



QUEST FOR DIVERSIFICATION

RICHARD PIERIS EXPORTS PLC
ANNUAL REPORT 2017/2018

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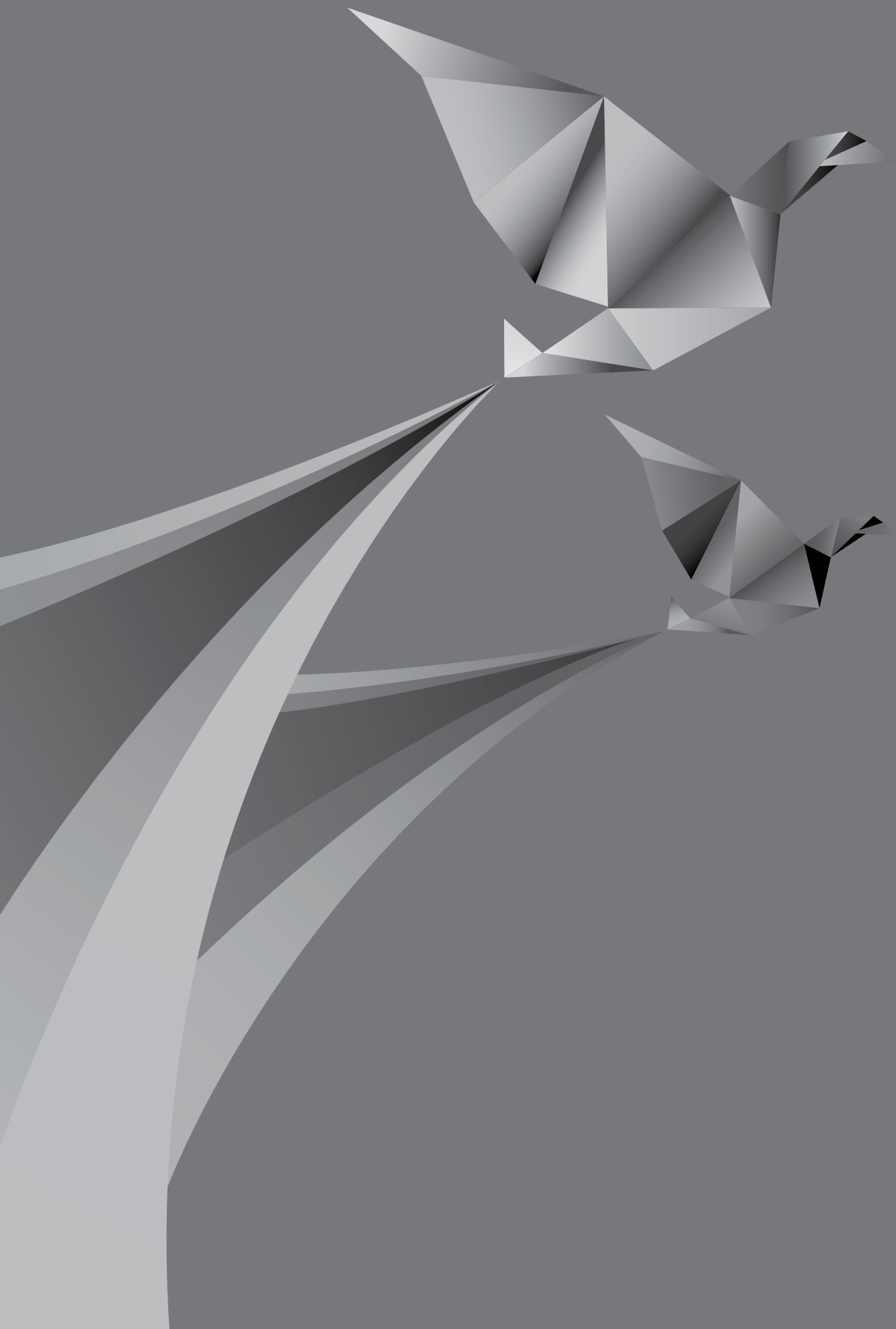
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Vision

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.



QUEST FOR DIVERSIFICATION

Our thirst for adding value to the business is driving us to re-engineer and enhance our systems and processes, invest in capacity expansion and to create new lines of business to diversify our business to meet new market realities. We have shed a conciliatory approach to adopt an aggressive marketing and sales outlook which has won us new customers and strengthened our commitment to further deepen and diversify our product range.

OUR MAJOR MILESTONE FOR THE YEAR



New additions to product range



Complete Natural Sleep Experience with 100% Arpico Natural Latex Pillows.

With an objective of offering complete natural sleep solutions to our customers, Richard Pieris Natural Foams Limited ventured in to continuous high capacity 100% Natural Latex Pillow Production line during the current financial year.

Limited pillow production carried out by the company to compliment limited customer base has been expanded with the new pillow production line. With the immediate capacity of over 70,000 pillows per month and with an ability of

extending the facility to over 140,000 pillows per month, RPNF have been exploring discerning needs of sleepers with over 12 advance functional head and neck support pillow designs.

Arpico 100% latex pillows combined with the functional designs and prestige brand have become ideal gifts for tourists in the east Asian markets.

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 35 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 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 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.



2016

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 at Export Award Ceremony. The company went on to obtain both "ISO 9001 & ISO 14001" certificates.

2017

Treading a path towards diversification, the year proved fortuitous for the group which posted its highest profits yet backed by capacity expansion and aggressive marketing activities. The group also made headway in supplying dairy matting for the local dairy industry. RPNF and RPE each won the Silver Award for Agricultural Value Added Exporter in Sri Lanka from the National Chamber of Exporters of Sri Lanka in the extra large and large category respectively. RPE was awarded the Certificate of Compliance for its 2017 Annual Report.

FINANCIAL HIGHLIGHTS

“Group recorded a Revenue of Rs.4,272 Million, and Gross Profit of Rs. 1,363 Million, while the Group Profit was Rs. 713 Million”

Performance Year Ended 31st March		Group		Company	
		2017/18	2016/17	2017/18	2016/17
Turnover	Rs'000	4,271,727	3,818,441	1,066,436	1,174,155
Foreign exchange earnings	US\$'000	27,798	25,733	6,940	7,913
Profit / (Loss) before taxation	Rs'000	846,347	838,707	407,207	404,460
Tax on Profit	Rs'000	(133,240)	(111,462)	(33,389)	(37,984)
Profit after taxation	Rs'000	713,107	727,245	373,818	366,476
Profit attributable to the ordinary shareholders	Rs'000	415,710	461,983	373,818	366,476

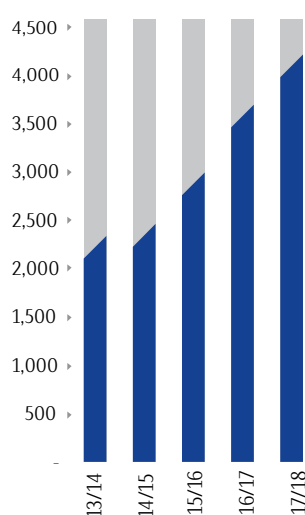
Financial Position as at 31.03.2018		2017/18	2016/17	2017/18	2016/17
Non Current Assets	Rs'000	1,031,339	852,356	608,781	612,751
Current Assets	Rs'000	2,310,451	1,783,860	779,025	690,965
Total Assets	Rs'000	3,341,898	2,636,378	1,387,806	1,303,716
Non Current Liabilities	Rs'000	231,905	92,705	56,460	50,107
Current Liabilities	Rs'000	1,062,924	804,704	151,880	268,859
Shareholders' funds	Rs'000	1,169,253	928,584	1,179,466	984,750

Key Indicators		2017/18	2016/17	2017/18	2016/17
Earnings Per Share	Rs	37.24	41.38	33.48	32.83
Net Assets Per Share	Rs	104.74	83.18	105.65	88.21
Dividend Per Share	Rs	16.00	16.00	16.00	16.00
Market Price Per Share	Rs			168.10	209.00
Return On Capital Employed	%	49.93	62.95	38.07	35.43
Market Capitalization	Rs Mn			1,877	2,333
Value Addition	Rs'000	1,437,332	1,386,812	586,475	603,761

Man Power	nos.	495	468	156	156

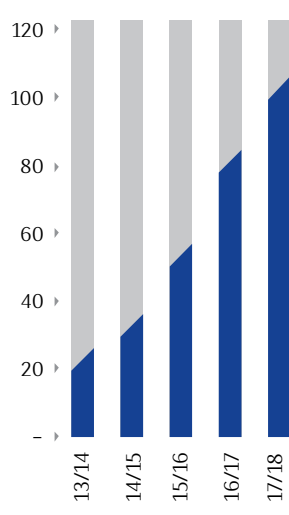
Turnover	12%
Foreign exchange earnings	8%
Profit / (Loss) before taxation	1%
Non Current Assets	21%
Current Assets	30%
Total Assets	27%
Shareholders' funds	26%
Net Assets Per Share	26%
Value Addition	4%
Man Power	6%

Revenue Growth



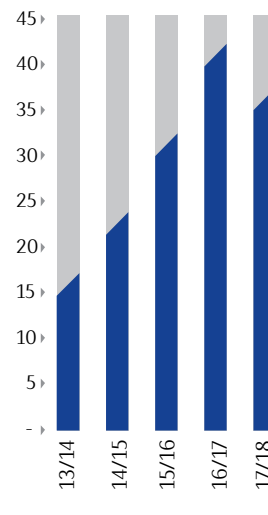
Revenue Rs. Mn

Net Asset per Share Growth



NAS Rs.

Earning per Share Growth



EPS Rs.

CHAIRMAN'S STATEMENT



“Investments made in a continuous pillow line, streamlined operations by way of capacity expansion and aggressive marketing in export markets contributed to the company’s success. We intend to continue this strategic approach as it is reaping dividends for the company and garnering new customers in global markets ”

I am pleased to present you the audited financial statements and Annual Report of Richard Pieris Exports PLC for FY 2017/2018 at the 35th annual general meeting. The year under review proved challenging on many fronts, as our company reflected a drop due to difficult market conditions in export markets coupled with an increase in global raw material prices of rubber and latex. Despite this, Your Company recorded satisfactory consolidated revenue of Rs 4.3 Bn as against Rs. 3.8 Bn achieved in the previous year. While the overall turnover of the group rose 12%, profitability increased marginally by 1%. Despite our disappointment at being unable to achieve set targets, we sustained our focus on diversification and consolidation of our business. In fact, our theme for this year's annual report, 'Quest for Diversification' reflects the new journey we have embarked on which will be sustained in the long run. Overall, the economy as a whole too was unable to achieve desired growth and expansion.

Poised for Growth

Richard Pieris Natural Foams continued to lead the export group performance yet again this year, recording growth of revenue and Profit before Tax by 21% and 14% respectively. Investments made in a continuous pillow line, streamlined operations by way of capacity expansion and aggressive marketing in export markets contributed to the company's success. We intend to continue this strategic approach as it is reaping dividends for the company and garnering new customers in global markets.

On the other hand, Richard Pieris Exports was faced with a challenging situation where in the demand for its salient matting product registered a drop during the year due to unfavorable conditions in export markets. As a result, operational profitability declined by as much as 6% impacting our bottom-line while at the same time experiencing a 9% drop in revenue. Despite the challenges faced, the

company mitigated the risks to a certain extent by promoting the matting products in the local market and by introducing a new line of business in molded rubber soles.

Your Company is currently in the process of re-engineering Arpitalian Compact Soles (Pvt) Ltd to be better positioned to tap into the upper segment of the target market overseas. The business line of the company will be repositioned such that we focus on a different group of customers. The company recorded a loss of Rs. 17 Mn this year but we believe that the restructuring effort will set the company on a path to profitability.

Micro Minerals continued to sustain its performance year on year while lending us a competitive advantage by entrenching our presence in the minerals business as it helps us maintain pricing control.

The management and team of Your Company must be commended for their dedication to sustaining the company despite the challenging year. We continue to invest in their career growth, well-being and safety. We are proud to have some of the best resources in the sector in which we operate and we retain talent by offering exceptional working conditions and incentives.

Your Company's strategic position at the forefront of the industry is well appreciated on various industry forums and this year too, both Richard Pieris Exports and Richard Pieris Natural Foams Limited were recognized and rewarded with the Silver Award for Agricultural Value-Added Exporter in Sri Lanka from the National Chamber of Exporters of Sri Lanka in the Large and Extra-Large category respectively.

Looking Ahead

We are excited about our capacity building efforts in Richard Pieris Natural Foams Limited as we believe it will drive further


profitability for the company itself and the group. Our market development activities thus far have yielded strong results and this effort will be sustained into the future. Richard Pieris Exports holds much potential as demonstrated in strong financial performances in the recent past and we believe that no sooner that global raw material prices stabilize and conditions in export markets improve, it will be business as usual for the company. The Company sustains its pole position in the industry by leveraging on its decades of manufacturing expertise, strong customer relationships and talented resources.

I am pleased to bring to your notice that all capacity expansions undertaken during the year under review were financed by us, without borrowing from external parties, which reflects the strength of our balance sheet.

Moreover, we responded to the faith entrusted in Your Company by shareholders by ensuring Richard Pieris Exports released the same dividend as last year. Creating wealth for our shareholders is our guiding principle and we are proud to achieve this while at the same time ensuring we continue to expand our 'green' footprint through sustainable practices.

Appreciation

I wish to thank my colleagues on the Board for their support and confidence. We owe our success to the cooperation and support of our suppliers, partners and customers. Our shareholders remain at the centre of our business and we are committed to positioning the company ahead irrespective of all odds.



Dr. Sena Yaddhegige
Chairman
30th May 2018

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.

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 from IE Business School which is ranked amongst the top 10 business schools in the world.

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

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

Mr. Yaddehige has been in the Directorate of Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.



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 41 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 its Managing Director. He is also a Director of Richard Pieris Distributors Ltd., Arpico Interiors (Pvt) Ltd and numerous other Companies in the Group.



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 33 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 the Acting Chairman of Arpico Insurance Plc and 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 38 years experience in rubber products manufacturing industry. His long associations with the Richard Pieris Group counts over 29 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 41 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, late Mr Jagath Korale and Mr Prasanna Fernando. The Committee is chaired by Dr Jayatissa De Costa. The Committee met on several occasions during the financial year.

In a highly competitive environment attracting and retaining high calibre executives is a key challenge faced by the Group. In this context, the Committee took into account, competition, market information and business performance in declaring the overall remuneration policy of the Group. The remuneration policy of the Company is formulated to attract and retain key talent and motivate them to develop and implement the business strategy in order to optimize stakeholder value. The scope of the Committee covers the determination of the compensation of the senior management and to lay down guidelines for the compensation structure of the management staff of the Company. In its decision making process necessary information and recommendations are obtained from the Senior Management, where necessary.



Dr Jayatissa De Costa P.C
Chairman
30th May 2018

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 Late Mr Jagath C Korale, Dr Jayatissa De Costa and Mr Prasanna Fernando. The Chairman of the Committee was 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 6 meetings during the year under review. The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of the Strategic Business Units

(SBUs) were invited if deemed necessary for audit committee meetings.

Internal Audit and Risk Management

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

The Group Internal Audit Manager was invited to be present at all Audit Committee deliberations. He presented a summary of the salient findings of all internal audits and details of the investigations carried out by his department for the period. The responses Heads of the SBUs to the internal audit findings were reviewed and where necessary corrective actions were recommended and implementation monitored.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements. A comprehensive Management Report and Accounts are produced at every month end highlighting all 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 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 2019, subject to the approval of the shareholders at the next Annual General Meeting.

Conclusion

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

It is with a deep sense of gratitude and respect, we place on record the commendable contribution made by the late Mr. Jagath Korale as the Chairman of the Audit Committee.



Prasanna Fernando
Member of the Audit Committee
30th May 2018

CORPORATE GOVERNANCE

The Company recognizes the interests of all its stakeholders ...

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 is 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 12 and 13. 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 Remuneration Committee, the Audit Committee, and the Related Party Transactions Review Committee of Richard Pieris & Company PLC, the parent Company functions as the Remuneration Committee, the Audit Committee, and the Related Party Transactions Review Committee of this Group.

Audit Committee

The Audit Committee is composed of three Independent Non-Executive Directors namely late Mr Jagath C Korale (Chairman), Dr Jayatissa De Costa P.C. and Mr Prasanna Fernando. The Group Chief Financial Officer, Group Internal Audit Manager and functional heads of subsidiaries attend meetings by invitation.

The Audit Committee Report on page 15 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., late Mr Jagath C Korale and Mr Prasanna Fernando.

The Report of the Remuneration Committee on page 14 highlights its main activities.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of three Independent Non-Executive Directors namely its Chairman Dr Jayatissa De Costa P.C., late Mr Jagath C Korale and Mr Prasanna Fernando.

The Report of the Related Party Transactions Review Committee on page 18 highlights its main activities.

Relationship with Shareholders

The Board maintains healthy relationships with its key shareholders. The Annual General Meetings are held to communicate with the shareholders and their participation is encouraged. Apart from this, its principal methods of communication include the corporate website, the annual report, quarterly Financial Statements and press releases.

Internal Controls

The Board is responsible for instituting an effective internal control system to safeguard the assets of the Company and ensure that accurate and complete records are maintained from which reliable information is generated. The system includes all controls including financial, operational and risk management. Strategies adopted by the Company to manage its risk are set out in its report on Risk Management on pages 19 to 22.

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

benchmarks have also been set out for the evaluation of capital projects and new investments.

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

Relationship with Other Stakeholders

The Board identifies the importance of maintaining a healthy relationship with its key stakeholders and ensures the Group as a whole inculcates this practice. Internal communication is mainly conducted through e-mails, memos and circulars. The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Group promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 39 to 42.

Compliance

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Group are prepared in strict compliance with the guidelines of the new Sri Lanka Accounting Standards (LKAS and SLFRS) and other statutory regulations. Financial Statements are published quarterly in line with the Listing Rules of the Colombo Stock Exchange through which all significant developments are reported to shareholders quarterly. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Going Concern

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

Name of Director	Executive	Non- Executive	Independent
Dr. S. Yaddehige		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

Colombo Stock Exchange	Status of Richard Pieris Exports PLC
Non Executive Directors	In Compliance
Independent Directors	In Compliance
Disclosures relating to Directors	In Compliance
Remuneration Committee	In Compliance
Audit Committee	In Compliance
Related Party Transactions Review 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.), late Mr Jagath C Korale and Mr Prasanna Fernando.

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 93 to 95.



Dr. Jayatissa De Costa
Chairman
Related Party Transactions Review
Committee
30th May 2018

RISK MANAGEMENT

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

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

Risk Management Contd...

Risk Exposure	Group Objectives	Risk Minimisation Strategies
Business Risk Management		
1. Credit Risk	<ul style="list-style-type: none"> ❖ To minimise risks associated with debtor defaults. 	<ul style="list-style-type: none"> ❖ Obtaining insurance covers for export debtors. ❖ Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit. ❖ Closely monitoring the debtor balances, laying action plans and determining the same are under control.
2. Asset Risk	<ul style="list-style-type: none"> ❖ To minimise risk from fire, theft and machinery & equipment breakdown. 	<ul style="list-style-type: none"> ❖ Obtaining comprehensive insurance covers for all tangible assets. ❖ Adoption of stringent procedures with regards to the moving of assets from one location to another. ❖ Carrying out mandatory preventive maintenance programs. ❖ Carrying out frequent employee training programs in areas such as fire prevention.
3. Internal Controls	<ul style="list-style-type: none"> ❖ To maintain a sound system of internal controls to safeguard shareholders' wealth and Group assets. 	<ul style="list-style-type: none"> ❖ 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. <p>Having in place a budgetary process & a budgetary control mechanism on a monthly basis to ensure that the Group's performance is continuously in line with its targets.</p>
4. Reputation Risk	<ul style="list-style-type: none"> ❖ To prevent the causes that damage our reputation. 	<ul style="list-style-type: none"> ❖ 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.

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

Risk Management Contd...

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

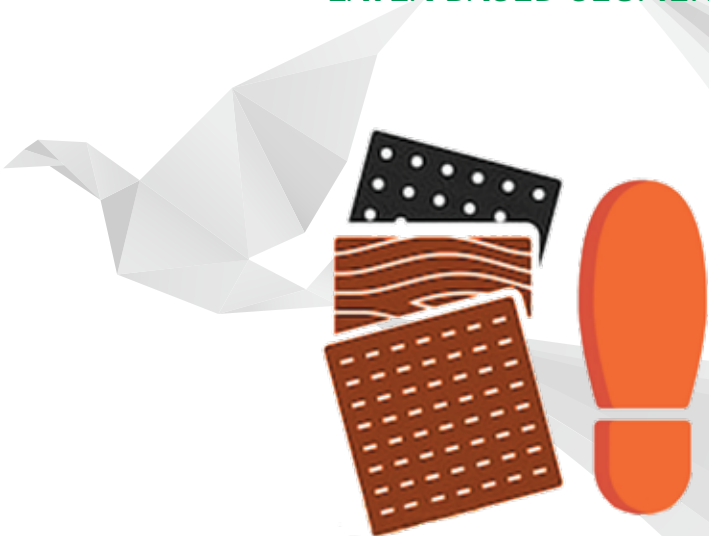
QUEST FOR DIVERSIFICATION

"Our thirst for adding value to the business is driving us to re-engineer and enhance our systems and processes...."

OUR OPERATIONS



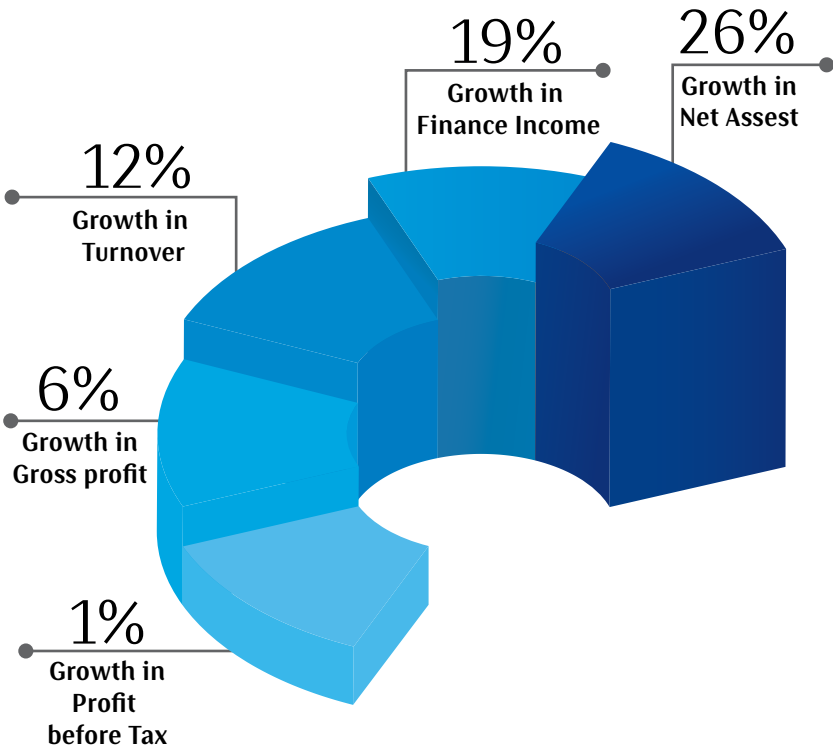
LATEX BASED SEGMENT



HARD RUBBER SEGMENT



MINERALS SEGMENT



LKR 846 MN

Profit before Tax

“Buoyed by the company’s rapid progress in garnering business, further capacity enhancement is being planned which will ensure that the company can seize opportunities as they emerge.”

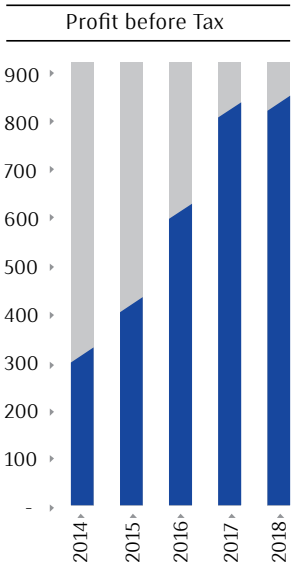
Our Operations

The 2017/18 Financial Year proved extremely challenging for the Richard Pieris Exports Group due to raw material price increases and sluggish demand in its export markets. Despite this, the Group recorded revenues of Rs 4.3 bn in the year under review, which reflects a 12% increase over the previous year. While Richard Pieris Exports (RPE) was unable to achieve projected financial targets, the company mitigated this to a certain degree by catering to growing local demand for its products and by diversifying into new business lines. Along with Arpitalian Compact Soles (Pvt) Ltd in the Hard Rubber segment, the RPE Group is poised to seek growth opportunities

In the Group’s Latex segment, Richard Pieris Natural Foams Ltd (RPNF) sustained

its value as the leading contributor to group profitability, contributing 71% to overall group operations profitability. The company was able to leverage on its ongoing capacity enhancements, backed by higher production and strong market development and customer engagement approach adopted during the year. Buoyed by the company’s rapid progress in garnering business, further capacity enhancement is being planned which will ensure that the company can seize opportunities as they emerge.

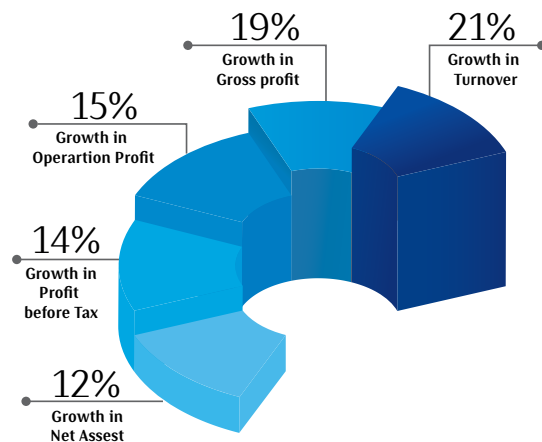
As pioneers in the industry, Richard Pieris Exports PLC and Richard Pieris Natural Foams Ltd were recognized and rewarded with the Silver Award for Agricultural Value Added Exporter in Sri Lanka from the National Chamber of Exporters of Sri Lanka in the Extra large and Large category respectively during 2017.





LATEX BASED SEGMENT

The most profitable group company, Richard Pieris Natural Foams Ltd. continued to uphold its position as 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 achieved Rs. 601 Mn in Profit before Tax, which reflects revenue growth of 21% over the previous year and profitability increase of 14%. Richard Pieris Natural Foams Ltd. effectively contributes 74% to overall group revenue and 71% to group profitability,





Latex Based Segment Contd...

RICHARD PIERIS NATURAL FOAMS LTD. (RPNF)

The most profitable group company, Richard Pieris Natural Foams Ltd., continued to uphold its position as 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 achieved Rs. 601 Mn in Profit before Tax, which reflects revenue growth of 21% over the previous year and profitability increase of 14%. Richard Pieris Natural Foams Ltd effectively contributes 74% to overall group revenue and 71% to group profitability,

A leading Sri Lankan manufacturer and exporter of latex foam blocks, sheets and pillows using 100% natural rubber latex, Richard Pieris Natural Foams Ltd went on a capacity building drive during the year with a large investment. A commercialized Continuous Pillow Line was set up with an investment while the existing Mattress Production Line was augmented with a capacity expansion. The Continuous Pillow Line is capable of producing 70,000 pillows a month at full capacity, which bodes well for further expansion of this business line. In the last six months alone, the company has achieved over 50% capacity utilization.

Further, a new Mold Racking System with additional storage capacity was put in place. As a result of these enhancements, the company sustained its status as the main contributor to group profitability, recording 21% turnover growth over the previous year. The company's profits rose by as much as 14 % during the period under review. Although the company delivered a strong performance, it recorded a drop in profit margins due to increase of global prices of raw materials. Overall, volumes, turnover and profitability surged upwards compared to the previous year.

The year was also marked by the acquisition of a large number of new customers, which will ensure continued growth and help utilize the enhanced

“Moreover, this year, the company shifted gears and accelerated its market development activities and customer visits which reflected directly in higher demand for its products and the forging of new customer relationships.”

capacity. The company's longstanding customer relationships coupled with partnerships with new customers helped nurture its profitability. The Continuous Pillow Line has proved to be a strategic investment that is attracting new customers. Richard Pieris Natural Foams Ltd now exports to 40 countries spanning US, EU and the Asia-Pacific.

Meanwhile, the company's eco-friendly 100% Natural Latex sheeting has established itself as a preferred product in the high-end US and European markets. Decades of knowhow of manufacturing using natural latex, uncompromising quality standards and the environmentally-friendly nature of the product makes Richard Pieris Natural Foams Ltd highly competitive in global markets. While the company is seeing growth in the category, its capacity to manufacture synthetic mattresses side-by-side helps to retain its influence in both segments.

Moreover, this year, the company shifted gears and accelerated its market development activities and customer visits which reflected directly in higher demand for its products and the forging of new customer relationships.

In terms of new markets, Richard Pieris Natural Foams Ltd forayed into China, armed with strategic market development initiatives to break into the lucrative opportunities abounding in the Chinese market, which have proved very successful so far. China is expected to become one

of its key export markets in the next three years.

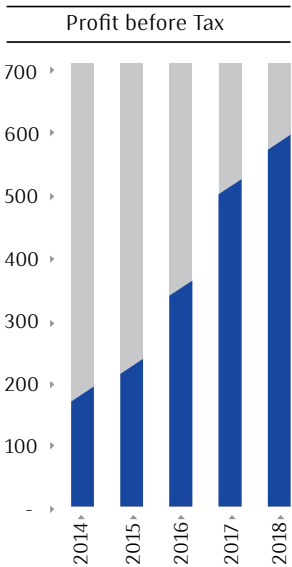
Further, Richard Pieris Natural Foams Ltd also made an entry into the Indonesian market while simultaneously consolidating its position in South America. The company envisages immense demand for our high quality product of pillows and the establishment of the continuous pillow line is well poised to serve growing demand. The company also participated in three main trade shows in USA and China as part of its aggressive marketing approach.

In addition, the company undertook minor enhancements in chemical and compounding storage to streamline operations. Buoyed by the company's strong growth, the management has taken a decision to invest in a new factory for Richard Pieris Natural Foams Ltd within the next financial year to expand current production and also to effect value addition so as to move up the value chain. The eventual aim of this investment would be to carve out a share of value-added branded products as a new business line in the coming years.

Sustainability lies at the core of the group's operations and Richard Pieris Natural Foams Ltd led the way by establishing a new Effluent Water Treatment Plant to expand its water treatment capabilities with an eye on present needs and future envisaged business growth. The construction of the bio mass boiler which

“In terms of new markets, Richard Pieris Natural Foams Ltd forayed into China, armed with strategic market development initiatives to break into the lucrative opportunities abounding in the Chinese market, which have proved very successful so far.”

was commenced in the previous year was completed under the year in review, which will reduce furnace oil usage, thereby reducing its carbon footprint. The company leverages on its international quality certification standards and the ISO 9001:2015 and the ISO 14001:2015 certifications to demonstrate its manufacturing integrity.





HARD RUBBER SEGMENT

The Group flagship company, Richard Pieris Exports PLC, a subsidiary of the Richard Pieris & Company PLC, has won acclaim as an industry pioneer and is the Group's first fully exports-oriented company. Richard Pieris Exports PLC has grown 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. While the hard rubber segment underperformed during the year due to global dip in demand, Richard Pieris Exports PLC succeeded in diversifying its business lines while leveraging on its sustainable business practices backed by international quality certifications.



Hard Rubber Segment Contd...

“The company is committed 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.”

RICHARD PIERIS EXPORTS PLC

The Group flagship company, Richard Pieris Exports PLC, a subsidiary of the Richard Pieris & Company PLC, has won acclaim as an industry pioneer and is the Group's first fully exports-oriented company. Richard Pieris Exports PLC has grown 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. While the hard rubber segment underperformed during the year due to global dip in demand, Richard Pieris Exports PLC succeeded in diversifying its business lines while leveraging on its sustainable business practices backed by international quality certifications.

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. Besides this, it continues to sustain its leadership position by being the only company in the world to manufacture natural rubber jar sealants. Richard Pieris Exports PLC remains dedicated to its strategy to move up the value chain and remain entrenched in the upper segment of the market.

During the 2017/18 year, demand for its products fell sharply due to stagnant market conditions amongst its key export markets. Operational profitability declined by as much as 6% with a 9% drop in turnover. Lower priced products flooding the export markets from other countries further impacted the demand adversely. Although the company operates in the premium segment, threat from lower priced products is omnipresent.

Despite its drop in profitability during the year under review, Richard Pieris Exports PLC remains the largest exporter in its category and its market leadership was underscored by being bestowed with the Silver Award for Agricultural Value-added Exports in the Large business category by the National Chamber of Exporters of Sri Lanka this year as well, echoing the company's success on this industry platform year after year.

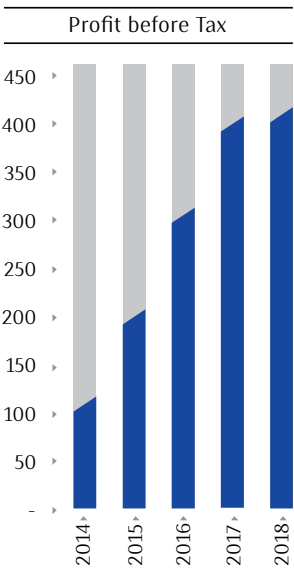
In response to the low demand experienced during the period under consideration, the company resorted to several measures to help mitigate losses by adopting proactive marketing activities. At the outset, the marketing teams were strengthened for key markets along with closer customer engagement. In order to expand its portfolio and reduce

dependence on its matting product for the dairy and agriculture industries, the company embarked on diversification into a continuous sheeting product as an alternative to the single matting category. A further diversification was achieved in molded shoe soles for which there is a ready market.

Continuing on its journey to strengthen operations, its efforts at standardisation of processes continued with the company working achieving the ISO 9001:2015, which certification. R&D efforts were sustained through the year and Richard Pieris Exports PLC engaged closely with the Rubber Research Institute and Institute of Technology to develop new products and research alternative raw materials.

There is a significant increase in local sales of industrial matting, which the company pursued actively. The rise in local sales is a result of the government's initiative to expand cow farms in a bid to develop the local dairy industry. The company is committed 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.

“The company embarked on diversification into a continuous sheeting product as an alternative to the single matting category. A further diversification was achieved in molded shoe soles for which there is a ready market.”





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 underwent a loss of Rs. 17 Mn. One of main reasons once again was raw material price increase coupled compounded further with drop in sales volume.

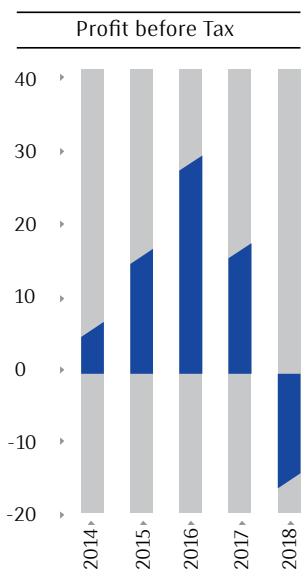


Hard Rubber Segment Contd...

“The management is currently in the process of restructuring its operation to overcome certain inherent disadvantages in the business. Plans have been drawn up to restructure the existing business model and product portfolio.”

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 underwent a loss of Rs. 17 Mn. One of main reasons once again was raw material price increase coupled compounded further with drop in sales volume. The management is currently in the process of restructuring its operation to overcome certain inherent disadvantages in the business. Plans have been drawn up to restructure the existing business model and product portfolio. The introduction of new designs will be a critical factor in its success in addition to improvements to production processes and compound formulations.

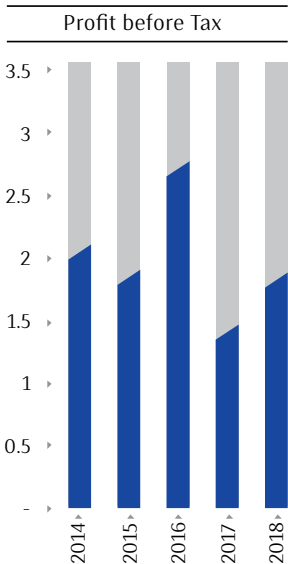


MINERAL SEGMENT

“The company sustained its operations satisfactorily by exercising cost controls and disciplined operations.”

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. This is a strategic investment for the group and as such the company’s financial performance is not of significant value to the bottomline. During the year under review, a further investment was made in improving working conditions for the workers. The company sustained its operations satisfactorily by exercising cost controls and disciplined operations.



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 ISO 9001:2015, ISO 14001:2015, 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

“Our uncompromising stand on sustaining quality and value form the foundation of our business.”

Our Sustainability Strategy

Richard Pieris Exports PLC’s sustainability strategy focuses on three areas People, Planet and Profits. It encompasses the entire value chain from procurement of raw materials to the health and safety of our employees and changing consumer expectations, to sustainability of our stakeholders who consist of our people, our customers, suppliers, shareholders, community and environment.

This Sustainability Report details how we fulfill our responsibilities along the entire value chain. In an environment marked by economic uncertainty, social disparity and environmental risks, we are focused on operating in a responsible manner. Our rise to become a leading exporter has been measured and in keeping with our recognition as a company that embodies corporate stewardship.

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 adding value to shareholder wealth by improving on efficiency, productivity and profitability of the company. Our uncompromising stand on sustaining quality and value form the foundation of our business.

Organizational Structure

Our People

The health, well-being and professional advancement of our employees is fundamental to our business success and



is a top priority for us. We are committed to ensuring fair working conditions and transparent, respectful collaboration with our employees, and close engagement for mutually rewarding relationships.

Talent Acquisition & Retention

We understand the exponential impact of a professional and skilled team on the business and towards building such a workforce, we have devised the optimum hiring model that works for our business. This model focuses on scientific skill and then offering the workers industry-best working conditions to retain them with us into the long term. Starting from the talent acquisition stage, we ensure

every new hire holds the right outlook for an optimum fit with the organisation. When the fit is right, the employee buys into our vision and strives to be part of the corporate journey to achieve excellence. We have a collective bargaining arrangement in place to ensure the company remains responsive to worker needs, thereby increasing mutual trust, confidence and cooperation. Richard Pieris Exports PLC is an equal opportunity employer fully committed to achieving diverse workforce regardless of race and gender and fully complies with all laws and regulations in this regard. During the year review, no incidents of discrimination or flouting of rules was recorded.

Our Sustainability Philosophy Contd...

Learning & Development

So long as you learn, you grow, is an adage we totally believe in and likewise extend various learning and professional development training opportunities for staff. Identified staff undergoes training courses at the Rubber Research Institute and the Institute of Technology to enhance their knowledge and skills. Vital technical staff is sent overseas for training to hone their skills and to gain international exposure and learn from best practices that they can then apply in the company's operations.

Our flat hierarchy ensures that management and employees mingle freely thereby keeping the channels of communication wide open in both directions. Lack of labour remains a common issue across our and other sectors in the economy and this reality informs our talent retention strategies. We conduct in-house HR training for new recruits and other training programmes both internal and external. We also sponsor employees for certificate courses in knowledge enhancement and on the job training to add value and enhance their career progression.

Richard Pieris Natural Foams reported enhanced efficiency after a restructuring its production department for a more streamlined operation. Both companies offer productivity-linked incentives based on achieving key performance indicators. This system is proving advantageous for the company. We find that this model has helped reduce labour turnover while at the same time reflecting a rise in productivity.

Richard Pieris Natural Foams held an outbound training programme to Manigala during 2017. The team building programme consisted of a trek in the Knuckles range and benefitted the team by way of sharing and cooperation in surmounting challenges faced in reaching the summit.

The Group practices a performance-based reward and recognition scheme, after following a comprehensive 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

Health & Safety

We operate in a constantly evolving business environment characterized by rapidly evolving technologies, accelerating globalization and rising increasing security risks. These changes represent an additional challenge to our employees and people along our supply chain. We believe that our operations must be executed in a safe and secure manner and to achieve this we continuously monitor and regularly review the working conditions and practices across our operations.

RPE is committed to protecting the safety 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. All employees undergo first aid and firefighting courses to ensure appropriate response in case of emergency. Moreover, a Medical Officer visits our factories regularly to provide consultations and treatment as needed.

Work-Life Balance

In the pursuit of greater productivity and efficiency levels, the work-life balance of employees is something we never lose sight of. 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 management is committed to ensuring a balance in the lives of our workers in a way that while meeting targets, boosts morale, and retains staff. We provide ample opportunities for fellowship and recreation amongst staff



so as to encourage them to find common ground outside of their job roles. The employees continued to bond in the year under review for special occasions through programmes organized by the company such as Avurudu celebrations, cricket matches and other religious and social occasions, also sponsored by the company.

OUR CUSTOMERS

‘Without customers our business simply would not exist’. This simple realization drives us to place customers at the core of our operations. In order to garner new customers and fulfil their needs, we develop and providing products which

offer value in terms of price, quality, safety and environmental impact, which are supported by technical expertise. 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. During this year, we strengthened our customer response and engaged ever more closely with customers to strengthen mutual bonds. The direct impact of our aggressive customer focused approach this year was the garnering of many new customers.

Our internationally quality certified

products offer customers a sense of security and trust. 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.

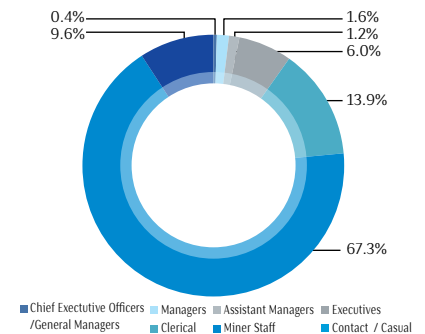
OUR SUPPLIERS

As a company that depends on raw materials from trusted suppliers, we have a responsibility to engage closely with valued suppliers, ensuring fair play. Our strong relationships with suppliers over the years have helped us optimize efficiency in our supply chain and to obtain the

a) Graderwise Analysis of Employees

	Company		Group	
	Female	Male	Female	Male
Chief Executive Officers /General Managers	-	1	-	2
Managers	1	2	1	7
Assistant Managers	2	1	2	4
Executives	3	5	8	22
Clerical	8	22	9	61
Miner Staff	6	80	15	323
Contact / Casual	4	21	11	37
Total	24	132	46	456

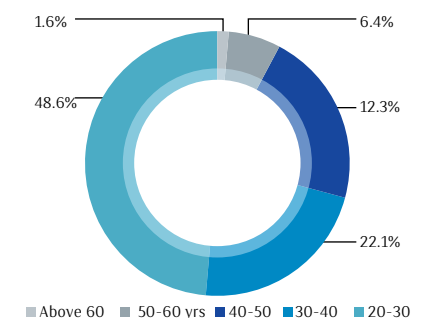
	Company		Group	
	Female	Male	Female	Male
Chief Executive Officers /General Managers	-	1	-	2
Managers	1	2	1	7
Assistant Managers	2	1	2	4
Executives	3	5	8	22
Clerical	8	22	9	61
Miner Staff	6	80	15	323
Contact / Casual	4	21	11	37
Total	24	132	46	456



b) Age wise Analysis of Employees

Age	Company		Group	
	Female	Male	Female	Male
Above 60	-	-	3	5
50-60 yrs	4	18	4	28
40-50	11	37	15	92
30-40	4	44	9	102
20-30	5	33	15	229
Total	24	132	46	456

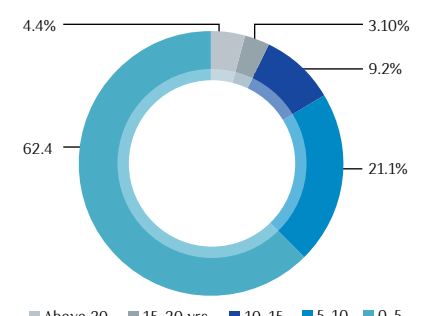
Age	Company		Group	
	Female	Male	Female	Male
Above 60	-	-	3	5
50-60 yrs	4	18	4	28
40-50	11	37	15	92
30-40	4	44	9	102
20-30	5	33	15	229
Total	24	132	46	456



c) Year of service of Employees

Age	Company		Group	
	Female	Male	Female	Male
Above 20	3	10	6	16
15-20 yrs	3	7	3	12
10-15	3	23	4	42
5-10	4	37	5	101
0-5	11	55	28	285
Total	24	132	46	456

Age	Company		Group	
	Female	Male	Female	Male
Above 20	3	10	6	16
15-20 yrs	3	7	3	12
10-15	3	23	4	42
5-10	4	37	5	101
0-5	11	55	28	285
Total	24	132	46	456



Our Sustainability Philosophy Contd...

required raw material inputs and services at optimal prices. 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.

Our Communities

The company is closely engaged with the local communities within which it operates. While we mitigate any negative impact of our manufacturing operations on surrounding communities, we also interact with them on a regular basis. This regular engagement helps us understand the challenges they face and sheds light on what we can do to improve their lives. As a result, the company has undertaken various Corporate social Responsibility (CSR) projects that have had a far-reaching positive impact on the communities in the vicinity of our operations.

CSR Projects in 2017/18 RPE

Arpico CSR partnered the government flood relief programs and managed to deliver essentials to the most deserving people in Kalutara, Rathnapura and Matara. On the direction and guidance of Group Chairman, over Rs 50 mn was allocated for the relief of 5,000 displaced families. Relief efforts were conducted together with media and armed forces, distributing goods directly to the people in affected areas. A variety of goods including dry rations, milk powder, biscuits, tea, disinfectants, sanitary napkins, panadol, siddhalepa, pain killers, etc. were dispatched over a week long process to more than 5,000 families affected in 75 Grama Niladhari Divisions. Further, Arpico handed over 500 numbers of mosquito nets and 500 numbers of journey mats to Hon. Minister of Tourism John Amaratunga at the Prime Ministers Office to be distributed to those adversely affected in the Kalutara area. Richard Pieris Exports group has contributed for Rs 4mn for this group event.



- ❖ Annual outing of factory workers to Villa Ocean View – Wadduwa.
- ❖ The meritorious deed of building a Buddha House at Richard Pieris Exports' premises with employees contribution.
- ❖ Distributed school books & stationeries for children of company employees in December 2017.
- ❖ Distribution of dry rations to company employees during April 2017.
- ❖ Conducting Internal & External training programs for employees.
- ❖ Celebrated cultural events with employees (Wesak festival/Christmas Festival/New Year 1st January)
- ❖ Installed dust extractor system for Kobe Internal mixer in order to minimize dust create during mixing of rubber compounds.
- ❖ Distribution of Mats to Victoria Niwashaya at Rajagiriya.
- ❖ Repairing roof at "Kudahapola Temple"
- ❖ Maintained Ward No 4 & 3 of Seeduwa Eye Hospital.

RPNF

- ❖ Distributed school books & stationeries for children of company employees in December 2017
- ❖ Continued "RPNF Scholarships & Charity Fund" to give scholarships for disadvantaged children (Rs. 5000 per month per child – with contribution of RPNF Staffs)
- ❖ Launch a medical treatment camp to improve health of all employees in August 2017
- ❖ Annual get-together held in August 2017 for all company employees @ Villa Ocean View – Wadduwa
- ❖ Staff annual hike @ Riverton & Manigala Kanda in November 2017
- ❖ Distribution 200 packs of school books for disadvantaged children in Neluwa.

ACSL and MM

- ❖ Book donation for the employees' children.



- ❖ Annual Day outing
- ❖ Dengue Prevention Programme.

OUR ENVIRONMENT

The company believes that looking after our environment is a responsibility of every individual and every business in the country. By being responsible for the impact of our business on the environment, we are ensuring that future generations can gain a healthy planet. Environmental responsibility is an integral part of our corporate identity and this promise informs our entire manufacturing process: from clean production processes to green recycling practices, thereby greening the footprint of our operations. We also practice Sustainable manufacturing to ensure that we are resource efficient and that we reduce costs and trim waste as needed. Using Earth's resources in a sustainable and responsible way is important to us. Businesses have an important role to play in the transition to lower energy consumption and, consequently, lower greenhouse gas emission.

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 Bio Mass Boiler installed by Richard Pieris Natural Foams in the previous year is delivering benefits by helping us substitute a green energy source for the non renewable furnace oil used earlier. The enhanced efficiency is depicted in graph below:

- ❖ Install an echo friendly higher capacity bio mass boiler in 2016-17
- ❖ Capacity utilization of bio mass boiler for 2016-17 – 85%
- ❖ Capacity utilization of bio mass boiler – Apr to Nov 2017 – 89%
- ❖ Capacity utilization of bio mass boiler – Dec to Mar 2018 – 98.5%

Considering our diversification and projected growth in production, we invested in a water effluent treatment facility. This is one of the latest technologies and we are able to reuse as much as 50% of water.

OUR MANAGEMENT TEAM

Richard Pieris Exports PLC

Wasantha Abeyirigunawardena
Director/CEO

Palika Chandrajeewa
Sector Finance Manager

Alaka Ubayasena
Factory Manager

Dushan Waduwavala
Marketing Manger

Prabath Priyankara
Assistant Exports Manager

Shanika Karunadasa
Accountant

Uthpala Gomaz
Assistant Manager Business Development

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 Foamd Limited

Januka Jayanga
CEO

Thushara Samaraweera
Factory Manager

Nuwan Weerasinghe
Manager Accounts & Administration

Adrian Bogahawatte
Marketing Manager

Dilantha Kumara
Quality Assurance Manager

Thissa Seram
Manager Engineering

Nawarathne Bandara
Assistant Manager Shipping

Windana Weerasinghe
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

Mohamad Nazeem
Accounts Executive

Shantha Balasuriya
Production Executive

Dharshana Malraj
Production 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

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

Aravinda 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

The 2017/18 financial year proved challenging across many fronts, thereby limiting our overall profitability. However, despite constraints, the Group posted a turnover of Rs. 4,272 mn, which reflects a growth of 12% as opposed to the more robust 25% growth experienced in the preceding year. The group posted Profit before tax of Rs. 846 mn, marking a marginal growth. Gross profit rose by 6% from Rs. 1,287 mn in 2016/17 to Rs. 1,363 mn during the period under consideration.

Difficult market conditions in exports markets resulted in the Gross profit margin declining by 2% to 32% from 34% as compared in the previous year. Group finance cost declined by 23% from Rs. 11mn to Rs 8 mn although finance income witnessed an increase of 20%, rising from Rs. 35 mn in the previous year to Rs. 42mn in 2017/18.

Meanwhile, Group profit before tax totaled Rs. 846 mn in the year under review as compared to a profit of Rs. 839 mn in the preceding year. Also, Group profit after tax decreased by 2% to reach Rs. 713 mn during the year. The increase in income tax rate for export companies from 12% to 14%

w.e.f. Year 2018/19 resulted in increase in deferred tax charges during the year.

Turnover

Committed to adding value, the Group recorded a turnover increase of 12%, thereby growing its turnover from Rs. 3,818 mn in 2016/17 to Rs. 4,272 mn in the year under review. The Group's latex arm continued to be the dominant contributor by posting high profitability with a turnover of Rs. 3,174 mn, which accounts for 74% of the Group's total turnover. The latex segment recorded a turnover increase of 21% during 2017/18 through capacity expansion and new customer acquisition. Further investments were made during the period under review by the company in aggressive marketing strategies. Meanwhile, the Group's Hard Rubber segment experienced a 9% drop from Rs. 1,174mn in 2016/17 to Rs. 1,066mn due to lower-priced products flooding the export markets from other countries, which impacted demand adversely.

Cost of sales and Operating Expenses

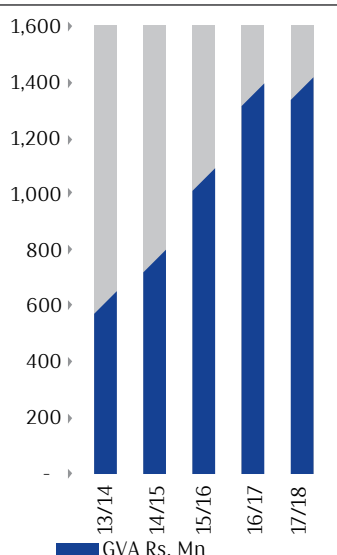
Stagnant market conditions amongst key export markets impacted the Group adversely in the period under

consideration. Despite an increase in turnover by 12%, Cost of Sales grew by 15%. The Group recorded 2% increase in cost of sales margin of 68% compared to 66% last year. Cost of Sales was reported to be Rs. 2,908 mn, which is an increase of 15% compared to the previous financial year. In total, cost of administration and distribution along with the Cost of Sales constituted 82% of Group turnover during the current financial year, having recorded 79% levels in the previous year.

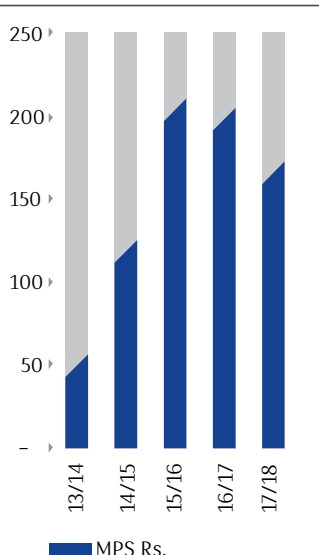
Operating Profit

The Group's Operating profit rose to Rs. 793 mn, exhibiting a marginal growth. Even though Latex segment recorded 16% increase in operating profit, as a result of the decrease in operating profits in the Hard rubber segment by 26%, group operating profit recorded only a marginal increase. The Latex segment of the business generated the maximum profit to sustain its position as the biggest contributor to the Group's operating profit. Profits in the latex segment increased from Rs. 497 mn to Rs. 577 mn in 2017/18. Meanwhile, the hard rubber segment made a contribution of Rs. 217mn to the group as compared to Rs. 296 mn in the previous

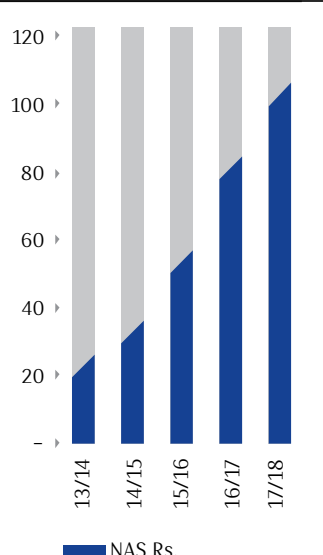
Group Value Addition Growth



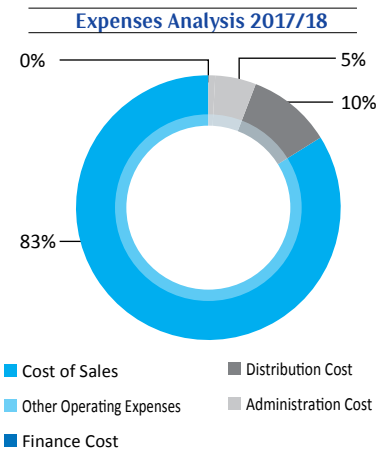
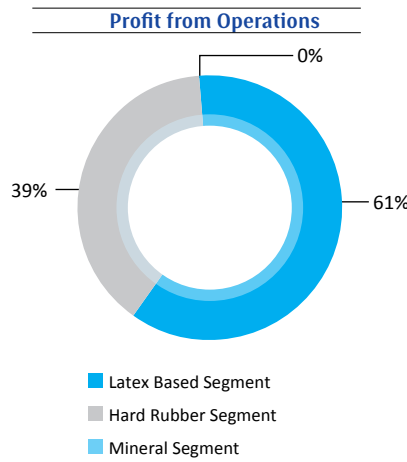
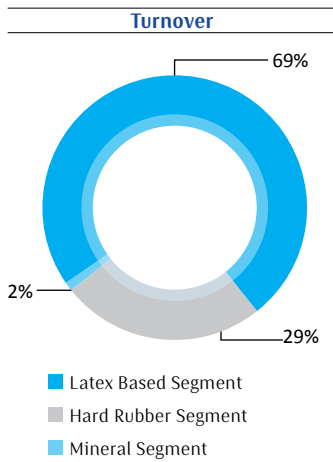
Market Price per Share Growth



Net Asset per Share Growth



Financial Review Contd...



year. Unfavorable market conditions adversely affected operating profit, but 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.

Finance Cost

Net Borrowings, including cash balances, increased to Rs. 452 mn in the year under review compared to Rs. 76 mn in the preceding year. Investments in a new pillow plant, plant expansion and dividend payment resulted in an increase in group borrowings. Finance cost decreased by 23% during the period under review from Rs. 11 mn to Rs. 8 mn. Interest cover ratio of the Group improved significantly from 79.58 times to 104.60 times. Finance income of the Group was recorded at Rs. 42 mn for the year, while it was recorded at Rs. 35mn in the previous year.

Share of Associate

The share of loss of associate for the Group stood at Rs 8.1 mn during the year under review, compared to Rs 7.7mn profit in previous year. The management is currently in the process of restructuring its operation to overcome certain inherent disadvantages in the business.

Working Capital

Current Assets of the Group increased by 30% from Rs. 1,784 mn to Rs. 2,310 mn and, current liabilities witnessed an increase by 32% from Rs. 805 to Rs. 1,063mn. Accordingly, the total current assets of the Group accounted for 69% of its total assets, while total current liabilities accounted for 32% of total assets based on year-end financials.

Cash Flows

During the year, the Group recorded an Operational Cash Profit of Rs.253 Mn and decreased its cash and cash equivalents by Rs. 282 mn. Cash outflows in investing activities were Rs. 94 mn. 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. 229 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 1,169 mn compared to the preceding year's figure of Rs. 929 mn.

Borrowings

In terms of borrowings, the net debt including cash balances was stationary at Rs. 452 mn during the year, indicating an increase of Rs. 375mn.

Returns to Shareholders

Profit attributable to the shareholders was reported at Rs. 416mn for the year under review, which exhibits a 10% decrease compared to the previous year. Earnings per share decreased by 10% to 37.24 in 2017/18 compare to 41.38 in year 2016/17. The earnings yield for the year recorded a 12% increase to 22.15 % from 19.80% previously. The dividend yield for the year is 9.5% compared to 8% recorded in the previous year. The decrease in share price from Rs. 209.00 to Rs. 168.10 as at 31st March 2018 contributed to increase dividend yield and earnings yield.

Market Capitalization

The market capitalization of the Company as at 31st March 2018 stood at Rs. 1,877 mn in 2017/18 in comparison to Rs. 2,333 mn in the previous year. The Company share price at the end of the financial year parked at Rs. 168.10 as compared to Rs 209.00 in the preceding year. The highest price and the lowest price for the year under review were Rs. 240 and Rs. 168 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

Interim Reports	2017/2018	2016/2017
Quarter ended 30th June	09th August 2017	11th August 2016
Quarter ended 30th September	10th November 2017	09th November 2016
Quarter ended 31st December	08th February 2018	13th February 2017
Annual Report	30th May 2018	31st May 2017

Annual General Meeting

34ths Annual General Meeting		30th June 2017
35th Annual General Meeting	29th June 2018	

FINANCIAL INFORMATION

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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 2018, which was approved by the directors on 31st May 2018. 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 2018.

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 56 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 2018 and the Auditors Report issued thereon is given on page 53 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 61 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 4,272 million compared to Rs. 3,818 million in the previous year. Further information on Group turnover is detailed in Note 22 to the Financial Statements.

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%.

	2017/2018	2016/2017
	Rs. 000's	Rs. 000's
Turnover by Segment :		
Hard Rubber	1,066,436	1,174,155
Latex-Based	3,173,993	2,614,626
Minerals	50,211	60,522
	4,290,640	3,849,303
Less : Inter-Company Sales	(18,913)	(30,862)
	4,271,727	3,818,441
Group Profit		
Group profit for the year, after payment of all expenses, making provision for all known liabilities and depreciation on Property, Plant & Equipment	846,347	838,707
Tax on Group Profits	(133,240)	(111,462)
Profit/(Loss) for the year from discontinued operations (after tax)	(54)	(37)
Group Profit after Taxation	713,053	727,208
Share of Non Controlling interest	297,343	265,225
Profit attributable to Shareholders of Richard Pieris Exports PLC	415,710	461,983
Other Comprehensive income attributable to Shareholders of Richard Pieris Exports PLC	(1,261)	1,735
Revenue Reserves brought forward	637,557	352,459
Profit before Appropriations	1,052,006	816,177
Appropriations :		
Interim Dividend paid	(178,620)	(178,620)
Revenue Reserves carried forward	873,386	637,557

Annual Report Of The Board Of Directors Contd...

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 2018 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 2018 were amounted to Rs.959 mn/- (2016/2017 -Rs. 764mn). And the Group reserve as at 31st March 2018 were amounted to Rs 873 mn (2016/2017- Rs 637 mn). The movement of reserves is shown in the Statement of Changes in Equity on page 59.

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 2017/18 on 26th March 2018.

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 five 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 238 Mn (Rs 164 Mn in 2016/2017) 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 103 to this Annual Report.

Directorate

The names of the Directors who served during the year are given under Corporate information appearing on page 12 and 13.

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 Yaddhige of Le Neuf , Chemin,St. Saviours, Guernsey, United Kingdom who is 72 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 Yaddhige”.

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 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. L M K Tillekeratne”.

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 Mr.Viville Perera of 33,C 1 King's Gate , Keells Holdings Scheme, Buthgamuwa Road , Kalapaluwawa , Rajagiriya 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 “Mr. Viville Perera”.

Mr. Wasantha Abeysirigunawardena ,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 Shaminda Yaddhige, 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 2018 is given in Note 37 to the Financial Statements.

Corporate Donations

There were no donations made to charitable organizations during the year. (2016/ 2017- 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 16 to 17 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 15, 14 and 18 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 2018 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 52 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 29th June 2018. The notice of the Annual General Meeting is on page 112.

Auditors

The Financial Statements for the year ended 31st March 2018 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. 1,977,000/- (2016/2017- Rs. 1,844,000/-) as audit fees by the Group Companies. In addition they were paid Rs.1,096,000/- (2016/17- Rs. 671,000/-) 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.
30th May 2018



W R Abeysirigunawardena
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 53 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2018 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 56 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 2018, 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 53 of this report.
By Order of the Board,



Richard Pieris Group Services (Pvt) Limited
Secretaries, 310,
High Level Road, Nawinna, Maharagama
30th May 2018

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF RICHARD PIERIS EXPORTS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the 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, 2018, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory notes, exhibited on pages 61 to 99.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards

are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Compensation on termination of Company Employees.</p> <p>Why significant</p> <p>Potential liability on termination of 160 employees where legal action has been filed against the Company referred to in note 33 has not been ascertained and provided.</p> <p>This was a key audit matter because it -</p> <ol style="list-style-type: none"> could be a significant amount to the Financial Statements as a whole. may lead to under Statement of liabilities and overstatement of equity. 	<ul style="list-style-type: none"> Made appropriate inquiries from the Management and the legal advisor. Obtained a direct confirmation from the legal advisor stating the status of the case and likely outcome. Reviewed the minutes of meetings of Those Charged with Governance. Ascertained the adequacy of the disclosures made in note 33 as required by Sri Lanka Accounting Standard (LKAS 37).

Kreston MNS & Co Chartered Accountants

Head Office at 1st & 2nd Floor, Advantage Building, 74A, Dharmapala Mawatha, Colombo 07.

T +94 (0) 11 2323571-3, 011 2301396-7 ; F +94 (0)11 2433388 ; E audit@kreston.lk ; www.kreston.lk

Branches in Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee

Member of Kreston International Limited UK

Correspondent firm within Grant Thornton International Ltd (Grant Thornton International).

Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

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 Tillekeratne FCA, ACMA ; K I Skandadasan B.Sc. (Madrass), FCA, ACMA ; R L R Balasingham FCA, ACMA ; N K G V Bandara B.Sc.(Acc) Sp, ACA, ACMA

Independent Auditor's Report Contd.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 31st March 2018, but does not include the Financial Statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an Audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the Audit. We also:

- ❖ Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the internal control of the Company and the Group.

- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ❖ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ❖ Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ❖ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

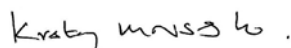
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not

be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163(2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3024.

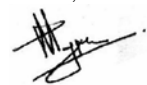


CHARTERED ACCOUNTANTS
COLOMBO
30th May 2018

STATEMENTS OF FINANCIAL POSITION

As At	Note	Group		Company	
		31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	4	773,932	589,765	73,474	77,444
Long Term Investments	5	245,590	250,501	535,307	535,307
Leasehold Land Prepayment	6	11,817	12,090	-	-
		1,031,339	852,356	608,781	612,751
Assets of Arpico Natural Latex Foams (Pvt) Ltd.	7	108	162	-	-
Current Assets					
Inventories	8	511,613	378,868	124,246	128,858
Trade and Other Receivables	9	967,516	748,498	293,858	238,510
Short Term Investment	10	241,112	343,470	111,177	100,393
Leasehold Land Prepayment	6	273	273	-	-
Amounts Due from Related Parties	11	308,140	36,301	33,967	35,845
Cash and Bank Balances	12	281,797	276,450	215,777	187,359
		2,310,451	1,783,860	779,025	690,965
Total Assets		3,341,898	2,636,378	1,387,806	1,303,716
EQUITY AND LIABILITIES					
Equity attributable to Equity Holders of the Parent					
Stated Capital	13	220,262	220,262	220,262	220,262
Revenue Reserves	14	873,386	637,557	959,204	764,488
Foreign Currency Translation	15	75,605	70,765	-	-
		1,169,253	928,584	1,179,466	984,750
Non Controlling Interest	5	650,977	583,546	-	-
Total Equity		1,820,230	1,512,130	1,179,466	984,750
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	16	90,814	-	-	-
Deferred Tax Liability	17	61,799	26,529	521	715
Retirement Benefit Obligation	18	79,292	66,176	55,939	49,392
		231,905	92,705	56,460	50,107
Liabilities of Arpico Natural Latex Foams (Pvt) Ltd.	7	226,839	226,839	-	-
Current Liabilities					
Trade and Other Payables	19	320,002	397,862	123,885	148,869
Income Tax Payable	20	9,838	26,113	2,926	13,903
Amounts Due to Related Parties	21	90,256	27,786	24,951	14,522
Interest Bearing Loans and Borrowings	16	642,828	352,943	118	91,565
		1,062,924	804,704	151,880	268,859
Total Equity and Liabilities		3,341,898	2,636,378	1,387,806	1,303,716

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 30th May 2018 in Colombo.



W.R. Abeyirigunawardena
Director



W J Viville P Perera
Director

INCOME STATEMENTS

For The Year Ended 31st March	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Continuing Operations					
Revenue	22	4,271,727	3,818,441	1,066,436	1,174,155
Cost of Sales		(2,908,472)	(2,531,230)	(761,990)	(781,701)
Gross Profit		1,363,255	1,287,211	304,446	392,454
Other Operating Income	23	6,476	3,434	161,015	104,297
Distribution Costs		(354,417)	(285,079)	(36,475)	(36,750)
Administrative Expenses		(221,797)	(205,271)	(56,782)	(55,394)
Other Operating Expenses		(28)	(7,738)	-	(7,738)
Profit from Operations	24	793,489	792,557	372,204	396,869
Finance Income	25	41,582	34,887	20,217	11,285
Finance Cost	26	(8,169)	(10,673)	(4,700)	(7,748)
Other Financial Items	27	27,544	14,276	19,486	4,054
Share of Profit / (Loss) of Associate	28	(8,099)	7,660	-	-
Profit before Tax		846,347	838,707	407,207	404,460
Taxation	29	(133,240)	(111,462)	(33,389)	(37,984)
Profit for the year from continuing operations		713,107	727,245	373,818	366,476
Discontinued Operations					
Profit / (Loss) after Tax for the year from discontinued operations	30	(54)	(37)	-	-
Profit for the year		713,053	727,208	373,818	366,476
Attributable to					
Equity Holder of the Parent Company		415,710	461,983	373,818	366,476
Non Controlling Interest		297,343	265,225	-	-
Profit for the year		713,053	727,208	373,818	366,476
Earnings Per Share	31	Rs. 37.24	Rs. 41.38	Rs. 33.48	Rs. 32.83
Earnings Per Share from Continuing Operations	31	37.24	41.38	33.48	32.83
Dividend Per Share	32	16.00	16.00	16.00	16.00

The Accounting Policies and Notes on pages 61 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	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit for the year		713,053	727,208	373,818	366,476
Other Comprehensive Income / (Expenses) not to be reclassified to profit or loss in subsequent periods					
Actuarial gains / (losses) on defined benefit plans	18	(3,037)	1,794	(561)	2,765
Deferred Tax effect on actuarial gains / (losses) on defined benefit plans	17	419	(216)	79	(332)
Other Comprehensive Income / (Expenses) to be reclassified to profit or loss in subsequent periods					
Share of Other Comprehensive Income of Associate					
Actuarial gains / (losses) on defined benefit plans - Net of Tax effect		131	(323)	-	-
Translation of Associate using foreign functional currency	15	4,840	7,985	-	-
Other Comprehensive Income for the year		2,353	9,240	(482)	2,433
Total Comprehensive Income for the year		715,406	736,448	373,336	368,909
Attributable to					
Equity Holder of the Parent Company		419,289	471,703	373,336	368,909
Non Controlling Interest	5.1(c)	296,117	264,745	-	-
		715,406	736,448	373,336	368,909

The Accounting Policies and Notes on pages 61 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENTS OF CHANGES IN EQUITY

Group	Note	Revenue Reserves				Non Controlling Interest Rs.'000	Total Rs.'000
		Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000	Foreign Currency Translation Rs.'000		
Balance as at 31st March 2016		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)
Balance as at 31st March 2017		220,262	219,250	418,307	70,765	583,546	1,512,130
Profit for the year		-	-	415,710	-	297,343	713,053
Other Comprehensive Income		-	-	(1,261)	4,840	(1,226)	2,353
Total Comprehensive Income		-	-	414,449	4,840	296,117	715,406
Interim dividend	32	-	-	(178,620)	-	-	(178,620)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(228,686)	(228,686)
Balance as at 31st March 2018		220,262	219,250	654,136	75,605	650,977	1,820,230

Company

Company	Note	Revenue Reserves			Total Rs.'000
		Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000	
Balance as at 31st March 2016		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)
Balance as at 31st March 2017		220,262	219,250	545,238	984,750
Profit for the year		-	-	373,818	373,818
Other Comprehensive Income		-	-	(482)	(482)
Total Comprehensive Income		-	-	373,336	373,336
Interim dividend	32	-	-	(178,620)	(178,620)
Balance as at 31st March 2018		220,262	219,250	739,954	1,179,466

The Accounting Policies and Notes on pages 61 to 99 form an integral part of these Financial Statements.

STATEMENTS OF CASH FLOWS

For The Year Ended 31st March	Note	Group		Company	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash Flows from Operating Activities					
Group Profit before Tax and Non Controlling Interest from Continuing Operations		846,347	838,707	407,207	404,460
Profit/(Loss) from discontinued operations	30	(54)	(37)	-	-
Adjustments for :					
Share of (Profit) / Loss of Associate Company	28	8,099	(7,660)	-	-
Exchange Loss on Loan	16.2 / 16.4	1,506	5,021	796	3,694
Provision for Slow Moving Stocks / (Reversal)	8.1	(4,140)	(664)	(4,079)	(664)
Amortisation of Leasehold Land	24	273	273	-	-
Depreciation	4.1 / 4.3	53,978	46,868	8,749	9,236
Provision for Retiring Gratuity	24	13,847	11,066	9,102	7,653
Finance Cost	26	8,169	10,673	4,700	7,748
Finance Income	25	(41,582)	(34,887)	(20,217)	(11,285)
Dividend Income	23	-	-	(155,386)	(100,987)
Provision for impairment - Advances	24	28	7,738	-	7,738
Operating Profit before Working Capital Changes		886,471	877,098	250,872	327,593
(Increase) / Decrease in Inventories	8	(128,605)	(80,812)	8,691	(7,093)
(Increase) / Decrease in Trade and Other Receivables	9	(217,322)	(106,824)	(55,348)	24,058
(Increase) / Decrease in Amounts due from Related Parties	11	(271,839)	22,246	1,878	15,253
Increase / (Decrease) in Trade and Other Payables	7.2 / 19	(77,860)	141,165	(24,984)	45,322
Increase / (Decrease) in Amounts due to Related Parties	7.3 / 21	62,470	(128,910)	10,429	(1,000)
Cash Generated from Operations		253,315	723,963	191,538	404,133
Interest Paid	16.1 / 16.3 / 26	(8,676)	(10,634)	(5,402)	(7,823)
Income Tax Paid	20/29	(88,118)	(62,591)	(37,957)	(32,832)
WHTax Paid	20	(2,581)	(2,789)	(1,184)	(828)
Gratuity Paid	18	(3,768)	(1,110)	(3,116)	(977)
ESC Paid	20	(21,344)	(18,958)	(5,340)	(5,884)
Net Cash Flows from Operating Activities		128,828	627,881	138,539	355,789
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment	4.1 / 4.3	(238,145)	(164,005)	(4,779)	(15,636)
Short Term Investment - Fixed Deposit (Net)	10	95,096	(25,107)	(10,648)	(7,456)
Dividend Income	23	-	-	155,386	100,987
Finance Income	10 / 25	48,844	29,177	20,081	9,565
Net Cash Flows from / (used in) Investing Activities		(94,205)	(159,935)	160,040	87,460
Cash Flows from Financing Activities					
Dividend Paid	32	(178,620)	(178,620)	(178,620)	(178,620)
Dividend Paid by subsidiary Companies to Outside Shareholders	5.1(c)	(228,686)	(148,423)	-	-
Proceeds from Interest Bearing Borrowings	16.2 /16.4	446,568	290,565	74,753	169,459
Repayment of Interest Bearing Borrowings	16.2 /16.4	(355,452)	(327,797)	(166,412)	(217,949)
Net Cash used in Financing Activities		(316,190)	(364,275)	(270,279)	(227,110)
Net Increase / (Decrease) in Cash and Cash Equivalents		(281,567)	103,671	28,300	216,139
Cash and Cash Equivalents at the beginning of the year	12	64,380	(39,291)	187,359	(28,780)
Cash and Cash Equivalents at the end of the year	12	(217,187)	64,380	215,659	187,359

The Accounting Policies and Notes on pages 61 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 Latexfoams (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 31.3.2018 is 83.90% (31.3.2017 - 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 2018 were authorised for issue in accordance with a resolution of the directors on 31st May 2018.

1.5 Number of Employees

The number of employees in the Company at the end of the year was 156 (2017 - 156). Group 495 (2017 - 468).

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 2018 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 2018.

Notes To The Financial Statements Contd.

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.

2.3.1 Business combinations and goodwill

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

The Group measures goodwill at the acquisition date as the fair value of the

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

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

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

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

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

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

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

2.3.2 Investment in Associates

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

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

The Income Statement reflects the Group's share of results of operations of the

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

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

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

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

Upon loss of significant influence over the associate, the Group measures and 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.

Notes To The Financial Statements Contd.

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.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

f) Other income

Other income is recognized on an accrual basis.

2.3.5 Expenditure Recognition

a) Operating Expenses

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

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

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

b) Finance Cost

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

c) Other Financial Items

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

2.3.6 Grants & Subsidies

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

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

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

2.3.7 Taxes

Income Tax

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

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

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

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

Micro Minerals (Pvt) Limited, is a BOI approved Company and is taxed at the rate of 15% for a period of 20 years commencing from 1st September 1996. The Company is liable to income tax at 12% on indirect exports and at 28% on local sales from year of assessment 2016/17.

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

Deferred tax

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

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

The carrying amount of deferred tax 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.

Notes To The Financial Statements Contd.

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	Over 25-35 years
Plant & Machinery, Electrical Equipment	Over 10-20 years
Furniture and Fittings	Over 04-05 years
Tools & Office Equipment	Over 04-05 years
Motor Vehicles	Over 04-05 years
Computers	Over 03-05 years
Roads and Other Infrastructure	Over 20 years
Tube Well	Over 10 years

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

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

asset) is included in the income statement when the asset is derecognised.

2.3.10 Leases

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

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

2.3.11 Borrowing costs

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

2.3.12 Financial instruments-initial recognition and subsequent measurement

2.3.12.1 Financial assets

Initial recognition and measurement

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

All financial assets other than those classified as fair value through profit or loss are recognised initially at fair value plus transaction costs.

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

Subsequent measurement

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

(a) Financial assets at fair value through profit or loss

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective

interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

(c) Held-to-maturity investments

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

(d) Available-for-sale financial investments

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

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

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

Notes To The Financial Statements Contd.

events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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

b) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

2.3.12.3 Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement of Loans and borrowings

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

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

Derecognition

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

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

2.3.12.4 Offsetting of financial instruments

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

2.3.13 Inventories

Inventories are valued at the lower of cost and net realizable value after making due allowances for obsolete and slow moving items. Net realizable value is the estimated

selling price less estimated costs of completion and estimated costs necessary to make the sale.

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

a) Raw materials

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

b) Finished Goods & Work-in-progress

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

c) Consumables and Spares

At actual cost on weighted average cost.

2.3.14 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or

may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That the increased amount can not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.3.15 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

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

2.3.16 Dividend Distribution

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

Notes To The Financial Statements Contd.

have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 18 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

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

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

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

Length of Service (Years)	No. of months salary for each completed year of service
0 - 4	0
5 - 10	½
11 - 20	¾
21 - 30	1
31 & above	1 ¼

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

Defined Contribution Plans:

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

2.3.20 Segment Reporting

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

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

2.4.1 Judgements

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

Going Concern

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

Deferred Tax

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

Impairment of Receivables

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

Transfer pricing regulation

The Group is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

2.4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next

financial year, are described below. The Group based its assumptions and estimates, on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

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

Defined Benefit Plans - Gratuity

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

2.5 Effect of Sri Lanka Accounting Standards issued but not effective

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

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

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 LKAS 18 - Revenue, LKAS 11 - Construction Contract and IFRIC 13 on "Customer Loyalty Programmes".

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018, with early adoption permitted.

SLFRS 16 - Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the

underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases - Incentives; and SIC 27. Evaluating the substance of transactions involving the Legal form of a Lease Earlier application is permitted. SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Notes To The Financial Statements Contd.

3 Analysis of Financial Instruments by Measurement Basis

3.1 Group

31st March 2018					
	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
Financial Assets					
Long Term Investment	5.3	72,284	-	-	72,284
Trade & Other Receivables	7.1 / 9	-	-	841,550	841,550
Short Term Investment	10	-	241,112	-	241,112
Amounts due from Related Parties	11	-	-	308,140	308,140
Cash and Bank Balances	12	-	-	281,905	281,905
		72,284	241,112	1,431,595	1,744,991
				Other Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Financial Liabilities					
Trade & Other Payables	7.2 / 19			335,882	335,882
Amounts due to Related Parties	7.3 / 21			292,717	292,717
Interest Bearing Loans and Borrowings	16			733,642	733,642
				1,362,241	1,362,241
31st March 2017					
		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
Financial Assets					
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
				Other Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Financial Liabilities					
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

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 2018					
	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
Financial Assets					
Long Term Investment	5.3	72,284	-	-	72,284
Trade & Other Receivables	9	-	-	234,392	234,392
Short Term Investment	10	-	111,177	-	111,177
Amounts due from Related Parties	11	-	-	33,967	33,967
Cash and Bank Balances	12	-	-	215,777	215,777
		72,284	111,177	484,136	667,597
				Other Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Financial Liabilities					
Trade & Other Payables	19			121,819	121,819
Amounts due to Related Parties	21			24,951	24,951
Interest Bearing Loans and Borrowings	16			118	118
				146,888	146,888
31st March 2017					
		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
Financial Assets					
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
				Other Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Financial Liabilities					
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

Notes To The Financial Statements Contd.

4 PROPERTY, PLANT & EQUIPMENT

4.1 Group

	Freehold Land and Buildings		Building on Leasehold Land		Plant and Machinery		Tools and Office Equipment		Furniture and Fittings		Motor Vehicles		Computers		Roads and Other Infrastructure		Tube Well		Capital Work in Progress		Total	
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000
Gross carrying amount - at cost																						
As at 1st April 2017	67,036	191,454	916,696	31,658	8,453	10,168	18,965	9,880	180	48,460	1,302,950											
Additions	89	61,013	212,802	89	1,597	-	1,162	822	-	227,789	505,363											
Capitalized during the year	-	-	-	-	-	-	-	-	-	(267,218)	(267,218)											
As at 31st March 2018	67,125	252,467	1,129,498	31,747	10,050	10,168	20,127	10,703	180	9,031	1,541,095											
Depreciation																						
As at 1st April 2017	24,550	32,164	591,143	25,570	6,868	10,168	16,178	6,364	180	-	713,185											
Charge for the year	1,521	6,394	41,923	1,982	926	-	988	244	-	-	53,978											
As at 31st March 2018	26,071	38,558	633,066	27,552	7,794	10,168	17,166	6,608	180	-	767,163											
Net Book Value																						
As at 31st March 2017	42,486	159,290	325,553	6,088	1,585	-	2,787	3,516	-	48,460	589,765											
As at 31st March 2018	41,054	213,909	496,432	4,195	2,256	-	2,961	4,094	-	9,031	773,932											

4.2 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 523,175,000/-

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
Gross carrying amount - at cost								
As at 1st April 2017	57,269	366,400	22,186	3,603	4,378	10,314	873	465,023
Additions	-	5,372	-	21	-	259	2,228	7,880
Capitalized during the year	-	-	-	-	-	-	(3,101)	(3,101)
As at 31st March 2018	57,269	371,772	22,186	3,624	4,378	10,573	-	469,802
Depreciation								
As at 1st April 2017	22,069	327,561	20,116	3,367	4,378	10,088	-	387,579
Charge for the year	1,341	6,655	551	83	-	119	-	8,749
As at 31st March 2018	23,410	334,216	20,667	3,450	4,378	10,207	-	396,328
Net Book Value								
As at 31st March 2017	35,200	38,839	2,070	236	-	226	873	77,444
As at 31st March 2018	33,859	37,556	1,519	174	-	366	-	73,474

4.4 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 342,804,000/-.

Notes To The Financial Statements Contd.

5 Long Term Investments

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Summary :				
Investments in Subsidiaries (5.1(a) & 5.1(b))	-	-	291,094	291,094
Investment in Associate (5.2)	173,306	178,217	171,929	171,929
Other Investment (5.3)	72,284	72,284	72,284	72,284
Total Investments	245,590	250,501	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
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018
	%	%			Rs.'000	Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd.	43.00	43.00	27,560,001	27,560,001	284,820	284,820	284,820
Micro Minerals (Pvt) Ltd.	68.75	68.75	627,400	627,400	6,274	6,274	6,274
Arpico Natural Latexfoams (Pvt) Ltd.	44.44	44.44	3,999,999	3,999,999	40,000	40,000	-
					331,094	331,094	291,094
Provision for Impairment					(40,000)	(40,000)	-
					291,094	291,094	291,094

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

5.1(b) Group Investment in Subsidiaries

	Holding		No. of Shares		Value of Shares	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	%	%			Rs.'000	Rs.'000
Investor						
Richard Pieris Natural Foams Ltd.						
Investee						
Arpico Natural Latexfoams (Pvt) Ltd.	55.55%	55.55%	5,000,000	5,000,000	50,000	50,000
					50,000	50,000
Provision for impairment					(50,000)	(50,000)
					-	-

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	
			2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
Richard Pieris Natural Foams Ltd	57%	57%	296,073	264,353	640,717	573,273	228,629	148,280
Micro Minerals (Pvt) Ltd	31.25%	31.25%	61	404	10,363	10,359	57	143
Arpico Natural Latex Foams (Pvt) Ltd	32%	32%	(17)	(12)	(103)	(86)	-	-
			296,117	264,745	650,977	583,546	228,686	148,423

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 2018 Rs.'000	31st March 2017 Rs.'000	31st March 2018 Rs.'000	31st March 2017 Rs.'000	31st March 2018 Rs.'000	31st March 2017 Rs.'000
Assets	2,214,867	1,571,940	56,177	62,551	108	162
Liabilities	1,090,820	566,228	23,018	29,405	226,839	226,839
Equity	1,124,047	1,005,711	33,158	33,146	(226,731)	(226,677)
For the year ended 31st March	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	3,173,993	2,614,626	50,211	60,522	-	-
Profit after tax	521,663	464,610	160	1,310	(54)	(37)
Total Comprehensive income	519,492	463,779	195	1,288	(54)	(37)
Principal Place of Business	Sri Lanka		Sri Lanka		Sri Lanka	

5.2 Investment in Associate Group

Non-Quoted	Holding		As at 01.04.2017 Rs.'000	Share of Loss Rs.'000	Taxation Rs.'000	Share of Other Comprehensive Income Rs.'000	As at 31.03.2018 Rs.'000
	% 31.03.2018	% 31.03.2017					
Arpitalian Compact Soles (Pvt) Limited	48.93	48.93	178,217	(8,099)	(1,783)	4,971	173,306
			178,217	(8,099)	(1,783)	4,971	173,306
Company			No. of Shares as at 31.03.2018	As at 01.04.2017 Rs.'000	Value of Shares Additions / (Disposals) Rs.'000	As at 31.03.2018 Rs.'000	Directors' Valuation as at 31.03.2018 Rs.'000
	Holding % 31.03.2018	% 31.03.2017					
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	As at	Directors'
	%	%	31.03.2018	31.03.2017	Valuation as
	31.03.2018	31.03.2017	Rs.'000	Rs.'000	at 31.03.2018
					Rs.'000
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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	12,363	12,636	-	-
Amount charged to Income Statement during the year	(273)	(273)	-	-
At the end of the year	12,090	12,363	-	-
Amount chargeable to Income Statement within one year	273	273	-	-
Amount chargeable to Income Statement after one year	11,817	12,090	-	-
	12,090	12,363	-	-

7 Assets / Liabilities of Subsidiary Which is Not Considered As Going Concern (Discontinued Operations)

Arpico Natural Latex Foams (Pvt) Ltd.

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Trade & Other Receivables (7.1)	-	-	-	-
Cash and Bank Balances	108	162	-	-
	108	162	-	-
Liabilities				
Trade & Other Payables (7.2)	24,378	24,378	-	-
Amounts due to Related Parties (7.3)	202,461	202,461	-	-
	226,839	226,839	-	-

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

7.1 Trade & Other Receivables

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Debtors	25,645	25,645	-	-
Other Receivables	5,304	5,304	-	-
Less : Provision for Impairment	(30,949)	(30,949)	-	-
	-	-	-	-

7.2 Trade & Other Payables

Trade Creditors - Related Party - RPC Logistics Ltd.	3,856	3,856	-	-
- Others	188	188	-	-
Sundry Creditors including Accrued Expenses	20,334	20,334	-	-
	24,378	24,378	-	-

7.3 Amounts due to Related Parties

Richard Pieris & Co. PLC	170,184	170,184	-	-
Richard Pieris Rubber Compounds Ltd.	156	156	-	-
Kegalle Plantations PLC	32,055	32,055	-	-
Arpitalian Compact Soles (Pvt) Ltd.	66	66	-	-
	202,461	202,461	-	-

8 Inventories

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw Materials	265,738	184,322	72,998	66,472
Work in Progress	19,003	18,698	10,870	10,422
Finished Goods	202,315	160,989	26,833	45,608
Consumables and Spares	31,496	25,938	20,093	16,983
Provision for Slow moving Stocks / Stock Loss (8.1)	(6,939)	(11,079)	(6,548)	(10,627)
	511,613	378,868	124,246	128,858

8.1 Provision for Slow Moving Stocks / Stock Loss

At the beginning of the year	11,079	11,743	10,627	11,291
Provision made during the year/ (Reversal)	(4,140)	(664)	(4,079)	(664)
	6,939	11,079	6,548	10,627
Stocks Written off against the provision	-	-	-	-
At the end of the year	6,939	11,079	6,548	10,627

Notes To The Financial Statements Contd.

9 Trade and other Receivables

9.1 Summary

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial Assets				
Trade Debtors - Related Parties (9.2)	37,816	36,226	12,313	9,266
- Others	787,494	592,607	218,419	181,521
	825,310	628,833	230,732	190,787
Less : Provision for Impairment (9.3)	(16,426)	(15,730)	(1,524)	(1,524)
	808,884	613,103	229,208	189,263
Other Debtors	46,942	31,978	21,361	19,588
Less : Provision for Impairment	(18,559)	(18,559)	(18,559)	(18,559)
	28,383	13,419	2,802	1,029
Refundable Deposits	4,358	4,341	2,457	2,440
Less : Provision for Impairment	(75)	(75)	(75)	(75)
	4,283	4,266	2,382	2,365
Total Financial Assets	841,550	630,788	234,392	192,657
Non Financial Assets				
Advances & Prepayments	144,607	136,323	78,012	64,399
Less : Provision for Impairment	(18,641)	(18,613)	(18,546)	(18,546)
Total Non Financial Assets	125,966	117,710	59,466	45,853
	967,516	748,498	293,858	238,510

9.2 Trade Dues Receivables from Related Parties

	Relationship				
Richard Pieris Distributors Ltd	Related Company	28,563	22,222	7,386	4,038
Richard Pieris Rubber Products Ltd	Related Company	1,005	1,143	226	204
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	48	16
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	1,302	1,860	-	-
Richard Pieris Rubber Compounds Ltd	Related Company	225	148	18	-
Arpico Interiors (Pvt) Ltd	Related Company	4,516	5,008	4,516	5,008
Arpitech (Pvt) Ltd	Related Company	2,086	5,845	-	-
BGN Industrial Tyre (Pvt) Ltd.	Related Company	119	-	119	-
		37,816	36,226	12,313	9,266

9.3 Provision for Impairment

Balance at the beginning of the year	15,730	15,206	1,524	37,742
Provision made during the year	373	-	-	-
	16,103	15,206	1,524	37,742
Amount Written off against the provision	-	-	-	(36,218)
Effect of foreign exchange translation	323	524	-	-
Balance at the end of the year	16,426	15,730	1,524	1,524

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

	Total	Current	30 - 60 days	61 - 90 days	91 - 120 days	> 120 days
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2018	825,310	762,095	4,511	4,109	5,229	49,366
2017	628,833	506,305	39,879	26,885	5,258	50,506

10 Short Term Investment

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fixed Deposits				
Balance at the beginning of the year	325,258	300,151	94,656	87,200
Investment made during the year	38,013	25,107	10,648	7,456
Withdrawals made during the year	(133,109)	-	-	-
	230,162	325,258	105,304	94,656
Interest receivable at the end of the year	10,950	18,212	5,873	5,737
Balance at the end of the year	241,112	343,470	111,177	100,393

11 Amounts Due From Related Parties

	Relationship	Group		Company	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Richard Pieris & Co PLC	Parent Company	-	-	1,054	507
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	29,920	35,276	30,000	35,338
Richard Pieris Distributors Ltd.	Related Company	244	268	-	-
Arpitech (Pvt) Ltd	Related Company	142	142	-	-
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd.	Related Company	3,121	615	-	-
Richard Pieris Tyre Company Ltd	Related Company	2,913	-	2,913	-
RPC Properties (Pvt) Ltd.	Related Company	271,800	-	-	-
		308,140	36,301	33,967	35,845

12 Cash And Cash Equivalents in the Cash Flow Statements

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.1 Favourable Cash and Cash Equivalents Balances				
Cash & Bank Balances - Continuing Operations	281,797	276,450	215,777	187,359
Cash & Bank Balances - Discontinued Operations - Note 7	108	162	-	-
	281,905	276,612	215,777	187,359
12.2 Unfavourable Cash and Cash Equivalents Balances				
Bank Overdrafts - Note 16.1 / 16.3	(499,092)	(212,232)	(118)	-
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	(217,187)	64,380	215,659	187,359

Notes To The Financial Statements Contd.

13 Stated Capital

		At the beginning of the year 01.04.2017 Number '000	Issued for Cash during the year Number '000	At the end of the year 31.03.2018 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	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
14.1 General Reserve				
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
14.2 Accumulated Profit				
At the beginning of the year	418,307	133,209	545,238	354,949
Profit for the year attributable to Equity Holder of the Parent Company	415,710	461,983	373,818	366,476
Other comprehensive income attributable to Equity Holder of the Parent Company	(1,261)	1,735	(482)	2,433
Interim dividend	(178,620)	(178,620)	(178,620)	(178,620)
At the end of the year	654,136	418,307	739,954	545,238
Total Revenue Reserves	873,386	637,557	959,204	764,488

15 Foreign Currency Translation

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
At the beginning of the year	70,765	62,780	-	-
Exchange translation difference for the year	4,840	7,985	-	-
At the end of the year	75,605	70,765	-	-

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**

	31.03.2018 Amount Repayable Within 1 Year Rs.'000	31.03.2018 Amount Repayable After 1 Year Rs.'000	31.03.2018 Total Rs.'000	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
Bank Loan	-	-	-	16,472	-	16,472
Bills Discounted	91,843	-	91,843	48,968	-	48,968
Packing Credit Loan	-	-	-	74,391	-	74,391
Term Loan	51,893	90,814	142,707	-	-	-
Interest Payable	-	-	-	880	-	880
	143,736	90,814	234,550	140,711	-	140,711
Bank Overdraft (12.2)	499,092	-	499,092	212,232	-	212,232
	642,828	90,814	733,642	352,943	-	352,943

16.2 Bank Loan, Bills Discounted, Term Loan and Packing Credit Loan - Movements

	As at 01.04.2017 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss Rs.'000	As at 31.03.2018 Rs.'000
Bank Loan	16,472	-	16,561	89	-
Bills Discounted	48,968	218,315	176,150	710	91,843
Packing Credit Loan	74,391	74,753	149,851	707	-
Term Loan	-	153,500	12,890	2,097	142,707
	139,831	446,568	355,452	3,603	234,550

16.3 Interest Bearing Liabilities - Company

	31.03.2018 Amount Repayable Within 1 Year Rs.'000	31.03.2018 Amount Repayable After 1 Year Rs.'000	31.03.2018 Total Rs.'000	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
Bank Loan	-	-	-	16,472	-	16,472
Packing Credit Loan	-	-	-	74,391	-	74,391
Interest Payable	-	-	-	702	-	702
	-	-	-	91,565	-	91,565
Bank Overdraft (12.2)	118	-	118	-	-	-
	118	-	118	91,565	-	91,565

16.4 Bank Loan And Packing Credit Loan - Movements

	As at 01.04.2017 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss Rs.'000	As at 31.03.2018 Rs.'000
Bank Loan	16,472	-	16,561	89	-
Packing Credit Loan	74,391	74,753	149,851	707	-
	90,863	74,753	166,412	796	-

Notes To The Financial Statements Contd.

17 Deferred Tax Liability

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	26,529	1,900	715	949
Deferred Tax Charged / (Reversed) to the Income Statement	35,689	24,413	(115)	(566)
Deferred Tax Charged / (Reversed) to the Statement of Other Comprehensive Income	(419)	216	(79)	332
Balance at the end of the year	61,799	26,529	521	715
Deferred tax asset, liability relates to the following				
Deferred tax liability				
Accelerated depreciation for tax purposes	73,017	45,412	8,352	6,642
Deferred tax assets				
Unutilised tax losses	-	(10,942)	-	-
Retirement benefit obligations	(11,218)	(7,941)	(7,831)	(5,927)
Net deferred tax liability	61,799	26,529	521	715

18 Retirement Benefit Obligation

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	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	66,176	58,014	49,392	45,481
Current Service Cost	5,575	3,997	2,928	2,650
Interest Cost	8,272	7,069	6,174	5,003
(Gain) / Loss due to changes in assumptions	3,037	(1,794)	561	(2,765)
Benefits paid	(3,768)	(1,110)	(3,116)	(977)
Balance at the end of the year	79,292	66,176	55,939	49,392

18.1 Net Benefit Expenses Categorized Under Staff Cost

	Group		Company	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Service Cost	5,575	3,997	2,928	2,650
Interest Cost	8,272	7,069	6,174	5,003
	13,847	11,066	9,102	7,653

18.2 Actuarial & Management Consultants (Pvt) Limited, Actuaries, carried out an actuarial valuation of the defined benefit plan on 31.03.2018 and 31.03.2017. 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	0.40	0.26	0.25	0.15	0.15	0.15	0.00
Non Executives	0.46	0.37	0.20	0.19	0.12	0.13	0.00

2017 / 2018

2016 / 2017

Demographic assumptions

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

Financial assumptions

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

18.3 Sensitivity Analysis

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

Salary escalation Rate	Discount Rate	Revised Defined Benefit Obligation	
		Group Rs. '000	Company Rs. '000
One point increase	As given in Report - 11%	82,795	58,059
One point decrease	As given in Report - 11%	76,119	53,939
As given in Report - 8%	One point increase	76,547	54,243
As given in Report - 8%	One point decrease	82,386	57,767

18.4 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2018 is as follows.

Future Working Life Time	Defined Benefit Obligation	
	Group Rs. '000	Company Rs. '000
Within the next 12 Months	13,021	9,715
Between 1-5 years	49,090	37,230
Beyond 5 years	17,181	8,994
	<u>79,292</u>	<u>55,939</u>

Notes To The Financial Statements Contd.

19 Trade and other Payables

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Financial Liabilities				
Trade Creditors - Related Parties (19.1)	130,542	150,366	27,304	24,842
- Others	86,829	118,052	35,043	39,827
Other Payables	94,141	120,912	59,472	82,273
Total Financial Liabilities	311,512	389,330	121,819	146,942
Non Financial Liabilities				
Other Payables	8,490	8,532	2,066	1,927
Total Non Financial Liabilities	8,490	8,532	2,066	1,927
Balance at the end of the year	320,002	397,862	123,885	148,869

19.1 Trade dues Payable to Related Parties

	Relationship	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Kegalle Plantations PLC.	Related Company	115,013	129,286	22,304	18,466
Richard Pieris Rubber Products Ltd	Related Company	172	-	-	-
Richard Pieris Distributors Ltd	Related Company	1,296	752	869	369
Richard Pieris Rubber Compounds Ltd	Related Company	424	790	424	790
Richard Pieris Tyre Company Ltd.	Related Company	402	2,776	-	-
RPC Logistics Ltd.	Related Company	10,961	14,324	2,618	3,244
Arpitech (Pvt) Ltd.	Related Company	2,203	1,905	9	29
Maskeliya Plantations PLC	Related Company	53	-	53	-
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	577	1,314
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd	Related Company	18	104	-	85
Arpico Interiors (Pvt) Ltd	Related Company	-	429	-	429
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	450	116
		130,542	150,366	27,304	24,842

20 Income Tax Payable

	Group		Company	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance at the beginning of the year	26,113	24,007	13,903	14,897
Provision for the year	79,602	77,605	33,463	39,399
(Over) / under provision in respect of previous year	(1,100)	(2,381)	41	(849)
	104,615	99,231	47,407	53,447
Payments made during the year	(70,852)	(51,371)	(37,957)	(32,832)
WHTax Paid	(2,581)	(2,789)	(1,184)	(828)
Economic Service Charge Paid	(21,344)	(18,958)	(5,340)	(5,884)
Balance at the end of the year	9,838	26,113	2,926	13,903

21 Amounts Due to Related Parties

	Relationship	Group		Company	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Richard Pieris & Co. PLC.	Parent Company	90,256	27,786	-	-
Richard Pieris Natural Foams Ltd.	Subsidiary Company	-	-	48	85
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	24,815	14,373
Richard Pieris Distributors Ltd	Related Company	-	-	88	64
		90,256	27,786	24,951	14,522

22 Turnover**22.1 Summary**

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Export Sales	3,900,409	3,466,538	987,402	1,144,129
Indirect Exports (Gross)	71,404	89,471	-	-
Local Sales (Gross)	377,297	344,200	90,825	33,582
	4,349,110	3,900,209	1,078,227	1,177,711
VAT	(58,470)	(50,906)	(11,791)	(3,556)
	4,290,640	3,849,303	1,066,436	1,174,155
Less : Inter Group Sales	(18,913)	(30,862)	-	-
	4,271,727	3,818,441	1,066,436	1,174,155

22.2 Group Segmental Information

	Turnover		Profit / (Loss) From Operations		Net Assets	
	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Minerals	50,211	60,522	(12)	50	33,158	33,146
Latex Based	3,173,993	2,614,626	576,683	496,625	897,316	779,034
Hard Rubber	1,066,436	1,174,155	372,204	396,869	1,179,466	984,750
	4,290,640	3,849,303	948,875	893,544	2,109,940	1,796,930
Adjustments for Inter Group Transactions	(18,913)	(30,862)	(155,386)	(100,987)	(940,687)	(868,346)
	4,271,727	3,818,441	793,489	792,557	1,169,253	928,584

23 Other Operating Income

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Scrap Sales (23.1)	2,214	2,770	1,428	2,646
Sundry Income (23.2)	122	-	122	-
Reversal of provision for slow moving stocks	4,140	664	4,079	664
Dividend Income	-	-	155,386	100,987
	6,476	3,434	161,015	104,297

23.1 Summary

Scrap Sales (Gross)	2,548	3,243	1,643	3,103
VAT	(334)	(473)	(215)	(457)
	2,214	2,770	1,428	2,646

Notes To The Financial Statements Contd.

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
23.2 Summary				
Sundry Income (Gross)	140	-	140	-
VAT	(18)	-	(18)	-
24 Profit From Operations	122	-	122	-
	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
is stated after Charging				
Depreciation	53,978	46,868	8,749	9,236
Directors' Fees	800	800	800	800
Auditors' Remuneration - Audit Fees	1,977	1,844	1,050	989
- Non-Audit Fees	1,096	671	1,096	671
Personnel Costs includes				
Defined Benefit Plan Costs - Gratuity	13,847	11,066	9,102	7,653
Other Staff Costs including EPF & ETF	416,648	394,318	127,671	151,211
Provision for Impairment - Advances	28	7,738	-	7,738
Corporate Restructuring Expenses	60,000	60,000	-	-
Amortisation of Leasehold Land Prepayment	273	273	-	-
25 Finance Income				
	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest income	41,582	34,887	20,217	11,285
	41,582	34,887	20,217	11,285
26 Finance Costs				
	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest on long term loans	280	2,396	280	2,396
	280	2,396	280	2,396
Interest on short term loans - Related Party	-	-	2,277	1,366
- Others	7,516	8,277	2,143	3,986
	7,516	8,277	4,420	5,352
Provision for Impairment - Trade Debtors	373	-	-	-
	373	-	-	-
	8,169	10,673	4,700	7,748
27 Other Financial Items				
	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net foreign exchange transaction loss / (gain)	(27,544)	(14,276)	(19,486)	(4,054)

28 Share Of Profit / (Loss) Of Associate

The Group's share of the assets and liabilities as at 31st March 2018 and 2017, and income and expenses of the entity for the years ended 31st March 2018 and 2017, which is accounted under the equity method are as follows.

	2018	2017
	Rs 000	Rs 000
Revenue	435,806	519,040
Profit / (Loss) before tax	(16,552)	15,654
Group's share of Profit / (Loss) before tax	(8,099)	7,660
(-) Tax on associate results	(1,783)	(605)
Group's share of Profit / (Loss) after tax	(9,882)	7,055
Total Other Comprehensive Income	10,158	15,658
Group's share of total Other Comprehensive Income	4,971	7,662

Associate's Statement of Financial Position

Current assets	280,718	291,053
Non-current assets	317,989	331,130
	598,707	622,183
Current liabilities	(127,544)	(146,962)
Non-current liabilities	(52,921)	(46,941)
	(180,465)	(193,903)

29 Taxation

	Group		Company	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income tax on current year profits - Note 29.1	79,602	77,605	33,463	39,399
(Over) / Under Provision in respect of previous year	(1,100)	(2,381)	41	(849)
Deferred Taxation charge / (Reversal) - Note 29.2	35,689	24,413	(115)	(566)
Dividend Tax paid by subsidiaries	17,266	11,220	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	1,783	605	-	-
	133,240	111,462	33,389	37,984

Notes To The Financial Statements Contd.

29.1 Taxation on Current Year Profits

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit / (Loss) before Tax from continuing operations	846,347	838,707	407,207	404,460
Add: Profit / (Loss) before Tax from discontinued operations	(54)	(37)	-	-
Less: (Profit) / Loss from Associate Company	8,099	(7,660)	-	-
	854,392	831,010	407,207	404,460
Expenses Disallowed for tax purposes	75,435	92,328	19,405	26,565
Expenses allowable for tax purposes	(213,342)	(130,458)	(32,761)	(22,811)
Tax exempt income	(3,484)	(1,281)	(3,484)	(1,281)
Allowable Income	-	-	(155,386)	(100,987)
Tax loss claimed	(96,791)	(169,193)	-	-
Taxable Income	616,210	622,406	234,981	305,946
Income tax 28%	9,899	5,081	9,214	4,699
Income tax 15%	-	55	-	-
Income tax 12%	69,703	72,469	24,249	34,700
	79,602	77,605	33,463	39,399

29.2 Deferred Taxation Charge / (Reversal)

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Accelerated depreciation for tax purpose	27,605	6,077	1,710	235
Retirement benefit obligations	(2,858)	(1,172)	(1,825)	(801)
Un utilised tax losses	10,942	19,508	-	-
	35,689	24,413	(115)	(566)

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	
	2018 Rs.'000	2017 Rs.'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Operating Income (Unclaimed payables written back)	-	16
Expenses - Note 30.1	(54)	(53)
Profit / (Loss) from discontinued operations	(54)	(37)
Finance Cost	-	-
Profit / (Loss) before Tax from discontinued operations	(54)	(37)
Taxation	-	-
Profit / (Loss) for the year from discontinued operations	(54)	(37)
Attributable to		
Equity Holders of the Parent Company	(37)	(25)
Non Controlling Interest	(17)	(12)
	(54)	(37)
Earnings / (Loss) per Share - Basic	(0.005)	(0.003)

30.1 Expenses Includes

	Group	
	2018 Rs.'000	2017 Rs.'000
Auditors' Remuneration	55	55

Operating and Investing Cash Flow for the year are presented below :

Net Cash Flows from Operating Activities	(54)	(48)
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 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	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Amount Used as the Numerator				
Profit Attributable to Equityholders of the Parent from continuing Operations	415,747	462,008	373,818	366,476
Profit/(Loss) Attributable to Equityholders of the Parent from discontinuing Operations	(37)	(25)	-	-
Profit Attributable to Equityholders of the Parent	415,710	461,983	373,818	366,476
	'000	'000	'000	'000
Number of Ordinary Shares used as Denominator				
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	37.24	41.38	33.48	32.83
Earnings per Share from continuing operations	37.24	41.38	33.48	32.83

32 Dividend Per Share

	2017/18 Rs.'000	2016/17 Rs.'000
Interim dividend	178,620	178,620
No. of Shares in issue in '000	11,164	11,164
Dividend per Share (Rs.)	16.00	16.00

2017 / 2018

The interim dividend of Rs. 16.00 per share was declared on 8th March 2018 and was paid on 26th March 2018.

2016 / 2017

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

33 Contingent Liabilities

There are no contingent liabilities as at 31st March 2018 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 31.03.2018, approved by the board are as follows,

	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Contracted but not provided for	55,860	188,568	-	-
Approved but not contracted for	217,162	339,624	-	-
	273,022	528,192	-	-

Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31.03.2018 are as follows,

	Group			
	2018 Rs.'000	2018 USD	2017 Rs.'000	2017 USD
Within one year	4,656	29,910	4,548	29,910
After one year but not more than five years	18,626	119,640	18,191	119,640
More than five years	281,688	1,809,403	279,668	1,839,313
	304,970	1,958,953	302,407	1,988,863

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.	Hatton National Bank PLC	Packing Credit Loan	Hypothecation of Stocks procured and receipt / confirmed export orders.
36.2	Richard Pieris Natural Foams Ltd	HSBC	Overdraft Export Bill Discount Term Loan	<p>Letter of Awareness from Richard Pieris & Company PLC dated 26 April 1996 confirming that Richard Pieris Group maintains Majority of shareholding in the company until the public issue takes place.</p> <p>Letter of undertaking from Richard Pieris & Company PLC to support the Company's indebtedness to the Bank for USD 475,000/-.</p> <p>Corporate Guarantee dated 29 January 2013 for USD 450,000/- from Kegalle Plantations PLC together with supporting Board Resolution.</p> <p>Letter of Awareness dated 24 Sep 2013 from Richard Pieris & Company PLC together with supporting Board Resolution.</p> <p>Letter of Negative pledge over stocks and Book Debts dated 18 Nov 2015 (to be released)</p>
		Commercial Bank of Ceylon PLC	Export Bill Purchase Overdraft	<p>Negative pledge dated 19.03.1996 executed over the company's Stocks and Book Debts. Lien over the documents of title to goods under Export.</p> <p>Bills purchase indemnity to be executed.</p> <p>General Terms and Conditions relating to Overdrafts for US \$ 750,000/- to be signed by the company.</p> <p>General Terms and Conditions relating to Pre-shipment Loans for US \$ 1,500,000/- to be signed by the company.</p>

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.

	Group		Company	
	2018	2017	2018	2017
For the year ended 31st March	Rs. Mn.	Rs. Mn.	Rs. Mn.	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	2017/2018			2016/2017		
	Sales	Purchases	Services	Sales	Purchases	Services
Richard Pieris & Co. PLC	-	-	30,675,794	-	-	30,267,229
Richard Pieris Natural Foams Ltd	61,100	5,172,064	-	69,593	12,659,539	-
Arpitallian Compact Soles (Pvt) Ltd	26,913	-	-	124,525	-	-
Micro Minerals (Pvt) Ltd	-	13,680,338	-	-	18,131,637	-
Richard Pieris Distributors Ltd	22,697,880	3,478,813	-	20,447,169	720,566	-
Richard Pieris Rubber Products Ltd	4,821,580	697,959	-	1,093,203	410,845	-
Richard Pieris Rubber Compounds Ltd	22,305	9,292,713	-	-	8,240,327	-
Arpico Interiors (Pvt) Ltd	2,043,079	21,830	-	3,904,117	181,031	-
Kegalle Plantations PLC - Note 37.4.1	-	181,493,236	-	-	136,578,979	-
RPC Logistics Ltd	-	-	10,438,130	-	-	12,454,865
Arpitech (Pvt) Ltd	-	78,231	-	12,958	465,412	-
Arpico Insurance PLC	-	-	1,998,495	-	-	1,849,844
Maskeliya Tea Gardens (Ceylon) Ltd	-	559,139	-	-	569,772	-
Namunukula Plantations PLC	5,191,913	-	-	-	-	-
Richard Pieris Tyre Company Ltd	-	7,905,510	-	-	-	-
BGN Industrial Tyre (Pvt) Ltd.	-	-	118,585	-	-	-

37.3 Transactions with related parties by the subsidiaries of the Group

Name of the Related Party	2017/2018			2016/2017		
	Sales	Purchases	Services	Sales	Purchases	Services
Richard Pieris & Co. PLC	-	-	72,958,770	-	-	69,750,922
Arpitallian Compact Soles (Pvt) Ltd	5,711,861	-	-	7,277,677	44,875	-
Richard Pieris Distributors Ltd	142,992,274	3,800,796	-	105,398,466	644,048	-
Richard Pieris Rubber Products Ltd	2,174,292	1,068,422	-	4,545,211	224,575	-
Kegalle Plantations PLC - Note 37.4.1	-	624,579,833	-	-	524,375,582	-
RPC Logistics Ltd	-	-	87,608,531	-	-	28,235,981
Arpitech (Pvt) Ltd	23,544,753	9,447,658	-	32,338,068	5,048,320	-
Richard Pieris Tyre Company Ltd	-	6,203,900	-	-	10,826,826	-
Arpico Insurance PLC	-	-	1,685,583	-	-	1,493,235
Richard Pieris Rubber Compounds Ltd	266,964	88,000	-	257,219	164,000	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	90,780	-	-	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

a) Relationship-Related Company	Group		Company	
	2018	2017	2018	2017
b) Nature of transaction	Rs.'000	Rs.'000	Rs.'000	Rs.'000
c) Aggregate value of related party transactions entered into during the financial year	624,579,833	524,375,582	181,493,236	136,578,979
d) Revenue as per latest audited Financial Statements	4,271,727,000	3,818,441,000	1,066,436,000	1,174,155,000
e) Aggregate value of related party transactions as a % of net revenue/income	14.62	13.73	17.02	11.63
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.			

Notes To The Financial Statements Contd.

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

Name of the Directors	Richard Pieris & Co PLC	Richard Pieris Natural Foams Ltd	Arpitan 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	Maskeiya Plantations PLC	Maskeiya Tea Gardens (Ceylon) Ltd	Arpico Insurance PLC	Namunukula Plantations PLC	RPC Properties (Pvt) Ltd.	BGN Industrial Tyre (Pvt) Ltd.
Dr. Sena Yaddhegige	X	X	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	-	-
Sunil S G Liyanage	X	-	-	-	X	X	-	X	-	-	-	-	-	X	-	-	-	-	-	-
W.R.Abeysirigunawardena	-	X	X	X	-	X	X	-	-	-	X	-	X	-	-	-	-	-	-	X
W.J.V.P. Perera	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 the

Notes To The Financial Statements Contd.

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 2018	Neither past due nor impaired Rs. '000	Past due but not impaired Rs. '000	Individually impaired Rs. '000	Total Rs. '000
Assets				
Trade & Other Receivables	794,761	46,789	35,060	876,610
Short Term Investment	241,112	-	-	241,112
Amounts due from Related Parties	308,140	-	-	308,140
Cash and Bank Balances	281,905	-	-	281,905
	1,625,918	46,789	35,060	1,707,767

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
As at 31st March 2018						
Interest bearing Loans and Borrowings	16	499,092	104,816	38,920	90,814	733,642
Trade and Other Payables	7.2 / 19	134,398	201,484	-	-	335,882
Amounts due to Related Companies	7.3 / 21	292,717	-	-	-	292,717
		926,207	306,300	38,920	90,814	1,362,241
As at 31st March 2017						
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

STATEMENTS OF VALUE ADDED

	2017/2018 Rs.000	2016/2017 Rs.000
Group		
Value Added :		
Gross Turnover	4,349,110	3,900,209
Less: Inter Group Sales	(18,913)	(30,862)
	4,330,197	3,869,347
Cost of Material and Service Purchased	(2,933,176)	(2,528,989)
	1,397,021	1,340,358
Other Income	6,828	3,907
Finance Income	41,582	34,887
Share of Profit /(Loss) of Associate	(8,099)	7,660
Total Value Added	1,437,332	1,386,812
Distribution of Value Added :		
To Employees as remuneration and Welfare	434,201	404,713
To the Government as Taxation	193,708	171,289
To Shareholders as Dividend	178,620	178,620
To Lenders of Capital		
- As Interest on Borrowing	7,796	10,673
- To Minority Interest	296,117	264,745
Retained within the Business		
- As Depreciation	53,978	46,868
- As Deferred Tax	37,083	24,807
- As Foreign Currency Translation	(4,840)	(7,985)
- As Profits Retained	240,669	293,083
	1,437,332	1,386,812
Company		
Value Added :		
Turnover	1,078,227	1,177,711
Cost of Material and Service Purchased	(673,217)	(689,989)
	405,010	487,722
Other Income	161,248	104,754
Finance Income	20,217	11,285
Total Value Added	586,475	603,761
Distribution of Value Added :		
To Employees as remuneration and Welfare	138,134	156,899
To the Government as Taxation	61,750	61,203
To Shareholders as Dividend	178,620	178,620
To Lenders of Capital		
- As Interest on Borrowing	4,700	7,748
- To Minority Interest	-	-
Retained within the Business		
- As Depreciation	8,749	9,236
- As Deferred Tax	(194)	(234)
- As Profits Retained	194,716	190,289
	586,475	603,761

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
Freehold Land and Buildings				
• Richard Pieris Exports PLC	Ja- Ela	640	73,190	206
• Micro Minerals (Pvt) Ltd	Bandaragama	320	16,800	36
Leasehold Land and Building				
• Richard Pieris Natural Foams Ltd	Biyagama	1,055	92,940	
• Arpitalian Compact Soles (Pvt) Ltd	Biyagama	655	36,884	



RPNF Factory Biyagama



Group Real Estate Portfolio Contd.



RPE Factory Ekala

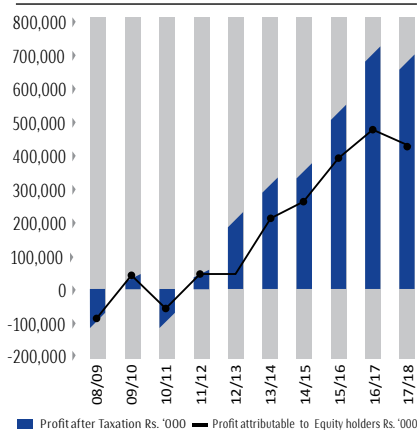


ACSL Factory Biyagama

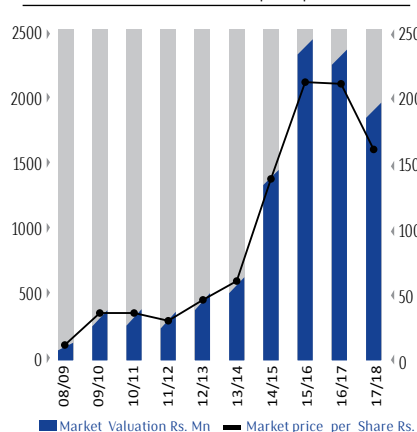


TEN YEAR SUMMARY

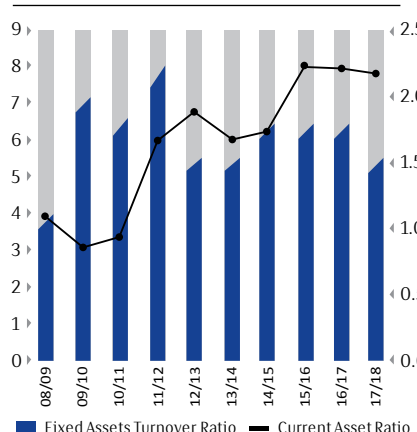
Profit after Taxation vs Profit attributable to Equity holders



Market Valuation vs Market price per Share



Current Asset Ratio Vs Fixed Assets Turnover Ratio



2017/2018 2016/2017 2015/2016 2014/2015
Rs. '000 Rs. '000 Rs. '000 Rs. '000

Income Statement

Turnover	4,271,727	3,818,441	3,047,568	2,498,140
Profit before taxation	846,347	838,707	636,512	446,601
Taxation	(133,240)	(111,462)	(88,011)	(58,350)
Profit after taxation (Rs Mn)	713,107	727,245	548,501	388,251
Minority Interest	(297,343)	(265,225)	(184,335)	(120,667)
Profit attributable to shareholders	415,710	461,983	364,056	267,677

Balance Sheets:

Capital and Reserves				
Stated Capital	220,262	220,262	220,262	220,262
Revenue Reserve	837,386	637,557	352,459	169,563
Shareholders' Funds	1,169,253	928,584	635,501	435,522
Minority Interest	650,977	583,546	467,224	382,298
Capital Employed	1,820,230	1,512,130	1,102,725	817,820

Assets Employed

Assets of Discontinued operations	108	162	210	315
Current Assets	2,310,451	1,783,860	1,606,196	1,267,571
Liabilities of Discontinued operations	(226,839)	(226,839)	(226,850)	(226,845)
Current Liabilities	(1,062,924)	(804,704)	(921,856)	(742,886)
Working Capital	1,020,796	752,479	457,700	298,156
Intangible Assets				
Leasehold Land Prepayments	11,817	12,090	12,363	6,007
Property, Plant & Equipment	773,932	589,765	472,628	474,162
Long Term Loans	(90,814)	-	(15,836)	(57,979)
Deferred Liabilities	(231,905)	(92,705)	(60,151)	(61,258)
Investments	245,590	250,501	235,784	135,213
Total Assets less Liabilities	1,820,230	1,512,130	1,102,725	817,820

Financial Ratios

Profitability

Earning per Share (Rs.)	37.24	41.38	32.61	23.98
Net profit before Minority Int. to sales (%)	16.69	19.05	17.99	15.55

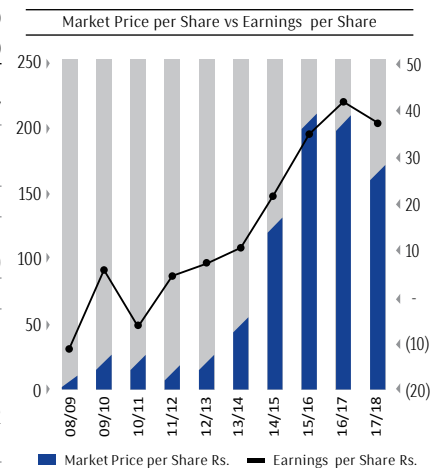
Dividends

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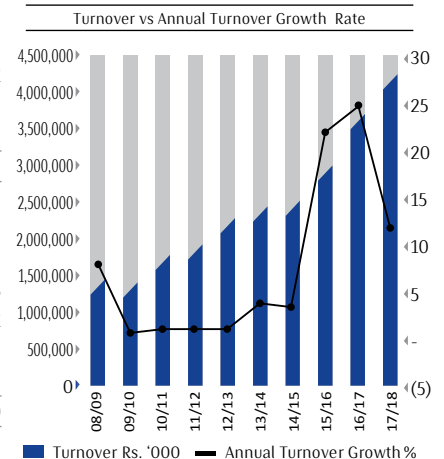
Others

Market Price Per Share (Rs.)	168	209	211	130
Price Earnings Ratio (times)	4.51	5.05	6.48	5.43
Net Assets Per Share (Rs.)	104.74	83.18	56.92	39.01
Annual sales growth (%)	12	25	22	4
Current Assets Ratio (times)	2.17	2.22	1.74	1.71
Fixed Asset Turnover Ratio (times)	5.52	6.47	6.45	5.27
Average Exchange Rate (per US\$)	153.67	148.39	139.81	131.21
Turnover (US\$ '0 00)	27,798	25,733	21,799	19,039

2013/2014 Rs. '000	2012/2013 Rs. '000	2011/2012 Rs. '000	2010/2011 Rs. '000	2009/2010 Rs. '000	2008/2009 Rs. '000
2,393,765	2,303,135	1,967,145	1,754,323	1,379,529	1,410,757
312,104	273,457	69,091	(131,911)	52,710	(118,273)
3,836	(29,398)	(11,235)	72	(8,019)	(14,912)
315,911	244,059	57,856	(139,377)	41,420	(133,185)
(123,160)	(103,296)	(10,147)	66,875	15,570	32,700
192,751	140,722	47,567	(72,502)	56,990	(100,485)
220,262	220,262	220,262	220,262	220,262	220,262
22,342	(74,032)	(211,201)	(272,237)	(270,370)	(337,384)
285,036	146,230	9,061	(51,975)	(50,108)	(117,122)
276,507	153,288	49,697	39,630	88,159	4,189
561,543	299,518	58,758	(12,345)	38,051	(112,933)



3,487	3,527	3,610	3,917	9,877	96,372
1,043,601	793,684	819,992	902,225	800,848	764,679
(230,119)	(230,119)	(230,160)	(230,325)	(228,929)	(312,383)
(556,231)	(501,002)	(865,766)	(1,011,524)	(706,347)	(889,241)
260,738	66,090	(272,324)	(335,707)	(124,551)	(340,573)
-	-	-	-	-	-
4,633	4,692	4,751	4,810	4,869	4,928
282,054	287,395	309,624	316,321	335,781	386,912
(97,379)	(133,870)	-	(21,264)	(150,249)	(138,046)
(51,194)	(43,411)	(36,044)	(33,091)	(27,798)	(26,554)
125,065	118,622	52,751	56,586	-	400
561,543	299,518	58,758	(12,345)	38,051	(112,933)

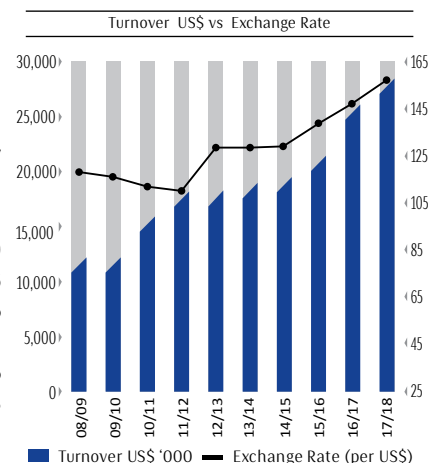


17.27	12.61	4.27	(6.49)	5.10	(9.00)
13.19	10.59	2.93	(7.94)	3.00	(9.44)

57,493	-	-	-	11,164	-
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55	30	22	28	27	7
3.19	2.43	5.16	(4.31)	5.20	(0.75)
25.53	13.10	0.81	(4.66)	(4.48)	(10.49)
3.93	0.17	0.12	0.27	(0.02)	7.50
1.88	1.59	0.95	0.89	1.13	0.86
5.33	8.01	6.35	7.04	4.11	3.65

130.51	129.95	110.39	110.39	114.03	115.75
18,342	17,723	17,820	15,892	12,098	12,188



SHAREHOLDER INFORMATION

1 General

Stated Capital	Rs. 220,262,000
No of Shares Issued as at 31.03.2018	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 2018 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

	2017/18	2016/17	Increased by	%
No of transactions	2,495	2,107	388	18%
No of shares traded	1,147,986	571,804	576,182	101%
Share turnover (Rs.)	252,269,878	134,173,980	118,095,898	88%

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 1,876,625,535 (11,163,745 x168.10) at 31st March 2018 (As at 31st March 2017:Rs 2,333mn).

	As at 31.03.2018	As at 31.03.2017
Market Capitalization (Rs '000")	1,876,626	2,333,223
Float adjusted Market Capitalization (Rs '000')	302,137	460,578
Pirce Earnings Ratio (times)	5.02	5.05

The company complies with option 02 of the listing rules 7.13.1(b) - Less than Rs 1 Bn float adjusted market capitalization.

6 Market Value of shares

	2017/18	Date	2016/17	Date
Highest Price (Rs.)	240.00	20.12.2017	255.00	22.04.2016
Lowest Price (Rs.)	168.00	28.03.2018	200.00	24.03.2017
Year end Price (Rs.)	168.10	31.03.2018	209.00	31.03.2017

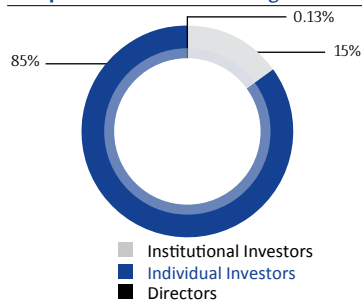
7 Distribution of Shareholders

Range of shareholding	As at 31/03/2018			As at 31/03/2017		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
1 - 1,000	1367	222,934	2.00%	1332	219,639	1.97%
1001 - 10,000	168	557,649	5.00%	160	511,489	4.58%
10001 - 100,000	30	756,994	6.78%	29	767,051	6.87%
100001 - 1,000,000	2	260,141	2.33%	3	705,569	6.32%
1000001 & above	1	9,366,027	83.90%	1	8,959,997	80.26%
Total	1568	11,163,745	100.00%	1525	11,163,745	100.00%

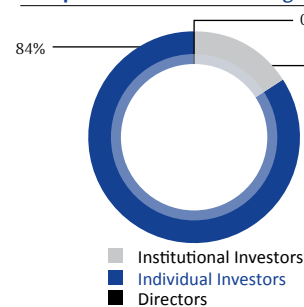
8 Composition of Shareholding

Category	2018			2017		
	No of Shareholders	No of Shares	% of Shareholding	No of Shareholders	No of Shares	% of Shareholding
Institutional Investors	240	11,072,191	99.18%	241	11,072,170	99.18%
Individual Investors	1326	91,251	0.82%	1282	91,272	0.82%
Directors	2	303	0.00%	2	303	0.00%
Total	1568	11,163,745	100.00%	1525	11,163,745	100.00%

Composition of Shareholding % - 2018



Composition of Shareholding % - 2017



9 Major Shareholders

	As at 31st March 2018	2018		2017		Change
		No of Shares	Holding %	No of Shares	Holding %	
1	Richard Pieris & Company Plc.	9,366,027	83.90%	8,959,997	80.26%	406,030
2	Mr.D.F.G.Dalpethado	149,991	1.34%	32,671	0.29%	117,320
3	Mr. T.T.T.Al-Nakib	110,150	0.99%	125,000	1.12%	(14,850)
4	Mr. P.Vijendran	60,000	0.54%	60,000	0.54%	-
5	First Capital Markets Limited	57,500	0.52%			57,500
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. A.A.A.Noorudin	50,000	0.45%	50,000	0.45%	-
9	Ransiri Enterprises (Pvt) Ltd	42,100	0.38%	41,572	0.37%	528
10	Union Investments (Pvt) Ltd	40,600	0.36%	40,600	0.36%	-
11	Mr. Sithampalam	35,000	0.31%	35,000	0.31%	-
12	Corporate Holdings (Pvt) Ltd	30,000	0.27%	30,000	0.27%	-
13	Mr. M.S.P.Fernando	28,008	0.25%	28,008	0.25%	-
14	Mr. N.A.Withana	25,000	0.22%	25,000	0.22%	-
15	Mrs M. Y. Amerasinghe	21,998	0.20%	26,000	0.23%	(4,002)
16	Mr.H.A. Pieris	20,931	0.19%	20,932	0.19%	(1)
17	Mr.P.T.S.De Silva	19,124	0.17%	17,873	0.16%	1,251
18	Mr G.H.A.Wimalasena	18,500	0.17%			18,500
19	Mr.W.P.Gunasena	17,240	0.15%	17,240	0.15%	-
20	Sen Saal (Pvt) Ltd	17,100	0.15%			17,100
21	Mr. A.R.Hettiarachchi	16,500	0.15%			16,500
22	Acuity Partners(Pvt) Ltd	15,000	0.13%			15,000
23	J.B.Cocoshell (Pvt) Ltd	15,000	0.13%			15,000
24	Mr. W.Jinadasa	14,240	0.13%			14,240
25	Mr. F.J.P.Raj	14,000	0.13%			14,000
	Total	10,290,805	92.18%	9,616,689	86.14%	674,116

Shareholder Information Contd.

10 Public & Parent Shareholding

As at 31st March 2018, the public held 16.10% (2017 : 19.74%) of the share capital of the company. The shareholding of the parent company, Richard Pieris & company Plc, was 83.90%. (2017-80.26%)

As at 31st March 2018 no of public holders are 1,565 (2017 : 1,522)

The Ordinary Voting Shares of Richard Pieris Exports PLC have been transferred from Main Board to Diri Savi Board of the CSE, with effect from 07th July 2017.

11 Directors Shareholding

	as at 31st March No of Shares 2018	as at 31st March No of Shares 2017
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.

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 35TH ANNUAL GENERAL MEETING of the Company to be held on 29th June 2018 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 2018 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 approve under and in terms of Section 211 of the Companies Act No. 07 of 2007, the appointment of Mr. Viville P Perera at this Annual General Meeting, a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr. Wasantha Abeysirigunawardena, who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To re- elect Mr. Shaminda Yaddehige, who retires by rotation in terms of Article 48 as a Director	<input type="checkbox"/>	<input type="checkbox"/>
7. 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"/>
8. To authorise the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
9. To consider any other business of which due notice has been given	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2018

.....
 Signature of shareholder

Notes:

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

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM

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

In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.

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

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

Please indicate with an 'X' in the space provided how your proxy is to vote on each resolution. If no indication is given the proxy at his/her discretion will vote as he/she thinks fit.

To be valid this Form of Proxy must be deposited at the registered office of the Company No. 310, High Level Road, Nawinna, Maharagama., not later than 3.00 p. m. on Wednesday, 27th June 2018.

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 (83.90%)

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
- ❖ Hatton National Bank PLC
- ❖ DFCC Bank PLC
- ❖ Sampath Bank PLC
- ❖ NDB Bank PLC
- ❖ Bank of Ceylon

