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**DRIVING SUSTAINABLE GROWTH THROUGH  
GREATER INTEGRATION...**

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## **Vision**

To become one of the leading Rubber/ Polymer related Product Exporters in the global market.

## **Mission**

Our mission is to be a preferred supplier of Rubber/ Polymer products to the International markets by being close to our customers by assisting them to remain competitive in the global markets by our commitment to innovation, continuous improvement of our products, processes and services along with the development of human resources.

## Our Emphasis 2015/2016...

The cross-section of a tree stem with the annual rings which integrate and provides strength and also indicates the pattern of the climate and the weather undergone through its life cycle...

Just like in a tree stem- the annual rings integrate to provide strength and sustainability to the tree, the Richard Pieris Exports PLC performances over last 32 years have given us the resolve and the assurance to nurture our strengths...

In 2015/2016 we dedicated ourselves to drive sustainable growth through greater integration of our operational excellence and best practices of the last few years...

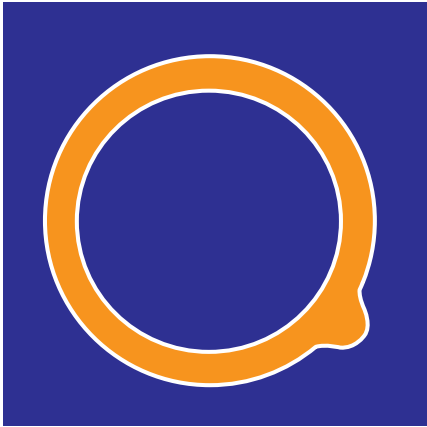


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GREATER INTEGRATION

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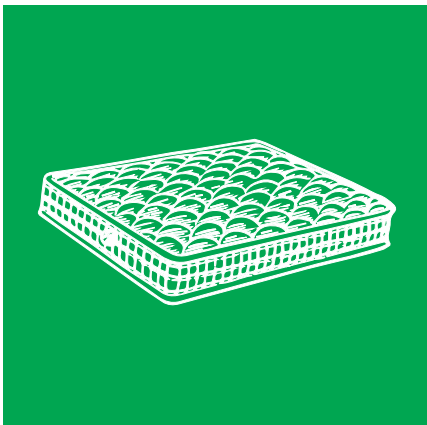
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## Continuation of Our Journey - walking in harmony with our customers... 1983-2016



In our 32 years of existence Richard Pieris Exports PLC has successfully emulated the feats of our mother company Richard Pieris & Company PLC and continue to enhance the quality of life of our customers spread all over the world.

The enterprise started with a meager share capital of just Rs 75,000 in 1983 and the Company made wise diversifications to achieve remarkable growth and market stability to become a holding company with two subsidiaries and one Associate company. The pioneering spirit of the RPC Group continued when RPE started the export of few designs of large ring mats to Europe and USA in 1984. They had humble beginnings, operating from small factory in a leased out building at Ratmalana. The Presses were fabricated in Hong Kong by a roadside supplier whose quality matched our costs and requirements! The Company's initial range included entrance mats, mats for work stations, gymnasiums, and food service sector. The Company now has become the pioneer producer for numerous specialty types, fire retardant mats, electrical resistive mats and special soft mats for stables and dairy farms going beyond the human race to improve productivity, comfort and well being of the livestock as well.

RPE range was added with the food jar sealing rings for the European market in another pioneering effort in 1986. This product, with food grade quality standards, is very popular with the Germany and French customers. In Germany the most popular home canning system is the Weck brand for which RPE is the exclusive supplier of sealing rings for over 25 years, RPE confirming to the frequent product standard upgrades done by the regulatory authorities.

The introduction of the Latexfoam products to the international markets from Sri Lanka too was carried out by the RPE subsidiary Richard Pieris Natural Foams Ltd. in 1994. The advent of organic latex product line has refined RPNF products to the high end discerning user. The company also adapted the recycling of waste to be civic minded as not to introduce waste materials to the environment.

RPE's concern to protect the environment was highlighted when they installed a state of the art, world renowned Chronos Richardson, computerized automated Carbon black and other ingredient weighing and feeding system for the Richard Pieris Exports PLC's black compounding facility in 1995. This again was for first time in Sri

Lanka and improved the consistency and the quality of the compounds.

The use of crutches to overcome difficulties in mobility, dates back to prehistoric times- according to drawings that exist from ancient Egypt. RPE added to its pioneering tally when they started exporting crutch-tips in 1997 which is a vital part of the product to provide comfort and anti-skid facility. Thus RPE became the exclusive supplier of crutch tips a world's leading manufacturer, Kowsky from Sweden.

The introduction of resin shoe soling sheets by Arpitalian Compact Soles (Pvt) Ltd, for the exclusive shoe makers in the international markets in 1999 has helped the end user be to in the forefront of the fashion conscious world.

A major milestone for RPE was achieved in 2015 when RPNF commissioned the world's first natural latex continuous sheeting plant at Biyagama FTZ. This is considered as a huge breakthrough for the Latexfoam industry.

During their journey, RPE Group has remained close to their customers achieving consistent growth, resulting from their ability to create successful strategies to satisfy the needs and wants of a group of very discerning and sensitive customers in the international markets.

In the year 2015/2016 we were able win few more prestigious Awards, at the National Chamber of Exporters of Sri Lanka Annual Exports Awards. Gold Award for Agricultural Value Added Exporter, in the large business category, was won Richard Pieris Natural Foams Limited. The Silver Award, Agricultural Value Added Exporter in the same category was won by Richard Pieris Exports PLC. The Bronze Award for Chemical Based Products Value Added Exporter in the large business category was awarded to Arpitalian Compact Soles ( Pvt) Limited. We were awarded the Certificate of Compliance for our Annual Report - 2015.

### Our Achievements 2015 / 2016



Gold Award for Agricultural Value Added Exporter, in the large business category was won Richard Pieris Natural Foams Limited.



NCE awards 2015



The Silver Award for Agricultural Value Added Exporter, in the large business category was won by Richard Pieris Exports PLC.



Annual report awards 2015



Gold Award Agricultural Value Added Exporter in Sri Lanka 2014



Silver Award Agricultural Value Added Exporter in Sri Lanka 2014



Bronze Award Chemical Based Products Value Added Exporter in Sri Lanka 2014



Annual Report Award 2015 Certificate of Compliance



The Bronze Award for Chemical Based Products Value Added Exporter in the large business category was awarded to Arpitalian Compact Soles ( Pvt) Limited.



Global Commerce Excellence Award 2014



Gold Award Most Innovative Exporter in Sri Lanka 2013



Gold Award Agricultural Value Added Exporter in Sri Lanka 2013



Annual Report Award 2014 Certificate of Compliance

## Financial Highlights

Performance Year Ended 31st March		Group			Company		
		2016	2015	Variance	2016	2015	Variance
Turnover	Rs'000	<b>3,047,568</b>	2,498,140	22%	<b>1,114,878</b>	1,014,442	10%
Foreign exchange earnings	US\$'000	<b>21,799</b>	19,039	14%	<b>7,974</b>	7,731	3%
Profit before taxation	Rs'000	<b>636,512</b>	446,601	43%	<b>309,256</b>	206,031	50%
Tax on Profit	Rs'000	<b>(88,011)</b>	(58,350)	51%	<b>(34,871)</b>	(26,648)	31%
Profit after taxation	Rs'000	<b>548,501</b>	388,251	41%	<b>274,385</b>	179,383	53%
Profit attributable to the ordinary shareholders	Rs'000	<b>364,056</b>	267,676	36%	<b>274,385</b>	179,383	53%

### Financial Position as at 31st March

Non Current Assets	Rs'000	<b>721,012</b>	638,902	13%	<b>606,351</b>	532,689	14%
Current Assets	Rs'000	<b>1,606,196</b>	1,267,571	27%	<b>628,013</b>	525,896	19%
Total Assets	Rs'000	<b>2,327,418</b>	1,906,788	22%	<b>1,234,364</b>	1,058,585	17%
Non Current Liabilities	Rs'000	<b>75,987</b>	119,237	-36%	<b>62,266</b>	97,865	-36%
Current Liabilities	Rs'000	<b>921,856</b>	742,886	24%	<b>377,637</b>	273,261	38%
Shareholders' Funds	Rs'000	<b>635,501</b>	435,522	46%	<b>794,461</b>	687,459	16%

### Key Indicators

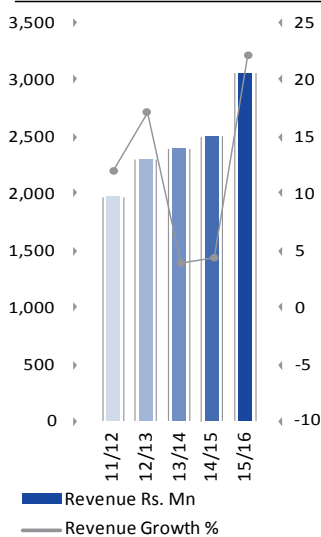
		2015/16	2014/15		2015/16	2014/15	
Earnings per Share	Rs	<b>32.61</b>	23.98	36%	<b>24.58</b>	16.07	53%
Net Assets per Share	Rs	<b>56.92</b>	39.01	46%	<b>71.16</b>	61.58	16%
Dividend per Share	Rs				<b>12.50</b>	10.40	20%
Market Price per Share	Rs				<b>211.20</b>	130.30	62%
Return on Capital Employed	%	<b>65.04</b>	60.23	8%	<b>41.11</b>	29.93	37%
Market Capitalization	Rs Mn				<b>2,358</b>	1,455	62%
Value Addition	Rs'000	<b>1,120,243</b>	822,219	36%	<b>502,152</b>	377,362	33%

<b>Man Power</b>	Nos.	<b>464</b>	437	-9%	<b>153</b>	156	-2%
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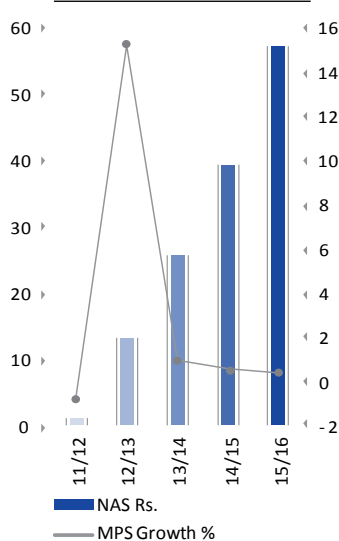
**"Group recorded a Revenue of Rs.3,048 Million, and Gross Profit of Rs. 960 Million, while the Group Profit was Rs. 548 Million"**

Group	
Turnover	22%
Foreign Exchange Earnings	14%
Profit before Taxation	43%
Profit after Taxation	41%
Profit Attributable to the Ordinary Shareholders	36%
Non Current Assets	13%
Current Assets	27%
Total Assets	22%
Current Liabilities	24%
Shareholders' Funds	46%
Company	
Earnings per Share	53%
Net Assets per Share	16%
Dividend per Share	20%
Market Price per Share	62%
Return on Capital Employed	37%
Market Capitalization	62%
Value Addition	33%

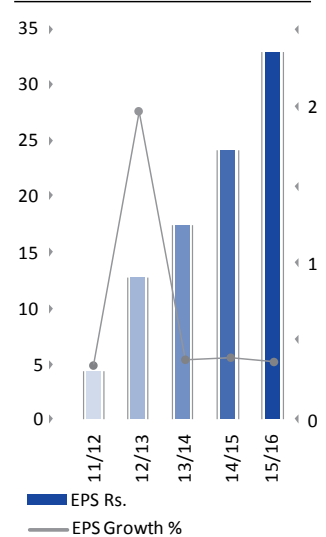
Revenue vs Revenue Growth Rate



Net Asset per Share vs Growth



Earning per Share vs Growth Rate



## Chairman's Statement



**" I am pleased to state that your Company surpassed all expectations to report the highest ever Group Profit Before Tax of Rs. 637 million in the year"**

**Dear Shareholders,**

Amidst a challenging macroeconomic and global environment propelled by various domestic and international market uncertainties, I am pleased to state that your Company surpassed all expectations

to report the highest ever Group Profit Before Tax of Rs. 637million in the year 2015/16, recording an impressive growth of 42% over the previous year. The financial year 2015/16 could well be defined as the "Year of integration and growth" as we continued to accelerate our growth momentum despite exigent economic conditions in the European Union which dominates our exports. The success that your company rejoices today emanates from strategic direction, consistency in operations and uncompromising commitment to quality.

The Group is envisioned with a task of creating unique value proposition to all stakeholders and in that respect it generated a dividend yield of 5.91% for the year, reflecting its interest in distributing a satisfactory return to the shareholders.

**Economic Environment**

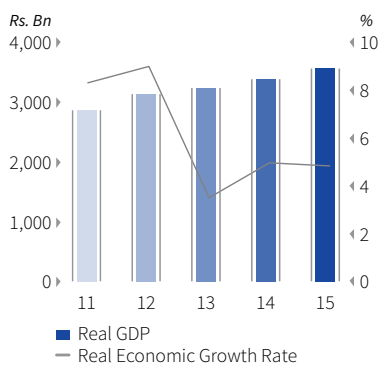
The growth of the global economy has yet again fallen short of its expectation in 2015 reporting a 2.4% growth compared to 2.6% in 2014. Subdued global trade, lower commodity prices, weaker capital flows triggered deceleration of growth in emerging economies, which had been the driving force behind global growth since world financial crisis in 2007-08. The growth of BRICS is predicted to slow down

at 3.9% on average. Moreover, the easing growth of the Chinese economy, and the recessions in Russia and Brazil eventually had a spill over effect on the rest of the countries as well. However, on a positive note, developing South Asian countries spearheaded by India indicated a sturdy growth of 7% for the year 2015.

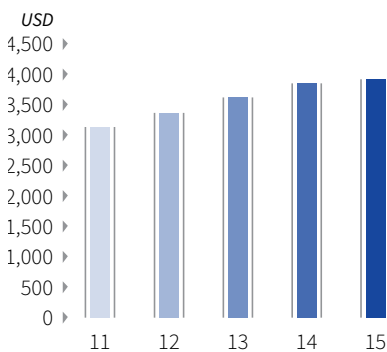
Looking forward, the global economy is projected to expand by 2.9% in 2016 on the predictions of continued gains in major developed countries, gradual realignment of focus of the Chinese economy with more concentration on domestic consumption and investment and stabilization of world commodity prices although the negative risk exposure of the world financial system and heightened geopolitical tension especially in middle-east may pose a threat to the optimism.

In spite of the deceleration of global economy the Sri Lankan economy have grown by 4.8% in 2015. However, the external trade of the country contracted during the period with Exports declining by 5.6% to USD 10.5 billion whilst imports falling by 2.5% to USD 18.9 bn in 2015 compared to 2014. Continuation of lower commodity prices had a negative impact on agricultural exports while weaker export demand primarily due to slow down in EU

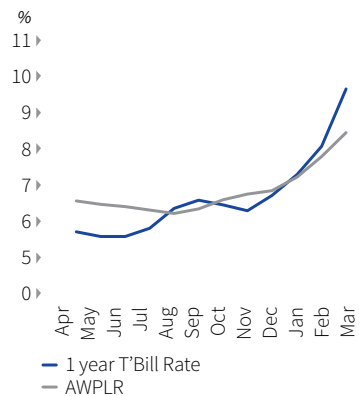
**Real GDP & Real Economic Growth Rate**



**Per Capita Income USD**



**Interest Rates - AWPLR**



and US economies adversely affected the industrial exports. Furthermore, worker remittances stood at USD 6.9 bn while tourism continued to boom indicating a robust growth of 22.6% with an income of USD 2.9 bn in 2015.

Tightening of monetary policy stance was evident during the latter part of the financial year with increasing market interest rates across all maturities. AWPLR stood at 9.12% by end March 2016 compared to 7.01% at the corresponding point in the previous year posing a staggering increase in excess of 2 percentage points. Rupee depreciated significantly creating high volatility in the foreign exchange market.

#### Performance of the Exports Group

The financial performance of your company was phenomenal with its revenue growing by 22% to Rs. 3.05 billion and Profit Before Tax growing by a staggering 43% to Rs. 637 million complimented by enhanced performance all companies in the Group, viz. Richard Pieris Export PLC, Richard Pieris Natural Foams Limited, Arpitalian Compact Soles (Pvt) Limited and Micro Minerals (Pvt) Limited.

Revenue of Richard Pieris Exports PLC increased by 10% to Rs1.1bn while the Profit Before Tax grew by 50% to Rs 309mn in 2015/16 compared to the prior year. Change in the product mix, acute decline in raw material prices, fall in energy cost, favourable movements in foreign exchange rate, increase in energy efficiency, fall in finance cost owing to prudent working capital management and increase in labour productivity contributed to the increase in profitability of the Company.

Richard Pieris Natural Foams Limited, created history last year by being the first company in the World to develop and install an automated continuous natural latex sheeting plant. With growth

of revenue and PBT by 32% and 53% respectively during the financial year, Richard Pieris Natural Foams Limited made the highest contribution to the performance of the Group. Aggressive market expansion and restructuring of distribution channels, together with sharp decline in raw material prices helped the company to record its historically highest profit. Furthermore, the installation of the continuous latex sheeting plant last year has also brought in numerous competitive advantages. Pure latex sheeting with the Organic Certification has made its mark as an eco-friendly product in the high-end markets in US and Europe. The product's consistency and the quality have shown considerable improvements. The high degree of automation has provided cost benefits; while the products have been more competitive in highly price sensitive markets.

The Revenue and PBT of Arpitalian Compact Soles (Pvt.) Limited grew by 4% and 78% in 2015/16 aided by acute decline in raw material prices, favourable movements in foreign rate, fall in finance cost owing to prudent working capital management.

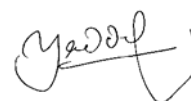
The performance Micro Minerals (Pvt.) Ltd which processes essential raw materials for the other polymer industries of the Richard Pieris Group was adversely affected by the shortage of raw materials. The Company record a profit of Rs 2.4 million for the year under review.

#### Dividend

During the year, your company distributed an interim dividend of Rs 12.50 in March 2016 constituting a dividend yield of 5.91% as at the year end.

In conclusion, I take this opportunity to express my sincere gratitude to all the Shareholders, Directors, senior

management teams, employees, business partners, all other stakeholders and most importantly our customers who contributed immensely to the record growth of the Company. I remain positive and optimistic that I will be able review yet another record breaking year in 2016/2017.



Dr. Sena Yaddehige  
Chairman  
31st May 2016

## Board of Directors



**Dr. Sena Yaddhegige**  
**Chairman**

Dr. Sena Yaddhegige is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. Dr. Yaddhegige is the Chairman of the Richard Pieris Group of Companies comprising seven Listed Companies, and over 50 companies wholly or majority owned by Richard Pieris and Company PLC. He served as a Director in the Board of Directors of National Development Bank PLC during the period between 2007 and 2010.

Dr. Yaddhegige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition he also holds the patent for slow release fertilizer in Sri Lanka.

He is a Founder, Chairman and Director of numerous companies in Sri Lanka, USA, Japan, UK, Germany, Switzerland and Singapore. He is also the founding Managing Director of a European Company, which manufactures and exports automotive components and systems, developed based on his own innovations, to Europe, Japan, China and the United States.

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



**Mr. Paul Ratnayake**  
**Director**

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

Mr. Ratnayake 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. Ratnayake 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 Ratnayake Associates, he specializes in corporate and commercial areas of law, and also in the fields of aviation, insurance and maritime law.

Mr. Paul Ratnayake resigned from the Board with effect from 12th January 2016.



**Mr. Shaminda Yaddhegige**  
**Director**

Mr. Shaminda Yaddhegige was educated at Charter House United Kingdom and graduated in Chemical Engineering from University College London. In addition he also possesses a Masters Degree in Business Administration Business School which is ranked amongst the top 10 business schools in the world.

Mr. Yaddhegige worked as a Management Consultant at Price Waterhouse Coopers - UK and also at world renowned international ultra high net worth banking giant, Credit Suisse of Switzerland. He has an extensive experience in international marketing and has built a very strong marketing network in Europe.

Mr. Yaddhegige is an Executive Director and also the Chief Operating Office of the Richard Pieris and Company.



**Mr. Sunil Liyanage**  
**Director**

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

He has over 40 years of management experience in the field of Rubber & 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 is a Director of Richard Pieris & Co. PLC and also 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.



**Mr. Viville Perera**  
Director

Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr. Perera has over 32 years experience in senior managerial capacity in leading business organizations such as Associated Newspapers of Ceylon Limited, Middleway Ltd (Ceylinco Group) and Amico Group of Companies and Alliance Finance Co. PLC. He has served as Treasurer from 1992 to 1997 and Vice President from 1999 to 2002 of Sri Lanka Institute of Packaging.

Mr. Perera has been representing the company on the Executive Committee of the Industrial Association of Sri Lanka, an affiliated trade association under the aegis of the Ceylon Chamber of Commerce since 2011. He is also on the Board of Directors of Several Companies of Richard Pieris Group.



**Mr. Wasantha Abeysirigunawardena**  
Director / CEO

Mr. Wasantha Abeysirigunawardena is a Rubber Technologist holding a Masters in Polymer Science & Technology with over 35 years experience in rubber products manufacturing industry. His long associations with the Richard Pieris Group counts over 25 years and his contributions to product development have been highly acclaimed.

He currently heads the Rubber Sector at the Research and Development Center of Richard Pieris Group and also manages the entire operations of Richard Pieris Exports PLC. He is an Associate Member of The Institute of Materials & also a Member of The Institute of Incorporated Engineers Sri Lanka. He has been also conferred with a Graduateship in Mechanical Engineering from The City and Guilds institute London.



**Dr. L.M.K Tillekeratne**  
Director

Dr. L. M. K. Tillekeratne, passed out from the University of Colombo in 1970 as a BSc Chemistry Special graduate, and joined RRI Sri Lanka as a research assistant in 1971. In 1973 he obtained a MSc degree from the Aston University in Birmingham UK, and continued his research for a PhD in Polymer Chemistry and Technology in the same University. The PhD was completed in 1977 and continued to do research at the RRI Sri Lanka in the capacity of a Research Officer.

In 1990, he became the Executive Director of the RRI until his retirement in 2006. While working as the Director RRI, he was appointed as the Commissioner of the Inventors Commission. He was awarded the Institute of Chemistry Gold Medal in 1985 and the first price of the Presidential Award for developing a Water Soluble Bleaching Chemical for making latex crepe rubber. He has several publications in refereed international journals for his credit and six patents including a European patent.

He is a fellow of the Institute of Chemistry (Ceylon) and Plastics and Rubber Institute (London). After retiring from the RRI he joined the University of SJP as Professor of Polymer chemistry. Now he is working as an Expert in Rubber Processing and Testing to UNIDO.



**Mr. Angelo M. Patrick**  
Director

Mr. Angelo M. Patrick holds an MBA from the University of Colombo and is a Fellow Member of the Chartered Institute of Management Accountants (UK) and a Member of the Institute of Marketing (UK). He has held Directorates and Senior Management positions over the past 40 years in Sri Lanka, Indonesia and Canada.

He was the President of the Chartered Institute of Management Accountants, Sri Lanka Division in 1993-94 and represented Sri Lanka on the Global Council of CIMA in the United Kingdom for 3 years. He is a Lecturer and Examiner for the Postgraduate Diploma in Manufacturing Management at the University of Colombo. He was a Member of the Sri Lanka Accounting Standards Committee and the Corporate Governance Committee of The Institute of Chartered Accountants of Sri Lanka.

He is a Group Director of the Capital Maharaja Organisation Ltd and Non Executive, Independent Director AMW Capital Leasing & Finance PLC.

## Report of the Remuneration Committee

The Remuneration Committee of the parent company acted as the Remuneration Committee of Richard Pieris Exports PLC. The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of three independent Non- Executive Directors, Prof. Lakshman R Watawala, Dr. Anura Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016). 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:

- Policy on remuneration of the Executive Staff
- 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  
31st May 2016

## 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:

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

The Audit Committee of the parent company acted as the Audit Committee of Richard Pieris Exports PLC. The Audit Committee consisted of three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala, Chairman, Dr. Anura Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016). The Chairman of the Committee is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

### Meetings

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

The Group Chief Operating Officer,  
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 Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and 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.

### Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. A comprehensive Management Report and Accounts are produced at 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 Kreston MNS & Co be re-appointed as Auditors for the financial year ending 31st March 2017, subject to the approval of the shareholders at the next Annual General Meeting.

### Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Group, the assets are safeguarded and that the Listing Rules of the Colombo Stock Exchange have been met.



Prof. Lakshman R. Watawala  
Chairman  
31st May 2016

## Report of the Nominations Committee

The Nominations Committee of the parent company acted as the Nominations Committee of Richard Pieris Exports PLC.

The Committee was constituted on 15th February 2016 and the following members were appointed:

Dr. Anura Ekanayake (Chairman) Prof. Lakshman R Watawala and Prof. Kapila Goonasekara.

The objectives of the Committee,

- To consider /recommend new Directors or re-electing current Directors to the Board.
- To periodically review the composition of the Board and to make recommendations.
- To advise / recommend on matters referred by the Board of Directors.



Dr. Anura Ekanayake  
Chairman  
31st May 2016

## Corporate Governance

### The Group is committed towards proper Corporate Governance...

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

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

#### The Board and its Operations

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

The Board comprises eight Directors, of which one is Executive Directors whilst seven are Non-Executive Directors out of which two are Independent, ensuring an independent outlook to temper the expediency of the experts. Brief profiles of the Directors are set out on pages 10 and 11. The Board has assessed the independence of the Non-Executive Directors.

During the year the Board met on several 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, is responsible for matters relating to policy, maintaining regular contact with the other Directors, shareholders and external stakeholders of the Company. He is responsible for all aspects of the Group's overall commercial, operational and strategic development and assisted by the Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU). The Finance function evolves on the Group Chief Financial Officer, who is present by invitation at Board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

#### The main functions of the Board are to:

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

- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

Two Non-Executive Directors are independent with no direct or indirect material relationship with the Company and have duly submitted the annual declaration as per the Colombo Stock Exchange Listing Rules. Their wide range of expertise and significant experience in commercial, corporate and financial activities bring an independent view and judgment to the Board.

#### Sub Committees of the Board

The Remunerations Committee, the Audit Committee, the Nominations Committee and the Related Party Transactions Review Committee of Richard Pieris & Company PLC, the parent Company functions as the Remunerations Committee, the Audit Committee, the Nominations Committee and the Related Party Transactions Review Committee of this Group.

#### Audit Committee

The Audit Committee is composed of three Independent Non-Executive Directors namely Prof. Lakshman R. Watawala, Chairman, Dr. Aruna Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016). The Group Chief Operating Officer, Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 13 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, Dr. Aruna Ekanayake and Prof. Kapila Goonasekara (Appointed with effect 15th February 2016).

The Report of the Remuneration Committee on page 12 highlights its main activities.

## Corporate Governance Contd.

### Nominations Committee

The Nominations Committee is composed of three independent Non-Executive Directors, Dr. Aruna Ekanayake (Chairman), Prof. Lakshman R Watawala and Prof. Kapila Goonasekara. The Report of the Nominations Committee on page 14 highlights its main activities.

### Related Party Transactions Review Committee

The Related Party Transactions Review Committee is composed of three Independent Non-Executive Directors Dr. Anura Ekanayake (Chairman), Prof. Lakshman R Watawala and Prof. Kapila Goonasekara. The Report of the Related Party Transactions Review Committee on page 17 highlights its main activities.

### 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 an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 18 to 21.

Apart from the strategic plans covering a three year time horizon, a comprehensive budgetary process is in place, where annual budgets, identifying the critical success factors and functional objectives, prepared by all subsidiaries are, approved by the Board, at the commencement of a financial year, and its achievement

monitored monthly, through a comprehensive monthly management reporting system. Clear criteria and benchmarks have also been set out for the evaluation of capital projects and new investments.

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

### Relationship with Other Stakeholders

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

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Group promotes protection of the environment, health and safety standards of its employees

and others within the organization. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 28 to 29.

### 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. Yaddhegige		X	
Mr. Shaminda Yaddhegige		X	
Mr. J. H. P. Ratnayake (Resigned w.e.f.12th January 2016)		X	
Mr. S. S. G. Liyanage		X	
Mr. W. J. V. P. Perera		X	
Mr.W.R.Abeysirigunawardena	X		
Mr.L.M.K.Tilekeratne			X
Mr.A.M.Patrick			X

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

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

## Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the parent Company acted as the Related Party Transactions Review Committee of Richard Pieris Exports PLC.

The Committee was constituted on 25th February 2016 and the following members were appointed:

Dr. Anura Ekanayake (Chairman)  
Prof. Lakshman R Watawala  
Prof. Kapila Goonasekara

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

The Objectives of the Committee,

To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Richard Pieris & Company PLC and all its listed subsidiaries are carried out and disclosed in a manner consistent with the CSE listing rules.

To advise and update the Board of Directors on the related party transactions of each of the listed companies on a quarterly basis.

To ensure compliance with the CSE listing rules on the Related Party Transactions.

To review policies and procedures of Related Party Transactions of the Group.

To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee articulated and recommended a policy framework for adoption on Related Party Transactions for Richard Pieris & Company and all its listed subsidiaries. In such process the

committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

Further, processes were introduced across the Group to obtain annual disclosures from all KMPs.

The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee meetings.

Details of the related party transactions entered into by the Group/Company are disclosed on page 79 to 81.



Dr. Anura Ekanayake  
Chairman  
31st May 2016

## 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
<b>Financial Risk Management</b>		
<b>1. Liquidity &amp; Cash Management</b>	<ul style="list-style-type: none"> <li>• To ensure faster response to market opportunities by ensuring instant funding ability.</li> <li>• To maintain a "sufficient" liquidity position at all times.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding of long term assets through Equity and Long Term Loans.</li> <li>• Availability of short term borrowing facilities to the Group at all times.</li> <li>• Funding of Inventory by short term Creditors.</li> <li>• Sourcing of funding requirements through many financial institutions.</li> </ul>
<b>2. Interest Rate Risk</b>	<ul style="list-style-type: none"> <li>• To minimise adverse effects of interest rate volatility.</li> <li>• To ensure cost of borrowing is at the minimum level.</li> </ul>	<ul style="list-style-type: none"> <li>• Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings.</li> <li>• Using of fixed and variable rate borrowings to strike a balance.</li> <li>• Accessing the group treasury of Richard Pieris and Company PLC to shown funding requirement at more competitive rates.</li> </ul>
<b>3. Currency Risk</b>	<ul style="list-style-type: none"> <li>• To minimise risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.</li> </ul>	<ul style="list-style-type: none"> <li>• Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge.</li> </ul>

Risk Exposure	Group Objectives	Risk Minimisation Strategies
<b>Business Risk Management</b>		
<b>1. Credit Risk</b>	<ul style="list-style-type: none"> <li>To minimise risks associated with debtor defaults.</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining insurance covers for export debtors.</li> <li>Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.</li> <li>Closely monitoring the debtor balances, laying action plans and determining the same are under control.</li> </ul>
<b>2. Asset Risk</b>	<ul style="list-style-type: none"> <li>To minimise risk from fire, theft and machinery &amp; equipment breakdown.</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining comprehensive insurance covers for all tangible assets.</li> <li>Adoption of stringent procedures with regards to the moving of assets from one location to another.</li> <li>Carrying out mandatory preventive maintenance programs.</li> <li>Carrying out frequent employee training programs in areas such as fire prevention.</li> </ul>
<b>3. Internal Controls</b>	<ul style="list-style-type: none"> <li>To maintain a sound system of internal controls to safeguard shareholders' wealth and Group assets.</li> </ul>	<ul style="list-style-type: none"> <li>Carrying out of system audits and other control mechanisms such as Inventory counts and cash counts throughout the Group by the Richard Pieris Group internal audit department.</li> </ul> <p>Having in place a budgetary process &amp; a budgetary control mechanism on a monthly basis to ensure that the Group's performance is continuously in line with its targets.</p>
<b>4. Reputation Risk</b>	<ul style="list-style-type: none"> <li>To prevent the causes that damage our reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the input, processes and output of own brand and in-house manufactured products.</li> </ul>

## Risk Management (Contd)

Risk Exposure	Group Objectives	Risk Minimisation Strategies
		<ul style="list-style-type: none"> <li>• Ensuring effective communication with various stakeholders such as employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large.</li> <li>• Providing the front line managers and the sales staff with adequate training in order to improve the service standards as well as to educate the staff on the importance of customer service.</li> </ul>
<b>5. Human Capital &amp; Labour Risk</b>	<ul style="list-style-type: none"> <li>• To ensure a smooth flow of operations without any undue disruptions.</li> <li>• To project ourself as a human employer being successful in motivating, developing, retaining and attracting the best of human capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining relationships with trade unions through regular dialogue.</li> <li>• Improving employee benefits by way of financial incentives and welfare activities.</li> <li>• Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in house as well as external training programmes.</li> <li>• Promoting Performance driven culture.</li> </ul>
<b>6. Technological Risk</b>	<ul style="list-style-type: none"> <li>• To keep pace with the current technological developments and safe guard against obsolescence.</li> </ul>	<ul style="list-style-type: none"> <li>• The continuous investment in new machines.</li> <li>• Investing in R&amp;D activities throughout the year.</li> <li>• Investing in hardware and developing software in house.</li> </ul>
<b>7. Procurement Risk</b>	<ul style="list-style-type: none"> <li>• To minimise risk associated with price and availability.</li> </ul>	<ul style="list-style-type: none"> <li>• Developing of new products to improve quality and manage costs.</li> <li>• Sourcing all procurements through the central purchasing unit of Richard Pieris Group and gaining access to the large database of global and local suppliers to obtain competitive rates.</li> </ul>

Risk Exposure	Group Objectives	Risk Minimisation Strategies
		<ul style="list-style-type: none"> <li>● Adoption of backward integration strategies.</li> <li>● Expanding the centralised purchasing division which has enabled us to create a reliable network of global suppliers.</li> <li>● Entering into forward contracts for raw material purchases.</li> </ul>
<b>8. Inventory</b>	<ul style="list-style-type: none"> <li>● To reduce stock obsolescence and manage stock holding costs.</li> <li>● Reducing the risk associated with theft &amp; shrinkage.</li> </ul>	<ul style="list-style-type: none"> <li>● Adopting a monthly declaration policy.</li> <li>● Identifying slow-moving stock and effectively laying out a channel for these to be sold off.</li> <li>● Ensure Raw Material and Finished Good stock are insured.</li> </ul>
<b>9. Risk of Competition</b>	<ul style="list-style-type: none"> <li>● To maximise our market share and maintain market leadership in the respective industries.</li> </ul>	<ul style="list-style-type: none"> <li>● Ensuring high standards of quality.</li> <li>● Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs.</li> <li>● Carrying out R&amp;D activities to identify needs.</li> </ul>
<b>10. Information Systems Risk</b>	<ul style="list-style-type: none"> <li>● To minimise risk associated with Data Security, Hardware &amp; Communication and Software.</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining of space servers.</li> <li>● Mirroring of hard disk with critical data.</li> <li>● Data back-ups stored in off site locations.</li> <li>● Vendor agreements for support service and maintenance.</li> <li>● Regular upgrading of Virus Scanners, Firewalls etc.</li> <li>● Compliance with statutory requirements for environmental preservations.</li> </ul>
<b>11. Environmental, Political &amp; Regulatory Risk</b>	<ul style="list-style-type: none"> <li>● To minimise the negative impact from the changes in the external environment which are beyond our control.</li> </ul>	<ul style="list-style-type: none"> <li>● Compliance with statutory requirements for all Tax payment etc.</li> </ul>

## Our Operations

*“It is really heartening to report continued success in our operations, exceeding the performance of 2014/2015, recording an increase in profits by Rs 190 mn and increase in turnover by Rs 549mn despite facing a bleak global economy.*

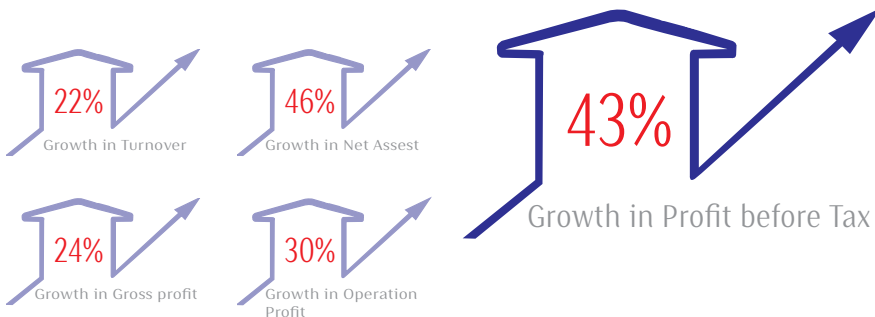
*Global economic growth was disappointing again in 2015, decelerating to 2.4 from 2.6 percent in 2014, and is expected to recover at a slower pace than previously envisioned. The United States is almost facing a recession and the adverse impact of downturn in Euro on our business performance created a very challenging situation for us. The revenue of the Sector reached Rs 3.0bn which is a 22% increase from the previous year. It is noteworthy that these were achieved despite the adverse circumstances in the international market. Unsettled state of affairs in the international market and the devaluation of Yuan reduced the commodity prices which enabled Richard Pieris Export companies to reduce the cost. Lower rubber prices continued to reinforce the margins while depreciation of LKR against USD strengthened the revenues.*

*We are happy that we were able to mitigate this situation by adapting correct strategies and offering our major customers some price advantages as well as an excellent service and regular customer visits.”*

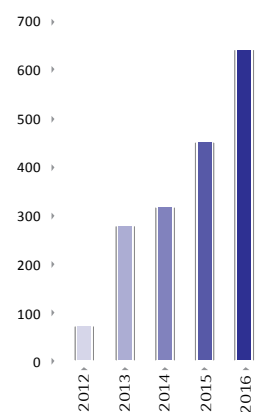
**The year 2015/2016 at Richard Pieris Exports PLC marks the integration of continuous improvement techniques and fine tuning procedures adapted last year to consolidate our operational excellence to achieve the highest profits recorded in the history of the Company.**

# LKR 637 Mn

Profit before Tax



Profit before Tax Rs. Mn



## Hard Rubber Segment

### Richard Pieris Exports PLC

The Company celebrated the 32 years of existence in 2015. Established as its subsidiary of the Richard Pieris & Company PLC, as the Group's first fully exports oriented Company has achieved remarkable growth, to become a holding company with two subsidiaries and one associate company.

Richard Pieris Exports PLC pioneered the manufacture and export of Rubber mats for numerous applications and Food grade jar sealing rings and specialized products for the US, European and the Asia Pacific markets.

The Company has been the major supplier of technically specified safety mats like anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats to international standards. In the recent times the Company has concentrated on developing a variety of mats for the dairy industry. The Company is working aggressively to introduce this unique mat range to the other international markets.

In 2015/2016, the Company recorded revenue of Rs 1.1bn with a 10% increase over the previous year. The increase in profit amounted to Rs 309 mn. These achievements are the highest ever in the history of the Company.

Building good relationships with our Customers has been one of the key strengths, which enabled both parties to enjoy synergies and to remain resilient amidst challenges. Plans made based on the sales information obtained from our major customers, continued to assist the company in fine tuning its production plans, which in turn helped to effectively manage the working capital and to achieve economies of scale.

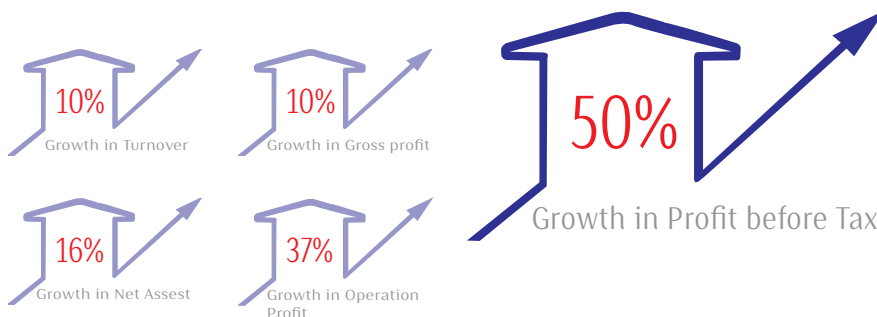
In facing stiff international global competition the Company continued to focus on product differentiation and process improvements, which in turn paved the way to boost the top line as well as the bottom line. The Company continued to carry out energy audits in order to sustain energy efficiency, which is one of the critical success factors in a high energy consuming industry.

The Company was awarded the Silver Award for Agricultural value added Exporter in the large business category at the National Chamber of Exporters Annual Export Awards.

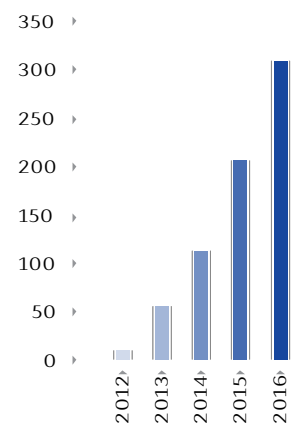


# LKR 309 Mn

Profit before Tax



Profit before Tax Rs. Mn



## Hard Rubber Segment contd.

### Arpitalian Compact Soles (Pvt) Ltd.

Associate Company

Arpitalian Compact Soles (Pvt) Ltd. is a joint venture with Davos SPA, a globally reputed Italian manufacturer of shoe soles and soling sheets.

During the year under review, the Company recorded revenue of Rs. 0.5bn which a 4 % increase over the previous year and a profit of Rs 29mn which has been the highest in the recent times.

The Company continued to be competitive in the international market through its high quality products while the Chinese and other Asian manufacturers dominate the mass market with low quality and low priced products.

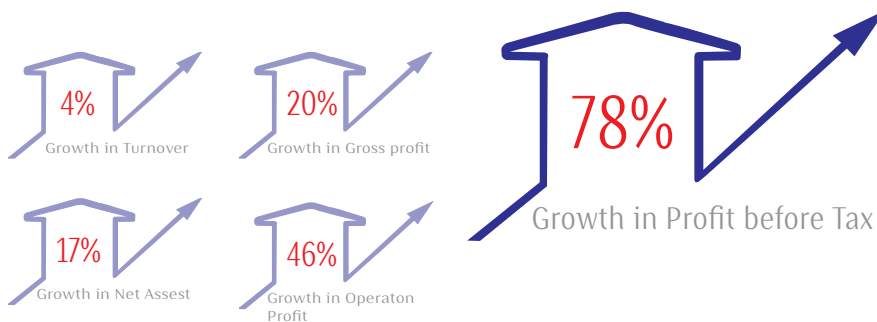
High quality and speedy introduction of new designs have been the critical success factors and the Company has continued to invest in improvements to the production processes and compound formulations. Improvements made to the packing process for air deliveries have minimized the damages during the transit.

The joint venture partner, Davos SPA's entry to the Chinese market was successful. and the Company progressed to formulate a new compound with light weight material catering to the same market. The Company successfully entered the Vietnam market too during the period under review. Rapid developments have been made during the year with the entry in to the Bangladesh market, exports of new profile sheets to the Indian market, and new colours/designs for Chinese/ Indian markets and new finishes for the Spanish market.

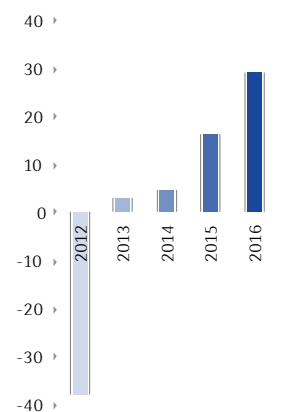


# LKR 29 Mn

Profit before Tax



Profit before Tax Rs. Mn



## Latex Based Segment

### Richard Pieris Natural Foams Ltd



Richard Pieris Natural Foams Ltd. is a leading Sri Lankan manufacturer and exporter of latex foam blocks, sheets and pillows using 100% natural rubber latex and the Company's vision is to become the leader in a global market.

The year under review was a great success as the Company posted a record revenue of Rs. 1.9bn with a 32 % increase over the previous year. The Company continued to perform well amidst the challenges in the global market. It's noteworthy that 100% latex sheeting, with organic certification, an eco-friendly product, has found a niche market in the high-end markets in US and Europe. It was during the last year that the Company achieved a significant milestone in its journey by commissioning the continuous latex sheeting plant which is the first such plant using Natural Rubber Latex in the world.

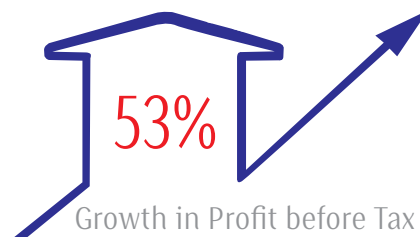
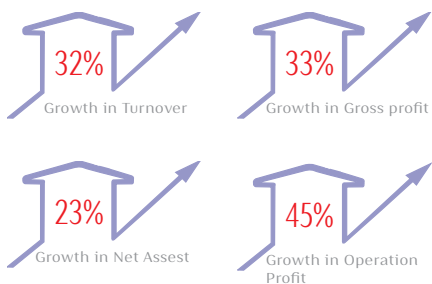
Continued investments in automation have assisted the Company to be more competitive in the price sensitive markets. Production capacity was also increased during the year by investing in a new vulcanizing tunnel to support the Company's expansion plans. The Company was successful in exploring many business opportunities in the international market, which helped to increase the demand for mattresses and pillows. During the year the emphasis was on

reducing production waste and overheads, enhancing quality and effective working capital practices. Richard Pieris Natural Foams Ltd. continues to maintain a strong relationship with the customers and the distribution channels throughout the year.

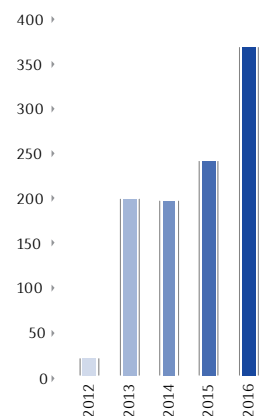
The Company secured a Gold medal for its outstanding achievements for exports at the National Chamber of Exporters (NCE) Awards Night 2015. It's also noteworthy that the Company managed to secure two Gold medals at the NCE Awards 2014 for being the most Innovative Exporter in Sri Lanka in the best agricultural value added category which speak volumes of the Company's commendable all round performance.

# LKR 366 Mn

Profit before Tax



Profit before Tax Rs. Mn



## Mineral Segment

### Micro Minerals (Pvt) Ltd.

This associate Company processes mineral products which are an essential raw material in the polymer industry, and mainly supplies to member companies of the Richard Pieris Group.

The Company was able perform better than last year making a profit of Rs 3mn. This was due to the enhanced orders from the polymer based companies in the Richard Pieris Group.

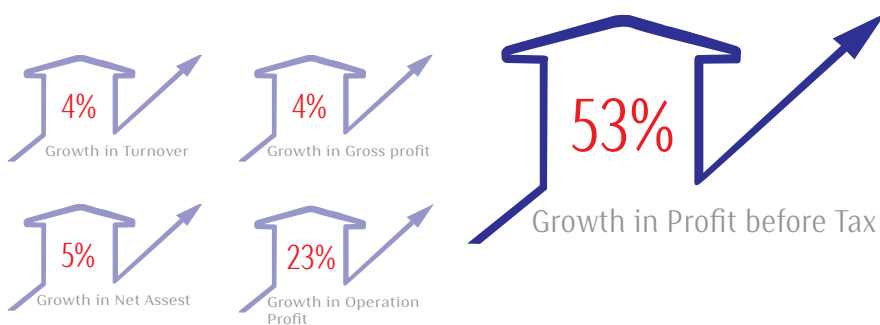
Scarcity of raw materials, especially ball-clay, was a challenging factor for the company during the year under review. The year proved extremely challenging for the Company as its market share was threatened following the entry of new local competitors with low price offers

The Company is confident that enhanced orders from the Richard Pieris Group would improve their performance during the current year.

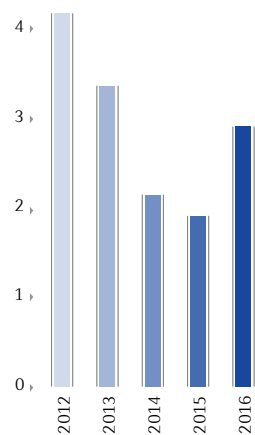


# LKR 3 Mn

Profit before Tax



Profit before Tax Rs. Mn



## Our Products

Richard Pieris Exports PLC was established as the first fully export oriented subsidiary of the diversified blue-chip corporate Richard Pieris & Company PLC in 1984 and is considered the pioneer Sri Lankan exporter of industrial rubber mats, jar sealing rings and crutch tips to the international markets in natural and synthetic rubber. Richard Pieris Exports major markets are in Europe, US and Asia Pacific Regions and the Company conforms to ISO standards.



Richard Pieris Natural Forms Ltd is a fully owned subsidiary of Richard Pieris Group and produces latex foam products like mattresses, sheets, cushions which are extensively used in the high end international bedding and furnishing industry, using state of the art manufacturing facilities. The high quality raw material-natural rubber latex is obtained from Richard Pieris Groups own plantations. Their products are certified by globally recognized certifying bodies for ECO LGA, Oeko Tex, GOLS, STROKE, ABC and SATRA. RPNF product line also complies with GOLS (Global Organic Latex Standards) by the Control Union.



The Associate Company Arpitalian Compact Soles (Pvt) Limited, a joint venture between the Richard Pieris Group, pioneers in rubber industry in Sri Lanka and DAVOS Spa, reputed shoe sole manufacturer from Italy. DAVOS has provided the technical expertise to set up Arpitalian's manufacturing facility, which is one of the most modern soling sheet manufacturing and varnishing plants in South Asia.



The subsidiary company, Micro Minerals (Pvt) Ltd was established as a backward integration arm of the Group to produce powdered mineral fillers which are considered as essential raw materials in the Rubber industry. The processing plant is located at Bandaragama.

## Corporate Social Responsibility

### Our concern for being a socially responsible citizen...



We continue to honor our commitment to Society and the Environment. Our Board and top management are committed to the “Triple bottom line” concept which concerns Profit, People and Planet to sustain our business over the past 32 years.

#### Fair and Competitive Trading Practices

Our policy is to be fair, honest and forthright in our dealings and being accessible and committed to deliver what we promise.

#### Employees

Employees’ Health and Safety Company considers the employees as key stakeholders whose contribution is vital for the sustained success of the Company and our Nation. The health and safety of our employees is a key priority which is ensured in all factories and workplaces by having machinery and equipment which 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.



The challenges the world faces, go beyond the financial statements. We believe that our business has an obligation, to address issues that impact the society. Our Company has a proud heritage that is driven by strong principles like, quality, value and integrity at the heart of our business strategy. These principles drive us towards a number of economic, social and environmental support initiatives to contribute towards its responsibilities to its all stakeholders. We have a proud history of running our business in a socially responsible manner providing benefits to the communities we serve. We aspire to grow beyond boundaries, though we have achieved many milestones in our business, We have learned that looking at our customers from a sustainability perspective opens a world of new opportunities. We aim to engage positively with all stakeholders, responding to them swiftly and efficiently while welcoming their views.

#### CSR Initiatives Welfare Activities

The Company followed up with the good deeds of last year with number of donations and services to worthy religious and social organizations this year. The participation of our employees was an important factor, providing them with the satisfaction of being part of a meritorious deed.

A donation of mattresses, pillows, beds, computers, furniture, and stationery to the value of about 1.5 million was made to a needy Piriven Viharaya in Saliyapura, Tissamaharama. Another donation was made to provide school books and stationery to the school children of the same area.

Another donation of mattresses, pillows and dry rations was made to a worthy temple to commemorate the death anniversary of one of the employees who died while in service.



#### Customers

Our greatest pride and the most important strength lies in our valuable customer base and the strong and lasting relationships we have with them. The Company has mobilized its competencies, energy, and resources to build a high performing customer service, treating their needs as our main priority. The Company guarantees the promised quality in their products and services. We have gained international and national quality certifications and always strive to provide the optimal level of convenience, service and value to our customers.



Richard Pieris Natural Foams Ltd, and the employees have created a "RPNF scholarship and Charity Fund" to support the educational activities of the employees. A donation of Rs.150, 000 from the RPNF Company and the employees was made an employee suffering from cancer.

The Company also donated money and school equipment to Sunday schools, Band uniforms, desks and benches to several schools. A campaign to support the needy expectant mothers to provide them with dry food materials was also carried out.

The Company also donates the school books and stationery to the children of all employees annually.

The company made a donation of entrance mats to the Kataragama Devale which annually welcomes thousands of devotees fulfilling a long felt need. A donation of dry rations and school books for children were made to number of needy families in the same area.

#### Supporting Health Care

The Group always strives to provide a safe and healthy environment for their employees. The Company medical Officer visits the factories regularly to provide consultations and treatment.

#### Building Lasting Partnerships with Our Suppliers

The Group believes in "supply chain partnering" concept to obtain the required raw material inputs and services at optimal prices from our suppliers in a mutually beneficial manner. Taking into account the large number of suppliers locally and globally, associated with the Group, it is always conscious of the duties towards their regular suppliers. The

Group is also alive to the responsibility of guiding and developing small and medium scale suppliers on the use of appropriate technology for manufacturing to make their businesses sustainable.

#### Concern Towards Environment

The Group recognizes and firmly believes that being a good corporate citizen and lessening the impact it creates on the environment by it's operations to a minimum is their responsibility. In this regard the Group is very happy to state that reducing our carbon foot print , toxic emissions, in addition to saving energy, increasing transport efficiency and reduction of waste in any form and recycling of waste has been looked at seriously. The Group's endeavor to switch from fossil fuel based to bio-mass generated steam has greatly reduced the carbon emissions as well as saving valuable foreign exchange spent on the imports of petroleum based products. The clean and green steam produced using renewable resources is indeed a blessing for the Group and provides a barrier against the adverse impact created by price variations in fossil fuel in the global market.



## Our People

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### "Providing a great place for our employees to work in our journey towards success"

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RPE PLC followed up the noteworthy performance in 2015/16 with another excellent year recording its highest ever profit. If a Company continues to perform well it can only do that with the whole hearted support from the employees. It is our duty to recognize each and every member of our work force who contributed towards this remarkable achievement. It is always said that happy employees provide the roots to good and conscientious customer service. Preserving the heritage and the relations of three decades, the Group has further enhanced its bonds with the employees by encouraging and rewarding their creativity and innovation, talents and skills to stimulate the performance of the Group.

#### Employee Relations

The Group continues to practice its open door policy in addressing issues concerning employees, and believes that the principles of industrial democracy is the best tool for good industrial relations. The sound family traditions, of our Directors and Managers, enhanced by experience and training, encourages them to give an ear to the grievances of employees which are not only work related but also their personal problems, to find viable solutions. Whilst adopting an open and welcoming approach and collective bargaining, the company is totally committed to strengthen its relations with employees.

#### Human Resource Development

Customer satisfaction and meeting expectations of valued customers have

been the key to our successful existence of the Company over the last 32 years. The ability of the group to attract and retain customers to become a top Sri Lankan Exporter has been due to the commitment of the employees to be innovative to provide high quality products and services and also by exceeding stakeholder expectations. The Group has invested considerably on human capital development by training and retraining at all levels of employees. Structured skills development programs in line with Group's Training Policy are conducted regularly.

#### Recreation & Employee Motivation

The Group recognizes the significance of maintaining a steady balance between work and personal life of employees is a key factor of sustained success of a Company. Hence to maintain, a relaxed mind in a healthy body always enhances employee performance and also stimulates innovative thinking. The Group organizes recreational activities to increase employee satisfaction by providing them opportunities of wholesome enjoyment with their family members. Recreational activities include staff outings, sporting events and festivals, cultural shows, competitions. The Company also organizes staff health camps recognizing the importance of a healthy body to a well 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, after following a comprehensive employee performance evaluation to enhance performance, productivity, quality, innovativeness. This enables the Group to achieve its objectives and targets. The process begins with a predetermined set of goals, objectives and targets agreed between the team leaders and the members at the beginning of each financial year. This is followed up by subsequent periodical evaluations, resulting in very attractive rewards and benefits at the end of the financial year.

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Just like the tree stem-  
the annual rings integrate  
to provide strength and  
sustainability to the tree,  
the Richard Pieris Exports  
PLC performances over  
last 32 years have given  
us the resolve and the  
assurance to nurture our  
strengths...

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**Our Management Team****Richard Pieris Exports PLC**

Wasantha Abeysirigunawardena	-	Director/CEO
Palika Chandrajeewa	-	Sector Finance Manager
Alaka Ubayasena	-	Factory Manager
Prabath Priyankara	-	Assistant Exports Manager
Shanika Karunadasa	-	Accountant
Sandaruwana Pushpakumara	-	Assistant Accountant
Hemantha Kumarasinghe	-	Production Executive
Karunasiri Loggama	-	Production Executive
Punya Ranaweera	-	Quality Assurance Executive
Palika Dias	-	Quality Assurance Executive
Asela Jayaratne	-	Exports Executive
Thushan Jayasekera	-	Research & Development Executive
Indira Dissanayake	-	Administrative Executive

**Richard Pieris Natural Foams Limited**

Januka Jayanga	-	CEO
Thushara Samaraweera	-	Factory Manager
Nuwan Weerasinghe	-	Manager Accounts & Administration
Adrian Bogahawatte	-	Marketing Manager
Dilantha Kumara	-	Quality Assurance Manager
Thissa Seram	-	Manager Engineering
Nawarathne Bandara	-	Assistant Manager Shipping
Windana Weerasinghe	-	Assistant Accountant
Prabath Ratnayake	-	Purchasing Executive
Manoj Priyankara	-	Marketing Executive
Nishaman Wikramarachchi	-	HR Executive
Anuradha Kumara	-	QA Executive
Ravindra Jayatissa	-	Production Executive
Bhasura Katugampola	-	Planning Executive
Mahesh Ariyawansa	-	Marketing Executive
Isuru Yaddhige	-	Marketing Executive
Natasha Parami	-	Personal Assistant - CEO
Chinthaka Danthanarayane	-	Accounts Executive
Nuwan Sameera	-	Accounts Executive
Shantha Balasuriya	-	Production Executive
Lakshman Samarakoon	-	Management Trainee
Layanal Piyadasa	-	Fire & Safety Officer
Chamara Ranathunga	-	Management Trainee
Chanaka Isuru	-	Management Trainee
Pavithra Abewickrama	-	Management Trainee

**Arpitalian Compact Soles (Pvt) Limited**

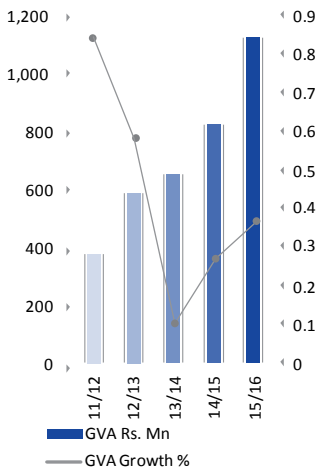
Fabio Piccolo	-	Director/CEO
Ranjith Wittachchi	-	Factory Manager
Sanath Elkaduwa	-	Marketing Manager
Deeptha Rajapaksha	-	Assistant Accountant
Vijitha Padmakanthi	-	Accounts Executive
Aruni Lasanthika	-	Accounts Executive
Duminda Perera	-	Production Executive
Ruwan Nanayakkara	-	Engineering Executive

**Micro Minerals (Pvt) Limited**

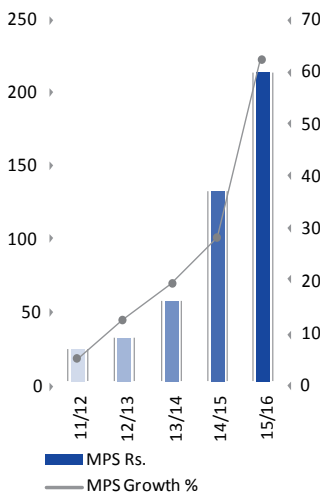
Nilantha Jayathilaka	-	Marketing Executive
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## Financial Review

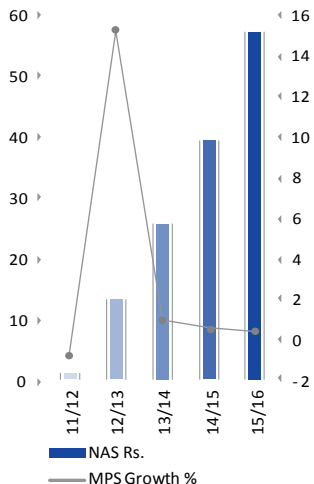
Group Value Addition vs Growth Rate



Market Price per Share vs Growth Rate



Net Asset per Share vs Growth

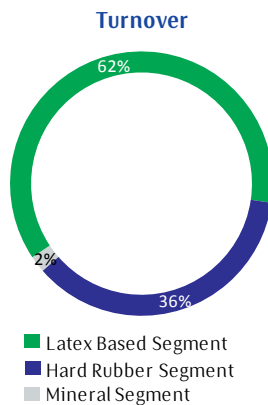


### Overall Export Group Performance

The financial year 2015/2016 proved to be yet another triumphant year for the Group, recording its highest turnover of Rs 3,048 mn indicating a growth of 22% and highest Profit before tax of Rs 637 mn at a growth of 43% over the previous financial year. Gross profit growth is 24% from Rs 775 mn to Rs 960 mn. Gross profit margin improved with the continued measures taken to increase productivity and efficiencies in the production lines which influences the gross profit margin to increase by 1% to 32%. The reduction in the group finance cost by 22% from Rs 16mn to Rs 12mn but increase in finance income by 13% from Rs 21 mn to Rs 24mn. Group profit before tax amounted to Rs 637 mn as compared to profit of Rs 447mn last year. Group profit after tax grew by 41% to Rs 549mn during the year under review. The fluctuation in the currencies market favourably assisted the group to report higher profits.

### Turnover

The Group continued its growth momentum during the year with its turnover grew by 22% from Rs 2,498 Mn to 3,048 Mn. The growth reported in the group is impressive, given the recessionary pressure in some of the key regions.



The latex segment made the largest contribution, recording a turnover of 1,905mn which is 62% of group turnover. This segment turnover increased by 32% during the year. This segment operated at its full capacity reporting its highest ever profit during the year under review. Plans are underway to increase the capacity and enhance the international presence. Turnover of the Hard Rubber segment grew

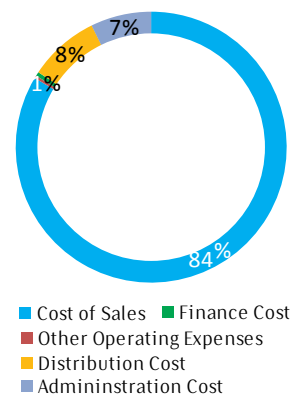
by 10% from Rs 1,014mn to Rs 1,115mn. The Company remains hopeful that the European markets will turnaround to anticipate better sales volumes.

### Cost of sales and Operating Expenses

Cost of Sales was reported to be Rs 2,087mn which is an increase of 21% compared to the previous financial year. Even though there is an increase in turnover by 22%, group was able to record 1% decrease in cost of sales. Reduction in rubber prices compared to last year, process development and effective utilization of energy sources have contributed favorably to cost of sales. Cumulatively, the Administration, Distribution Costs along with the Cost of Sales constituted 81% of Group turnover during the current financial year, having recorded 82% level in the previous year.

Improvements to energy efficiencies, continuation of bio-mass energy generation and effluent treatment facility of latex segment made the total supply chain to be more greener during the period.

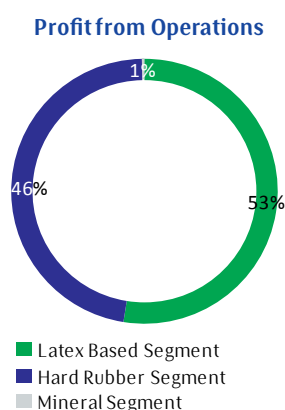
### Expenses Analysis 2015/16



### Operating Profit

All core businesses performance was exceptional and as a result, the group generated an operating profit of Rs 573mn indicating, a growth of 30%. Latex segment continued to be the biggest contributor to the Group's operating profit. Latex segment profit increased from Rs 233mn to 330mn. The hard rubber segment made a positive contribution of Rs 240mn to the group as compared to Rs 207mn in the previous year. This

growth was achieved in latex and hard rubber segment due to growth in sales, strong working capital management, cost controls, improvement in product quality and increase in yield.



#### Finance Cost

Net Borrowings, including cash balances, was reported to be Rs 212mn compared to Rs 101mn. Finance cost decreased by 22% for the period under review from Rs 16mn to Rs 12mn. Interest cover ratio of the Group improved significantly from 29.71times to 53.78times. Finance income of the Group was recorded at Rs 24mn for the year, while the same was recorded at Rs 21mn in the previous year.

#### Share of Associate

The share of profit of associate for the Group stood at Rs 14.4mn during the year under review, compared to Rs 8.1mn in previous year, indicating a sharp increase of 78%.

#### Working Capital

Current Assets of the Group increased by 27% from Rs.1,268 Mn to Rs.1,606 Mn whilst, Current Liabilities increased by 24% from Rs.743Mn to Rs.922 Mn. Accordingly, the total current assets of the Group accounted for 69% of its total assets while total current liabilities accounted for 40% of total assets based on the year end financials.

#### Cash Flows

During the year, the Group recorded an Operational Cash Profit of Rs.493 Mn and decreased its cash and cash equivalents by Rs 141Mn. Cash out flows in investing activities were Rs 228mn. Interim dividend was paid amounting to Rs 140mn by the company whereas dividend paid by subsidiary company, Richard Pieris Natural

Foams Limited to outside shareholders were Rs 83mn.

#### Capital Structure Equity

The Company's stated Capital is Rs 220 Mn consisting of 11,163,745 ordinary shares. Total shareholders funds amounted to Rs 794Mn compared to the last year figure of Rs 687 Mn.

#### Borrowings

In terms of borrowings, the net debt including cash balances was stationed at Rs 212mn during the year indicating, an increase of Rs 111mn, mainly because the increase investment in fixed deposit during the year by Rs 116mn. Borrowings were increased in order to facilitate the acquisition of long-term investment, property and other capital expenditure which eventually lead towards increase in borrowings for the group.

#### Returns to Shareholders

Profit attributable to the shareholders was reported at Rs 364mn for the year under review. This is 36% increase compared to last year. EPS increased by 36% to 32.61. The earnings yield for the year recorded 6% decrease to Rs 11.63 % from 12.33% last year. The dividend yield for the year is 6% compared to 8% recorded in the previous year. Increase in share price from Rs 130.30 to Rs 211.20 as at 31.03.2016 was contributed to decrease dividend yield and earnings yield. However, total return of the share which includes the capital appreciation of the share along with the distributed dividend was 72% which reflects market sentiment on the future potential of the group.

#### Market Capitalisation

The Company share price at the end of the financial year was Rs 211.20 as compared to the Rs 130.30 in the preceding year. The highest price and the lowest price for the year under review were Rs 329.90 and Rs 131 respectively. The market capitalization of the Company as at 31st March 2016 was Rs 2,358Mn, preceding year was Rs 1,455Mn.

#### Financial Risks

Financial risks associated with the operations of the Group and its risk management processes are discussed in detailed in the risk management report found elsewhere in this Annual Report.

## Financial Calendar

	2015/2016	2014/2015
<b>Interim Reports</b>		
Quarter ended 30th June	14th August 2015	13th August 2014
Quarter ended 30th September	11th November 2015	13th November 2014
Quarter ended 31st December	12th February 2016	13th February 2015
Annual Report	31st May 2016	27th May 2015
32nd Annual General Meeting		30th June 2015
33rd Annual General Meeting	30th June 2016	

## Annual Report of the Board of Directors

The Directors of Richard Pieris Exports PLC have pleasure in presenting their report together with the audited Financial Statements for the year ended 31st March 2016, which was approved by the directors on the 31st May 2016. The details set out herein provide pertinent information required by the Companies Act, No. 7 of 2007, the Colombo Stock Exchange Listing rules and are guided by recommended best accounting practices.

### The Principal Activities and Operational Review

The main activities of the Group are the manufacture and export of rubber-based products and the supplying of fillers to the rubber industry. The details of the Group Structure are set out on page 86. There was no significant change in the nature of the activities of the Group during the year. The Chairman's Statement and Financial Review, Group Operation Review, together with the Financial Statements highlight the Group's performance for the period under review and the state of affairs as at 31st March 2016.

### Future Development

The Group will focus on improving production efficiencies, enhancing quality and improving yield while exploring possibilities of introducing new products. It will continue carry out aggressive international Marketing.

### Financial Statements

The Financial Statements of the Group and the company which are duly certified by the sector finance manager and approved by the two directors in complying with the requirements of the Companies Act No 07 of 2007 are given on pages 39 to 84 of this annual report.

### Auditor's Report

The Company Auditors, Messers Kreston MNS & Co preformed the Audit on the financial Statements of the Company and the Consolidated Financial Statements for the year ended 31st March 2016 and the

Auditor's Report issued thereon is given on page 39 of this annual report as required by the Companies Act No 07 of 2007.

### Accounting Policies

The accounting policies adopted in the preparation of Financial Statements of the Group and the Company are given on pages 45 to 56 of the Annual Report. There were no material changes in the Accounting Policies during the year under review and are consistent with those adopted in the previous Financial year as required by the Sri Lanka Accounting standard.

### Turnover

The Group's turnover, excluding Inter-Company sales, was Rs 3,048 million compared to Rs 2,498 million in the previous year. Further information on Group turnover is detailed in Note 22 to the Financial Statements.

	2015/2016 Rs.'000	2014/2015 Rs.'000
<b>Turnover by Segment :</b>		
Hard Rubber	1,114,878	1,014,442
Latex-Based	1,905,089	1,441,656
Minerals	63,592	61,006
	<b>3,083,559</b>	2,517,104
Less : Inter-Company Sales	<b>(35,991)</b>	(18,964)
	<b>3,047,568</b>	2,498,140
<b>Group Profit</b>		
Group profit for the year; after payment of all expenses, making provision for all known liabilities and depreciation on Property, Plant & Equipment	636,512	446,601
Tax on Group Profits	<b>(88,011)</b>	(58,350)
Profit/(Loss) for the year from discontinued operations (after tax)	<b>(110)</b>	92
Group Profit after Taxation	<b>548,391</b>	388,343
Share of Non Controlling interest	<b>184,335</b>	120,667
Profit attributable to Shareholders of Richard Pieris Exports PLC	<b>364,056</b>	267,676
Other Comprehensive income attributable to Shareholders of Richard Pieris Exports PLC	<b>2,676</b>	(4,352)
Accumulated Profit / (Loss) brought forward	<b>169,563</b>	22,342
Super Gain Tax 2013/14	<b>(44,289)</b>	-
Profit before Appropriations	<b>492,006</b>	285,666
Appropriations :		
1st Interim Dividend paid	<b>(139,547)</b>	(71,448)
2nd Interim Dividend paid	-	(44,655)
Accumulated Profit carried forward	<b>352,459</b>	169,563

## Annual Report of the Board of Directors Contd.

### Taxation

Under Section 52 of the Inland Revenue Act No. 10 of 2006 the export profits of the Company will be taxed at the rate of 12% (15% up to 2010/11). Interest income is liable at the normal tax rate of 28%.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively at the Balance Sheet date.

The Group's exposure to tax, along with policies adopted by the Company, is disclosed in Note 2.3.7 to the Financial Statements.

### Stated Capital

The Stated Capital of the Company as at 31st March 2016 was Rs. 220,262,000/-, consisting of 11,163,745 ordinary shares. The details of the stated capital are given in note 13 to the Financial Statements on page 67 of this annual report.

### Reserves

Total Reserves of the Company as at 31st March 2016 were amounted to Rs.574 mn/- (2014/2015 -Rs. 467 mn). And the Group reserve as at 31st March 2016 were amounted to Rs 352 mn (2014/2015- Rs 170 mn). The movement of reserves is shown in the Statement of Changes in Equity on page 43.

### Dividend

The Directors recommended and paid a cash dividend amounting Rs 140mn to all shareholders at the rate of Rs 12.50 per ordinary share as interim dividend for 2015/16 on 14th March 2016.

### Share Information

Information pertaining to earnings, dividends, net assets and market value per share is given in the Financial Summary for the last decade on page 88 and 89.

### Substantial Shareholdings

The list of top twenty five shareholders and the percentage held by each one and public holding percentage are given in the share information of the page 91 and 92 of this Annual Report.

### Property Plant & Equipment and Investments

Capital expenditure on property, plant, equipment incurred year under review is Rs 55 Mn (Rs 230 Mn in 2014/2015) Information related to this is given under note No 4 to the Financial Statement of the page No 59 and 60 of this Annual Report. Directors are of the opinion that the value of Property stated in the Financial Statements is not in excess of the current Market Value.

### Freehold Property

A detail description of the Property owned by the Group is shown under the Group Real Estate portfolio on page 87 to this Annual Report.

### Directorate

The names of the Directors who served during the year are given under Corporate information appearing on page 99.

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Sunil Liyanage, 40, Bellantara Road, Nedimala, Dehiwala, a shareholder of the Company. "That Dr. Sena Yaddehige, Le of neuf, Chemin, St. Saviours, Guernsey, United Kingdom, who is 70 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of

the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige." The Company has also received a letter dated 11th May 2016 from Dr. Sena Yaddehige declaring his willingness to be elected to the Directorate of the Company. The Directors who considered the contents of the letters received by the Company from Mr. Sunil Liyanage and Dr. Sena Yaddehige decided to notify the Shareholders of the Company of the Special Notice received by the Company and the proposed Resolution, which is to be moved at the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the said Resolution as an Ordinary Resolution. Mr. Viville P Perera, shall retire by rotation at the Annual General Meeting in terms of Article 48 of Articles of Association of the Company and be eligible for re-election.

Dr.L.M.K.Tillekeratne, shall retire by rotation at the Annual General Meeting in terms of Article 48 of Articles of Association of the Company and be eligible for re-election.

The Directors interest in shares is given in the page 92 under share information of this Annual Report.

### Directors' Interest in Contracts

The director's interest in contracts with the Company are disclosed on note 38 on page 79, 80 and 81 in the Financial Statement. The Directors have no other direct or indirect interests in any other contracts or proposed contracts with the Company.

### Interest Register

The Company maintains an interest register as required by the Companies Act No. 07 of 2007. The information pertaining to director's interest in contract, their remuneration and their share ownership are disclosed in the interest register.

### Directors' Remuneration and Other Benefits

Directors' Remuneration in respect of the Company for the financial year ended

31st March 2016 is given in Note 38 to the Financial Statements.

#### Corporate Donations

There were no donations made to charitable organizations during the year. (2014/ 2015- Nil).

#### Social and Environmental Responsibility

As a reasonable corporate body, the Group has taken all necessary steps and precautions to minimize any adverse impact of the Group's activities on the environment. When introducing new businesses, products, methods, and machines, care is taken to ensure that these conform with accepted environmental and safety regulations and standards.

#### 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 to date.

#### Corporate Governance

The practices adopted by the Company in relation to corporate Governance and Internal Controls are set out in page 15 and 16 of the Annual Report .

#### The Board Committee

The Remuneration committee, the Audit committee, the Nominations committee, the Related Party Transaction Review committee of the parent company function as the Remuneration committee, the Audit committee, the Nominations committee and the Related party Transaction Review committee of the company. Their compositions and their respective reports are given on page 12,13,14 and 17 of this Annual Report.

#### Going Concern

The Board of Directors is satisfied that the Company has adequate resources to continue its operations into the foreseeable future. Accordingly the

Financial Statements are prepared based on the concept of Going Concern.

#### Events after the Reporting Date

In the opinion of the Directors; no item, transaction or event of an unusual nature has taken place between the financial year end and the date of this report that would materially affect the results of the Company or Group for the financial year in respect of which this Report is made.

#### Contingent Liabilities

The Contingent Liabilities as at 31st March 2016 are set out in Note 34 of the Financial Statements.

#### The Directors Responsibility for Financial Statements

The statement of Directors responsibility for financial reporting of the company and the group is set out in Page 38 of the report.

#### 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 2016. The notice of the Annual General Meeting is on page 96.

#### Auditors

The Financial Statements for the year ended 31st March 2016 have been audited by Messrs. Kreston MNS & Co., Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No. 7 of 2007, a resolution relating to their re-appointment and authorizing the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs Kreston MNS & Co, were paid Rs. 1,714,000/- (2014/2015- Rs. 1,601,000/-) as audit fees by the Group Companies. In addition they were paid Rs.589,000/- (2014/15- Rs. 468,000/-) by the Group Companies for non-audit related work.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

By order of the Board.



Mrs. R.J. Siriweera  
Company Secretary  
Richard Pieris Group Services (Pvt) Ltd.  
31st May 2016



W R Abeyirigunawardena  
Director



W.J.Viville P Perera  
Director

## Statement of Directors' Responsibility

In keeping with the provisions under the Companies Act No. 7 of 2007, the Directors of Richard Pieris Exports 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. Kreston MNS & Co. Chartered Accountants, which set out in their report, appearing on page 39 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2016 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 40 to 84 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 2016, and that of the profit for the year then ended.

The overall responsibility for the Company's internal control systems lies with the Directors. Whilst recognizing

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

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

The Directors' have provided the Auditors M/s Kreston MNS & Co, 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 39 of this report.

By Order of the Board,



Richard Pieris Group Services (Pvt) Limited  
Secretaries  
310, High Level Road, Nawinna,  
Maharagama  
31st May 2016

## Independent Auditor's Report

# Kreston MNS & Co

**Chartered Accountants**  
P.O. Box 210  
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### TO THE SHAREHOLDERS OF RICHARD PIERIS EXPORTS PLC

#### Report on the Financial Statements

We have audited the accompanying Financial Statements of RICHARD PIERIS EXPORTS PLC, ("the Company"), and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31st March 2016, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory notes, exhibited on pages 45 to 84.

#### Board's Responsibility for the Financial Statements

The Board of Directors ("the Board") is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- the Financial Statements of the Company give a true and fair view of its financial position as at 31st March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- the Financial Statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

*Kreston MNS & Co.*

CHARTERED ACCOUNTANTS  
COLOMBO  
31st MAY 2016

#### Partners

Ms. Y. Shirani de Silva FCA, FCMA  
Ms. Sivaselvi Balachandran FCA, FCMA  
S. Rajanathan FCA, FCMA (UK)  
N.K. Atukorala FCA, ACMA  
Ms. H.D.S.C.A. Tilakaratne FCA, ACMA  
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## Statements of Financial Position

As At	Note	Group		Company	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	472,628	474,162	71,044	69,666
Long Term Investments	5	235,784	135,213	535,307	463,023
Leasehold Land Prepayment	6	12,363	6,007	-	-
Deferred Tax Assets	17	237	23,520	-	-
		<b>721,012</b>	638,902	<b>606,351</b>	532,689
Assets of Arpico Natural Latex Foams (Pvt) Ltd.	7	210	315	-	-
<b>Current Assets</b>					
Inventories	8	297,392	302,077	121,101	123,198
Trade and Other Receivables	9	649,412	505,445	270,306	241,409
Short Term Investment	10	312,653	192,668	91,217	83,836
Leasehold Land Prepayment	6	273	76	-	-
Amounts Due from Related Parties	11	58,547	62,825	51,098	62,555
Cash and Bank Balances	12	287,919	204,480	94,291	14,898
		<b>1,606,196</b>	1,267,571	<b>628,013</b>	525,896
<b>Total Assets</b>		<b>2,327,418</b>	1,906,788	<b>1,234,364</b>	1,058,585
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to Equity Holders of the Parent</b>					
Stated Capital	13	220,262	220,262	220,262	220,262
Revenue Reserves	14	352,459	169,563	574,199	467,197
Foreign Currency Translation	15	62,780	45,697	-	-
		<b>635,501</b>	435,522	<b>794,461</b>	687,459
<b>Non Controlling Interest</b>	5	<b>467,224</b>	382,298	-	-
<b>Total Equity</b>		<b>1,102,725</b>	817,820	<b>794,461</b>	<b>687,459</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	16	15,836	57,979	15,836	49,110
Deferred Tax Liability	17	2,137	1,913	949	638
Retirement Benefit Obligation	18	58,014	59,345	45,481	48,117
		<b>75,987</b>	119,237	<b>62,266</b>	97,865
Liabilities of Arpico Natural Latex Foams (Pvt) Ltd.	7	226,850	226,845	-	-
<b>Current Liabilities</b>					
Trade and Other Payables	19	256,702	263,488	103,547	89,740
Income Tax Payable	20	24,007	18,066	14,897	16,248
Amounts Due to Related Parties	21	156,680	214,005	15,522	42,870
Interest Bearing Loans and Borrowings	16	484,467	247,327	243,671	124,403
		<b>921,856</b>	742,886	<b>377,637</b>	273,261
<b>Total Equity and Liabilities</b>		<b>2,327,418</b>	1,906,788	<b>1,234,364</b>	1,058,585

I certify that the above Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Palika Chandrajeewa  
Sector Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.  
Approved and Signed for and on behalf of the Board on 31st May 2016 in Colombo.



W.R. Abeyisirigunawardena  
Director



W J Viville P Perera  
Director

## Income Statements

For the Year Ended 31st March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Continuing Operations</b>					
Revenue	22	3,047,568	2,498,140	1,114,878	1,014,442
Cost of Sales		(2,087,455)	(1,723,506)	(784,257)	(713,825)
Gross Profit		960,113	774,634	330,621	300,617
Other Operating Income	23	12,147	8,003	62,788	15,747
Distribution Costs		(210,560)	(162,903)	(37,908)	(42,124)
Administrative Expenses		(181,135)	(158,562)	(51,237)	(50,695)
Other Operating Expenses		(7,945)	(19,598)	(7,744)	(7,544)
<b>Profit from Operations</b>	24	<b>572,620</b>	441,574	<b>296,520</b>	216,001
Finance Income	25	23,651	20,942	8,506	8,081
Finance Cost	26	(12,060)	(15,555)	(8,711)	(10,421)
Other Financial Items	27	37,925	(8,442)	12,941	(7,630)
Share of Profit of Associate	28	14,376	8,082	-	-
<b>Profit before Tax</b>		<b>636,512</b>	446,601	<b>309,256</b>	206,031
Taxation	29	(88,011)	(58,350)	(34,871)	(26,648)
<b>Profit for the year from continuing operations</b>		<b>548,501</b>	388,251	<b>274,385</b>	179,383
<b>Discontinued Operations</b>					
Profit /(Loss) after Tax for the year from discontinued operations	31	(110)	92	-	-
<b>Profit for the year</b>		<b>548,391</b>	<b>388,343</b>	<b>274,385</b>	<b>179,383</b>
<b>Attributable to</b>					
Equity Holder of the Parent Company		364,056	267,676	274,385	179,383
Non Controlling Interest		184,335	120,667	-	-
<b>Profit for the year</b>		<b>548,391</b>	388,343	<b>274,385</b>	179,383
		<b>Rs.</b>	Rs.	<b>Rs.</b>	Rs.
Earnings Per Share	32	32.61	23.98	24.58	16.07
Earnings Per Share from Continuing Operations	32	32.62	23.97	24.58	16.07
Dividend Per Share	33	12.50	10.40	12.50	10.40

The Accounting Policies and Notes on pages 45 to 84 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Statements of Comprehensive Income

For the Year Ended 31st March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Profit for the year</b>		<b>548,391</b>	388,343	<b>274,385</b>	179,383
<b>Other Comprehensive Income / (Expenses) not to be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains / (losses) on defined benefit plans	18	<b>2,010</b>	(6,393)	<b>1,842</b>	(3,818)
Deferred Tax effect on actuarial gains/(losses) on defined benefit plans	17	<b>(248)</b>	770	<b>(221)</b>	458
<b>Other Comprehensive Income / (Expenses) to be reclassified to profit or loss in subsequent periods</b>					
Share of Other Comprehensive Income of Associate					
Actuarial gains / (losses) on defined benefit plans		<b>978</b>	(4)	-	-
Translation of Associate using foreign functional currency	15	<b>17,083</b>	3,265	-	-
<b>Other Comprehensive Income for the year</b>		<b>19,823</b>	(2,362)	<b>1,621</b>	(3,360)
<b>Total Comprehensive Income for the year</b>		<b>568,214</b>	385,981	<b>276,006</b>	176,023
<b>Attributable to</b>					
Equity Holder of the Parent Company		<b>383,815</b>	266,589	<b>276,006</b>	176,023
Non Controlling Interest	5.1(c)	<b>184,399</b>	119,392	-	-
		<b>568,214</b>	385,981	<b>276,006</b>	176,023

The Accounting Policies and Notes on pages 45 to 84 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## Statements of Changes in Equity

Group	Note	Stated Capital Rs.'000	Revenue Reserves		Foreign Currency Translation Rs.'000	Non Controlling Interest Rs.'000	Total Rs.'000
			General Reserve Rs.'000	Accumulated Profit/(Loss) Rs.'000			
<b>Balance as at 31st March 2014</b>		220,262	219,250	(196,908)	42,432	276,507	561,543
Profit for the year		-	-	267,676	-	120,667	388,343
Other Comprehensive Income		-	-	(4,352)	3,265	(1,275)	(2,362)
Total Comprehensive Income		-	-	263,324	3,265	119,392	385,981
1st Interim dividend	33	-	-	(71,448)	-	-	(71,448)
2nd Interim dividend	33	-	-	(44,655)	-	-	(44,655)
		-	-	(116,103)	-	-	(116,103)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(13,601)	(13,601)
<b>Balance as at 31st March 2015</b>		220,262	219,250	(49,687)	45,697	382,298	817,820
<b>Balance as at 1st April 2015</b>		220,262	219,250	(49,687)	45,697	382,298	817,820
Adjustment for Super Gain Tax	29.1	-	-	(44,289)	-	(16,779)	(61,068)
<b>Adjusted Balance as at 1st April 2015</b>		220,262	219,250	(93,976)	45,697	365,519	756,752
Profit for the year		-	-	364,056	-	184,335	548,391
Other Comprehensive Income		-	-	2,676	17,083	64	19,823
Total Comprehensive Income		-	-	366,732	17,083	184,399	568,214
Interim dividend	33	-	-	(139,547)	-	-	(139,547)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(82,694)	(82,694)
<b>Balance as at 31st March 2016</b>		<b>220,262</b>	<b>219,250</b>	<b>133,209</b>	<b>62,780</b>	<b>467,224</b>	<b>1,102,725</b>

### Company

	Note	Stated Capital Rs.'000	Revenue Reserves		Total Rs.'000
			General Reserve Rs.'000	Accumulated Profit/(Loss) Rs.'000	
<b>Balance as at 31st March 2014</b>		220,262	219,250	188,027	627,539
Profit for the year		-	-	179,383	179,383
Other Comprehensive Income		-	-	(3,360)	(3,360)
Total Comprehensive Income		-	-	176,023	176,023
1st Interim dividend	33	-	-	(71,448)	(71,448)
2nd Interim dividend	33	-	-	(44,655)	(44,655)
		-	-	(116,103)	(116,103)
<b>Balance as at 31st March 2015</b>		220,262	219,250	247,947	687,459
<b>Balance as at 1st April 2015</b>		220,262	219,250	247,947	687,459
Adjustment for Super Gain Tax	29.1	-	-	(29,457)	(29,457)
<b>Adjusted Balance as at 1st April 2015</b>		220,262	219,250	218,490	658,002
Profit for the year		-	-	274,385	274,385
Other Comprehensive Income		-	-	1,621	1,621
Total Comprehensive Income		-	-	276,006	276,006
Interim dividend	33	-	-	(139,547)	(139,547)
<b>Balance as at 31st March 2016</b>		<b>220,262</b>	<b>219,250</b>	<b>354,949</b>	<b>794,461</b>

The Accounting Policies and Notes on pages 45 to 84 form an integral part of these Financial Statements.

## Statements of Cash Flows

For the Year Ended 31st March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Cash Flows from Operating Activities</b>					
Group Profit before Tax and Non Controlling Interest from Continuing Operations		636,512	446,601	309,256	206,031
Profit/(Loss) from discontinued operations	31	(110)	92	-	-
Adjustments for :					
Share of Profit of Associate Company	28	(14,376)	(8,082)	-	-
Exchange Loss on Loan	16.2 / 16.4	17,079	4,965	13,141	3,422
Provision for Slow Moving Stocks / (Reversal)	8.1	(1,522)	(326)	(1,522)	-
Trade Debtors written off against the provision	9.3	(86,938)	-	(36,218)	-
Amortisation of Leasehold Land	24	212	76	-	-
Depreciation	4.1 / 4.3	56,102	37,839	8,672	8,570
Provision for Retiring Gratuity	24	10,580	9,516	7,954	7,275
Finance Cost	26	12,060	15,555	8,711	10,421
Finance Income	25	(23,651)	(20,942)	(8,506)	(8,081)
Dividend Income	23	-	-	(56,339)	(9,347)
Provision for impairment - Trade Debtors	24	184	12,004	-	-
Provision for impairment - Other Debtors	24	7,744	1,885	7,744	1,885
Provision for impairment - Advances	24	17	5,709	-	5,659
Reversal of impairment provision - Advances	23	-	(1,186)	-	(682)
Profit on disposal of Property, Plant & Equipment	23	(2,076)	(1,898)	(2,076)	(1,898)
<b>Operating Profit before Working Capital Changes</b>		<b>611,817</b>	<b>501,808</b>	<b>250,817</b>	<b>223,255</b>
(Increase)/ Decrease in Inventories	8	6,207	(37,454)	3,619	(13,268)
(Increase)/ Decrease in Trade and Other Receivables	9	(64,974)	(21,967)	(423)	(28,046)
(Increase) /Decrease in Amounts due from Related Parties	11	4,278	(31)	11,457	4,790
Increase /(Decrease) in Trade and Other Payables	7.2 / 19	(6,781)	(19,194)	13,807	1,772
Increase /(Decrease) in Amounts due to Related Parties	7.3 / 21	(57,325)	148,909	(27,348)	30,210
<b>Cash Generated from Operations</b>		<b>493,222</b>	<b>572,071</b>	<b>251,929</b>	<b>218,713</b>
Interest Paid	16.1 / 16.3 / 26	(11,898)	(15,599)	(8,580)	(10,328)
Income Tax Paid	20/29	(54,771)	(33,459)	(35,332)	(18,192)
Super Gain Tax paid	5.2/29.1	(59,137)	-	(29,457)	-
WHTax Paid	20	(1,821)	(28)	(800)	-
Gratuity Paid	18	(9,901)	(4,745)	(8,748)	(4,603)
<b>Net Cash Flows from Operating Activities</b>		<b>355,694</b>	<b>518,240</b>	<b>169,012</b>	<b>185,590</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of Property, Plant and Equipment	4.1 / 4.3	(54,568)	(229,947)	(10,050)	(6,734)
Sales Proceeds from Disposal of Property Plant & Equipment		2,076	1,898	2,076	1,898
Acquisition of Other Investment	5.3	(72,284)	-	(72,284)	-
Leasehold Land Prepayment	6	(6,765)	(1,467)	-	-
Short Term Investment - Fixed Deposit	10	(116,386)	(180,317)	(7,200)	(80,000)
Dividend Income	23	-	-	56,339	9,347
Finance Income	10 / 25	20,052	12,183	8,325	4,245
<b>Net Cash used in Investing Activities</b>		<b>(227,875)</b>	<b>(397,650)</b>	<b>(22,794)</b>	<b>(71,244)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid	33	(139,547)	(116,103)	(139,547)	(116,103)
Dividend Paid by subsidiary Companies to Outside Shareholders		(82,694)	(13,601)	-	-
Proceeds from Interest Bearing Borrowings	16.2 /16.4	420,802	581,214	181,684	258,295
Repayment of Interest Bearing Borrowings	16.2 /16.4	(467,139)	(648,697)	(216,196)	(304,793)
<b>Net Cash used in Financing Activities</b>		<b>(268,578)</b>	<b>(197,187)</b>	<b>(174,059)</b>	<b>(162,601)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(140,759)</b>	<b>(76,597)</b>	<b>(27,841)</b>	<b>(48,255)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	12	<b>101,468</b>	<b>178,065</b>	<b>(939)</b>	<b>47,316</b>
<b>Cash and Cash Equivalents at the end of the year</b>	12	<b>(39,291)</b>	<b>101,468</b>	<b>(28,780)</b>	<b>(939)</b>

The Accounting Policies and Notes on pages 45 to 84 form an integral part of these Financial Statements.

## Notes to the Financial Statements

### 1. Corporate Information

#### 1.1 General

Richard Pieris Exports PLC ('Company') is a Public Quoted Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at 310, Highlevel Road, Nawinna, Maharagama and the principal place of business is situated at No. 10, Raja Mawatha, Ekala, Ja-Ela. The Company was incorporated on 30th June 1983.

#### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company, Subsidiaries and the Associate Company were as follows.

Company	Activities
Richard Pieris Exports PLC	Manufacture and export of moulded and extruded rubber based products.
Richard Pieris Natural Foams Ltd.	Manufacture and export of foam rubber products.
Micro Minerals (Pvt) Ltd.	Manufacture of minerals for the Rubber Industry.
Arpico Natural Latexfoams (Pvt) Ltd.	Manufacture of latex foam rubber mattress and pillows for export. The operation of the Company ceased as from 16th October 2006.
Arpitalian Compact Soles (Pvt) Ltd.	Manufacture and export of resin rubber shoe soling sheets.

#### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking and ultimate parent enterprise is Richard Pieris & Company PLC, a quoted Company incorporated in Sri Lanka. The holding of Richard Pieris & Co. PLC in Richard Pieris Exports PLC as at 31.3.2016 is 80.26% (31.3.2015 - 80.26%).

#### 1.4 Date of Authorisation for Issue

The consolidated financial statements of Richard Pieris Exports PLC and its subsidiaries (collectively, "Group") for the year ended 31 March 2016 were authorised for issue in accordance with a resolution of the directors on 31st May 2016.

#### 1.5 Number of Employees

The number of employees in the Company at the end of the year was 153 (2015 - 156). Group 399 (2015 - 375).

#### 2. Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards.

#### 2.1 Basis of Preparation

These financial statements for the year ended 31st March 2016 are prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) effective for the periods beginning on or after 01st January 2012.

The consolidated financial statements have been prepared on a historical cost basis, except for the financial instruments which have been measured at fair value.

The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

The consolidated financial statements are presented in Sri Lankan Rupees (Rs.) and all values are rounded to the nearest thousand (Rs.000), except where otherwise indicated.

## Notes to the Financial Statements Contd.

### 2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2016.

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

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

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of

the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value. The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated statement of financial position. Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated income statement and statement of comprehensive income and as a component of equity in the

Consolidated statement of financial position, separately from equity attributable to the shareholders of the parent. The Consolidated statement of cash flows includes the cash flows of the Company and its subsidiaries.

A list of subsidiaries within the Group together with contingent liabilities of subsidiaries is set out in Note 5.1 and 34.1(a) to the financial statements. Although the direct shareholdings in some of these Group Companies are below 50% of the equity, the accounts of such Companies are consolidated in recognition of the effective management control exercised by the Parent Company.

The details of non-controlling interests are given in Note 5.1(c) to the financial statements.

### 2.3 Summary of Significant Accounting Policies Applied

#### Comparative Information

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

The following are the significant accounting policies applied by the Group in preparing its Consolidated Financial Statements. These accounting policies have been used throughout all periods presented in the financial statements.

#### 2.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree

at fair value or at the proportionate share of the acquiree at the fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

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 remeasured 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.

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.

### 2.3.2 Investment in Associates

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

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

The 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

## Notes to the Financial Statements Contd.

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.

A listing of the Group's Associates together with their fair values and the Group's share of contingent liabilities of such Associates are set out in Note 5.2 and 34.1(b) to the Financial Statements.

Summarised financial information of the Associate of the Company together with the Company's interests is given in Note 5.2 & 28 to the Financial Statements.

### 2.3.3 Foreign Currencies

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

### Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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 translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in other comprehensive income (OCI) or profit or loss are also recognised in OCI or profit or loss, respectively).

### Group Companies

The assets and liabilities of foreign operations are translated into Sri Lankan Rupees at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The original Financial Statements of Arpitalian Compact Soles (Pvt) Ltd were prepared in U.S.Dollars, that being the functional currency of the Company were translated in to Sri Lankan Rupees for consolidation purpose in accordance with LKAS 21.

### 2.3.4 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 collected on behalf of third parties.

The following specific recognition criteria must also be met before revenue is recognised.

#### a) Sale of Goods

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

#### b) Rendering of Services

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

#### c) Interest Income

For all financial instruments measured at amortised cost, 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.

#### d) Dividends

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

#### e) Gains and Losses

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

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group

of similar transactions which are not material, are aggregated, reported and presented on a net basis.

#### **f) Other Income**

Other income is recognized on an accrual basis.

### **2.3.5 Expenditure Recognition**

#### **a) Operating Expenses**

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

#### **b) Finance Cost**

Finance cost comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets.

#### **c) Other Financial Items**

Foreign currency gains and losses are reported on a net basis under other financial items.

### **2.3.6 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 instalments.

When loans or similar assistance are provided with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a grant.

### **2.3.7 Taxes**

#### **Income Tax**

The provision for Income Tax of the Company is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act in the following manner:

Under Section 52 of the Inland Revenue Act No. 10 of 2006, the rate of tax applicable on export profits of the Company was 15% up to year of Assessment (Y/A) 2010/11 & 12% from year of Assessment 2011/12. Interest income is liable at the normal tax rate of 28%.

The Export profit of Richard Pieris Natural Foams Ltd is liable to tax at the rate of 12% from year of Assessment 2011/12 and 15% up to year of Assessment 2010/11.

Arpico Natural Latexfoams (Pvt) Limited is a BOI approved undertaking and is

exempted from income tax for a period of 5 years, from the year in which the Company commences to make profit or any year of assessment not later than two years reckoned from the date of commencement of commercial operation whichever year is earlier. Accordingly the 5 year tax holiday commenced from year of assessment 2004 / 2005 and ended in 2008/2009. The Company was liable to tax at 10% for the year of Assessment 2009/10 & 2010/11. The rate applicable from year of Assessment 2011/12 is 12%.

Micro Minerals (Pvt) Limited, is a BOI approved Company and is taxed at the rate of 15% for a period of 20 years, commencing from the first year of commercial production. The Company commenced its commercial production in September 1996.

Arpitalian Compact Soles (Pvt) Limited is a BOI approved undertaking and its 10 year tax holiday prevailed up to Y/A 2007/08. From Y/A 2008/09 to Y/A 2010/11, the profit is taxed at the rate of 15% & 12% from year of Assessment 2011/12.

#### **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 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.

The carrying amount of deferred tax

## Notes to the Financial Statements Contd.

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 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.

### 2.3.8 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.

### 2.3.9 Property, Plant and Equipment

Property, plant and equipment is 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.

Building on Leasehold Land	Over the period of lease
Building on Freehold Land	25-35 years
Plant & Machinery, Electrical Equipment	10-20 years
Furniture and Fittings	04-05 years
Tools & Office Equipment	04-05 years
Motor Vehicles	04-05 years
Computers	03-05 years
Roads and Other Infrastructure	20 years
Tube Well	10 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 derecognised 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 derecognised.

### 2.3.10 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.

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

#### 2.3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### 2.3.12 Financial Instruments-Initial Recognition and Subsequent Measurement

##### 2.3.12.1 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 other than those classified as fair value through profit or loss are recognised initially at fair value plus transaction costs.

The Group's financial assets are disclosed in Note 3.

##### Subsequent Measurement

The subsequent measurement of financial assets depends on their classification 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. 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.

##### (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

An Available-for-sale financial investment held at the reporting date consists of equity securities. Equity investments classified as available-for-sale are those, neither classified as held-for-trading nor designated at fair value through profit or loss.

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

## Notes to the Financial Statements Contd.

### Derecognition

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

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

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

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

### 2.3.12.2 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 the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the 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 impairments are recognised directly in other comprehensive income.

### 2.3.12.3 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, loans and borrowings or, 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 are disclosed in Note 3.

#### **Subsequent Measurement of 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 derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

#### **Derecognition**

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

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

#### **2.3.12.4 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.

#### **2.3.13 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 Materials**

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

##### **b) Finished Goods & Work-in-Progress**

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

##### **c) Consumables and Spares**

At actual cost on weighted average cost.

#### **2.3.14 Impairment of Non-Financial Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent

of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That the increased amount can not 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.

#### **2.3.15 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.

#### **2.3.16 Dividend Distributions**

The Group recognises a liability to make cash or non-cash distributions to owners of equity when the distribution

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is authorised and is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

### 2.3.17 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, 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.

### 2.3.18 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.

### 2.3.19 Post Employment Benefits Defined Benefit Plan - Gratuity

Provision is made in the accounts for retirement gratuities payable under the Payment of Gratuity Act No. 12 of 1983 for employees from the time of employment by the Group. The method of providing for retiring gratuity was changed to an actuarial basis, using the Projected Unit Credit (PUC) method from 1st April 1998. 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 18 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

This item is grouped under Retirement Benefit Obligations. No separate fund is being maintained for this purpose.

The Group recognises the total actuarial gains and losses that arises in calculating the Group's obligation with respect to the Defined Benefit Plan - Gratuity in Other Comprehensive Income during the period in which it occurs.

Commencing from 1st April 1998 the basis of payment of retiring gratuity was revised as follows:

Length of Service (Years)	No. of months salary for each completed year of service
0 - 4	0
5 - 10	½
11 - 20	¾
21 - 30	1
31 & above	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.

#### Defined Contribution Plans:

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions, in line with respective statute and regulations. The Group contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and Employee' Trust Fund respectively.

### 2.3.20 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The results of the business segments are described in Note 22.2 to the Financial Statements.

### 2.4 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.

#### 2.4.1 Judgements

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

#### Going Concern

When preparing 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.

#### Deferred Tax

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 judgement 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.

#### 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 judgement 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.

#### Transfer Pricing Regulation

The Group is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying

the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

#### 2.4.2 Estimates and Assumptions

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

#### Impairment of Non-Financial Assets

An 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.

#### 2.5 New Accounting Standards Issued but not Effective as at Reporting Date

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

#### Sri Lanka Accounting Standard (SLFRS 9) – "Financial Instruments: Classification and Measurement"

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the Financial Instruments project and replaces LKAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application permitted. Retrospective

## Notes to the Financial Statements Contd.

application is required, but comparative information is not compulsory.

### **Sri Lanka Accounting Standard (SLFRS 15) - “Revenue from Contracts with Customers”**

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) - “Revenue”, Sri Lanka Accounting Standard (LKAS 11) - “Construction Contracts” and IFRIC 13 - “Customer Loyalty Programmes”. This standard is effective for the annual periods beginning on or after 01 January 2018.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

### 3 Analysis of Financial Instruments by Measurement Basis

#### 3.1 Group

31st March 2016					
	Note	Available for Sale at fair value Rs.'000	Held to Maturity at amortised cost Rs.'000	Loans & Receivables at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>					
Long Term Investment	5.3	72,284	-	-	72,284
Trade & Other Receivables	7.1 / 9	-	-	571,080	571,080
Short Term Investment	10	-	312,653	-	312,653
Amounts due from Related Parties	11	-	-	58,547	58,547
Cash and Bank Balances	12	-	-	288,129	288,129
		72,284	312,653	917,756	1,302,693
<b>Other Financial Liabilities at amortised cost</b>					
					<b>Total Rs.'000</b>
<b>Financial Liabilities</b>					
Trade & Other Payables	7.2 / 19			272,615	272,615
Amounts due to Related Parties	7.3 / 21			359,157	359,157
Interest Bearing Loans and Borrowings	16			500,303	500,303
				1,132,075	1,132,075
31st March 2015					
			Held to Maturity at amortised cost Rs.'000	Loans & Receivables at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>					
Trade & Other Receivables	7.1 / 9		-	449,443	449,443
Short Term Investment	10		192,668	-	192,668
Amounts due from Related Parties	11		-	62,825	62,825
Cash and Bank Balances	12		-	204,795	204,795
			192,668	717,063	909,731
<b>Other Financial Liabilities at amortised cost</b>					
					<b>Total Rs.'000</b>
<b>Financial Liabilities</b>					
Trade & Other Payables	7.2 / 19			282,888	282,888
Amounts due to Related Parties	7.3 / 21			416,482	416,482
Interest Bearing Loans and Borrowings	16			305,306	305,306
				1,004,676	1,004,676

A description of the Group's Financial Instrument risks, including risk management objectives and policies is given in Note 39.

## Notes to the Financial Statements Contd.

## 3 Analysis of Financial Instruments by Measurement Basis

## 3.2 Company

31st March 2016				
	Note	Available for Sale at fair value Rs.'000	Loans & Receivables at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Long Term Investment	5.3	72,284	-	72,284
Trade & Other Receivables	9	-	222,120	222,120
Short Term Investment	10	-	91,217	91,217
Amounts due from Related Parties	11	-	51,098	51,098
Cash and Bank Balances	12	-	94,291	94,291
		72,284	458,726	531,010
<b>Financial Liabilities</b>				
Trade & Other Payables	19		102,974	102,974
Amounts due to Related Parties	21		15,522	15,522
Interest Bearing Loans and Borrowings	16		259,507	259,507
			378,003	378,003
31st March 2015				
			Loans & Receivables at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Trade & Other Receivables	9		206,644	206,644
Short Term Investment	10		83,836	83,836
Amounts due from Related Parties	11		62,555	62,555
Cash and Bank Balances	12		14,898	14,898
			367,933	367,933
<b>Financial Liabilities</b>				
Trade & Other Payables	19		89,072	89,072
Amounts due to Related Parties	21		42,870	42,870
Interest Bearing Loans and Borrowings	16		173,513	173,513
			305,455	305,455

#### 4 Property, Plant & Equipment 4.1 Group

	Freehold Land and Buildings Rs.'000	Building on Leasehold Land Rs.'000	Plant and Machinery, Electrical Equipment Rs.'000	Tools and Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Motor Vehicles Rs.'000	Computers Rs.'000	Roads and Other Infrastructure Rs.'000	Tube Well Rs.'000	Capital Work in Progress Rs.'000	Total Rs.'000
Gross carrying amount - at cost											
As at 1st April 2015	60,978	185,108	825,900	29,216	8,242	11,722	17,041	9,880	180	-	1,148,267
Additions	-	6,346	34,702	936	67	-	359	-	-	12,158	54,568
Disposals	-	-	-	-	-	(1,554)	-	-	-	-	(1,554)
Written off during the year	-	-	(53,009)	-	-	-	-	-	-	-	(53,009)
<b>As at 31st March 2016</b>	<b>60,978</b>	<b>191,454</b>	<b>807,593</b>	<b>30,152</b>	<b>8,309</b>	<b>10,168</b>	<b>17,400</b>	<b>9,880</b>	<b>180</b>	<b>12,158</b>	<b>1,148,272</b>
<b>Depreciation and Impairment</b>											
As at 1st April 2015	21,891	19,600	573,616	21,915	5,314	11,722	14,470	5,397	180	-	674,105
Charge for the year	1,283	6,178	44,824	1,723	770	-	830	494	-	-	56,102
On Disposals	-	-	-	-	-	(1,554)	-	-	-	-	(1,554)
Written off during the year	-	-	(53,009)	-	-	-	-	-	-	-	(53,009)
<b>As at 31st March 2016</b>	<b>23,174</b>	<b>25,778</b>	<b>565,431</b>	<b>23,638</b>	<b>6,084</b>	<b>10,168</b>	<b>15,300</b>	<b>5,891</b>	<b>180</b>	<b>-</b>	<b>675,644</b>
<b>Net Book Value</b>											
As at 31st March 2015	39,087	165,508	252,284	7,301	2,928	-	2,571	4,483	-	-	474,162
As at 31st March 2016	37,804	165,676	242,162	6,514	2,225	-	2,100	3,989	-	12,158	472,628

**4.2** Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 469,427,000/-

## Notes to the Financial Statements Contd.

## 4.3 Company

	Freehold Land and Buildings Rs.'000	Plant and Machinery Rs.'000	Tools and Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Motor Vehicles Rs.'000	Computers Rs.'000	Capital Work in Progress Rs.'000	Total Rs.'000
<b>Gross carrying amount - at cost</b>								
As at 1st April 2015	51,455	358,862	20,512	3,392	5,932	10,065	-	450,218
Additions	-	-	178	67	-	-	9,805	10,050
Disposals	-	-	-	-	(1,554)	-	-	(1,554)
As at 31st March 2016	51,455	358,862	20,690	3,459	4,378	10,065	9,805	458,714
<b>Depreciation</b>								
As at 1st April 2015	19,755	322,286	19,368	3,246	5,932	9,965	-	380,552
Charge for the year	1,114	7,112	316	43	-	87	-	8,672
On Disposals	-	-	-	-	(1,554)	-	-	(1,554)
As at 31st March 2016	20,869	329,398	19,684	3,289	4,378	10,052	-	387,670
<b>Net Book Value</b>								
As at 31st March 2015	31,700	36,576	1,144	146	-	100	-	69,666
As at 31st March 2016	30,586	29,464	1,006	170	-	13	9,805	71,044

4.4 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 305,554,000/-

## 5 Long Term Investments

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Summary :				
Investments in Subsidiaries (5.1(a) & 5.1(b))	-	-	291,094	291,094
Investment in Associate (5.2)	163,500	135,213	171,929	171,929
Other Investment (5.3)	72,284	-	72,284	-
Total Investments	235,784	135,213	535,307	463,023

The fair value of these investments cannot be reliably measured. Therefore these investments have been stated at cost less impairment.

### 5.1 (a) Company Investment in Subsidiaries

	Holding		Number of Shares as at		Value of Shares as at		Directors' Valuation as at
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016
	%	%			Rs.'000	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd.	43.00	43.00	27,560,001	27,560,001	284,820	284,820	284,820
Micro Minerals (Pvt) Ltd.	68.75	68.75	627,400	627,400	6,274	6,274	6,274
Arpico Natural Latexfoams (Pvt) Ltd.	44.44	44.44	3,999,999	3,999,999	40,000	40,000	-
					331,094	331,094	291,094
Provision for Impairment					(40,000)	(40,000)	-
					291,094	291,094	291,094

Arpico Natural Latexfoams (Pvt) Ltd, had ceased its operations during the financial year 2006/2007. Full provision has been made for the impairment of this investment since recoverability is doubtful.

### 5.1(b) Group Investment in Subsidiaries

	Holding		No. of Shares		Value of Shares	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	%	%			Rs.'000	Rs.'000
<b>Investor</b>						
Richard Pieris Natural Foams Ltd.						
<b>Investee</b>						
Arpico Natural Latexfoams (Pvt) Ltd.	55.55%	55.55%	5,000,000	5,000,000	50,000	50,000
					50,000	50,000
Provision for impairment					(50,000)	(50,000)
					-	-

## Notes to the Financial Statements Contd.

## 5.1(c) Non Controlling Interests (NCI) in Subsidiaries

Subsidiary	Percentage of Ownership Interest held by NCI	Percentage of Voting Rights held by NCI	Share of Total Comprehensive Income of NCI for the year ended 31st March		NCI as at 31st March		Dividends Paid to NCI	
			2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Richard Pieris Natural Foams Ltd.	57%	57%	183,661	118,885	457,200	372,701	82,551	13,515
Micro Minerals (Pvt) Ltd.	31.25%	31.25%	773	478	10,098	9,636	143	86
Arpico Natural Latex Foams (Pvt) Ltd.	32%	32%	(35)	29	(74)	(39)	-	-
			184,399	119,392	467,224	382,298	82,694	13,601

## 5.1(d) Summarised Financial Information of Subsidiaries

	Richard Pieris Natural Foams Ltd		Micro Minerals (Pvt) Ltd		Arpico Natural Latex Foams (Pvt) Ltd	
	31st March 2016 Rs.'000	31st March 2015 Rs.'000	31st March 2016 Rs.'000	31st March 2015 Rs.'000	31st March 2016 Rs.'000	31st March 2015 Rs.'000
Assets	1,357,528	967,183	54,606	47,664	210	315
Liabilities	555,422	313,320	22,291	16,828	226,850	226,845
Equity	802,106	653,863	32,315	30,836	(226,640)	(226,530)
<b>For the year ended 31st March</b>	<b>2016 Rs.'000</b>	<b>2015 Rs.'000</b>	<b>2016 Rs.'000</b>	<b>2015 Rs.'000</b>	<b>2016 Rs.'000</b>	<b>2015 Rs.'000</b>
Revenue	1,905,089	1,441,656	63,592	61,006	-	-
Profit after tax	322,136	210,774	2,411	1,592	(110)	92
Total Comprehensive income	322,213	208,570	2,474	1,532	(110)	92
<b>Principal Place of Business</b>	Sri Lanka		Sri Lanka		Sri Lanka	

## 5.2 Investment in Associate Group

Company	Holding		As at 01.04.2015 Rs.'000	Share of Profit Rs.'000	Taxation Rs.'000	Share of Other Comprehensive Income Rs.'000	Super Gain Tax Rs.'000	As at 31.03.2016 Rs.'000
	% 31.03.2016	% 31.03.2015						
Non-Quoted								
Arpitalian Compact Soles (Pvt) Limited	48.93	48.93	135,213	14,376	(2,219)	18,061	(1,931)	163,500
			135,213	14,376	(2,219)	18,061	(1,931)	163,500
Company	Holding		No of Shares as at 31.03.2016	As at 01.04.2015 Rs.'000	Value of Shares		Directors' Valuation as at 31.03.2016 Rs.'000	
	% 31.03.2016	% 31.03.2015			Additions/ (Disposals) Rs.'000	As at 31.03.2016 Rs.'000		
Arpitalian Compact Soles (Pvt) Limited	48.93	48.93	29,587,667	171,929	-	171,929	171,929	
				171,929	-	171,929	171,929	

The carrying value at year end is stated after the deduction of a sum of Rs. 55,976,000/- from the cost of Rs. 227,905,000/- being the provision for impairment determined by the management.

## 5.3 Other Investment

	Group / Company				
	Holding		As at		Directors'
	%	%	31.03.2016	31.03.2015	Valuation as
	31.03.2016	31.03.2015	Rs.'000	Rs.'000	at 31.03.2016
Asia Auto Parts LLP, Japan	19.95%	-	72,284	-	72,284
			72,284	-	72,284

## 6 Leasehold Land Prepayment

	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	6,083	4,692	-	-
Amount paid during the year	6,765	1,467	-	-
Amount charged to Income Statement during the year	(212)	(76)	-	-
At the end of the year	12,636	6,083	-	-
Amount chargeable to Income Statement within one year	273	76	-	-
Amount chargeable to Income Statement after one year	12,363	6,007	-	-
	12,636	6,083	-	-

## 7 Assets / Liabilities of Subsidiary which is Not Considered as Going Concern (Discontinued Operations)

## Arpico Natural Latex Foams (Pvt) Ltd.

	Group		Company	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>				
Trade & Other Receivables (7.1)	-	-	-	-
Cash and Bank Balances	210	315	-	-
	210	315	-	-
<b>Liabilities</b>				
Trade & Other Payables (7.2)	24,373	24,368	-	-
Amounts due to Related Parties (7.3)	202,477	202,477	-	-
	226,850	226,845	-	-

Subsidiary - Arpico Natural Latex Foams (Pvt) Ltd is not considered as going concern. Hence, assets and liabilities are stated separately.

## Notes to the Financial Statements Contd.

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>7.1 Trade &amp; Other Receivables</b>				
Trade Debtors	25,645	25,645	-	-
Other Receivables	5,304	5,304	-	-
Less : Provision for Impairment	(30,949)	(30,949)	-	-
	-	-	-	-
<b>7.2 Trade &amp; Other Payables</b>				
Trade Creditors - Related Party - RPC Logistics Ltd.	3,856	3,856	-	-
- Others	188	188	-	-
Sundry Creditors including Accrued Expenses	20,329	20,324	-	-
	24,373	24,368	-	-
<b>7.3 Amounts due to Related Parties</b>				
Richard Pieris & Co. PLC	170,200	170,200	-	-
Richard Pieris Rubber Compounds Ltd.	156	156	-	-
Kegalle Plantations PLC	32,055	32,055	-	-
Arpitalian Compact Soles (Pvt) Ltd.	66	66	-	-
	202,477	202,477	-	-

**8 Inventories**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Raw Materials	149,331	143,322	57,336	56,949
Work in Progress	20,117	23,704	13,533	17,439
Finished Goods	116,036	123,894	45,650	44,692
Consumables and Spares	23,652	24,421	15,873	16,931
Provision for Slow moving Stocks / Stock Loss (8.1)	(11,743)	(13,265)	(11,291)	(12,813)
	297,392	302,077	121,101	123,198

**8.1 Provision for Slow Moving Stocks / Stock Loss**

At the beginning of the year	13,265	13,591	12,813	12,813
Provision made during the year/ (Reversal)	(1,522)	(326)	(1,522)	-
	11,743	13,265	11,291	12,813
Stocks Written off against the provision	-	-	-	-
At the end of the year	11,743	13,265	11,291	12,813

## 9 Trade and other Receivables

### 9.1 Summary

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>Financial Assets</b>				
Trade Debtors - Related Parties (9.2)	48,633	37,877	7,610	8,768
- Others	530,237	498,772	212,727	226,220
	578,870	536,649	220,337	234,988
Less : Provision for Impairment (9.3)	(15,206)	(100,703)	(1,524)	(37,742)
	563,664	435,946	218,813	197,246
Other Debtors	21,674	23,830	19,466	18,744
Less : Provision for Impairment	(18,559)	(14,468)	(18,559)	(11,580)
	3,115	9,362	907	7,164
Refundable Deposits	4,376	4,595	2,475	2,694
Less : Provision for Impairment	(75)	(460)	(75)	(460)
	4,301	4,135	2,400	2,234
<b>Total Financial Assets</b>	<b>571,080</b>	<b>449,443</b>	<b>222,120</b>	<b>206,644</b>
<b>Non Financial Assets</b>				
Advances & Prepayments	89,207	71,239	58,994	46,791
Less : Provision for Impairment	(10,875)	(15,237)	(10,808)	(12,026)
<b>Total Non Financial Assets</b>	<b>78,332</b>	<b>56,002</b>	<b>48,186</b>	<b>34,765</b>
	<b>649,412</b>	<b>505,445</b>	<b>270,306</b>	<b>241,409</b>

### 9.2 Trade Dues Receivables from Related Parties

	Relationship				
Richard Pieris Distributors Ltd	Related Company	30,971	26,579	3,355	5,411
Richard Pieris Rubber Products Ltd	Related Company	1,188	3,186	243	2,100
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	6	-
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	1,326	1,028	-	-
Richard Pieris Rubber Compounds Ltd	Related Company	34	34	-	-
Arpico Interiors (Pvt) Ltd	Related Company	3,978	1,023	3,978	1,023
Arpitech (Pvt) Ltd	Related Company	11,136	6,027	28	234
		48,633	37,877	7,610	8,768

### 9.3 Provision for Impairment

Balance at the beginning of the year	100,703	87,806	37,742	37,742
Provision made during the year	184	12,004	-	-
	100,887	99,810	37,742	37,742
Amount Written off against the provision	(86,938)	-	(36,218)	-
Effect of foreign exchange translation	1,257	893	-	-
Balance at the end of the year	15,206	100,703	1,524	37,742

### 9.4 As at 31st March, the ageing analysis of trade debtors is as follows.

	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
2016	578,870	525,098	25,148	17,560	3,420	7,644
2015	536,649	396,556	29,648	3,247	627	106,571

## Notes to the Financial Statements Contd.

## 10 Short Term Investment

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Fixed Deposits				
Balance at the beginning of the year	183,765	3,448	80,000	-
Investment made during the year	116,386	180,317	7,200	80,000
	300,151	183,765	87,200	80,000
Interest receivable at the end of the year	12,502	8,903	4,017	3,836
Balance at the end of the year	312,653	192,668	91,217	83,836

## 11 Amounts Due from Related Parties

	Relationship	Group		Company	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Arpitalian Compact Soles (Pvt)	Associate Company	51,062	62,555	51,098	62,555
Richard Pieris Distributors Ltd.	Related Company	335	128	-	-
Arpitech (Pvt) Ltd	Related Company	142	142	-	-
RPC Plantation Management Services (Pvt) Ltd	Related Company	7,008	-	-	-
		58,547	62,825	51,098	62,555

## 12 Cash and Cash Equivalents in the Cash Flow Statements

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>12.1 Favourable Cash and Cash Equivalents Balances</b>				
Cash & Bank Balances - Continuing Operations	287,919	204,480	94,291	14,898
Cash & Bank Balances - Discontinued Operations - Note 7	210	315	-	-
	288,129	204,795	94,291	14,898
<b>12.2 Unfavourable Cash and Cash Equivalents Balances</b>				
Bank Overdrafts - Note 16.1 / 16.3	(327,420)	(103,327)	(123,071)	(15,837)
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	(39,291)	101,468	(28,780)	(939)

**13 Stated Capital**

		At the beginning of the year 01.04.2015 Number '000	Issued for Cash during the year Number '000	At the end of the year 31.03.2016 Number '000
Issued and Fully Paid Number of Shares	(Ordinary Shares)	11,164	-	11,164
		11,164	-	11,164
Stated Capital		Rs.'000 220,262	Rs.'000 -	Rs.'000 220,262
		220,262	-	220,262

**13.1 Rights, Preference Restrictions of Classes of Capital**

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company.

All shares rank equally with regard to the Company's residual assets.

**14 Revenue Reserves**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>14.1 General Reserve</b>				
At the beginning of the year	219,250	219,250	219,250	219,250
Transfer from Income Statement	-	-	-	-
At the end of the year	219,250	219,250	219,250	219,250
<b>14.2 Accumulated Profit / (Loss)</b>				
At the beginning of the year	(49,687)	(196,908)	247,947	188,027
Profit for the year attributable to Equity Holder of the Parent Company	364,056	267,676	274,385	179,383
Other comprehensive income attributable to Equity Holder of the Parent Company	2,676	(4,352)	1,621	(3,360)
1st Interim dividend	(139,547)	(71,448)	(139,547)	(71,448)
2nd Interim dividend	-	(44,655)	-	(44,655)
Super Gain Tax	(44,289)	-	(29,457)	-
At the end of the year	133,209	(49,687)	354,949	247,947
Total Revenue Reserves	352,459	169,563	574,199	467,197

**15 Foreign Currency Translation**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
At the beginning of the year	45,697	42,432	-	-
Exchange translation difference for the year	17,083	3,265	-	-
At the end of the year	62,780	45,697	-	-

Foreign Currency translation relates to the resulting exchange difference on translation of Arpitalian Compact Soles (Pvt) Ltd's accounts maintained in US dollars, into Sri Lankan rupees.

## Notes to the Financial Statements Contd.

## 16 Interest Bearing Liabilities

## 16.1 Interest Bearing Liabilities - Group

	31.03.2016 Amount Repayable Within 1 Year Rs.'000	31.03.2016 Amount Repayable After 1 Year Rs.'000	31.03.2016 Total Rs.'000	31.03.2015 Amount Repayable Within 1 Year Rs.'000	31.03.2015 Amount Repayable After 1 Year Rs.'000	31.03.2015 Total Rs.'000
Bank Loans - 1 & 2	38,007	15,836	53,843	41,337	57,979	99,316
Bills Discounted	36,383	-	36,383	28,729	-	28,729
Packing Credit Loan	81,816	-	81,816	73,255	-	73,255
Interest Payable	841	-	841	679	-	679
	157,047	15,836	172,883	144,000	57,979	201,979
Bank Overdraft (12.2)	327,420	-	327,420	103,327	-	103,327
	484,467	15,836	500,303	247,327	57,979	305,306

## 16.2 Bank Loans, Bills Discounted and Packing Credit Loan - Movements

	As at 01.04.2015 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss / (Gain) Rs.'000	As at 31.03.2016 Rs.'000
Bank Loan - 1	83,775	-	(36,314)	6,382	53,843
Bank Loan - 2	15,541	-	(16,555)	1,014	-
Bills Discounted	28,729	239,118	(234,388)	2,924	36,383
Packing Credit Loan	73,255	181,684	(179,882)	6,759	81,816
	201,300	420,802	(467,139)	17,079	172,042

## 16.3 Interest Bearing Liabilities - Company

	31.03.2016 Amount Repayable Within 1 Year Rs.'000	31.03.2016 Amount Repayable After 1 Year Rs.'000	31.03.2016 Total Rs.'000	31.03.2015 Amount Repayable Within 1 Year Rs.'000	31.03.2015 Amount Repayable After 1 Year Rs.'000	31.03.2015 Total Rs.'000
Bank Loan	38,007	15,836	53,843	34,665	49,110	83,775
Packing Credit Loan	81,816	-	81,816	73,255	-	73,255
Interest Payable	777	-	777	646	-	646
	126,600	15,836	136,436	108,566	49,110	157,676
Bank Overdraft (12.2)	123,071	-	123,071	15,837	-	15,837
	243,671	15,836	259,507	124,403	49,110	173,513

## 16.4 Bank Loan and Packing Credit Loan - Movements

	As at 01.04.2015 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss / (Gain) Rs.'000	As at 31.03.2016 Rs.'000
Bank Loan - 1	83,775	-	(36,314)	6,382	53,843
Packing Credit Loan	73,255	181,684	(179,882)	6,759	81,816
	157,030	181,684	(216,196)	13,141	135,659

**17 Deferred Tax Liability / (Asset)**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Balance at the beginning of the year	(21,607)	(34,602)	638	1,763
Deferred Tax Charged/(Reversed) to the Income Statement	23,259	13,765	90	(667)
Deferred Tax Charged/(Reversed) to the Statement of Other Comprehensive Income	248	(770)	221	(458)
Balance at the end of the year	1,900	(21,607)	949	638
Deferred tax asset	(237)	(23,520)	-	-
Deferred tax liability	2,137	1,913	949	638
<b>Deferred tax asset, liability relates to the following</b>				
<b>Deferred tax liability</b>				
Accelerated depreciation for tax purposes	39,335	27,243	6,407	6,412
<b>Deferred tax assets</b>				
Unutilised tax losses	(30,450)	(41,702)	-	-
Retirement benefit obligations	(6,985)	(7,148)	(5,458)	(5,774)
Net deferred tax liability / (asset)	1,900	(21,607)	949	638

**18 Retirement Benefit Obligation**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Movement in the present value of the Retirement Benefit Obligation are as follows.				
Balance at the beginning of the year	59,345	48,181	48,117	41,627
Current Service Cost	4,942	4,216	3,383	2,696
Interest Cost	5,638	5,300	4,571	4,579
(Gain) / Loss due to changes in assumptions	(2,010)	6,393	(1,842)	3,818
Benefits paid	(9,901)	(4,745)	(8,748)	(4,603)
Balance at the end of the year	58,014	59,345	45,481	48,117

**18.1 Net Benefit Expenses Categorized Under Staff Cost**

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Current Service Cost	4,942	4,216	3,383	2,696
Interest Cost	5,638	5,300	4,571	4,579
	10,580	9,516	7,954	7,275

**Notes to the Financial Statements Contd.**

**18.2** Actuarial & Management Consultants (Pvt) Limited, Actuaries, carried out an actuarial valuation of the defined benefit plan on 31.03.2016 and 31.03.2015. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principle assumptions used were as follows.

**Staff Turnover Rates**

Age Group	20	25	30	35	40	45	50
Executives	0.37	0.37	0.29	0.18	0.23	0.17	0.13
Non Executives	0.30	0.27	0.20	0.18	0.12	0.09	0.00

**Demographic assumptions**

	2015/2016	2014/2015
Retiring age	55 or 60	55 or 60
Mortality in Service	A 1967/70 mortality table issued by the Institute of Actuaries London	A 1967/70 mortality table issued by the Institute of Actuaries London

**Financial assumptions**

Rate of Salary Increment	8%	8%
Rate of Discount	11%	9.5%

**18.3 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. Simulations made for retirement benefit obligation show that an increase or decrease by 1% of salary escalation rate and discount rate has the following effect on the retirement benefit obligation.

		Revised Defined Benefit Obligation	
		Group Rs. '000	Company Rs. '000
<b>Salary Escalation Rate</b>	<b>Discount Rate</b>		
One point increase	As given in Report - 11%	60,496	47,307
One point decrease	As given in Report - 11%	55,672	43,746
As given in Report - 8%	One point increase	55,995	43,998
As given in Report - 8%	One point decrease	60,186	47,064

**18.4 Maturity Profile**

Maturity profile of the defined benefit obligation as at 31st March 2016 is as follows.

	Defined Benefit Obligation	
	Group Rs. '000	Company Rs. '000
<b>Future Working Life Time</b>		
Within the next 12 Months	7,821	6,229
Between 1-5 years	38,575	31,911
Beyond 5 years	11,618	7,341
	<u>58,014</u>	<u>45,481</u>

## 19 Trade and other Payables

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
<b>Financial Liabilities</b>				
Trade Creditors - Related Parties (19.1)	70,402	115,057	20,724	20,518
- Others	97,556	76,870	29,653	17,036
Other Payables	80,284	66,593	52,597	51,518
<b>Total Financial Liabilities</b>	<b>248,242</b>	<b>258,520</b>	<b>102,974</b>	<b>89,072</b>
<b>Non Financial Liabilities</b>				
Other Payables	8,460	4,968	573	668
<b>Total Non Financial Liabilities</b>	<b>8,460</b>	<b>4,968</b>	<b>573</b>	<b>668</b>
Balance at the end of the year	<b>256,702</b>	<b>263,488</b>	<b>103,547</b>	<b>89,740</b>

## 19.1 Trade dues Payable to Related Parties

	Relationship	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Kegalle Plantations PLC.	Related Company	50,182	96,038	9,645	13,616
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	409	127	409	127
Richard Pieris Rubber Products Ltd	Related Company	666	235	610	204
Richard Pieris Distributors Ltd	Related Company	371	573	140	81
Richard Pieris Rubber Compounds Ltd	Related Company	778	1,902	778	1,902
Richard Pieris Tyre Company Ltd.	Related Company	3,053	1,480	-	-
RPC Logistics Ltd.	Related Company	11,372	7,041	4,190	2,170
Arpitech (Pvt) Ltd.	Related Company	827	2,245	-	45
Maskeliya Plantations PLC	Related Company	8	8	8	8
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	3,079	2,028
RPC Polymers (Pvt) Ltd	Related Company	-	359	-	258
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd	Related Company	38	107	38	78
Arpico Durables (Pvt) Limited	Related Company	-	70	-	-
RPC Construction (Pvt) Ltd	Related Company	2,450	4,872	-	-
Arpico Interiors (Pvt) Ltd	Related Company	248	-	248	-
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	1,579	-
		<b>70,402</b>	<b>115,057</b>	<b>20,724</b>	<b>20,518</b>

## 20 Income Tax Payable

	Group		Company	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Balance on 1st April	18,066	8,163	16,248	7,125
Provision for the year	57,618	41,567	34,147	26,532
(Over) / under provision in respect of previous year	(1,334)	787	634	783
	<b>74,350</b>	<b>50,517</b>	<b>51,029</b>	<b>34,440</b>
Payments made during the year	(48,522)	(32,423)	(35,332)	(18,192)
WHTax Paid	(1,821)	(28)	(800)	-
Balance on 31st March	<b>24,007</b>	<b>18,066</b>	<b>14,897</b>	<b>16,248</b>

## Notes to the Financial Statements Contd.

## 21 Amounts Due to Related Parties

	Relationship	Group		Company	
		31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
Richard Pieris & Co. PLC.	Parent Company	156,582	214,005	531	32,663
Richard Pieris Natural Foams Ltd.	Subsidiary Company	-	-	69	-
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	14,824	10,000
Richard Pieris Distributors Ltd	Related Company	98	-	98	207
		<b>156,680</b>	214,005	<b>15,522</b>	42,870

## 22 Turnover

## 22.1 Summary

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Export Sales	2,733,616	2,214,344	1,063,540	979,208
Indirect Exports	44,300	28,968	-	-
Local Sales (Gross)	344,130	308,392	56,984	38,350
	<b>3,122,046</b>	2,551,704	<b>1,120,524</b>	1,017,558
VAT	(38,487)	(34,600)	(5,646)	(3,116)
	<b>3,083,559</b>	2,517,104	<b>1,114,878</b>	1,014,442
Less : Inter Group Sales	(35,991)	(18,964)	-	-
	<b>3,047,568</b>	2,498,140	<b>1,114,878</b>	1,014,442

## 22.2 Group Segmental Information

	Turnover		Profit From Operations		Net Assets	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
	Minerals	63,592	61,006	1,976	1,648	32,315
Latex Based	1,905,089	1,441,656	330,463	233,272	575,466	427,333
Hard Rubber	1,114,878	1,014,442	296,520	216,001	794,461	687,459
	<b>3,083,559</b>	2,517,104	<b>628,959</b>	450,921	<b>1,402,242</b>	1,145,628
Adjustments for Inter Group Transactions	(35,991)	(18,964)	(56,339)	(9,347)	(766,741)	(710,106)
	<b>3,047,568</b>	2,498,140	<b>572,620</b>	441,574	<b>635,501</b>	435,522

## 23 Other Operating Income

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Scrap Sales (23.1)	3,147	4,593	2,465	3,820
Reversal of provision for slow moving stocks	1,522	326	1,522	-
Profit on disposal of Property, Plant & Equipment	2,076	1,898	2,076	1,898
Reversal of impairment provision - Advances	-	1,186	-	682
Dividend Income	-	-	56,339	9,347
Unclaimed Payables Written Back	5,402	-	386	-
	<b>12,147</b>	8,003	<b>62,788</b>	15,747

## 23.1 Summary

Scrap Sales (Gross)	3,493	5,149	2,736	4,283
VAT	(346)	(556)	(271)	(463)
	<b>3,147</b>	4,593	<b>2,465</b>	3,820

**24 Profit from Operations**

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
is stated after Charging				
Depreciation	56,102	37,839	8,672	8,570
Directors' Remuneration and Fees	800	3,530	800	3,530
Auditors' Remuneration - Audit Fees	1,714	1,601	915	832
- Non-Audit Fees	589	468	589	468
<b>Personnel Costs includes</b>				
Defined Benefit Plan Costs - Gratuity	10,580	9,516	7,954	7,275
Other Staff Costs including EPF & ETF	342,576	257,660	151,189	129,315
Provision for Impairment - Trade Debtors	184	12,004	-	-
Provision for Impairment - Other Debtors	7,744	1,885	7,744	1,885
Provision for Impairment - Advances	17	5,709	-	5,659
Corporate Restructuring Expenses	60,000	60,000	-	-
Amortisation of Leasehold Land Prepayment	212	76	-	-

**25 Finance Income**

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest Income from non Related Parties	324	11,838	324	4,246
Interest income on Fixed Deposit	23,327	9,105	8,182	3,836
	23,651	20,942	8,506	8,081

**26 Finance Costs**

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Interest on long term loans - Related Party	-	-	-	-
- Others	4,944	6,947	4,263	5,864
	4,944	6,947	4,263	5,864
Interest on short term loans - Related Party	-	-	942	262
- Others	7,116	8,607	3,506	4,294
	7,116	8,607	4,448	4,557
	12,060	15,555	8,711	10,421

**27 Other Financial Items**

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Net foreign exchange transaction loss / (gain)	(37,925)	8,442	(12,941)	7,630

**Notes to the Financial Statements Contd.****28 Share of Profit of Associate**

The Group's share of the assets and liabilities as at 31st March 2016 and 2015, and income and expenses of the entity for the years ending 31st March 2016 and 2015, which is accounted under the equity method are as follows,

	<b>2016</b>	<b>2015</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Revenue	<b>545,698</b>	526,725
Profit before tax	<b>29,380</b>	16,518
Group's share of profit before tax	<b>14,376</b>	8,082
(-) Tax on associate results	<b>(2,219)</b>	(1,195)
Group's share of profit after tax	<b>12,157</b>	6,887
Total Other Comprehensive Income	<b>36,911</b>	6,664
Group's share of total Other Comprehensive Income	<b>18,061</b>	3,261

**Associate's Statement of Financial Position**

Current assets	<b>251,626</b>	277,649
Non-current assets	<b>305,546</b>	296,474
	<b>557,172</b>	574,123
Current liabilities	<b>(116,003)</b>	(194,181)
Non-current liabilities	<b>(42,962)</b>	(39,552)
	<b>(158,965)</b>	(233,733)

**29 Taxation**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Income tax on current year profits	<b>57,618</b>	41,567	<b>34,147</b>	26,532
(Over) / Under Provision in respect of previous year	<b>(1,334)</b>	787	<b>634</b>	783
Deferred Taxation charge / (Reversal) - Note 29.2	<b>23,259</b>	13,765	<b>90</b>	(667)
Dividend Tax paid by subsidiaries	<b>6,249</b>	1,036	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	<b>2,219</b>	1,195	-	-
	<b>88,011</b>	58,350	<b>34,871</b>	26,648

### 29.1 Super Gain Tax

As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30th October 2015, the Group is liable for Super Gain Tax of Rs. 61.068 Mn (including Share of Associate) and Rs. 29.457Mn for the Company. According to the Act, the Super Gain Tax shall be deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1st April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24th November 2015. Accordingly, expense of Super Gain Tax is recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity as at 1st April 2015.

### 29.2 Deferred Taxation Charge / (Reversal)

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Accelerated depreciation for tax purpose	12,092	6,395	(5)	(346)
Retirement benefit obligations	(85)	(576)	95	(321)
Un utilised tax losses	11,252	7,946	-	-
	23,259	13,765	90	(667)

### 30 Numerical Reconciliation Between Tax Expense / (Income) and the Product of Accounting Profit/ (Loss) Multiplied by the Applicable Tax Rates

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Profit / (Loss) before Tax from continuing operations	636,512	446,601	309,256	206,031
Add: Profit / (Loss) before Tax from discontinued operations	(110)	92	-	-
Less: (Profit) / Loss from Associate Company	(14,376)	(8,082)	-	-
	622,026	438,611	309,256	206,031
Tax at the applicable rates- 12% & 15%	81,504	53,813	37,111	24,724
Tax effect of net expenses not deductible for tax purpose	778	1,300	774	920
Tax effect of income not subject to tax	(6,800)	(1,156)	(6,800)	(1,156)
Tax effect of Profits taxed at higher rate	3,275	2,325	3,152	2,325
Over/ (Under) Provision of Tax - Current year	(5)	(1,070)	-	(1,068)
Under / (Over) Provision of tax - Previous year	791	907	634	903
Dividend Tax paid by subsidiaries	6,249	1,036	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	2,219	1,195	-	-
Taxation	88,011	58,350	34,871	26,648

**Notes to the Financial Statements Contd.****31 Discontinued Operations**

Arpico Natural Latexfoams (Pvt) Ltd had ceased its operations during the financial year 2006/2007. Therefore, this company has not been considered as going concern. Further, the results of this company has been presented separately in these Financial Statements in accordance with SLFRS 05 "Non Current Assets held for sale and Discontinued Operations".

The results of discontinued operation is given below :

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Operating Income (Unclaimed payables written back)	-	199
Expenses - Note 31.1	<b>(110)</b>	(107)
Profit / (Loss) from discontinued operations	<b>(110)</b>	92
Finance Cost	-	-
Profit / (Loss) before Tax from discontinued operations	<b>(110)</b>	92
Taxation	-	-
Profit / (Loss) for the year from discontinued operations	<b>(110)</b>	92
Attributable to		
Equity Holders of the Parent Company	<b>(75)</b>	63
Non Controlling Interest	<b>(35)</b>	29
	<b>(110)</b>	92
Earnings / (Loss) per Share - Basic	<b>(0.010)</b>	0.008

**31.1 - Expenses includes**

Auditors' Remuneration	<b>50</b>	45
Operating and Investing Cash Flow for the year are presented below :		
Net Cash Flows from Operating Activities	<b>(105)</b>	(3,172)
Net Cash Flows from Investing Activities	-	-

### 32 Earnings per Share

**32.1** Basic Earnings per Share is calculated by dividing the Profit / (Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

**32.2** The following reflects the income and shares data used in the basic Earnings per Share computation.

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
<b>Amount Used as the Numerator</b>				
Profit Attributable to Equityholders of the Parent from continuing Operations	364,131	267,613	274,385	179,383
Profit/(Loss) Attributable to Equityholders of the Parent from discontinuing Operations	(75)	63	-	-
Profit Attributable to Equityholders of the Parent	364,056	267,676	274,385	179,383
<b>Number of Ordinary Shares used as Denominator</b>				
Weighted Average number of Ordinary Shares in issue applicable to basic Earnings Per Share	'000	'000	'000	'000
	11,164	11,164	11,164	11,164
	Rs.	Rs.	Rs.	Rs.
Earnings Per Share	32.61	23.98	24.58	16.07
Earnings per Share from continuing operations	32.62	23.97	24.58	16.07

### 33 Dividend per Share

	Company	
	2016 Rs.'000	2015 Rs.'000
1st Interim dividend	139,547	71,448
2nd Interim dividend	-	44,655
	139,547	116,103
No. of Shares in issue in '000	11,164	11,164
Dividend per Share (Rs.)	12.50	10.40

#### 2015 / 2016

The interim dividend of Rs. 12.50 per share was declared on 24th February 2016 and was paid on 14th March 2016.

#### 2014 / 2015

1. The 1st interim dividend of Rs.6.40 per share was declared on 29th October 2014 and was paid on 18th November 2014.

2. The 2nd interim dividend of Rs.4.00 per share was declared on 31st March 2015 and was paid on 21st April 2015.

## Notes to the Financial Statements Contd.

### 34 Contingent Liabilities

There are no contingent liabilities as at 31st March 2016 except for the following :

Following a strike which the Company considered as unjustifiable, the services of 160 workers were terminated on 28th December 2007. Since negotiations failed, the matter has been referred to Arbitration by the Minister of Labour. Thereafter the Company has contested the appointment of the Arbitrator before the court of appeal and the Court of Appeal held in favour of the Company. Accordingly a new Arbitrator was appointed and the case is now being heard before him. The initial amount demanded by the Union on behalf of the workers is Rs. 136 Million, which demand the Company has rejected as it feels that its case is strong. Further, the lawyers of the Company are unable to predict the final outcome of this case at this stage, as it is the practice in any court case. But the Company is rigorously contesting it. Therefore, no provision has been made in the accounts.

#### 34.1 Contingent Liabilities of Subsidiaries and Associates

##### 34.1 (a) - Contingent Liabilities of Subsidiaries

The subsidiaries of the Group do not have any contingent liabilities as at the Reporting date.

##### 34.1 (b) - Contingent Liabilities of Associates

The Associate of the Group does not have any contingent liabilities as at the Reporting date.

### 35 Capital and Lease Commitments

The Capital Commitments for Property, Plant and Equipment incidental to the ordinary course of business as at 31.03.2016, approved by the board are as follows.

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Contracted but not provided for	24,544	-	-	-
	24,544	-	-	-

#### 35.1 - Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31.03.2016 are as follows,

Group	2016	2015	2016	2015
	Rs.'000	Rs.'000	USD	USD
Within one year	4,089	2,772	27,971	20,790
After one year but not more than five years	16,355	11,087	111,884	83,158
More than five years	249,966	196,021	1,709,991	1,470,194
	270,410	209,880	1,849,846	1,574,142

#### Note 36 Events Occurring after the Reporting Date

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in these Financial Statements.

### 37 Securities Given for Banking Facilities

Name of the Company	Lender	Facility	Nature of Security
37.1 Richard Pieris Exports PLC.	DFCC Bank	Term Loan	Primary Mortgage over an allotment of Land depicted as Lot A depicted in Plan No. 4803 dated 27th November 2011 made by K.V.M.W Samaranayake bearing Assessment No. 10 Raja Mawatha Ekala, Ja Ela and containing in extent A4 RO PO together with building and Fixed Machinery.
	Hatton National Bank PLC	Packing Credit Loan	Demand Promissory Notes for Rs. 60 Mn and Rs. 5.0 Mn.  Hypothecation of Stocks procured and receipt / confirmed export orders.
37.2 Richard Pieris Natural Foams Ltd.	Hongkong & Shanghai Banking Corporation	Export Bill Discount/ Overdraft	Letter of Awareness from Richard Pieris & Company PLC dated 26.04.1996.  Letter of Undertaking from Richard Pieris & Co PLC to support the company's indebtedness to the bank for USD 475,000.  Coporate guarantee dated 29th January 2013 for USD 450,000 from Kegalle Plantattions PLC together with supporting board resolution.
	Commercial Bank of Ceylon PLC	Term Loan Facility/ Overdraft	Negative Pledge dated 19.03.1996 executed over the Company's Stocks & Book Debts.  On demand Pro-note dated 25.03.1996 for USD 300,000/- executed by the Company.  General Terms & Conditions relating to Overdrafts for USD 250,000/- executed on 28.06.2012.  General Terms & Conditions relating to Loan for USD 250,000 executed on 28.06.2012  Lien over documents of title to goods under Export.  Bills purchase indemnity dated 27.09.2001

### 38 Related Party Transactions

#### 38.1 Transactions with Key Managerial Persons

38.1.1 Key Managerial Persons include members of the Board of Directors of the Company and its Subsidiary Companies.

38.1.2 Transactions with Key Managerial Persons and their close family members are given below.

As at 31 March	Group		Company	
	2016 Rs. Mn.	2015 Rs. Mn.	2016 Rs. Mn.	2015 Rs. Mn.
Remuneration to Key Managerial Persons	0.8	3.53	0.8	3.53

**38.2 Transactions with related parties by the Company**

Name of the Related Party	2015/2016			2014/2015		
	Sales	Purchases	Services	Sales	Purchases	Services
Richard Pieris & Co. PLC	-	-	<b>18,225,229</b>	-	-	10,861,085
Richard Pieris Natural Foams Ltd	<b>53,440</b>	<b>15,452,020</b>	-	21,094	-	-
Arpitalian Compact Soles (Pvt) Ltd	-	<b>416,474</b>	-	-	-	-
Micro Minerals (Pvt) Ltd	-	<b>20,485,594</b>	-	18,942,724	-	-
Richard Pieris Distributors Ltd	<b>19,853,559</b>	<b>288,704</b>	-	14,751,205	454,829	-
Richard Pieris Rubber Products Ltd	<b>2,571,579</b>	<b>980,573</b>	-	6,178,640	610,938	-
Richard Pieris Rubber Compounds Ltd	-	<b>7,425,574</b>	-	-	6,846,323	-
Arpico Interiors (Pvt) Ltd	<b>4,690,624</b>	<b>247,961</b>	-	3,446,509	-	-
Kegalle Plantations PLC	-	<b>137,450,535</b>	-	-	151,622,399	-
RPC Logistics Ltd	-	-	<b>14,031,112</b>	-	-	12,762,562
Arpidag International (Pvt) Ltd	-	-	-	3,907	-	-
Asian Alliance Insurance PLC	-	-	<b>166,000</b>	-	-	278,072
Arpitech (Pvt) Ltd	<b>27,818</b>	<b>93,636</b>	-	263,285	170,589	-
Arpico Insurance Ltd	-	-	<b>1,836,818</b>	-	-	1,846,638
Maskeliya Tea Gardens (Ceylon) Ltd	-	<b>525,430</b>	-	-	450,396	-
RPC Polymers (Pvt) Ltd	-	-	-	-	453,605	-
Namunukula Plantations PLC	-	<b>183,750</b>	-	-	-	-

**38.3 Transactions with related parties by the subsidiaries of the Group**

Name of the Related Party	2015/2016			2014/2015		
	Sales	Purchases	Services	Sales	Purchases	Services
Richard Pieris & Co. PLC	-	-	<b>5,298,544</b>	-	-	65,723,365
Arpitalian Compact Soles (Pvt) Ltd	<b>8,571,172</b>	-	-	6,835,986	-	-
Richard Pieris Distributors Ltd	<b>115,056,688</b>	<b>539,113</b>	-	90,033,397	684,315	-
Richard Pieris Rubber Products Ltd	<b>3,544,920</b>	<b>204,373</b>	-	3,696,167	31,930	-
Kegalle Plantations PLC	-	<b>429,028,851</b>	-	-	466,823,077	-
RPC Logistics Ltd	-	-	<b>45,866,393</b>	-	-	39,871,655
Arpitech (Pvt) Ltd	<b>31,955,658</b>	<b>3,796,061</b>	-	10,255,762	4,510,508	-
Richard Pieris Tyre Company Ltd	-	<b>10,983,707</b>	-	34,286	6,315,911	-
Arpico Insurance Ltd	-	-	<b>1,275,450</b>	-	-	1,010,381
Asian Alliance Insurance PLC	-	-	-	-	-	541,471
Richard Pieris Rubber Compounds Ltd	<b>271,837</b>	-	-	205,102	-	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	-	-	-	76,925	-
RPC Construction (Pvt) Ltd	-	-	-	-	-	56,385,577

**38.4 Terms and Conditions**

Transactions with related parties are carried out in the ordinary course of business. Outstanding balances at the year end are unsecured and net settlement occurs in cash. The amounts due from / due to related Companies are disclosed in Notes 9, 11, 19 & 21 to the Financial Statements.

## 38.5 Some of the Directors of the Company are also Directors of the following Companies

Name of the Directors	Richard Pieris & Co PLC	Richard Pieris Natural Foams Ltd	Arptalian Compact Soles (Pvt) Ltd	Micro Minerals (Pvt) Ltd	Richard Pieris Distributors Ltd	Richard Pieris Rubber Products Ltd	Richard Pieris Rubber Compounds Ltd	Arpico Interiors (Pvt) Ltd	Kegalle Plantations PLC	RPC Logistics Ltd	Arpdiag International (Pvt) Ltd	Richard Pieris Tyre Co. Ltd	Richard Pieris Group Services (Pvt) Ltd	Arpico Natural Latex Foams (Pvt) Ltd	Arptech (Pvt) Ltd	Maskeliya Plantations PLC	Maskeliya Tea Gardens (Ceylon) Ltd	RPC Polymers (Pvt) Ltd	Asian Alliance Insurance PLC	Arpico Insurance Ltd	Namunukula Plantations PLC
Dr. Sena Yaddēhige	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Shaminda Yaddēhige	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
J.H.P. Ratnayake (Resigned w.e.f 12.01.2016)	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Sunil S G Liyanage	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
W.R.Abeysirigunawardena	-	-	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
W.J.V.P. Perera	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Kumar Abeysinghe (Deceased on 28.05.2015)	-	-	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

x - Indicates director of the relevant Company.

## Notes to the Financial Statements Contd.

### 39 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities comprise loans & borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Group's operations.

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

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

#### Market Risk

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

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

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

within acceptable parameters, while optimizing 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 & the policy rates, market liquidity, reforms in fiscal policies, imposition of possible credit ceilings on lending, average deposit rates, cost of utilizing funds etc are considered to be main determining factors on the quoted interest rates for short term & 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.

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

- Based on the studies & research on interest rate risk, the treasury division advises and takes appropriate measures to capitalize on the interest rate movements to be beneficial to the group profitability. 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 turnover of the group.
- Using fixed and variable rate borrowings to strike a balance.
- Centralized Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms.

- Practicing effective hedging techniques as and when required.
- Centralized Treasury function to get the advantage of the total pooling of funds.

#### Foreign Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings of the Group, primarily in US Dollars (USD), and also in EURO 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 & options when it is deemed necessary.

#### Foreign Currency Sensitivity

It is anticipated rupee to depreciate by 3% to 5% per annum on average. The imported materials are mainly billed in USD, EURO, SGD GBP & 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 payments 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 rubber etc in the auctions would trigger greater uncertainty in the contribution towards group turnover. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors have developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

#### Credit Risk

Credit risk is the risk that counterparty 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 deposits with banks and financial institutions, 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 & recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with monthly provisioning

to smooth out the irrecoverable debtor balances across the period.

The following table shows the credit quality of the financial instruments by class of financial assets.

As at 31st March 2016	Neither past due nor impaired Rs. '000	Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
<b>Assets</b>				
Trade & Other Receivables	532,514	38,566	33,840	604,920
Short Term Investment	312,653	-	-	312,653
Amounts due from Related Parties	58,547	-	-	58,547
Cash and Bank Balances	288,129	-	-	288,129
	1,191,843	38,566	33,840	1,264,249

#### 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.

**Notes to the Financial Statements Contd.**

The maturity analysis of the Group's Financial Liabilities are given below.

	Note	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
<b>Year ended 31st March 2016</b>						
Interest bearing Loans and Borrowings	16	327,420	128,544	28,503	15,836	500,303
Trade and Other Payables	7.2 / 19	70,402	202,213	-	-	272,615
Amounts due to Related Companies	7.3 / 21	359,157	-	-	-	359,157
		756,979	330,757	28,503	15,836	1,132,075

	Note	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
<b>Year ended 31st March 2015</b>						
Interest bearing Loans and Borrowings	16	103,327	112,997	31,003	57,979	305,306
Trade and Other Payables	7.2 / 19	115,057	167,831	-	-	282,888
Amounts due to Related Companies	7.3 / 21	416,482	-	-	-	416,482
		634,866	280,828	31,003	57,979	1,004,676

## Statements of Value Added

Group	2015/2016	2014/2015
Value Added :	Rs.000	Rs.000
Gross Turnover	3,122,046	2,551,704
Less: Inter Group Sales	(35,991)	(18,964)
	<b>3,086,055</b>	2,532,740
Cost of Material and Service Purchased	<b>(2,016,332)</b>	(1,748,104)
	<b>1,069,723</b>	784,636
Other Income	12,493	8,559
Finance Income	23,651	20,942
Share of Profit/(Loss) of Associate	14,376	8,082
<b>Total Value Added</b>	<b>1,120,243</b>	822,219
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	350,968	277,103
To the Government as Taxation	126,030	96,105
To Shareholders as Dividend	139,547	116,103
To Lenders of Capital		
- As Interest on Borrowing	12,060	15,555
- To Minority Interest	184,399	119,392
Retained within the Business		
- As Depreciation & Impairment of Property Plant & Equipment	56,102	37,839
- As Deferred Tax	23,952	12,901
- As Foreign Currency Translation	(17,083)	(3,265)
- As Profits Retained	244,268	150,486
	<b>1,120,243</b>	822,219
<b>Company</b>		
<b>Value Added :</b>		
Turnover	1,120,524	1,017,558
Cost of Material and Service Purchased	<b>(689,937)</b>	(664,487)
	<b>430,587</b>	353,071
Other Income	63,059	16,210
Finance Income	8,506	8,081
<b>Total Value Added</b>	<b>502,152</b>	377,362
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	158,101	143,938
To the Government as Taxation	50,351	39,535
To Shareholders as Dividend	139,547	116,103
To Lenders of Capital		
- As Interest on Borrowing	8,711	10,421
- To Minority Interest	-	-
Retained within the Business		
- As Depreciation	8,672	8,570
- As Deferred Tax	311	(1,125)
- As Profits Retained	136,459	59,920
	<b>502,152</b>	377,362

## Corporate Structure

### Subsidiary Companies

#### RICHARD PIERIS NATURAL FOAMS LIMITED

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Paul Ratnayeke	Director (Resigned w.e.f 12th January 2016)
Shaminda Yaddehige	Director
Sunil Poholiyadde	Director
Stated Capital	Rs. 640,822,600 Represented by 64,082,260 shares
Group Holding	43%

#### MICRO MINERALS (PRIVATE) LIMITED

Business Activity	Manufacture of rubber fillers
Dr. Sena Yaddehige	Chairman
Wasantha Abeysirigunawardene	Director
B L P Jayawardana	Director
Stated Capital	Rs. 9,126,000 Represented by 912,600 shares
Group Holding	68.75%

#### ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
Viville Perera	Director
Stated Capital	Rs. 90,000,000 Represented by 9,000,000 shares
Group Holding	68%

### Associate Company

#### ARPITALIAN COMPACT SOLES (PRIVATE) LIMITED

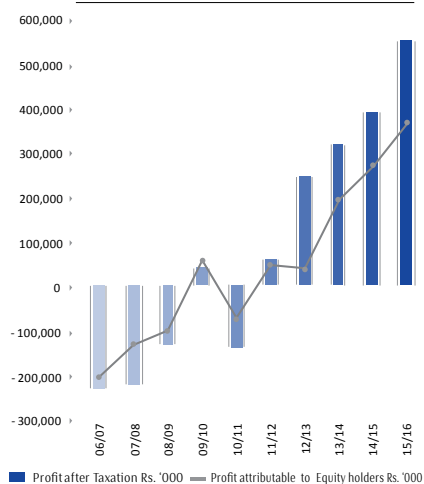
Business Activity	Manufacture and export of resin rubber shoe soling sheets
Dr. Sena Yaddehige	Chairman
Fabio Piccolo	Director
Lino Piccolo	Director
Paul Ratnayeke	Director
Wasantha Abeysirigunawardene	Director (Appointed w.e.f 28th January 2016)
Stated Capital	Rs. 542,371,659 Represented by 60,471,501 ordinary shares and 6,404,500 preferential shares.
Group Holding	48.93%

## Group Real Estate Portfolio

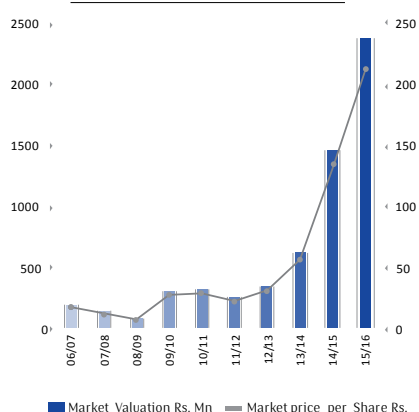
	Location	Land Perches	Building in Sq.Ft.	Market Value in Rs. mn
<b>Freehold Land and Buildings</b>				
• Richard Pieris Exports PLC	Ja- Ela	640	73,190	206
• Micro Minerals (Pvt) Ltd	Bandaragama	320	16,800	36
<b>Leasehold Land and Building</b>				
• Richard Pieris Natural Foams Ltd	Biyagama	1,055	92,940	
• Arpitalian Compact Soles (Pvt) Ltd	Biyagama	655	36,884	

## Ten Year Summary

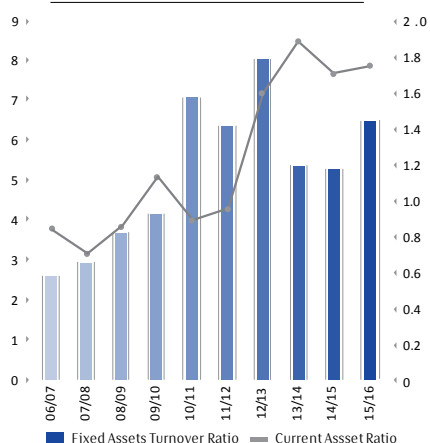
Profit after Taxation vs Profit attributable to Equity holders



Market Valuation vs Market price per Share



Current Asset Ratio Vs Fixed Assets Turnover Ratio



	2015/16	2014/15	2013/14	2012/13
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

### Income Statement

Turnover	3,047,568	2,498,140	2,393,765	2,303,135
Profit before taxation	636,512	446,601	312,104	273,457
Taxation	(88,011)	(58,350)	3,836	(29,398)
Profit after taxation	548,501	388,251	315,911	244,059
Minority Interest	(184,335)	(120,667)	(123,160)	(103,296)
Profit attributable to shareholders	364,056	267,677	192,751	140,722

### Balance Sheets:

#### Capital and Reserves

Stated Capital	220,262	220,262	220,262	220,262
Revenue Reserve	352,459	169,563	22,342	(74,032)
Shareholders' Funds	635,501	435,522	285,036	146,230
Minority Interest	467,224	382,298	276,507	153,288
Capital Employed	1,102,725	817,820	561,543	299,518

### Assets Employed

Assets of Discontinued operations	210	315	3,487	3,527
Current Assets	1,606,196	1,267,571	1,043,601	793,684
Liabilities of Discontinued operations	(226,850)	(226,845)	(230,119)	(230,119)
Current Liabilities	(921,856)	(742,886)	(556,231)	(501,002)
Working Capital	457,700	298,156	260,738	66,090
Intangible Assets	-	-	-	-
Leasehold Land Prepayments	12,363	6,007	4,633	4,692
Property, Plant & Equipment	472,628	474,162	282,054	287,395
Long Term Loans	(15,836)	(57,979)	(97,379)	(133,870)
Deferred Liabilities	(60,151)	(61,258)	(51,194)	(43,411)
Investments	235,784	135,213	125,065	118,622
Total Assets less Liabilities	1,102,725	817,820	561,543	299,518

### Financial Ratios

#### Profitability

Earnings per Share (Rs.)	32.61	23.98	17.27	12.61
Net profit/(Loss) before Minority Int. to sales (%)	17.99	15.55	13.19	10.59

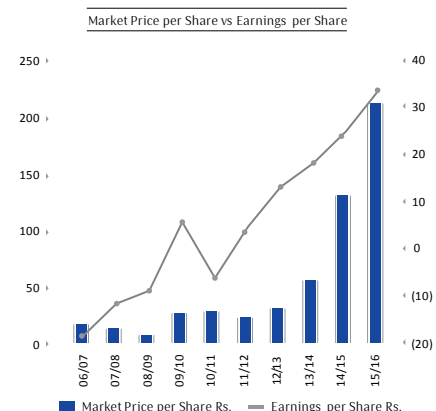
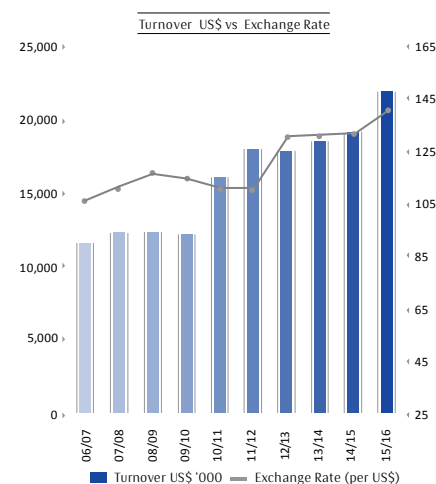
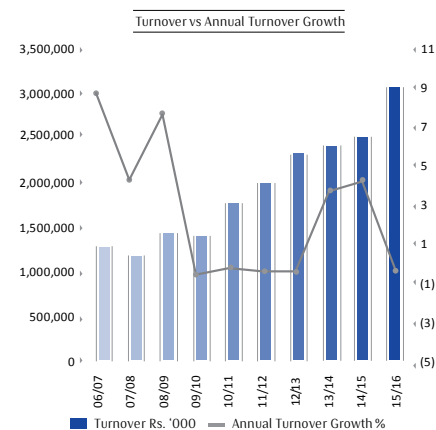
#### Dividends

Dividend (Rs.)	139,547	116,103	57,493	-
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#### Others

Market Price per Share (Rs.)	211.20	130.30	55.10	30.00
Price Earnings Ratio (times)	6.48	5.43	3.19	2.43
Net Asset per Share (Rs.)	56.92	39.01	25.53	13.10
Annual sales growth (%)	22	4.36	3.93	0.17
Current Ratio (times)	1.74	1.71	1.88	1.59
Fixed Assets Turnover Ratio (times)	6.45	5.27	5.33	8.01
Average Exchange Rate (per US\$)	139.81	131.21	130.51	129.95
Turnover (US\$ '0 00)	21,799	19,039	18,342	17,723

2011/2012	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
1,967,145	1,754,323	1,379,529	1,410,757	1,311,833	1,256,595
69,091	(131,911)	52,710	(118,273)	(216,959)	(230,273)
(11,235)	72	(8,019)	(14,912)	(5,056)	(2,216)
57,856	(139,377)	41,420	(133,185)	(222,015)	(232,489)
(10,147)	66,875	15,570	32,700	90,768	29,125
47,567	(72,502)	56,990	(100,485)	(131,247)	(203,364)
220,262	220,262	220,262	220,262	220,262	220,262
(211,201)	(272,237)	(270,370)	(337,384)	(238,606)	(107,359)
9,061	(51,975)	(50,108)	(117,122)	(18,344)	112,903
49,697	39,630	88,159	4,189	37,196	3,000
58,758	(12,345)	38,051	(112,933)	18,852	115,903
3,610	3,917	9,877	96,372	-	-
819,992	902,225	800,848	764,679	880,594	1,082,139
(230,160)	(230,325)	(228,929)	(312,383)	-	-
(865,766)	(1,011,524)	(706,347)	(889,241)	(1,256,283)	(1,314,095)
(272,324)	(335,707)	(124,551)	(340,573)	(375,689)	(231,956)
-	-	-	-	-	-
4,751	4,810	4,869	4,928	11,833	12,124
309,624	316,321	335,781	386,912	450,447	482,160
-	(21,264)	(150,249)	(138,046)	(68,313)	(203,550)
(36,044)	(33,091)	(27,798)	(26,554)	(26,806)	(37,439)
52,751	56,586	-	400	27,380	94,564
58,758	(12,345)	38,051	(112,933)	18,852	115,903
4.27	(6.49)	5.10	(9.00)	(11.76)	(18.21)
2.93	(7.94)	3.00	(9.44)	(16.92)	(18.50)
-	-	11,164	-	-	-
22.00	28.00	26.50	6.75	12.00	17.00
5.16	(4.31)	5.20	(0.75)	(1.02)	(0.93)
0.81	(4.66)	(4.48)	(10.49)	(1.64)	10.11
0.12	0.27	(0.02)	7.50	4.40	8.50
0.95	0.89	1.13	0.86	0.70	0.83
6.35	7.04	4.11	3.65	2.91	2.60
110.39	110.39	114.03	115.75	110.70	105.62
17,820	15,892	12,098	12,188	12,175	11,502



## Shareholder Information

### 1 General

Stated Capital	Rs. 220,262,000
No of Shares Issued as at 31.03.2016	Nos 11,163,745

### 2 Stock Exchange Listing

The issued ordinary shares of Richard Pieris Exports PLC are listed on the Colombo stock Exchange. The audited income statement for the year ended 31st March 2016 and the audited Balance sheet of the company and the group as at that date have been submitted to Colombo Stock Exchange within two months of the Balance sheet date.

### 3 Date of Listing

The Company was listed on 11th October 1993.

### 4 Share Trading

	2015/16	2014/15	Increased by	%
No of transactions	6,361	5,874	487	8%
No of shares traded	2,970,412	3,892,476	(922,064)	-24%
Share turnover (Rs.)	698,623,783	460,621,316	238,002,467	52%

### 5 Market Capitalization

The Market capitalization of the Company which is the number of Ordinary Shares issued multiplied by the market value of a share was Rs.2,357,782,944 (11,163,745 x211.20) at 31st March 2016 ( As at 31st March 2015:Rs 1,455mn).

### 6 Market Value of Shares

	2015/16	Date	2014/15	Date
Highest Price (Rs.)	329.90	23.10.2015	173.90	06.01.2015
Lowest Price (Rs.)	131.00	01.04.2015	129.50	10.03.2015
Year end Price (Rs.)	211.20	31.03.2016	130.30	31.03.2015

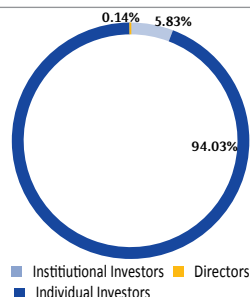
### 7 Distribution of Shareholders

Range of Shareholding	As at 31/03/2016			As at 31/03/2015		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
1 - 500	1228	136,650	1.22%	1179	138,347	1.24%
501 - 5,000	236	419,343	3.76%	205	359,112	3.22%
5,001 - 10,000	25	169,835	1.52%	25	179,373	1.61%
10,001 - 20,000	17	232,348	2.08%	14	186,766	1.67%
20,001 - 30,000	7	176,854	1.58%	8	200,585	1.80%
30,001 - 40,000	3	108,583	0.97%	4	131,029	1.17%
40,001 - 50,000	2	91,572	0.82%	4	176,171	1.58%
50,001 - 100,000	5	289,182	2.59%	3	188,326	1.69%
100,001 - 1,000,000	2	579,381	5.19%	3	644,039	5.77%
1000,001 & above	1	8,959,997	80.26%	1	8,959,997	80.26%
<b>Total</b>	<b>1526</b>	<b>11,163,745</b>	<b>100.00%</b>	<b>1446</b>	<b>11,163,745</b>	<b>100.00%</b>

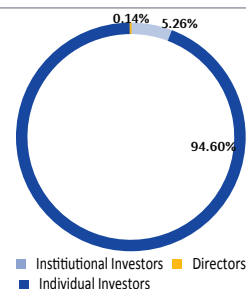
## 8 Composition of Shareholding

Category	2016			2015		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
Institutional Investors	89	9,930,018	88.95%	76	9,860,184	88.32%
Individual Investors	1435	1,233,424	11.04%	1368	1,303,258	11.67%
Directors	2	303	0.00%	2	303	0.00%
<b>Total</b>	<b>1526</b>	<b>11,163,745</b>	<b>100.00%</b>	<b>1446</b>	<b>11,163,745</b>	<b>100.00%</b>

Composition of Shareholders -2016



Composition of Shareholders -2015



## 9 Major Shareholders

As at 31st March	2016		2015		Change
	No of Shares	Holding %	No of Shares	Holding %	
1 Richard Pieris & Company Plc.	8,959,997	80.26%	8,959,997	80.26%	-
2 T R L Holdings(Pvt) Ltd	365,000	3.27%	275,977	2.47%	89,023
3 Mr. Astrue Alpha	214,381	1.92%			214,381
4 Mr. M.M.Fuad	63,909	0.57%	62,001	0.56%	1,908
5 Mr. P.Vijendran	59,477	0.53%			59,477
6 Mr. T.T.T.AL Nakib	59,000	0.53%			59,000
7 Kalday Private Limited	53,399	0.48%	53,399	0.48%	-
8 Mr.K.A.S.R.Nissanka	53,397	0.48%			53,397
9 Mr. A.A.A.Noorudin	50,000	0.45%			50,000
10 Ransiri Enterprises ( Pvt ) Ltd	41,572	0.37%	41,572	0.37%	-
11 Mr.R.A.Rishard	39,216	0.35%			39,216
12 Mr. Sithampalam	35,000	0.31%			35,000
13 Mrs M Y Amerasinghe	34,367	0.31%			34,367
14 Corporate Holdings (Pvt) Ltd	30,000	0.27%	30,000	0.27%	-
15 Union Investments (Pvt) Ltd	27,800	0.25%	27,800	0.25%	-
16 Mr.A.S.Weerasinghe	26,000	0.23%			26,000
17 Mr. M.S.P.Fernando	25,008	0.22%			25,008
18 Mr. N.A.Withana	25,000	0.22%	25,000	0.22%	-
19 Mr. W.M.H.B.Senevi	22,114	0.20%			22,114
20 Mr.H.A. Pieris	20,932	0.19%	30,932	0.28%	(10,000)
21 Mr.K.M.M.Jabir	17,681	0.16%			17,681
22 Mr.W.P.Gunasena	17,240	0.15%			17,240
23 Hi -Line Towers (Pvt) Ltd	17,199	0.15%	17,250	0.15%	(51)
24 Mr.M.H.M.Anees	16,644	0.15%			16,644
25 Mr.A.Cader	15,224	0.14%			15,224
<b>Total</b>	<b>10,289,557</b>	<b>92.17%</b>	<b>9,523,928</b>	<b>85.31%</b>	<b>765,629</b>

**Shareholder Information Contd.****10 Public & Parent Shareholding**

As at 31st March 2016, the public held 19.74% (2015 : 19.74%) of the share capital of the company. The shareholding of the parent company, Richard Pieris & company Plc, was 80.26%. (2015-80.26%)

**11 Directors Shareholding**

<b>As at 31st March Name Of the Director</b>	<b>2016 No of Shares</b>	<b>2015 No of Shares</b>
Dr. Sena Yaddehige	-	-
Mr. Saminda Yaddehige	-	-
Mr.Paul .Ratnayeke	-	-
Mr. Sunil Liyanage	<b>203</b>	203
Mr. Viville Perera	<b>100</b>	100
Mr. Wasantha Abeysirigunawardena	-	-
Dr.Keerthi Tillekeratne	-	-
Mr. Angelo Patrick	-	-

## 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.

#### Annual Sales Growth

Percentage change over previous year's gross turnover.

#### Average Capital Employed

Mean of two consecutive year's capital employed.

### C

#### Capital Employed

Shareholders' funds plus minority interest plus long term interest bearing loans & borrowings.

#### Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

#### Current Ratio

Current assets divided by current liabilities. A measure of short term liquidity.

#### Corporate Governance

A system by which companies are directed and controlled by the management in the best interest of the stakeholders ensuring greater transparency through better and timely financial reporting.

### D

#### Deferred Taxation

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

#### Debt to Equity Ratio

Total interest bearing borrowings as a percentage of net assets.

#### 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 issued at the year end.

#### Dividend Rate

Gross Dividend declared as a percentage of issued Share Capital.

#### 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)

Profit 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 and 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 and tax (PBIT) over net finance cost. Measure of entity's debt service ability.

### M

#### Market Capitalization

Number of shares in issue multiplied by the market value per share at the reported date.

### N

#### Net Assets

Total assets after deducting current liabilities, long term liabilities and non-controlling interest.

#### Net Asset 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 Earning per share as reported at that date. A key multiple for relative share valuation.

#### Public Shareholding

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

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

## Glossary of Financial Terms Contd.

### R

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

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

#### **Revenue Reserves**

Reserves considered as being available for the distribution and investments.

#### **Related parties**

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

#### **Return on Equity**

Profit after tax expressed as a percentage of average ordinary shareholders' fund for the period.

### S

#### **Segment**

Constituent business units grouped in terms of the nature and similarity of operations.

#### **Shareholders' Funds**

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 for financing the day-to-day operations computed as the excess of current assets over current liabilities.





## Form of Proxy

I/We\* (in block letters) .....of .....  
 ..... being a member/members of the RICHARD PIERIS EXPORTS PLC, hereby appoint .....  
 .....of .....

whom failing DR. SENA YADDEHIGE whom failing SHAMINDA YADDEHIGE whom failing SUNIL SHANTHA GOTABHAYA LIYANAGE whom failing WARNAKULAPATABENDIGE JOSEPH VIVILLE PRAXIDUS PERERA whom failing WASANTHA RUKMAL ABEYSIRIGUNAWARDENA whom failing DR. LIYANAARACHCHIGE MAHASEN KEERTHI TILLEKERATNE whom failing ANGELO MAHARAJAH PATRICK \* as my/our proxy to represent me/us and to vote on my/our behalf at the 33rd ANNUAL GENERAL MEETING of the Company to be held on 30th June 2016 and any adjournment thereof, and at every poll which may be taken in consequence thereof to vote:-

	In favour	Against
1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st March 2016 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. Sena Yaddhige at this Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Viville Perera, who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re- elect Dr. L M K Tillekeratne , who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint M/s Kreston M N S & Company, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
7. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2016

.....  
 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.

## Instructions as to Completion of Proxy Form

The instrument appointing a proxy shall in the case of an individual be signed by the appointor or by his/her attorney.

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.

In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office for registration, if such Power of Attorney has not already been registered with the Company.

The full name and address of the proxy and of the shareholder appointing the proxy should be entered legibly in the Form of Proxy.

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.

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 3.00 p. m. on Tuesday, 28th June 2016.

## Corporate Information

### Name of the Company

- Richard Pieris Exports PLC

### Legal Form

- A quoted limited liability Public Company, incorporated in Sri Lanka under the Companies Act No. 17 of 1982 on 30th June, 1983.

### Principal line of Business

- Manufacture and Export of rubber based products and manufacture of fillers for the rubber industry.

### Stock Exchange Listing

- The Ordinary shares of the Company were listed in the Colombo Stock Exchange of Sri Lanka.

### Board of Directors

- Dr. Sena Yaddehige – Chairman
- Mr. Shaminda Yaddehige
- Mr. J H P Ratnayake
- Mr. S S G Liyanage
- Mr. Viville P Perera
- Mr. W R Abeyirigunawardena
- Dr. L.M.K.Tillekeratne
- Mr. A.M. Patrick

### Registered Office

- No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.  
Telephone. +94 114 310500  
E-mail: rpe@arpico.com  
Web: www.arpicorubber.com

### Registration Number

- Re-registration Number of Company PQ 147

### Stated Capital

- Rs. 220,262,000. Represented by 11,163,745 shares

### Parent Company

- Richard Pieris and Company PLC (80.26%)

### Secretaries

- Richard Pieris Group Services (Private) Limited  
No. 310, High Level Road, Nawinna, Maharagama, Sri Lanka.  
Telephone. +94 114 310500

### Auditors

- M/s Kreston MNS & Co. Chartered Accountants  
50/2, Sir James Pieris Mawatha, Colombo 02. Sri Lanka.

### Legal Advisors

- M/s Paul Ratnayake Associates International Legal Consultants, Solicitors and Attorneys-at-Law  
No.59, Gregory's Road, Colombo 07. Sri Lanka .

### Bankers

- Hongkong & Shanghai Banking Corporation PLC.
- Hatton National Bank PLC.
- DFCC Bank PLC.
- Sampath Bank PLC
- NDB Bank PLC
- Bank of Ceylon PLC



