclosures										
Investment in an associate	227,905	-	-	-	-	64,045	29,960	321,910	(296,920)	24,990
Capital expenditure	16,178	5,700	85,402	514,099	6,195	82,054	744,075	1,453,703	-	1,453,703
Depreciation/ Amortisation	54,584	36,328	54,515	171,946	6,527	89,847	294,169	707,916	-	707,916

Geographic information	Sri Lanka Rs.'000	USA Rs.'000	Europe Rs.'000	Other Rs.'000	Total segments Rs.'000	Adjustments Rs.'000	Consolidated Rs.'000
Revenue	36,193,963	462,294	1,023,394	1,437,813	39,117,464	(4,427,124)	34,690,340

Notes to the Financial Statements Contd.

4. Other Income/Expenses and Adjustments

4.1 Other operating income

	Group	
	2014 Rs.'000	2013 Rs.'000
Government grants	**20,786**	20,949
Net gain on disposal of property, plant and equipment	**3,032**	8,424
Profit on disposal of current investments	**2,497**	-
Net Income on financial assets at FVTPL	**-**	3,263
Rental income	**232,249**	212,558
Gain on change in fair value of biological assets	**81,497**	49,061
Income from partnership promotions	**87,902**	81,828
Gain on government acquisition of estate land	**-**	12,066
Foreign exchange gain	**7,459**	-
Scrap Sales	**23,722**	28,133
Sundry Income	**115,920**	133,912
Total other operating income	**575,064**	550,194

4.2 Other Operating Expenses

	Group	
	2014 Rs.'000	2013 Rs.'000
Foreign exchange loss	**9,990**	6,190
Irrecoverable VAT on management fees of plantation companies	**33,201**	40,705
Amortisation and impairment of intangible assets	**1,701**	12,101
Others	**6,099**	5,474
Total other operating expenses	**50,991**	64,470

4.3 Profits from operations is stated after charging following expenses

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Directors' remuneration & fees	**28,082**	27,750	**10,573**	8,147
Auditors' remuneration & fees	**18,317**	14,104	**796**	648
Depreciation	**656,859**	684,570	**14,709**	22,495
Amortisation of leasehold property	**24,096**	23,346	**-**	-
Amortisation of intangible assets	**1,701**	12,101	**-**	-
Provision made for defined benefit plan cost	**348,156**	202,289	**11,764**	10,646
Staff costs including defined contribution plan cost	**5,955,684**	5,329,701	**91,400**	64,785
Legal fees	**10,974**	7,766	**338**	1,355
Donations	**2,914**	2,141	**252**	207
Allowances for impairment of receivables & debts written off	**69,571**	93,319	**-**	-
Allowance for fall in value of investments	**-**	-	**-**	11,738

5. Finance Costs

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Interest on long term loans	541,061	573,784	189,129	196,518
Interest on short term loans	381,001	457,737	231,158	240,187
Total finance costs	922,062	1,031,521	420,287	436,705

6. Finance Income

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Interest income from related companies	-	-	73,586	26,943
Interest income from third parties	389,584	302,054	22,374	1,532
Total finance income	389,584	302,054	95,960	28,475

7. Share of Results of Associates

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

The Group's share of the assets and liabilities as at 31st March 2014 and 2013, and income and expenses of the entity for the years ending 31st March 2014 and 2013, which is accounted under the equity method are as follows.

	2014 Rs.'000	2013 Rs.'000
Revenue	1,599,716	1,540,874
Profit before tax	128,988	294,783
Group's share of profit before tax	27,902	63,765
(-) Tax on associate results	(1,050)	(5,801)
Group share of profit after tax	26,852	57,964
Associate's Statement of Financial Position		
Current assets	86,762	89,527
Non-current assets	310,754	322,816
	397,516	412,343
Current liabilities	(35,652)	(69,665)
Non-current liabilities	(26,158)	(30,616)
	(61,810)	(100,281)

Investments in Associates	2014 Rs.'000	2013 Rs.'000
As at 1st April	24,990	74,143
Share of profits - current period	27,902	63,765
Taxation	(1,050)	(5,801)
Dividends received	(12,134)	(107,117)
As at 31st March	39,708	24,990

Notes to the Financial Statements Contd.

8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2014 and 2013 are:

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Current income tax:				
Current income tax charge	496,828	565,214	-	-
Adjustments in respect of current income tax of previous years	9,463	19,740	-	11,314
Deferred tax:				
Relating to origination and reversal of temporary differences	6,248	70,137	-	-
ESC unrecoverable	3,303	-	-	-
Tax on associate results	1,050	5,801	-	-
Dividend tax	127,078	76,190	-	-
Income tax expense reported in the income statement	643,970	737,082	-	11,314
A. Taxation on current year profit				
Profit before tax from continuing operations	2,302,551	2,934,295	968,091	375,598
Loss before tax from discontinued operations	(2,396)	(581)	-	-
Profit from associate companies	(27,902)	(63,765)	-	-
	2,272,253	2,869,949	968,091	375,598
Disallowed items	1,915,624	1,209,523	158,977	160,904
Allowable items	(2,401,668)	(2,190,683)	(45,263)	(29,467)
Tax exempt income	(689,827)	(315,740)	-	-
Resident dividend	-	-	(1,084,739)	(673,052)
	1,096,382	1,573,049	(2,934)	(166,017)
Tax loss brought forward	(2,681,520)	(3,193,871)	(358,194)	(381,133)
Tax loss carried forward	2,931,228	2,745,140	361,128	547,150
Taxable Income	1,346,090	1,124,318	-	-
Income tax 28%	434,215	475,832	-	-
Income tax 15%	7,908	15,069	-	-
Income tax 12%	38,181	37,245	-	-
Income tax 10%	14,877	35,421	-	-
Income tax at other rates	1,647	1,647	-	-
	496,828	565,214	-	-
Under provision in the previous years	9,463	19,740	-	11,314
	506,291	584,954	-	11,314
Tax on associate results	1,050	5,801	-	-
ESC unrecoverable	3,303	-	-	-
Dividend tax	127,078	76,190	-	-
Deferred tax	6,248	70,137	-	-
	643,970	737,082	-	11,314
B. Deferred tax expenses / (reversals)				
Accelerated depreciation for tax purpose	202,906	90,428	10,138	1,930
Retirement benefits obligation	(19,521)	(10,551)	(2,626)	1,497
Benefit arising from tax losses	(141,371)	8,869	7,335	(3,427)
Other provisions	(35,766)	(18,609)	(14,847)	-
Total deferred tax expense	6,248	70,137	-	-

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

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

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

Under the Board of Investment Act No. 04 of 1978, the profits of Arpitalian Compact Soles (Private) Limited is liable to income tax at 12% for the year of assessment 2013/14. Other profits and income is liable to tax at 28%.

RPC Polymers Pvt Ltd has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the BOI Act No 04 of 1978 and accordingly its profit and income 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 Investment of Sri Lanka under the BOI Act No 04 of 1978, RPC Retail Development (Private) Limited was exempted from tax for a period of three years commencing from the year of assessment 2009/2010 .After the expiry of the tax holiday the Company will be liable for 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 revenue for a period of fifteen years from the financial year 2002/2003 in terms of the agreement entered into with the Board of Investment of Sri Lanka.

Micro Mineral (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 Act No. 04 of 1978. It is entitled to this concessionary rate for a period of twenty years commencing from 1st September 1996.

Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC are liable for income tax at the rate of 10% on profits from agriculture and 28% on manufacturing activities, commencing from 1st April 2011.

9. Discontinued Operations

The Group continued to focus on its core business operations and restructure or exit from marginal businesses with limited potential. Accordingly operations of four businesses which were incurring heavy losses were discontinued in previous years namely, Arpico Homes Limited, Hamefa Kegalle (Private) Limited, Arpico Hotel Services (Private) Limited, Arpico Natural Latexfoams (Private) Limited.

The results of discontinued operations are given below.

	2014 Rs.'000	2013 Rs.'000
Other Income	**4,352**	5,709
Expenses	**(6,748)**	(6,290)
Loss for the year from discontinued operations	**(2,396)**	(581)

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

Notes to the Financial Statements Contd.

Assets and liabilities classified as held for distribution as at 31st March 2014 are as follows:

	2014 Rs.'000	2013 Rs.'000
Total assets	**101,702**	109,512
Total liabilities	**111,120**	115,949

Cash flow implications for the year are presented below:

	2014 Rs.'000	2013 Rs.'000
Net cash flows from operating activities	**319**	3,216

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

10. Earnings per share

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

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

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

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

	2014 Rs.'000	2013 Rs.'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**1,419,611**	1,836,916
Loss attributable to ordinary equity holders of the parent from discontinued operations	**(2,396)**	(581)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**1,417,215**	1,836,335

	2014	2013
Weighted average number of ordinary shares for basic earnings per share	**1,956,599,428**	1,938,979,423
Effect of dilution:		
Effect of potential ordinary shares from share options	**38,210,579**	63,603,791
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,994,810,007**	2,002,583,214

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	2014 Rs.'000	2013 Rs.'000
Basic earnings per share	**0.72**	0.95
Diluted earnings per share	**0.71**	0.92
Earnings per share from continuing operations - Basic	**0.73**	0.95
Earnings per share from continuing operations - Diluted	**0.71**	0.92

11. Dividend per Share

	2014 Rs.'000	2013 Rs.'000
Interim Dividend Rs. 0.45 per share (2012/13 Rs. 0.20 per share)	**886,270**	387,848
	886,270	387,848

1. The interim dividend of Rs. 0.20 per share for the financial year ended 31.03.2013 was declared on 24th January 2013 and was paid on 15th February 2013.

2. The 1st interim dividend of Rs. 0.25 per share for the financial year ended 31.03.2014 was declared on 16th August 2013 and was paid on 30th August 2013.

3. The 2nd interim dividend of Rs. 0.20 per share for the financial year ended 31.03.2014 was declared on 24th March 2014 and was paid on 10th April 2014.

Notes to the Financial Statements Contd.

12. Property, Plant & Equipment

12.1 Group

	As at 01.04.2013 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2014 Rs.'000
Cost / valuation						
Land/land improvements	1,946,832	779,366	-	-	(6,364)	**2,719,834**
Buildings	2,908,748	338,798	(27,192)	1,994	-	**3,222,348**
Immature / mature plantations	5,599,933	779,821	-	-	-	**6,379,754**
Plant, machinery, tools & electrical installations	4,407,619	192,964	(179,884)	10,280	-	**4,430,979**
Office & other equipment	771,287	102,482	(1,611)	-	-	**872,158**
Furniture, fixtures & fittings	460,004	32,834	(729)	353	-	**492,462**
Motor vehicles	704,303	10,846	(5,792)	38	-	**709,395**
Computers	398,168	30,833	(262)	-	-	**428,739**
	17,196,894	2,267,944	(215,470)	12,665	(6,364)	**19,255,669**
Capital work in progress	288,947	361,807	(32,659)	-	-	**618,095**
Total gross carrying amount	17,485,841	2,629,751	(248,129)	12,665	(6,364)	**19,873,764**

	As at 01.04.2013 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	Adjustments Rs.'000	As at 31.03.2014 Rs.'000
Depreciation / amortisation						
Land improvements	76,196	9,888	-	-	-	**86,084**
Buildings	684,396	121,267	(26,396)	89	-	**779,356**
Immature / mature plantations	826,089	133,928	-	-	-	**960,017**
Plant, machinery, tools & electrical installations	2,751,803	198,305	(179,881)	2,512	-	**2,772,739**
Office & other equipment	445,610	62,578	(111)	-	-	**508,077**
Furniture, fixtures & fittings	327,484	28,952	(228)	328	-	**356,536**
Motor vehicles	564,509	52,009	(5,792)	38	-	**610,764**
Computers	333,125	25,477	(212)	-	-	**358,390**
	6,009,212	632,404	(212,620)	2,967	-	**6,431,963**

Net Book Values	2014 Rs.'000	2013 Rs.'000
Land/land improvements	**2,633,750**	1,870,636
Buildings	**2,442,992**	2,224,352
Immature / mature plantations	**5,419,737**	4,773,844
Plant, machinery, tools & electrical installations	**1,658,240**	1,655,817
Office & other equipment	**364,081**	325,677
Furniture, fixtures & fittings	**135,926**	132,518
Motor vehicles	**98,631**	139,794
Computers	**70,349**	65,044
	12,823,706	11,187,682
Capital work in progress	**618,095**	288,947
Total carrying amount	**13,441,801**	11,476,629

Assets acquired on finance leases	As at 01.04.2013 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2014 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 01.04.2013 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2014 Rs.'000
Depreciation / amortisation					
Immature / mature plantations	466,993	24,439	-	-	**491,432**
Plant & machinery	134,286	-	-	-	**134,286**
Office & other equipment	401	16	-	-	**417**
Motor vehicles	3,997	-	-	-	**3,997**
	605,677	24,455	-	-	**630,132**

Net Book Values	2014 Rs.'000	2013 Rs.'000
Immature / mature plantations	**266,953**	291,392
Plant & machinery	**-**	-
Office & other equipment	**419**	435
Motor vehicles	**-**	-
	267,372	291,827
Total carrying amount of property, plant & equipment	**13,709,173**	**11,768,456**

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 2,038 mn (2013 - 1,803 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 2,597 mn (2013 - 1,442 mn) for cash considerations.

12.2 Leasehold Property

	As at 01.04.2013 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2014 Rs.'000
Cost / valuation					
Right to use land	827,863	-	-	-	**827,863**
Buildings	204,481	-	-	-	**204,481**
	1,032,344	-	-	-	**1,032,344**

Notes to the Financial Statements Contd.

	As at 01.04.2013 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	Effect of foreign currency translation Rs.'000	As at 31.03.2014 Rs.'000
Amortisation					
Right to use land	305,273	16,202	-	-	**321,475**
Buildings	164,947	7,894	-	-	**172,841**
	470,220	24,096	-	-	**494,316**

	2014 Rs.'000	2013 Rs.'000
Right to use land	**506,388**	522,590
Buildings	**31,640**	39,534
Total carrying amount of leasehold properties	**538,028**	562,124

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 reporting date. With regard to Namunukula Plantations PLC, 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 carrying values as they appeared in the accounts of JEDB /SLSPC, on the day immediately preceding the date of formation of the companies. Investment in immature plantations at the time of handing over to the Company as at 22 June, 1992 by way of estate leases were shown under immature plantations. However, since then all such investments in immature plantations attributable to JEDB/SLSPC estates have been transferred to mature plantations.

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

This right-to-use land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Recommended Practice (SORP) for right-to-use of land does not permit further revaluation of right-to-use land.

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

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

The unexpired period of the lease as at the reporting date was 31 years.

Property (excluding leasehold property) with a carrying amount of Rs. 6,743 mn (2013 - Rs. 4,531 mn) are pledged as security for loans obtained. (Note 27.1)

Borrowing costs amounting to Rs. 109.3 mn (2013 - Rs. 52.4 mn) have been capitalised which was incurred on long term loans related to immature plantations in the plantation sector using a capitalisation rate of 12.83% (2013-11.66%).

12.3 Company

	As at 01.04.2013 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2014 Rs.'000
Cost / valuation				
Buildings	-	47,485	-	**47,485**
Plant, machinery, tools & electrical installations	59,895	34,628	-	**94,523**
Office & other equipment	28,339	576	(1,500)	**27,415**
Furniture, fixtures & fittings	17,577	2,334	-	**19,911**
Motor vehicles	65,039	-	-	**65,039**
Computers	30,359	3,130	-	**33,489**
	201,209	88,153	(1,500)	**287,862**
Capital work in progress	17,436	-	(8,108)	**9,328**
Total gross carrying amount	218,645	88,153	(9,608)	**297,190**

	As at 01.04.2013 Rs.'000	Charge for the year Rs.'000	On disposals Rs.'000	As at 31.03.2014 Rs.'000
Depreciation / amortisation				
Plant, machinery, tools & electrical installations	52,229	7,059	-	**59,288**
Office & other equipment	23,461	1,185	-	**24,646**
Furniture, fixtures & fittings	12,822	1,315	-	**14,137**
Motor vehicles	64,956	37	-	**64,993**
Computers	26,795	2,091	-	**28,886**
	180,263	11,687	-	**191,950**

Net Book Values	2014 Rs.'000	2013 Rs.'000
Buildings	**47,485**	-
Plant, machinery, tools & electrical installations	**35,235**	7,666
Office & other equipment	**2,769**	4,878
Furniture, fixtures & fittings	**5,774**	4,755
Motor vehicles	**46**	83
Computers	**4,603**	3,564
	95,912	20,946
Capital work in progress	**9,328**	17,436
Total carrying amount	**105,240**	38,382

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13. Investment property

13.1 Group

	As at 01.04.2013 Rs.'000	Additions Rs.'000	Disposals/ transfers Rs.'000	As at 31.03.2014 Rs.'000
Gross carrying amounts				
Freehold land	140,404	294	-	**140,698**
	140,404	294	-	**140,698**

Net Book Values	2014 Rs.'000	2013 Rs.'000
Freehold land	**140,698**	140,404
Total carrying amount of investment property	**140,698**	140,404

13.2 Company

	As at 01.04.2013 Rs.'000	Additions Rs.'000	Adjustments Rs.'000	As at 31.03.2014 Rs.'000
Gross carrying amounts				
Freehold land	474,424	563,639	-	**1,038,063**
Buildings and building integrals	300,741	102	(7,395)	**293,448**
	775,165	563,741	(7,395)	**1,331,511**

	As at 01.04.2013 Rs.'000	Charge for the Year Rs.'000	Adjustments Rs.'000	As at 31.03.2014 Rs.'000
Depreciation				
Buildings on freehold land	84,524	3,022	(7,395)	**80,151**
	84,524	3,022	(7,395)	**80,151**

Net Book Values	2014 Rs.'000	2013 Rs.'000
Freehold land	**1,038,063**	474,424
Buildings on freehold land	**213,297**	216,217
Total carrying amount of investment property	**1,251,360**	690,641

	2014 Rs. Mn	2013 Rs. Mn
Rental income derived from investment properties	**138**	128
Direct operating expenses incurred	**3.7**	2.4
Fair value of investment property	**6,019**	5,923

14. Intangible Assets

	Goodwill Rs.'000	Licences Rs.'000	Other Intangibles Rs.'000	Total Rs.'000
As at 1st April 2013	524,003	58,735	3,332	586,070
Acquired / Incurred during the period	-	-	-	-
Retired / Disposed during the period	-	-	-	-
As at 31st March 2014	524,003	58,735	3,332	586,070
Amortisation and Impairment				
As at 1st April 2013	43,125	32,970	1,082	77,177
Amortisation for the year	-	1,451	250	1,701
As at 31st March 2014	43,125	34,421	1,332	78,878
Net Book Value				
As at 31st March 2013	480,878	25,765	2,250	508,893
As at 31st March 2014	480,878	24,314	2,000	507,192

(a) Goodwill

Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. The Group goodwill has been allocated to 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 - Kandy

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

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

(b) Licenses

Licenses include separately acquired five operating licenses stated at cost less accumulated amortisation and impairment losses. Licences acquired have been amortised evenly over the validity period of the licence.

(c) Other intangible assets

Other intangible assets represents the brand 'Horizon' of Richard Pieris Tyre Company which is amortised over a period of six years commencing from the financial year 2004/05 which is fully amortised as at current financial year.

Further, other intangibles represent an IT platform developed by Ataraxia Pvt Ltd to manage its funds which is amortised over a period of fifteen years commencing from financial year 2012/13.

Key assumptions used in Value in Use calculations

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

Notes to the Financial Statements Contd.

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

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

15. Biological Assets

Consumable Biological Assets	2014 Rs.'000	2013 Rs.'000
Balance at the beginning of the period	**568,037**	507,190
Increase due to new planting	**14,085**	11,786
Decrease due to harvesting	**(44,100)**	-
Gain in fair value	**81,497**	49,061
Balance at the end of the period	**619,519**	568,037

Biological assets include commercial timber plantations cultivated in estates of Kegalle Plantations PLC and Maskeliya Plantations PLC .The fair value of managed trees was ascertained by Messrs Ariyatillake & Company Pvt Ltd, Chartered Valuers. The Valuation was carried out using discounted cash flow method.

Key assumptions used in valuation are as follows:

1. Timber price was based on the price list of the State Timber Corporation of sawn timber logs.
2. Market price of the estimated output of standing timber was taken as an average value of the market prices after deducting costs of harvesting ,transportation and administrative cost etc.
3. Time period of maturity estimated at 20 years.
4. Rate of return on capital assumed at 13 %.
5. The fuel wood tree is taken at a nominal value.

15.1 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

As at 31st March 2014	Rs.'000	Rs.'000	Rs.'000
	-10%	-	+10%
Managed Timber	558,730	619,519	680,764
Total	558,730	619,519	680,764

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

As at 31st March 2014	Rs.'000	Rs.'000	Rs.'000
	11.50%	13.00%	14.50%
Managed Timber	712,673	619,519	549,998
Total	712,673	619,519	549,998

16. Investments
A. Company investments in subsidiaries

	% Holding		No of shares			Value Rs.'000		
	31.03.2014	31.03.2013	31.03.2014	Movement	31.03.2013	31.03.2014	Movement	31.03.2013
Quoted investments								
Richard Pieris Exports PLC (Rs. 494 mn) *	80	80	8,959,997	-	8,959,997	200,555	-	200,555
Kegalle Plantations PLC (Rs. 2,013 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
(Rs. 100/- each)								
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
Arpitalian Compact Soles (Pvt) Ltd.								
Ordinary Shares	18	18	10,666,666	-	10,666,666	80,000	-	80,000
10% Redeemable Cumulative Preference Shares	-	-	6,404,500	-	6,404,500	64,045	-	64,045
RPC Management Services (Pvt) Ltd.	100	100	3,750,000	-	3,750,000	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.	50	50	1	-	1	-	-	-
Arpico Homes (Pvt) Ltd.	100	100	7	-	7	-	-	-
Arpico Exotica Asiana (Pvt) Ltd.	100	100	2	-	2	-	-	-
RPC 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 Ltd.	100	100	28,500,018	-	28,500,018	285,000	-	285,000
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	15,299,999	5,300,000	9,999,999	153,000	53,000	100,000
Richard Pieris Financial Services (Pvt) Ltd	100	100	3,499,999	-	3,499,999	35,000	-	35,000
Arpico Insurance Ltd	25	25	15,125,000	825,000	14,300,000	151,250	8,250	143,000
Arpico Ataraxia Asset Management Pvt Ltd	51	51	2,040,001	-	2,040,001	20,400	-	20,400
Richard Pieris Arpico Finance (Pvt) Limited	40	40	16,000,001	-	16,000,001	160,000	-	160,000
Arpico Durables (Pvt) Limited	50	50	1	-	1	-	-	-
Arpico Furniture Distributors (Pvt) Limited	50	50	1	-	1	-	-	-
Arpico Developments (Pvt) Limited	50	50	1	-	1	-	-	-
RPC Retail Developments Company (Pvt) Limited	50	50	1	-	1	-	-	-
						3,109,675	61,250	3,048,425
Provision for fall in value of the investments in;								
Arpico Furniture Ltd.						(40,000)	-	(40,000)
Arpico Hotel Services (Pvt) Ltd.						(6,000)	-	(6,000)
RPC Construction (Pvt) Ltd.						(20,000)	-	(20,000)
Arpitech Ltd.						(35,000)	-	(35,000)
Arpitalian Compact Soles (Pvt) Ltd.						(41,082)	-	(41,082)
Company investments in subsidiaries						2,967,593	61,250	2,906,343

Notes to the Financial Statements Contd.

B. Group investments in subsidiaries

	% Holding		No of shares			Value Rs.'000		
	31.03.2014	31.03.2013	31.03.2014	Movement	31.03.2013	31.03.2014	Movement	31.03.2013
Investor								
Richard Pieris Distributors Ltd.								
Investee								
Arpimalls Development Company (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 Estate Developments (Pvt) Ltd.								
Ordinary shares	50	50	1	-	1	-	-	-
6% redeemable cumulative preference shares	-	-	66,700,000	-	66,700,000	667,000	-	667,000
RPC Retail Developments Company (Pvt) Ltd.								
Ordinary shares	50	50	1	-	1	-	-	-
6% redeemable cumulative preference shares	-	-	38,700,000	-	38,700,000	387,000	-	387,000
Arpico Insurance (Pvt) Ltd	30	30	17,790,000	990,000	16,800,000	177,900	9,900	168,000
Richard Pieris Arpico Finance (Pvt) Limited	30	30	12,000,001	-	12,000,001	120,000	-	120,000
Arpico Durables (Pvt) Limited	50	50	1	-	1	-	-	-
Arpico Furniture Distributors (Pvt) Limited	50	50	1	-	1	-	-	-
Arpico Developments (Pvt) Ltd	50	50	1	-	1	-	-	-
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
Micro Minerals (Pvt) Ltd.	69	69	627,400	-	627,400	6,274	-	6,274
Arpitalian Compact Soles (Pvt) Ltd.	49	49	29,587,667	-	29,587,667	227,905	-	227,905
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

	% Holding		No of shares			Value Rs.'000		
	31.03.2014	31.03.2013	31.03.2014	Movement	31.03.2013	31.03.2014	Movement	31.03.2013
Investor								
RPC Management Services (Pvt) Ltd.								
Investee								
Maskeliya Plantations PLC (Rs. 450 mn) *	83	83	44,998,397	-	44,998,397	778,329	-	778,329
Kegalle Plantations PLC (Rs. 2,013 mn) * +	-	-	3,900	-	3,900	591	-	591
Investor								
RPC Plantation Management Services (Pvt) Ltd.								
Investee								
Namunukula Plantations PLC (Rs. 1,292 mn) *	65	65	15,412,737	-	15,412,737	517,621	-	517,621
Kegalle Plantations PLC (Rs. 2,013 mn) *	77	73	19,155,477	897,146	18,258,331	447,833	100,197	347,636
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	45	26,685,000	1,485,000	25,200,000	266,850	14,850	252,000
Richard Pieris Arpico Finance (Pvt) Limited	30	30	12,000,001	-	12,000,001	120,000	-	120,000
						5,258,123	124,947	5,133,176
Provision for fall in value of investment in;								
Namunukula Plantations PLC						(29,167)	-	(29,167)
Arpico Natural Latex Foams (Pvt) Ltd.						(50,000)	-	(50,000)
						5,178,956	124,947	5,054,009

C. Company / Group investment in associates

	% Holding		No of shares			Value Rs.'000		
	31.03.2014	31.03.2013	31.03.2014	Movement	31.03.2013	31.03.2014	Movement	31.03.2013
Group investments in associates;								
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	-	29,960
Group share of profits of associate companies								
AEN Palm Oil Processing (Pvt) Ltd.						9,748	14,718	(4,970)
Group investment in associates (equity basis)						39,708	14,718	24,990

* Amounts stated within brackets correspond to market value as at 31st March 2014. In the opinion of the Directors, any reduction in market value below cost is considered to be of temporary nature.

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

The value of unquoted investments based on net assets amounted to Rs. 8,529 mn (2013 - Rs. 7,534 mn).

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17. Other Financial Assets

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Available-for-sale investments				
Unquoted equity shares				
Asset Trust Management (Pvt) Ltd	5,625	5,625	5,625	5,625
Investment in Unit Trust	-	53,263	-	-
Investment in CRIB	588	-	-	-
	6,213	58,888	5,625	5,625
Quoted equity shares				
Commercial Bank PLC	9	9	9	9
John Keells Holdings PLC	20	19	20	19
Asian Hotel Properties PLC	37,176	44,257	37,176	44,257
Dialog Telecom PLC	99	99	99	99
National Development Bank PLC	3,673	3,393	3,673	3,393
	40,977	47,777	40,977	47,777
Unquoted debt securities				
Debentures -Richard Pieris Plantations (Pvt) Ltd.	-	-	65,750	65,750
Government Securities				
Treasury Bond Investments	201,047	101,829	-	-
Total available-for-sale investments at fair value	248,237	208,494	112,352	119,152
Loans and receivables				
Investments in corporate debts at amortised cost	316,436	429,285	-	-
Short term loans	181,334	-	-	-
Long term loans	684,186	-	-	-
Leases	853,909	-	-	-
Higher purchases	653,702	-	-	-
Fixed deposits	35,636	-	-	-
Total loans and receivables	2,725,203	429,285	-	-
Total other financial assets	2,973,440	637,779	112,352	119,152
Total current	222,311	47,777	40,977	47,777
Total non-current	2,751,129	590,002	71,375	71,375

17.1 Fair values

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

	Carrying amount		Fair Value	
	2014	2013	2014	2013
Group	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	3,686,906	4,055,293	3,686,906	4,055,293
Other financial assets				
Loans and other receivables	2,725,203	429,285	2,725,203	429,285
Available-for-sale investments	222,060	168,020	248,237	208,494
Cash and short-term deposits	6,016,739	4,648,564	6,016,739	4,648,564
Total	12,650,908	9,301,162	12,677,085	9,341,636
Financial liabilities				
Net liability to the lessor	628,160	638,237	628,160	638,237
Interest-bearing loans and borrowings	9,325,770	5,647,418	9,325,770	5,647,418
Trade and other payables	4,993,755	4,233,841	4,993,755	4,233,841
Bank overdrafts	3,198,182	3,256,097	3,198,182	3,256,097
Total	18,145,867	13,775,593	18,145,867	13,777,593
Company				
Financial assets				
Trade and other receivables	23,109	36,710	23,109	36,710
Other financial assets				
Available-for-sale investments	92,861	92,861	112,352	119,152
Cash and short-term deposits	1,087,621	332,280	1,087,621	332,280
Total	1,203,591	461,851	1,223,082	488,142
Financial liabilities				
Interest-bearing loans and borrowings	4,420,057	1,853,350	4,420,057	1,853,350
Trade and other payables	476,701	210,478	476,701	210,478
Bank overdrafts	403,866	1,602,822	403,866	1,602,822
Total	5,300,624	3,666,650	5,300,624	3,666,650

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

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

- Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- Interest bearing borrowings, loans and other receivables are evaluated by the Group Treasury based on parameters such as interest rates, credit risk and other relevant risk factors. Based on the evaluation, allowances are taken to account for the expected losses of these receivables where the carrying amounts of which are not materially different from their calculated fair values.
- Fair value of available for sale financial assets is derived from quoted market prices in active markets where unrealised gains/ losses recognised in Other Comprehensive Income.
- Fair value of unquoted available for sale financial assets is estimated using appropriate valuation techniques.

Notes to the Financial Statements Contd.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value	31st March 2014 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets				
Equity Shares	**47,190**	40,977	6,213	-
Government Securities	**201,047**	201,047	-	-
	248,237	242,024	6,213	-

Assets measured at fair value	31st March 2013 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available-for-sale financial assets				
Equity Shares	106,665	47,777	58,888	-
Government Securities	101,829	101,829	-	-
	208,494	149,606	58,888	-

18. Deferred Tax Liability/(Assets)

	Group		Company	
	2014 Rs.'000	**2013 Rs.'000**	**2014 Rs.'000**	**2013 Rs.'000**
At the beginning of the period	**227,839**	126,517	**(36,953)**	(36,953)
Transfer from income statement	**6,248**	68,167	**-**	-
Transfer from / (to) OCI	**(14,113)**	33,155	**-**	-
At the end of the period	**219,974**	227,839	**(36,953)**	(36,953)
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**1,180,292**	951,202	**43,776**	33,638
Other deferred liabilities	**1,670**	22,774	**-**	-
	1,181,962	973,976	**43,776**	33,638
Deferred tax assets				
Retirement benefit obligations	**(348,476)**	(306,067)	**(17,838)**	(15,212)
Unutilised tax losses	**(485,810)**	(353,699)	**(48,044)**	(55,379)
Other provisions	**(127,702)**	(86,371)	**(14,847)**	-
	(961,988)	(746,137)	**(80,729)**	(70,591)
Deferred Tax (Asset) / Liability	**219,974**	227,839	**(36,953)**	(36,953)

Deferred tax assets amounting to Rs. 76 mn (2013 Rs. 68 mn) for the Group and Rs. 51 mn (2013 Rs. 68 mn) for the Company has not been recognised since the companies do not expect these assets to reverse in the foreseeable future.

19. Inventories

	Group	
	2014 Rs.'000	2013 Rs.'000
Raw materials	**921,197**	805,810
Growing crop-nurseries	**47,074**	33,721
Work in progress	**118,900**	126,695
Finished goods	**1,988,112**	2,202,449
Produce inventories	**862,465**	599,141
Other inventories	**78,314**	46,779
Goods in transit	**1,810**	35,529
	4,017,872	3,850,124
Provision for slow moving inventories	**(140,539)**	(73,744)
Provision for unrealised profits	**(16,755)**	(31,019)
Net Inventory	**3,860,578**	3,745,361

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

The amount of write-down of inventories recognised as an expense is Rs. 51 mn (2013 Rs. 85 mn) which is recognised under administration expenses.

Inventories carried at lower of cost or net realisable value as at 31st March 2014 amounted Rs. 1,074 mn (2013 Rs. 503 mn) which is recognised in cost of sales and administrative expenses.

Inventories with a carrying amount of Rs. 979 mn (2013 Rs. 760 mn) are pledged as security for loans obtained, details of which are disclosed in Note 27 to the financial statements.

20. Trade And Other Receivables

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

Gross Trade Receivables			Group			
	Total Rs.'000	Current Rs.'000	30-60 days Rs.'000	61-90 days Rs.'000	91-120 days Rs.'000	> 120 days Rs.'000
2014	3,165,060	1,726,503	669,830	99,716	392,057	276,954
2013	3,247,950	1,815,202	590,096	314,451	85,223	442,978

Allowances for Receivables		Individual		Collective	
	Total Rs.'000	Fully Impaired Rs.'000	Partially Impaired Rs.'000	Fully Impaired Rs.'000	Partially Impaired Rs.'000
As at 1st April 2013	300,907	195,974	312	-	104,621
Charge for the year	70,303	13,750	611	-	55,942
Unused amounts reversed	(732)	(678)	-	-	(54)
As at 31st March 2014	370,478	209,046	923	-	160,509

Notes to the Financial Statements Contd.

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Net trade receivables	2,794,582	2,947,043	-	-
Advances and deposits	180,141	435,890	-	-
Loans to employees	13,633	13,222	6,734	4,954
Reinsurance receivables	6,047	4,189	16,375	31,756
Other receivables	692,503	654,949	-	-
	3,686,906	4,055,293	23,109	36,710
Other non financial receivables	343,760	470,955	75,555	485,475
Total trade and other receivables	4,030,666	4,526,248	98,664	522,185

21. Short Term Borrowings

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Import loans (a)	141,221	50,532	-	-
Other short term borrowings (b)	3,776,932	1,265,165	3,500,000	950,000
Bank overdrafts (c)	3,198,182	3,256,097	403,866	1,602,822
	7,116,335	4,571,794	3,903,866	2,552,822

(a) Import loans have been obtained for the purpose of operations and is repayable within 30-90 days
(b) Short term borrowings mainly consist of money market borrowings and will be repayable at maturity within 7 -90 days.
(c) Bank overdrafts are repayable on demand.

22. Cash and Cash Equivalents

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Cash at banks and in hand	6,016,739	4,648,564	1,087,621	332,280
Short term borrowings (Note 21)	(7,116,335)	(4,571,794)	(3,903,866)	(2,552,822)
Cash and cash equivalents	(1,099,596)	76,770	(2,816,245)	(2,220,542)

23. Stated Capital

Ordinary shares issued and fully paid	No of Shares in '000	Value of Shares Rs.'000
As at 1st April 2013	1,939,237	1,637,236
Share options exercised during the year (ESOP Note)	44,500	177,588
As at 31st March 2014	1,983,737	1,814,824

24. Investment Fund Reserve

	2014 Rs.'000	2013 Rs.'000
At the beginning of the period	2,222	-
Transfers during the year	4,630	2,222
At the end of the period	6,852	2,222

Richard Pieris Arpico Finance Limited is liable to pay VAT on financial services as per section 25 A-G of the Value Added Tax Act No. 14 of 2002 and is required to deposit the respective sums in an investment fund account established by the respective Company as per the Central Bank Guidelines under the cover of letter no. 02/17/800/0014/01 dated 29th April 2011. The Company is required to deposit an amount equal to 8% of the value addition (profit) computed for financial VAT purposes on the same date of each month VAT on financial services is paid and 5% of the income tax liability on quarterly tax payment.

25. Other Components of Equity

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Available for sale reserve	20,654	34,859	19,491	26,291
Foreign currency translation reserve	52,736	40,198	-	-
	73,390	75,057	19,491	26,291

26. Insurance Provision

	2014 Rs.'000	2013 Rs.'000
At the beginning of the period	67,575	9,390
Increase during the period	125,796	58,185
At the end of the period	193,371	67,575

Long duration contract liabilities included in the life insurance fund, result primarily from traditional non participating life insurance products.

The actuarial reserves have been established based on the following;

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

The valuation of the life insurance business, as at 31st December 2013, was made by Mr. M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd. In accordance with the consultant Actuary's report, the reserve for the year amounted to, Rs. 149 mn. In the opinion of the consultant actuary, the reserve is adequate to cover the liabilities pertaining to Life Insurance.

In the opinion of the Actuary, the Life Insurance Fund as included in the Audited Financial Statements of Arpico Insurance Ltd exceeds the required actuarial reserves as at 31st December 2013 by Rs. 21,218,000 before any transfer to the shareholders.

Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Independent Consultant Actuary Mr. Arunachalam Rajaraman, FIA FIAI FCMA FIII Bsc.(Mathematics), as at 31st December 2013 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2013. No additional provision was required against the LAT as at 31st December 2013.

Notes to the Financial Statements Contd.

27. Interest Bearing Loans and Borrowings

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
At the beginning of the year	4,331,721	3,071,771	903,350	429,083
Effect of foreign currency translation	5,199	(7,200)	-	-
New loans obtained	2,047,667	2,276,782	250,000	750,000
	6,384,587	5,341,353	1,153,350	1,179,083
Repayments	(976,970)	(1,009,632)	(233,293)	(275,733)
	5,407,617	4,331,721	920,057	903,350
Transferred to current Liabilities	(1,240,850)	(962,843)	(259,960)	(219,960)
At the end of the year	4,166,767	3,368,878	660,097	683,390
Total Interest Bearing Loans & Borrowings				
Repayable within one year	1,240,850	962,843	259,960	219,960
Repayable after one year	4,166,767	3,368,878	660,097	683,390
	5,407,617	4,331,721	920,057	903,350

27.1 Interest bearing loans and borrowings repayable after one year.

Company	Lender	31.03.2014 Rs.'000	31.03.2013 Rs.'000	Repayment	Security
Richard Pieris and Company PLC	Commercial Bank PLC	573,390	683,350	Rs. 13.33 mn per month	Mortgage over land and buildings at Kandy & Battaramulla.
	Hatton National Bank PLC	160,000	220,000	Rs. 5 mn per month	Mortgage over land and buildings at Union Place, Colombo 02
	Hatton National Bank PLC	186,667	-	Rs. 3.33 mn per month	Mortgage over land and buildings at Union Place, Colombo 02
Richard Pieris Distributors Limited	Commercial Bank PLC	125,000.00	-	w.e.f. June 2015 Rs. 5.83mn per month	Mortgage over land at Moratuwa and land & building at Battaramulla
	Commercial Bank PLC	352,600	419,465	w.e.f. August 2011 Monthly repayment	Credit Card receivables at Hyde Park Corner and Battaramulla Super Center
	National Development Bank PLC	102,658	236,404	w.e.f February 2013	
	National Development Bank PLC	30,000	90,000	Rs. 15 mn per quarter	Clean Basis
RPC Retail Development Company Limited	LOLC PLC	28,562	73,562	Rs. 3.75 mn per month	Mortgage over land and building at Negombo
Richard Pieris Exports PLC	DFCC Bank	116,131	145,723	US $ 21,666 per month	Mortgage over land and buildings and plant & machinery at Ekala.
Richard Pieris Natural Foams Ltd	Commercial Bank PLC	21,780	27,492	US D 2,500 per month	Clean Basis
Richard Pieris Arpico Finance Ltd	Sampath Bank PLC	299,450	-	Rs. 8.3 mn per month	Assignment over Hire Purchase Receivables
RPC Management Services (Pvt) Limited	DFCC Bank PLC	-	37,724	Rs. 3.772 mn per month	Mortgage over shares of Maskeliya Plantations PLC
RPC Plantations Management Services (Pvt) Limited	Hatton National Bank PLC	-	2,068	Rs. 1 mn per month	Promissory Note
Maskeliya Plantations PLC	ADB/ National Development Bank PLC	-	2,067	Rs. 0.35 mn 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	-	3,446	Rs. 0.43 mn per month	
	ADB/ National Development Bank PLC	-	917	Rs. 0.13 mn per month	
	ADB/ National Development Bank PLC	-	4,480	Rs. 0.50 mn 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	-	3,845	Rs. 0.43 mn per month	
	ADB/ National Development Bank PLC	-	1,258	Rs. 0.14 mn per month	
	ADB/Seylan Bank PLC	6,136	10,467	Rs. 0.36 mn per month	Primary mortgage over leasehold rights of Mousakelle Estates.
	ADB/Seylan Bank PLC	5,757	9,823	Rs. 0.34 mn per month	
	ADB/Seylan Bank PLC	1,340	2,040	Rs. 0.06 mn per month	
	DFCC Bank PLC	-	1,021	Rs. 0.34 mn per month	Corporate Guarantee given by RPC Management Services (Pvt) Ltd

Company	Lender	31.03.2014 Rs.'000	31.03.2013 Rs.'000	Repayment	Security
	Hatton National Bank PLC	180,640	250,720	Rs. 5.8 mn per month	Primary mortgage over leasehold rights of Ampitittiakande & Craig Estates.
	National Development Bank PLC E-Friend Loan	-	4,621	Rs. 0.77 mn per month	
	National Development Bank PLC	85,000	102,000	w.e.f. April 2012 Rs. 1.4mn per month	Primary mortgage over leasehold rights of Brunswick, Strathspy, Laxapana, Moray estates and Thalawakelle estate
	National Development Bank PLC	231,000	300,000	38 monthly payments in varied	Securitization of future tea receivables
	National Development Bank PLC	300,000	300,000	36 monthly payments in varied installments	Securitization of future tea receivables
Kegalle Plantations PLC	ADB/ National Development Bank PLC	-	3,057	Rs. 0.49mn 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	-	4,981	Rs. 0.53mn per month	
	ADB/ Seylan Bank PLC	7,921	13,542	Rs. 0.46mn per month	Primary mortgage over leasehold rights of Eadella Estates
	Hatton National Bank PLC - E friend Loan	1,072	4,228	Rs. 0.26mn per month	Primary floating mortgage over leased hold property at Luckyland Estate, Udupussellawa, Badulla Estates
	ADB/ National Development Bank PLC	31,947	41,379	Rs. 0.79mn per month	Primary Mortgage over leasedhold rights of Atale, Etana, Doteloya, Kirkless and Secondary mortgage over Pallegama, Parambe, Weniwella and Yataderiya Estates.
	ADB/ National Development Bank PLC	17,122	22,014	Rs. 0.47mn per month	
	ADB/ National Development Bank PLC	126,866	161,467	Rs. 2.88mn per month	Tertiary mortgage over leasedhold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya Estates.
	LOLC PLC	2,650	4,164	Rs. 0.13mn per month	Mortgage over plant and machinery at Lucky land Estate
	National Development Bank PLC - E-Friend Loan	1,333	4,000	Rs. 0.22 mn per month	Quanternary mortgage over leasedhold rights of Atale, Etana, Doteloya, Kirkless, Pallegama, Parambe, Weniwella and Yataderiya Estates.
	National Development Bank PLC - Field Development	369,287	443,144	Rs. 6.15 mn per month	
	Indian Overseas Bank	150,000	150,000	w.e.f.January 2015 Rs. 2.49 mn per month	Primary Mortgage over leasehold rights of Higgoda and Madeniya
	Indian Bank	100,000	100,000	w.e.f. January 2015 Rs. 1.66 mn per month	
	State Bank of India	150,000	150,000	w.e.f. January 2015 Rs. 2.49 mn per month	
	Indian Overseas Bank	1,045,840	-	w.e.f. October 2014 Rs. 14.5 mn per month	Primary mortgage over leasehold rights of three estates Ambadeniya,Hathbawa and Udapola
	Commercial Bank of Ceylon PLC	326,825	-	w.e.f. October 2014 Rs. 5.5 mn per month	Primary mortgage over leasehold rights of three estates Deteloya,Etana and Kirklees
Namunukula Plantations PLC	DFCC Bank PLC	5,208	16,082	Rs. 2 mn 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	6,533	9,333	Rs. 0.23 mn per month	Corporate Guarantee given by RPC Plantation Management Services (Pvt) Ltd
	ADB/LOLC PLC	4,021	5,290	Rs. 0.10 mn per month	
	ADB/LOLC PLC	3,858	4,935	Rs. 0.08 mn per month	
	ADB/LOLC PLC	10,428	12,981	Rs. 0.212 mn per month	
	NDB Investment Bank	40,590	48,630	Rs. 0.67 mn per month	Primary mortgage over plant & machinery
	Indian Bank	100,000	100,000	w.e.f. February 2015 Rs. 1.65 mn per month	Primary mortgage over leasehold rights of Yatadola estate.
	Indian Overseas Bank	100,000	100,000	w.e.f. February 2015 Rs. 1.65 mn per month	
	Total Term Loans	5,407,617	4,331,721		
	Transferred to Current Liabilities	(1,240,850)	(962,843)		
		4,166,767	3,368,878		

Notes to the Financial Statements Contd.

28. Net Liability to Make Lease Payments and Others

	Repayable within 1 year Rs.'000	Repayable After 1 year less than 5 years Rs.'000	Repayable After 5 years Rs.'000	Total Rs.'000
Gross liability	35,674	142,696	971,929	1,150,299
Less: finance charges	(25,596)	(98,191)	(388,275)	(512,062)
Net liability	10,078	44,505	583,654	638,237
Transferred to current liabilities	-	-	-	(10,078)
As at 31st March 2013	10,078	-	-	628,159
Gross liability	35,674	142,696	936,255	1,114,625
Less: finance charges	(25,193)	(97,957)	(363,315)	(486,465)
Net liability	10,481	44,739	572,940	628,160
Transferred to current liabilities	-	-	-	(10,481)
As at 31st March 2014	10,481	-	-	617,679

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, Rs. 13.186 mn and Rs. 15.744 mn for Maskeliya Plantations PLC, Namunukula Plantations PLC and Kegalle Plantations PLC respectively from 22nd June 1996 to 21st June 1997.

Rentals payable according to the original lease agreement stipulated that the frozen Average GDP deflator for the Calendar Years 2002 to 2006 be used to calculate the lease rentals payable and to be reviewed at the time of the expiry of this agreement, in June 2008.

The Regional Plantation Companies were at the negotiation table during the previous financial year as well as the year under review to continue the same basis for the ensuing periods. Subsequently in their communication with Regional Plantation Companies in May 2010, Ministry of Plantation Industries stated that the lease rentals should be calculated on the GDP deflator from 2008/09 as stipulated in the original lease agreement.

The contingent rental charged to the Income Statement amounted to Rs. 25.29 mn, Rs. 28.47 mn and Rs. 33.99 mn for Maskeliya, Namunukula and Kegalle Plantations respectively.

29. Provisions

	Maintenance Warranties 2014 Rs.'000	Maintenance Warranties 2013 Rs.'000
As at 1st April	**115,172**	92,062
Arising during the year	**18,848**	23,962
Paid during the year	-	(852)
As at 31st March	**134,020**	115,172

Maintenance Warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales level and current information available about returns based on the two year warranty period for all products sold.

30. Government Grants

	2014 Rs.'000	2013 Rs.'000
As at 1st April	564,992	577,609
Received during the year	15,016	12,684
Released to the income statement	(25,139)	(25,301)
As at 31st March	554,869	564,992

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

31. Post Employee Benefit Plans

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
At the beginning of the period	1,797,278	1,940,629	54,328	59,674
Recognised in the income statement :				
Current service cost	152,502	86,095	5,788	4,082
Interest cost	195,654	116,194	5,976	6,564
	348,156	202,289	11,764	10,646
Recognised in the other comprehensive income:				
Actuarial losses/(gains) on obligation	99,193	(121,212)	2,031	(14,012)
Benefits paid	(182,624)	(224,428)	(4,416)	(1,980)
Benefit liabilities at the end of the period	2,062,003	1,797,278	63,707	54,328

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2014 by Messrs. Actuarial and Management Consultants (Pvt) Ltd.

Notes to the Financial Statements Contd.

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

Assumptions	2013/2014	2012/2013
Demographic assumptions		
In respect of non plantation companies,		
Retiring age:		
Executives	**55-60 years**	55-60 years
Non Executives	**55 years**	55 years
Average future working life time:		
Executives	**7.07 years**	7.30 years
Non executives	**8.16 years**	8.24 years
Staff turnover rates:		
Executives	**0.07-0.21**	0.07-0.21
Non Executives	**0.04-0.21**	0.04-0.21
In respect of plantation companies,		
Retiring age:		
Workers (male and female)	**60 years**	60 years
Other categories of staff (male and female)	**55-58 years**	55-58 years
Staff turnover rates	**0.02-0.07**	0.02-0.07
Average future working life time:		
Staff	**10.00 years**	9.94 years
Workers	**12.65 years**	12.34 years
Financial assumptions		
In respect of non plantation companies,		
Rate of interest net of tax per annum	**11%**	11%
Rate of salary increment	**8%**	8%
Rate of discount	**11%**	11%
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%

31.1 Sensitivity Analysis

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

		Present value of Defined Benefit Obligation	
Salary Escalation Rate	Discount Rate	Group Rs.'000	Company Rs.'000
One point increase	As given in report - 11%	2,161,662	67,518
One point decrease	As given in report - 11%	1,968,645	60,184
As given in Report - 8%	One point increase	1,919,494	60,545
As given in report - 8%	One point decrease	2,224,009	67,173

31.2 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2014 is as follows.

	Defined Benefit Obligation	
Future Working Life Time	**Group Rs.'000**	**Company Rs.'000**
Within the next 12 months	184,967	2,271
Between 1-2 years	24,400	-
Between 2-5 years	357,987	19,901
Beyond 5 years	1,494,649	41,535
Total	2,062,003	63,707

31.3 In accordance with revised LKAS 19 Employee Benefits, effective from reporting periods beginning on or after 1st April 2013, the Group has recognised all actuarial gains and losses immediately in the Other Comprehensive Income and will no longer be deferred. The revision was applied retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The change in the accounting policy did not have an impact on the Statement of Financial Position, Statement of Cash Flows and there is no significant impact on the Group's basic and diluted EPS.

Where necessary comparative figures have been reclassified to conform with the current period's presentation

32. Contingent Liabilities

There are no corporate guarantees issued by the Company on loans obtained by subsidiary companies as at 31st March 2014. Guarantees given by subsidiaries on loans obtained amounted to Rs. 103 mn.

Following a strike at Richard Pieris Exports PLC, a subsidiary of the Group,which was considered as unjustifiable, 160 workers were terminated on 28th December 2007.

Since negotiations failed, the matter has been referred to arbitration by Minister of Labour and contested at the court of appeal at present. The maximum amount demanded by the union on behalf of the workers is Rs. 136 mn, which the Company has resisted/ opposed.

Namunukula Plantations PLC, a subsidiary of the Group 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 lessee; Tusker Bottling Ltd failed to pay which is estimated at Rs. 69 mn.

There are more than 40 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 correct party.

Notes to the Financial Statements Contd.

33. Trade and Other Payables

	Group		Company	
	2014 Rs.'000	2013 Rs.'000	2014 Rs.'000	2013 Rs.'000
Trade payables	2,968,300	2,793,840	-	-
Accrued expenses	1,356,808	1,214,550	-	-
Other financial payables	668,647	225,451	476,701	210,478
	4,993,755	4,233,841	476,701	210,478
Other non financial payables	361,103	397,041	92,171	69,411
Total trade and other payables	5,354,858	4,630,882	568,872	279,889

34. Capital and Lease Commitments

The capital commitments for property, plant and equipment incidental to the ordinary course of business as at 31st March 2014, approved by the Board are as follows:

	Group	
	2014 Rs.'000	2013 Rs.'000
Contracted but not provided for	423,841	344,113
Approved but not contracted for	1,137,809	1,273,395
	1,561,650	1,617,508

34.1 Lease Commitments

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

	Group	
	2014 Rs.'000	2013 Rs.'000
Within one year	81,312	81,312
After one year but not more than five years	355,333	425,533
More than five years	263,994	275,105
	700,639	781,950

35. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other receivables, trade and other payables, and financial guarantees. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

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

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

Market risk

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

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

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

Interest rate risk

Interest rate risk is the risk that the Company is exposed due to change in absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, monetary policy and the policy rates, market liquidity, reforms in fiscal policies, imposition of possible credit ceilings on lending, average deposit rates, cost of utilising funds etc are considered to be main determining factors on the quoted interest rates for short term and long term lending facilities. These external factors stresses on the market lending rates inserting pressure on the finance cost of the Group in turn having a down beating affect on the profit attributable to shareholders.

Interest rate sensitivity

The following table demonstrate that the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variable held constant, the Group's profit before tax is affected through the impact on borrowings as follows:

	Increase/ decrease in interest rate by basis points	Effect on profit before tax Rs. 000
2013/14	+100 bps	(107.14)
	-100 bps	107.14
2012/13	+100 bps	(80.83)
	-100 bps	80.83

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

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

Notes to the Financial Statements Contd.

Foreign currency risk
The Group is exposed to currency risk on sales, purchases and borrowings of the Group, primarily in US Dollars (USD), and also in EURO currency, Singapore Dollars (SGD) and Pound Sterling (GBP) especially with regard to trade related transactions.

The Group hedges its exposure to fluctuations on the translation of its foreign operations by holding net borrowings in foreign currencies and by using forwards contracts and options when it is deemed necessary.

It is anticipated rupee to depreciate by 3% to 4% per annum on average. The imported materials are mainly billed in USD, EUR, SGD GBP and other main currencies. Group treasury division continuously traces the exchange rate movement of the above currencies.

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

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

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

Credit risk
Credit risk is the risk that counter party will not meet its obligations under a financial instrument or customer contract, leading towards negative effect towards Group profitability. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including foreign exchange transactions and other financial instruments.

Group has continuously monitored the receivables through segregating the duty of controlling the receivables through SBU credit controllers. It is the responsibility of the person to continuously monitor the receivables and the receipts and recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with monthly provisioning to smooth out the unrecoverable debtor balances across the periods.

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

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

Capital Management
Capital includes only the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and re-structures the capital base time to time in light of changes in economic conditions as per the directives given by the Board of Directors. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital through share buy backs or infuse capital through issue new shares.

The Group monitors capital using a gearing ratio, which is net debt as a percentage of total equity & net debt. The Group includes within net debt, interest bearing loans & borrowings, short term borrowings less cash & cash equivalents, excluding discontinued operations.

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

Year ended 31st March 2014	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest bearing borrowings	-	239,984	1,000,866	3,793,722	373,045	5,407,617
Net Liability to the lessor	-	496	9,986	46,281	571,397	628,160
Trade and other payables	381,005	4,355,988	256,762	-	-	4,993,755
Import loans	-	44,981	96,240	-	-	141,221
Other short term borrowings	-	1,026,932	2,750,000	-	-	3,776,932
Bank overdrafts	2,843,028	268,167	86,987	-	-	3,198,182
	3,224,033	5,936,548	4,200,841	3,840,003	944,442	18,145,867

Year ended 31st March 2013	On demand Rs.'000	Less than 3 months Rs.'000	3 to 12 months Rs.'000	1 to 5 years Rs.'000	> 5 Years Rs.'000	Total Rs.'000
Interest bearing borrowings	-	154,877	807,966	3,147,184	221,694	4,331,721
Net Liability to the lessor	-	-	10,079	44,505	583,653	638,237
Trade and other payables	1,637,868	2,562,270	33,703	-	-	4,233,841
Commercial papers	-	50,532	-	-	-	50,532
Other short term borrowings	21,358	59,877	1,183,930	-	-	1,265,165
Bank overdrafts	3,103,473	29,726	122,898	-	-	3,256,097
	4,762,699	2,857,282	2,158,576	3,191,689	805,347	13,775,593

Majority of the Group's risks are within the above risk management policies, while its subsidiaries, Arpico Insurance Ltd and Richard Pieris Arpico Finance Ltd are exposed to the following risks.

Risk Exposure of Arpico Insurance Limited

As at 31st March 2014 the largest credit risk exposure of 68% (2013 - 84%) is arising from investments in debt securities. The exposure to credit risk is managed by analysing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue.

Insurance Risk

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

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

Life Insurance Risk

Life insurance contracts offered by Arpico Insurance Limited include endowment plans and term assurance and non-conventional products.

Endowment assurance are conventional products where lump sum benefits are payable on death / permanent disability or maturity whichever happens earlier.

Notes to the Financial Statements Contd.

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

The main risks exposed to under Life Insurance Contracts are as follows;

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

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

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

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

Life Underwriting Risk Management

- Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- Only registered laboratories are used when obtaining medical reports and regular visits are made by the management to such laboratories to monitor the quality of service.
- Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English languages.
- A proposal form with Customer Need Analysis is used to identify customers' requirements and sell the most appropriate policy.

Life Claims Risk Management

- Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- The Claims Panel (comprising Group Director Operations, Assistant Manager – Life Insurance and Head of Finance) is involved in taking decisions on significant/ problematic claims and appeals made in respect of claims.

Reinsurance Risk

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

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

The placement of reinsurance is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. The Insurance Company uses Munich Re as its reinsurance provider for individual policies and Best Re as the reinsurance provider for Group policies (Those are largest reinsurance companies in the world).

Credit ratings of the reinsurance companies with whom the Insurance Company has arrangements are listed below.

Reinsurer	Rating	Rating Agency
Munich Reinsurance Company	A+	A.M. Best
Best Reinsurance Company	A-	A.M. Best

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

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

Risk Exposure of Richard Pieris Arpico Finance Limited

Credit risk

Credit risk arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities. This is the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risk.

Default risk
Default risk is the risk of the potential financial loss resulting from the failure of customer or counter party to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

Concentration risk
Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counter party, industry, product, geographical location or insufficient diversification.

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

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

Notes to the Financial Statements Contd.

As at 31st March 2014	Maximum exposure to Credit Risk Rs.'000	Net exposure Rs.'000
Cash and short term deposits	13,073	-
Other current financial assets	181,334	176,548
Trade and other receivables	80,345	80,345
Other non current financial assets	2,252,996	95,848
Total financial assets	2,527,748	352,741

Credit quality by class of financial assets

As at 31st March 2014	Neither past due nor impaired Rs.'000	Past due but not impaired Rs.'000	Individually impaired Rs.'000	Total Rs.'000
Assets				
Cash and short term deposits	13,073	-	-	13,073
Other current financial assets	155,311	39,245	-	194,556
Trade and other receivables	-	99,045	-	99,045
Other non current financial assets	1,145,269	1,094,506	-	2,239,774
Total financial assets	1,313,653	1,232,796	-	2,546,448

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

	Past Due But Not Impaired				
	Less than 31 days Rs.'000	31 to 60 days Rs.'000	61 to 90 days Rs.'000	More than 90 days Rs.'000	Total Rs.'000
Other current financial assets	2,408	30,633	3,015	3,190	39,245
Trade and other receivables	33,577	16,343	16,018	33,107	99,045
Other non current financial assets	517,145	403,098	92,242	82,020	1,094,506
	553,130	450,074	111,275	118,317	1,232,796

Liquidity risk and Funding management

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for or a financial institution can take two forms; transactions liquidity, a property of assets or markets, and funding liquidity, which is more closely related to creditworthiness.

Transaction liquidity risk is the risk of moving the price of an asset adversely in the act of buying or selling it. Company's transaction liquidity risk is low if assets can be liquidated without moving the price too much.

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

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

Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Net Interest Income.

Net Interest Income (NII) Sensitivity by Interest Rate Change

	2014	
Parallel Increase / Decrease of Basis Points (bps)	**+/- 100 bps**	**+/- 200 bps**
Impact on NII (Rs.'000)	2, 994/(2,994)	5,989/(5,989)

Interest Rate Risk Exposure on Financial Assets & Liabilities

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

As at 31st March 2014	On Demand Rs.'000	Less than 03 Months Rs.'000	03-12 Months Rs.'000	01-05 Years Rs.'000	Over 05 Years Rs.'000	Non Interest Bearing Rs.'000	Total as at 31/03/2014 Rs.'000
Assets							
Cash and short term deposits	-	-	-	-	-	13,073	13,073
Other current financial assets	-	79,765	107,659	7,131	-	-	194,555
Trade and other receivables	99,045	-	-	-	-	-	99,045
Other non current financial assets	-	200,688	573,415	1,461,050	4,033	588	2,239,774
Total financial assets	99,045	280,453	681,074	1,468,181	4,033	13,661	2,546,447
Financial liabilities							
Interest bearing loans & borrowings payable after one year	199,633	-	-	-	-	-	199,633
Trade and other payables	23,665	167,789	389,488	76,519	-	-	657,461
Interest bearing loans & borrowings payable before one year	99,817	-	-	-	-	-	99,817
Short term borrowing	1,072,132	-	-	-	-	-	1,072,132
Total financial liabilities	1,395,247	167,789	389,488	76,519	-	-	2,029,043
Interest sensitivity gap	(1,296,202)	112,664	291,586	1,391,662	4,033	13,661	517,404

Notes to the Financial Statements Contd.

36. Employee Share Option Schemes

The Group has two Employee Share Option Schemes under which options to subscribe for the Group's shares have been granted to certain executives and senior employees.

The initial Employee Share Option Plan (ESOP 1) was set up by a Special Resolution adopted by the shareholders at an Extraordinary General Meeting (EGM) held on 10th June 1998 by allocating 5% of the issued share capital of the Company. During the financial year ESOP 1 is expired which was valid for 15 years from the date of the resolution passed by the shareholders.

The 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 1st April 2013	46,754,505	84,371,350
Options exercised by KMP during the year	(18,850,005)	(25,650,215)
Options expired during the year	(27,904,500)	-
Available as at 31st March 2014	-	58,721,135

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

37. Events After the Reporting Date

There have been no material events that occurred after the reporting date that require adjustments or disclosures in the Financial Statements, other than the following;

In May 2014 Richard Pieris & Company PLC raised Rs. 3.5 bn through the issue of Listed Rated Unsecured Redeemable Debentures with a par value of Rs. 100. The issue was opened on 7th May 2014 and the debentures were allotted on 16th May based on the basis of allotment decided by the Board of Directors.

38. Related Party Disclosures

38.1 Transaction with related entities

	Group		Company	
	2014	**2013**	**2014**	**2013**
Nature of transactions	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
38.1.1 Subsidiaries				
Amounts receivable as at 31 March	-	-	**2,632,037**	1,763,350
Amounts payable as at 31 March	-	-	**402,441**	436,366
Allocation of common personnel and administration expenses	-	-	**210,767**	180,084
Rendering of services	-	-	**75,418**	65,775
Net investments made	-	-	**61,250**	222,067
Dividends received	-	-	**1,081,728**	669,754
Rent income	-	-	**138,334**	128,418
Royalty income	-	-	**295,581**	283,851
Allowances for doubtful debt	-	-	-	11,737
Corporate office charges	-	-	**61,224**	-
Interest income	-	-	**73,586**	26,943

Nature of transactions	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
38.1.2 Associates				
Amounts receivable as at 31 March	**10,193**	116,709	**-**	-
Sale of goods/services	**553,285**	440,936	**-**	-
Others	**13,831**	17,005	**-**	-

Nature of transactions	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
38.1.3 Significant Investor				
Dividend paid	**129,097**	258,194	**129,097**	258,194

38.1.4 Terms and conditions
Outstanding balances at the year end are unsecured, and not interest bearing.

38.1.5 Off balance sheet items
Guarantees given by the Company to Banks on behalf of related parties are disclosed in Note 27.1 to the financial statements.

38.2 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 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Short-term employee benefits	**28,082**	27,750	**10,573**	8,147

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

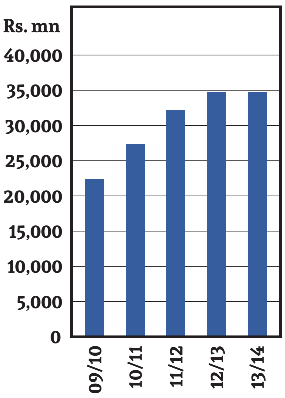
C) Options exercised by key management personnel
The options granted and exercised by Key Management Personnel under the Employee Share Option Plan (ESOP) are disclosed in Note 36.

38.3 Other related party disclosures
Legal fees amounting to Rs. 2.41 mn (2013 Rs. 6.03 mn) was paid by the Group to an entity in which a Key Management personnel was a Partner.

38.4 Other Transactions with Group Companies
During the year, Richard Pieris Distributors Ltd which is a fully owned subsidiaries of Richard Pieris and Company PLC paid dividends to Richard Pieris and Company PLC amounting to Rs. 325.8 mn.

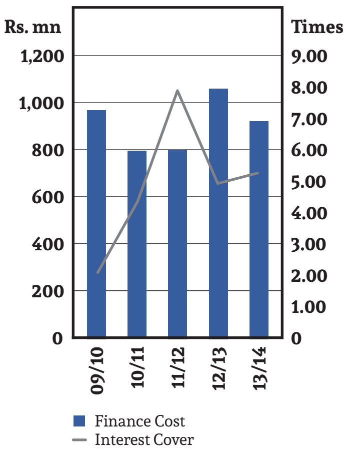
Ten Year Summary

Net Revenue



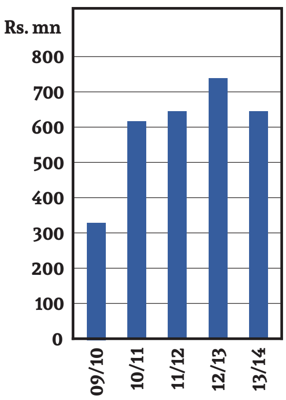
	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000
TRADING RESULTS			
Net revenue	**34,699,111**	34,690,340	32,005,182
Profit from operations	**2,807,127**	3,599,997	3,952,638
Loss on disposal of investment	**-**	-	-
Finance cost	**(922,062)**	(1,031,521)	(798,277)
Finance Income	**389,584**	302,054	301,991
Profit from operations after finance cost and finance income	**2,274,649**	2,870,530	3,456,352
Income from associates before tax	**27,902**	63,765	62,436
Profit/(loss) before tax from continuing operations	**2,302,551**	2,934,295	3,518,788
Income tax expense	**(643,970)**	(737,082)	(644,540)
Profit/(loss) for the year from continuing operations	**1,658,581**	2,197,213	2,874,248
Loss after tax from discontinued operations	**(2,396)**	(581)	(4,374)
Profit/(loss) for the year	**1,656,185**	2,196,632	2,869,874
Non controlling interest	**238,970**	360,297	294,813
Profit/(loss) attributable to equity holders of parent	**1,417,215**	1,836,335	2,575,061
Gross dividend	**886,270**	387,848	1,550,621

Interest Cover



	2013/14 Rs.'000	2012/13 Rs.'000	2011/12 Rs.'000
BALANCE SHEET			
Assets			
Property, plant and equipment	**14,247,201**	12,330,580	11,600,282
Investment Property	**140,698**	140,404	139,628
Intangible assets	**507,192**	508,893	518,494
Biological Assets	**619,519**	568,037	507,191
Investments in associates and other investments	**39,708**	24,990	74,143
Other Non Current Financial Assets	**2,751,129**	590,002	503,922
Current assets	**14,270,940**	13,110,630	10,381,632
	32,576,387	27,273,536	23,725,292
Equity and liabilities			
Insurance Provision	**193,371**	67,575	9,390
Stated Capital	**1,814,824**	1,637,236	1,633,853
Revenue reserves	**6,712,869**	6,234,927	4,603,788
Statutory reserve fund	**6,852**	2,222	-
Foreign currency translation	**-**	-	-
Other Components of Equity	**73,390**	75,057	68,692
Non Controlling interest	**2,150,514**	2,217,100	1,994,660
Term loans payable after one year	**4,166,767**	3,368,878	2,177,814
Deferred income and Deferred tax	**774,843**	792,831	704,126
Provisions and other liabilities	**2,196,023**	1,912,450	2,032,691
Net liability to the lessor payable after one year	**617,679**	628,159	638,237
Current liabilities	**13,869,255**	10,337,101	9,862,041
	32,576,387	27,273,536	23,725,292

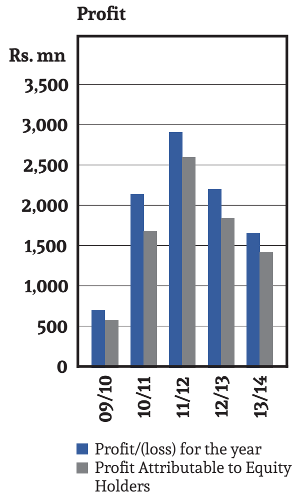
Tax Expense



	2013/14	2012/13	2011/12
RATIOS & OTHER INFORMATION			
Earnings per share (Rs.)	**0.72**	0.95	1.33
Market value per share (Rs.)	**6.60**	6.60	7.50
Price earnings ratio (No. of Times)	**9.17**	6.95	5.64
Net assets per share (Rs.)	**4.34**	4.10	3.25
Return on equity (%)	**17.12**	25.76	45.56
Dividend per share (Rs.)	**0.45**	0.20	0.70
Dividend cover (No. of Times)	**1.60**	4.75	1.90
Interest cover (No. of Times)	**5.27**	4.94	7.96
Current ratio (No. of Times)	**1.03**	1.27	1.05
Gearing ratio (%)	**37.69**	29.50	34.17

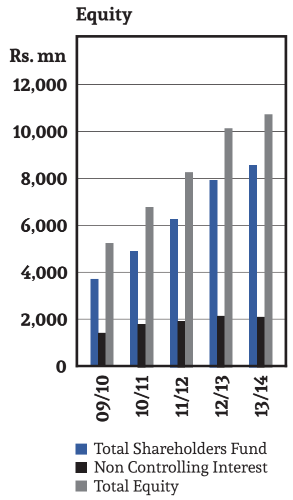
* All figures are based on Sri Lanka Accounting Standards.

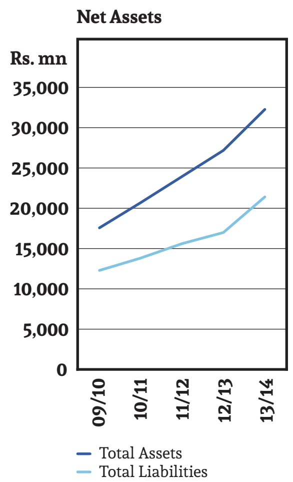
2010/11* Rs.'000	2009/10* Rs.'000	2008/09* Rs.'000	2007/08* Rs.'000	2006/07* Rs.'000	2005/06* Rs.'000	2004/05* Rs.'000
27,241,577	22,339,288	21,103,176	20,142,591	15,627,638	13,093,791	10,118,693
3,450,366	1,969,697	1,378,556	2,045,930	1,640,288	1,256,820	1,316,639
-	-	-	(277,000)	-	-	-
(794,617)	(969,147)	(1,436,225)	(1,472,629)	(879,601)	(548,240)	(313,895)
-	-	-	-	-	-	-
2,655,749	1,000,550	(57,669)	296,301	760,687	708,580	1,002,744
113,008	59,609	41,015	27,969	11,646	4,593	101,455
2,768,757	1,060,159	(16,654)	324,270	772,333	713,173	1,104,199
(616,566)	(330,592)	(180,411)	(77,278)	(92,231)	(120,150)	(151,567)
2,152,191	729,567	(197,065)	246,992	680,102	-	-
(11,609)	(17,873)	(107,963)	(203,216)	(165,527)	-	-
2,140,582	711,694	(305,028)	43,776	514,575	593,023	952,632
459,898	131,490	24,055	(258,853)	(208,180)	(63,994)	(82,229)
1,680,684	580,204	(329,083)	(215,077)	306,395	529,029	870,403
515,946	-	-	-	59,193	177,578	207,174



2010/11 Rs.'000	2009/10* Rs.'000	2008/09* Rs.'000	2007/08* Rs.'000	2006/07* Rs.'000	2005/06* Rs.'000	2004/05* Rs.'000
10,926,376	10,142,760	10,167,170	10,125,468	9,433,192	9,464,246	6,203,485
139,628	-	-	-	-	-	-
469,487	480,177	491,491	500,857	500,816	520,058	272,053
542,689	-	-	-	-	-	-
456,186	180,919	136,757	101,007	1,765,956	96,408	73,694
24,000	-	-	-	-	-	-
8,805,222	6,560,961	6,128,679	7,079,997	5,983,116	5,801,373	4,143,522
21,363,588	17,364,817	16,924,097	17,807,329	17,683,080	15,882,085	10,692,754
-	-	-	-	-	-	-
1,627,612	1,578,475	1,578,475	1,578,475	1,183,856	1,183,856	591,928
3,682,853	2,185,500	1,603,061	1,932,144	2,601,033	2,395,652	2,576,931
-	-	-	-	-	-	-
-	31,152	32,371	21,599	23,363	17,162	13,878
68,935	-	-	-	-	-	-
1,976,302	1,500,836	1,380,908	1,390,232	1,197,663	1,022,198	805,191
1,998,291	1,957,680	2,354,617	2,683,162	2,968,288	2,197,653	1,224,344
735,923	553,879	499,951	386,143	353,751	521,598	435,731
1,704,417	1,529,685	1,103,222	1,037,650	871,716	832,373	595,252
650,980	672,158	697,432	722,234	713,740	691,219	441,632
8,918,274	7,355,452	7,674,060	8,055,690	7,769,670	7,020,374	4,007,867
21,363,588	17,364,817	16,924,097	17,807,329	17,683,080	15,882,085	10,692,754

0.87	4.52	(2.57)	(1.68)	2.39	4.47	7.36
13.60	55.00	25.00	39.00	65.00	75.00	165.00
15.63	12.17	-	-	27.20	16.78	11.28
2.58	29.57	25.06	27.54	32.17	30.38	53.77
38.22	16.56	(10.24)	(6.09)	8.05	15.61	30.60
0.30	1.00	-	-	0.50	1.50	3.50
2.90	4.52	-	-	4.78	2.98	4.20
4.34	2.03	0.96	1.20	1.86	2.30	4.52
0.99	0.89	0.79	0.88	0.77	0.83	1.03
37.44	49.68	59.80	61.49	63.03	58.61	41.93





Shareholder Information

Shareholder Information

The Ordinary Shares of the Company are listed in the Colombo Stock Exchange.
The audited income statement and statement of comprehensive income for the year ended March 31, 2014 and the audited statement of financial position of the Company as at date will be submitted to the Colombo Stock Exchange within two months of the reporting date.

As at the financial year ended 31st March

Distribution of Shareholders

Range of Shareholding		No. of Share holders as at 31/03/2014	No. of shares	% of Shareholding	No. of Share holders as at 31/03/2013	No. of shares	% of Shareholding
1	500	2,461	539,994	0.03%	2,575	590,723	0.03%
501	5,000	4,648	10,008,264	0.50%	5,133	11,048,087	0.57%
5,001	10,000	1,056	8,548,803	0.43%	1,198	9,748,055	0.50%
10,001	20,000	818	12,375,315	0.62%	900	13,690,546	0.71%
20,001	30,000	324	8,436,687	0.43%	368	9,509,518	0.49%
30,001	40,000	164	5,749,449	0.29%	175	6,139,390	0.32%
40,001	50,000	141	6,600,120	0.33%	159	7,440,527	0.38%
50,001	100,000	278	20,318,939	1.02%	304	22,198,575	1.14%
100,001	1,000,000	333	101,609,011	5.12%	364	106,939,623	5.51%
1,000,001	& above	65	1,809,551,263	91.22%	74	1,751,932,581	90.34%
		10,288	1,983,737,845	100.00%	11,250	1,939,237,625	100.00%

Composition of Shareholders

Category	No. of Share holders as at 31/03/2014	No. of shares	% of Shareholding	No. of Share holders as at 31/03/2013	No. of shares	% of Shareholding
Institutional Investors	367	1,657,005,361	83.53%	416	1,624,626,134	83.78%
Individual Investors	9,921	326,732,484	16.47%	10,834	314,611,491	16.22%
Total	10,288	1,983,737,845	100.00%	11,250	1,939,237,625	100.00%
Resident shareholders	10,154	786,937,190	39.67%	11,100	784,427,451	40.45%
Non-resident shareholders	134	1,196,800,655	60.33%	150	1,154,810,174	59.55%
Total	10,288	1,983,737,845	100.00%	11,250	1,939,237,625	100.00%

Public share holding as at March 31,2014 is 44.02% (31.03.2013 - 45.03%)

Market Activity	2013/2014	Date	2012/2013	Date
Highest Price (Rs.)	7.80	27-May-13	9.10	17-Sep-12
Lowest Price (Rs.)	5.90	18-Sep-13	5.50	6-Jun-12
Year End Price (Rs.)	6.60	31-Mar-14	6.60	28-Mar-13
No of transactions	9,663		12,856	
No of shares traded	88,465,446		71,375,748	
Share turnover (Rs.)	591,423,545		536,645,462	

Major Shareholders

	Name of the Shareholder	As at 31.03.2014	%	As at 31.03.2013	%
1	Skyworld Overseas Holdings Limited	516,388,590	26.03%	516,388,590	26.63%
2	Camille Consulting Corp.	316,935,120	15.98%	316,935,120	16.34%
3	HSBC International Nominees Ltd-SSBT- Deutsche Bank	225,353,787	11.36%	225,353,787	11.62%
4	Sezeka Limited	174,447,000	8.79%	174,447,000	9.00%
5	Employees Provident Fund	172,243,539	8.68%	137,181,379	7.07%
6	Rockport Limited	99,506,865	5.02%	99,506,865	5.13%
7	Dr. Sena Yaddehige	44,500,220	2.24%	N/A	N/A
8	Dhanasiri Recreation Pvt Ltd	26,750,164	1.35%	20,209,699	1.04%
9	Mr. D.W.R.Rutnam	25,759,500	1.30%	25,759,500	1.33%
10	The Executor of the Estate of Late Mrs L.B. S. Pieris	22,782,045	1.15%	22,782,045	1.17%
11	Mr. H.A. Pieris	20,800,415	1.05%	20,751,015	1.07%
12	Mercantile Investments and Finance PLC	15,785,995	0.80%	15,785,995	0.81%
13	Kalday (Pvt) Ltd.	12,126,030	0.61%	12,126,030	0.63%
14	Seylan Bank PLC - Account No: 03	7,000,000	0.35%	7,000,000	0.36%
15	Dr C.M. Fernando	6,660,570	0.34%	6,660,570	0.34%
16	Employees Trust Fund Board	6,419,095	0.32%	6,419,095	0.33%
17	Mr. R.C. Pieris	5,774,120	0.29%	7,188,780	0.37%
18	National Savings Bank	5,323,900	0.27%	5,323,900	0.27%
19	The Incorporated Trustees of the Church of Ceylon	4,868,795	0.25%	4,868,795	0.25%
20	Bank Of Ceylon No. 1 Account	4,832,300	0.24%	N/A	N/A
		1,714,258,050	86.42%	1,624,688,165	83.78%

Directors Shareholding

	Name of the Director	No. of shares as at 31st March 2014	No. of shares as at 31st March 2013
1	Dr. Sena Yaddehige	44,500,220	-
2	Mr. J H Paul Ratnayeke	3,250,005	3,250,005
3	Prof. Lakshman R Watawala	40,000	40,000
4	Prof. Susantha D Pathirana	-	-
5	Mr. W J V P Perera	4,500	4,500
6	Mr. S S G Liyanage	3,942,825	3,942,825
7	Dr. S A B Ekanayake	-	-

Group Real Estate Portfolio

Freehold Land & Buildings

Owning Company	Location	Land in Perches	Building in (Sq.Ft)	Market Value 2014 Rs. mn
Richard Pieris & Co. PLC	Hyde Park Corner	783	73,157	5,571
	Maharagama	1,773	289,509	1,723
RPC Real Estate Co. Ltd	Kandy	162	35,945	448
Arpico Industrial Dev Co (Pvt) Ltd.	Mattegoda	1,112	149,700	491
	Siyambalagoda	467	57,130	215
Richard Pieris Distributors Ltd.	Maharagama	139	28,726	268
	Moratuwa	85	-	53
	Mulleriyawa	192	-	4
	Matara	362	38,000	449
RPC Retail Development (Pvt) Ltd.	Negombo	226	47,542	412
	Kadawatha	99	21,850	273
	Wattala	101	-	101
	Kelaniya	102	-	36
Arpimall Development (Pvt) Ltd.	Dehiwela	166	44,616	396
	Battaramulla	124	67,134	506
Plastishells Ltd.	Mattegoda	340	45,825	42
	Dambulla	284	12,494	22
Arpico Flexifoam (Pvt) Ltd	Mattegoda	514	-	26
Richard Pieris Exports Ltd	Ekala	640	73,190	209
Micro Minerals (Pvt) Limited	Bandaragama	320	16,800	36
Richard Pieris Tyre Company Ltd	Kurunegala	413	22,566	57
Arpidag International (Pvt) Ltd	Maharagama	80	17,946	69
RPC Plantations Management Services (Pvt) Ltd	Panadura	333	13,104	262

Leasehold Land & Buildings

Owning Company	Land in Hec	Building in (Sq.Ft)
(A) Leasehold Land of Plantations		
Maskeliya Plantations PLC	10,561	7,112,890
Kegalle Plantations PLC	9,773	3,507,810
Namunukula Plantations PLC	11,775	3,026,546

	Location	Land in Per	Building in (Sq.Ft)
(B) Leasehold Land of other subsidiaries			
Plastishells Ltd	Koggala	160	4,027
	Pallekele	160	4,211
RPC Polymers (Pvt) Ltd	Horana	1,392	68,339
Arpitalian Compact Soles (Pvt) Ltd	Biyagama	751	36,884
Richard Pieris Natural Foams (Pvt) Ltd	Biyagama	851	79,536
Richard Pieris Tyre Company Ltd	Pallekele	252	34,936
	Weligama	432	9,030
	Polonnaruwa	540	27,185

Glossary of Financial Terms

A

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.

C

Current Ratio:
Current assets divided by current liabilities. A measure of short term liquidity.

D

Debt to Equity Ratio:
Total interest bearing borrowings as a percentage of 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.

Diluted Earnings Per Share (DPS):
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

Dividend Cover:
Profit attributable to ordinary shareholders over 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.

E

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. A measure of return on shareholders' investment.

EBITDA
Earnings before interest, tax, depreciation & amortisation.

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

G

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

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

I

Interest Cover:
Profit before finance cost & tax (PBIT) over 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.

M

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

N

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

Net Assets per Share:
Total shareholders' fund divided by total number of ordinary shares outstanding for the period. A basis of relative share valuation.

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

P

PBIT
Profit before interest & tax inclusive of other operating income)

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

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

Glossary of Financial Terms Contd.

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

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

R

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

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

Return on Equity:
Profit after tax expressed as a percentage of average ordinary shareholders' fund for the period.

Revenue Reserves:
Reserves considered as being available for distributions.

S

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

Shareholders' Fund:
Stated capital plus revenue reserves.

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.

T

Total Capital Employed:
Total equity plus net interest bearing borrowings.

V

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

W

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

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Seventy Fifth 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 Monday, 30th June 2014 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 2014 with the Report of the Auditors thereon.

2. To re-elect Prof. Lakshman R Watawala who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director

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

4. To authorize the Directors to determine contributions to charities

5. 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
29th May 2014

Note:

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

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

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

Notes

Notes Contd.

Form of Proxy

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

of .... being a

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

.... of

....

whom failing DR. SENA YADDEHIGE whom failing 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 whom failing DR. EKANAYAKE MUDIYANSELAGE SUMITHA ANURA BANDARA EKANAYAKE* as my/our proxy to represent me/us and to vote on my/our behalf at the 75th ANNUAL GENERAL MEETING of the Company to be held on 30th June 2014 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 2014 with the Report of the Auditors thereon.		
2	To re-elect Prof. Lakshman R Watawala, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director		
3.	To re-appoint M/s Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.		
4.	To authorize the Directors to determine contributions to charities		
5.	To consider any other business of which due notice has been given		

Dated this .... day of 2014

....

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 Saturday, 28th June 2014.

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.

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

For more information...
http://www.arpico.com