



# *RESILIENT*

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RICHARD PIERIS EXPORTS PLC  
ANNUAL REPORT 2019/2020

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## Reading Guides



Copy Write



Analyze



Google Search

## Capital Guides



Natural Capital



Human Capital



Intellectual Capital



Manufactured Capital



Social and Relationship Capital

## Sustainability Guides



Employees



Customers



Suppliers



Community



Environment

## NAVIGATING THIS REPORT



<https://www.cse.lk/home/company-info/REXP.N0000/financial>

## 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.





# 2020 RESILIENT

The Richard Pieris Exports Group's resilient nature reflects its ample capabilities to absorb any adverse any economic or industry shocks to emerge stronger. We use our resilient nature as a strategic tool to find opportunity in adversity, strongly backed by our world-class manufacturing facilities, global footprint, enduring relationships with business partners and a committed team that envisions the Group forging ahead to meet the next challenge with fortitude.

# 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 36 years of successful operations, it has become one of Richard Pieris & Company PLC's most valuable companies.**

## 1997

The use of crutches to overcome difficulties in mobility dates back to prehistoric times, according to hieroglyphics from ancient Egypt. Company 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. Company went on to become the exclusive supplier of crutch tips to a world leading manufacturer, Kowsky, from Sweden.

## 1994

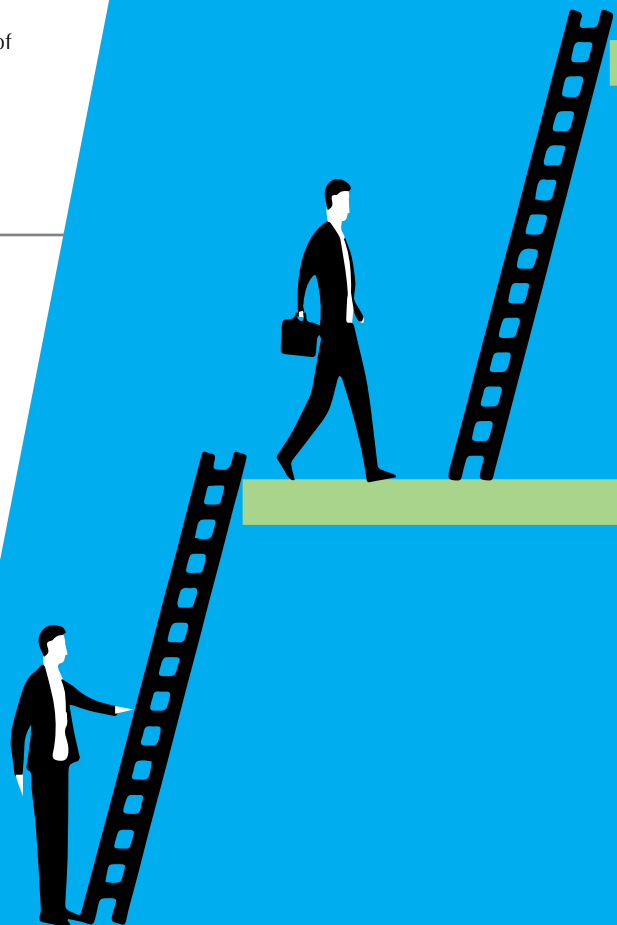
The introduction of the Latex foam products to the international markets from Sri Lanka too was carried out by the company's subsidiary Richard Pieris Natural Foams Ltd, in this watershed year. The company also reflected corporate stewardship by adopting recycling of waste generated at its factory, so as not to release waste materials into the environment. Company'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 company's black compounding facility in 1995. This was again a first for Sri Lanka and improved the consistency and the quality of the compounds.

## 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 company 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.

## 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, company started exporting a few designs of large ring mats to Europe and USA in 1984. Today, it has become the pioneer in manufacturing numerous specialty fire retardant mats, electrical resistive mats and special soft mats for stables and dairy farms.





## 2018

Richard Pieris Natural Foams was crowned with the Gold award for 'Most Outstanding Exporter - Runner Up of the year 2018' for the Rubber sector in the Extra-Large Business Category.

Meanwhile, Richard Pieris Exports PLC won the Gold Award for the Rubber sector - Large Business Category.

## 2016

Production capabilities at Latex segment were upgraded with a capital infusion of Rs. 350 mn to enhance technology and establish a continuous pillow line to cater to rising demand.

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

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

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

The company went on to obtain both "ISO 9001 & ISO 14001" certificates.

## 2015

A major milestone for group was achieved this year when Richard Pieris Natural Foams Limited 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, Group has remained close to their customers achieving consistent growth, resulting from its ability to create successful strategies to satisfy the needs of a group of discerning customers in international markets.

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

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

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

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

## 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.

# FINANCIAL HIGHLIGHTS

Performance Year Ended 31st March	Group			Company			
		2019/20	2018/19	Varaince %	2019/20	2018/19	Varaince %
Turnover	Rs'000	<b>5,211,556</b>	5,182,356	1%	<b>1,329,309</b>	1,284,310	4%
Foreign exchange earnings	US\$'000	<b>28,885</b>	30,534	-5%	<b>7,368</b>	7,567	-3%
Profit / (Loss) before taxation	Rs'000	<b>1,229,146</b>	1,165,105	5%	<b>531,375</b>	521,791	2%
Tax on Profit	Rs'000	<b>(188,806)</b>	(184,743)	-2%	<b>(56,323)</b>	(51,414)	10%
Profit after taxation	Rs'000	<b>1,040,340</b>	980,362	6%	<b>475,052</b>	470,377	1%
<b>Profit attributable to the ordinary shareholders</b>	Rs'000	<b>643,782</b>	593,034	9%	<b>475,052</b>	470,377	1%

Financial Position As at 31.03.2020		2019/20	2018/19		2019/20	2018/19	
Non Current Assets	Rs'000	<b>1,557,161</b>	1,366,493	14%	<b>554,181</b>	597,303	-7%
Current Assets	Rs'000	<b>2,967,091</b>	2,661,772	11%	<b>1,294,826</b>	1,263,560	2%
Total Assets	Rs'000	<b>4,524,302</b>	4,028,373	12%	<b>1,849,007</b>	1,860,863	-1%
Non Current Liabilities	Rs'000	<b>217,567</b>	203,537	7%	<b>62,923</b>	61,003	3%
Current Liabilities	Rs'000	<b>1,128,629</b>	1,225,475	-8%	<b>193,046</b>	370,579	-48%
<b>Shareholders' funds</b>	Rs'000	<b>1,921,351</b>	1,568,255	23%	<b>1,593,038</b>	1,429,281	11%

Key Indicators		2019/20	2018/19		2019/20	2018/19	
Earnings Per Share	Rs	<b>57.67</b>	53.12	9%	<b>42.55</b>	42.13	1%
Net Assets Per Share	Rs	<b>172.11</b>	140.48	23%	<b>142.70</b>	128.03	11%
Dividend Per Share	Rs	<b>24.75</b>	18.00	38%	<b>24.75</b>	18.00	38%
Market Price Per Share	Rs				<b>190.80</b>	212.00	-10%
Return On Capital Employed	%	<b>43.41</b>	53.85	-19%	<b>26.95</b>	40.00	-33%
Market Capitalization	Rs Mn				<b>2,130</b>	2,367	-10%
<b>Value Addition</b>	Rs'000	<b>1,981,800</b>	1,911,700	4%	<b>745,046</b>	751,493	-1%
<b>Man Power</b>	nos.	<b>559</b>	558	0%	<b>158</b>	164	-4%

LKR **4,524** MN 

Total Assets  
(2018-19 - LKR 4,028 mn)

LKR **1,921** Mn. 

Net Assets  
(2018-19 - LKR 1,568 mn)

US\$ **29** MN

Foreign exchange earnings.  
(2018-19 - US\$ 31)

LKR **1,229** MN 

Profit Before Tax  
(2018-19 - LKR 1,165 mn)

LKR **189** MN 

Tax on Profit  
(2018-19 - LKR 185 mn)

**“Group recorded a Revenue of Rs.5,212 Million, and Gross Profit of Rs. 1,651 Million, while the Net Profit (After Tax) was Rs. 1,040 Million”**

LKR **1,040** MN 

Profit After Tax.  
(2018-19 - LKR 980 mn)

**PROFORMANCE**

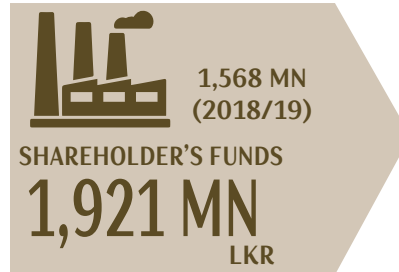
**2020**



Foreign exchange earnings	-5%
Turnover	1%
Profit / (Loss) before taxation	5%
Profit after taxation	6%
Profit attributable to the OSH	9%

**FINANCIAL POSITION**

**2020**



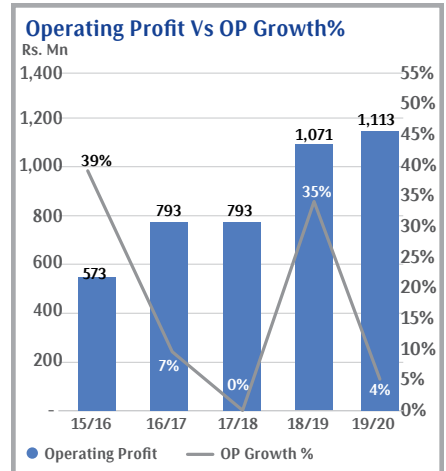
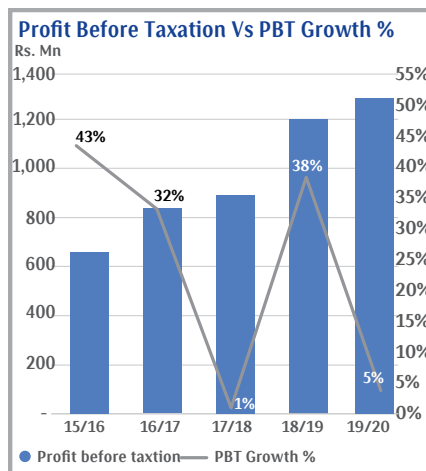
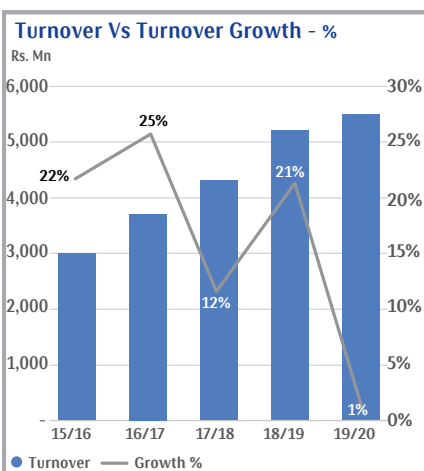
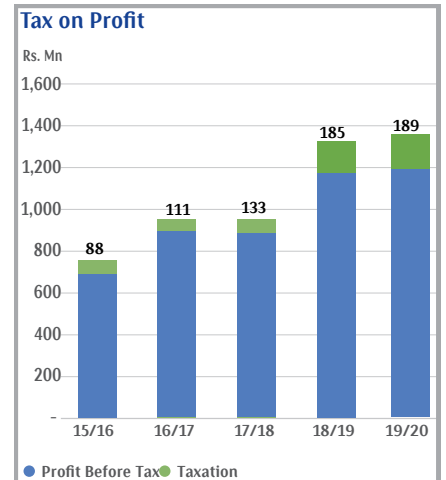
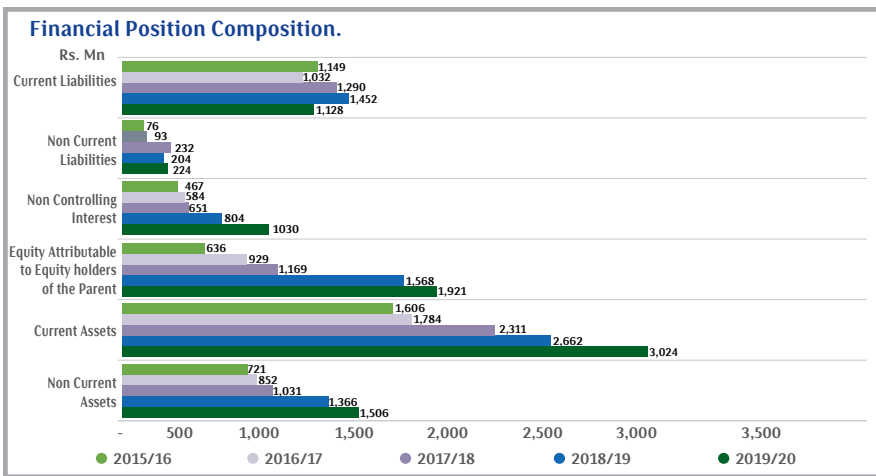
Non Current Liabilities	10%
Non Current Assets	10%
Total Assets	12%
Current Assets	14%
Shareholders' funds	23%

**KEY INDICATORS**

**2020**

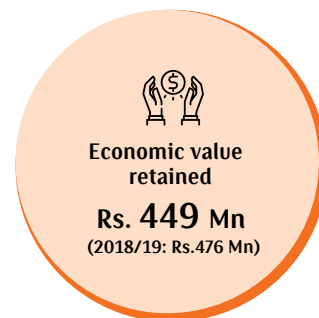
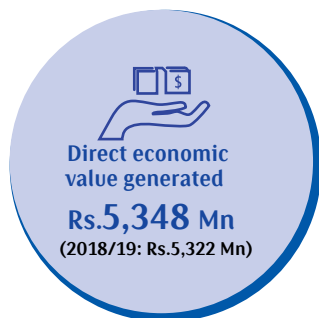


Return on Capital Employed	-19%
Value Addition	4%
Earnings Per Share	9%
Net Assets Per Share	23%
Dividend Per Share	38%



# FINANCIAL HIGHLIGHTS

## INVESTMENT OF VALUE ADDED (GROUP)




<b>REVENUE</b>	<b>OPERATING COST</b>	<b>DEPRECIATION</b>
<b>Rs 5,308 Mn</b> (2018/19: Rs.5,236 Mn)	<b>Rs 3,367 Mn</b> (2018/19: Rs.3,411 Mn)	<b>Rs 82Mn</b> (2018/19: Rs.77 Mn)
<b>FINANCE &amp; OTHER INCOME</b>	<b>EMPLOYEE REMUNERATION &amp; WELFARE</b>	<b>DEFERRED TAX - CHARGE/(REVERSAL)</b>
<b>Rs 42 Mn</b> (2018/19: Rs.78 Mn)	<b>Rs 530 Mn</b> (2018/19: Rs.552 Mn)	<b>Rs (3) Mn</b> (2018/19: Rs.8 Mn)
<b>SHARE OF PROFIT/(LOSS) OF ASSOCIATE</b>	<b>PAYMENTS TO GOVERNMENT</b>	<b>FOREIGN CURRENCY TRANSLATION - GAIN/(LOSS)</b>
<b>Rs (2) Mn</b> (2018/19: Rs.8 Mn)	<b>Rs 311 Mn</b> (2018/19: Rs.265 Mn)	<b>Rs (21) Mn</b> (2018/19: Rs.(26) Mn)
	<b>SHAREHOLDERS AS DIVIDEND</b>	<b>PROFIT RETAINED</b>
	<b>Rs 276 Mn</b> (2018/19: Rs.201 Mn)	<b>Rs 391Mn</b> (2018/19: Rs.417 Mn)
	<b>LENDERS OF CAPITAL</b>	
	<b>Rs 415 Mn</b> (2018/19: Rs.418 Mn)	

The year 2019/20 proved to be the most profitable year in the company's history, befitting its them for this year's annual report



# NON FINANCIAL HIGHLIGHTS

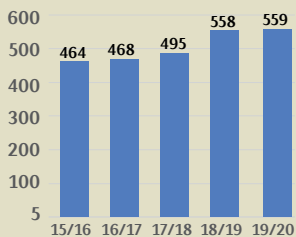
### HUMAN CAPITAL



**NUMBER OF TRAININGS**  
**44**

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**MANPOWER**



Year	Manpower
15/16	464
16/17	468
17/18	495
18/19	558
19/20	559

**RETENTION RATE**  
**97%**

### MANUFACTURED CAPITAL



**PPE AT START**  
**Rs. 1,646<sub>MN</sub>**

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**INVESTMENTS**  
**Rs. 110<sub>MN</sub>**

**PPE AT CLOSE**  
**Rs. 1,756<sub>MN</sub>**

### SOCIAL AND RELATIONSHIP CAPITAL




**NUMBER OF SOCIAL AND CULTURAL EVENTS**  
**05**

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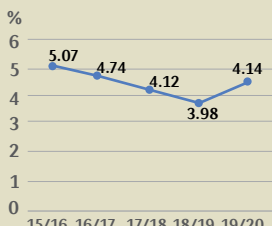
**DONATED**  
**1000**  
**LATEX PILLOWS**  
for SL Army for use of  
Quarantine Center

**COVERAGE**  
**33**  
**COUNTRIES**

### NATURAL CAPITAL

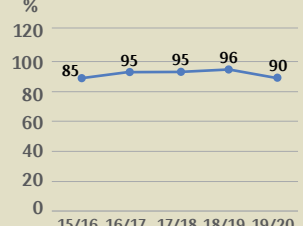


**ENERGY INTENSITY**



Year	Energy Intensity (%)
15/16	5.07
16/17	4.74
17/18	4.12
18/19	3.98
19/20	4.14

**BIOMASS BOILER CAPACITY UTILIZATION**



Year	Capacity Utilization (%)
15/16	85
16/17	95
17/18	95
18/19	96
19/20	90

### INTELLECTUAL CAPITAL



**AWARDS**  
**04**

**QUALITY ACCREDITATIONS**



# CHAIRMAN'S STATEMENT



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**The period under review will go down in the history of the company as a watershed year in which the Group passed Rs. 1 Bn in profits, signalling the entry of RPE into an elite group of well-respected corporate entities who have been consistently showing growth despite numerous challenges**

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It gives me great pride to welcome our valued shareholders to the 37th Annual General Meeting of Richard Pieris Exports PLC and to present the Annual Report and audited Financial Statements for the financial year ended 31st March 2020. This year's annual report reflects the theme of 'Resilience' because of the resolute will of the company to stay on course despite the outbreak of COVID-19 across the globe. The Group managed to remain steady despite our main export markets being adversely affected which in turn curtailed our exports to those countries in the last quarter of the year. Despite the global pandemic, Your Company succeeded in delivering the best possible financial results under the circumstances, which is a matter of pride for us all and not only reflects the efficacy of the systems and processes in place, but also reflects the commitment of our employees to remain undaunted in the face of challenges.

### Group Performance

The Group's financial performance up until end January 2020 was on track to record a strong performance, however, from February onwards exports to China came down substantially due to disruption in supply chains and lockdowns, while March onwards other export markets were also affected due to the pandemic. During 2019/20, Group turnover increased from Rs. 5.18 Bn in 2018/19 to Rs 5.21 Bn in the year under review, marking a growth of 0.56%. Moreover, profit after tax increased by 6.11% from Rs. 980Mn in the previous year to Rs. 1,040 Mn in 2019/20.

The period under review will go down in the history of the company as a watershed year in which the Group passed Rs. 1 Bn in profits, signalling the entry of RPE into an elite group of well-respected corporate entities who have been consistently showing growth despite numerous challenges. This impressive achievement reflects the world-class offerings of the Group, strongly supported by superior people and processes. Both Richard Pieris Exports PLC and

Richard Pieris Natural Foams Limited were the main contributors to growth and were able to gain new business during the year under review as a result of strategic customer relationship measures and frequent market visits.

Richard Pieris Natural Foams Limited remained by far the larger contributor to group profits, recording a marginal drop in revenue from Rs. 3,875Mn in 2018/19 to Rs. 3,862Mn in the year under review. Profit after tax rose from Rs. 679 Mn in the previous year to Rs.695 Mn in the year under review, which marks a 2% increase. Meanwhile, Richard Pieris Exports PLC too witnessed positive demand for its products as conditions in its target markets improved, which triggered a greater demand for its products. The company's revenue grew to stand at Rs. 1,329Mn in 2019/20 from Rs. 1,284 Mn in 2018/19, which reflects an increase of 4%. In fact, profit after tax grew from Rs. 470 Mn in the previous year to Rs. 475 Mn in 2019/20, reflecting a marginal growth. The mainstay of the company, industrial mats, showed an upwards movement in demand in both local and export markets.

The RPE Group has consistently grown shareholder wealth and declared attractive dividends to shareholders recording dividend of Rs 24.75 per share amounting to Rs 276Mn dividend payment, the highest dividend payments in its history.

Although the impact of COVID-19 is expected to last into the first quarter of the next financial year, the RPE aims to repeat its penchant to deliver an outstanding performance year after year, to once again deliver the optimum performance possible in 2020/2021 by seeking out emerging opportunities while sustaining profitability.

### Future Outlook

The fact that we are in the middle of a pandemic makes it difficult to predict what lies ahead, although we are fairly confident that despite the first quarter of 2020/21 being affected by the pandemic, the

business should pick up momentum in the rest of the year. Nevertheless, we are fairly confident that demand for our products will remain resilient.

### Acknowledgement

I would like to thank my colleagues on the Board and commend the senior management for navigating a challenging year well. Our suppliers, partners, shareholders and customers continue to inspire us, while our employees have proved to be an exceptional pillar of strength to take the Group ahead.



Dr. Sena Yaddehige  
Chairman  
28th September 2020

# 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 six 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, Singapore, India and Bangladesh. 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 instrumental in developing the Iwata Dream brand in Japan and the Lithium Battery development unit in Sri Lanka,

Dr. Yaddehige has been conferred three Doctorates. He's 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.

- Executive Director
- Non - Executive Director
- Independent Director

## Mr. Shaminda Yaddehige



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

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

## Mr. Sunil Liyanage



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

## Mr. Viville Perera



Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr. Perera has over 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 is the Deputy Vice Chairman of the Industrial Association of Sri Lanka, an affiliated trade association under the aegis of the Ceylon Chamber of Commerce. He is also the Chairman of Arpico Insurance Plc and on the Board of Directors of Several Companies of Richard Pieris Group.

## Mr. Wasantha Abeysirigunawardena

Chief Executive Officer



Mr. Wasantha Abeysirigunawardena is a Rubber Technologist holding a Masters in Polymer Science & Technology with over 39 years experience in the rubber products manufacturing industry. His long associations with Richard Pieris Group count over 30 years and his contributions to product development have been highly acclaimed, winning him a Merit Award from The Plastics and Rubber Institute for the significant contribution made towards the development and growth of the Polymer Industry of Sri Lanka.

He is currently the Chief Executive Officer at Richard Pieris Exports PLC and at Richard Pieris Natural Foams Limited, in addition to this he heads the Rubber Sector at the Research and Development Centre of Richard Pieris Group. He is an Associate Member of The Institute of Materials London & 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.

Executive Director

Non - Executive Director

Independent Director

## Dr. L.M.K Tillekerathne



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



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 43 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.

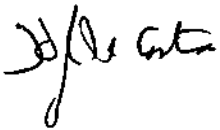
He is a Group Director of the Capital Maharaja Organisation Ltd and Non-Executive, Independent Director AMW Capital Leasing & Finance PLC.

# 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, consist of two Independent Non-Executive Directors of Richard Peiris and Company PLC, Dr Jayatissa De Costa P.C. and Mr Prasanna Perera and a Non-Executive Director Mr Joseph Felix Fernandopulle. The Committee is chaired by Dr Jayatissa De Costa P.C. Committee met on several occasions during the financial year.

The Remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value. The Committee took into account, competition, market information and business performance in deciding the overall remuneration policy.



Dr Jayatissa De Costa P.C  
Chairman  
28th September 2020

# 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 controls 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 Committee consisted of two Independent Non-Executive Directors namely Dr Jayatissa De Costa P.C., and Mr Prasanna Fernando and a Non-Executive Director, the Chairman of the Committee, Mr.J.F. Fernandopulle. Audit Committee Chairman is a Senior Chartered Accountant. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

## Meetings

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

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

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

## Internal Audit and Risk Management

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

The 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 the 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.

## 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 external auditors kept the Audit Committee informed on an on - going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken when necessary. The Audit Committee has recommended to the Board of Directors that Kreston MNS & Co be re-appointed as Auditors for the financial year ending 31st March 2020, 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.



J.F. Fernandopulle  
Chairman of the Audit Committee  
28th September 2020

# CORPORATE GOVERNANCE

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

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

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

### The Board and its Operations

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

The Board comprises seven Directors, of which one is an Executive Director 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 judgement to the Board.

### Sub Committees of the Board

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

### Audit Committee

The Audit Committee is composed of two Independent Non-Executive Directors namely Dr Jayatissa De Costa P.C., and Mr Prasanna Fernando and a Non Executive Director, the Chairman of the Committee, Mr. J.F. Fernandopulle. Audit Committee Chairman is a Senior Chartered Accountant. 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 two Independent Non-Executive Directors - its Chairman, Dr Jayatissa De Costa P.C., Mr Prasanna Fernando and a Non-Executive Director Mr. J F Ferandopulle.

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 two Independent Non-Executive Directors namely its Chairman Dr Jayatissa De Costa P.C., Mr Prasanna Fernando and a Non-Executive Director Mr. J F Fernandopulle.

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 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.

#### 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 Sustainability report on pages 31 to 36.

#### 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 consisted of two Independent Non-Executive Directors namely its' Chairman Dr Jayatissa De Costa P.C., Mr Prasanna Fernando and a Non-Executive Director, Mr. J.F.Fernandopulle.

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,

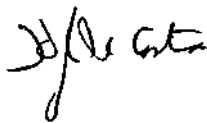
- To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of Richard Pieris & Company PLC and all its listed subsidiaries are carried out and disclosed in a manner consistent with 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 PLC 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 four meetings during the period under review. The activities and views of the Committee have been communicated to the Board of Directors where appropriate.

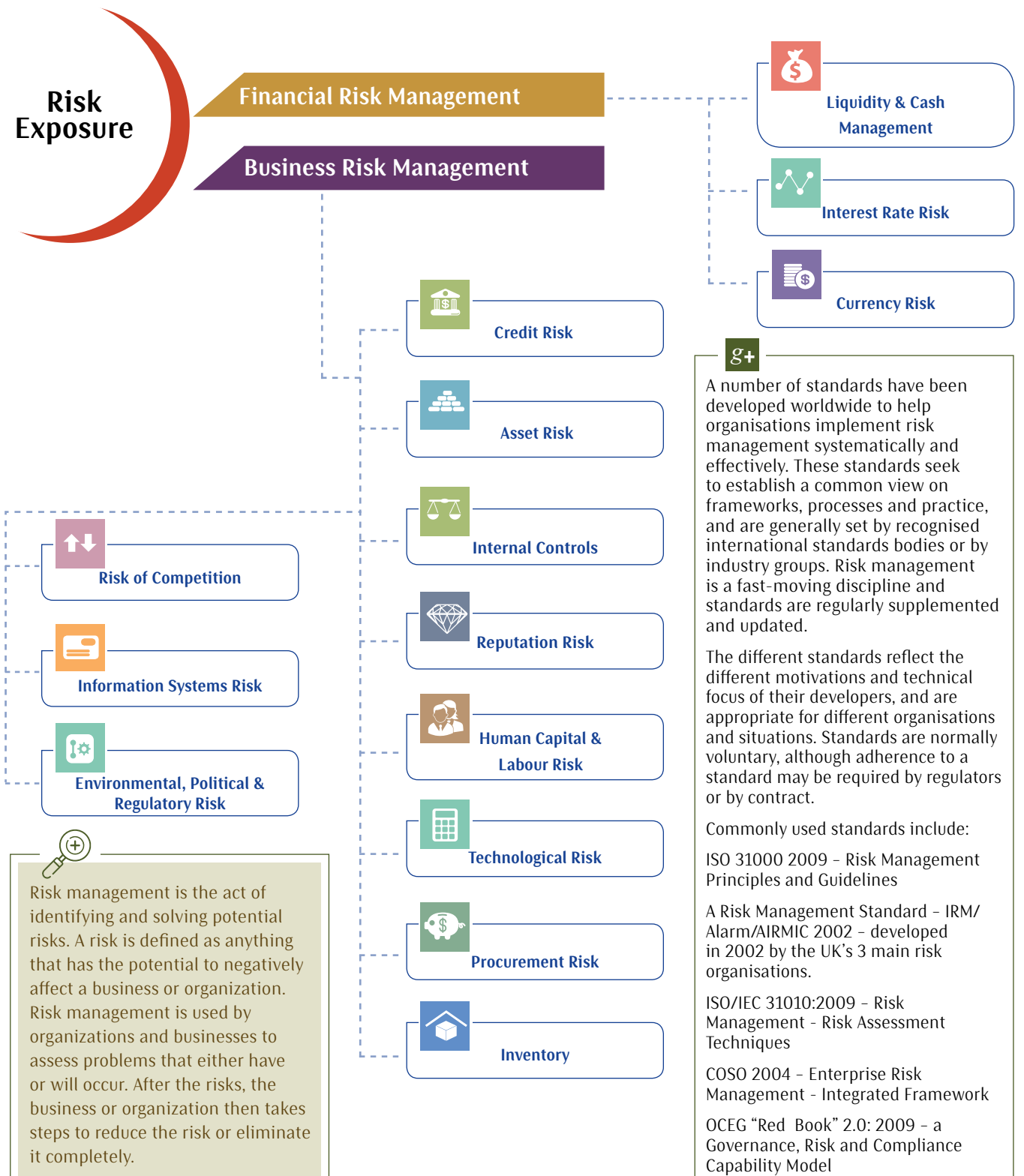
Details of the related party transactions entered into by the Group/Company are disclosed on page 101.



Dr. Jayatissa De Costa  
Chairman  
Related Party Transactions Review  
Committee  
28th September 2020

# 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 MANAGEMENT



## Liquidity & Cash Management

### Group Objectives

- To ensure faster response to market opportunities by ensuring instant funding ability.
- To maintain a “sufficient” liquidity position at all times.

### Risk Minimisation Strategies

- 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.



## Interest Rate Risk

### Group Objectives

- To minimise adverse effects of interest rate volatility.
- To ensure cost of borrowing is at the minimum level.

### Risk Minimisation Strategies

- 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.



## Currency Risk

### Group Objectives

- To minimise risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions.

### Risk Minimisation Strategies

- Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge.



## Credit Risk

### Group Objectives

- To minimise risks associated with debtor defaults.

### Risk Minimisation Strategies

- 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.



## Asset Risk

### Group Objectives

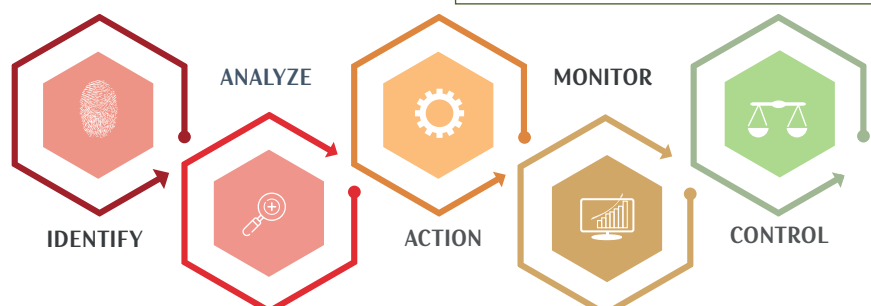
- To minimise risk from fire, theft and machinery & equipment breakdown.

### Risk Minimisation Strategies

- 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.



Risk Management Systems are designed to do more than just identify the risk. The system must also be able to quantify the risk and predict the impact of the risk on the project. The outcome is therefore a risk that is either acceptable or unacceptable. The acceptance or non-acceptance of a risk is usually dependent on the project manager’s tolerance level for risk





### Internal Controls

#### Group Objectives

- To maintain a sound system of internal controls to safeguard shareholders' wealth and Group assets.

#### Risk Minimisation Strategies

- 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.

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.



### Technological Risk

#### Group Objectives

- To keep pace with the current technological developments and safe guard against obsolescence.

#### Risk Minimisation Strategies

- The continuous investment in new machines.
- Investing in R&D activities throughout the year.
- Investing in hardware and developing software in house. educate the staff on the importance of customer service.



### Inventory

#### Group Objectives

- To reduce stock obsolescence and manage stock holding costs.
- Reducing the risk associated with theft & shrinkage.

#### Risk Minimisation Strategies

- 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.



### Information Systems Risk

#### Group Objectives

- To minimise risk associated with Data Security, Hardware & Communication and Software.

#### Risk Minimisation Strategies

- 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.



### Human Capital & Labour Risk

#### Group Objectives

- 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

#### Risk Minimisation Strategies

- 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.
- Promoting Performance driven culture.



### Procurement Risk

#### Group Objectives

- To minimise risk associated with price and availability.

#### Risk Minimisation Strategies

- 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.
- 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.

# RISK MANAGEMENT



## Risk of Competition

### Group Objectives

- To maximise our market share and maintain market leadership in the respective industries.

### Risk Minimisation Strategies

- 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.



## Environmental, Political & Regulatory Risk

### Group Objectives

- To minimise the negative impact from the changes in the external environment which are beyond our control.

### Risk Minimisation Strategies

- Compliance with statutory requirements for environmental preservations.
- Compliance with statutory requirements for all Tax payment etc.



## Reputation Risk

### Group Objectives

- To prevent the causes that damage our reputation

### Risk Minimisation Strategies

- 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.
- 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.



**The Richard Pieris Exports Group's resilient nature reflects its ample capabilities to absorb any adverse any economic or industry shocks to emerge stronger. We use our resilient nature as a strategic tool to find opportunity in adversity, strongly backed by our world-class manufacturing facilities, global footprint, enduring relationships with business partners and a committed team that envisions the Group forging ahead to meet the next challenge with fortitude.**

# OPERATIONAL REVIEW

We are currently catering to over forty countries in worldwide covering North and South American Regions, Asia Pacific Region, Europe Region and Australia Region



Silver award for Rubber Sector in the Extra Large Business Category  
Richard Pieris Natural Foams Limited

Annual Report Certificate of Compliance  
Richard Pieris Exports PLC

Silver award for Rubber Sector in the Large Business Category  
Richard Pieris Exports PLC

Overview of Group Performance  
This year's annual report theme, 'Resilient', truly reflects the Richard Pieris Exports (RPE) PLC's performance in 2019/20. Notwithstanding the many challenges during the year, the Group was able to derive strength from its resilient foundation and enduring outlook. Over the years, RPE has entrenched its credentials as a respected entity, exporting value added products to many countries around the world. The Group's capacity has been steadily enhanced while also widening its customer base.

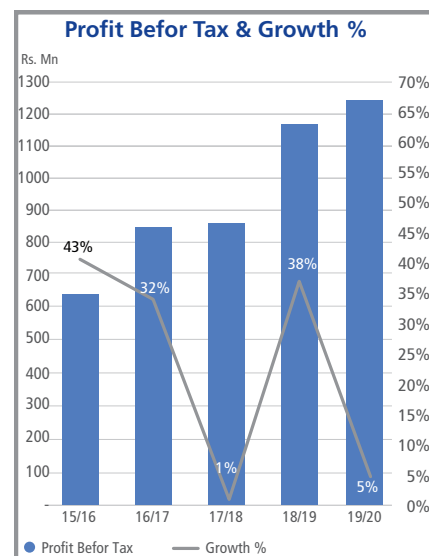
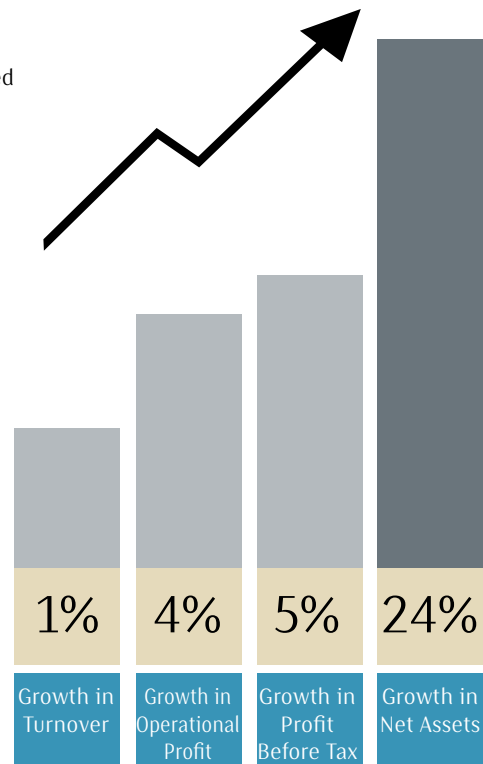
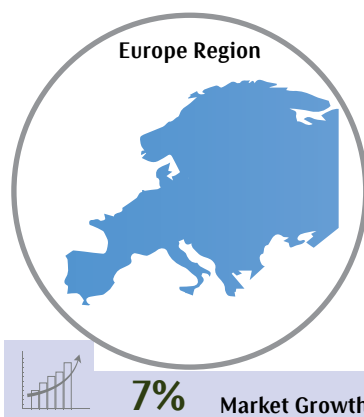
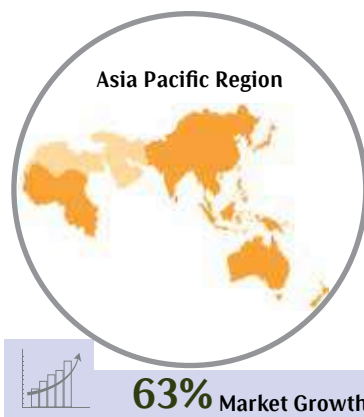
FY2019/20 demonstrated a marginal growth over the previous year albeit falling just short of ambitious budgets set for the period, earlier expected to be a breakout year for the company.

Group Turnover rose from Rs. 5.182 Bn in the previous year to reach Rs. 5.212 Bn in the year under review, reflecting a growth of 1%. During the period under consideration, Profit after Tax of the Group rose to Rs. 1,040 Mn from Rs. 980 Mn in the previous year, making it the first time in the history of the company that it reached the Rs. 1 Bn profit milestone, which reflects visionary leadership supported by world-class manufacturing standards.

The outbreak of COVID-19 in key export markets such as China from January 2020, and subsequently, US and other European markets from March onwards, eroded profitability. Group Turnover rose from Rs. 5.182 Bn in the previous year to reach Rs. 5.212 Bn in the year under review, reflecting a growth of 1%. During the period under consideration, Profit after Tax of the Group rose to Rs. 1,040 Mn from Rs. 980 Mn in the previous year, making it the first time in the history of the company that it reached the Rs. 1 Bn profit milestone, which reflects visionary leadership supported by world-class manufacturing standards. RPE performed strongly during the year, reflecting 4% growth in top-line and 1% growth in its bottom-line. During the period under consideration, the company witnessed an upsurge in demand for its cow matting and jar sealing products in export markets. Strong economic conditions in these export markets served to boost demand for its range of products.

Group Company Richard Pieris Natural Foams Ltd sustained its turnover from the preceding year while showing growth in bottom-line by 3%. Traditionally the highest contributor to Group profitability, RPNF made impressive inroads into the Chinese market during the year. The company's hallmarks of quality and customer-centricity have helped engender strong relationships with customers. Other group companies, Arpitalian Compact Soles (Pvt) Ltd and Micro Minerals (Pvt) Ltd, sustained their performance through the year.

The global pandemic badly impacted the company's export markets in the last quarter of 2019/20, which in turn affected the turnover of the company. Overall a drop of 23% in turnover was recorded at the Group level and a further decline of 26% at the company level.



Expenses Analysis %	2019/20	2018/19	2017/18	2016/17	2015/16
Cost of Sales	83%	79%	80%	80%	81%
Distribution Cost	8%	11%	10%	9%	8%
Administrative Expenses	5%	6%	6%	7%	7%
Finance Cost	1%	1%	0%	0%	0%
Taxation	4%	4%	4%	4%	3%
	100%	100%	100%	100%	100%

# OPERATIONAL REVIEW

## LATEX BASED SEGMENT

### RICHARD PIERIS NATURAL FOAMS LTD

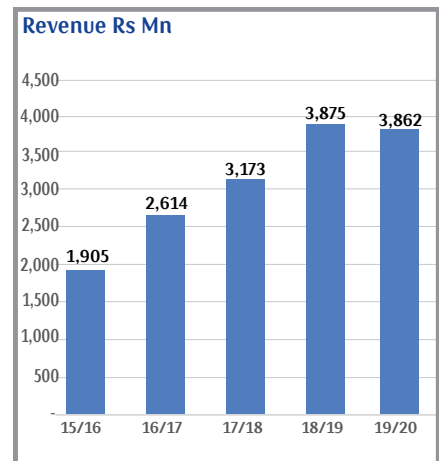
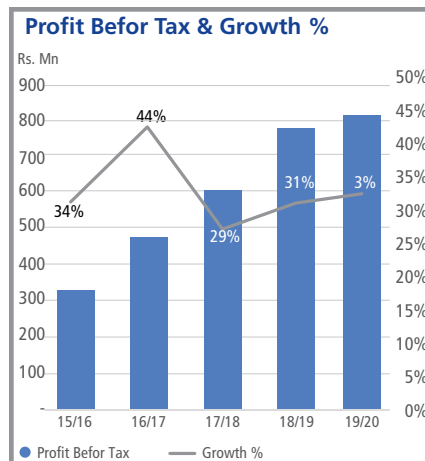
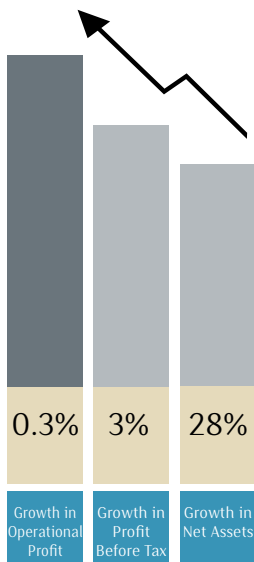
#### LATEX BASE

Richard Pieris Natural Foams (RPNF) Limited, a subsidiary of Richard Pieris Exports Plc, is a BOI approved company, manufacturing 100% natural latex bedding products, including latex mattresses cores, sheets and pillows since 1993. Recognised as one of the biggest players when it comes to manufacturing natural latex foam, the Company carries out its production from the state-of-the-art factory located at the Free Trade Zone in Biyagama. Its world-class line-up of latex foam products includes natural latex foam mattresses, toppers, pillows, etc., to their well-established export markets in North

America, Europe, Middle East, Australia, South East Asia, China and India in addition to the South Asian region.

#### Performance in 2019/20

RPNF was able to increase output of its mattresses line towards which a majority of investment was directed in the previous year. Aggressive marketing efforts paid off as the company was able to widen its base to include large scale customers. Company representatives built strong relationships with Chinese customers by visiting their markets and understanding the precise requirements of the market. Plans to start construction on the new plant for RPNF were put on hold due to the pandemic and we hope to restart the project mid 2020 as we believe there is adequate demand to justify the enhanced capacity on completion of the project. In the past, the company undertook minor expansions but a strategic decision was taken to construct a new plant as a timely move to cater to higher capacity. The company maintained its turnover from the previous year but witnessed marginal growth in profits by 3% over the previous year. The continuous pillow and sheeting line picked up sales momentum during the period under review. Living up to the spirit of innovation of the Group, RPNF launched



Expenses Analysis %	2019/20	2018/19	2017/18	2016/17	2015/16
Cost of Sales	82%	77%	79%	79%	78%
Distribution Cost	10%	13%	12%	11%	10%
Administrative Expenses	4%	6%	6%	7%	8%
Finance Cost	1%	1%	0%	0%	0%
Taxation	3%	3%	3%	3%	4%
	100%	100%	100%	100%	100%

Plans to start construction on the new plant for RPNF were put on hold due to the pandemic and we hope to restart the project mid 2020 as we believe there is adequate demand to justify the enhanced capacity on completion of the project. In the past, the company undertook minor expansions but a strategic decision was taken to construct a new plant as a timely move to cater to higher capacity.

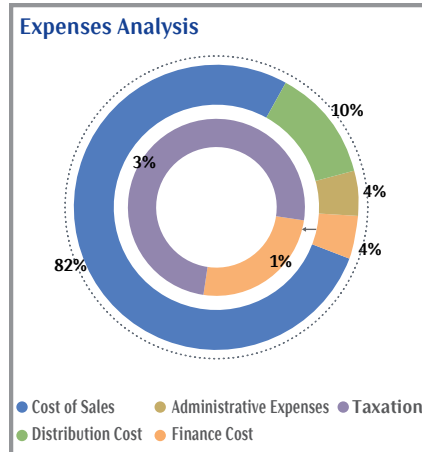


a new orthopaedic or massage mattresses and molded topper sheets.

#### Looking Ahead

RPNF has performed strongly over the past few years and the new plan to be established in the next financial year will accelerate growth prospects for the company. The manufacturing facilities are harnessing solar energy through rooftop solar panels and we are striving to increase the percentage of electricity generated through solar energy. Having penetrated the Chinese market in a strategic manner under its own brand name, RPNF is poised to increase brand-building efforts in the market whilst also carving out new business.

We will continue to innovate new products categories such as the massage mattress for orthopaedic use for the online e-commerce market and different kinds of pillows as well. Organic mattresses are showing a significant interest from the US as 50% of mattresses being exported to the US are organic. We remain committed to greater value addition.



**LKR 1,789 MN** ↑  
Net Assets  
(2018-19 - LKR 1,429 MN)

**US\$ 21 MN**  
Foreign exchange earnings.  
(2018-19 - US\$ 23 MN)

**LKR 114 MN** ↑  
Tax on Profit  
(2018-19 - LKR 108 MN)

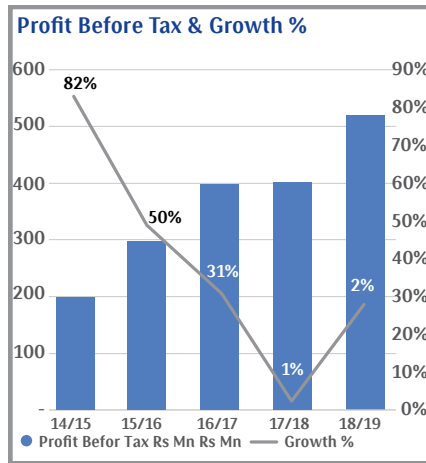
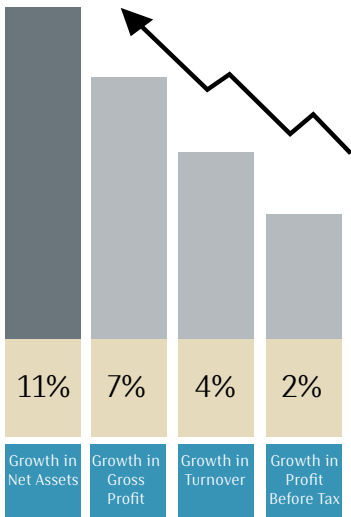
**LKR 3,000 MN** ↑  
Total Assets  
(2018-19 - LKR 2,399 MN)

**LKR 810 MN** ↑  
Profit Before Tax  
(2018-19 - LKR 787 MN)

**LKR 696 MN** ↑  
Profit After Tax.  
(2018-19 - LKR 679 MN)

# OPERATIONAL REVIEW

## HARD RUBBER SEGMENT RICHARD PIERIS EXPORTS PLC



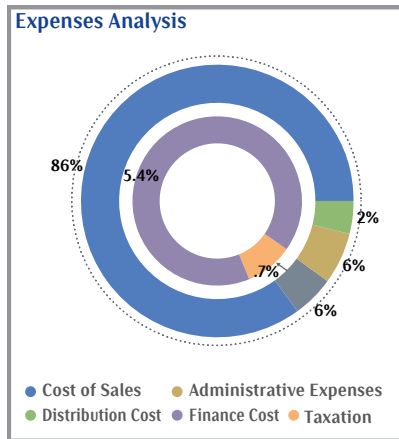
**10% Market Growth**



**2% Market Growth**

### HARDRUBBER SEGMENT Richard Pieris Exports PLC (RPE)

The company is the pioneer in manufacturing and exporting rubber mats for numerous applications of the highest quality standards, manufacturing a range of rubber products including food grade jar sealing rings, crutch tips, rubber shoe soles and specialised rubber products for the US, European and the Asia Pacific markets since its inception in 1983. It has two subsidiaries - Richard Pieris Natural Foams Ltd. and Micro Minerals (Pvt) Ltd.



- and one associate company - Arpitalian Compact Soles (Pvt) Ltd. Richard Pieris Exports PLC itself is a subsidiary of the Richard Pieris & Company PLC, the Group's first fully export-oriented company.

Although the economies in its export markets improved during the year, market conditions were less than favourable as the level of competition was intense, especially from Vietnam and Indonesia. Export of mats to Canada increased in the year under review. Meanwhile, raw material prices remained mostly stable

**LKR 1,849 MN**

Total Assets  
(2018-19 - LKR 1,861 MN)

**LKR 1,593 MN** ↑

Net Assets  
(2018-19 - LKR 1,429 MN)

**LKR 56 MN** ↑

Tax on Profit  
(2018-19 - LKR 51 MN)

**US\$ 7.3 MN**

Foreign exchange earnings  
(2018-19 - US\$ 7.6 MN)

**LKR 531 MN** ↑

Profit Before Tax  
(2018-19 - LKR 522 MN)

**LKR 475 MN** ↑

Profit After Tax  
(2018-19 - LKR 470 MN)

through the year. The company's jar sealing rings saw a volume increase with the company exporting as many as, the highest number ever exported in a year. In the local market there was a drop in demand for cow matting products. As a result, RPE was largely in a consolidation mode during the year under review, with a strong focus on cost reduction and customer relationship management.

### Looking Ahead

We are optimistic about achieving 100% of last year's performance in FY2019/20. The first three months of the next financial year will be difficult but we expect to see a pickup after that as economies open up with the pandemic under better control.

We will continue to innovate new products categories such as the massage mattress for orthopaedic use for the online e-commerce market and different kinds of pillows as well. Organic mattresses are showing a significant interest from the US as 50% of mattresses being exported to the US are organic. We remain committed to greater value addition.

## 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. The Board is in the process of restructuring the company to better reflect the market trends and is looking for suitable partners in this regard.

We are optimistic about achieving 100% of last year's performance in FY2019/20. The first three months of the next financial year will be difficult but we expect to see a pickup after that as economies open up with the pandemic under better control.

## MINERALS SEGMENT MICRO MINERAL 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 bottom-line.

Expenses Analysis	2019/20	2018/19	2017/18	2016/17	2015/16
Cost of Sales	86%	85%	85%	85%	86%
Distribution Cost	2%	4%	4%	4%	4%
Administrative Expenses	6%	6%	6%	6%	6%
Finance Cost	0%	0%	1%	1%	1%
Taxation	6%	5%	4%	4%	4%
	100%	100%	100%	100%	100%

# 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 Exports PLC



**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.

## Richard Pieris Natural Foams Ltd



## Arpitalian Compact Soles (Pvt) Ltd



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.

## Micro Minerals (Pvt) Ltd



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.

© Brand is just a perception, and perception will match reality over time. Some times it will be ahead, other times it will be behind. But brand is simply a collective impression some have about a product.

Elon Musk

# SUSTAINABILITY REPORT

Our operations are governed by the idea that sustainable business drives superior performance in a manner that the Richard Pieris Export (RPE) Group continues to create long-term value for its shareholders while fulfilling wider social and environmental responsibilities. The RPE Group remained focused on delivering value through its business expertise to its customers through 2019/20. As always, the Group's sustainability agenda extends across the entire value chain - from procurement of raw materials to the health and safety of employees and evolving consumer expectations, to sustainability of stakeholders encompassing employees, customers, suppliers, shareholders, community and environment.

## Our People

As an 5Bn organisation, the RPE Group has been built from the ground up with the help of high quality human resources, recruited and trained appropriately, and strongly backed by well-established systems and processes that help to thrive in a challenging global market. Innovative learning and development programmes

### a) Grader wise Analysis of Employees

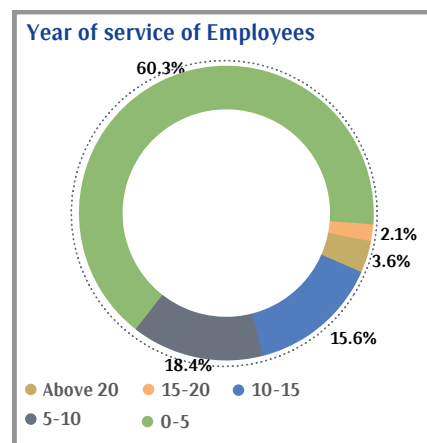
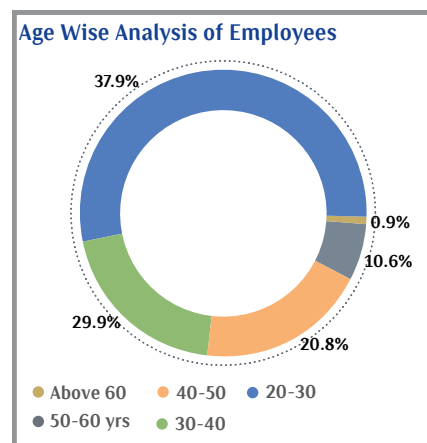
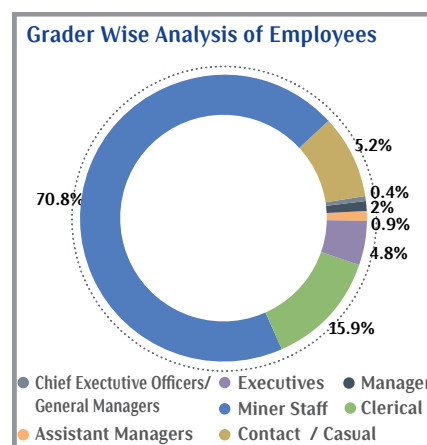
	Company		Group	
	Female	Male	Female	Male
Chief Executive Officers /Financial Controller's/ General Managers	1	1	1	2
Managers	0	4	1	9
Assistant Managers	0	2	0	5
Executives	5	1	12	15
Clerical	9	19	16	73
Miner Staff	10	94	19	377
Contract / Casual	0	12	4	25
<b>Total</b>	<b>25</b>	<b>133</b>	<b>53</b>	<b>506</b>

### b) Age wise Analysis of Employees

Age	Company		Group	
	Female	Male	Female	Male
Above 60	0	0	1	4
50-60 yrs	4	27	6	53
40-50	8	37	8	108
30-40	3	39	13	154
20-30	10	30	25	187
<b>Total</b>	<b>25</b>	<b>133</b>	<b>53</b>	<b>506</b>

### c) Year of service of Employees

Service	Company		Group	
	Female	Male	Female	Male
Above 20	4	12	4	16
15-20 yrs	1	3	1	11
10-15	5	48	6	81
5-10	2	19	6	97
0-5	13	51	36	301
<b>Total</b>	<b>25</b>	<b>133</b>	<b>53</b>	<b>506</b>



have provided a platform for employees to flourish on both the professional and personal spheres. The Group has also engendered a dynamic workplace culture that keeps employees motivated and committed to achieving organisational goals.

### Recruiting for the best fit

Right from the stage of recruitment, the Group ensures every new applicant demonstrates a suitable outlook for an optimum fit. The Human Resource (HR) Department follows a comprehensive HR plan to nurture employees to the next level of growth.

### Equality & Diversity

The RPE Group is an equal opportunity employer fully committed to building a diverse workforce regardless of race and gender and in full compliance with labour laws and regulations. During the year review, no incidents of discrimination or breach of rules was reported.

### A culture of continuous learning

The pursuit of knowledge and learning remains an enduring commitment made

by the company towards its employees. The HR department carries out an extensive needs analysis to determine the training programmes required for each employee. Employees are expected to avail of professional development training opportunities both in-house and at the Rubber Research Institute or the Institute of Technology to strengthen their knowledge of the business, so that they can enhance their contribution in their job roles. Certificate courses in technical skills and on-the-job training add value and enhance career progression. The organization further conducts in-house HR training for new recruits and other training programmes, both internal and external, for various departments during the year under review:

### Recognising Contributions

The Group has instituted a performance-linked reward and recognition scheme after following comprehensive evaluation to enhance performance, productivity, quality and innovation. Employees have to achieve 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 industry best rewards and benefits at the end of the financial year, which helps to retain talent within the Group. The Group is committed to cultivating an inclusive leadership culture and supports employees to grow to their full potential in the belief that strong leadership helps build team that drive value and innovation.

### Occupational Health & Safety

The safety of our people and those who work with us is paramount. The Group abides by all standards and certifications when it comes to the occupational health and safety of employees. Employees at the manufacturing operation or in the head office are equipped with safety training and necessary training. Apart from preventing, and protecting workers from occupational risks, it disseminates knowledge of occupational hazards and a

Category	No of Training
Manager /Assistant Manager	9
Executive	14
Non Executive	21



#### Conducted "Bhodi Poojawa."

Venue - Sri Kalyani Dharmashrama - Dompe.  
 Date - 2020/02/18  
 Participant - All Employees.  
 Objectives - Blessing whole world, to be protected from "Covid-19" Pandemic including Mr. Louie, chinese customers and community.

#### DONATED

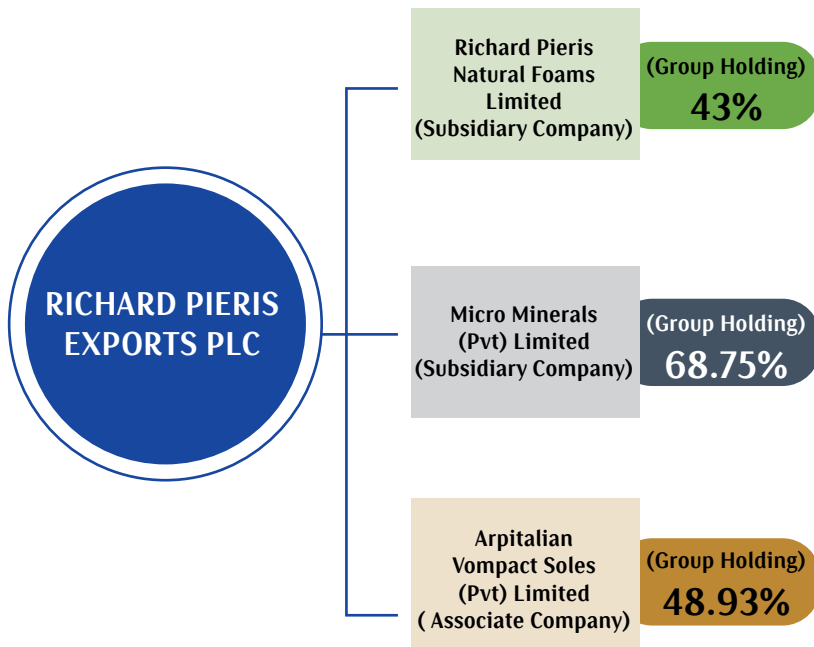
**1000 LATEX PILLOWS**

for SL Army to use for Quarantine Centers.

#### Conducted " Medical Camp."

Venue - RPNF  
 Date - 2019/11/01  
 Participant - All Employees.  
 Objectives - To check fitness of employees to work and health status .

Treatments for employees who are having health problem.



commitment to ensure that management processes promote safety and health at work. All employees undergo first aid and fire-fighting courses to ensure appropriate response in case of emergency. Moreover, a Medical Officer visits the factories regularly to provide consultations and treatment as needed.

#### RPNF

- Outbound training for staff members at Ella;
- Annual get-together at Pegasus Reef, Wattala;
- Organised a medical camp for all grade factory employees.

#### RPE

- Organised an Annual get-together at Wijaya Resort, Kiriella, for employees and their families;
- Conducted distribution of school books for employees' children;
- Distribution of dry ration pack for all employees;
- New year Pirith sermon and gift distribution for employees;
- Annual inter-departmental cricket tournament was held at EPZ cricket ground in Katunayake;

#### ARPITALIAN COMPACT SOLES

- New year Pirith sermon and gift distribution was held for employees;
- Distribution of school books for employees' children;
- Kadala Dansala was conducted at the factory premises on the occasion of Poson poya.

#### VALUE CREATION



Institute	No of Trainings
Sri Lanka Standards Institute	8
Inhouse Training	7
The Institute of Chartered Accountants of Sri Lanka	3
Mcquire Corporate Training	2
Ceylon Chamber of Commerce	2
Gampaha Municipal Fire Service	2
Mr.Nalinda Grero -Consultant	2
Department of Mechtronics Engineering	2
Chartered Institute of Personnel Management	2
RH Training and development	2
The Institute of Certified Management Accountants of Sri Lanka	1
Inbound Training	1
NIBM	1
St.Johns Ambulance Service	1
Red Cross	1
BOI Fire Bridge	1
The National Chamber of Commerce	1
SGS	1
Association of Accounting Technicial of Sri Lanka (aat)	1
Eagle School of Financial and Management Telephone Etiquette	1
The Ceylon Chamber of Industries	1
Plastic and Rubber Institute	1

# SUSTAINABILITY REPORT

## Encouraging Fellowship

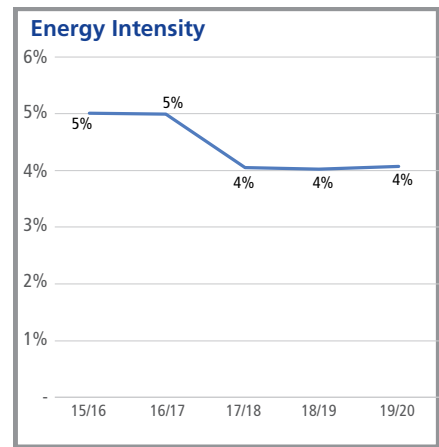
The RPE Group has infused a highly collaborative and cooperative work culture where employees engage with each other in meaningful ways that advance organizational goals while also engendering a happy workforce. Cognizant of the growing expectations of its workforce, targeted measures to promote a work-life balance were initiated. Not only does an optimum work-life balance render employees more productive, but also happier and more balanced. The organization provides ample opportunities for fellowship and recreation amongst staff. The Group organizes a host of social, sporting and recreational events that facilitate employee bonding and break down hierarchical barriers.

Some of the staff engagement events held during the year were:


### CUSTOMERS

Customer preferences are constantly changing and the RPE Group has remained a step ahead of the curve by responding to market trends and insights by buyers in its overseas markets. Its customer relationship management skills have helped itself and its business partners tide over the economic hardship caused by the COVID-19 outbreak in many overseas markets. We believe this success stemmed from understanding the needs of our customers which is a top priority for us. The Group ensures it solicits feedback from customers at every customer touch point and even at the after-sales stage, so that the factories are manufacturing what customers want and need.

Achieving greater efficiency at every stage of our supply chain is an ongoing endeavour and appreciated by customers. Process improvements were undertaken by the Group during the year. The organization respects and provides customers with unique quality products and speedy service, placing a strong emphasis on customer relationship management



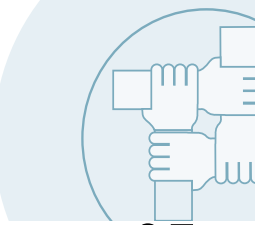
### SOCIAL RESPONSIBILITY



**02** Social Well - being

- Dry Rations
- Sponsoring for Water Supply
- Rubber Products


### CULTURE & RELIGIOUS



**05** Events

- Katina Pinkama
- Wesak Celebration
- Christmas Celebration

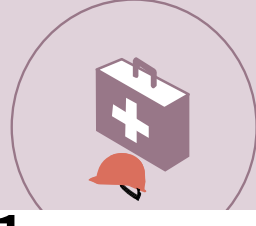
### EDUCATION



**03** Facility Development

- Book Donations
- Sponsoring


### HEALTH & SAFETY



**01** Maintain Physical Fitness

- Medical Camp
- Maintain Wards
- Dengue Prevention Programme

### SPORTS & LEISURE



**05** Relaxation & Recreation

- Mount Hiking
- Annual Outing

through specifically designated teams to handle key export markets.

During the year under review, it strengthened its customer response and engaged closely with customers to strengthen mutual bonds. Many new customers were brought on-board this year.

Furthermore, the Group's internationally quality certified products offer customers a sense of security and trust. The Group exercises a high standard of product responsibility and will continue to engage with customers through both online and offline channels.

## SUPPLIERS

By being aligned with our suppliers and treating them as partners, both businesses experience higher success rates, decreased risks and enhanced collaboration and innovation. As an organization 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 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.

## COMMUNITY

As a longstanding organisation, the RPE Group has built up a strong network of support and mutual respect within the communities in which it operates, striving to partner the local populace within the vicinity of its factory premises to meet their aspirations. Besides recruiting locally, from amongst the immediate community and creating many jobs, the organization supports deserving projects and causes through cash donations and employee volunteerism.

Some of the Corporate Social Responsibility projects conducted during the year by Richard Pieris Natural Foams:

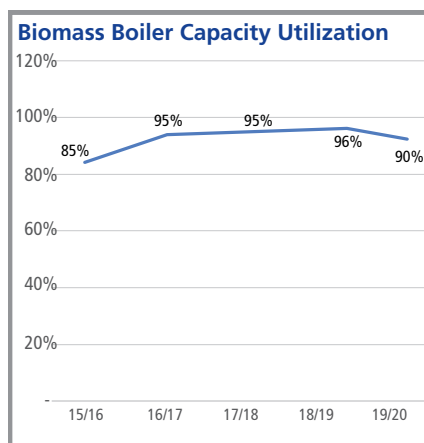
- Organized a Bodhi Poojawa at the Shri Kalyani Dharmashraama in Dompe

- Donated 1000 latex pillows to Sri Lanka Army for use at Quarantine Centres

## Nurturing the Environment

The Group's sustainability approach provides for mitigation of any impact of our manufacturing operations on the environment. Sustainable manufacturing is at the core of our manufacturing expertise to ensure that we are resource efficient and that we reduce costs and trim waste. Using Earth's resources in a sustainable and responsible way is important to us. 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 operations from the boiler powered by biomass had made a significant contribution to reducing energy usage. As a result of using the renewable source of energy, the company has



# SUSTAINABILITY REPORT

CSR Events	Date	Venue	Participant/Users	Objective.
Annual Get-together - RPNF	2019.12.14	Pegasus reef Hotel -Wattala.	All Employees.	Employees motivation.
Medical Camp	2019.11.01	RPNF	All Employees.	To check fitness of employees to work and health status. Treatments for employees who are having health problem.
Bhodi Poojawa	2020.02.18	Sri Kalyani Dharmaashrama-Dompe.	All Employees.	Blessing whole world, to be protected from "Covid-19" Pandamic including Mr. Louie, chinese customers and community
School Book Distribution	2019.12.12	RPNF	Employer and employees' Children.	Helping Children in Learning.
New year Pirith sermon & gift distribution	2020.01.01	RPNF	All Employees.	Blessing for the Organization and employees' motivation.
Out boundary training for Staff members	2020.01.19	Ella rock hiking. Little Adam's Peak mountain hiking.	All Staff members.	To enhance leadership qualities and motivation.
Donated 1000 Latex pillows for SL Army for use of Quarantine Center	2020.03.18	Army Head Quarters	Covid 19 Quarantine Persons	Facility for quarantine persons
Annual Get-together -RPE	2019.11.03	Wiyaya Resort-Kiriella	All Factory Employees & their families	Employees motivation.
Out boundary training	2020.01.10	Pavarone Ecolodge-Sinharaja	Finance & Administraion staff - Exports Sector	Relaxation & Recreation of Employees
School Book Distribution	2019.12.28	RPE	Employer and employees' Children.	Helping Children in Learning.
Dry ration pack Distribution	2019.04.07	RPE	All Employees.	Employees motivation.
New year Pirith sermon & gift distribution.	2020.01.01	RPE	All Employees.	Blessing for the Organization and employees' motivation.
Annual inter departments cricket Tournament	2019.12.13	EPZ cricket ground-Katunayaka	All Employees.	Employees motivation.
New year Pirith sermon & gift distribution	2020.01.01	ACSL	All Employees.	Blessing for the Organization and employees' motivation.
School Book Distribution	2020.01.01	ACSL	Employees and employees' Children.	Helping Children in Learning.
Kadala Dansala - Poson Poya	2019.06.17	ACSL	All Employees.	Blessing for the Organization and employees' motivation.

## Other initiatives to reduce waste

- Introduced a new chillier plant of 10x2 tonne instead of 3 tonne for cutter cooling water in order to reduce rejects in Ring Section to reduce ring rejects by 0.75%
- One open mixing mill in the ring section was upgraded in order to reduce breakdowns and to reduce effects for manufacturing process
- One old mixing mill in moulding section was replaced by new higher capacity mill and hence reduced delays due to frequent breakdowns in old one
- Introduced a new wooden frame to be placed between cow mats when stacking during manufacturing so that permanent marks appearing on top of the mats were reduced



HAZARDOUS WASTE  
DISPOSAL BY METHOD

**100%**

of hazardous waste water disposed of through recycling



**The Richard Pieris Exports Group's resilient nature reflects its ample capabilities to absorb any adverse any economic or industry shocks to emerge stronger. We use our resilient nature as a strategic tool to find opportunity in adversity, strongly backed by our world-class manufacturing facilities, global footprint, enduring relationships with business partners and a committed team that envisions the Group forging ahead to meet the next challenge with fortitude.**

# OUR MANAGEMENT TEAM

## Wasantha Abeysirigunawardena

Director/Chief Executive Officer  
Richard Pieris Exports PLC,  
Richard Pieris Natural Foams Limited,

Director - Arpitalian Compact Soles (Pvt) Limited.  
Director - Micro Minerals (Pvt) Limited

## Fabio Piccolo

Director / Chief Executive Officer  
Arpitalian Compact Soles (Pvt) Limited

## Palika Chandrajeewa

Sector Financial Controller

## Richard Pieris Exports PLC

### Alaka Ubayasena

Factory Manager

### Prabath Priyankara

Exports Manager

### Thushan Jayasekera

Production Manager

### Sandaruwan Pushpakumara

Accountant

### Punya Ranaweera

Quality Assurance Executive

### Palika Dias

Production Executive

### Asela Jayaratne

Exports Executive

### Nimali Kaushalya

Accounts Executive

### Hashini Rajapaksha

Accounts Executive

### Indira Dissanayake

Administrative Executive

## Richard Pieris

### Natural Foams Limited

### Adrian Bogahawatte

General Manager- Sales & Marketing

### Thushara Samaraweera

Factory Manager

### Nuwan Weerasinghe

Operations Manager

### Dilantha Kumara

Quality Assurance Manager

### Thissa Seram

Manager Engineering

### Nawarathne Bandara

Manager Shipping

### Shanika Sandamali

Senior Accountant

### Binesh Ellangakoon

Assistant Manager IT

### Isuru Yaddehige

Assistant Manager Marketing

### Bhasura Katugampola

Assistant Manager Marketing

### Prabath Ratnayake

Senior Purchasing Executive

### Manoj Priyankara

Senior Marketing Executive

### Anuradha Kumara

Senior Production Executive

### Ravindra Jayatissa

Senior Production Executive

### Parami Udugama

Administrative Executive / Personal Assistant -  
CEO

### Samitha Dharshana

Senior Accounts Executive

### Chathurika Sanjeevani

Senior Marketing Executive

### Gayani Wittachchi

Senior Marketing Executive

## Chinthaka Danthanarayane

Accounts Executive

## Samindu Basnayaka

Accounts Executive

## Shantha Balasuriya

Production Executive

## Dharshana Malraj

Production Executive

## Gayathri Kosala

HR Executive

## Lakshman Samarakoon

Senior Production Executive

## Piyadasa Ranaweera

Fire & Safety Officer

## Isuru Chanuka

Engineering Executive

## Nimmi Wijesinghe

R&D Executive

## Subath Perera

Shipping Executive

## Erangi Priyamali

Marketing Executive

## Chandi Rathnayaka

Marketing Executive

## Arpitalian Compact Soles (Pvt) Limited

### Ranjith Wittachchi

Factory Manager

### Duminda Sandaruwan

Accounts Executive

### Ruwan Nanayakkara

Engineering Executive

## Micro Minerals (Pvt) Limited

### Nilantha Jayathilaka

Marketing Executive

# FINANCIAL REVIEW

## Overall Export Group Performance

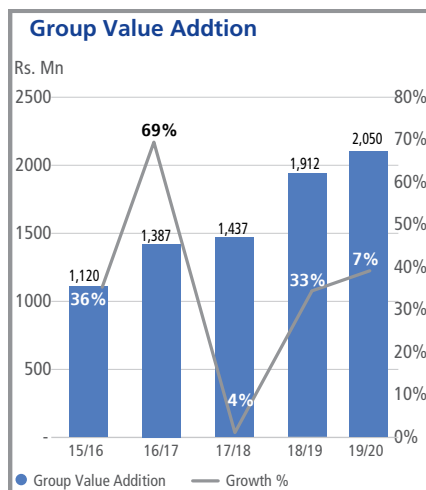
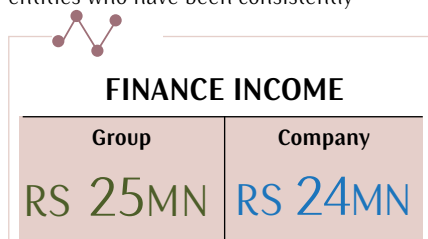
The Group managed to remain steady despite our main export markets being adversely affected which in turn curtailed our exports to those countries in the last quarter of the year. Despite the global pandemic, the group succeeded in delivering the best possible financial results under the circumstances. During the year under review, the Group recorded an increase in turnover to strengthen the balance sheet. We are proud of our strong balance sheet and eager to report on a financial year was nothing short of exceptional for the Group.

In the year 2019/2020 too proved to be the most profitable year in the company's history despite the global pandemic, befitting its theme for this year's annual report "Resilience". The Group posted a turnover of Rs. 5,212 mn, which reflects a growth of 1% and Profit before tax of Rs. 1,229mn, its highest-ever recorded profit, marking a growth 5%. Further, Operational profit rose by 4% from Rs. 1,071 mn in 2018/19 to Rs 1,113 mn during the period under consideration.

Increases in raw material prices resulted in the Gross profit margin declining by 2% to 32% from 34% as compared in the previous year. Group finance cost decreased from Rs. 30mn to Rs 22 mn and finance income decreased from Rs 42mn to Rs 24mn in the year under review.

Meanwhile, Group profit after tax totaled Rs. 1,040 mn in the year under review as compared to a profit of Rs. 980mn in the preceding year.

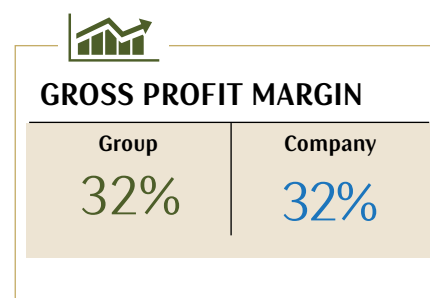
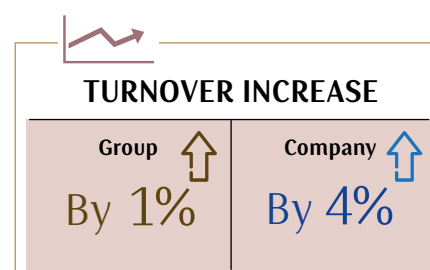
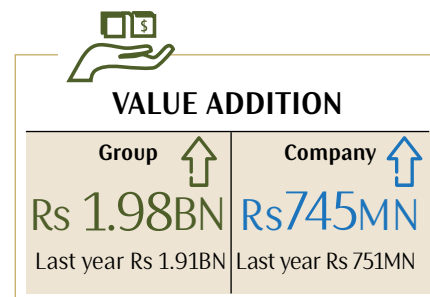
The period under review will go down in the history of the company as a watershed year in which the Group passed Rs. 1 Bn in profits, signaling the entry of RPE into an elite group of well-respected corporate entities who have been consistently



	2019/20	2018/19	In Rs Mn %
Turnover Rs	5,212	5,182	1%
Gross Profit	1,651	1,756	-6%
Profit Before Tax	1,229	1,165	5%

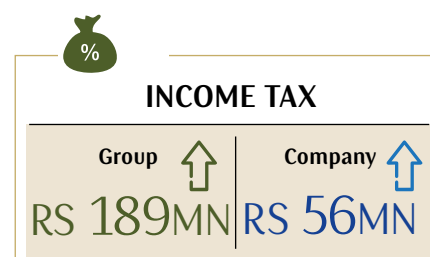
  

	2019/20	2018/19	Increase %
Gross Profit Margin	32%	34%	-2%



	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Income Tax				
Income tax on current year profits	174,010	153,650	58,832	51,666
(Over) / Under Provision in respect of previous year	(27)	(3,134)	(1,227)	315
Deferred Taxation charge / (Reversal)	(3,087)	8,535	(1,282)	(567)
Dividend Tax paid by subsidiaries	18,058	24,732	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	(148)	960	-	-
	188,806	184,743	56,323	51,414

	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Finance Income	24,605	42,311	24,069	28,536



# FINANCIAL REVIEW

showing growth despite numerous challenges.

## Turnover

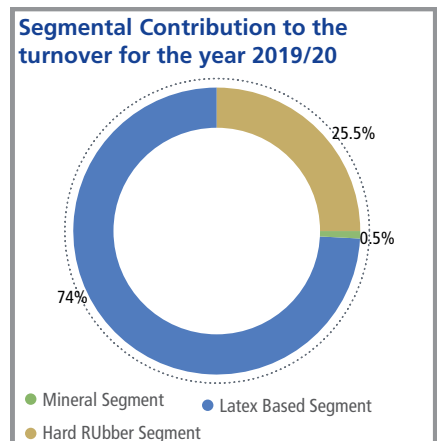
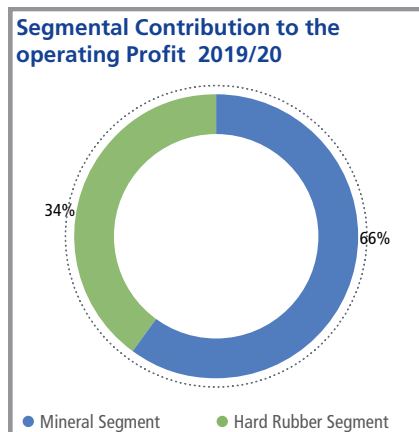
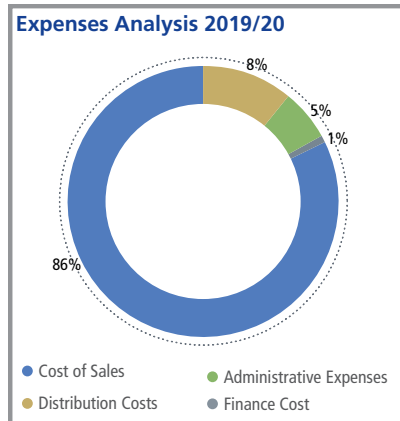
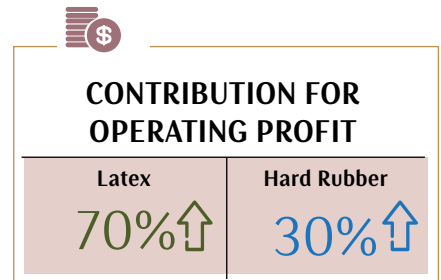
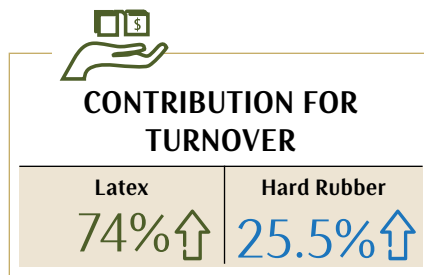
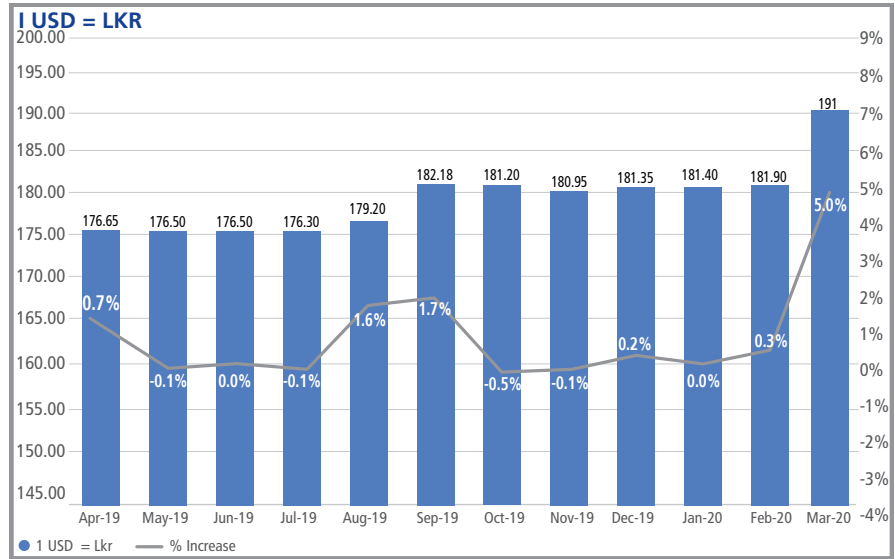
Despite various challenges posed by the business environment, the Group recorded an upsurge in turnover for the year under review by as much as 1%, thereby growing its turnover from Rs 5,182 mn in 2018/19 to Rs. 5,212 mn in the year under review. The Group's Latex arm continued to be the dominant contributor by posting high profitability with a turnover of Rs. 3,854 mn, which accounts for 74% of the Group's total turnover. Meanwhile, the Group's Hard Rubber segment too experienced a turnover increase of 4% from Rs. 1,284mn in 2018/19 to Rs. 1,329mn in the year under review.

## Cost of sales and Operating Expenses

Stagnant market conditions amongst key exports markets impacted the Group adversely in the period under consideration. Despite an increase in turnover by 1%, cost of sales grew by 4%. The Group recorded a 2% increase in cost of sales margin of 68% compared to 66% last year. Cost of Sales rose to Rs 3,560mn, which is an increase of 4% compared to the previous financial year. Despite increases in turnover, during the year group was managed to decrease its distribution cost, administrative cost by 28% and 17% respectively. Cost of administration and Distribution along with the Cost of Sales constituted 79% of Group turnover during the current financial year, having recorded 80% levels in the previous year.

## Operating Profit

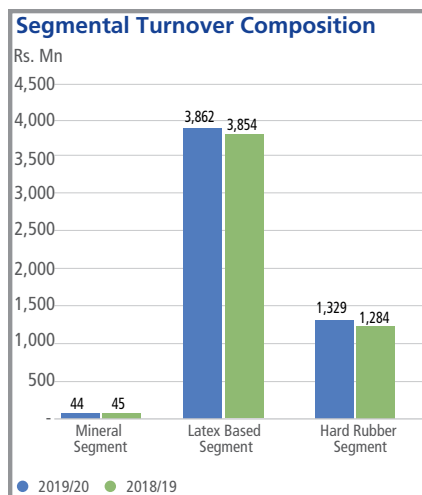
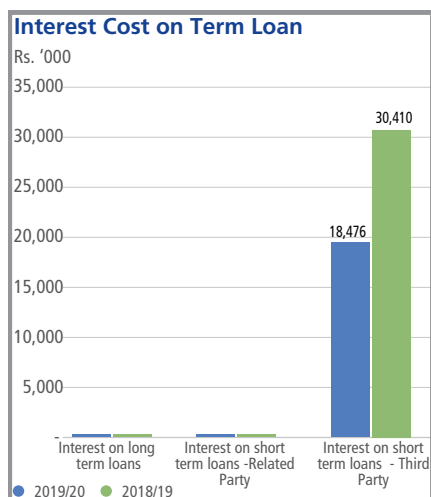
The Group's Operational performance up until end January 2020 was on track to record a strong performance, however, from February onwards exports to China came down drastically due to disruption in supply chains and lockdowns, while March onwards other export markets were also affected due to the pandemic. The Group's



Operating profit rose to Rs. 1,113 mn, marking a growth of 4% from Rs. 1,071 mn as a result of the strong performance from both Hard and Natural rubber segments. The Latex segment recorded 0.3% increase in operating profit from Rs 781mn in the previous year to Rs. 779mn in the year under review. The Hard Rubber segment recorded operating profit of Rs 445mn against last year profit of Rs. 447mn. The Latex segment of the business generated the maximum profit to sustain its position as the biggest contributor to the Group's operating profit. Increases in raw material prices, unfavorable market conditions adversely affected the operating profit, but favorable exchange rates, 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

Finance cost decreased by 27% during the year under review from Rs. 30 mn to Rs. 22 mn, Interest cover ratio of the Group improved significantly from 39.31 times to 56.18 times. Finance income of the Group was recorded at Rs. 25 mn for the year. Net positive bank and cash balances, including fixed deposits balances, decreased to Rs. 179mn in the year under review compared to Rs. 414 mn in the preceding year. During the year group was able to reduce long stand balance due to intercompany by Rs



Interest Cover	In Times			
	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Interest Cover	56.18	39.31	201.06	108.85



	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Current Assets Ratio (times)	2.63	2.17	6.71	3.41
Quick Assets Ratio (times)	2.14	1.76	5.9	2.99
Working Capital (Rs Mn)	1,708	1,191	410	347
Assets turnover (times)	1.15	1.29	0.72	0.69
Capital Employed (Rs Mn)	1,921	1,568	1,593	1,429
Total Debt (Rs Mn)	515	320	0	26
Net debt/(cash) (Rs Mn)	(185)	(607)	(617)	(736)
Debt/equity ratio (%)	27%	13%	0%	2%
Net debt/(cash)to equity ratio (%)	0%	-26%	0%	-51%
Long-term debt to total debt (%)	0%	14%	0%	0%
Debt/total Assets (%)	11%	8%	0%	1%
Current Assets / Total Assets -%	66%	66%	70%	68%
Current Liabilities /Total Assets	25%	30%	10%	20%

360mn from Rs 429mn to Rs 68mn.

#### Share of Associate

The share of loss of associate for the Group stood at Rs 2 mn during the year under review, compared to Rs 8.0mn profit in previous year.

	Group Rs. '000	
	2019/20	2018/19
Profit of Associates Company	(1,947)	7,970

#### Working Capital

The Group witnessed remarkable asset growth during the period under consideration. Current Assets of the Group increased by 11% from Rs. 2,662 mn to Rs. 2,967 mn and, current liabilities witnessed an decrease by 8% from Rs. 1,225 to Rs. 1,128mn. Accordingly, the total current assets of the Group accounted for 65% of its total assets, while total current liabilities accounted for 25% of total assets based on year-end financials.

#### Cash Flows

Operational Cash Profit during the year under review was recorded at Rs.500Mn, with cash and cash equivalents rising by

# FINANCIAL REVIEW

Rs. 694 mn. Cash outflows in investing activities stood at Rs. 4mn. Dividend was paid amounting to Rs. 276 mn by the company whereas dividend paid by subsidiary company, Richard Pieris Natural Foams Limited to outside shareholders, was Rs. 171mn.

## 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 1,921 mn compared to the preceding year's figure of Rs. 1,568n.

### Borrowings

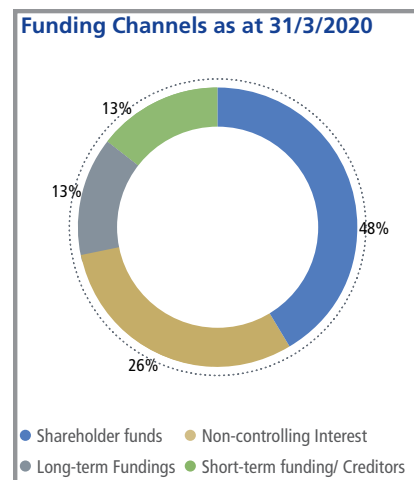
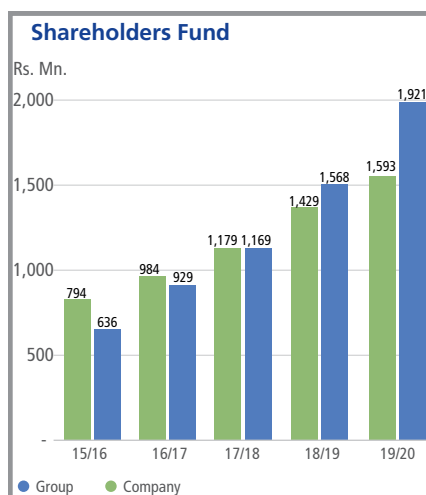
As a testimonial to its robust liquidity position, the Group recorded net positive cash and bank balances exceeding its bank borrowings. The net positive balance including cash balances was stationary at Rs. 179mn during the year compared to net borrowing balance of Rs 414mn in the previous year, indicating a reduction of Rs. 235mn. During the year group was able to reduce long stand balance due to intercompanies by Rs 360mn from Rs 429mn to Rs 68mn.

### Returns to Shareholders

Creating tremendous value for shareholders during the year, the total dividend payout for the company is Rs 276mn, this is 38% increase compared to last year. Dividend paid by Subsidiary companies to outsider shareholders is Rs 171mn. In line with this upsurge in shareholder profits, earning per share increased from 9% in 2018/19 to Rs. 57.67 in 2019/20. The earnings yield for the year

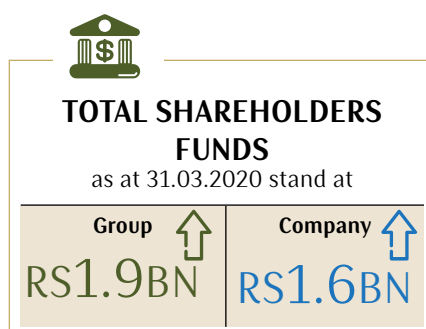
**The Group recorded net positive cash and bank balances exceeding its bank borrowings**

	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Cash Generated from Operations	241	1,649	24	454
Cash Flows from Investing Activities	(4)	(306)	321	90
Cash Flows from Financing Activities	(412)	(586)	(276)	(212)
Net Increase / (Decrease) in Cash and Cash Equivalents	(175)	757	69	332
Cash and Cash Equivalents at the beginning of the year	540	(217)	548	216
Cash and Cash Equivalents at the end of the year	365	540	617	548



	Group		Company	
	2019/20	2018/19	2019/20	2018/19
Short Term Investment	6	193	-	188
Cash and Bank Balances	694	734	617	574
Interest Bearing Loans and Borrowings -Long term	-	(44)	-	-
Interest Bearing Loans and Borrowings-Short term	(515)	(276)	-	(26)
	185	607	617	736

recorded 30%. The dividend yield for the year was 13% compared to 8.5% recorded in the previous year. The increase in earnings and decrease in share price from Rs. 212.00 to Rs. 190.80 as at 31st March 2020 contributed to increased dividend yield.



	2019/20	2018/19	Change %
Dividend Paid by the Company -In Rs Mn	276	201	38%
Dividend Paid by Subsidiary Companies to Outside Shareholders - In Rs Mn	171	234	-27%
Dividend Paid by the Company -Per Share	24.75	18.00	37%
Earnings per Share -Company	42.55	42.13	1%
Earnings per Share -Group	57.67	53.12	9%
Net Assets Per Share - Company	142.7	128.03	11%
Net Assets Per Share - Group	172.11	140.48	23%
Market Price Per Share	190.8	212	-10%
Dividend Yield	13%	8%	53%
Earning Yield	22%	20%	12%




### THE TOTAL DIVIDEND PAYOUT 2019/20

Group  | Company   
**Rs 447MN** | **Rs 276MN**



### TOTAL MARKET CAPITALIZATION

as at 31.03.2020

**Rs 2.13 BN** 

#### Market Capitalization

The Group stood its market capitalization position during the 2019/20 year, ending the financial year as at 31st March 2020 at Rs. 2,130 mn in comparison to Rs. 2,366 mn in the previous. Correspondingly, company share price at the end of the financial year parked at Rs. 190.80 as compared to Rs 212.00 in the preceding year. The highest price and the lowest price for the year under review were Rs. 295 and Rs. 180 respectively.

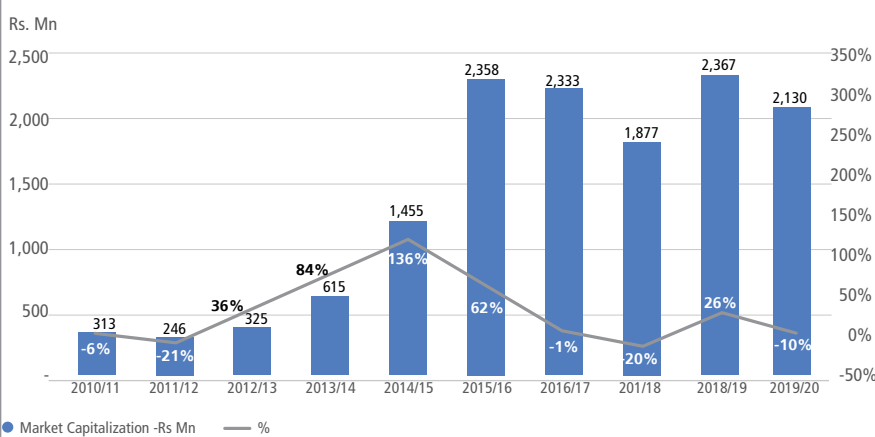


**Total Shareholder Return (TSR)** factors in capital gains and dividends when measuring the total return generated by a stock to an investor.

#### Financial Risks

The Group's activities expose it to a wide range of risks and the Group has evaluated all existing and potential risks in detail and put mitigation strategies in place to combat those risks. The Risk Management Report, on page 19 of this Annual Report, details the Group's Risk Management Framework, which helps identify potential threats and to define the strategy for eliminating or minimising the impact of these risks, as well as the mechanisms to effectively monitor and evaluate this strategy.

#### Market Capitalization



The earnings yield for the year recorded 30%. The dividend yield for the year was 13% compared to 8.5% recorded in the previous year. The decrease in share price from Rs. 212 to Rs. 190.80 as at 31st March 2020 contributed to increase dividend yield.

# FINANCIAL CALENDAR

**2019- 2020**



Quarter ended 30 <sup>th</sup> June 12 <sup>th</sup> August 2019	Quarter ended 30 <sup>th</sup> September 8 <sup>th</sup> November 2019	Quarter ended 31 <sup>st</sup> December 11 <sup>th</sup> February 2020	Annual Report 28th September 2020
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**2018-2019**



Quarter ended 30 <sup>th</sup> June 13 <sup>th</sup> August 2018	Quarter ended 30 <sup>st</sup> September 12 <sup>th</sup> November 2018	Quarter ended 31 <sup>st</sup> December 13 <sup>th</sup> February 2019	Annual Report 12th June 2019
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**ANNUAL GENERAL MEETING**



**36<sup>th</sup>**  
26th July  
2019

**37<sup>th</sup>**  
Will be notified later



## **FINANCIAL INFORMATION**

<b>Annual Report of the Board of Directors - 46</b>
<b>Statement of Directors' Responsibility - 50</b>
<b>Independent Auditor's Report - 51</b>
<b>Statements of Financial Position - 54</b>
<b>Income Statements - 55</b>
<b>Statements of Comprehensive Income - 56</b>
<b>Statements of Changes in Equity - 57</b>
<b>Statements of Cash Flows - 58</b>
<b>Notes to the Financial Statements - 59</b>
<b>Statements of Value Added - 106</b>

# 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 2020, which was approved by the directors on 28th September 2020. 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 107. 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 2020.

## 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 financial Controller and approved by the two directors in complying with the requirements of the Companies Act No 07 of 2007 are given on pages 54 to 105 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 2020 and the Auditors Report issued thereon is given on page 51 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 59 to 105 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 except for adoption of SLFRS 16- Leases with effect from 1st April 2019.

## Turnover

The Group's turnover, excluding Inter Company sales, was Rs 5,212 million compared to Rs. 5,182 million in the previous year. Further information on Group turnover is detailed in Note 23 to the Financial Statements.

## Taxation

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 provision of the Inland Revenue Act in the following manner:

	2019/2020	2018/2019
	Rs. 000's	Rs. 000's
<b>Turnover by Segment :</b>		
Hard Rubber	1,329,309	1,284,310
Latex-Based	3,862,393	3,875,659
Minerals	43,796	45,467
	<b>5,235,498</b>	5,205,436
Less : Inter-Company Sales	(23,942)	(23,080)
	<b>5,211,556</b>	5,182,356
<b>Group Profit</b>		
Group profit for the year, after payment of all expenses, making provision for all known liabilities and depreciation on Property, Plant & Equipment	1,229,146	1,165,105
Tax on Group Profits	(188,806)	(184,743)
Profit/(Loss) for the year from discontinued operations (after tax)	(60)	(57)
Group Profit after Taxation	<b>1,040,280</b>	980,305
Share of Non Controlling interest	396,498	387,271
Profit attributable to Shareholders of Richard Pieris Exports PLC	<b>643,782</b>	593,034
Other Comprehensive income attributable to Shareholders of Richard Pieris Exports PLC	(35,353)	(19,208)
Accumulated Profit / (Loss) brought forward	1,246,265	873,386
Profit before Appropriations	<b>1,854,694</b>	1,447,212
<b>Appropriations :</b>		
Interim Dividend paid	(276,303)	(200,947)
Accumulated Profit carried forward	<b>1,578,391</b>	1,246,265

The taxable income of Richard Piers Exports PLC, Richard Pieris Natural Foams Ltd and Arpitalian Compact Soles (Pvt) Ltd are liable to Income Tax at 14% under the Inland Revenue Act No. 24 of 2017 from Year of Assessments 2018/2019. Micro Minarals (Pvt) Limited, is liable to income tax at 28% for the period 01-04-2018 to 31-12-2019. From 01-01-2020 Business Income is liable to Income tax at 18% and Investment Income is liable at 24%. 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 2.3.8 to the Financial Statements.

### Stated Capital

The Stated Capital of the Company as at 31st March 2020 was Rs. 220,262,000/-, consisting of 11,163,745 ordinary shares. The details of the stated capital are given in note 14. to the Financial Statements on page 86 of this annual report.

### Reserves

Total Reserves of the Company as at 31st March 2020 were amounted to Rs.1,373mn/- (2018/2019 -Rs. 1,209mn). And the Group reserve as at 31st March 2020 were amounted to Rs 1,578 mn (2018/2019- Rs 1,246 mn). The movement of reserves is shown in the Statement of Changes in Equity on page 57.

### Dividend

The Directors recommended and paid a cash dividend amounting Rs 276mn to all shareholders at the rate of Rs 24.75 per ordinary share as interim dividend for 2019/2020 on 06th Jan 2020.

### 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 112 and 115.

### Substantial shareholdings

The list of top twenty shareholders and the percentage held by each one and public holding percentage are given in the share information of the page 114 of this Annual Report.

### Property Plant & Equipment

Capital expenditure on property, plant , equipment incurred year under review is Rs 110 Mn (Rs 109Mn in 2018/2019) Information related to this is given under note No 4 to the Financial Statement of the page No 75 and 76 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.

### Investment Property -Right of use Asset

The details of Investment Property - Right of Use Asset are given in note 6.

### Freehold Property

A detail description of the Property owned by the Group is shown under the Group Real Estate portfolio on page 108 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 Yaddehige of Le Neuf , Chemin,St. Saviours, Guernsey, United Kingdom who is 74 years of age be and

is hereby appointed a Director of the Company in terms of section 211 of the Companies Act No. 07 of 2007, and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act no. 07 of 2007 shall not apply to the said Dr. Sena Yaddehige".

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 73 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 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 "Mr. Viville Perera".

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.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

“That Mr. Anjelo Patrick 84/2, Templers Road, Mount Lavinia 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 “Mr. Anjelo Patrick”.

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. Viville P Perera of 33, C 1, King's Gate, Keells Housing Scheme, Buthgamuwa Road, Kalapaluwawa, Rajagiriya a shareholder of the Company.

“That Mr. Sunil Liyanage of No.40, Bellantara Road, Nedimala, Dehiwala, 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 “Mr. Sunil Liyanage “

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.

The Directors interest in shares is given in the page 115 under share information of this Annual Report.

## Directors' Interests in Contracts

The director's interest in contracts with the Company are disclosed on note 39 on page 100,101 and 102 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 2020 is given in Note 39 to the Financial Statements.

## Corporate Donations

There were no donations made to charitable organizations during the year. (2018/ 2019- 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 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 Company has two individual matters following the termination of Services of 160 employees in 2007. One matter which had been filed by a single employee against the Company was before the Court of Appeal whilst the other matter filed by 159 employees was in the Arbitration up to June 2020 and February 2020 respectively. The Order of the Application which had

been heard by the Court of Appeal was delivered on 23rd June 2020 and the Award of Arbitration was published in the Government Gazette on 10th August 2020 and both were against the Company. The initial amount demanded by the Union on behalf of the workers is Rs. 136 Million, which is still being denied by the Company because the Company is of the view that the strike is unjustifiable.

The Company has already taken steps to make an Appeal against the Order given by the Court of Appeal to the Supreme Court and also to make an appeal against the Award of Arbitration before the Court of Appeal. The Company is rigorously contesting both matters. Therefore, no provision has been made in the accounts.

#### **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 50 of the report.

#### **Annual General Meeting**

Will be notified later.

#### **Auditors**

The Financial Statements for the year ended 31st March 2020 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. 2,095,000/- (2018/19 Rs. 2,134,000/-) as audit fees by the Group Companies. In addition they were paid Rs.162,000/- (2018/2019- Rs. 974,000/-)

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.  
28th September 2020



W R Abeyvirigunawardena  
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 are set out in their report, appearing on page 51 of this report.

The financial statements of the Company and its subsidiaries for the year ended 31st March 2020 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 54 to 105 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 2020, 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 51 of this report.

By Order of the Board,



Richard Pieris Group Services (Pvt) Limited  
Secretaries 310,  
High Level Road, Nawinna, Maharagama  
28th September 2020

# 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 2020, 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 59 to 105.

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 2020, 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
<b>Compensation on termination of Company Employees.</b>	
Potential liability on termination of 160 employees where legal action has been filed against the Company referred to in note 35 has not been ascertained and provided.	<ul style="list-style-type: none"><li>Made appropriate inquiries from the Management and the legal advisor.</li><li>Obtained a confirmation from the Management stating the status of the case.</li><li>Reviewed the minutes of meetings of those Charged with Governance.</li><li>Ascertained the adequacy of the disclosures made in note 35 as required by Sri Lanka Accounting Standard (LKAS 37).</li></ul>
This was a key audit matter because it -	
1. could be a significant amount to the Financial Statements as a whole.	
2. may lead to under Statement of liabilities and overstatement of equity.	

### 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](mailto:audit@kreston.lk) | [www.kreston.lk](http://www.kreston.lk)  
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#### Partners

Ms. Y Shirani de Silva 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. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, ACA, ACMA

# INDEPENDENT AUDITOR'S REPORT

## 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 2020, 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 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.

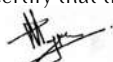


CHARTERED ACCOUNTANTS  
COLOMBO  
28th September 2020

# STATEMENTS OF FINANCIAL POSITION

As At	Note	Group		Company	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	4	834,487	806,382	74,033	79,770
Long Term Investments	5	241,570	260,949	479,084	517,236
Advance Payment for Investment	5.4	57,363	-	-	-
Investment Property - Right of use Asset	6	323,602	287,323	-	-
Right of use Assets	7	99,075	-	-	-
Leasehold Land Prepayment	7.1	-	11,542	-	-
Deferred Tax Asset	18	1,064	297	1,064	297
		<b>1,557,161</b>	<b>1,366,493</b>	<b>554,181</b>	<b>597,303</b>
Assets of Arpico Natural Latex Foams (Pvt) Ltd.	8	50	108	-	-
<b>Current Assets</b>					
Inventories	9	552,293	508,994	156,532	154,621
Trade and Other Receivables	10	1,657,432	1,130,567	410,072	328,859
Short Term Investment	11	5,782	193,016	-	187,741
Amounts Due from Related Parties	12	57,408	95,042	111,266	18,688
Leasehold Land Prepayment	7.1	-	273	-	-
Cash and Bank Balances	13	694,176	733,880	616,956	573,651
		<b>2,967,091</b>	<b>2,661,772</b>	<b>1,294,826</b>	<b>1,263,560</b>
<b>Total Assets</b>		<b>4,524,302</b>	<b>4,028,373</b>	<b>1,849,007</b>	<b>1,860,863</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to Equity Holders of the Parent</b>					
Stated Capital	14	220,262	220,262	220,262	220,262
Revenue Reserves	15	1,578,391	1,246,265	1,372,776	1,209,019
Foreign Currency Translation	16	122,698	101,728	-	-
		<b>1,921,351</b>	<b>1,568,255</b>	<b>1,593,038</b>	<b>1,429,281</b>
<b>Non Controlling Interest</b>	5.1(c)	<b>1,029,857</b>	<b>804,210</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>2,951,208</b>	<b>2,372,465</b>	<b>1,593,038</b>	<b>1,429,281</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Loans and Borrowings	17	-	43,875	-	-
Deferred Tax Liability	18	68,641	70,437	-	-
Retirement Benefit Obligation	19	91,419	89,225	62,923	61,003
Lease Instalments Payable After One Year	7.2	57,507	-	-	-
		<b>217,567</b>	<b>203,537</b>	<b>62,923</b>	<b>61,003</b>
Liabilities of Arpico Natural Latex Foams (Pvt) Ltd.	8	226,898	226,896	-	-
<b>Current Liabilities</b>					
Trade and Other Payables	20	501,936	448,354	156,199	136,504
Income Tax Payable	21	34,356	72,718	10,536	18,776
Amounts Due to Related Parties	22	68,254	428,512	26,080	189,570
Lease Instalments Payable In the Ensuing Year	7.2	8,876	-	-	-
Interest Bearing Loans and Borrowings	17	515,207	275,891	231	25,729
		<b>1,128,629</b>	<b>1,225,475</b>	<b>193,046</b>	<b>370,579</b>
<b>Total Equity and Liabilities</b>		<b>4,524,302</b>	<b>4,028,373</b>	<b>1,849,007</b>	<b>1,860,863</b>

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

  
Palika Chandrajeewa  
Sector Financial Controller

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 28th September 2020 in Colombo.

  
W.R. Abeyirigunawardena  
Director

  
W J Viville P Perera  
Director

# INCOME STATEMENTS

For The Year Ended 31st March	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Continuing Operations</b>					
Revenue from Contracts with Customers	23	5,211,556	5,182,356	1,329,309	1,284,310
Cost of Sales		(3,560,671)	(3,426,465)	(909,483)	(892,299)
Gross Profit		1,650,885	1,755,891	419,826	392,011
Other Operating Income	24	15,892	31,334	111,439	153,601
Distribution Costs		(340,220)	(474,560)	(22,826)	(38,947)
Administrative Expenses		(200,919)	(241,250)	(60,805)	(59,633)
Other Operating Expenses		(12,968)	(1)	(2,757)	-
<b>Profit from Operations</b>	25	<b>1,112,670</b>	1,071,414	<b>444,877</b>	447,032
Finance Income	26	24,605	42,311	24,069	28,536
Finance Cost	27	(22,273)	(30,410)	(2,656)	(4,838)
Other Financial Items	28	116,091	73,820	65,085	51,061
Share of Profit / (Loss) of Associate	29	(1,947)	7,970	-	-
<b>Profit before Tax</b>		<b>1,229,146</b>	1,165,105	<b>531,375</b>	521,791
Taxation	30	(188,806)	(184,743)	(56,323)	(51,414)
<b>Profit for the year from continuing operations</b>		<b>1,040,340</b>	980,362	<b>475,052</b>	470,377
<b>Discontinued Operations</b>					
Profit / (Loss) after Tax for the year from discontinued operations	31	(60)	(57)	-	-
<b>Profit for the year</b>		<b>1,040,280</b>	980,305	<b>475,052</b>	470,377
<b>Attributable to</b>					
Equity Holder of the Parent Company		643,782	593,034	475,052	470,377
Non Controlling Interest		396,498	387,271	-	-
<b>Profit for the year</b>		<b>1,040,280</b>	980,305	<b>475,052</b>	470,377
		Rs.	Rs.	Rs.	Rs.
Earnings Per Share	32	57.67	53.12	42.55	42.13
Earnings Per Share from Continuing Operations	32	57.67	53.12	42.55	42.13
Dividend Per Share	33	24.75	18.00	24.75	18.00

The Accounting Policies and Notes on pages 59 to 105 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	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Profit for the year</b>		<b>1,040,280</b>	980,305	<b>475,052</b>	470,377
<b>Other Comprehensive Income / (Expenses) not to be reclassified to profit or loss in subsequent periods</b>					
Actuarial gains / (losses) on defined benefit plans	19	<b>3,794</b>	(1,558)	<b>3,675</b>	(1,795)
Deferred Tax effect on actuarial gains / (losses) on defined benefit plans	18	<b>(524)</b>	194	<b>(515)</b>	251
Change in fair value on other investment at fair value through other comprehensive income	5.3	<b>(38,152)</b>	(18,071)	<b>(38,152)</b>	(18,071)
<b>Other Comprehensive Income / (Expenses) to be reclassified to profit or loss in subsequent periods</b>					
Share of Other Comprehensive Income of Associate					
Actuarial gains / (losses) on defined benefit plans - Net of Tax effect		<b>(398)</b>	297	-	-
Translation of Associate using foreign functional currency	16	<b>20,970</b>	26,123	-	-
<b>Other Comprehensive Income for the year</b>		<b>(14,310)</b>	6,985	<b>(34,992)</b>	(19,615)
<b>Total Comprehensive Income for the year</b>		<b>1,025,970</b>	987,290	<b>440,060</b>	450,762
<b>Attributable to</b>					
Equity Holder of the Parent Company		<b>629,399</b>	599,949	<b>440,060</b>	450,762
Non Controlling Interest	5.1(c)	<b>396,571</b>	387,341	-	-
		<b>1,025,970</b>	987,290	<b>440,060</b>	450,762

The Accounting Policies and Notes on pages 59 to 105 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# STATEMENTS OF CHANGES IN EQUITY

Group	Note	Revenue Reserves			Foreign Currency Translation Rs.'000	Non Controlling Interest Rs.'000	Total Rs.'000
		Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000			
<b>Balance as at 31st March 2018</b>		220,262	219,250	654,136	75,605	650,977	1,820,230
Profit for the year		-	-	593,034	-	387,271	980,305
Other Comprehensive Income		-	-	(19,208)	26,123	70	6,985
Total Comprehensive Income		-	-	573,826	26,123	387,341	987,290
Interim dividend	33	-	-	(200,947)	-	-	(200,947)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(234,108)	(234,108)
<b>Balance as at 31st March 2019</b>		220,262	219,250	1,027,015	101,728	804,210	2,372,465
Profit for the year		-	-	643,782	-	396,498	1,040,280
Other Comprehensive Income		-	-	(35,353)	20,970	73	(14,310)
Total Comprehensive Income		-	-	608,429	20,970	396,571	1,025,970
Interim dividend	33	-	-	(276,303)	-	-	(276,303)
Dividend paid by Subsidiary companies to outside shareholders		-	-	-	-	(170,924)	(170,924)
<b>Balance as at 31st March 2020</b>		<b>220,262</b>	<b>219,250</b>	<b>1,359,141</b>	<b>122,698</b>	<b>1,029,857</b>	<b>2,951,208</b>

Company	Note	Revenue Reserves			Total Rs.'000
		Stated Capital Rs.'000	General Reserve Rs.'000	Accumulated Profit Rs.'000	
<b>Balance as at 31st March 2018</b>		220,262	219,250	739,954	1,179,466
Profit for the year		-	-	470,377	470,377
Other Comprehensive Income		-	-	(19,615)	(19,615)
Total Comprehensive Income		-	-	450,762	450,762
Interim dividend	33	-	-	(200,947)	(200,947)
<b>Balance as at 31st March 2019</b>		220,262	219,250	989,769	1,429,281
Profit for the year		-	-	475,052	475,052
Other Comprehensive Income		-	-	(34,992)	(34,992)
Total Comprehensive Income		-	-	440,060	440,060
Interim dividend	33	-	-	(276,303)	(276,303)
<b>Balance as at 31st March 2020</b>		<b>220,262</b>	<b>219,250</b>	<b>1,153,526</b>	<b>1,593,038</b>

The Accounting Policies and Notes on pages 59 to 105 form an integral part of these Financial Statements.

# STATEMENTS OF CASH FLOWS

For The Year Ended 31st March	Note	Group		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>Cash Flows from Operating Activities</b>					
Group Profit before Tax and Non Controlling Interest from Continuing Operations		1,229,146	1,165,105	531,375	521,791
Profit / (Loss) from discontinued operations	31	(60)	(57)	-	-
Adjustments for :					
Share of (Profit) / Loss of Associate Company	29	1,947	(7,970)	-	-
Exchange Loss on Loan	17.2	12,247	42,303	-	10,936
Provision for Slow Moving Stocks / (Reversal)	9.1	12,932	(408)	2,757	(408)
Amortisation of Right of use asset	25	1,564	-	-	-
Amortisation of Leasehold Land	25	-	273	-	-
Depreciation	4.1 / 4.3	82,434	76,547	7,629	7,161
Provision for Retiring Gratuity	25	15,779	14,954	9,867	9,404
Finance Cost	27	22,273	30,410	2,656	4,838
Finance Income	26	(24,605)	(42,311)	(24,069)	(28,536)
Dividend Income	24	-	-	(110,923)	(151,927)
Provision for impairment - Trade Debtors	25	10,626	256	-	-
Reversal of Trade Debtors Impairment over provision	24	(72)	-	-	-
Fair Value adjustment of Investment Property - Leasehold	25	-	1	-	-
Exchange Gain on Liabilities to make lease payment	7.2	(1,963)	-	-	-
<b>Operating Profit before Working Capital Changes</b>		<b>1,362,248</b>	<b>1,279,103</b>	<b>419,292</b>	<b>373,259</b>
(Increase) / Decrease in Inventories	9	(56,231)	3,027	(4,668)	(29,967)
(Increase) / Decrease in Trade and Other Receivables	10	(537,419)	(163,305)	(81,213)	(35,001)
(Increase) / Decrease in Amounts due from Related Parties	12	37,634	213,098	(92,578)	15,279
Increase / (Decrease) in Trade and Other Payables	8.2 / 20	53,584	128,409	19,695	12,619
Increase / (Decrease) in Amounts due to Related Parties	8.3 / 22	(360,258)	338,256	(163,490)	164,619
<b>Cash Generated from Operations</b>		<b>499,560</b>	<b>1,798,588</b>	<b>97,038</b>	<b>500,808</b>
Interest Paid	27	(18,476)	(30,410)	(2,656)	(4,838)
Income Tax Paid	21/30	(206,943)	(81,430)	(58,876)	(28,765)
WHTax Paid	21	(2,310)	(4,921)	(1,480)	(938)
Gratuity Paid	19	(9,791)	(6,579)	(4,272)	(6,135)
ESC Paid	21	(21,150)	(26,017)	(5,489)	(6,428)
<b>Net Cash Flows from Operating Activities</b>		<b>240,888</b>	<b>1,649,231</b>	<b>24,265</b>	<b>453,704</b>
<b>Cash Flows from Investing Activities</b>					
Acquisition of Property, Plant and Equipment	4.1 / 4.3	(110,539)	(108,997)	(1,892)	(13,457)
Acquisition of Investment Property - Right of use Asset	6	(36,279)	(287,324)	-	-
Acquisition of Right of use asset	7 / 7.2	(11,273)	-	-	-
Short Term Investment - Fixed Deposit (Net)	11	174,472	50,106	175,000	(69,696)
Advance Payment for Investment	5.4	(57,363)	-	-	-
Dividend Income	24	-	-	110,923	151,927
Finance Income	11 / 26	37,367	40,301	36,810	21,668
<b>Net Cash Flows from / (used in) Investing Activities</b>		<b>(3,615)</b>	<b>(305,914)</b>	<b>320,841</b>	<b>90,442</b>
<b>Cash Flows from Financing Activities</b>					
Dividend Paid	33	(276,303)	(200,947)	(276,303)	(200,947)
Dividend Paid by subsidiary Companies to Outside Shareholders	5.1(c)	(170,924)	(234,108)	-	-
Proceeds from Interest Bearing Borrowings	17.2	181,327	361,716	-	80,108
Repayment of Interest Bearing Borrowings	17.2	(133,500)	(512,751)	-	(91,044)
Payment of Lease Instalments	7.2	(13,002)	-	-	-
<b>Net Cash used in Financing Activities</b>		<b>(412,402)</b>	<b>(586,090)</b>	<b>(276,303)</b>	<b>(211,883)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(175,129)</b>	<b>75,227</b>	<b>68,803</b>	<b>332,263</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	13	<b>540,040</b>	<b>(217,187)</b>	<b>547,922</b>	<b>215,659</b>
<b>Cash and Cash Equivalents at the end of the year</b>	13	<b>364,911</b>	<b>540,040</b>	<b>616,725</b>	<b>547,922</b>

The Accounting Policies and Notes on pages 59 to 105 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 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 31.3.2020 is 83.90% (31.3.2019 - 83.90%)

### 1.4 Directors Responsibility

The Board of Directors is responsible for these consolidated Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

### 1.5 Date of Authorisation for issue

The consolidated financial statements of Richard Pieris Exports PLC and its subsidiaries (collectively, "Group") for the year ended 31st March 2020 were authorised for issue in accordance with a resolution of the directors on 28th September 2020

### 1.6 Number of Employees

The number of employees in the Company at the end of the year was 158 (2019 - 164). Group 559 (2019 - 558).

## 2. Statement Of Compliance

The Consolidate financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting

Standards as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and in compliance with the Companies Act No. 07 of 2007.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for fair value through OCI financial assets and investment property - Right of use Assets that have been measured at fair value.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2020.

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(a), 5.1(b) and 35.1(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

### 2.3.1 Changes in Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are consistent with those followed in the previous financial year, except for the adoption of new Accounting Standard SLFRS 16 "Leases". The Group applied SLFRS 16 with a date of initial application of 1st April 2019 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019/2020 financial year, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### SLFRS 16 Leases

SLFRS 16 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using modified retrospective method from 1st April 2019, without restating comparatives for 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The effect on the Statement of Financial Position as at 1st April 2019 and thereon as a result of adopting SLFRS 16.

	Increase / (decrease)
	Rs.'000
<b>Assets</b>	
<b>Non-Current Assets</b>	
Right of use Assets	69,936
Leasehold Land Prepayment	(11,542)
<b>Current Assets</b>	
Leasehold Land Prepayment	(273)
<b>Total Assets</b>	<b>58,121</b>
<b>Equity and Liabilities</b>	
<b>Liabilities</b>	
Lease Instalments Payable	58,121
<b>Total Liabilities</b>	<b>58,121</b>
<b>Nature of the effect of adoption of SLFRS-16</b>	

Upon adoption of SLFRS 16, the Group applied a single recognition and

measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

On adoption of SLFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the transition date. The weighted average rate applied was 11.5%.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as at 31st March 2019 as follows:

	Rs.'000
<b>Operating lease commitment as at 31st March 2019</b>	<b>394,560</b>
Discounted Operating Lease commitments of the above as at 1st April 2019	58,121
Less : Commitments relating to Short-Term Leases	-
Add : Payments in optional extension periods not recognized as at 31.03.2019	-
Lease Liabilities recognized as at 1st April 2019	<u>58,121</u>

### IFRIC 23

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment". The Interpretation is effective for annual reporting beginning on or after 1st April 2019.

The Interpretation did not have a significant impact on the consolidated financial statements of the Group.

### 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:

### 2.3.2 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.

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.

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

# NOTES TO THE FINANCIAL STATEMENTS

the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

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

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

### 2.3.3 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 associates 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 35.1(b) to the Financial Statements.

Summarised financial information of the Associate Company together with the Company's interests is given in Note 5.2 & 29 to the Financial Statements.

In the Company Level, investments in subsidiaries and associates are recognised at cost.

### 2.3.4 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 Arpit Italian 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.

### 2.3.5 Revenue recognition

#### 2.3.5.1 Revenue from Contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

#### Goods transferred at a point in time

Under SLFRS 15, revenue is recognized upon satisfaction of performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

#### Services transferred over time

Under SLFRS 15, the Group determines at contract inception whether it satisfies

the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the Group recognizes the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

#### Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on geographical region in the operating segment information section.

#### Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed for each reportable segment has been provided in the operating segment information section of Note 23.2 to the Financial Statements.

##### 2.3.5.1.1 Contract balances

#### Contract assets

Contract assets are Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditioned on some criteria other than the passage of time, upon satisfaction of the conditions.

#### Contract liabilities

Contract liabilities are Group's obligation to transfer goods or services to a customer for which the group has received consideration (or the amount is due) from the customer.

##### 2.3.5.1.2 Performance Obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

#### Sale of Rubber based Products

The Group is in the business of selling rubber based articles. Revenue from contracts with customers is recognised when control of the goods or services are

transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those good or services.

#### Right to return

Certain contracts provide the customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned. Based on the assessment performed, the Group concluded that refund liabilities do not have a material impact on the Group's financial statements that need an adjustment in Financial Statements.

#### Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception since the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

##### 2.3.5.2 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 Profit or Loss.

##### 2.3.5.3 Other Revenue

#### Dividends

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

# NOTES TO THE FINANCIAL STATEMENTS

## Rental Income

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

## 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 Statement of Profit or Loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

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

## 2.3.6 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.

### c) Other Financial Items

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

## 2.3.7 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.

## 2.3.8 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:

The taxable income of Richard Pieris Exports PLC, Richard Pieris Natural Foams Ltd and Arpatialian Compact Soles (Pvt) Ltd

are liable to Income Tax at 14% under the Inland Revenue Act No. 24 of 2017 from Year of Assessment 2018/19.

Micro Minerals (Pvt) Limited, is liable to income tax at 28% for the period 01.04.2018 to 31.12.2019. From 01.01.2020 Business Income is liable to income tax at 18% and Investment Income is liable at 24%.

### Deferred tax

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside

profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

### Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.3.9 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.

### 2.3.10 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.

### 2.3.11 Investment Property - Right of use assets

Property that is held (by the owner or by the lessee as a right of use asset) for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, determined annually. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

# NOTES TO THE FINANCIAL STATEMENTS

Changes in fair values are recognised in the Statement of comprehensive income. Investment properties are derecognized when they have been disposed. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the Statement of Comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Investment property that is being redeveloped for continued future use as investment property continues to be measured at fair value and is not reclassified as property, plant and equipment during the redevelopment.

The fair value of investment property is determined by using valuation techniques.

The fair value was determined principally using discounted cash flow projections based on estimates of future cash flows, supported by the terms of any existing lease and other contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The future rental rates were estimated depending on the actual location of the properties, and taking into account market data and projections at the valuation date.

Investment properties do not include the investment properties under construction or development and no such estimations were made.

## 2.3.12 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 of use the asset or assets, even if

that right is not explicitly specified in an arrangement.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right of use the underlying assets.

### Right-of-use-assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use-assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term.

### Lease liabilities

At the commencement date of the lease, the Group recognises Lease Liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease

payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of Lease Liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of Lease Liabilities is remeasured if there is a

modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in Note 7.2 to the Financial Statements.

### Group as a lessor for operating leases

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

### 2.3.13 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.

### 2.3.14 Financial Instruments

#### 2.3.14.1 Initial recognition and subsequent measurement

#### 2.3.14.2 Financial Assets

##### Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash

flow, characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- ❖ Financial assets at amortised cost
- ❖ Financial assets at fair value through OCI with recycling of cumulative gains and losses
- ❖ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- ❖ Financial assets at fair value through profit or loss

#### Financial Assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- ❖ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ❖ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

#### Financial Assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

#### Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets

mandatorily required to be measured at fair value. 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 with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

#### Financial Assets-de-recognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Based on the assessment performed, the Group concluded that SLFRS 9 does not have a material impact on the Group's Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 2.3.14.3 Financial Liabilities

### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

#### Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised

in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in the statement of profit or loss.

#### 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### 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.

#### Value of Financial Instruments

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

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

- ❖ Using recent arm's length market transactions;

- ❖ Reference to the current fair value of another instrument that is substantially the same;

- ❖ A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34 to the Financial Statements.

## 2.3.15 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 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.

## 2.3.16 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.

### 2.3.17 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.

### 2.3.18 Dividend Distributions

The Group recognises a liability to

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

### 2.3.19 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.

### 2.3.20 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.

### 2.3.21 Post Employment Benefits

### Defined Benefit Plan - Gratuity

Provision is made in the accounts for retirement gratuities payable under the Payment of Gratuity Act No. 12 of 1983 for employees from the time of employment by the Group. The method of providing for retiring gratuity was changed to an actuarial basis, using the Projected Unit Credit (PUC) method from 1st April 1998. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 19 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

# NOTES TO THE FINANCIAL STATEMENTS

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.

## 2.3.22 Segment Information

### 2.3.22.1 Reporting Segments

The activities of the segments are described in the segmental Review of operations. Segmentation has been determined based on primary format and secondary format. Primary format represents the business segments, identified based on the differences in the products and services produced which has a similar nature of process, risk and return while the secondary format is on the basis of geographical areas in which the products or services are sold. The operating results of the segments are described in Note 23.2 to the Financial Statements. The geographical analysis is by the location of the customer. Since the manufacturing and marketing service as well as the assets and liabilities are located in Sri Lanka, only the revenue has been analysed into the geographical location.

### 2.3.22.2 Segment Information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the Consolidated Financial Statements of the Group.

## 2.4 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 Consolidated Financial Statements, management has made assessment of the ability of the constituents of the Group to continue as a going concern, taking into account all available information about the future, including intentions of curtailment of businesses, as decided by the Board, as disclosed in Note 8 and 31 to the Consolidated Financial Statements.

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment includes the existing and anticipated effects of the COVID-19 pandemic on the significant assumptions that are sensitive or susceptible to change or are inconsistent with historical trends. As the economic effects of COVID-19 continue to evolve, management considered a range

of scenarios to determine the potential impact on underlying performance and future funding requirements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### Tax on Financial Statements

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

#### Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management 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.

## Determination of Performance Obligations

Significant judgments relating to determination of performance obligations in relation to Group's material revenue lines are given in note 2.3.5.1.2

### 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.

## Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models

are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## Incremental Borrowing rate (IBR)

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

## 2.5 Standards Issued but not yet Effective

The amended standards that are issued but not yet effective up to the date of issuance of these financial statements are disclosed below. The Group/Company intends to adopt these amended standards, if applicable, when they become effective.

### Amendments to LKAS 1 and LKAS 8: Definition of "Material"

Amendments to LKAS 1-Presentation of Financial Statements and LKAS

# NOTES TO THE FINANCIAL STATEMENTS

8-Accounting policies, Changes in Accounting Estimates and Errors are made to align the definition of “material” across the standard and to clarify certain aspects of the definition. The new definition states that, information is material if omitting or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for the annual periods beginning on or after 01 January 2020 with early application permitted.

reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after 01 January 2020, with early application is permitted.

Pending the detailed review of such amendment/s, the extent of the impact/probable impact is not yet known/reasonably estimable.

## **Amendments to SLFRS 3: Definition of a “Business”**

Amendments to the definition of a business in SLFRS 3-Business Combinations are made to help the entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities to assess whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 01 January 2020, with early application permitted.

## **Amendments to References to the Conceptual Framework in SLFRS Standards**

Revisions to the Conceptual Framework were made because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework includes a new chapter on measurement, guidance on

### 3. Analysis of Financial Instruments by Measurement Basis

#### 3.1 Group

31st March 2020				
	Note	Equity Instruments at FVTOCI Rs.'000	Debt Instruments at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Long Term Investment	5.3	16,061	-	16,061
Trade & Other Receivables	8.1 / 10	-	1,489,881	1,489,881
Short Term Investment	11	-	5,782	5,782
Amounts due from Related Parties	12	-	57,408	57,408
Cash and Bank Balances	13	-	694,226	694,226
		16,061	2,247,297	2,263,358
<b>Financial Liabilities</b>				
			Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Trade & Other Payables	8.2 / 20		523,685	523,685
Amounts due to Related Parties	8.3 / 22		270,715	270,715
Interest Bearing Loans and Borrowings	17.1		515,207	515,207
			1,309,607	1,309,607
31st March 2019				
		Equity Instruments at FVTOCI Rs.'000	Debt Instruments at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Long Term Investment	5.3	54,213	-	54,213
Trade & Other Receivables	8.1 / 10	-	1,008,977	1,008,977
Short Term Investment	11	-	193,016	193,016
Amounts due from Related Parties	12	-	95,042	95,042
Cash and Bank Balances	13	-	733,988	733,988
		54,213	2,031,023	2,085,236
<b>Financial Liabilities</b>				
			Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
Trade & Other Payables	8.2 / 20		459,496	459,496
Amounts due to Related Parties	8.3 / 22		630,973	630,973
Interest Bearing Loans and Borrowings	17.1		319,766	319,766
			1,410,235	1,410,235

A description of the Group's Financial Instrument risks, including risk management objectives and policies is given in Note 40.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.2 Company

#### 31st March 2020

	Note	Equity Instruments at FVTOCI Rs.'000	Debt Instruments at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Long Term Investment	5.3	16,061	-	16,061
Trade & Other Receivables	10	-	266,687	266,687
Amounts due from Related Parties	12	-	111,266	111,266
Cash and Bank Balances	13	-	616,956	616,956
		16,061	994,909	1,010,970

			Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
<b>Financial Liabilities</b>				
Trade & Other Payables	20		155,246	155,246
Amounts due to Related Parties	22		26,080	26,080
Interest Bearing Loans and Borrowings	17.3		231	231
			181,557	181,557

#### 31st March 2019

	Note	Equity Instruments at FVTOCI Rs.'000	Debt Instruments at amortised cost Rs.'000	Total Rs.'000
<b>Financial Assets</b>				
Long Term Investment	5.3	54,213	-	54,213
Trade & Other Receivables	10	-	239,188	239,188
Short Term Investment	11	-	187,741	187,741
Amounts due from Related Parties	12	-	18,688	18,688
Cash and Bank Balances	13	-	573,651	573,651
		54,213	1,019,268	1,073,481

			Financial Liabilities at amortised cost Rs.'000	Total Rs.'000
<b>Financial Liabilities</b>				
Trade & Other Payables	20		134,083	134,083
Amounts due to Related Parties	22		189,570	189,570
Interest Bearing Loans and Borrowings	17.3		25,729	25,729
			349,382	349,382

#### 4 Property, Plant & Equipment

##### 4.1 Group

	Freehold Land and Buildings Rs.'000	Building on Leasehold Land Rs.'000	Plant and Machinery Rs.'000	Tools and Office Equipment Rs.'000	Furniture and Fittings Rs.'000	Motor Vehicles Rs.'000	Computers Rs.'000	Roads and Other Infrastructure Rs.'000	Tube Well Rs.'000	Capital Work in Progress Rs.'000	Total Rs.'000
<b>Gross carrying amount - at cost</b>											
As at 1st April 2019	67,125	307,571	1,180,901	31,616	10,174	10,168	22,753	10,703	179	4,975	1,646,165
Additions	-	4,989	97,603	583	265	-	553	-	-	107,439	211,432
Capitalized during the year	-	-	-	-	-	-	-	-	-	(100,893)	(100,893)
<b>As at 31st March 2020</b>	<b>67,125</b>	<b>312,560</b>	<b>1,278,504</b>	<b>32,199</b>	<b>10,439</b>	<b>10,168</b>	<b>23,306</b>	<b>10,703</b>	<b>179</b>	<b>11,521</b>	<b>1,756,704</b>
<b>Depreciation</b>											
As at 1st April 2019	28,361	45,418	690,423	29,302	9,057	10,168	18,157	8,718	179	-	839,783
Transfers	-	1,574	-	105	(331)	-	226	(1,574)	-	-	-
Charge for the year	1,526	12,200	64,816	1,638	562	-	1,407	285	-	-	82,434
<b>As at 31st March 2020</b>	<b>29,887</b>	<b>59,192</b>	<b>755,239</b>	<b>31,045</b>	<b>9,288</b>	<b>10,168</b>	<b>19,790</b>	<b>7,429</b>	<b>179</b>	<b>-</b>	<b>922,217</b>
<b>Net Book Value</b>											
As at 31st March 2019	38,764	262,153	490,478	2,314	1,117	-	4,596	1,985	-	4,975	806,382
<b>As at 31st March 2020</b>	<b>37,238</b>	<b>253,368</b>	<b>523,265</b>	<b>1,154</b>	<b>1,150</b>	<b>-</b>	<b>3,516</b>	<b>3,274</b>	<b>-</b>	<b>11,521</b>	<b>834,487</b>

4.2 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 566,036,000 /-.

# NOTES TO THE FINANCIAL STATEMENTS

## 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	Total Rs.'000
<b>Gross carrying amount - at cost</b>							
As at 1st April 2019	57,269	384,104	22,219	3,624	4,378	10,715	482,309
Additions	-	1,215	278	238	-	161	1,892
<b>As at 31st March 2020</b>	<b>57,269</b>	<b>385,319</b>	<b>22,497</b>	<b>3,862</b>	<b>4,378</b>	<b>10,876</b>	<b>484,201</b>
<b>Depreciation</b>							
As at 1st April 2019	24,756	338,268	21,216	3,527	4,378	10,394	402,539
Charge for the year	1,346	5,474	525	66	-	218	7,629
<b>As at 31st March 2020</b>	<b>26,102</b>	<b>343,742</b>	<b>21,741</b>	<b>3,593</b>	<b>4,378</b>	<b>10,612</b>	<b>410,168</b>
<b>Net Book Value</b>							
As at 31st March 2019	32,513	45,836	1,003	97	-	321	79,770
<b>As at 31st March 2020</b>	<b>31,167</b>	<b>41,577</b>	<b>756</b>	<b>269</b>	<b>-</b>	<b>264</b>	<b>74,033</b>

4.4 Property, Plant & Equipment includes fully depreciated assets the cost of which amounts to Rs. 348,837,000/-

## 5 Long Term Investments

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>Summary :</b>				
Investments in Subsidiaries (5.1(a) & 5.1(b))	-	-	291,094	291,094
Investment in Associate (5.2)	225,509	206,736	171,929	171,929
Other Investment (5.3)	16,061	54,213	16,061	54,213
<b>Total Investments</b>	<b>241,570</b>	<b>260,949</b>	<b>479,084</b>	<b>517,236</b>

### 5.1(a) Company Investment in Subsidiaries

	Holding		Number of Shares as at		Value of Shares as at	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	%	%			Rs.'000	Rs.'000
Richard Pieris Natural Foams Ltd.	43.00	43.00	27,560,001	27,560,001	284,820	284,820
Micro Minerals (Pvt) Ltd.	68.75	68.75	627,400	627,400	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
Provision for Impairment					(40,000)	(40,000)
					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 as at		Value of Shares as at	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>Investor</b>						
Richard Pieris Natural Foams Ltd.						
<b>Investee</b>						
Arpico Natural Latexfoams (Pvt) Ltd.	55.55%	55.55%	5,000,000	5,000,000	50,000	50,000
					50,000	50,000
Provision for impairment					(50,000)	(50,000)
					-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 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	
			2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2019/2020 Rs.'000	2018/2019 Rs.'000
Richard Pieris Natural Foams Ltd	57%	57%	396,480	387,258	1,019,423	793,867	170,924	234,108
Micro Minerals (Pvt) Ltd	31.25%	31.25%	110	101	10,574	10,464	-	-
Arpico Natural Latex Foams (Pvt) Ltd	32%	32%	(19)	(18)	(140)	(121)	-	-
			396,571	387,341	1,029,857	804,210	170,924	234,108

## 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 2020 Rs.'000	31st March 2019 Rs.'000	31st March 2020 Rs.'000	31st March 2019 Rs.'000	31st March 2020 Rs.'000	31st March 2019 Rs.'000
Assets	3,000,095	2,398,751	52,553	53,093	50	108
Liabilities	1,211,407	1,005,984	18,717	19,607	226,898	226,896
Equity	1,788,688	1,392,766	33,836	33,486	(226,848)	(226,788)
For the year ended 31st March	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue	3,862,393	3,875,659	43,796	45,467	-	-
Profit after tax	695,679	679,430	389	204	(60)	(57)
Total Comprehensive income	695,827	679,486	350	327	(60)	(57)
Principal Place of Business	Sri Lanka		Sri Lanka		Sri Lanka	

## 5.2 Investment in Associate Group

Non-Quoted	Holding		As at 01.04.2019 Rs.'000	Share of Loss Rs.'000	Taxation Rs.'000	Share of Other Comprehensive Income Rs.'000	As at 31.03.2020 Rs.'000
	% 31.03.2020	% 31.03.2019					
Arpitalian Compact Soles (Pvt) Limited	48.93	48.93	206,736	(1,947)	148	20,572	225,509
			206,736	(1,947)	148	20,572	225,509

### Company

Company	Holding		No. of Shares as at 31.03.2020	Value of Shares		
	% 31.03.2020	% 31.03.2019		As at 01.04.2019 Rs.'000	Additions / (Disposals) Rs.'000	As at 31.03.2020 Rs.'000
Arpitalian Compact Soles (Pvt) Limited	48.93	48.93	29,587,667	171,929	-	171,929
				171,929	-	171,929

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

### 5.3 Other Investment

Group / Company	Holding	%	As at	Fair value	As at
	%		01.04.2019		
	31.03.2020	31.03.2019	Rs.'000	Rs.'000	Rs.'000
Asia Auto Parts LLP, Japan	19.95%	19.95%	54,213	(38,152)	16,061
			54,213	(38,152)	16,061

#### Valuation method underlying management's estimation of fair value.

The valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs.

Information about fair value measurements using significant unobservable inputs (Level 3) for 2020 are as follows.

Valuation Technique	Income approach
Discount rate	18.86%

### 5.4 Advance Payment for Investment

	Group		Company	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Arpico Desh Ltd - Bangladesh	57,363	-	-	-

Subsidiary Company Richard Pieris Natural Foams Ltd has made an advance payment of Rs. 57,363,000/- for Investment in Arpico Desh Ltd - Bangladesh.

### 6 Investment Property - Right Of Use Asset

	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	287,323	-	-	-
Additions during the year	36,279	287,324	-	-
Fair value adjustment	-	(1)	-	-
At the end of the Year	323,602	287,323	-	-
Rental Income earned	12,291	29,139	-	-
Direct Operating expenses incurred	-	-	-	-

Subsidiary Company Richard Pieris Natural Foams Ltd has obtained the above property from its related company RPC Properties (Pvt) Ltd on a 99 years lease and sub leased to related companies Richard Pieris Distributors Ltd, RPC Polymers (Pvt) Ltd, Arpitech (Pvt) Ltd and Richard Pieris Rubber Products Ltd.

#### Valuation methods underlying management's estimation of fair value

For the investment property in the location with a total carrying value of Rs. 323,602,000 (2019 -Rs. 287,323,000), the valuation was determined using discounted cash flow ("DCF") projections based on significant unobservable inputs.

Information about fair value measurements using significant unobservable inputs (Level 3) for 2020 are as follows

Valuation Technique	Income Approach
Rate / Sq feet	Rs.22
Discount rate	7%

# NOTES TO THE FINANCIAL STATEMENTS

## 7 Right Of Use Assets - Leasehold

### Cost

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Transfer from Leasehold Land Prepayment (SLFRS 16 Initial Recognition)	11,815	-	-	-
Effect of Adoption of SLFRS 16	58,121	-	-	-
	69,936	-	-	-
Additions during the year	30,703	-	-	-
Balance at the end of the year	100,639	-	-	-
<b>Amortisation</b>				
Balance at the beginning of the year	-	-	-	-
Charge for the year	1,564	-	-	-
Balance at the end of the year	1,564	-	-	-
<b>Net Book Value</b>	<b>99,075</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 7.1 Leasehold Land Prepayment

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
At the beginning of the year	11,815	12,088	-	-
Transfer to Right of use assets (SLFRS 16 Initial Recognition)	(11,815)	-	-	-
Amount Charged to Income Statement during the year	-	(273)	-	-
At the end of the year	-	11,815	-	-
Amount chargeable to Income Statement within one year	-	273	-	-
Amount chargeable to Income Statement after one year	-	11,542	-	-
		11,815	-	-

## 7.2 Liabilities To Make Lease Payment

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning of the year	-	-	-	-
Effect of Adoption of SLFRS 16	58,121	-	-	-
Lease obtained during the year	58,121	-	-	-
Interest for the year	19,430	-	-	-
Payments	3,797	-	-	-
Effect of foreign exchange translation	(13,002)	-	-	-
Balance at the end of the year	66,383	-	-	-
Lease instalments payable in the ensuing year	8,876	-	-	-
Lease instalments payable after one year	57,507	-	-	-
Total Lease Liability	66,383	-	-	-

Following are the amounts recognised in profit or loss for the year ended 31st March 2020

	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Amortization of right-of-use assets	1,564	-	-	-
Interest expense on lease liabilities	3,797	-	-	-
<b>Total amount recognised in profit or loss</b>	<b>5,361</b>	-	-	-

Expenses relating to short term leases and leases of low value assets amounting to Rs. 2,407,000/- have been recognised in profit or loss.

## 7.3 Details Of Right Of Use Assets And Lease Liabilities

Description of Asset	BOI-Land 749.47 Perches	BOI-Land 35.97 Perches	BOI-Land 196.1 Perches	BOI-Land 73.26 Perches	BOI-Land 38.1 Perches	BOI-Land 408.7 Perches	Total
Plan No	590	2014-34	2014-53A	2014-53B	13172A	16016	
Year of Purchase	1993	2014	2015	2016	2018	2020	
Lease Term	99 Years	50 Years	50 Years	50 Years	50 Years	50 Years	
Net Book Value as at 31.03.2020 (in Rs 000)	45,078	3,055	11,710	6,924	4,041	28,267	99,075
No. of Instalment remaining (in years) as at 31.03.2020	73	44	26	45	48	26	
Total Lease outstanding as at 31.03.2020 (In RS 000)	33,773	1,462	7,637	2,986	1,672	18,853	66,383

# NOTES TO THE FINANCIAL STATEMENTS

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

Arpico Natural Latex Foams (Pvt) Ltd.	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>Assets</b>				
Trade & Other Receivables (8.1)	-	-	-	-
Cash and Bank Balances	50	108	-	-
	<b>50</b>	<b>108</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Trade & Other Payables (8.2)	24,437	24,435	-	-
Amounts due to Related Parties (8.3)	202,461	202,461	-	-
	<b>226,898</b>	<b>226,896</b>	<b>-</b>	<b>-</b>

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

### 8.1 Trade & Other Receivables

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade Debtors	25,645	25,645	-	-
Other Receivables	5,304	5,304	-	-
Less : Provision for Impairment	(30,949)	(30,949)	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 8.2 Trade & Other Payables

Trade Creditors - Related Party - RPC Logistics Ltd.	3,856	3,856	-	-
- Others	188	188	-	-
Sundry Creditors including Accrued Expenses	20,393	20,391	-	-
	<b>24,437</b>	<b>24,435</b>	<b>-</b>	<b>-</b>

### 8.3 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	-	-
	<b>202,461</b>	<b>202,461</b>	<b>-</b>	<b>-</b>

## 9 Inventories

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Raw Materials	322,807	249,381	77,465	72,514
Work in Progress	20,443	37,046	19,013	35,007
Finished Goods	188,202	193,226	39,487	28,813
Consumables and Spares	40,305	35,873	29,464	24,427
Provision for Slow moving Stocks / Stock Loss (9.1)	(19,464)	(6,532)	(8,897)	(6,140)
	552,293	508,994	156,532	154,621

### 9.1 Provision for Slow Moving Stocks / Stock Loss

At the beginning of the year	6,532	6,940	6,140	6,548
Provision made during the year/ (Reversal)	12,932	(408)	2,757	(408)
At the end of the year	19,464	6,532	8,897	6,140

## 10 Trade and other Receivables

### 10.1 Summary

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>Financial Assets</b>				
Trade Debtors - Related Parties (10.2)	44,305	44,763	9,143	15,220
- Others	1,428,670	944,222	253,644	220,375
	1,472,975	988,985	262,787	235,595
Less : Provision for Impairment (10.3)	(30,406)	(18,478)	(1,524)	(1,524)
	1,442,569	970,507	261,263	234,071
Other Debtors	61,705	52,748	21,718	21,296
Less : Provision for Impairment	(18,559)	(18,559)	(18,559)	(18,559)
	43,146	34,189	3,159	2,737
Refundable Deposits	4,241	4,356	2,340	2,455
Less : Provision for Impairment	(75)	(75)	(75)	(75)
	4,166	4,281	2,265	2,380
Total Financial Assets	1,489,881	1,008,977	266,687	239,188
<b>Non Financial Assets</b>				
Advances & Prepayments	186,192	140,231	161,931	108,217
Less : Provision for Impairment	(18,641)	(18,641)	(18,546)	(18,546)
Total Non Financial Assets	167,551	121,590	143,385	89,671
	1,657,432	1,130,567	410,072	328,859

## NOTES TO THE FINANCIAL STATEMENTS

### 10.2 Trade Dues Receivables from Related Parties

Relationship	Group		Company		
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000	
Richard Peiris & Co PLC	Parent Company	28	11	28	11
Richard Pieris Distributors Ltd	Related Company	28,488	35,224	6,447	10,803
Richard Pieris Rubber Products Ltd	Related Company	1,138	1,572	168	696
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	39	-
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	785	1,511	-	9
Richard Pieris Rubber Compounds Ltd	Related Company	351	291	124	58
Arpico Interiors (Pvt) Ltd	Related Company	2,335	3,643	2,335	3,643
Arpitech (Pvt) Ltd	Related Company	11,180	2,511	2	-
		44,305	44,763	9,143	15,220

### 10.3 Provision for Impairment

Balance at the beginning of the year	18,478	16,426	1,524	1,524
Provision made during the year	10,626	256	-	-
	29,104	16,682	1,524	1,524
Reversal of over provision	(72)	-	-	-
Effect of foreign exchange translation	1,374	1,796	-	-
Balance at the end of the year	30,406	18,478	1,524	1,524

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

	Total Rs.'000	Current Rs.'000	30 - 60 days Rs.'000	61 - 90 days Rs.'000	91 - 120 days Rs.'000	> 120 days Rs.'000
2020	1,472,975	886,490	230,218	147,242	49,513	159,512
2019	988,985	924,348	16,742	6,156	263	41,476

## 11 Short Term Investment

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Fixed Deposits				
Balance at the beginning of the year	180,056	230,162	175,000	105,304
Investment made during the year	50,853	205,243	50,325	187,542
Withdrawals made during the year	(225,325)	(255,349)	(225,325)	(117,846)
	5,584	180,056	-	175,000
Interest receivable at the end of the year	198	12,960	-	12,741
Balance at the end of the year	5,782	193,016	-	187,741

### Represented by :-

Short Term Investment in Related Company - Richard Pieris Finance Limited	-	83,881	-	83,881
Short Term Investment in Other Financial Institutions	5,782	109,135	-	103,860
	5,782	193,016	-	187,741

## 12 Amounts Due from Related Parties

	Relationship	Group		Company	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Richard Pieris Natural Foams Ltd.	Subsidiary Company	-	-	111,005	-
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	-	18,614	261	18,688
Richard Pieris Distributors Ltd.	Related Company	23,112	16,877	-	-
Arpitech (Pvt) Ltd	Related Company	19,073	55,436	-	-
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd.	Related Company	11,121	1,247	-	-
RPC Polymers (Pvt) Ltd	Related Company	3,246	2,253	-	-
Richard Pieris Rubber Products Ltd	Related Company	856	615	-	-
		57,408	95,042	111,266	18,688

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

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>13.1 Favourable Cash and Cash Equivalents Balances</b>				
Cash & Bank Balances - Continuing Operations	694,176	733,880	616,956	573,651
Cash & Bank Balances - Discontinued Operations - Note 8	50	108	-	-
	694,226	733,988	616,956	573,651
<b>13.2 Unfavourable Cash and Cash Equivalents Balances</b>				
Bank Overdrafts - Note 17.1 / 17.3	(329,315)	(193,948)	(231)	(25,729)
<b>Total Cash and Cash Equivalents for the purpose of Cash Flow Statements</b>	<b>364,911</b>	<b>540,040</b>	<b>616,725</b>	<b>547,922</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14 Stated Capital

		At the beginning of the year 01.04.2019 Number '000	Issued for Cash during the year Number '000	At the end of the year 31.03.2020 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

### 14.1 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.

## 15 Revenue Reserves

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>15.1 General Reserve</b>				
At the beginning of the year	219,250	219,250	219,250	219,250
Transfer from Income Statement	-	-	-	-
At the end of the year	219,250	219,250	219,250	219,250
<b>15.2 Accumulated Profit</b>				
At the beginning of the year	1,027,015	654,136	989,769	739,954
Profit for the year attributable to Equity Holder of the Parent Company	643,782	593,034	475,052	470,377
Other comprehensive income attributable to Equity Holder of the Parent Company	(35,353)	(19,208)	(34,992)	(19,615)
Interim dividend	(276,303)	(200,947)	(276,303)	(200,947)
At the end of the year	1,359,141	1,027,015	1,153,526	989,769
Total Revenue Reserves	1,578,391	1,246,265	1,372,776	1,209,019

## 16 Foreign Currency Translation

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
At the beginning of the year	101,728	75,605	-	-
Exchange translation difference for the year	20,970	26,123	-	-
At the end of the year	122,698	101,728	-	-

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.

## 17 Interest Bearing Liabilities

### 17.1 Interest Bearing Liabilities - Group

	31.03.2020 Amount Repayable Within 1 Year Rs.'000	31.03.2020 Amount Repayable After 1 Year Rs.'000	31.03.2020 Total Rs.'000	31.03.2019 Amount Repayable Within 1 Year Rs.'000	31.03.2019 Amount Repayable After 1 Year Rs.'000	31.03.2019 Total Rs.'000
Bills Discounted	-	-	-	23,443	-	23,443
Packing Credit Loan	138,142	-	138,142	-	-	-
Term Loan	47,750	-	47,750	58,500	43,875	102,375
	<b>185,892</b>	-	<b>185,892</b>	81,943	43,875	125,818
Bank Overdraft (13.2)	329,315	-	329,315	193,948	-	193,948
	<b>515,207</b>	-	<b>515,207</b>	275,891	43,875	319,766

### 17.2 Bills Discounted, Term Loan and Packing Credit Loan - Movements

	As at 01.04.2019 Rs.'000	Obtained during the year Rs.'000	Payment during the year Rs.'000	Exchange Loss Rs.'000	As at 31.03.2020 Rs.'000
Bills Discounted	23,443	50,124	73,685	118	-
Packing Credit Loan	-	131,203	-	6,939	138,142
Term Loan	102,375	-	59,815	5,190	47,750
	125,818	181,327	133,500	12,247	185,892

### 17.3 Interest Bearing Liabilities - Company

	31.03.2020 Amount Repayable Within 1 Year Rs.'000	31.03.2020 Amount Repayable After 1 Year Rs.'000	31.03.2020 Total Rs.'000	31.03.2019 Amount Repayable Within 1 Year Rs.'000	31.03.2019 Amount Repayable After 1 Year Rs.'000	31.03.2019 Total Rs.'000
Bank Overdraft (13.2)	231	-	231	25,729	-	25,729
	<b>231</b>	-	<b>231</b>	25,729	-	25,729

# NOTES TO THE FINANCIAL STATEMENTS

## 18 Deferred Tax Liability / (Asset)

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning of the year	70,140	61,799	(297)	521
Deferred Tax Charged / (Reversed) to the Income Statement	(3,087)	8,535	(1,282)	(567)
Deferred Tax Charged / (Reversed) to the Statement of Other Comprehensive Income	524	(194)	515	(251)
Balance at the end of the year	67,577	70,140	(1,064)	(297)
Deferred Tax Asset	(1,064)	(297)	(1,064)	(297)
Deferred Tax Liability	68,641	70,437	-	-
<b>Deferred tax asset, liability relates to the following</b>				
<b>Deferred tax liability</b>				
Accelerated depreciation for tax purposes	79,540	82,744	7,745	8,243
Right of use asset	975	-	-	-
<b>Deferred tax assets</b>				
Retirement benefit obligations	(12,938)	(12,604)	(8,809)	(8,540)
Net deferred tax liability / (asset)	67,577	70,140	(1,064)	(297)

## 19 Retirement Benefit Obligation

Movements in the present value of the Retirement Benefit Obligation are as follows.

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning of the year	89,225	79,292	61,003	55,939
Current Service Cost	5,964	6,226	3,157	3,251
Interest Cost	9,815	8,728	6,710	6,153
(Gain) / Loss due to changes in assumptions	(3,794)	1,558	(3,675)	1,795
Benefits paid	(9,791)	(6,579)	(4,272)	(6,135)
Balance at the end of the year	91,419	89,225	62,923	61,003

### 19.1 Net Benefit Expenses Categorized Under Staff Cost

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Current Service Cost	5,964	6,226	3,157	3,251
Interest Cost	9,815	8,728	6,710	6,153
	15,779	14,954	9,867	9,404

19.2 Actuarial & Management Consultants (Pvt) Limited, Actuaries, carried out an actuarial valuation of the defined benefit plan on 31.03.2020 and 31.03.2019. 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	0.34	0.28	0.20	0.14	0.14	0.09	0.00
Non Executives	0.75	0.57	0.39	0.29	0.20	0.19	0.00

#### Demographic assumptions

	2019 / 2020	2018 / 2019
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

	2019 / 2020	2018 / 2019
Rate of Salary Increment	4% in 2021, 6% in 2022 and thereafter 8% p.a	5% to 10%
Rate of Discount	10%	11%

#### 19.3 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 Note 19.2	94,268	64,549
One point decrease	As given in Note 19.2	88,760	61,402
As given in Note 19.2	One point increase	88,457	61,198
As given in Note 19.2	One point decrease	94,646	64,796

#### 19.4 Maturity Profile

Maturity profile of the defined benefit obligation as at 31st March 2020 is as follows.

Future Working Life Time	Defined Benefit Obligation	
	Group Rs. '000	Company Rs. '000
Within the next 12 Months	34,817	29,845
Between 1-5 years	33,880	20,991
Beyond 5 years	22,722	12,087
	<u>91,419</u>	<u>62,923</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 20 Trade and other Payables

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
<b>Financial Liabilities</b>				
Trade Creditors - Related Parties (20.1)	304,754	203,261	64,613	32,998
- Others	90,634	102,508	28,068	30,713
Other Payables (20.2)	103,868	129,300	62,565	70,372
<b>Total Financial Liabilities</b>	<b>499,256</b>	<b>435,069</b>	<b>155,246</b>	<b>134,083</b>
<b>Non Financial Liabilities</b>				
Other Payables (20.3)	2,680	13,285	953	2,421
<b>Total Non Financial Liabilities</b>	<b>2,680</b>	<b>13,285</b>	<b>953</b>	<b>2,421</b>
Balance at the end of the year	<b>501,936</b>	<b>448,354</b>	<b>156,199</b>	<b>136,504</b>

### 20.1 Trade dues Payable to Related Parties

	Relationship				
Kegalle Plantations PLC.	Related Company	233,284	177,733	30,652	21,628
Richard Pieris Rubber Products Ltd	Related Company	541	675	413	413
Richard Pieris Distributors Ltd	Related Company	4,190	1,748	1,479	570
Richard Pieris Rubber Compounds Ltd	Related Company	12,218	4,237	12,218	4,237
Richard Pieris Tyre Company Ltd.	Related Company	2,517	2,486	-	-
RPC Logistics Ltd.	Related Company	36,260	14,198	4,879	3,487
Arpitech (Pvt) Ltd.	Related Company	5,850	2,105	170	8
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	1,419	1,647
Arpico Interiors (Pvt) Ltd	Related Company	284	-	284	-
Maskeliya Tea Gardens (Ceylon) (Pvt) Ltd	Related Company	516	79	470	56
Richard Pieris Natural Foams Ltd	Subsidiary Company	-	-	3,535	952
Namunukula Plantation PLC	Related Company	9,094	-	9,094	-
		<b>304,754</b>	<b>203,261</b>	<b>64,613</b>	<b>32,998</b>

### 20.2 Other Payables (Financial Liabilities)

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Dividend Payable	29,003	28,105	29,001	28,103
Unclaimed Gratuity Payment	14,707	14,707	14,707	14,707
Bonus Payable	10,760	21,947	4,545	7,269
Sales Commission	10,730	6,871	-	-
Commission Payable	-	27,071	-	-
Others	38,668	30,599	14,312	20,293
	<b>103,868</b>	<b>129,300</b>	<b>62,565</b>	<b>70,372</b>

### 20.3 Other Payables (Non Financial Liabilities)

ESC Payable	-	6,464	-	1,572
VAT payable	-	2,426	-	-
Others	2,680	4,395	953	849
	<b>2,680</b>	<b>13,285</b>	<b>953</b>	<b>2,421</b>

## 21 Income Tax Payable

	Group		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning of the year	72,718	9,838	18,776	2,926
Provision for the year	174,010	153,650	58,832	51,666
(Over) / under provision in respect of previous year	(27)	(3,134)	(1,227)	315
	246,701	160,354	76,381	54,907
Payments made during the year	(188,885)	(56,698)	(58,876)	(28,765)
WHTax Paid	(2,310)	(4,921)	(1,480)	(938)
Economic Service Charge Paid	(21,150)	(26,017)	(5,489)	(6,428)
Balance at the end of the year	34,356	72,718	10,536	18,776

## 22 Amounts Due to Related Parties

	Relationship	Group		Company	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Richard Pieris & Co. PLC.	Parent Company	59,426	428,512	2,450	164,088
Richard Pieris Natural Foams Ltd.	Subsidiary Company	-	-	-	8
Micro Minerals (Pvt) Ltd	Subsidiary Company	-	-	23,484	25,328
Richard Pieris Distributors Ltd	Related Company	-	-	146	146
Arpitalian Compact Soles (Pvt) Ltd	Associate Company	8,828	-	-	-
		68,254	428,512	26,080	189,570

## 23 Revenue from Contracts with Customers

### 23.1 Summary

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Export Sales	4,458,241	4,847,837	1,290,548	1,242,860
Indirect Exports (Gross)	507,484	76,364	-	-
Local Sales (Gross)	366,551	334,874	43,565	47,667
	5,332,276	5,259,075	1,334,113	1,290,527
VAT	(96,778)	(53,639)	(4,804)	(6,217)
	5,235,498	5,205,436	1,329,309	1,284,310
Less : Inter Group Sales	(23,942)	(23,080)	-	-
	5,211,556	5,182,356	1,329,309	1,284,310

### 23.2 Group Segmental Information

	Turnover		Profit / (Loss) before Tax		Total Assets		Total Liabilities	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Mineral Segment	43,796	45,467	499	319	52,553	53,093	18,717	19,607
Latex Based Segment	3,862,393	3,875,659	810,142	786,952	3,000,145	2,398,859	1,438,305	1,232,880
Hard Rubber Segment	1,329,309	1,284,310	531,375	521,791	1,849,007	1,860,863	255,969	431,582
	5,235,498	5,205,436	1,342,016	1,309,062	4,901,705	4,312,815	1,712,991	1,684,069
Adjustment for Inter Group Transactions	(23,942)	(23,080)	(112,870)	(143,957)	(377,403)	(284,442)	(139,897)	(28,161)
	5,211,556	5,182,356	1,229,146	1,165,105	4,524,302	4,028,373	1,573,094	1,655,908

# NOTES TO THE FINANCIAL STATEMENTS

## Geographic Information - Revenue

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Sri Lanka	286,814	357,599	38,761	41,450
USA	973,627	1,864,680	139,823	197,464
Europe	1,692,243	1,581,628	1,117,658	1,013,126
Asia Pacific	2,282,814	1,401,529	33,067	32,270
Total Segments	5,235,498	5,205,436	1,329,309	1,284,310
Less: Inter Group Sales	(23,942)	(23,080)	-	-
	5,211,556	5,182,356	1,329,309	1,284,310

## 24 Other Operating Income

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Scrap Sales (24.1)	3,493	1,732	516	1,211
Sundry Income	-	55	-	55
Rental Income (24.2)	12,291	29,139	-	-
Reversal of provision for slow moving stocks	36	408	-	408
Dividend Income	-	-	110,923	151,927
Reversal of Trade Debtors Impairment over provision	72	-	-	-
	15,892	31,334	111,439	153,601

### 24.1 Summary

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Scrap Sales (Gross)	3,983	1,992	585	1,393
VAT	(490)	(260)	(69)	(182)
	3,493	1,732	516	1,211

### 24.2 Summary

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Rental Income (Gross)	13,642	33,510	-	-
VAT	(1,351)	(4,371)	-	-
	12,291	29,139	-	-

25 Profit from Operations

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
<b>is stated after Charging</b>				
Depreciation	82,434	76,547	7,629	7,161
Directors' Fees	800	800	800	800
Auditors' Remuneration - Audit Fees	2,095	2,134	1,112	1,133
- Non-Audit Fees	162	974	142	889
Personnel Costs includes				
Defined Benefit Plan Costs - Gratuity	15,779	14,954	9,867	9,404
Other Staff Costs including EPF & ETF	517,083	534,944	174,041	179,487
Provision for Impairment - Trade Debtors	10,626	256	-	-
Corporate Restructuring Expenses	60,000	60,000	-	-
Amortisation of Right of Use Asset	1,564	-	-	-
Amortisation of Leasehold Land Prepayment	-	273	-	-
Fair Value adjustment of Investment Property Leasehold	-	1	-	-

26 Finance Income

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interest income	24,605	42,311	24,069	28,536
	24,605	42,311	24,069	28,536

27 Finance Costs

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Interest expense on borrowings - Related Party	-	-	2,656	2,750
- Others	18,476	30,410	-	2,088
Finance Charges on Lease Liabilities	3,797	-	-	-
	22,273	30,410	2,656	4,838

# NOTES TO THE FINANCIAL STATEMENTS

## 28 Other Financial Items

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Net foreign exchange transaction loss / (gain)	(116,091)	(73,820)	(65,085)	(51,061)

## 29 Share of Profit / (Loss) of Associate

The Group's share of income and expenses of the entity for the years ended 31st March 2020 and 2019, and assets & liabilities as at 31st March 2020 and 2019.

	2020 Rs 000	2019 Rs 000
Revenue	259,906	374,296
Profit / (Loss) before tax	(3,980)	16,289
Group's share of Profit / (Loss) before tax	(1,947)	7,970
(-) Tax on associate results	148	(960)
Group's share of Profit / (Loss) after tax	(1,799)	7,010
Total Other Comprehensive Income	42,041	53,995
Group's share of total Other Comprehensive Income	20,572	26,420
<b>Associate's Statement of Financial Position</b>		
Current assets	288,045	271,118
Non-current assets	344,907	336,716
	632,952	607,834
Current liabilities	41,429	65,458
Non-current liabilities	66,597	55,812
	108,026	121,270

## 30 Taxation

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Income tax on current year profits - Note 30.1	174,010	153,650	58,832	51,666
(Over) / Under Provision in respect of previous year	(27)	(3,134)	(1,227)	315
Deferred Taxation charge / (Reversal) - Note 30.2	(3,087)	8,535	(1,282)	(567)
Dividend Tax paid by subsidiaries	18,058	24,732	-	-
Charge of Income Tax and Deferred Tax of the Associate Company	(148)	960	-	-
	188,806	184,743	56,323	51,414

### 30.1 Taxation on Current Year Profits

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Profit / (Loss) before Tax from continuing operations	1,229,146	1,165,105	531,375	521,791
Add: Profit / (Loss) before Tax from discontinued operations	(60)	(57)	-	-
Less: (Profit) / Loss from Associate Company	1,947	(7,970)	-	-
	1,231,033	1,157,078	531,375	521,791
Expenses Disallowed for tax purposes	164,560	96,393	30,817	17,117
Expenses allowable for tax purposes	(152,935)	(157,219)	(31,037)	(17,941)
Allowable Income	-	-	(110,923)	(151,927)
Taxable Income	1,242,658	1,096,252	420,232	369,040
Income tax 28%	285	349	-	-
Income tax 14%	82	-	-	-
Income tax 12%	173,643	153,301	58,832	51,666
	174,010	153,650	58,832	51,666

### 30.2 Deferred Taxation Charge / (Reversal)

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Accelerated depreciation for tax purpose	(3,204)	9,727	(498)	(109)
Right of use Asset	975	-	-	-
Retirement benefit obligations	(858)	(1,192)	(784)	(458)
	(3,087)	8,535	(1,282)	(567)

# NOTES TO THE FINANCIAL STATEMENTS

## 31 Discontinued Operations

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

The results of discontinued operation is given below :

	Group	
	2020	2019
	Rs.'000	Rs.'000
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Other Operating Income	-	-
Expenses - Note 31.1	(60)	(57)
Profit / (Loss) from discontinued operations	(60)	(57)
Finance Cost	-	-
Profit / (Loss) before Tax from discontinued operations	(60)	(57)
Taxation	-	-
Profit / (Loss) for the year from discontinued operations	(60)	(57)
Attributable to		
Equity Holders of the Parent Company	(41)	(39)
Non Controlling Interest	(19)	(18)
	(60)	(57)

### 31.1 Expenses Includes

	Group	
	2020	2019
	Rs.'000	Rs.'000
Auditors' Remuneration	49	55

Operating, Investing and Financing Cash Flows for the year are presented below :

Net Cash Used in Operating Activities	57	54
Net Cash Flows from Investing Activities	-	-
Net Cash Flows from Financial Activities	-	-

## 32 Earnings Per Share

**32.1** Basic Earnings per Share is calculated by dividing the Profit / (Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding.

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

	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Amount Used as the Numerator				
Profit Attributable to Equityholders of the Parent from continuing Operations	643,823	593,073	475,052	470,377
Profit/(Loss) Attributable to Equityholders of the Parent from discontinuing Operations	(41)	(39)	-	-
Profit Attributable to Equityholders of the Parent	643,782	593,034	475,052	470,377
Number of Ordinary Shares used as Denominator	'000	'000	'000	'000
Weighted Average number of Ordinary Shares in issue applicable to basic Earnings Per Share	11,164	11,164	11,164	11,164
Earnings Per Share	Rs. 57.67	Rs. 53.12	Rs. 42.55	Rs. 42.13
Earnings per Share from continuing operations	57.67	53.12	42.55	42.13

## 33 Dividend Per Share

	2019/2020 Rs.'000	2018/2019 Rs.'000
Interim dividend	276,303	200,947
No. of Shares in issue in '000	11,164	11,164
Dividend per Share (Rs.)	24.75	18.00

2019 / 2020

The interim dividend of Rs. 24.75 per share was declared on 18th December 2019 and was paid on 6th January 2020.

2018 / 2019

The interim dividend of Rs. 18.00 per share was declared on 14th March 2019 and was paid on 29th March 2019.

# NOTES TO THE FINANCIAL STATEMENTS

## 34. Fair Value Measurement Hierarchy - Group

The Group held the following financial instruments carried at fair value in the Statement of Financial Position.

As at 31st March	Note	Level 1		Level 2		Level 3		Total	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Financial Assets									
Other Investment	5.3	-	-	-	-	16,061	54,213	16,061	54,213
		-	-	-	-	16,061	54,213	16,061	54,213
Non Financial Assets									
Assets measured at fair value									
Investment Property - Right of use asset	6	-	-	-	-	323,602	287,323	323,602	287,323
		-	-	-	-	323,602	287,323	323,602	287,323

## 34.1 Fair Value Measurement Hierarchy - Company

As at 31st March	Note	Level 3	
		2020 Rs.'000	2019 Rs.'000
Financial Assets			
Other Investment	5.3	16,061	54,213
		16,061	54,213

## Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- Level 1:** Quoted market prices in active markets for identical assets or liabilities.
- Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 35. Contingent Liabilities

There are no contingent liabilities as at 31st March 2020 except for the following :

The Company has two individual matters following the termination of Services of 160 employees in 2007. One matter which had been filed by a single employee against the Company was before the Court of Appeal whilst the other matter filed by 159 employees was in the Arbitration up to June 2020 and February 2020 respectively.

The Order of the Application which had been heard by the Court of Appeal was delivered on 23rd June 2020 and the Award of Arbitration was published in the Government Gazette on 10th August 2020 and both were against the Company. The initial amount demanded by the Union on behalf of the workers is Rs. 136 Million, which is still being denied by the Company because the Company is of the view that the strike is unjustifiable.

The Company has already taken steps to make an Appeal against the Order given by the Court of Appeal to the Supreme Court and also to make an appeal against the Award of Arbitration before the Court of Appeal. The Company is rigorously contesting both matters . Therefore, no provision has been made in the accounts.

#### 35.1 Contingent Liabilities of Subsidiaries and Associates

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

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

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

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

### 36. Capital Commitments

The Capital Commitments for Property, Plant and Equipment incidental to the ordinary course of business as at 31.03.2020, approved by the board are as follows,

As at 31st March	Group		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Contracted but not provided for	-	81,793	-	-
Approved but not contracted for	-	152,360	-	-
	-	234,153	-	-

### 37. 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

## 38. Securities Given for Banking Facilities

	Name of the Company	Lender	Facility	Nature of Security
38.1	Richard Pieris Exports PLC.	Hatton National Bank PLC	Packing Credit Loan	Hypothecation of Stocks procured and receipt / confirmed export orders.
38.2	Richard Pieris Natural Foams Ltd	HSBC	Overdraft Export Bill Discount Term Loan	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.  Letter of undertaking from Richard Pieris & Company PLC to support the Company's indebtedness to the Bank for USD 475,000/-.  Corporate Guarantee dated 29th January 2013 for USD 450,000/- from Kegalle Plantations PLC together with supporting Board Resolution.  Letter of Awareness dated 24 Sep 2013 from Richard Pieris & Company PLC together with supporting Board Resolution.  Letter of Negative pledge over stocks and Book Debts dated 18th November 2015
		Commercial Bank of Ceylon PLC	Export Bill Purchase Overdraft	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.  Bills purchase indemnity.  General Terms and Conditions relating to Overdrafts for US \$ 750,000/- signed by the company.  General Terms and Conditions relating to Pre-shipment Loans for US \$ 1,500,000/- signed by the company.

## 39. Related Party Transactions

### 39.1 Transactions with Key Managerial Persons

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

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

	Group		Company	
	2020 Rs. Mn.	2019 Rs. Mn.	2020 Rs. Mn.	2019 Rs. Mn.
For the year ended 31st March				
Remuneration to Key Managerial Persons	0.8	0.8	0.8	0.8

39.1.3 Fees Amounting to Rs. 27.1 Mn was paid in 2019/2020 (Rs. 21.1Mn For 2018/2019) by the group to a related party of a key management personnel.

### 39.2 Transactions with related parties by the Company

Name of the Related Party	2019/2020				2018/2019				
	Sales	Purchases	Services	Interest Paid	Sales	Purchases	Services	Interest Paid	Interest Receivable
Richard Pieris & Co. PLC	14,635	-	25,597,320	-	11,220	-	29,578,026	-	-
Richard Pieris Natural Foams Ltd	39,017	8,008,619	-	-	34,024	7,108,622	-	-	-
Arpitallian Compact Soles (Pvt) Ltd	18,240	34,643	-	-	44,717	-	-	-	-
Micro Minerals (Pvt) Ltd	-	15,894,935	-	2,656,000	-	15,936,625	-	2,750,000	-
Richard Pieris Distributors Ltd	23,571,591	5,015,676	-	-	31,276,573	4,334,129	-	-	-
Richard Pieris Rubber Products Ltd	2,048,768	480,714	-	-	3,162,041	732,417	-	-	-
Richard Pieris Rubber Compounds Ltd	61,058	13,398,976	-	-	57,964	7,463,813	-	-	-
Arpico Interiors (Pvt) Ltd	2,477,390	283,745	-	-	4,629,192	18,700	-	-	-
Kegalle Plantations PLC - Note 39.4.1	-	152,019,185	-	-	-	133,611,445	-	-	-
RPC Logistics Ltd	-	-	15,837,736	-	-	-	17,581,568	-	-
Arpitech (Pvt) Ltd	2,022	126,153	-	-	-	20,322	-	-	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	814,630	-	-	-	-	-	-	-
Namunukula Plantations PLC	-	9,094,175	-	-	-	-	-	-	-
BGN Industrial Tyre (Pvt) Ltd.	-	-	47,632	-	-	-	67,329	-	-
Maskeliya Plantations PLC	-	-	-	-	-	893,951	-	-	-
Richard Pieris Finance Ltd	-	-	-	-	-	-	-	-	8,881,335

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

Name of the Related Party	2019/2020				2018/2019				
	Sales	Purchases	Services	Rental Income	Sales	Purchases	Services	Rental Income	
Richard Pieris & Co. PLC	-	-	168,346,164	-	-	-	78,869,316	-	-
Arpitallian Compact Soles (Pvt) Ltd	4,067,512	-	-	-	5,601,315	-	-	-	-
Richard Pieris Distributors Ltd	111,179,820	1,184,032	-	5,920,740	154,941,620	1,847,429	-	15,896,000	-
Richard Pieris Rubber Products Ltd	2,227,789	520,852	-	228,735	2,970,124	967,750	-	586,000	-
Kegalle Plantations PLC - Note 39.4.1	-	622,222,970	-	-	-	724,541,594	-	-	-
RPC Logistics Ltd	-	-	92,692,484	-	-	-	81,170,000	-	-
Arpitech (Pvt) Ltd	12,535,148	8,037,596	-	5,198,001	8,569,513	10,531,532	-	10,511,000	-
Richard Pieris Tyre Company Ltd	-	7,272,248	-	-	-	5,777,838	-	-	-
Arpico Insurance PLC	-	-	-	-	-	-	1,777,648	-	-
Richard Pieris Rubber Compounds Ltd	242,653	-	-	-	293,367	-	-	-	-
Maskeliya Tea Gardens (Ceylon) Ltd	-	71,427	-	-	-	86,545	-	-	-
RPC Polymers (Pvt) Ltd	-	-	-	943,254	-	-	-	2,146,000	-

### 39.4 Terms and Conditions

Transactions with related parties are carried out in the ordinary course of business on an arms length basis. 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 10, 12, 20 & 22 to the Financial Statements.

### 39.4.1 Transactions with Kegalle Plantations PLC

	Group		Company	
	2020	2019	2020	2019
a) Relationship-Related Company				
b) Nature of transaction -Purchase of Rubber				
c) Aggregate value of related party transactions entered into during the financial year	622,222,970	724,541,594	152,019,185	133,611,445
d) Revenue as per latest audited Financial Statements	5,211,556,000	5,182,356,000	1,329,309,000	1,284,310,000
e) Aggregate value of related party transactions as a % of net revenue/income	11.94	13.98	11.44	10.40
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

## 39.5 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	Maskeliya Plantations PLC	Maskeliya Tea Gardens (Ceylon) Ltd	Arpico Insurance PLC	Namunukula Plantations PLC	RPC Properties (Pvt) Ltd.	BGN Industrial Tyre (Pvt) Ltd.	RPC Polymers (Pvt) Ltd
Dr. Sena Yaddelhige	x	x	x	x	x	x	x	-	x	x	x	x	x	x	x	x	-	x	x	x	x
Shaminda Yaddelhige	x	x	-	-	x	x	-	x	x	-	x	-	x	x	x	-	-	x	x	x	-
Sunil S Liyanage	x	-	-	-	x	x	-	x	x	-	-	-	-	x	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.

#### 40. 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, Equity Instruments at FVTOCI and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

##### Interest rate risk

Interest rate risk is the risk that the company is exposed due to change in absolute level of market interest rates.

Country's yield curve reflecting public borrowings in the domestic market, monetary policy & the policy rates, market liquidity, reforms in fiscal policies, imposition of possible credit ceilings on lending, average deposit rates, cost of utilizing funds etc are considered to be main determining factors on the quoted interest rates for short term & long term lending facilities. These external factors stresses on the market lending rates inserting pressure on the finance cost of the group in turn having a down beating affect on the profit attributable to shareholders.

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

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

##### Foreign currency risk

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

with regard to trade related transactions.

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

##### Foreign currency sensitivity

It is anticipated rupee to depreciate by 3% to 5% per annum on average. The imported materials are mainly billed in USD, EURO, SGD, GBP & other main currencies. Group treasury division continuously traces the exchange rate movement of the above currencies.

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

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

##### Commodity price risk

The Group is affected by the volatility of certain commodities. The volatility in prices of rubber etc in the auctions would trigger greater uncertainty in the contribution towards group turnover. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors 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

## NOTES TO THE FINANCIAL STATEMENTS

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 2020	Neither past due nor impaired Rs. '000	Past due but not impaired Rs. '000	Impaired Rs. '000	Total Rs. '000
Assets				
Trade & Other Receivables	933,802	556,079	49,040	1,538,921
Short Term Investment	5,782	-	-	5,782
Amounts due from Related Parties	57,408	-	-	57,408
Cash and Bank Balances	694,226	-	-	694,226
	1,691,218	556,079	49,040	2,296,337

### Liquidity Risk

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

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

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

	Note	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
<b>As at 31st March 2020</b>						
Interest bearing Loans and Borrowings	17.1	329,315	154,059	31,833	-	515,207
Trade and Other Payables	8.2 / 20	308,610	215,075		-	523,685
Amounts due to Related Parties	8.3 / 22	270,715	-	-	-	270,715
		908,640	369,134	31,833	-	1,309,607

	Note	On demand Rs.'000	Less than 3 Months Rs.'000	3 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
<b>As at 31st March 2019</b>						
Interest bearing Loans and Borrowings	17.1	193,948	38,068	43,875	43,875	319,766
Trade and Other Payables	8.2 / 20	207,117	252,379	-	-	459,496
Amounts due to Related Parties	8.3 / 22	630,973	-	-	-	630,973
		1,032,038	290,447	43,875	43,875	1,410,235

# STATEMENTS OF VALUE ADDED

	2019/2020 Rs.000	2018/2019 Rs.000
<b>Group</b>		
<b>Value Added :</b>		
Gross Turnover	5,332,276	5,259,075
Less: Inter Group Sales	(23,942)	(23,080)
	<b>5,308,334</b>	<b>5,235,995</b>
Cost of Material and Service Purchased	(3,366,925)	(3,410,540)
	<b>1,941,409</b>	<b>1,825,454</b>
Other Income	17,733	35,965
Finance Income	24,605	42,311
Share of Profit /(Loss) of Associate	(1,947)	7,970
<b>Total Value Added</b>	<b>1,981,800</b>	<b>1,911,700</b>
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	530,266	551,959
To the Government as Taxation	310,861	265,399
To Shareholders as Dividend	276,303	200,947
To Lenders of Capital		
- As Interest on Borrowing	18,476	30,410
- To Minority Interest	396,571	387,341
Retained within the Business		
- As Depreciation	82,434	76,547
- As Deferred Tax	(3,389)	8,148
- As Foreign Currency Translation	(20,970)	(26,123)
- As Profits Retained	391,248	417,073
	<b>1,981,800</b>	<b>1,911,700</b>
<b>Company</b>		
<b>Value Added :</b>		
Turnover	1,334,113	1,290,527
Cost of Material and Service Purchased	(724,644)	(721,353)
	<b>609,469</b>	<b>569,174</b>
Other Income	111,508	153,783
Finance Income	24,069	28,536
<b>Total Value Added</b>	<b>745,046</b>	<b>751,493</b>
<b>Distribution of Value Added :</b>		
To Employees as remuneration and Welfare	181,033	191,486
To the Government as Taxation	76,283	79,993
To Shareholders as Dividend	276,303	200,947
To Lenders of Capital		
- As Interest on Borrowing	2,656	4,838
- To Minority Interest	-	-
Retained within the Business		
- As Depreciation	7,629	7,161
- As Deferred Tax	(767)	(818)
- As Profits Retained	201,909	267,886
	<b>745,046</b>	<b>751,493</b>

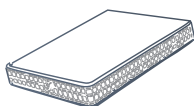
# CORPORATE STRUCTURE

## SUBSIDIARY COMPANIES



### RICHARD PIERIS NATURAL FOAMS LIMITED

Business Activity	Manufacture and export of foam rubber products
Dr. Sena Yaddehige	Chairman
Shaminda Yaddehige	Director
Wasantha Abeysirigunawardena	Director
Viville Perera	Director (Appointed W.E.F. 25.06.2020)
Stated Capital	Rs. 640,822,600 Represented by 64,082,260 shares
Group Holding	43%



### 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 (Resigned W.E.F. 01.07.2019)
Wasantha Abeysirigunawardena	Director
Adrian Bogahawatte	Director (Appointed W.E.F. 07.09.2019)
Stated Capital	Rs. 90,000,000 Represented by 9,000,000 shares
Group Holding	68%



### MICRO MINERALS (PRIVATE) LIMITED

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

## ASSOCIATE COMPANY



### ARPITALIAN COMPACT SOLES (PRIVATE) LIMITED

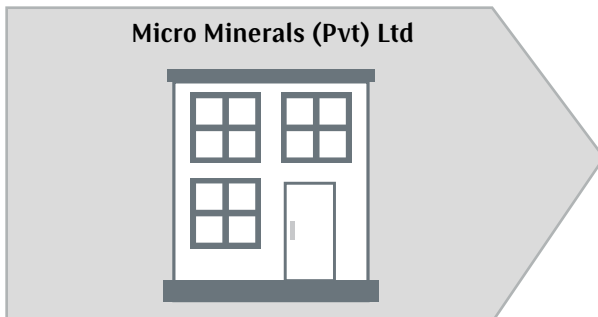
Business Activity	Manufacture and export of resin rubber shoe soling sheets
Dr. Sena Yaddehige	Chairman
Fabio Piccolo	Director
Lino Piccolo	Director (Ceased to be a Director W.E.F. 05.11.2019)
Wasantha Abeysirigunawardena	Director
Januka Jayanga	Director (Resigned W.E.F. 01.07.2019)
Rohan Yaddehige	Director (Appointed W.E.F. 05.11.2019)
Manoj Pathiraja	Director (Appointed W.E.F. 05.11.2019)
Stated Capital	Rs. 542,371,660 Represented by 60,471,501 ordinary shares and 6,404,500 preferential shares.
Group Holding	48.93%

# GROUP REAL ESTATE PORTFOLIO

## Freehold Land and Buildings

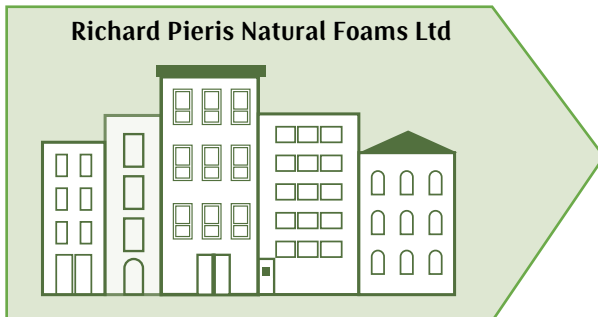


Location	Ja- Ela
Land Perches	640
No of Buildings	05
Building in Sq.Ft.	73,190
Market Value in Rs. mn	265



Location	Bandaragama
Land Perches	320
No of Buildings	01
Building in Sq.Ft.	16,800
Market Value in Rs. mn	42

## Leasehold Land and Buildings



Location	Biyagama
Land Perches	1,501.6
No of Buildings	05
Building in Sq.Ft.	126,508
Market Value in Rs. mn	317



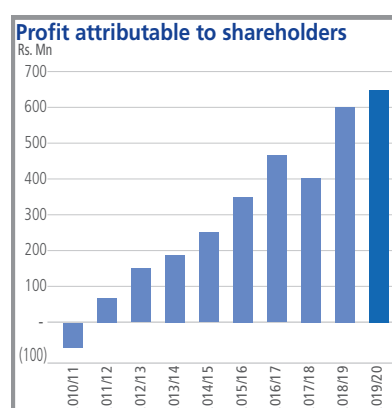
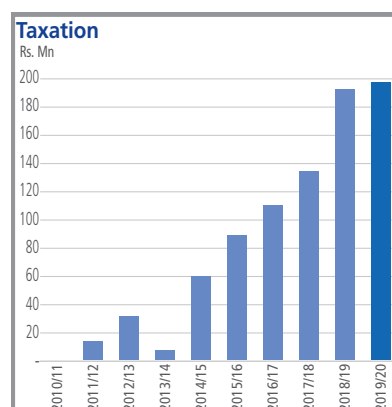
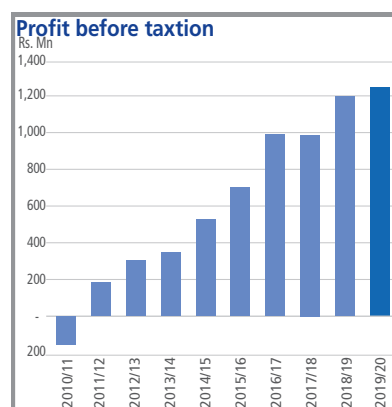
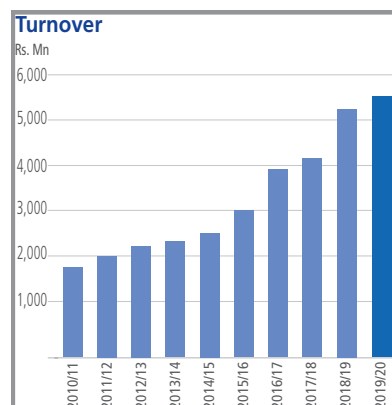
Location	Mattegoda
Land Perches	528.50
No of Buildings	03
Building in Sq.Ft.	80,000
Market Value in Rs. mn	324



Location	Biyagama
Land Perches	246.20
No of Buildings	02
Building in Sq.Ft.	36,363
Market Value in Rs. mn	36

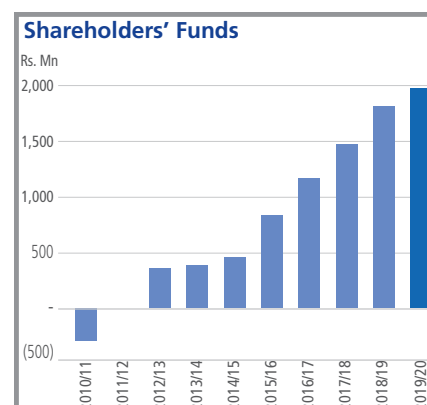
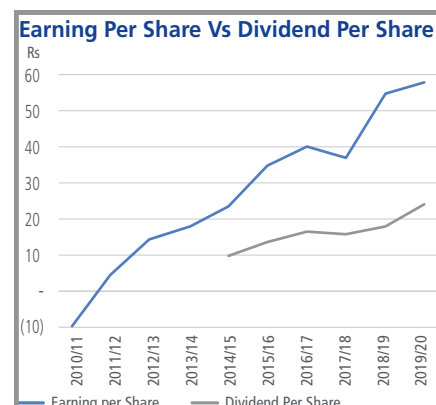
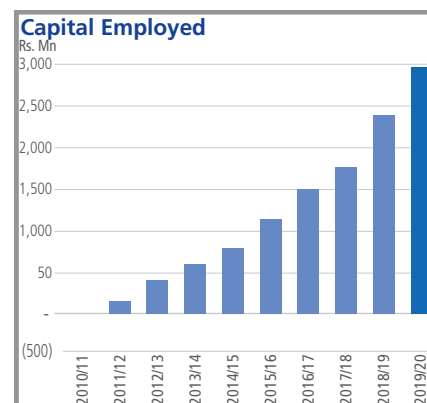


# TEN YEAR SUMMARY



	2019/2020 Rs. '000	2018/2019 Rs. '000	2017/2018 Rs. '000	2016/2017 Rs. '000
<b>Income Statement</b>				
Turnover	5,211,556	5,182,356	4,271,727	3,818,441
Profit before taxation	1,229,146	1,165,105	846,347	838,707
Taxation	(188,806)	(184,743)	(133,240)	(111,462)
Profit after taxation (Rs Mn)	1,040,340	980,362	713,107	727,245
Minority Interest	(396,498)	(387,271)	(297,343)	(265,225)
Profit attributable to shareholders	643,782	593,034	415,710	461,983
<b>Balance Sheets:</b>				
<b>Capital and Reserves</b>				
Stated Capital	220,262	220,262	220,262	220,262
Revenue Reserve	1,578,391	1,246,265	837,386	637,557
Shareholders' Funds	1,921,351	1,568,255	1,169,253	928,584
Minority Interest	1,029,857	804,210	650,977	583,546
Capital Employed	2,951,208	2,372,465	1,820,230	1,512,130
<b>Assets Employed</b>				
Assets of Discontinued operations	50	108	108	162
Current Assets	2,967,091	2,661,772	2,310,451	1,783,860
Liabilities of Discontinued operations	(226,898)	(226,896)	(226,839)	(226,839)
Current Liabilities	(1,128,629)	(1,225,475)	(1,062,924)	(804,704)
Working Capital	1,707,788	1,191,205	1,159,127	729,504
<b>Intangible Assets</b>				
Leasehold Land Prepayments	-	11,542	11,817	12,090
Investment Property Right of use assets	323,602	287,323	-	-
Property, Plant & Equipment	834,487	806,382	773,932	589,765
Long Term Loans	-	(43,875)	(90,814)	-
Deferred Liabilities	91,419	(89,225)	(79,292)	(92,705)
Investments	241,570	260,949	245,590	250,501
Total Assets less Liabilities	2,951,208	2,372,465	1,820,230	1,512,130
<b>Financial Ratios</b>				
<b>Profitability</b>				
Earning per Share (Rs.)	57.67	53.12	37.24	41.38
Net profit/(Loss) before Minority Int. to sales( %)	19.96	18.92	16.69	19.05
<b>Dividends</b>				
Dividend (Rs.)	276,303	200,947	178,620	178,620
Dividend Payout Ratio (%)	43%	34%	48%	49%
<b>Others</b>				
Market Price Per Share (Rs.)	190.80	212	168	209
Price Earnings Ratio (times)	3.31	3.99	4.51	5.05
Net Assets Per Share (Rs.)	172.11	140.48	104.74	83.18
Annual sales growth (%)	1.00	21.32	11.88	25
Current Assets Ratio (times)	2.63	2.17	2.17	2.22
Fixed Asset Turnover Ratio (times)	6.25	6.43	5.52	6.47
Average Exchange Rate (per US\$)	180.43	169.73	153.67	148.39
Turnover (US\$ '0 00)	28,885	30,534	27,798	25,733

2015/2016	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
3,047,568	2,498,140	2,393,765	2,303,135	1,967,145	1,754,323
636,512	446,601	312,104	273,457	69,091	(131,911)
(88,011)	(58,350)	3,836	(29,398)	(11,235)	72
548,501	388,344	315,911	244,059	57,856	(139,377)
(184,335)	(120,667)	(123,160)	(103,296)	(10,147)	66,875
364,056	267,677	192,751	140,722	47,567	(72,502)
220,262	220,262	220,262	220,262	220,262	220,262
352,459	169,563	22,342	(74,032)	(211,201)	(272,237)
635,501	435,522	285,036	146,230	9,061	(51,975)
467,224	382,298	276,507	153,288	49,697	39,630
1,102,725	817,820	561,543	299,518	58,758	(12,345)
210	315	3,487	3,527	3,610	3,917
1,606,196	1,267,571	1,043,601	793,684	819,992	902,225
(226,850)	(226,845)	(230,119)	(230,119)	(230,160)	(230,325)
(921,856)	(742,886)	(556,231)	(501,002)	(865,766)	(1,011,524)
690,102	544,034	486,768	389,755	531,342	470,714
-	-	-	-	-	-
12,363	6,007	4,633	4,692	4,751	4,810
-	-	-	-	-	-
472,628	474,162	282,054	287,395	309,624	316,321
(15,836)	(57,979)	(97,379)	(133,870)	-	(21,264)
(60,151)	(61,258)	(51,194)	(43,411)	(36,044)	(33,091)
235,784	135,213	125,065	118,622	52,751	56,586
1,102,725	817,820	561,543	299,518	58,758	(12,345)
32.61	23.98	17.27	12.61	4.27	(6.49)
17.99	15.55	13.19	10.59	2.93	(7.94)
139,547	116,103	57,493	-	-	-
51%	65%	59%	-	-	-
211	130	55	30	22	28
6.48	5.43	3.19	2.43	5.16	(4.31)
56.93	39.01	25.53	13.10	0.81	(4.66)
22	4.36	3.93	0.17	0.12	0.27
1.74	1.71	1.88	1.59	0.95	0.89
6.45	5.27	5.33	8.01	6.35	7.04
139.81	131.21	130.51	129.95	110.39	110.39
21,799	19,039	18,342	17,723	17,820	15,892



# SHAREHOLDER INFORMATION

## General

Stated Capital Rs. 220,262,000  
No of Shares Issued as at 31.03.2020 Nos 11,163,745

## 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 2020 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.

## Date of Listing

The Company was listed on 11th October 1993.

## Share Trading

	2019/20	2018/19	Increased by	%
No of transactions	6,678	3,511	3,167	90%
No of shares traded	1,190,482	836,454	354,028	42%
Share turnover (Rs.)	284,965,839	173,378,611	111,587,228	64%

## Market Capitalization

The Market capitalization of the Company which is the number of Ordinary Shares issued multiplied by the market value of a share was Rs 2,130,042,546 (11,163,745 x 190.80) at 31st March 2020 (As at 31st March 2019:Rs1,877mn).

	As at 31.03.2020	As at 31.03.2019
Market Capitalization (Rs '000')	2,130,043	2,366,714
Float adjusted Market Capitalization (Rs '000')	342,937	381,041
Price Earnings Ratio (times)	3.31	3.99

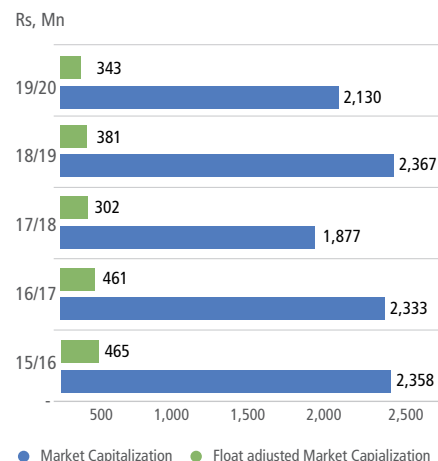
	2019/20	2018/19	2017/18	2016/17	2015/16
Market Capitalization Rs Mn	2,130	2,367	1,877	2,333	2,358
Enterprise Value Rs Mn	1,436	1,631	1,550	2,137	2,433
Dividend Yield	13%	8%	10%	8%	6%
Price Earnings Ratio	3.31	3.99	4.51	5.05	6.48
Dividend Payout Ratio	43%	34%	43%	39%	38%
Net Assets Per Share	172.11	140.48	104.74	83.18	56.92
Earnings Per Share	57.67	53.12	37.24	41.38	32.61

Market capitalization increased from 1.5 bn to 2.1 bn by as much as 40% from Year 2014/15 to 2019/20

Float adjusted Market Capitalization as at 31st March 2020 is Rs. 343 Mn



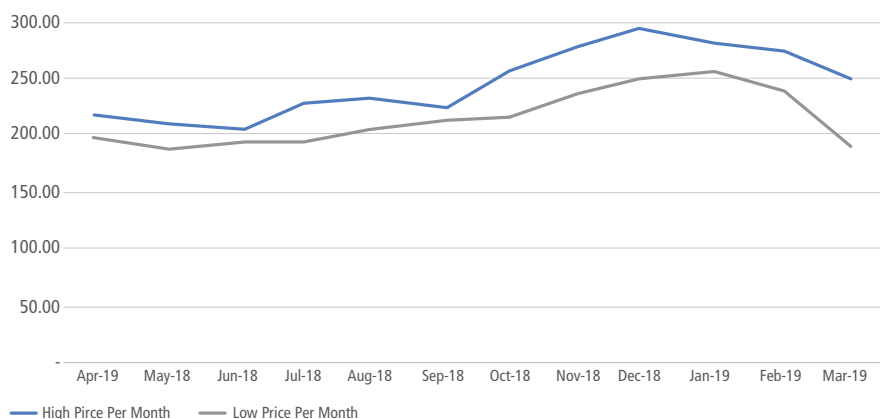
## Market Capitalization Vs Float Adjusted MC



### Market Value of shares

	2019/20	Date	2018/19	Date
Highest Price (Rs.)	295.00	26.12.2019	248.00	15.02.2020
Lowest Price (Rs.)	180.00	20.03.2020	160.00	26.07.2020
Year end Price (Rs.)	190.80	31.03.2020	212.00	31.03.2020

### Market Price Per Share



### Dividend Payout Ratio

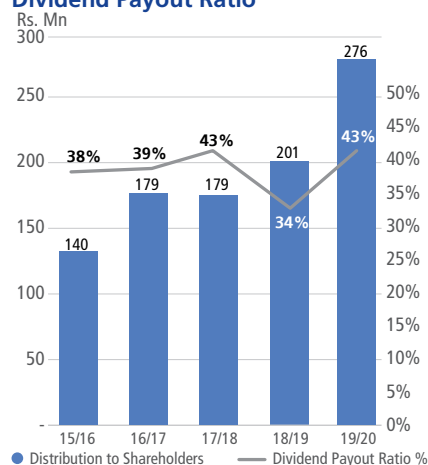
Dividend payout ratio for the year 2019/20 is 43% (2018/19 34%)

### Distribution of Shareholders

Range of shareholding	As at 31/03/2020			As at 31/03/2019		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1 - 1,000	1512	241,877	2.17%	1374	234,911	2.10%
1001 - 10,000	177	589,349	5.28%	165	545,139	4.88%
10001 - 100,000	30	966,492	8.66%	40	1,017,668	9.12%
100001 - 1,000,000	1	9,366,027	83.90%	1	9,366,027	83.90%
1000001 & above	1	9,366,027	83.90%	1	9,366,027	83.90%
Total	1720	11,163,745	100.00%	1580	11,163,745	100.00%

### Composition of Shareholding

#### Distribution to Shareholders and Dividend Payout Ratio



Shareholder return for the year is 13%. The Decreasing share price from Rs. 212 to Rs. 190.80 as at 31st March 2020 contributed to decrease the shareholder return.

Creating tremendous value for shareholders during the year.

Distribution to shareholders in year 2019/20 increased to Rs. 276mn by 37% compared to last year. Dividend pay out ratio for the year is 43%.

Highest Market price recorded for the year is Rs. 294.40 in 27th December 2019. Lowest Share Price recorded for the year is Rs. 180 in 20th March 2020.

### DIVIDEND PAYOUT RATIO

43%

(Last Year 34%)

### DIVIDEND YIELD

13%

(Last Year 8%)

### EARNINGS PER SHARE (COMPANY)

Rs. 42.55

(Last year Rs. 42.13)

### EARNINGS PER SHARE (GROUP)

57.67

(Last year Rs. 53.12)

### 31st March 2020 Market Price per Share

Rs. 190.80

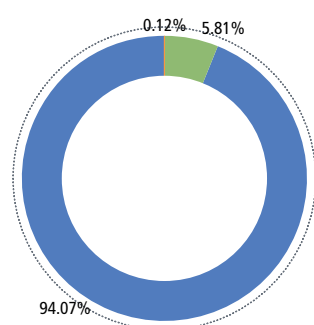
(31st March 2019 Rs. 212)

## SHAREHOLDER INFORMATION

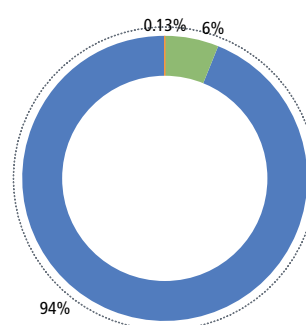
Category	2020			2019		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Institutional Investors	100	9,862,407	88.34%	94	9,874,244	88.45%
Individual Investors	1618	1,301,035	11.65%	1484	1,289,198	11.55%
Directors	2	303	0.00%	2	303	0.00%
Total	1720	11,163,745	100.00%	1580	11,163,745	100.00%

**Institutional Investors composition in 2019 is 88.45% compared to 99.18% in year 2018. Individual Investors composition of shareholding in year 2019 is 11.55% compared to 0.82% in year 2018.**

Composition of Shareholding % - 2020



Composition of Shareholding % - 2019



### Major Shareholders

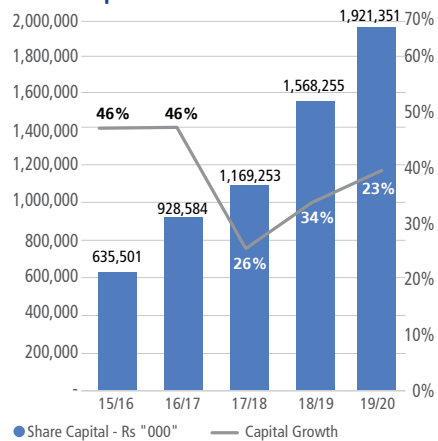
As at 31st March 2020		2020		2019		Change
		No of Shares	Holding %	No of Shares	Holding %	
1	Richard Pieris & Company Plc.	9,366,027	83.90%	9,366,027	83.90%	-
2	Mrs.V.Saraswathi	82,122	0.74%	-	0.00%	82,122
3	Dr.A.B.Abeysundara	62,795	0.56%	-	-	62,795
4	Mr. P.Vijendran	60,000	0.54%	60,000	0.54%	-
5	Kalday Private Limited	53,399	0.48%	53,399	0.48%	-
6	Mr.K.A.S.R.Nissanka	50,000	0.45%	52,897	0.47%	(2,897)
7	Mr. A.A.A.Noorudin	50,000	0.45%	50,000	0.45%	-
8	Mr.M.N.Hameed	49,740	0.45%	-	0.00%	49,740
9	Mr. A.S.Ratnayake	45,736	0.41%	-	0.00%	45,736
10	Ransiri Enterprises ( Pvt ) Ltd	42,100	0.38%	42,100	0.38%	-
11	Mr.S.Abishek	41,000	0.37%	40,000	-	1,000
12	Union Investments (Pvt) Ltd	40,600	0.36%	40,600	0.36%	-
13	Mr. M.S.P.Fernando	34,048	0.30%	34,048	0.30%	-
14	J.B.Cocoshell (Pvt) Ltd	30,335	0.27%	-	0.00%	30,335
15	Corporate Holdings (Pvt) Ltd	30,000	0.27%	30,000	0.27%	-
16	Mr.M.Naizer	29,100	0.26%	28,008	0.25%	1,092
17	Ms L.A.Pieris	25,931	0.23%	-	0.00%	25,931
18	Mr. R.E.Rambukwella	25,000	0.22%	-	0.00%	25,000
19	Mr.R.C.Wijesena	25,000	0.22%	-	0.00%	25,000
20	Mr. N.A.Withana	25,000	0.22%	25,000	0.22%	-
21	Mrs M.Y.Amerasinghe	21,998	0.20%	21,998	0.20%	-
22	Mr.W.M.H.B.Senevirathne	20,100	0.18%	-	0.00%	20,100
23	Motor Service Station (Pvt) Ltd	19,063	0.17%	-	0.00%	19,063
24	Mr. W.P.Gunasena	17,240	0.15%	17,240	0.15%	-
25	Mr. Murtaza Ali	15,000	0.13%	-	0.00%	15,000
<b>Total</b>		<b>10,261,334</b>	<b>91.92%</b>	<b>9,861,317</b>	<b>88.33%</b>	<b>400,017</b>

### Public & Parent Shareholding

As at 31st March 2020, the public held 16.10% (2019: 16.10%) of the share capital of the company. The shareholding of the parent company, Richard Pieris & company PLC, was 83.90%. (2019-83.90%)

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

### Share Capital

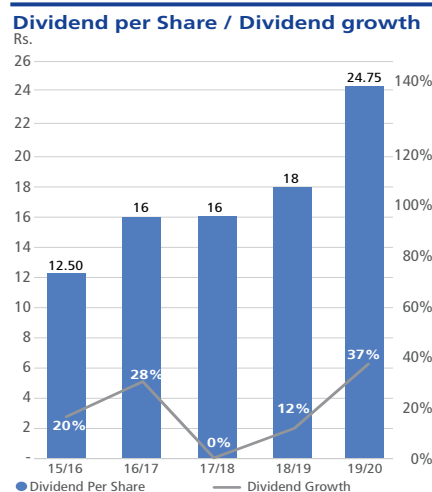


Shareholders capital was increase to Rs. 1.9 Bn by 19% compared to Rs. 1.6 Bn in last year. Company was able to record a stable growth year on year improving value of the shareholders.

### Directors Shareholding

Name Of the Director	As at 31st March 2020 No of Shares	As at 31st March 2019 No of Shares
Dr. Sena Yaddehige	-	-
Mr. Saminda Yaddehige	-	-
Mr.Paul .Ratnayake	-	-
Mr. Sunil Liyanage	203	203
Mr. Renton de Alwis	-	-
Mr. Viville Perera	100	100
Mr. Wasantha Abeysirigunawardena	-	-
Mr. Kumar Abeysinghe	-	-
Dr.Keerthi Tillekeratne	-	-
Mr. Angelo Patrick	-	-

Dividend per share for the year 2019/20 is Rs. 24.75 this is 37% increased compared to last dividend per share of Rs. 18.



### DURING 2019/20 OUR ACHIEVEMENTS IN SHAREHOLDER RETURNS

Dividend paid by the company

38% ↑

Dividend paid by subsidiary companies to out side shareholders

27% ↓

Earnings per share - Company

1% ↑

Earnings per share - Group

9% ↑

Net Asset per share - Company

11% ↑

Net Asset per share - Group

23% ↑

Dividend Yield

5% ↑

Earnings Yield

5% ↑

# 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;

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



## 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.



## 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.



## 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.







# 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 Yaddhige - Chairman  
Mr. Shaminda Yaddhige  
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  
1st & 2nd Floor, Advantage Building,  
74A, Dharmapala Mawatha,  
Colombo 07.

## Bankers

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

