



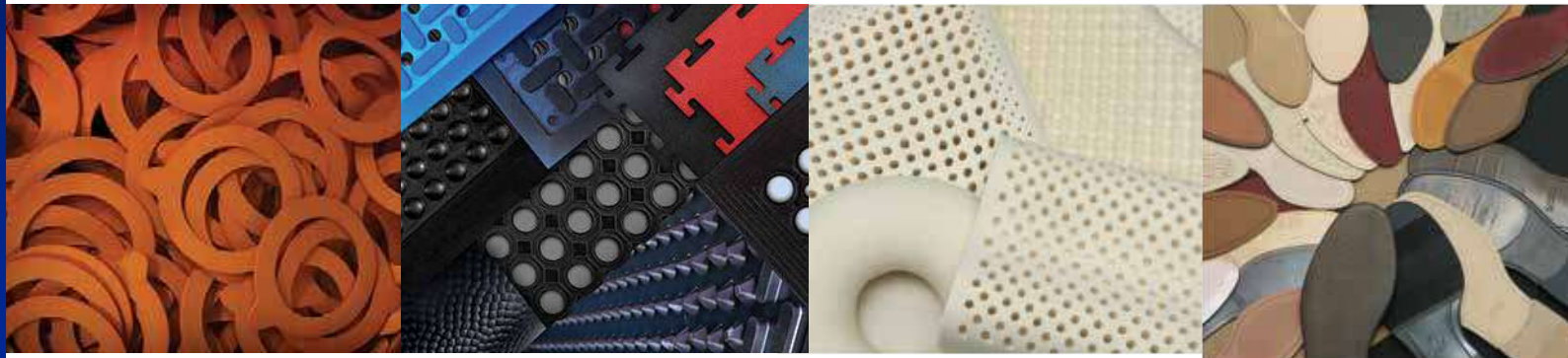


# PINNACLE OF EXCELLENCE

RICHARD PIERIS EXPORTS PLC  
2016/2017 ANNUAL REPORT



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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.





# PINNACLE OF EXCELLENCE

A 'pinnacle' is described as "the highest or culminating point" - as of success. For a mountaineer, reaching the summit of a forbidding mountain after an exhilarating journey, beset with trial and tribulations, is truly liberating. The realization that sheer your hard work, dynamism and courage of conviction have helped you scale a summit is immensely empowering.

When you look down from the summit, you can see the seemingly impossible hurdles you have crossed, but even though you have climbed the summit of achievement, you remain thirsty for the next challenge. The RPE Group is akin to that fearless mountaineer who has reached the pinnacle of financial and operational excellence this financial year. Restless for

the next challenge, we will not rest on our laurels but are already gauging the distance to the next summit. After all, being placed at the forefront of the industry and exporter community, we are competing against ourselves, setting ourselves the challenge to deliver an even stronger sustainable performance in the days ahead.

# MOST OUTSTANDING EXPORTER OF THE YEAR 2016



Most Outstanding Exporter of the Year 2016



Most Outstanding Exporter Agriculture Value Added Sector



Gold Award Rubber Product Sub Sector Extra Large Category 2016



Silver Award Agricultural Value Added Exporter in Sri Lanka 2016



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



Most Outstanding Exporter of the year



Most Outstanding Exporter Agriculture Value Added Sector was won by Richard Pieris Natural Foams Ltd.



Gold Award for Rubber Product Sub Sector in the Extra large business category was won by Richard Pieris Natural Foams Limited.

# PINNACLE OF EXCELLENCE



Year 2016 was won by Richard Pieris Natural Foams Ltd.



The Silver Award For Agricultural Value Added Exporter, In The Large Business Category Was Won By Richard Pieris Exports Plc.



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



# CONTINUATION OF OUR JOURNEY

Richard Pieris Exports PLC enjoys a rich history of exceptional achievements which contribute to enhance the quality of life of our customers spread across the world. During its 34 years of successful operations, it has become one of Richard Pieris & Company PLC's most valuable companies.

## 1983

Richard Pieris Exports PLC commenced operations with a modest share capital of Rs 75,000 in this year, succeeded in achieving remarkable growth and market stability to become a holding Company with two subsidiaries and one Associate company. The company has its roots in humble beginnings, operating from small factory in a leased building in Ratmalana. The presses were fabricated in Hong Kong by a roadside supplier whose quality matched our costs and requirements. The initial range included entrance mats, mats for work stations, gymnasiums, and food service sector. In time, RPE started exporting a few designs of large ring mats to Europe and USA in 1984. Today, it has become the pioneer in manufacturing numerous specialty fire retardant mats, electrical resistive mats and special soft mats for stables and dairy farms.

## 1986

The company achieved the pinnacle of excellence this year, adding food jar sealing rings for the European market in another pioneering effort this year. This product, made to food grade quality standards, is very popular in its export markets of Germany and France. 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, as the company conforms to the frequent product standard upgrades effected by German regulatory authorities.

## 1994

The introduction of the Latex foam products to the international markets from Sri Lanka too was carried out by the RPE subsidiary Richard Pieris Natural Foams

Ltd, in this watershed year. The company also reflected corporate stewardship by adopting recycling of waste generated at its factory, so as not to release waste materials into the environment. RPE's concern for environmental 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 was again a first for Sri Lanka and improved the consistency and the quality of the compounds.

## 1997

The use of crutches to overcome difficulties in mobility dates back to prehistoric times, according to hieroglyphics from ancient Egypt. RPE added to its pioneering tally when it started exporting crutch-tips in this year, which is a vital part of the product to provide comfort and anti-skid facility. RPE went on to become the exclusive supplier of crutch tips to a world leading manufacturer, Kowsky, from Sweden.

## 1999

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

## 2015

A major milestone for RPE was achieved this year when RPNF commissioned the world's first natural latex continuous sheeting plant at Biyagama FTZ. This was considered a huge breakthrough for the Latex foam industry. During its journey, RPE has remained close to their customers achieving consistent growth, resulting from its ability to create successful strategies to satisfy the needs of a group of discerning customers in international markets.

In the year 2015/2016, RPE won several prestigious awards at the National Chamber of Exporters of Sri Lanka' Annual Export Awards.

The Gold Award for Agricultural Value Added Exporter, in the large business category, was bestowed on Richard Pieris Natural Foams Limited for 2015/16.

The Silver Award, Agricultural Value Added Exporter in the same category was won by Richard Pieris Exports PLC for 2015/16.

The Bronze Award for Chemical Based Products Value Added Exporter in the large business category was awarded to Arpitalian Compact Soles (Pvt) Limited in 2015/16.

RPE was awarded the Certificate of Compliance for its 2015 Annual Report .

## 2016

RPE achieved the highest ever profitability this year, delivering an exceptional dividend payout to shareholders. Production capabilities at RPNF were upgraded with a capital infusion to enhance technology and establish a continuous pillow line to cater to rising demand.

Companies in the RPE Group won several prestigious awards at the National Chamber of Exporters of Sri Lanka' Annual Export Awards. Richard Pieris Natural Foams Ltd (RPNF) was awarded as "Most Outstanding Exporter of the Year 2016" at the NCE award ceremony. This is biggest achievement in the history of the company. It was also bestowed with "Most Outstanding Exporter - Agriculture Value Added Sector" & Gold Award - Rubber Product Sub Sector - Extra Large Category @ Export Award Ceremony. The company went on to obtain both "ISO 9001 & ISO 14001" certificates.



Richard Pieris Exports PLC (RPE) was awarded the Silver Award for Agricultural Value Added Exporter in Sri Lanka Year 2016 at the same awards function.

Arpitalian Compact Soles ( Pvt) Limited (ACSL) was further awarded with a Silver Award for Chemical based products Value added Exporter in Sri Lanka Year - 2016 on the same occasion.

RPE was awarded the Certificate of Compliance for its 2016 Annual Report.

**“Richard Pieris Natural Foams Ltd was awarded as  
“Most Outstanding Exporter of the Year 2016”  
at the NCE award ceremony. This is  
biggest achievement in the history  
of the company.”**



## FINANCIAL HIGHLIGHTS

**"Group recorded a Revenue of Rs.3,818 Million, and Gross Profit of Rs. 1,287 Million, while the Group Profit was Rs. 727 Million"**

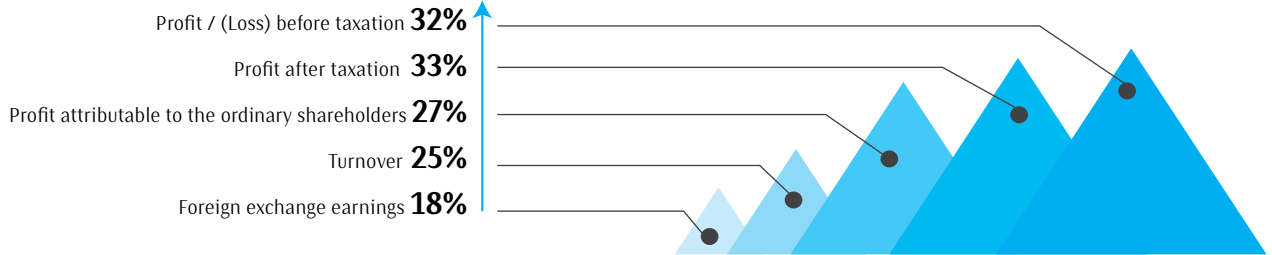
Performance Year Ended 31st March	Group			Company			
		2017	2016	Variance	2017	2016	Variance
Turnover	Rs'000	<b>3,818,441</b>	3,047,568	25%	<b>1,174,155</b>	1,114,878	5%
Foreign exchange earnings	US\$'000	<b>25,733</b>	21,799	18%	<b>7,913</b>	7,974	-1%
Profit / (Loss) before taxation	Rs'000	<b>838,707</b>	636,512	32%	<b>404,460</b>	309,256	31%
Tax on Profit	Rs'000	<b>(111,462)</b>	(88,011)	-27%	<b>(37,984)</b>	(34,871)	9%
Profit after taxation	Rs'000	<b>727,245</b>	548,501	33%	<b>366,476</b>	274,385	34%
Profit attributable to the ordinary shareholders	Rs'000	<b>461,983</b>	364,056	27%	<b>366,476</b>	274,385	34%

Financial Position as at 31st March		2017	2016		2017	2016	
Non Current Assets	Rs'000	<b>852,356</b>	721,012	18%	<b>612,751</b>	606,351	1%
Current Assets	Rs'000	<b>1,783,860</b>	1,606,196	11%	<b>690,965</b>	628,013	10%
Total Assets	Rs'000	<b>2,636,378</b>	2,327,418	13%	<b>1,303,716</b>	1,234,364	6%
Non Current Liabilities	Rs'000	<b>92,705</b>	75,987	22%	<b>50,107</b>	62,266	-20%
Current Liabilities	Rs'000	<b>804,704</b>	921,856	-13%	<b>268,859</b>	377,637	-29%
Shareholders' funds	Rs'000	<b>928,584</b>	635,501	46%	<b>984,750</b>	794,461	24%

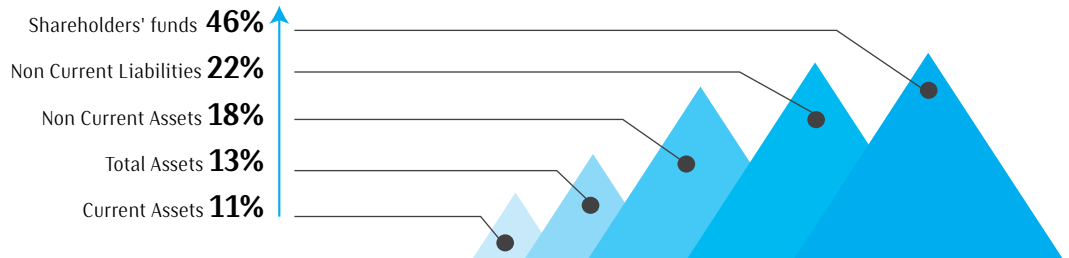
Key Indicators		2016/17	2015/16		2016/17	2015/16	
Earnings Per Share	Rs	<b>41.38</b>	32.61	27%	<b>32.83</b>	24.58	34%
Net Assets Per Share	Rs	<b>83.18</b>	56.93	46%	<b>88.21</b>	71.16	24%
Dividend Per Share	Rs				<b>16.00</b>	12.50	28%
Market Price Per Share	Rs				<b>209.00</b>	211.20	-1%
Return On Capital Employed	%	<b>65.41</b>	62.34	5%	<b>50.84</b>	35.63	43%
Market Capitalization	Rs Mn				<b>2,333</b>	2,358	-1%
Value Addition	Rs'000	<b>1,386,812</b>	1,120,243	24%	<b>603,761</b>	502,152	20%

Man Power	nos.	<b>468</b>	399	17%	<b>156</b>	153	2%
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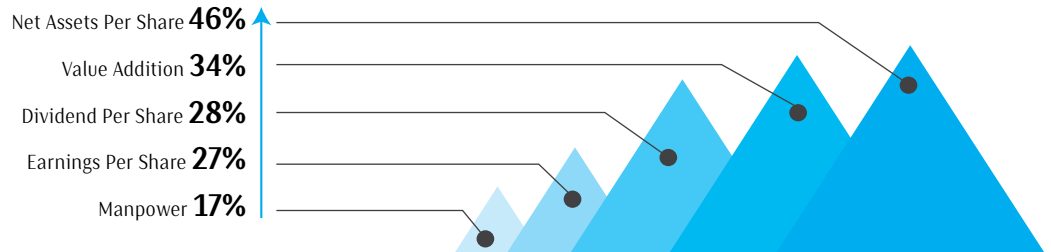
**Performance for the Year Over Last Year**



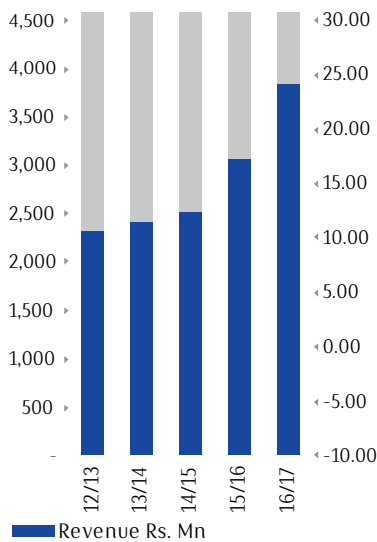
**Financial Position Increase As at 31.0.2017 Vs 31.03.2016**



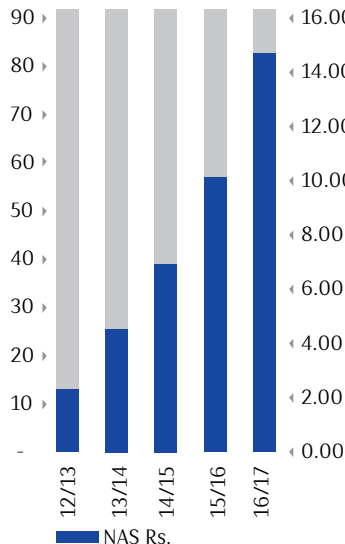
**Key Indications increase As at 31.03.2017 Vs 31.03.2016**



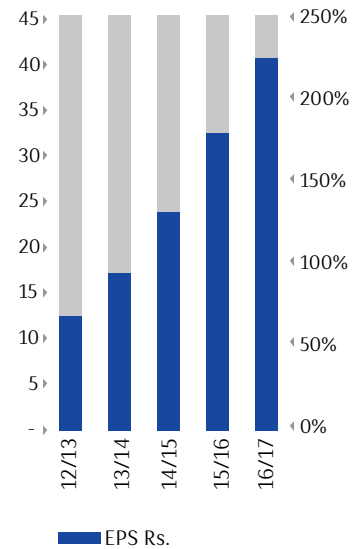
**Revenue vs Revenue Growth Rate**



**Net Asset per Share vs Growth**



**Earning per Share vs Growth Rate**





## CHAIRMAN'S STATEMENT



**“I am proud to state that your company has yet again delivered a historic financial performance - reflecting an upsurge in profitability from Rs. 549 mn to Rs. 727 mn.”**

It gives me pleasure to welcome you to the 34th annual general meeting of Richard Pieris Exports PLC for FY2016/17. I am proud to state that your company has yet again delivered a historic financial performance - reflecting an upsurge in profitability (Profit Before Tax) from Rs. 637 mn to Rs. 839 mn. This performance marks a steep increase in profitability by 32 per cent coupled with a growth in turnover by as much as 25 per cent.

It is evident that with each passing year, the Group is consolidating and steadily expanding its credentials to move higher up the value chain, while simultaneously being recognized and rewarded for its commitment to sustainability and value-addition. Backed by the wealth of experience by its parent group, Richard Pieris & Company PLC, Richard Pieris Exports PLC has delivered this exceptional financial performance in a challenging business environment.

**Macro Economic Conditions**

Sri Lanka's economy grew by 4.4 per cent in contrast to 4.8 per cent in the previous year. Most of the global and domestic challenges from the previous year persisted this year as well, further exacerbated by unfavourable weather conditions, which impacted the country's agriculture sector.

Sri Lanka's export sector performance too remained subdued in 2016. Earnings from exports contracted for the second consecutive year in 2016 with a decline in earnings from agricultural and industrial exports. Low commodity prices in the international market, modest economic recovery of Sri Lanka's major export destinations and disruptions in the domestic supply of export oriented agricultural products can be cited as the main reasons for the decline in export earnings.

In a development that benefitted our export business, the rupee depreciated

against major currencies in 2016. The depreciation pressure on the rupee was a result of increased imports, continued foreign debt service payments and outflows on account of reversal of foreign investments from the government securities market amidst monetary policy normalisation in the US. In response, the Central Bank of Sri Lanka responded by supplying foreign currency liquidity to the market to curb the pressure on the exchange rate arising from foreign outflows from the government securities market, the rupee, then remained broadly stable.

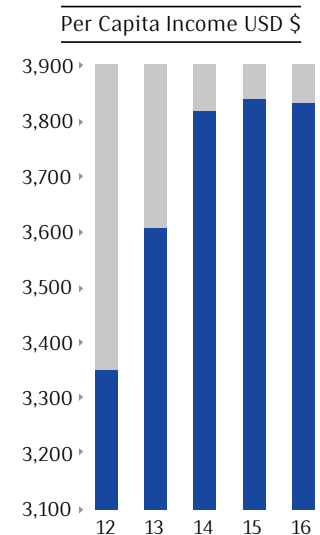
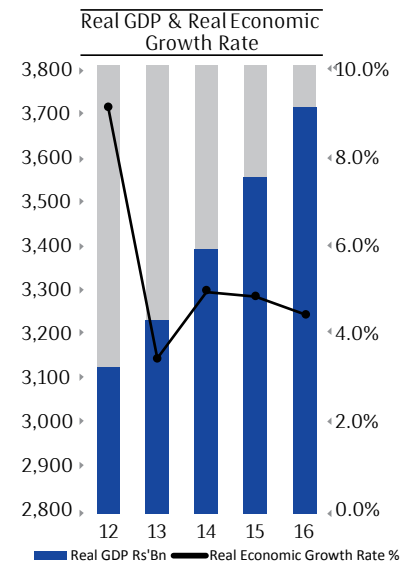
Improvements in fiscal operations are seen, achieved under the government's revenue based fiscal consolidation process, helping bring down the deficit. The Government and the Central Bank of Sri Lanka took a slew of measures to stabilize the economy through the containment of the possible rise in excessive demand pressures in the economy.

During 2016, monetary aggregates grew at a faster pace than projected, underpinned by excessive expansion in credit to both the government and the private sector. During 2016, market interest rates adjusted upwards reflecting tight monetary conditions in the economy. Underpinned by the expansion in credit to both the government and the private sector, broad money supply continued to increase at a rate higher than projected in 2016.

In relation to our business, rubber production declined to the lowest volume reported in the past 50 years with a drop in both the extent under tapping and the number of tapping days in response to low international prices for natural rubber owing to subdued petroleum prices.

**Delivering Record Profitability**

I am particularly pleased to report that the company surmounted external challenges to deliver a strong financial performance while simultaneously recording the



## Chairman's Statement Contd...

highest dividend payout in our history to our shareholders. During the year, your company distributed an interim dividend of Rs 16.00 per share in March 2017, constituting a dividend yield of 7.7 per cent as at the year-end. Moreover, the favourable exchange rates that prevailed during the period also boosted our profitability.

Revenues of Richard Pieris Exports PLC increased by 5 per cent to Rs 1.2bn while the Profit Before Tax grew by 31 per cent to Rs 404 mn in 2016/17 compared to the prior year. We believe that the company's excellent financial performance is the result of strategic leadership, growing technical knowledge and deep marketing insights.

Richard Pieris Natural Foams remains the highest contributor to the company's strong financial performance this year as well, with a growth of revenue and Profit before Tax by 37% per cent and 44% per cent respectively during the financial year, continuing to be the highest contributor to the group performance. Furthermore, the company continued to enhance its production facility and invested Rs. 148 mn during the period under review.

During the year, the group ensured effective working capital management and demonstrated financial prudence to deliver the highest ever returns to shareholders on their investments. We were also successful in reducing our borrowings in comparison to last year. Improvements to energy efficiencies, continuation of bio-mass energy generation and effluent treatment facility of latex segment rendered the total supply chain "greener" during the period under review.

Richard Pieris Group rubber plantations supply almost 50 per cent of our requirement for natural latex. Furthermore, our subsidiary company Micro Minerals also enables us to exercise greater control

over the sourcing of raw materials and enables us to keep costs down. The company remains to be a valuable member of our group as it supplies the raw material needs of the other companies.

Our focused strategy of accessing buyers directly has helped us expand our margins and strengthen our topline and bottomline during the year. Between Richard Pieris Exports and Richard Pieris Natural Foams, the companies have strategically reduced market risk by diversifying into new markets to achieve a global balance in distribution, so that exports are not adversely affected by fluctuations in demand due to geopolitical or other external events in those markets. The complementary strengths of the senior management teams of both entities have, through their combined synergies, driven the business across all fronts.

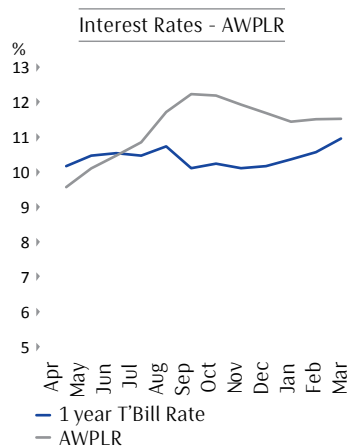
We also have a strategic vision for our associate company, Arpitalian Compact Soles (Pvt) Ltd. Although the company continues to export to key markets of EU, China and India, we believe the new product under development through joint synergies with the Italian partner will help the company carve out a unique niche for itself.

Our people are the pivot of our success and their commitment to satisfy our customers and uphold sustainable priorities helps the company to achieve its goals. Preservation of natural resources and minimizing the effect of our operations on the community and environments are of paramount importance to the group as a whole.

### Special Achievement

On a special note, Richard Pieris Natural Foams Limited which exports value added rubber products, was awarded the Most Outstanding Exporter of the year Award in 2016 at the NCE Award ceremony. Further, it secured the Most Outstanding Exporter award for Agriculture Value Added Sector &

**“I am particularly pleased to report that the company surmounted external challenges to deliver a strong financial performance while simultaneously recording the highest dividend payout in our history to our shareholders.”**



in demand while expanding current markets. We see growing competition from emerging markets and need to be vigilant and innovative to sustain and grow our market share.

#### Appreciation

I take this opportunity to express my gratitude to all the shareholders, directors, senior management team, employees, business partners, all other stakeholders and our customers, who have placed their faith in our company and in turn inspired us to strive for excellence.

Dr. Sena Yaddehige  
Chairman  
31st May 2017

Gold Award for Rubber Product Sub Sector Extra Large Category, which resembles the company's dedicated commitment towards the development of the rubber industry within Sri Lanka

#### Future Prospects

Our market development activities thus far have yielded strong results and this effort will be sustained into the future. We never lose sight of the fact that our business adds tremendous value to the sustainable manufacturing profile of Sri Lanka.

Our business model of backward integration lends us a unique advantage and we intend to keep building on that to sustain and surpass the break out financial performance we have posted in the year under review. Looking ahead, we will continue to capture new markets and grow our production capacity to cater to envisaged growth



## BOARD OF DIRECTORS



**Dr. Sena Yaddehige**  
Chairman

Dr. Sena Yaddehige is a Sri Lankan born British Scientist/Engineer and a Swiss based industrialist. Dr. Yaddehige is the Chairman of the Richard Pieris Group of Companies comprising 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. Yaddehige is a brilliant scientist and a high energy radiation specialist who innovated and developed contactless sensor technology, drive by wire systems and made numerous inventions in radiation processing for which he holds worldwide patents. In addition he also holds the patent for slow release fertilizer in Sri Lanka.

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

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

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**Mr. Shaminda Yaddehige**  
Non Executive Director

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

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

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

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**Mr. Sunil Liyanage**  
Non Executive 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**

**Non Executive 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**

**Executive Director / Chief Executive Officer**

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 Tillekerathne**

**Independent Non Executive 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 prize 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**

**Independent Non Executive 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.

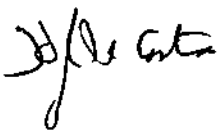
# REPORT OF THE REMUNERATION COMMITTEE

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, Dr Jayatissa De Costa P.C., Mr Jagath C. Korale and Mr Prasanna Fernando. The Committee is chaired by Dr Jayatissa De Costa P.C. 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 caliber executives is a key challenge faced by the Group. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Group.



Dr Jayatissa De Costa P.C  
Chairman  
31st May 2017

# 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 and evaluate 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 consists of three Independent Non-Executive Directors namely its Chairman Mr Jagath C. Korale, Dr Jayatissa De Costa P.C and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 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 9 meetings during the year under review. The 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 details of investigations carried out by his department for the period. The responses heads of the SBUs to the internal audit findings were reviewed and where necessary corrective actions were recommended and implementation monitored.

## Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. A comprehensive Management Report and Accounts are produced at 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. The committee also reviewed the adequacy of disclosure in the published Financial Statements.

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

## External Auditors

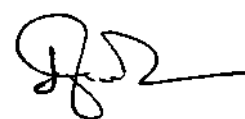
The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure their independence as Auditors has not been compromised.

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

The Audit Committee has recommended to the Board of Directors that Kreston MNS & Co be re-appointed as Auditors for the financial year ending 31st March 2018, 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 complied with.



Jagath C. Korale  
Chairman  
31st May 2017

# 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 seven Directors, of which one are Executive Directors whilst six 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 14 and 15. 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 Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference.

### Audit Committee

The Audit Committee is composed of three Independent Non-Executive Directors namely Mr Jagath C. Korale (Chairman), Dr Jayatissa De Costa P.C and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 2016. The 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 17 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, Dr Jayatissa De Costa P.C, Mr Jagath C. Korale and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 2016.

The Report of the Remuneration Committee on page 16 highlights its main activities.

#### **Related Party Transactions Review Committee**

The Related Party Transactions Review Committee consists of three Independent Non-Executive Directors namely Dr Jayatissa De Costa P.C (Chairman), Mr Jagath C. Korale and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 2016.

The Report of the Related Party Transactions Review Committee on page 20 highlights its main activities.

#### **Relationship with Shareholders**

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

#### **Internal Controls**

The Board is responsible for instituting on effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 21 to 24.

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 39 to 43.

#### **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.

<b>Name of Director</b>	<b>Executive</b>	<b>Non- Executive</b>	<b>Independent</b>
Dr. S. Yaddehige		X	
Mr. Shaminda Yaddehige		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**

<b>Colombo Stock Exchange</b>	<b>Status of Richard Pieris Exports PLC</b>
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 consists of three Independent Non-Executive Directors namely Its Chairman Dr Jayatissa De Costa P.C, Mr Jagath C. Korale and Mr Prasanna Fernando. All three members were appointed with effect from 28th October 2016.

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

The Objectives of the Committee,

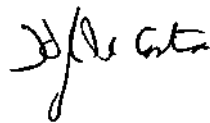
- ❖ To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Richard Pieris & Company PLC and all its listed subsidiaries are carried out and disclosed in a manner consistent with the CSE listing rules.
- ❖ To advise and update the Board of Directors on the related party transactions of each of the listed companies on a quarterly basis.
- ❖ To ensure compliance with the CSE listing rules on the Related Party Transactions.
- ❖ To review policies and procedures of Related Party Transactions of the Group.
- ❖ To ensure shareholder interests are protected and that fairness and transparency are maintained.

The Committee reviewed the policy framework for adoption on Related

Party Transactions for Richard Pieris & Company and all its listed subsidiaries. In such process the committee considered Related Party Transactions which require approval of the Board of Directors, various thresholds set out by the Colombo Stock Exchange listing rules and disclosure requirements, etc.

The Committee held two meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

Details of the related party transactions entered into by the Group/Company are disclosed on page 94 to 96.



Dr. Jayatissa De Costa P.C  
Chairman  
Related Party Transactions Review  
Committee  
31st May 2017



# 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.

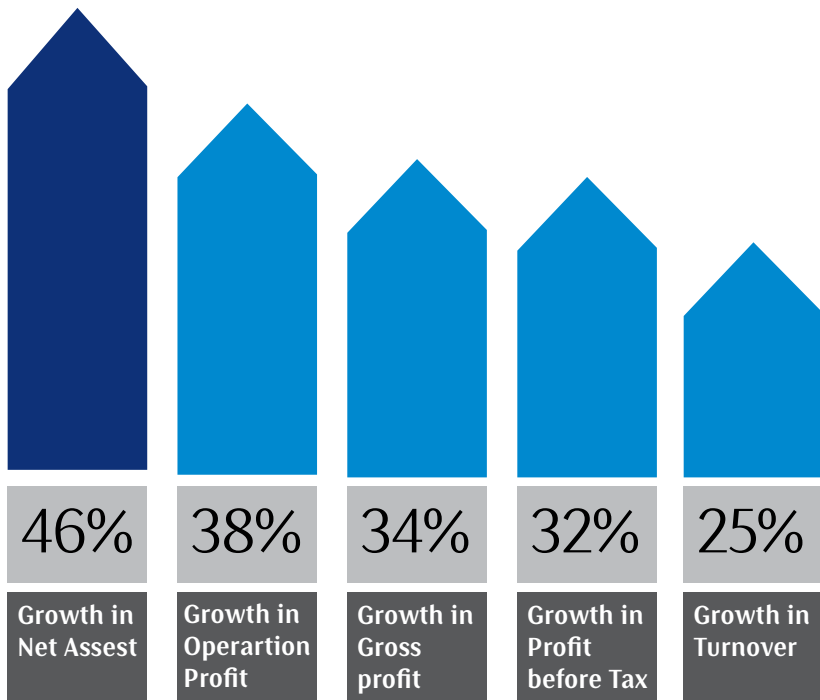
Risk Exposure	Group Objectives	Risk Minimisation Strategies
<b>Financial Risk Management</b>		
<b>1. Liquidity &amp; Cash Management</b>	<ul style="list-style-type: none"> <li>❖ To ensure faster response to market opportunities by ensuring instant funding ability.</li> <li>❖ To maintain a “sufficient” 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 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



**LKR 839 MN**

Profit before Tax

“The increase in profit in the year under review amounted to Rs 179 mn over the previous year which too was considered a landmark in terms of record- breaking financial results.”

### GROUP PERFORMANCE

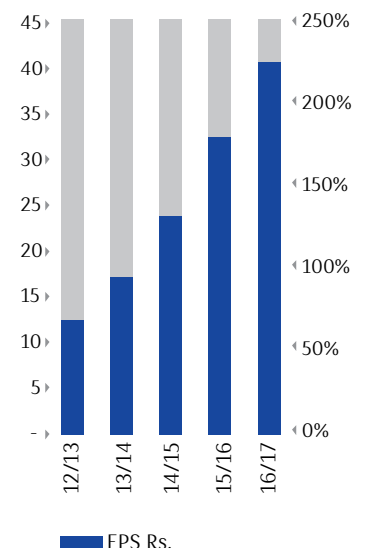
The 2016/17 Financial Year has brought exceptional gains for the Richard Pieris Exports Group during which it recorded its best-ever financial performance in its history. The Group recorded revenues of Rs 3.8bn in 2016/17, which reflects a 25% increase over the previous year. The increase in profit in the year under review amounted to Rs 179 mn over the previous year which too was considered a landmark in terms of record- breaking financial results.

The major contributor to Group profitability was its subsidiary Richard Pieris Natural Foams Ltd (RPNF), which posted 63% of the group profitability recorded during the period under review. The capacity expansion it has undergone during the year coupled with its strong projected turnover

for the next few years makes it apparent that RPNF’s contribution to the RPE Group will continue to surge upward.

RPNF’s aggressive growth and profitability was also acknowledged by peers in the industry, with the company being awarded the “Most Outstanding Exporter” award by the National Chamber of Exporters at its annual awards ceremony for 2016. Earning this prestigious accolade is a testimonial to the company’s innovative approach to sustaining world-class quality and enduring customer relationships. As a Group, RPE is cementing its credentials with Richard Pieris Natural Foams in the “Latex based segment” and Richard Pieris Exports PLC and Arpitalian Compact Soles (Pvt) Ltd in the Hard Rubber segments’ globally, coupled with Micro Minerals(Pvt) Ltd., which supplies raw material for the group.

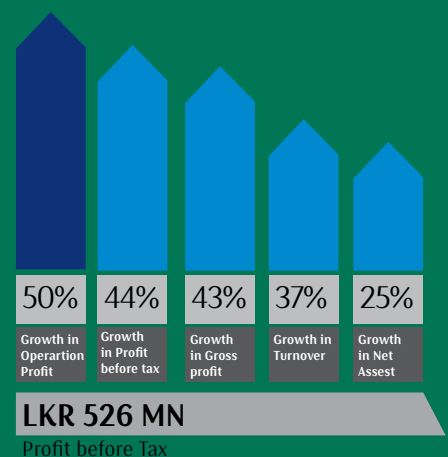
Earning per Share vs Growth Rate





## LATEX BASED SEGMENT

“Contributing over 68% of revenue and 63% of profit for the Exports Sector, 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. During the year under review, the company posted a breakout financial performance of Rs. 526mn (Profit before Tax), which reflects a 44% increase in profitability over the previous year.”





**Covert your Traditional Mattress**

To a Latex Mattress ...



## Latex Based Segment Contd...

**“RPNF had embarked on a strategic five-year restructuring plan in 2010, which has delivered projected results, ably supported by product improvements and market developments initiatives.”**

### **RICHARD PIERIS NATURAL FOAMS LTD.**

Contributing over 68% of revenue and 63% of profit for the Exports Sector, 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. During the year under review, the company posted a breakout financial performance of Rs. 526mn, which reflects a 44% increase in profitability over the previous year. The salient reason for the company's continued excellent financial performance despite challenges in global markets is its longstanding and strong relationships with global customers and distribution channels across 40 countries spanning US, EU and the Asia Pacific.

Having its eco-friendly 100% Natural Latex sheeting carving a niche market in the high-end markets in US and Europe has been nothing less than a triumph. Working with natural latex is a difficult proposition and few companies in the world have the technology and knowhow to achieve this feat, which is why RPNF continues to spearhead this segment in global markets. Moreover, the eco-friendly nature of the product is preferred by buyers who are increasingly catering to a demand for organic products from customers. The company supplies mattress blocks to mattress manufacturers that comply with certified organic latex standards.

Continued investments in improving quality year-on-year and investments in

capacity improvements have positioned the company at the cutting-edge of the global industry. During the 2016/17 financial year, RPNF invested in an automated continuous pillow line with enhanced technology automation which has assisted the Company to be more competitive in the price sensitive markets. The improvements in its production line and the resultant enhanced capacity will enable RPNF to export 100 containers by mid next year.

RPNF had embarked on a strategic five-year restructuring plan in 2010, which has delivered projected results, ably supported by product improvements and market developments initiatives. RPNF was successful in obtaining both ISO 9001:2015



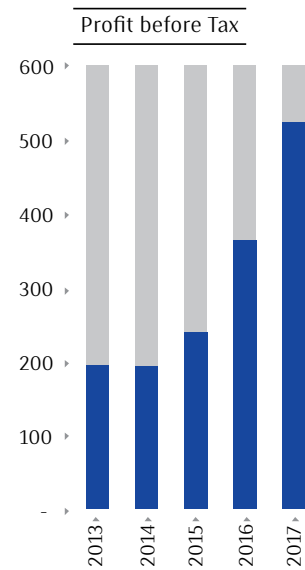
**“The eco-friendly nature of our 100% latex mattresses and the sustainable ethos of the business, positions RPNF as one of the leading sustainable export companies out of Sri Lanka.”**

and the ISO 14001:2015 certifications during the year.

Further during the period under review, the emphasis was on reducing production waste and overheads, and enhancing quality and effective working capital practices. Expanding the market for 100% natural latex products remains a challenge as it constitutes a niche segment in the total world mattress and pillow segment. However, RPNF is seeing growth in the category and its capacity to manufacture synthetic mattresses side-by-side helps to retain its influence in both segments.

Its continuous improvement in quality and technology has enabled it to engineer in-house quality improvements to offer

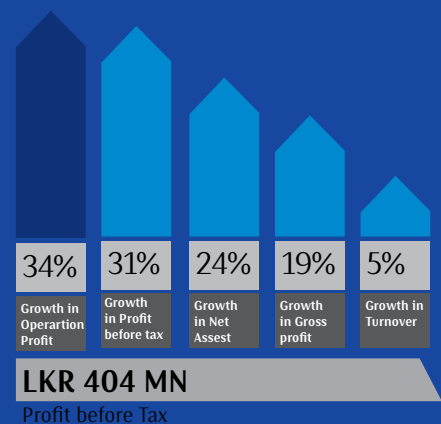
higher quality at lower price points. The eco-friendly nature of our 100% latex mattresses and the sustainable ethos of the business, positions RPNF as one of the leading sustainable export companies out of Sri Lanka.





## HARD RUBBER SEGMENT

“Established as a subsidiary of the Richard Pieris & Company PLC as the Group’s first fully exports-oriented company, RPE has achieved remarkable growth to become a holding company with two subsidiaries - Richard Pieris Natural Foams Ltd. and Micro Minerals (Pvt) Ltd. - and one associate company - Arpitalian Compact Soles (Pvt) Ltd.”





## Hard Rubber Segment Contd...

**“RPE’s sustained focus on upholding and acquiring international certifications gives confidence to existing and potential buyers about its commitment to excellence in quality.”**

### RICHARD PEIRIS EXPORTS PLC

Established as a subsidiary of the Richard Pieris & Company PLC as the Group’s first fully exports-oriented company, RPE has achieved remarkable growth to become a holding company with two subsidiaries - Richard Pieris Natural Foams Ltd. and Micro Minerals (Pvt) Ltd. - and one associate company - Arpitalian Compact Soles (Pvt) Ltd.

The company’s focused strategy to develop and diversify into exporting a variety of mats for the dairy and agricultural industry over the last couple of years is reaping favourable returns for the company, as it recorded an 34% increase in profitability during the year. Richard Pieris Exports PLC has pioneered the manufacture and export

of Rubber mats for numerous applications and Food grade jar sealing rings and specialized products for the US, European and the Asia Pacific markets.

RPE’s sustained focus on upholding and acquiring international certifications gives confidence to existing and potential buyers about its commitment to excellence in quality. During the year under review, RPE was awarded the Silver Award as the Agricultural value-added Exporter in the Large business category at the National Chamber of Exporters Annual Export Award 2016 for the second consecutive year.

For RPE, the 2016/17 financial year was marked by a shift from general matting products to high-end and specialty matting products, which has accrued higher

margins and greater profitability, although volume growth was marginal in the year. This strategy empowers RPE to move up the value chain and retain relevance by focusing on niche matting products, in a bid to combat rising competition from general matting manufacturers from existing and emerging rival countries, which are selling at lower price points.

This enhanced capability to manufacture specialty products was supported by greater infusion of technology and special training for key personnel, so that the factory can work towards attaining required international certifications and export standards.

Besides this, RPE continues to sustain its leadership position by being the only

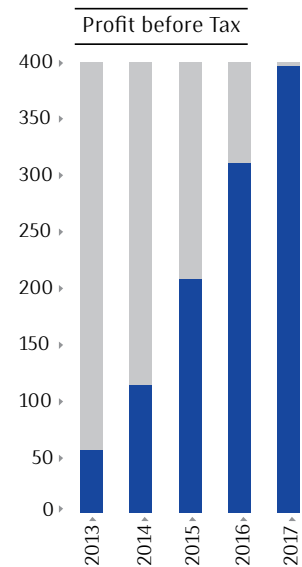


**“Besides this, RPE continues to sustain its leadership position by being the only company in the world to manufacture natural rubber jar sealants.”**

company in the world to manufacture natural rubber jar sealants. Although this is a seasonal business which reaches a peak during summer months, the company has succeeded in enhancing volumes and takes pride in being the sole supplier of natural rubber food grade jar sealants.

RPE engaged in a continuous product improvement process through research and development and is always looking to enhance existing products and to add further value to products. Being cognizant of the fact that its chief raw material – rubber – is characterized by volatile prices, the company has devised a pricing formula with customers to ensure that even during periods of particular price volatility, its margins are not affected adversely.

Forging and sustaining strong customer relationships with customers has been one of the company’s key strengths. The Company continued carrying out energy audits in order to sustain energy efficiency, which is one of the critical success factors in an energy intensive industry. Going ahead, RPE will continue to focus on expanding business volumes in the agricultural matting business, which makes a major contribution to its revenues. The company perceives scope for this segment of the market to develop further, as more farmers are adopting the use of rubber mats for cattle. The Company will continue to strengthen its position as the major supplier of technically specified safety mats such as anti-fatigue mats, fire retardant mats, anti-static mats for electrical applications and gymnasium mats as per international standards.





## HARD RUBBER SEGMENT CONTD.

“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 a decline in volumes and profitability from Rs.29 mn in 2015/16 to Rs. 16mn (Profit before Tax) in 2016/17, which marks a decline of 47% as a result of increased competition from other global markets.”





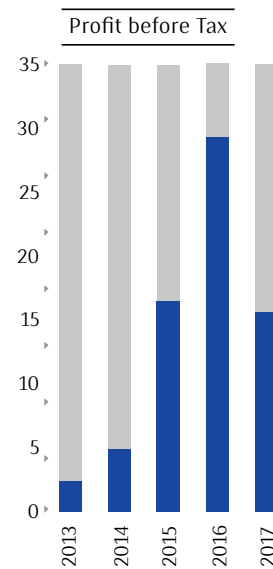
## Hard Rubber Segment Contd...

**“High quality and speedy introduction of new designs have been critical factors in its success and the company has continued to invest in improvements to the production processes and compound formulations.”**

### ARPITALIAN COMPACT SOLES (PVT) LTD.

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 a decline in volumes and profitability from Rs. 29mn in 2015/16 to Rs. 16mn in 2016/17, which marks a decline of 47% as a result of increased competition from other global markets. The Company was awarded the Silva Award for Chemical based Products Value Added Exporter for 2016 by the National Chamber of Exporters.

In order to counter pressure from competition, the company is in the process of developing a new product, Lightweight Soling Sheets, in a joint venture with an Italian partner. This new venture is expected to generate healthy business and help turn around the company. There is immense potential for this product in EU, India and China, and ACSL will continue to explore new investments to grow business further. High quality and speedy introduction of new designs have been critical factors in its success and the company has continued to invest in improvements to the production processes and compound formulations.



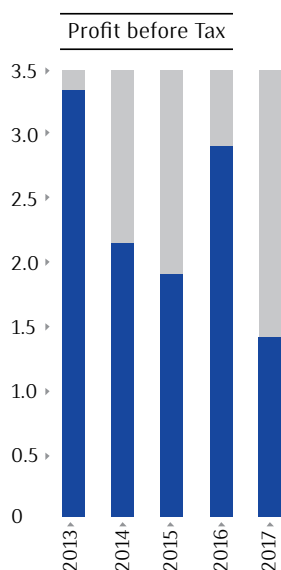


## MINERAL SEGMENT

**One of the strengths of Micro Minerals is the strong balance sheet it enjoys, which enables it to withstand stress from market price fluctuations.**

### MICRO MINERALS (PVT) LTD.

This subsidiary 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 recorded marginal profitability during the year. The main purpose of this company is to help the Group companies to maintain controls over the raw material process essential in the manufacture of its products. One of the strengths of Micro Minerals is the strong balance sheet it enjoys, which enables it to withstand stress from market price fluctuations.





## 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 1983 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 Foams 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.



# OUR SUSTAINABILITY PHILOSOPHY

Richard Pieris Exports PLC's commitment to the 'triple bottom line' concept of People, Planet and Profits takes into consideration the impact of our operations on the economy, society and environment. This strong dedication to upholding our sustainability pledge ensures that the company's operations are carefully monitored and supervised by the Board and senior management, and ably supported by a dedicated team of employees over the last 34 years. Our status as a leading Sri Lankan Exporter has not come about by accident, but is a dream achieved purely through the dedication of the company's employees.

In order to adhere to our sustainability commitment, the company has embarked on social sustainability activities focusing on maintaining mutually beneficial relationships with employees, customers and the community. As a manufacturing organization, we monitor our entire value chain to ensure that our impact on the environment is minimized to the greatest degree. At the same time, we keep our promise to our shareholders by enhancing shareholder wealth by improving on business efficiency, productivity and profitability of the company. Our uncompromising principles of quality,

value and integrity remain the bedrock of our business strategy.

## PEOPLE

### Employees

Customers are the driving force of any business, but before we satisfy our external customers, we first take care of our internal customers – our employees – who play a critical role in the success of our organization. Always being responsive to the fast-evolving business environment and increased complexity, RPE has established an empowering work culture that not only fulfills the aspirations of employees but which also develop into a dynamic, people-driven organization.

### Recruitment & Retention

Our employment practices are based on attracting and retaining based on merit. We are proud of the skilled technical employees on the factory floor and along the value chain. By building mutual trust and respect between management and employees, we are able to motivate workers to deliver high productivity and enhanced efficiency to differentiate our operations.

At the recruitment stage itself, we ensure every worker is the right fit for our organization and that he or she buys into our vision to achieve excellence in manufacturing. Moreover, a collective bargaining arrangement ensures the company is totally committed to strengthen its relations with employees and is a reassuring factor for the workforce. RPE is an equal opportunity employer fully committed to achieving diverse workforce and complies with all laws and regulations regarding non-discrimination. Our open door policy empowers employees to approach senior management without apprehension, secure in the knowledge that their grievances will be resolved satisfactorily.

### Graphic of age of workers

Graphic of permanent/temporary staff

### Health and Safety

The International Labour Organization (ILO) states that work is a source of personal dignity, family stability, peace in the community and more. The enjoyment of these standards at the highest levels is a basic human right that should be accessible by each and every worker. RPE is committed to protecting the safety,



## Our Sustainability Philosophy Contd...

health and welfare of our people engaged in our factories and offices. We have put in place measures and strategies designed to prevent, control, reduce or eliminate occupational hazards and risks.

Apart from preventing, and protecting workers from occupational risks, we feel our responsibility goes further, entailing knowledge of occupational hazards and a commitment to ensure that management processes promote safety and health at work. Training is one of the pivots on which we achieve this, with workers being adequately trained for the work that they are expected to undertake, coupled with knowledge about safety and health aspects of the work, and on ways to prevent or minimize exposure to hazards. We conduct training and information programmes on the prevention and control of hazards, and protection against risks and where necessary, have a structured procedure to deal with accidents and emergencies, including first-aid facilities. The Company Medical Officer visits our factories regularly to provide consultations and treatment.

### Recognition and Recreation

Employees are the lifeblood of our business and we believe it is important for us to appreciate their hard work and commitment on a regular basis. As result,

a wide range of benefits are extended to workers to ensure they have a safety net in the form of free accommodation, meals and access to medical care. The company ensures that all the job roles within the organization are adequately rewarded and recognized. We comply with local labour statutes and ensure opportunities for skills development and sustainable livelihoods for our employees to ensure a happy workforce.

Regular training and development programmes help upgrade technical knowledge for motivating workers to enhance productivity and efficiency, while enhancing their career prospects.

Graphic showing number of training hours in FY

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

Furthermore, the Group recognizes the significance of maintaining a steady balance between work and personal life of employees and organizes recreational activities to increase employee satisfaction by providing them opportunities for recreation. 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 mind and body.

### CUSTOMERS

As the demand for quality, consistency and reliability grows, RPE strives to deliver value to customers more strategically and effectively with each passing year. We respect and provide our customers with unique quality products and speedy service, placing a strong emphasis on customer relationship management through specifically designated teams to handle key export markets. An open channel of communication between the company and customers is maintained and the fact that we have several longstanding customers reflects the satisfaction levels of our customers. The Company guarantees



quality across its products and services and towards this end has acquired international quality certifications to provide the optimal level of convenience, service and value to our customers. The company practices fair and competitive trading practices and our policy is to be fair, honest and forthright in our dealings and being accessible and committed to deliver what we promise.

### SUPPLIERS

The Group look upon suppliers as business partners who are an essential link in our value chain. We believe in the 'supply chain partnering' concept to obtain the required raw material inputs and services at optimal prices from our suppliers in a mutually beneficial manner. Earning our suppliers' trust with honest communication, listening to their concerns and involving them in our processes, makes them a vested partner

in our business. By being aligned with our suppliers and treating them as partners, both businesses experience higher success rates, decreased risks and enhanced collaboration and innovation. As a result, we can proudly report having created greater value for our mutual businesses.

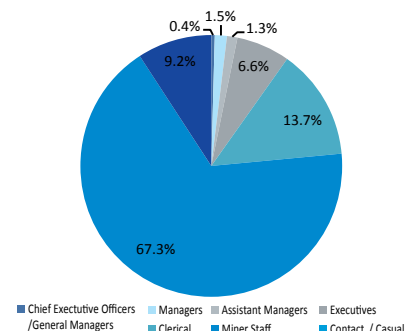
### CORPORATE SOCIAL RESPONSIBILITY

Engagement with communities, help us to understand how our business impacts

#### a) Grader wise Analysis of Employees

Chief Executive Officers /General Managers
Managers
Assistant Managers
Executives
Clerical
Miner Staff
Contact / Casual
Total

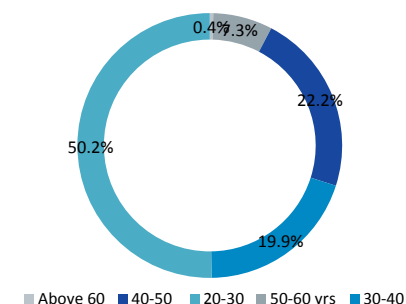
Company		Group	
Female	Male	Female	Male
-	1	-	2
1	1	1	6
1	1	1	5
3	5	8	23
7	22	9	55
7	80	7	308
4	15	8	35
23	125	34	434



#### b) Age-wise Analysis of Employees

Age
Above 60
50-60 yrs
40-50
30-40
20-30
Total

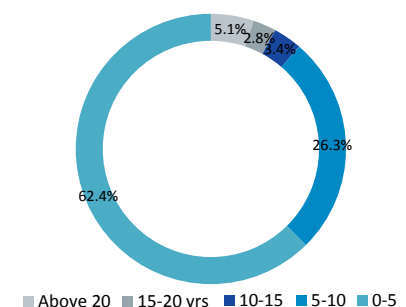
Company		Group	
Female	Male	Female	Male
-	-	1	1
3	14	6	28
8	44	8	96
4	34	6	87
8	33	13	222
23	125	34	434



#### c) Year of service of Employees

Age
Above 20
15-20 yrs
10-15
5-10
0-5
Total

Company		Group	
Female	Male	Female	Male
5	14	5	19
1	4	1	12
-	2	-	16
6	54	9	114
11	51	19	273
23	125	34	434



## Our Sustainability Philosophy Contd...

their lives. Regular engagement also sheds light on how we can step in to empower communities and improve their socio-economic standards in the long term. We believe it is our duty to ensure that our actions extend far beyond our day to day lives and continue to enrich the lives of our people in the future as well. During the period under review, the company carried out a variety of CSR projects focused around on providing the products we manufacture, free-of-charge to underprivileged sections of society such as the Donation of:

- ❖ Mattresses, Pillows, Rubber Mats and other equipment to the Special Education Centre for Girls at Moratuwa in January 2017. This was followed by almsgiving for 40 Members.
- ❖ Mattresses, Pillows and other Equipments to differently-abled child center at Dompe in June 2016. Under this initiative, the company handed over Latex Mattresses, Pillows, Dry foods, Mosquito nets & household equipment and held almsgiving for 20 members.
- ❖ Medical Equipment to Biyagama Hospital in July 2016 along with Medical Trolleys and medical curtains. Further, the company also extends a helping hand and support to religious causes to fulfil the needs of the local community. Some of the initiatives during the year were:
- ❖ With greater contribution from employees of the company, consecration of complete Buddhist library for Ven. Amithananda Thero's Temple at Dompe in November 2016. Under this initiative we undertook construction of part of the building, and donated cupboards, book racks, Buddhist books including Thripitakaya, Atuwa Granthi & Piriwana Poth Wahanse.
- ❖ With greater contribution from employees of the company, Laid the foundation stone for 'Dhana Salawa' at Vidya Pradeepa Pirivena in Tissamaharamaya, in October 2016. Once complete, this new Dhana Salawa will be able to accommodate over 100 Monks in one sitting, providing relief to the needy monks residing at the temple.

### ENVIRONMENT

We believe that our environmental sustainability efforts should help to ensure that the needs of today's population are met without jeopardizing the ability of future generations to meet their needs. Human actions can deplete natural resources, and without the application of environmental sustainability methods, long-term viability can be compromised. Through the year under review, we sustained our focus on reducing our carbon footprint and toxic emissions, in addition to saving energy, increasing transport efficiency and reduction of waste in any form and recycling of waste. 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. We remain focused on effective resource usage, guard against hazardous substances, and monitor waste and emissions being released into the environment.



**Environmental Conservation Projects by Richard Pieris Exports PLC**

- ❖ Installed two dust extractor systems for both mixing units to prevent contamination of dust with air. This reflects our commitment to ensure our workers' health is not impacted in any way due to our manufacturing methods.
- ❖ Construction of waste water plant was achieved to treat waste water and dust particles contaminated water is then pumped to the central waste water system which is managed by National Water Supply & Drainage Board
- ❖ Replaced hydraulic cylinders in one of vulcanizing presses to prevent oil leakage. Regular maintenance of our machinery is undertaken to ensure they work to full efficiency and that they do not release unwanted oil and grease.
- ❖ Construction of new waste water treatment plant which ensures that all waste water is treated to ensure there are no toxic chemicals in the treated water that is released into the environment
- ❖ Recycling of foam scrap which is shared amongst group companies to make other product. This ensures that foam scrap is not sent to landfill sites.
- ❖ Reuse of waste water in the compounding section
- ❖ Reuse of mattress wash water in the production department

**Environmental Conservation Projects by Richard Pieris Natural Foams Ltd.**

- ❖ Installation of bio mass boiler Concept of green energy

**“Richard Pieris Exports PLC’s commitment to the ‘triple bottom line’ concept of People, Planet and Profits takes into consideration the impact of our operations on the economy, society and environment.”**



Our status as a leading Sri Lankan Exporter has not come about by accident, but is a dream achieved purely through the dedication of the company's employees.





PINNACLE OF  
EXCELLENCE



## 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

**Sandaruwan 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

**Thisa Seram**  
Manager Engineering

**Nawarathne Bandara**  
Assistant Manager Shipping

**Windana Weerasinghe**  
Accountant

**Mahesh Ariyawansa**  
Assistant Manager Marketing

**Binesh Ellangakoon**  
Assistant Manager IT

**Prabath Ratnayake**  
Purchasing Executive

**Manoj Priyankara**  
Marketing Executive

**Anuradha Kumara**  
Production Executive

**Ravindra Jayatissa**  
Production Executive

**Bhasura Katugampola**  
Planning Executive

**Isuru Yaddehige**  
Marketing Executive

**Natasha Parami**  
Personal Assistant - CEO

**Chinthaka Danthanarayane**  
Accounts Executive

**Nuwan Sameera**  
Accounts Executive

**Shantha Balasuriya**  
Production Executive

**Dharshana Malraj**  
Production Executive

**Mohamad Nazeem**  
Accounts Executive

**Chathurika Sewwandi**  
Marketing Executive

**Gayathri Kosala**  
HR Executive

**Lakshman Samarakoon**  
Production Executive

**Layanal Piyadasa**  
Fire & Safety Officer

**Chamara Ranathunga**  
Production Executive

**Chanaka Isuru**  
Engineering Executive

**Pavithra Abeywickrama**  
QA Executive

**Gayani Wittachchi**  
Marketing Executive

**Nimmi Wijesinghe**  
Management Trainee

**Subath Perera**  
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

# FINANCIAL REVIEW

## Overall Export Group Performance

Financial year 2016/17 was nothing short of exceptional for the Group, as it posted its highest turnover of Rs. 3,818 mn which reflects a growth of 25%. The group went on to record highest-ever Profit before tax of Rs. 839 mn, marking a growth of 32% over the previous financial year. Gross profit growth increased by 34% from Rs. 960 mn in 2015/16 to Rs 1,287 mn during the period under consideration.

Measures taken to increase productivity and efficiencies in the production lines boosted the Gross profit margin which increased by 32% to 34% presently. Group finance cost declined by 12% from Rs. 12mn to Rs 11mn although finance income witnessed an increase of 48%, going up from Rs. 24 mn in the previous year to Rs. 35mn in 2016/17.

Meanwhile, Group profit before tax amounted to Rs. 839 mn as compared to a profit of Rs. 637 mn in the preceding year. Also, Group profit after tax improved by 33% to reach Rs. 727 mn during the year. Further, the Group's profitability was amply supported by stable raw material price conditions and favourable currency exchange rates.

## Turnover

The Group sustained its solid track record of growing profits from the previous year to deliver it's a turnover increase of 25%, thereby growing it turnover from Rs. 3,048 mn to Rs. 3,818 mn in the year under review. The Group's latex arm was the major contributor to this year's record profitability levels with a turnover of Rs. 2,615 mn, which constitutes 68% of total Group turnover. The latex segment itself recorded a turnover increase of 37% during 2016/17, when it was able to operate to its full capacity. Further investments have been made in expanding capacity and accelerate international marketing. Meanwhile, the Group's Hard Rubber segment grew by a lesser margin of 5% from Rs. 1,115mn to Rs. 1,174 mn due to subdued demand from key export markets due to economic and political strife in those countries.

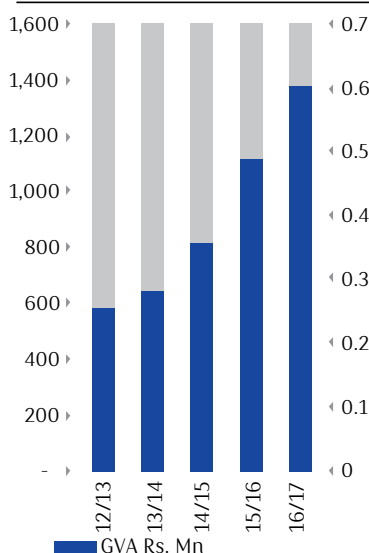
Cost of sales and Operating Expenses Various factors during the year under review, such as a decline in global rubber prices in comparison to the previous year, process development and effective utilization of energy sources contributed favorably to the Group's cost of sales. Even though there is an increase in turnover

by 25%, the Group was able to record 2% decrease in cost of sales margin of 66% compared to 68% last year. Cost of Sales was reported to be Rs. 2,531 mn, which is an increase of 21% compared to the previous financial year. In total, cost of administration and distribution along with the Cost of Sales constituted 79% of Group turnover during the current financial year, having recorded 81% level in the previous year.

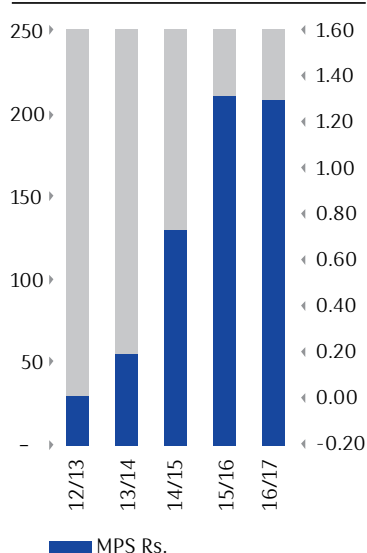
## Operating Profit

The Group's Operating profit rose to Rs. 792 mn, exhibiting a decisive growth of 38% as a result of strong performance from its subsidiaries. The Latex segment of the business generated the maximum profit as the biggest contributor to the Group's operating profit. Profits in the latex segment increased from Rs. 330 mn to Rs. 497 mn. Meanwhile, the hard rubber segment too made a positive contribution of Rs. 397 mn to the group as compared to Rs. 296 mn in the previous year. Factors such as growth in sales, strong working capital management, cost controls, improvement in product quality and increase in yield, contributed to the strong growth in these segments of the Group's core business.

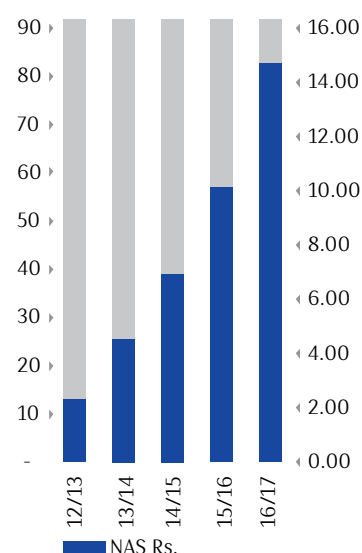
Group Value Addition vs Growth Rate

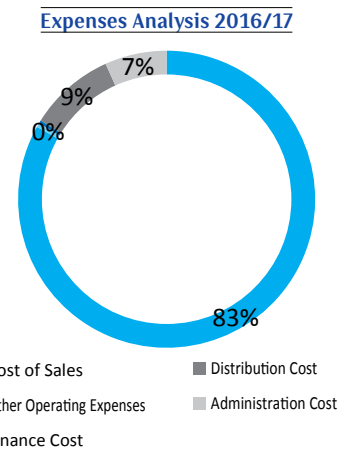
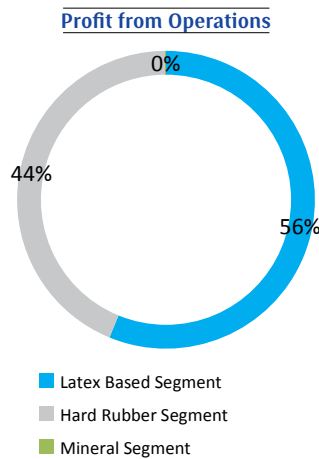
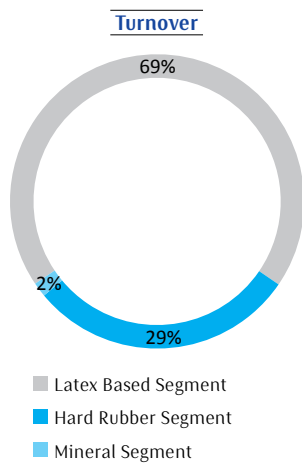


Market Price per Share vs Growth Rate



Net Asset per Share vs Growth





### Finance Cost

Net Borrowings, including cash balances, decreased to Rs. 76 mn compared to Rs. 212 mn. Finance cost decreased by 12% for the period under review from Rs. 12 mn to Rs. 11 mn. Interest cover ratio of the Group improved significantly from 53.78 times to 79.58 times. Finance income of the Group was recorded at Rs. 35 mn for the year, while it was recorded at Rs. 24mn in the previous year.

### Share of Associate

The share of profit of associate for the Group stood at Rs 7.7 mn during the year under review, compared to Rs 14.4mn in previous year, indicating a sharp decrease of 47%.

### Working Capital

Current Assets of the Group increased by 11% from Rs. 1,606 mn to Rs. 1,784 mn whilst, current liabilities witnessed an decrease by 13% from Rs. 922 to Rs. 805mn. Accordingly, the total current assets of the Group accounted for 68% of its total assets, while total current liabilities accounted for 31% of total assets based on year-end financials.

### Cash Flows

During the year, the Group recorded an Operational Cash Profit of Rs.628 Mn and increased its cash and cash equivalents

by Rs 104 mn. Cash outflows in investing activities were Rs. 160mn. Interim dividend was paid amounting to Rs. 179 mn by the company whereas dividend paid by subsidiary company, Richard Pieris Natural Foams Limited to outside shareholders was Rs. 148 mn.

### 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 928 mn compared to the preceding year's figure of Rs. 636 mn.

### Borrowings

In terms of borrowings, the net debt including cash balances was stationary at Rs. 76 mn during the year, indicating an decrease of Rs. 136 mn.

### Returns to Shareholders

Profit attributable to the shareholders was reported at Rs. 461 mn for the year under review, which exhibits a 27% increase compared to the previous year. Earnings per share increased by 27% in 2015/16 to 41.38 in 2016/17. The earnings yield for the year recorded a 4.35% increase to 19.79% from 15.44% previously. The dividend yield for the year is 8% compared to 6% recorded in the previous year. The decrease in share price from Rs 211.20 to Rs 209.00

as at 31st March 2017 contributed to increase dividend yield and earnings yield.

### Market Capitalization

The market capitalization of the Company as at 31st March 2017 stood at Rs. 2,333Mn in comparison to Rs. 2,358 mn in the previous year. The Company share price at the end of the financial year peaked at Rs. 209.00 as compared to the Rs 211.2 in the preceding year. The highest price and the lowest price for the year under review were Rs. 255 and Rs. 200 respectively.

### Financial Risks

The Group's activities expose it to a variety of risks and thus all Financial Risks associated with the operations of the Group and its risk management processes are discussed in detailed in the Risk Management report in this Annual Report.



# FINANCIAL CALENDAR

	2016/2017	2015/2016
<b>Interim Reports</b>		
Quarter ended 30th June	11th August 2016	14th August 2015
Quarter ended 30th September	09th November 2016	11th November 2015
Quarter ended 31st December	13th February 2017	12th February 2016
Annual Report	31st May 2017	31st May 2016
33rd Annual General Meeting		30th June 2016
34th Annual General Meeting	30th June 2017	

# 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 2017, which was approved by the directors on 31st May 2017. 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 101. 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 2017.

## 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 54 to 99 of this annual report.

## Auditor's Report

The Company Auditors, Messers Kreston MNS & Co preformed the Audit on the financial Statement of the Company and the Consolidated Financial Statements for the year ended 31st March 2017 and the

Auditors Report issued thereon is given on page 54 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 60 to 71 of the Annual Report as required by the Companies Act. 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.

## Turnover

The Group's turnover, excluding Inter-Company sales, was Rs 3,818 million compared to Rs. 3,048 million in the previous year. Further information on Group turnover is detailed in Note 22 to the Financial Statements.

	2016/2017 Rs.'000	2015/2016 Rs.'000
<b>Turnover by Segment :</b>		
Hard Rubber	1,174,155	1,114,878
Latex-Based	2,614,626	1,905,089
Minerals	60,522	63,592
	<b>3,849,303</b>	3,083,559
Less : Inter-Company Sales	(30,862)	(35,991)
	<b>3,818,441</b>	3,047,568

## Group Profit

Group profit for the year; after payment of all expenses, making provision for all known liabilities and depreciation on Property, Plant & Equipment	838,707	636,512
Tax on Group Profits	(111,462)	(88,011)
Profit/(Loss) for the year from discontinued operations (after tax)	(37)	(110)
Group Profit after Taxation	727,208	548,391
Share of Non Controlling interest	265,225	184,335
Profit attributable to Shareholders of Richard Pieris Exports PLC	461,983	364,056
Other Comprehensive income attributable to Shareholders of Richard Pieris Exports PLC	1,735	2,676
Accumulated Profit / (Loss) brought forward	352,459	169,563
Super Gain Tax ( 2013/14)	-	(44,289)
Profit before Appropriations	816,177	492,006
Appropriations :		
Interim Dividend paid	(178,620)	(139,547)
Accumulated Profit carried forward	637,557	352,459

## 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 2017 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 82 of this annual report.

## Reserves

Total Reserves of the Company as at 31st March 2017 were amounted to Rs.764 mn/- (2015/2016 -Rs. 574mn). And the Group reserve as at 31st March 2017 were amounted to Rs 637 mn (2015/2016- Rs 352 mn). The movement of reserves is shown in the Statement of Changes in Equity on page 58.

## Dividend

The Directors recommended and paid a cash dividend amounting Rs 179mn to all shareholders at the rate of Rs 16.00 per ordinary share as interim dividend for 2016/17 on 30th March 2017.

## 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 104 and 105.

## Substantial shareholdings

The list of top twenty shareholders and the percentage held by each one and public holding percentage are given in the share information of the page 107 of this Annual Report.

## Property Plant & Equipment

Capital expenditure on property, plant , equipment incurred year under review is Rs 164 Mn (Rs 55 Mn in 2015/2016) Information related to this is given under note No 4 to the Financial Statement of the page No 74 and 75 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 102 to this Annual Report.

## Directorate

The names of the Directors who served during the year are given under Corporate information appearing on page 14 and 15

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, a shareholder of the Company.

"That Dr. Sena Yaddhegige of Le Neuf , Chemin,St. Saviours, Guernsey, United Kingdom who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is

further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddhegige".

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 Richard Pieirs & Company PLC of No.310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.

"That Dr. L M K Tillekeratne of 8/7, Green Path, Kohuwela 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. L M K Tillekeratne "

Mr. Angelo Patrick ,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.

Mr Sunil Liyanage, 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 108 under share information of this Annual Report.

## Directors' Interests in Contracts

The director's interest in contracts with the Company are disclosed on note 37 on page 94,95 and 96 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 2017 is given in Note 37 to the Financial Statements.

### Corporate Donations

There were no donations made to charitable organizations during the year. (2015/ 2016- 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 18 of the Annual Report .

### The Board Committee

The Audit Committee, Remuneration Committee and Related Party Transactions Review Committee of the parent company function as the Audit committee, Remuneration Committee and Related Party Transactions Review Committee of the company .Their compositions and their respective reports are given on page 16,17 and 20 of this Annual Report.

### Related Party Transactions

There are no related party transaction (non -recurrent) which exceed 10 percent of the Equity or 5 percent of the total assets

whichever is lower and the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

### 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 2017 are set out in Note 33 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 53 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 2017. The notice of the Annual General Meeting is on page 112.

### Auditors

The Financial Statements for the year ended 31st March 2017 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. 1,844,000/- (2015/2016- Rs. 1,714,000/-) as audit fees by the Group Companies. In addition they were paid Rs.671,000/- (2015/16- Rs. 589,000/-) 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 2017



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 54 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2017 included in this report, have been prepared and presented in accordance with the 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 55 to 99 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 2017, 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 54 of this report.  
By Order of the Board,



Richard Pieris Group Services (Pvt) Limited  
Secretaries, 310,  
High Level Road, Nawinna, Maharagama  
31st May 2017

# INDEPENDENT AUDITOR'S REPORT

## Kreston MNS & Co

Chartered Accountants  
P.O. Box 210  
50/2, Sir James Peiris Mawatha,  
Colombo 02, Sri Lanka  
T +94 (0) 11 2323571  
F +94 (0) 11 2433388  
E [audit@kreston.lk](mailto:audit@kreston.lk)  
www: [kreston.lk](http://kreston.lk)

### 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 2017, 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 60 to 99

#### 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.

#### 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 Tilekeratne FCA, ACMA  
K.I. Skandadesan B. Sc. (Madras), FCA, ACMA  
R.L.R. Balasingham FCA, ACMA  
N.K.G.V. Bandara ACA, ACMA, BSc(Acc) Sp

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 2017, 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 2017, 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 2017

Kreston MNS & Co  
Corporate Office, 2<sup>nd</sup> Floor, 74A, Dharmapala Mawatha, Colombo 7.  
City Office at 18 - 1/2 A, First Floor, State Bank of India Building, Colombo 1. T +94 (0) 11 2327444  
Branches in Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Kurunegala, Matara, Negombo, Nuwara Eliya, Trincomalee  
Correspondent Firm within Grant Thornton International Ltd (Grant Thornton International)  
Grant Thornton International and the member and correspondent firms are not a worldwide partnership

# STATEMENTS OF FINANCIAL POSITION

As At	Note	Group		Company	
		31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	589,765	472,628	77,444	71,044
Long Term Investments	5	250,501	235,784	535,307	535,307
Leasehold Land Prepayment	6	12,090	12,363	-	-
Deferred Tax Assets	17	-	237	-	-
		<b>852,356</b>	<b>721,012</b>	<b>612,751</b>	<b>606,351</b>
Assets of Arpico Natural Latex Foams (Pvt) Ltd.	7	162	210	-	-
<b>Current Assets</b>					
Inventories	8	378,868	297,392	128,858	121,101
Trade and Other Receivables	9	748,498	649,412	238,510	270,306
Short Term Investment	10	343,470	312,653	100,393	91,217
Leasehold Land Prepayment	6	273	273	-	-
Amounts Due from Related Parties	11	36,301	58,547	35,845	51,098
Cash and Bank Balances	12	276,450	287,919	187,359	94,291
		<b>1,783,860</b>	<b>1,606,196</b>	<b>690,965</b>	<b>628,013</b>
<b>Total Assets</b>		<b>2,636,378</b>	<b>2,327,418</b>	<b>1,303,716</b>	<b>1,234,364</b>
<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	637,557	352,459	764,488	574,199
Foreign Currency Translation	15	70,765	62,780	-	-
		<b>928,584</b>	<b>635,501</b>	<b>984,750</b>	<b>794,461</b>
<b>Non Controlling Interest</b>	5	<b>583,546</b>	<b>467,224</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>1,512,130</b>	<b>1,102,725</b>	<b>984,750</b>	<b>794,461</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	16	-	15,836	-	15,836
Deferred Tax Liability	17	26,529	2,137	715	949
Retirement Benefit Obligation	18	66,176	58,014	49,392	45,481
		<b>92,705</b>	<b>75,987</b>	<b>50,107</b>	<b>62,266</b>
Liabilities of Arpico Natural Latex Foams (Pvt) Ltd.	7	226,839	226,850	-	-
<b>Current Liabilities</b>					
Trade and Other Payables	19	397,862	256,702	148,869	103,547
Income Tax Payable	20	26,113	24,007	13,903	14,897
Amounts Due to Related Parties	21	27,786	156,680	14,522	15,522
Interest Bearing Loans and Borrowings	16	352,943	484,467	91,565	243,671
		<b>804,704</b>	<b>921,856</b>	<b>268,859</b>	<b>377,637</b>
<b>Total Equity and Liabilities</b>		<b>2,636,378</b>	<b>2,327,418</b>	<b>1,303,716</b>	<b>1,234,364</b>

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 2017 in Colombo.



W.R. Abeysirigunawardena  
Director



W J Viville P Perera  
Director

# INCOME STATEMENTS

For the Year Ended 31st March	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Continuing Operations</b>					
Revenue	22	3,818,441	3,047,568	1,174,155	1,114,878
Cost of Sales		(2,531,230)	(2,087,455)	(781,701)	(784,257)
Gross Profit		1,287,211	960,113	392,454	330,621
Other Operating Income	23	3,434	12,147	104,297	62,788
Distribution Costs		(285,079)	(210,560)	(36,750)	(37,908)
Administrative Expenses		(205,271)	(181,135)	(55,394)	(51,237)
Other Operating Expenses		(7,738)	(7,945)	(7,738)	(7,744)
<b>Profit from Operations</b>	24	<b>792,557</b>	572,620	<b>396,869</b>	296,520
Finance Income	25	34,887	23,651	11,285	8,506
Finance Cost	26	(10,673)	(12,060)	(7,748)	(8,711)
Other Financial Items	27	14,276	37,925	4,054	12,941
Share of Profit of Associate	28	7,660	14,376	-	-
<b>Profit before Tax</b>		<b>838,707</b>	636,512	<b>404,460</b>	309,256
Taxation	29	(111,462)	(88,011)	(37,984)	(34,871)
<b>Profit for the year from continuing operations</b>		<b>727,245</b>	548,501	<b>366,476</b>	274,385
<b>Discontinued Operations</b>					
Profit / (Loss) after Tax for the year from discontinued operations	30	(37)	(110)	-	-
<b>Profit for the year</b>		<b>727,208</b>	548,391	<b>366,476</b>	274,385
<b>Attributable to</b>					
Equity Holder of the Parent Company		461,983	364,056	366,476	274,385
Non Controlling Interest		265,225	184,335	-	-
<b>Profit for the year</b>		<b>727,208</b>	548,391	<b>366,476</b>	274,385
Earnings Per Share	31	Rs. 41.38	Rs. 32.61	Rs. 32.83	Rs. 24.58
Earnings Per Share from Continuing Operations	31	Rs. 41.38	Rs. 32.62	Rs. 32.83	Rs. 24.58
Dividend Per Share	32	Rs. 16.00	Rs. 12.50	Rs. 16.00	Rs. 12.50

The Accounting Policies and Notes on pages 60 to 99 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	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Profit for the year</b>		<b>727,208</b>	548,391	<b>366,476</b>	274,385
<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>1,794</b>	2,010	<b>2,765</b>	1,842
Deferred Tax effect on actuarial gains / (losses) on defined benefit plans	17	<b>(216)</b>	(248)	<b>(332)</b>	(221)
<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>(323)</b>	978	-	-
Translation of Associate using foreign functional currency	15	<b>7,985</b>	17,083	-	-
<b>Other Comprehensive Income for the year</b>		<b>9,240</b>	19,823	<b>2,433</b>	1,621
<b>Total Comprehensive Income for the year</b>		<b>736,448</b>	568,214	<b>368,909</b>	276,006
<b>Attributable to</b>					
Equity Holder of the Parent Company		<b>471,703</b>	383,815	<b>368,909</b>	276,006
Non Controlling Interest	5.1(c)	<b>264,745</b>	184,399	-	-
		<b>736,448</b>	568,214	<b>368,909</b>	276,006

The Accounting Policies and Notes on pages 60 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## STATEMENTS OF CHANGES IN EQUITY

	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 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)
Adjusted Balance as at 1st April 2015		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	32	-	-	(139,547)	-	-	(139,547)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(82,694)	(82,694)
<b>Balance as at 31st March 2016</b>		220,262	219,250	133,209	62,780	467,224	1,102,725
Profit for the year		-	-	461,983	-	265,225	727,208
Other Comprehensive Income		-	-	1,735	7,985	(480)	9,240
Total Comprehensive Income		-	-	463,718	7,985	264,745	736,448
Interim dividend	32	-	-	(178,620)	-	-	(178,620)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(148,423)	(148,423)
<b>Balance as at 31st March 2017</b>		<b>220,262</b>	<b>219,250</b>	<b>418,307</b>	<b>70,765</b>	<b>583,546</b>	<b>1,512,130</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 1st April 2015</b>		220,262	219,250	247,947	687,459
Adjustment for Super Gain Tax	29.1	-	-	(29,457)	(29,457)
Adjusted Balance as at 1st April 2015		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	32	-	-	(139,547)	(139,547)
<b>Balance as at 31st March 2016</b>		220,262	219,250	354,949	794,461
Profit for the year		-	-	366,476	366,476
Other Comprehensive Income		-	-	2,433	2,433
Total Comprehensive Income		-	-	368,909	368,909
Interim dividend	32	-	-	(178,620)	(178,620)
<b>Balance as at 31st March 2017</b>		<b>220,262</b>	<b>219,250</b>	<b>545,238</b>	<b>984,750</b>

The Accounting Policies and Notes on pages 60 to 99 form an integral part of these Financial Statements.

# STATEMENTS OF CASH FLOWS

For the Year Ended 31st March	Note	Group		Company	
		2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
<b>Cash Flows from Operating Activities</b>					
Group Profit before Tax and Non Controlling Interest from Continuing Operations		838,707	636,512	404,460	309,256
Profit/(Loss) from discontinued operations	30	(37)	(110)	-	-
Adjustments for :					
Share of Profit of Associate Company	28	(7,660)	(14,376)	-	-
Exchange Loss on Loan	16.2 / 16.4	5,021	17,079	3,694	13,141
Provision for Slow Moving Stocks / (Reversal)	8.1	(664)	(1,522)	(664)	(1,522)
Trade Debtors written off against the provision	9.3	-	(86,938)	-	(36,218)
Amortisation of Leasehold Land	24	273	212	-	-
Depreciation	4.1 / 4.3	46,868	56,102	9,236	8,672
Provision for Retiring Gratuity	24	11,066	10,580	7,653	7,954
Finance Cost	26	10,673	12,060	7,748	8,711
Finance Income	25	(34,887)	(23,651)	(11,285)	(8,506)
Dividend Income	23	-	-	(100,987)	(56,339)
Provision for impairment - Trade Debtors	24	-	184	-	-
Provision for impairment - Other Debtors	24	-	7,744	-	7,744
Provision for impairment - Advances	24	7,738	17	7,738	-
Profit on disposal of Property, Plant & Equipment	23	-	(2,076)	-	(2,076)
<b>Operating Profit before Working Capital Changes</b>		<b>877,098</b>	<b>611,817</b>	<b>327,593</b>	<b>250,817</b>
(Increase) / Decrease in Inventories	8	(80,812)	6,207	(7,093)	3,619
(Increase) / Decrease in Trade and Other Receivables	9	(106,824)	(64,974)	24,058	(423)
(Increase) / Decrease in Amounts due from Related Parties	11	22,246	4,278	15,253	11,457
Increase / (Decrease) in Trade and Other Payables	7.2 / 19	141,165	(6,781)	45,322	13,807
Increase / (Decrease) in Amounts due to Related Parties	7.3 / 21	(128,910)	(57,325)	(1,000)	(27,348)
<b>Cash Generated from Operations</b>		<b>723,963</b>	<b>493,222</b>	<b>404,133</b>	<b>251,929</b>
Interest Paid	16.1 / 16.3 / 26	(10,634)	(11,898)	(7,823)	(8,580)
Income Tax Paid	20/29	(62,591)	(54,771)	(32,832)	(35,332)
Super Gain Tax paid		-	(59,137)	-	(29,457)
WHTax Paid	20	(2,789)	(1,821)	(828)	(800)
Gratuity Paid	18	(1,110)	(9,901)	(977)	(8,748)
ESC Paid	20	(18,958)	-	(5,884)	-
<b>Net Cash Flows from Operating Activities</b>		<b>627,881</b>	<b>355,694</b>	<b>355,789</b>	<b>169,012</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of Property, Plant and Equipment	4.1 / 4.3	(164,005)	(54,568)	(15,636)	(10,050)
Sales Proceeds from Disposal of Property Plant & Equipment		-	2,076	-	2,076
Acquisition of Other Investment	5.3	-	(72,284)	-	(72,284)
Leasehold Land Prepayment	6	-	(6,765)	-	-
Short Term Investment - Fixed Deposit	10	(25,107)	(116,386)	(7,456)	(7,200)
Dividend Income	23	-	-	100,987	56,339
Finance Income	10 / 25	29,177	20,052	9,565	8,325
<b>Net Cash Flows from / (used in) Investing Activities</b>		<b>(159,935)</b>	<b>(227,875)</b>	<b>87,460</b>	<b>(22,794)</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid	32	(178,620)	(139,547)	(178,620)	(139,547)
Dividend Paid by subsidiary Companies to Outside Shareholders	5.1(c)	(148,423)	(82,694)	-	-
Proceeds from Interest Bearing Borrowings	16.2 / 16.4	290,565	420,802	169,459	181,684
Repayment of Interest Bearing Borrowings	16.2 / 16.4	(327,797)	(467,139)	(217,949)	(216,196)
<b>Net Cash used in Financing Activities</b>		<b>(364,275)</b>	<b>(268,578)</b>	<b>(227,110)</b>	<b>(174,059)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>103,671</b>	<b>(140,759)</b>	<b>216,139</b>	<b>(27,841)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	12	<b>(39,291)</b>	<b>101,468</b>	<b>(28,780)</b>	<b>(939)</b>
<b>Cash and Cash Equivalents at the end of the year</b>	12	<b>64,380</b>	<b>(39,291)</b>	<b>187,359</b>	<b>(28,780)</b>

The Accounting Policies and Notes on pages 60 to 99 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

Richard Pieris Exports PLC

Richard Pieris Natural Foams Ltd.

Micro Minerals (Pvt) Ltd.

Arpico Natural Latex foams (Pvt) Ltd.

Arpitalian Compact Soles (Pvt) Ltd.

#### Activities

Manufacture and export of moulded and extruded rubber based products.

Manufacture and export of foam rubber products.

Manufacture of minerals for the Rubber Industry.

Manufacture of latex foam rubber mattress and pillows for export. The operation of the Company ceased as from 16th October 2006.

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 31.3.2017 is 80.26% (31.3.2016 - 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 2017 were authorised for issue in accordance with a resolution of the directors on 31st May 2017.

### 1.5 Number of Employees

The number of employees in the Company at the end of the year was 156 (2016 - 153). Group 468 (2016 - 399).

### 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 2017 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.

## 2.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31 March 2017.

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, non-controlling 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 33.1(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.

## Notes to the Financial Statements Contd.

### 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 recognised 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 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 33.1(b) to the Financial Statements.

Summarised financial information of the Associate 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 re-translation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

### 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.

## Notes to the Financial Statements Contd.

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 (YA) 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 Latex foams (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 1st September 1996. The company is liable to income tax at 12% on indirect exports and at 28% on local sales from 1st september 2016.

Arpitalian Compact Soles (Pvt) Limited is a BOI approved undertaking and its 10 year tax holiday prevailed up to YA 2007/08. From YA 2008/09 to YA 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 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.

## Notes to the Financial Statements Contd.

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.

##### 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

## Notes to the Financial Statements Contd.

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 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.

## Notes to the Financial Statements Contd.

### 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 and amendments issued but not effective as at Reporting Date

The following SLFRSs and amendments to Accounting Standards 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 and amendments to Accounting Standards will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

#### (i) 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 Classification and Measurement 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 application is required, but comparative information is not compulsory.

#### (ii) 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.

(iii) Amendments to LKAS 7 'Statement of Cash Flows-disclosure initiative' introduce an additional disclosure on changes in liabilities arising from financing activities. The amendments to the standard are effective for accounting periods beginning on or after 1st January 2017.

(iv) Amendments to LKAS 12 'Income Taxes-recognition of deferred tax assets for unrealised losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2017.

## Notes to the Financial Statements Contd.

### 3 Analysis of Financial Instruments by Measurement Basis

#### 3.1 Group

31st March 2017

	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	-	-	630,788	630,788
Short Term Investment	10	-	343,470	-	343,470
Amounts due from Related Parties	11	-	-	36,301	36,301
Cash and Bank Balances	12	-	-	276,612	276,612
		72,284	343,470	943,701	1,359,455
<b>Other Financial Liabilities at amortised cost</b>					
					<b>Total Rs.'000</b>
<b>Financial Liabilities</b>					
Trade & Other Payables	7.2 / 19			413,700	413,700
Amounts due to Related Parties	7.3 / 21			230,247	230,247
Interest Bearing Loans and Borrowings	16			352,943	352,943
				996,890	996,890

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			272,607	272,607
Amounts due to Related Parties	7.3 / 21			359,157	359,157
Interest Bearing Loans and Borrowings	16			500,303	500,303
				1,132,067	1,132,067

A description of the Group's Financial Instrument risks, including risk management objectives and policies is given in Note 38.

### 3 Analysis of Financial Instruments by Measurement Basis

#### 3.2 Company

31st March 2017

	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	9	-	-	192,657	192,657
Short Term Investment	10	-	100,393	-	100,393
Amounts due from Related Parties	11	-	-	35,845	35,845
Cash and Bank Balances	12	-	-	187,359	187,359
		72,284	100,393	415,861	588,538
<b>Other Financial Liabilities at amortised cost</b>					
					<b>Total Rs.'000</b>
<b>Financial Liabilities</b>					
Trade & Other Payables	19			146,942	146,942
Amounts due to Related Parties	21			14,522	14,522
Interest Bearing Loans and Borrowings	16			91,565	91,565
				253,029	253,029

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	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	91,217	367,509	531,010
<b>Other Financial Liabilities at amortised cost</b>					
					<b>Total Rs.'000</b>
<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

## Notes to the Financial Statements Contd.

### 4 Property, Plant & Equipment 4.1 Group

	Freehold Land and Buildings Rs.'000	Building on Leasehold Land 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	Roads and Other Infrastructure Rs.'000	Tube Well Rs.'000	Capital Work in Progress Rs.'000	Total Rs.'000
<b>Gross carrying amount - at cost</b>											
As at 1st April 2016	60,978	191,454	807,593	30,152	8,309	10,168	17,400	9,880	180	12,158	1,148,272
Additions	6,058	-	118,430	1,506	144	-	1,565	-	-	46,107	173,810
Capitalized during the year	-	-	-	-	-	-	-	-	-	(9,805)	(9,805)
Written off during the year	-	-	(9,327)	-	-	-	-	-	-	-	(9,327)
<b>As at 31st March 2017</b>	<b>67,036</b>	<b>191,454</b>	<b>916,696</b>	<b>31,658</b>	<b>8,453</b>	<b>10,168</b>	<b>18,965</b>	<b>9,880</b>	<b>180</b>	<b>48,460</b>	<b>1,302,950</b>
<b>Depreciation and Impairment</b>											
As at 1st April 2016	23,174	25,778	565,431	23,638	6,084	10,168	15,300	5,891	180	-	675,644
Charge for the year	1,376	6,386	35,039	1,932	784	-	878	473	-	-	46,868
Written off during the year	-	-	(9,327)	-	-	-	-	-	-	-	(9,327)
As at 31st March 2017	24,550	32,164	591,143	25,570	6,868	10,168	16,178	6,364	180	-	713,185
<b>Net Book Value</b>											
As at 31st March 2016	37,804	165,676	242,162	6,514	2,225	-	2,100	3,989	-	12,158	472,628
As at 31st March 2017	42,486	159,290	325,553	6,088	1,585	-	2,787	3,516	-	48,460	589,765

4.2 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 488,621,000/-

#### 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 2016	51,455	358,862	20,690	3,459	4,378	10,065	9,805	458,714
Additions	5,814	16,865	1,496	144	-	249	873	25,441
Capitalized during the year	-	-	-	-	-	-	(9,805)	(9,805)
Written off during the year	-	(9,327)	-	-	-	-	-	(9,327)
As at 31st March 2017	57,269	366,400	22,186	3,603	4,378	10,314	873	465,023
<b>Depreciation</b>								
As at 1st April 2016	20,869	329,398	19,684	3,289	4,378	10,052	-	387,670
Charge for the year	1,200	7,490	432	78	-	36	-	9,236
Written off during the year	-	(9,327)	-	-	-	-	-	(9,327)
As at 31st March 2017	22,069	327,561	20,116	3,367	4,378	10,088	-	387,579
<b>Net Book Value</b>								
As at 31st March 2016	30,586	29,464	1,006	170	-	13	9,805	71,044
As at 31st March 2017	35,200	38,839	2,070	236	-	226	873	77,444

4.4 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 308,815,000/-

## Notes to the Financial Statements Contd.

### 5 Long Term Investments

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Summary :				
Investments in Subsidiaries (5.1(a) & 5.1(b))	-	-	291,094	291,094
Investment in Associate (5.2)	178,217	163,500	171,929	171,929
Other Investment (5.3)	72,284	72,284	72,284	72,284
Total Investments	250,501	235,784	535,307	535,307

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
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017
	%	%			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 Latex foams (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 Latex foams (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	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	%	%			Rs.'000	Rs.'000
<b>Investor</b>						
Richard Pieris Natural Foams Ltd.						
<b>Investee</b>						
Arpico Natural Latex foams (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)
					-	-

### 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	
			2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2016/17 Rs.'000	2015/16 Rs.'000
Richard Pieris Natural Foams Ltd	57%	57%	264,353	183,661	573,273	457,200	148,280	82,551
Micro Minerals (Pvt) Ltd	31.25%	31.25%	404	773	10,359	10,098	143	143
Arpico Natural Latex Foams (Pvt) Ltd	32%	32%	(12)	(35)	(86)	(74)	-	-
			264,745	184,399	583,546	467,224	148,423	82,694

### 5.1(d) Summarised Financial Information of Subsidiaries

As at	Richard Pieris Natural Foams Ltd		Micro Minerals (Pvt) Ltd		Arpico Natural Latex Foams (Pvt) Ltd	
	31st March 2017 Rs.'000	31st March 2016 Rs.'000	31st March 2017 Rs.'000	31st March 2016 Rs.'000	31st March 2017 Rs.'000	31st March 2016 Rs.'000
Assets	1,571,940	1,357,528	62,551	54,606	162	210
Liabilities	566,228	555,422	29,405	22,291	226,839	226,850
Equity	1,005,711	802,106	33,146	32,315	(226,677)	(226,640)
<b>For the year ended 31st March</b>	<b>2017 Rs.'000</b>	<b>2016 Rs.'000</b>	<b>2017 Rs.'000</b>	<b>2016 Rs.'000</b>	<b>2017 Rs.'000</b>	<b>2016 Rs.'000</b>
Revenue	2,614,626	1,905,089	60,522	63,592	-	-
Profit after tax	464,610	322,136	1,310	2,411	(37)	(110)
Total Comprehensive income	463,779	322,213	1,288	2,474	(37)	(110)
<b>Principal Place of Business</b>	<b>Sri Lanka</b>		<b>Sri Lanka</b>		<b>Sri Lanka</b>	

### 5.2 Investment in Associate Group

Non-Quoted Arpitalian Compact Soles (Pvt) Limited	Holding		As at	Share of	Taxation	Share of Other Comprehensive	As at
	% 31.03.2017	% 31.03.2016	01.04.2016 Rs.'000	Profit Rs.'000	Rs.'000	Income Rs.'000	31.03.2017 Rs.'000
	48.93	48.93	163,500	7,660	(605)	7,662	178,217
			163,500	7,660	(605)	7,662	178,217
<b>Company</b>	<b>Holding</b>		<b>No of Shares as at</b>	<b>As at</b>	<b>Value of Shares</b>		<b>Directors' Valuation as</b>
	% 31.03.2017	% 31.03.2016	31.03.2017	01.04.2016 Rs.'000	Additions/ (Disposals) Rs.'000	As at 31.03.2017 Rs.'000	at 31.03.2017 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.

## Notes to the Financial Statements Contd.

### 5.3 Other Investment

	Group / Company				
	Holding		As at		Directors'
	%	%	31.03.2017	31.03.2016	Valuation as
	31.03.2017	31.03.2016	Rs.'000	Rs.'000	at 31.03.2017
Asia Auto Parts LLP, Japan	19.95%	19.95%	72,284	72,284	72,284
			72,284	72,284	72,284

### 6 Leasehold Land Prepayment

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	12,636	6,083	-	-
Amount paid during the year	-	6,765	-	-
Amount charged to Income Statement during the year	(273)	(212)	-	-
At the end of the year	12,363	12,636	-	-
Amount chargeable to Income Statement within one year	273	273	-	-
Amount chargeable to Income Statement after one year	12,090	12,363	-	-
	12,363	12,636	-	-

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

#### Arpico Natural Latex Foams (Pvt) Ltd.

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Assets</b>				
Trade & Other Receivables (7.1)	-	-	-	-
Cash and Bank Balances	162	210	-	-
	162	210	-	-
<b>Liabilities</b>				
Trade & Other Payables (7.2)	24,378	24,373	-	-
Amounts due to Related Parties (7.3)	202,461	202,477	-	-
	226,839	226,850	-	-

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

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 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	20,334	20,329	-	-
	24,378	24,373	-	-
<b>7.3 Amounts due to Related Parties</b>				
Richard Pieris & Co. PLC	170,184	170,200	-	-
Richard Pieris Rubber Compounds Ltd.	156	156	-	-
Kegalle Plantations PLC	32,055	32,055	-	-
Arpitalian Compact Soles (Pvt) Ltd.	66	66	-	-
	202,461	202,477	-	-

## 8 Inventories

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Raw Materials	184,322	149,331	66,472	57,336
Work in Progress	18,698	20,117	10,422	13,533
Finished Goods	160,989	116,036	45,608	45,650
Consumables and Spares	25,938	23,652	16,983	15,873
Provision for Slow moving Stocks / Stock Loss (8.1)	(11,079)	(11,743)	(10,627)	(11,291)
	378,868	297,392	128,858	121,101
<b>8.1 Provision for Slow Moving Stocks / Stock Loss</b>				
At the beginning of the year	11,743	13,265	11,291	12,813
Provision made during the year/ (Reversal)	(664)	(1,522)	(664)	(1,522)
	11,079	11,743	10,627	11,291
Stocks Written off against the provision	-	-	-	-
At the end of the year	11,079	11,743	10,627	11,291

## Notes to the Financial Statements Contd.

### 9 Trade and other Receivables

#### 9.1 Summary

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
<b>Financial Assets</b>				
Trade Debtors - Related Parties (9.2)	36,226	48,633	9,266	7,610
- Others	592,607	530,237	181,521	212,727
	<b>628,833</b>	578,870	<b>190,787</b>	220,337
Less : Provision for Impairment (9.3)	(15,730)	(15,206)	(1,524)	(1,524)
	<b>613,103</b>	563,664	<b>189,263</b>	218,813
Other Debtors	31,978	21,674	19,588	19,466
Less : Provision for Impairment	(18,559)	(18,559)	(18,559)	(18,559)
	<b>13,419</b>	3,115	<b>1,029</b>	907
Refundable Deposits	4,341	4,376	2,440	2,475
Less : Provision for Impairment	(75)	(75)	(75)	(75)
	<b>4,266</b>	4,301	<b>2,365</b>	2,400
<b>Total Financial Assets</b>	<b>630,788</b>	571,080	<b>192,657</b>	222,120
<b>Non Financial Assets</b>				
Advances & Prepayments	136,323	89,207	64,399	58,994
Less : Provision for Impairment	(18,613)	(10,875)	(18,546)	(10,808)
<b>Total Non Financial Assets</b>	<b>117,710</b>	78,332	<b>45,853</b>	48,186
	748,498	649,412	238,510	270,306

#### 9.2 Trade Dues Receivables from Related Parties

	Relationship				
Richard Pieris Distributors Ltd	Related Company	22,222	30,971	4,038	3,355
Richard Pieris Rubber Products Ltd	Related Company	1,143	1,188	204	243
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	16	6
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	1,860	1,326	-	-
Richard Pieris Rubber Compounds Ltd	Related Company	148	34	-	-
Arpico Interiors (Pvt) Ltd	Related Company	5,008	3,978	5,008	3,978
Arpitech (Pvt) Ltd	Related Company	5,845	11,136	-	28
		<b>36,226</b>	48,633	<b>9,266</b>	7,610

#### 9.3 Provision for Impairment

Balance at the beginning of the year	15,206	100,703	1,524	37,742
Provision made during the year	-	184	-	-
	<b>15,206</b>	100,887	<b>1,524</b>	37,742
Amount Written off against the provision	-	(86,938)	-	(36,218)
Effect of foreign exchange translation	524	1,257	-	-
<b>Balance at the end of the year</b>	<b>15,730</b>	15,206	<b>1,524</b>	1,524

#### 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
2017	628,833	506,305	39,879	26,885	5,258	50,506
2016	578,870	525,098	25,148	17,560	3,420	7,644

## 10 Short Term Investment

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Fixed Deposits				
Balance at the beginning of the year	300,151	183,765	87,200	80,000
Investment made during the year	25,107	116,386	7,456	7,200
	325,258	300,151	94,656	87,200
Interest receivable at the end of the year	18,212	12,502	5,737	4,017
Balance at the end of the year	343,470	312,653	100,393	91,217

## 11 Amounts Due from Related Parties

	Relationship	Group		Company	
		31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Richard Pieris & Co PLC	Parent Company	-	-	507	-
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	35,276	51,062	35,338	51,098
Richard Pieris Distributors Ltd.	Related Company	268	335	-	-
Arpitech (Pvt) Ltd	Related Company	142	142	-	-
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd.	Related Company	615	-	-	-
RPC Plantation Management Services (Pvt) Ltd	Related Company	-	7,008	-	-
		36,301	58,547	35,845	51,098

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

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
<b>12.1 Favourable Cash and Cash Equivalents Balances</b>				
Cash & Bank Balances - Continuing Operations	276,450	287,919	187,359	94,291
Cash & Bank Balances - Discontinued Operations - Note 7	162	210	-	-
	276,612	288,129	187,359	94,291
<b>12.2 Unfavourable Cash and Cash Equivalents Balances</b>				
Bank Overdrafts - Note 16.1 / 16.3	(212,232)	(327,420)	-	(123,071)
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	64,380	(39,291)	187,359	(28,780)

## Notes to the Financial Statements Contd.

### 13 Stated Capital

		At the beginning of the year 01.04.2016 Number '000	Issued for Cash during the year Number '000	At the end of the year 31.03.2017 Number '000
Issued and Fully Paid Number of Shares	(Ordinary Shares)	11,164	-	11,164
		11,164	-	11,164
		Rs.'000	Rs.'000	Rs.'000
Stated Capital		220,262	-	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	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 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	133,209	(49,687)	354,949	247,947
Profit for the year attributable to Equity Holder of the Parent Company	461,983	364,056	366,476	274,385
Other comprehensive income attributable to Equity Holder of the Parent Company	1,735	2,676	2,433	1,621
Interim dividend	(178,620)	(139,547)	(178,620)	(139,547)
Super Gain Tax	-	(44,289)	-	(29,457)
At the end of the year	418,307	133,209	545,238	354,949
Total Revenue Reserves	637,557	352,459	764,488	574,199

### 15 Foreign Currency Translation

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
At the beginning of the year	62,780	45,697	-	-
Exchange translation difference for the year	7,985	17,083	-	-
At the end of the year	70,765	62,780	-	-

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.

## 16 Interest Bearing Liabilities

### 16.1 Interest Bearing Liabilities - Group

	31.03.2017 Amount Repayable Within 1 Year Rs.'000	31.03.2017 Amount Repayable After 1 Year Rs.'000	31.03.2017 Total Rs.'000	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
Bank Loan	16,472	-	16,472	38,007	15,836	53,843
Bills Discounted	48,968	-	48,968	36,383	-	36,383
Packing Credit Loan	74,391	-	74,391	81,816	-	81,816
Interest Payable	880	-	880	841	-	841
	140,711	-	140,711	157,047	15,836	172,883
Bank Overdraft (12.2)	212,232	-	212,232	327,420	-	327,420
	352,943	-	352,943	484,467	15,836	500,303

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

	As at 01.04.2016 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss / (Gain) Rs.'000	As at 31.03.2017 Rs.'000
Bank Loan	53,843	-	38,602	1,231	16,472
Bills Discounted	36,383	121,106	109,848	1,327	48,968
Packing Credit Loan	81,816	169,459	179,347	2,463	74,391
	172,042	290,565	327,797	5,021	139,831

### 16.3 Interest Bearing Liabilities - Company

	31.03.2017 Amount Repayable Within 1 Year Rs.'000	31.03.2017 Amount Repayable After 1 Year Rs.'000	31.03.2017 Total Rs.'000	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
Bank Loan	16,472	-	16,472	38,007	15,836	53,843
Packing Credit Loan	74,391	-	74,391	81,816	-	81,816
Interest Payable	702	-	702	777	-	777
	91,565	-	91,565	120,600	15,836	136,436
Bank Overdraft (12.2)	-	-	-	123,071	-	123,071
	91,565	-	91,565	243,671	15,836	259,507

### 16.4 Bank Loan and Packing Credit Loan - Movements

	As at 01.04.2016 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss / (Gain) Rs.'000	As at 31.03.2017 Rs.'000
Bank Loan	53,843	-	38,602	1,231	16,472
Packing Credit Loan	81,816	169,459	179,347	2,463	74,391
	135,659	169,459	217,949	3,694	90,863

## Notes to the Financial Statements Contd.

### 17 Deferred Tax Liability / (Asset)

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	1,900	(21,607)	949	638
Deferred Tax Charged / (Reversed) to the Income Statement	24,413	23,259	(566)	90
Deferred Tax Charged / (Reversed) to the Statement of Other Comprehensive Income	216	248	332	221
Balance at the end of the year	26,529	1,900	715	949
Deferred tax asset	-	(237)	-	-
Deferred tax liability	26,529	2,137	715	949
<b>Deferred tax asset, liability relates to the following</b>				
<b>Deferred tax liability</b>				
Accelerated depreciation for tax purposes	45,412	39,335	6,642	6,407
<b>Deferred tax assets</b>				
Unutilised tax losses	(10,942)	(30,450)	-	-
Retirement benefit obligations	(7,941)	(6,985)	(5,927)	(5,458)
Net deferred tax liability / (asset)	26,529	1,900	715	949

### 18 Retirement Benefit Obligation

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement in the present value of the Retirement Benefit Obligation are as follows.				
Balance at the beginning of the year	58,014	59,345	45,481	48,117
Current Service Cost	3,997	4,942	2,650	3,383
Interest Cost	7,069	5,638	5,003	4,571
(Gain) / Loss due to changes in assumptions	(1,794)	(2,010)	(2,765)	(1,842)
Benefits paid	(1,110)	(9,901)	(977)	(8,748)
Balance at the end of the year	66,176	58,014	49,392	45,481

### 18.1 Net Benefit Expenses Categorized Under Staff Cost

	Group		Company	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Service Cost	3,997	4,942	2,650	3,383
Interest Cost	7,069	5,638	5,003	4,571
	11,066	10,580	7,653	7,954

**18.2** Actuarial & Management Consultants (Pvt) Limited, Actuaries, carried out an actuarial valuation of the defined benefit plan on 31.03.2017 and 31.03.2016. 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	0.42	0.24	0.23	0.14	0.13	0.15	0.00
Non Executives	0.22	0.21	0.15	0.13	0.09	0.09	0.00

**Demographic assumptions**

	2016/2017	2015/2016
Retiring age	55 or 60	55 or 60
Mortality in Service	A 67/70 mortality table issued by the Institute of Actuaries London	A 67/70 mortality table issued by the Institute of Actuaries London

**Financial assumptions**

Rate of Salary Increment	8%	8%
Rate of Discount	12.5%	11%

**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 - 12.5%	69,223	51,415
One point decrease	As given in Report - 12.5%	63,328	47,484
As given in Report - 8%	One point increase	63,722	47,778
As given in Report - 8%	One point decrease	68,840	51,128

**18.4 Maturity Profile**

Maturity profile of the defined benefit obligation as at 31st March 2017 is as follows.

	Defined Benefit Obligation	
	Group Rs. '000	Company Rs. '000
<b>Future Working Life Time</b>		
Within the next 12 Months	7,999	5,550
Between 1-5 years	42,223	34,082
Beyond 5 years	15,954	9,760
	<u>66,176</u>	<u>49,392</u>

## Notes to the Financial Statements Contd.

### 19 Trade and other Payables

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
<b>Financial Liabilities</b>				
Trade Creditors - Related Parties (19.1)	150,366	70,402	24,842	20,724
- Others	118,052	97,556	39,827	29,653
Other Payables	120,912	80,284	82,273	52,597
<b>Total Financial Liabilities</b>	<b>389,330</b>	<b>248,242</b>	<b>146,942</b>	<b>102,974</b>
<b>Non Financial Liabilities</b>				
Other Payables	8,532	8,460	1,927	573
Total Non Financial Liabilities	8,532	8,460	1,927	573
Balance at the end of the year	397,862	256,702	148,869	103,547

#### 19.1 Trade dues Payable to Related Parties

	Relationship	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Kegalle Plantations PLC.	Related Company	129,286	50,182	18,466	9,645
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	-	409	-	409
Richard Pieris Rubber Products Ltd	Related Company	-	666	-	610
Richard Pieris Distributors Ltd	Related Company	752	371	369	140
Richard Pieris Rubber Compounds Ltd	Related Company	790	778	790	778
Richard Pieris Tyre Company Ltd.	Related Company	2,776	3,053	-	-
RPC Logistics Ltd.	Related Company	14,324	11,372	3,244	4,190
Arpitech (Pvt) Ltd.	Related Company	1,905	827	29	-
Maskeliya Plantations PLC	Related Company	-	8	-	8
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	1,314	3,079
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd	Related Company	104	38	85	38
RPC Construction (Pvt) Ltd	Related Company	-	2,450	-	-
Arpico Interiors (Pvt) Ltd	Related Company	429	248	429	248
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	116	1,579
		150,366	70,402	24,842	20,724

### 20 Income Tax Payable

	Group		Company	
	31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Balance at the beginning of the year	24,007	18,066	14,897	16,248
Provision for the year	77,605	57,618	39,399	34,147
(Over) / under provision in respect of previous year	(2,381)	(1,334)	(849)	634
	99,231	74,350	53,447	51,029
Payments made during the year	(51,371)	(48,522)	(32,832)	(35,332)
WHTax Paid	(2,789)	(1,821)	(828)	(800)
Economic Service Charge Paid	(18,958)	-	(5,884)	-
Balance at the end of the year	26,113	24,007	13,903	14,897

## 21 Amounts Due to Related Parties

	Relationship	Group		Company	
		31.03.2017 Rs.'000	31.03.2016 Rs.'000	31.03.2017 Rs.'000	31.03.2016 Rs.'000
Richard Pieris & Co. PLC.	Parent Company	27,786	156,582	-	531
Richard Pieris Natural Foams Ltd.	Subsidiary Company	-	-	85	69
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	14,373	14,824
Richard Pieris Distributors Ltd	Related Company	-	98	64	98
		<b>27,786</b>	<b>156,680</b>	<b>14,522</b>	<b>15,522</b>

## 22 Turnover

### 22.1 Summary

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Export Sales	3,466,538	2,733,616	1,144,129	1,063,540
Indirect Exports	89,471	44,300	-	-
Local Sales (Gross)	344,200	344,130	33,582	56,984
	<b>3,900,209</b>	<b>3,122,046</b>	<b>1,177,711</b>	<b>1,120,524</b>
VAT	(50,906)	(38,487)	(3,556)	(5,646)
	<b>3,849,303</b>	<b>3,083,559</b>	<b>1,174,155</b>	<b>1,114,878</b>
Less : Inter Group Sales	(30,862)	(35,991)	-	-
	<b>3,818,441</b>	<b>3,047,568</b>	<b>1,174,155</b>	<b>1,114,878</b>

### 22.2 Group Segmental Information

	Profit					
	Turnover		From Operations		Net Assets	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Minerals	60,522	63,592	50	1,976	33,146	32,315
Latex Based	2,614,626	1,905,089	496,625	330,463	779,034	575,466
Hard Rubber	1,174,155	1,114,878	396,869	296,520	984,750	794,461
	<b>3,849,303</b>	<b>3,083,559</b>	<b>893,544</b>	<b>628,959</b>	<b>1,796,930</b>	<b>1,402,242</b>
Adjustments for Inter Group Transactions	(30,862)	(35,991)	(100,987)	(56,339)	(868,346)	(766,741)
	<b>3,818,441</b>	<b>3,047,568</b>	<b>792,557</b>	<b>572,620</b>	<b>928,584</b>	<b>635,501</b>

## 23 Other Operating Income

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Scrap Sales (23.1)	2,770	3,147	2,646	2,465
Reversal of provision for slow moving stocks	664	1,522	664	1,522
Profit on disposal of Property, Plant & Equipment	-	2,076	-	2,076
Dividend Income	-	-	100,987	56,339
Unclaimed Payables Written Back	-	5,402	-	386
	<b>3,434</b>	<b>12,147</b>	<b>104,297</b>	<b>62,788</b>

### 23.1 Summary

Scrap Sales (Gross)	3,243	3,493	3,103	2,736
VAT	(473)	(346)	(457)	(271)
	<b>2,770</b>	<b>3,147</b>	<b>2,646</b>	<b>2,465</b>

## Notes to the Financial Statements Contd.

### 24 Profit from Operations

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
is stated after Charging				
Depreciation	46,868	56,102	9,236	8,672
Directors' Remuneration and Fees	800	800	800	800
Auditors' Remuneration - Audit Fees	1,844	1,714	989	915
- Non-Audit Fees	671	589	671	589
<b>Personnel Costs includes</b>				
Defined Benefit Plan Costs - Gratuity	11,066	10,580	7,653	7,954
Other Staff Costs including EPF & ETF	394,318	342,576	151,211	151,189
Provision for Impairment - Trade Debtors	-	184	-	-
Provision for Impairment - Other Debtors	-	7,744	-	7,744
Provision for Impairment - Advances	7,738	17	7,738	-
Corporate Restructuring Expenses	60,000	60,000	-	-
Amortisation of Leasehold Land Prepayment	273	212	-	-

### 25 Finance Income

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest Income from non Related Parties	1,281	324	1,281	324
Interest income on Fixed Deposit	33,606	23,327	10,005	8,182
	34,887	23,651	11,285	8,506

### 26 Finance Costs

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Interest on long term loans - Related Party	-	-	-	-
- Others	2,396	4,944	2,396	4,263
	2,396	4,944	2,396	4,263
Interest on short term loans - Related Party	-	-	1,366	942
- Others	8,277	7,116	3,986	3,506
	8,277	7,116	5,352	4,448
	10,673	12,060	7,748	8,711

### 27 Other Financial Items

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Net foreign exchange transaction loss / (gain)	(14,276)	(37,925)	(4,054)	(12,941)

## 28 Share of Profit of Associate

The Group's share of the assets and liabilities as at 31st March 2017 and 2016, and income and expenses of the entity for the years ended 31st March 2017 and 2016, which is accounted under the equity method are as follows.

	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>
Revenue	<b>519,040</b>	545,698
Profit before tax	<b>15,654</b>	29,380
Group's share of profit before tax	<b>7,660</b>	14,376
(-) Tax on associate results	<b>(605)</b>	(2,219)
Group's share of profit after tax	<b>7,055</b>	12,157
Total Other Comprehensive Income	<b>15,658</b>	36,911
Group's share of total Other Comprehensive Income	<b>7,662</b>	18,061

### Associate's Statement of Financial Position

Current assets	<b>291,053</b>	251,626
Non-current assets	<b>331,130</b>	305,546
	<b>622,183</b>	557,172
Current liabilities	<b>(146,962)</b>	(116,003)
Non-current liabilities	<b>(46,941)</b>	(42,962)
	<b>(193,903)</b>	(158,965)

## 29 Taxation

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>	<b>Rs.'000</b>
Income tax on current year profits	<b>77,605</b>	57,618	<b>39,399</b>	34,147
(Over) / Under Provision in respect of previous year	<b>(2,381)</b>	(1,334)	<b>(849)</b>	634
Deferred Taxation charge / (Reversal) - Note 29.3	<b>24,413</b>	23,259	<b>(566)</b>	90
Dividend Tax paid by subsidiaries	<b>11,220</b>	6,249	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	<b>605</b>	2,219	-	-
	<b>111,462</b>	88,011	<b>37,984</b>	34,871

## Notes to the Financial Statements Contd.

### 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 Taxation on Current Year Profits

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit / (Loss) before Tax from continuing operations	838,707	636,512	404,460	309,256
Add: Profit / (Loss) before Tax from discontinued operations	(37)	(110)	-	-
Less: (Profit) / Loss from Associate Company	(7,660)	(14,376)	-	-
	831,010	622,026	404,460	309,256
Expenses Disallowed for tax purposes	92,328	87,880	26,565	30,981
Expenses allowable for tax purposes	(130,458)	(155,491)	(22,811)	(25,284)
Tax exempt income	(1,281)	(324)	(1,281)	(324)
Allowable Income	-	-	(100,987)	(56,339)
Tax loss brought forward	(260,379)	(362,574)	-	-
Tax loss carried forward	91,186	260,379	-	-
Taxable Income	622,406	432,916	305,946	258,290
Income tax 28%	5,081	5,780	4,699	5,516
Income tax 15%	55	432	-	-
Income tax 12%	72,469	51,406	34,700	28,631
Income tax provision for the year	77,605	57,618	39,399	34,147

### 29.3 Deferred Taxation Charge / (Reversal)

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Accelerated depreciation for tax purpose	6,077	12,092	235	(5)
Retirement benefit obligations	(1,172)	(85)	(801)	95
Unutilised tax losses	19,508	11,252	-	-
	24,413	23,259	(566)	90

### 30 - 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 :

	Group	
	2017	2016
	Rs.'000	Rs.'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Operating Income (Unclaimed payables written back)	16	-
Expenses - Note 30.1	(53)	(110)
Profit / (Loss) from discontinued operations	(37)	(110)
Finance Cost	-	-
Profit / (Loss) before Tax from discontinued operations	(37)	(110)
Taxation	-	-
Profit / (Loss) for the year from discontinued operations	(37)	(110)
Attributable to		
Equity Holders of the Parent Company	(25)	(75)
Non Controlling Interest	(12)	(35)
	(37)	(110)
Earnings / (Loss) per Share - Basic	(0.003)	(0.010)

### 30.1 - EXPENSES INCLUDES

	Group	
	2017	2016
	Rs.'000	Rs.'000
Auditors' Remuneration	55	50
Operating and Investing Cash Flow for the year are presented below :		
Net Cash Flows from Operating Activities	(48)	(105)
Net Cash Flows from Investing Activities	-	-

## Notes to the Financial Statements Contd.

### 31 EARNINGS PER SHARE

31.1 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.

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

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Profit Attributable to Equityholders of the Parent from continuing Operations	462,008	364,131	366,476	274,385
Profit/(Loss) Attributable to Equityholders of the Parent from discontinuing Operations	(25)	(75)	-	-
Profit Attributable to Equityholders of the Parent	461,983	364,056	366,476	274,385
Number of Ordinary Shares used as Denominator	'000	'000	'000	'000
Weighted Average number of Ordinary Shares in issue applicable to basic Earnings Per Share	11,164	11,164	11,164	11,164
	Rs.	Rs.	Rs.	Rs.
Earnings Per Share	41.38	32.61	32.83	24.58
Earnings per Share from continuing operations	41.38	32.62	32.83	24.58

### 32 Dividend per Share

	2016/17 Rs.'000	2015/16 Rs.'000
Interim dividend	178,620	139,547
No. of Shares in issue in '000	11,164	11,164
Dividend per Share (Rs.)	16.00	12.50

2016 / 2017

The interim dividend of Rs. 16.00 per share was declared on 15th March 2017 and was paid on 30th March 2017.

2015 / 2016

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

### 33 Contingent Liabilities

There are no contingent liabilities as at 31st March 2017 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.

#### 33.1 Contingent Liabilities Of Subsidiaries And Associates

##### 33.1(a) Contingent Liabilities of Subsidiaries

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

##### 33.1(b) Contingent Liabilities of Associates

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

### 34 Capital And Lease Commitments

The Capital Commitments for Property, Plant and Equipment incidental to the ordinary course of business as at 31.03.2017, approved by the board are as follows,

	Group		Company	
	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Contracted but not provided for	188,568	24,544	-	-
Approved but not contracted for	339,624	-	-	-
	528,192	24,544	-	-

#### Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31.03.2017 are as follows,

	Group			
	2017 Rs.'000	2017 USD	2016 Rs.'000	2016 USD
Within one year	4,548	29,910	4,089	27,971
After one year but not more than five years	18,191	119,640	16,355	111,884
More than five years	279,668	1,839,313	249,966	1,709,991
	302,407	1,988,863	270,410	1,849,846

### 35 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.

## Notes to the Financial Statements Contd.

### 36 Securities Given for Banking Facilities

Name of the Company	Lender	Facility	Nature of Security
36.1 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	Hypothecation of Stocks procured and receipt / confirmed export orders.
36.2 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 Plantations PLC together with supporting board resolution.
		Commercial Bank of Ceylon PLC	Term Loan Facility/ Overdraft

### 37 Related Party Transactions

#### 37.1 Transactions with Key Managerial Persons

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

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

For the Year Ended 31 March	Group		Company	
	2017 Rs. Mn.	2016 Rs. Mn.	2017 Rs. Mn.	2016 Rs. Mn.
Remuneration to Key Managerial Persons	0.8	0.8	0.8	0.8

### 37.2 Transactions with related parties by the Company

Name of the Related Party	2016/2017			2015/2016			
	Sales	Purchases	Services	Sales	Purchases	Services	Interest Paid
Richard Pieris & Co. PLC	-	-	30,267,229	-	-	18,225,229	-
Richard Pieris Natural Foams Ltd	69,593	12,659,539	-	53,440	15,452,020	-	-
Arpitlan Compact Soles (Pvt) Ltd	124,525	-	-	-	416,474	-	-
Micro Minerals (Pvt) Ltd	-	18,131,637	-	-	20,485,594	-	941,507
Richard Pieris Distributors Ltd	20,447,169	720,566	-	19,853,559	288,704	-	-
Richard Pieris Rubber Products Ltd	1,093,203	410,845	-	2,571,579	980,573	-	-
Richard Pieris Rubber Compounds Ltd	-	8,240,327	-	-	7,425,574	-	-
Arpico Interiors (Pvt) Ltd	3,904,117	181,031	-	4,690,624	247,961	-	-
Kegalle Plantations PLC - Note 37.4.1	-	136,578,979	-	-	137,450,535	-	-
RPC Logistics Ltd	-	-	12,454,865	-	-	14,031,112	-
Arpitech (Pvt) Ltd	12,958	465,412	-	27,818	93,636	-	-
Arpico Insurance Ltd	-	-	1,849,844	-	-	1,836,818	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	569,772	-	-	525,430	-	-
Namunukula Plantations PLC	-	-	-	-	183,750	-	-

### 37.3 Transactions with related parties by the subsidiaries of the Group

Name of the Related Party	2016/2017			2015/2016		
	Sales	Purchases	Services	Sales	Purchases	Services
Richard Pieris & Co. PLC	-	-	69,750,922	-	-	5,298,544
Arpitlan Compact Soles (Pvt) Ltd	7,277,677	44,875	-	8,571,172	-	-
Richard Pieris Distributors Ltd	105,398,466	644,048	-	115,056,688	539,113	-
Richard Pieris Rubber Products Ltd	4,545,211	224,575	-	3,544,920	204,373	-
Kegalle Plantations PLC - Note 37.4.1	-	524,375,582	-	-	429,028,851	-
RPC Logistics Ltd	-	-	28,235,981	-	-	45,866,393
Arpitech (Pvt) Ltd	32,338,068	5,048,320	-	31,955,658	3,796,061	-
Richard Pieris Tyre Company Ltd	-	10,826,826	-	-	10,983,707	-
Arpico Insurance Ltd	-	-	1,493,235	-	-	1,275,450
Richard Pieris Rubber Compounds Ltd	257,219	164,000	-	271,837	-	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	83,905	-	-	-	-

### 37.4 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.

#### 37.4.1 Transactions with Kegalle Plantations PLC

	Group		Company	
	2017	2016	2017	2016
a) Relationship - Related Company	-	-	-	-
b) Nature of transaction - Purchase of Rubber	-	-	-	-
c) Aggregate value of related party transactions entered into during the financial year	524,375,582	429,028,851	136,578,979	137,450,535
d) Revenue as per latest audited Financial Statements	3,818,441,000	3,047,568,000	1,174,155,000	1,114,878,000
e) Aggregate value of related party transactions as a % of net revenue/income	13.73	14.08	11.63	12.33
f) Terms and conditions of the related party transactions / Transactions with related parties are carried out in the ordinary course of business on an arm's length basis.	-	-	-	-

37.5 Some of the Directors of the Company are also Directors of the following Companies

## Notes to the Financial Statements Contd.

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	Richard Pieris Tyre Co. Ltd	Richard Pieris Group Services (Pvt) Ltd	Arpico Natural Latex Foams (Pvt) Ltd	Arpitech (Pvt) Ltd	Maskeliya Plantations PLC	Maskeliya Tea Gardens (Ceylon) Ltd	Arpico Insurance Ltd	Namunukula Plantations PLC
Dr. Sena Yaddhegige	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Shaminda Yaddhegige	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
W.R.Abeysirigunawardena	-	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 - Indicates director of the relevant Company.

### 38 - 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

## Notes to the Financial Statements Contd.

the price of the underlying, the Group's Board of Directors has 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 2017	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	523,990	106,798	34,364	665,152
Short Term Investment	343,470	-	-	343,470
Amounts due from Related Parties	36,301	-	-	36,301
Cash and Bank Balances	276,612	-	-	276,612
	1,180,373	106,798	34,364	1,321,535

### 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.

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>As at 31st March 2017</b>						
Interest bearing Loans and Borrowings	16	212,232	134,122	6,589	-	352,943
Trade and Other Payables	7.2 / 19	154,222	259,478	-	-	413,700
Amounts due to Related Companies	7.3 / 21	230,247	-	-	-	230,247
		596,701	393,600	6,589	-	996,890
<b>As at 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	74,258	198,349	-	-	272,607
Amounts due to Related Companies	7.3 / 21	359,157	-	-	-	359,157
		760,835	326,893	28,503	15,836	1,132,067



## STATEMENTS OF VALUE ADDED

	2016/2017 Rs.000	2015/2016 Rs.000
<b>Group</b>		
<b>Value Added :</b>		
Gross Turnover	3,900,209	3,122,046
Less: Inter Group Sales	(30,862)	(35,991)
	<b>3,869,347</b>	3,086,055
Cost of Material and Service Purchased	(2,528,989)	(2,016,332)
	<b>1,340,358</b>	1,069,723
Other Income	3,907	12,493
Finance Income	34,887	23,651
Share of Profit of Associate	7,660	14,376
<b>Total Value Added</b>	<b>1,386,812</b>	1,120,243
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	404,713	350,968
To the Government as Taxation	171,289	126,030
To Shareholders as Dividend	178,620	139,547
To Lenders of Capital		
- As Interest on Borrowing	10,673	12,060
- To Minority Interest	264,745	184,399
Retained within the Business		
- As Depreciation & Impairment of Property Plant & Equipment	46,868	56,102
- As Deferred Tax	24,807	23,952
- As Foreign Currency Translation	(7,985)	(17,083)
- As Profits Retained	293,083	244,268
	<b>1,386,812</b>	1,120,243
<b>Company</b>		
<b>Value Added :</b>		
Turnover	1,177,711	1,120,524
Cost of Material and Service Purchased	(689,989)	(689,937)
	<b>487,722</b>	430,587
Other Income	104,754	63,059
Finance Income	11,285	8,506
<b>Total Value Added</b>	<b>603,761</b>	502,152
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	156,899	158,101
To the Government as Taxation	61,203	50,351
To Shareholders as Dividend	178,620	139,547
To Lenders of Capital		
- As Interest on Borrowing	7,748	8,711
- To Minority Interest	-	-
Retained within the Business		
- As Depreciation	9,236	8,672
- As Deferred Tax	(234)	311
- As Profits Retained	190,289	136,459
	<b>603,761</b>	502,152



# CORPORATE STRUCTURE

## Subsidiary Companies

### RICHARD PIERIS NATURAL FOAMS LIMITED

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
Sunil Poholiyadde	Director
Wasantha Abeysirigunawardene	Director (Appointed w.e.f 15.08.2016)
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
Januka Karunasena	Director
Wasantha Abeysirigunawardene	Director (Appointed w e f 15.08.2016)
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
Wasantha Abeysirigunawardene	Director
Januka Jayanga	Director (Appointed w.e.f 08.09.2016)
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	

## Group Real Estate Portfolio Contd.



RPNF Factory Biyagama



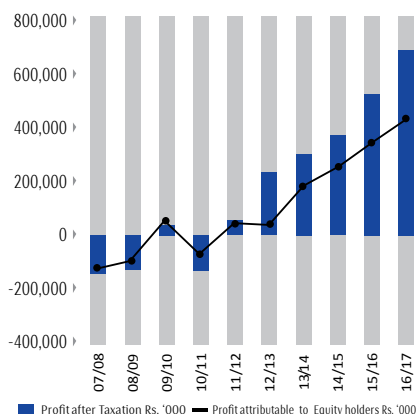
RPE Factory Ekala



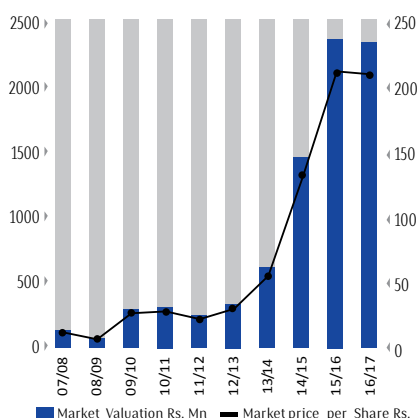
ACSL Factory Biyagama

# TEN YEAR SUMMARY

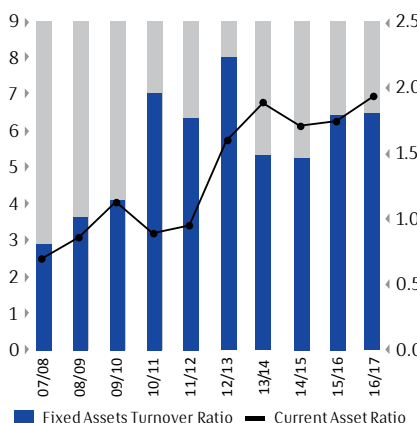
Profit after Taxation vs Profit attributable to Equity holders



Market Valuation vs Market price per Share



Current Asset Ratio Vs Fixed Assets Turnover Ratio



	2016/17	2015/16	2014/15	2013/14
	Rs. '000	Rs. '000	Rs. '000	Rs. '000

## Income Statement

Turnover	3,818,441	3,047,568	2,498,140	2,393,765
Profit before taxation	838,707	636,512	446,601	312,104
Taxation	(111,462)	(88,011)	(58,350)	3,836
Profit after taxation (Rs Mn)	727,245	548,501	388,251	315,911
Minority Interest	(265,225)	(184,335)	(120,667)	(123,160)
Profit attributable to shareholders	461,983	364,056	267,677	192,751

## Balance Sheets:

Capital and Reserves				
Stated Capital	220,262	220,262	220,262	220,262
Revenue Reserve	637,557	352,459	169,563	22,342
Shareholders' Funds	928,584	635,501	435,522	285,036
Minority Interest	583,546	467,224	382,298	276,507
Capital Employed	1,512,130	1,102,725	817,820	561,543

## Assets Employed

Assets of Discontinued operations	162	210	315	3,487
Current Assets	1,783,860	1,606,196	1,267,571	1,043,601
Liabilities of Discontinued operations	(226,839)	(226,850)	(226,845)	(230,119)
Current Liabilities	(804,704)	(921,856)	(742,886)	(556,231)
Working Capital	752,479	457,700	298,156	260,738
Intangible Assets	-	-	-	-
Leasehold Land Prepayments	12,090	12,363	6,007	4,633
Property, Plant & Equipment	589,765	472,628	474,162	282,054
Long Term Loans	-	(15,836)	(57,979)	(97,379)
Deferred Liabilities	(92,705)	(60,151)	(61,258)	(51,194)
Investments	250,501	235,784	135,213	125,065
Total Assets less Liabilities	1,512,130	1,102,725	817,820	561,543

## Financial Ratios

### Profitability

Earnings per Share (Rs.)	41.38	32.61	23.98	17.27
Net profit/(Loss) before Minority Int. to sales(%)	19.05	17.99	15.55	13.19

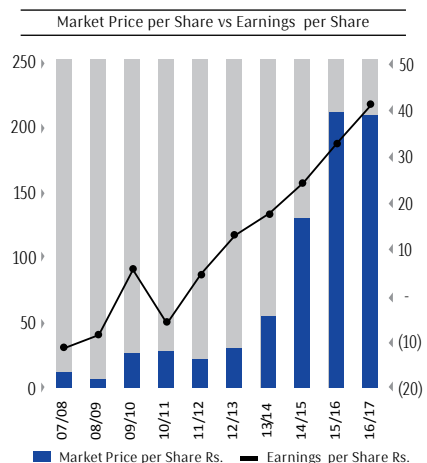
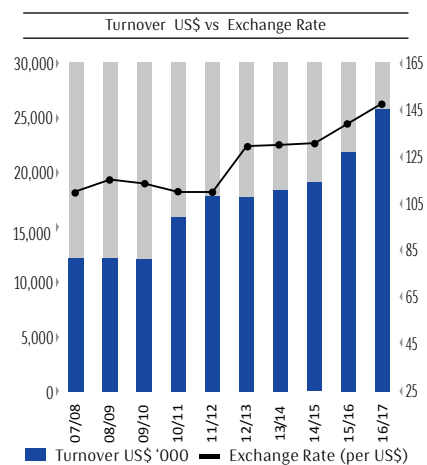
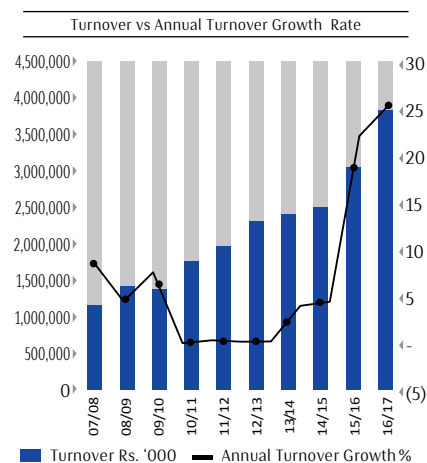
### Dividends

Dividend (Rs.)	178,620	139,547	116,103	57,493
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### Others

Market Price Per Share (Rs.)	209.00	211.20	130.30	55.10
Price Earnings Ratio (times)	5.05	6.48	5.43	3.19
Net Assets Per Share (Rs.)	83.18	56.92	39.01	25.53
Annual sales growth (%)	25	22	4.36	3.93
Current Assets Ratio (times)	2.22	1.74	1.71	1.88
Fixed Assets Turnover Ratio (times)	6.47	6.45	5.27	5.33
Average Exchange Rate (per US\$)	148.39	139.81	131.21	130.51
Turnover (US\$ '0 00)	25,733	21,799	19,039	18,342

2012/2013	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2,303,135	1,967,145	1,754,323	1,379,529	1,410,757	1,311,833
273,457	69,091	(131,911)	52,710	(118,273)	(216,959)
(29,398)	(11,235)	72	(8,019)	(14,912)	(5,056)
244,059	57,856	(139,377)	41,420	(133,185)	(222,015)
(103,296)	(10,147)	66,875	15,570	32,700	90,768
140,722	47,567	(72,502)	56,990	(100,485)	(131,247)
220,262	220,262	220,262	220,262	220,262	220,262
(74,032)	(211,201)	(272,237)	(270,370)	(337,384)	(238,606)
146,230	9,061	(51,975)	(50,108)	(117,122)	(18,344)
153,288	49,697	39,630	88,159	4,189	37,196
299,518	58,758	(12,345)	38,051	(112,933)	18,852
3,527	3,610	3,917	9,877	96,372	-
793,684	819,992	902,225	800,848	764,679	880,594
(230,119)	(230,160)	(230,325)	(228,929)	(312,383)	-
(501,002)	(865,766)	(1,011,524)	(706,347)	(889,241)	(1,256,283)
66,090	(272,324)	(335,707)	(124,551)	(340,573)	(375,689)
-	-	-	-	-	-
4,692	4,751	4,810	4,869	4,928	11,833
287,395	309,624	316,321	335,781	386,912	450,447
(133,870)	-	(21,264)	(150,249)	(138,046)	(68,313)
(43,411)	(36,044)	(33,091)	(27,798)	(26,554)	(26,806)
118,622	52,751	56,586	-	400	27,380
299,518	58,758	(12,345)	38,051	(112,933)	18,852
12.61	4.27	(6.49)	5.10	(9.00)	(11.76)
10.59	2.93	(7.94)	3.00	(9.44)	(16.92)
-	-	-	11,164	-	-
30	22	28	26.50	6.75	12.00
2.43	5.16	(4.31)	5.20	(0.75)	(1.02)
13.10	0.81	(4.66)	(4.48)	(10.49)	(1.64)
0.17	0.12	0.27	(0.02)	7.50	4.40
1.59	0.95	0.89	1.13	0.86	0.70
8.01	6.35	7.04	4.11	3.65	2.91
129.95	110.39	110.39	114.03	115.75	110.70
17,723	17,820	15,892	12,098	12,188	12,175





# SHAREHOLDER INFORMATION

## 1 General

Stated Capital	Rs. 220,262,000
No of Shares Issued as at 31.03.2017	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 2017 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

	2016/17	2015/16	Increased by	%
No of transactions	2,107	6,361	(4,254)	-67%
No of shares traded	571,804	2,970,412	(2,398,608)	-81%
Share turnover (Rs.)	134,173,980	698,623,783	(564,449,803)	-81%

## 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. 2,333,222,705 (11,163,745 x209.00) at 31st March 2017 ( As at 31st March 2016:Rs 2,358mn).

## 6 Market Value of Shares

	2016/17	Date	2015/16	Date
Highest Price (Rs.)	255.00	22.04.2016	329.90	23.10.2015
Lowest Price (Rs.)	200.00	24.03.2017	131.00	01.04.2015
Year end Price (Rs.)	209.00	31.03.2017	211.20	31.03.2016

## 7 Distribution of Shareholders

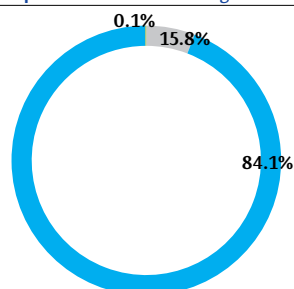
Range of Shareholding	As at 31/03/2017			As at 31/03/2016		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
1 - 1,000	1332	219,639	1.97%	1228	136,650	1.22%
1001 - 10,000	160	511,489	4.58%	261	589,178	5.28%
10001 - 100,000	29	767,051	6.87%	34	898,539	8.05%
100001 - 1,000,000	3	705,569	6.32%	2	579,381	5.19%
1000001 & above	1	8,959,997	80.26%	1	8,959,997	80.26%
Total	1525	11,163,745	100.00%	1526	11,163,745	100.00%

## Shareholder Information Contd.

### 8 Composition of Shareholding

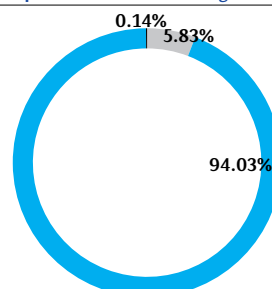
Category	2017			2016		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
Institutional Investors	241	91,272	0.82%	89	9,860,184	88.32%
Individual Investors	1282	11,072,170	99.18%	1435	1,303,258	11.67%
Directors	2	303	0.00%	2	303	0.00%
<b>Total</b>	<b>1525</b>	<b>11,163,745</b>	<b>100.00%</b>	<b>1526</b>	<b>11,163,745</b>	<b>100.00%</b>

Composition of Shareholding % - 2017



■ Institutional Investors  
■ Individual Investors  
■ Directors

Composition of Shareholding % - 2016



■ Institutional Investors  
■ Individual Investors  
■ Directors

### 9 Major shareholders

As at 31st March	2017		2016		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	386,775	3.46%	365,000	3.27%	21,775
3 Mr. Astrue Alpha	193,794	1.74%	214,381	1.92%	(20,587)
4 Mr. T.T.T.Al-Nakib	125,000	1.12%	59,000	0.53%	66,000
5 Mr. P.Vijendran	60,000	0.54%	59,477	0.53%	523
6 Kalday Private Limited	53,399	0.48%	53,399	0.48%	-
7 Mr.K.A.S.R.Nissanka	53,397	0.48%	53,397	0.48%	-
8 Mr.R.A.Rishard	50,578	0.45%	39,216	0.35%	11,362
9 Mr. A.A.A.Noorudin	50,000	0.45%	50,000	0.45%	-
10 Ransiri Enterprises ( Pvt ) Ltd	41,572	0.37%	41,572	0.37%	-
11 Union Investments (Pvt) ltd	40,600	0.36%	27,800	0.25%	12,800
12 Mr. Sithampalam	35,000	0.31%	35,000	0.31%	-
13 Mr.D.F.G.Dalpethado	32,671	0.29%	-	-	32,671
14 Corporate Holdings (Pvt) Ltd	30,000	0.27%	30,000	0.27%	-
15 Mr. M.S.P.Fernando	28,008	0.25%	25,008	0.22%	3,000
16 Mrs M. Y. Amerasinghe	26,000	0.23%	34,367	0.31%	(8,367)
17 Mr. N.A.Withana	25,000	0.22%	25,000	0.22%	-
18 Mr. W.M.H.B.Senevi	22,114	0.20%	22,114	0.20%	-
19 Mr.H.A. Pieris	20,932	0.19%	20,932	0.19%	-
20 Mr P.T.S.De Silva	17,873	0.16%	-	-	17,873
21 Mr.W.P.Gunasena	17,240	0.15%	17,240	0.15%	-
22 Hi -Line Towers (Pvt) Ltd	17,000	0.15%	17,199	0.15%	(199)
23 Mr.M.H.M.Anees	16,644	0.15%	16,644	0.15%	-
24 Mr.A.Cader Ahamed	15,930	0.14%	15,224	0.14%	706
25 Mr.Murtaza Ali	15,000	0.13%	15,000	-	-
<b>Total</b>	<b>10,334,524</b>	<b>92.57%</b>	<b>10,181,967</b>	<b>91.21%</b>	<b>152,557</b>

## Shareholder Information Contd.

### 10 Public & Parent Shareholding

As at 31st March 2017, the public held 19.74% (2016 : 19.74%) of the share capital of the company. The shareholding of the parent company, Richard Pieris & company Plc, was 80.26%. (2016-80.26%)

### 11 Directors Shareholding

Name Of the Director	As at 31st March No of Shares 2017	As at 31st March No of Shares 2016
Dr. Sena Yaddehige	-	-
Mr. Saminda Yaddehige	-	-
Mr. Sunil Liyanage	203	203
Mr. Viville Perera	100	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.



# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty Fourth Annual General Meeting of Richard Pieris Exports PLC will be held at the Registered Office of the Company, No. 310, High Level Road, Nawinna, Maharagama on Friday, 30th June, 2017 at 3.00 p.m. and the business to be brought before the meeting will be as follows;

1. To receive and consider the Report of the Directors and the Financial Statements for the year ended 31st March 2017 with the Report of the Auditors thereon.
2. To approve the appointment of Dr. Sena Yaddehige as a Director  
Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, a shareholder of the Company.  
"That Dr. Sena Yaddehige of Le Neuf , Chemin, St. Saviours, Guernsey, United Kingdom who is 71 years of age be and is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige"
3. To approve the appointment of Dr. L M K Tillekeratne as a Director  
Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Ordinary Resolution has been received by the Company, from Richard Pieirs & Company PLC of No.310, High Level Road, Nawinna, Maharagama, a shareholder of the Company.  
"That Dr. L M K Tillekeratne of 8/7, Green Path, Kohuwela 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. L M K Tillekeratne "
4. To re-elect Mr. Angelo Patrick , who retires by rotation in terms of Article 48 as a Director
5. To re - elect Mr. Sunil Liyanage, who retires by rotation in terms of Article 48 as a Director
6. To re-appoint M/s. Kreston MNS & Co. Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.
7. To authorize the Directors to determine contributions to charities
8. To consider any other business of which due notice has been given.

By Order of the Board



Richard Pieris Group Services (Private) Limited  
Secretaries

No. 310, High Level Road, Nawinna, Maharagama.  
31st May 2017

Note:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
- b) A Proxy need not be a member of the Company. The form of proxy will be found inserted in the Annual Report
- c) The completed form of proxy should be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not less than 48 hours before the time appointed for the holding of the meeting.

# FORM OF PROXY

I/We\* (in block letters) .....of .....  
 ..... being a member/members of the RICHARD PIERIS 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 MAHASSEN KEERTHI TILLEKERATNE whom failing ANGELO  
 MAHARAJAH PATRICK \* as my/our proxy to represent me/us and to vote on my/our behalf at the 34TH ANNUAL GENERAL MEETING  
 of the Company to be held on 30th June 2017 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 2017 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 Yaddehige at this Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Dr. L M K Tillekeratne at this Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Angelo Patrick, who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re- elect Mr. Sunil Liyanage, who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. 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"/>
7. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>
8. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2017

.....  
 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 appointer 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 Wednesday, 28th June 2017.

# 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. 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.

## Bankers

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

