

Richard Pieris and Company PLC

Interim Financial Statements

Nine months ended 31st December 2013

Corporate Information

Legal Form

A quoted public Company with limited liability, incorporated in Sri Lanka under the Companies Ordinance No. 51 of 1938 on 11th May 1940. The Company registration number is PQ 138.

Stock Exchange Listing

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

Board of Directors

Dr. Sena Yaddhige - *Chairman/ Managing Director/ CEO*

Mr. J. H. Paul Ratnayake - *Director*

Prof. Lakshman R. Watawala - *Director*

Prof. Susantha D. Pathirana - *Director*

Mr. W. J. Viville P. Perera - *Director*

Mr. S.S.G. Liyanage – *Director*

Dr. S.A.B. Ekanayake – *Director*

Head/Registered Office

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

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Fax : + (94) 114310777

Website : www.arpico.com

E-mail : cpu@arpico.com

Secretaries

Richard Pieris Group Services (Private) Limited
No. 310, High Level Road,
Nawinna, Maharagama,
Sri Lanka.

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10,
Sri Lanka.

Consolidated Statement of Financial Position

| As at 31st December | Group | | 31st March |
|--|--------------------------|--------------------------|--------------------------|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13,144,041 | 11,556,004 | 11,768,456 |
| Leasehold properties | 543,456 | 565,987 | 562,124 |
| Investment properties | 182,472 | 139,748 | 140,404 |
| Intangible assets | 507,617 | 515,516 | 508,893 |
| Biological assets | 568,037 | 507,191 | 568,037 |
| Investment in an associates | 42,948 | 42,595 | 24,990 |
| Other non-current financial assets | 1,907,291 | 520,608 | 590,002 |
| | <u>16,895,862</u> | <u>13,847,649</u> | <u>14,162,906</u> |
| Current assets | | | |
| Inventories | 4,305,236 | 3,911,419 | 3,745,361 |
| Trade and other receivables | 4,679,548 | 4,283,695 | 4,526,248 |
| Tax receivables | 142,356 | 161,038 | 142,680 |
| Other current financial assets | 526,624 | 50,938 | 47,777 |
| Cash and short-term deposits | 5,504,537 | 4,414,742 | 4,648,564 |
| | <u>15,158,301</u> | <u>12,821,832</u> | <u>13,110,630</u> |
| Total assets | <u>32,054,163</u> | <u>26,669,481</u> | <u>27,273,536</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Stated capital | 1,735,822 | 1,637,236 | 1,637,236 |
| Retained earnings | 6,721,142 | 6,153,375 | 6,234,927 |
| Investment fund reserve | 4,407 | - | 2,222 |
| Other components of equity | 73,832 | 70,250 | 75,057 |
| Equity attributable to equity holders of the parent | <u>8,535,203</u> | <u>7,860,861</u> | <u>7,949,442</u> |
| Non-controlling interests | 2,124,416 | 2,169,006 | 2,217,100 |
| Total equity | <u>10,659,619</u> | <u>10,029,867</u> | <u>10,166,542</u> |
| Non-current liabilities | | | |
| Insurance provision | 149,077 | 53,498 | 67,575 |
| Interest bearing loans and borrowings | 4,248,811 | 3,119,645 | 3,368,878 |
| Net liability to the lessor payable after one year | 620,314 | 630,439 | 628,159 |
| Provisions | 124,736 | 82,789 | 115,172 |
| Government grants | 558,336 | 564,885 | 564,992 |
| Deferred tax liabilities | 258,977 | 145,525 | 227,839 |
| Employee benefit liabilities | 2,031,431 | 1,938,157 | 1,797,278 |
| | <u>7,991,682</u> | <u>6,534,938</u> | <u>6,769,893</u> |
| Current liabilities | | | |
| Trade and other payables | 6,556,628 | 5,546,701 | 4,630,882 |
| Interest bearing loans and borrowings | 1,083,560 | 943,315 | 962,843 |
| Net liability to the lessor payable during the year | 10,366 | 10,817 | 10,078 |
| Income tax payable | 128,434 | 187,208 | 161,504 |
| Short term borrowings | 5,623,874 | 3,416,635 | 4,571,794 |
| | <u>13,402,862</u> | <u>10,104,676</u> | <u>10,337,101</u> |
| Total liabilities | <u>21,394,544</u> | <u>16,639,614</u> | <u>17,106,994</u> |
| Total equity and liabilities | <u>32,054,163</u> | <u>26,669,481</u> | <u>27,273,536</u> |

The above figures are subject to audit.

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Jagath Dissanayake
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.



W J Viville P Perera
Director



S S G Liyanage
Director

Statement of Financial Position

| As at 31st December | Company | | 31st March |
|--|-------------------------|-------------------------|-------------------------|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 25,352 | 35,058 | 38,382 |
| Investment properties | 1,315,769 | 692,353 | 690,641 |
| Investment in subsidiaries | 2,931,342 | 2,870,544 | 2,906,343 |
| Other non-current financial assets | 71,375 | 71,375 | 71,375 |
| Deferred tax assets | 36,953 | 36,953 | 36,953 |
| | <u>4,380,791</u> | <u>3,706,283</u> | <u>3,743,694</u> |
| Current assets | | | |
| Trade and other receivables | 368,028 | 352,462 | 522,185 |
| Amounts due from subsidiaries | 1,959,662 | 2,192,481 | 1,763,350 |
| Other current financial assets | 44,019 | 50,939 | 47,777 |
| Cash and short-term deposits | 422,754 | 37,064 | 332,280 |
| | <u>2,794,463</u> | <u>2,632,946</u> | <u>2,665,592</u> |
| Total assets | <u>7,175,254</u> | <u>6,339,229</u> | <u>6,409,286</u> |
| Equity and liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Stated capital | 1,735,822 | 1,637,236 | 1,637,236 |
| Retained earnings | 608,681 | 933,123 | 517,072 |
| Other components of equity | 22,533 | 29,453 | 26,291 |
| Total equity | <u>2,367,036</u> | <u>2,599,812</u> | <u>2,180,599</u> |
| Non-current liabilities | | | |
| Interest bearing loans and borrowings | 725,087 | 738,380 | 683,390 |
| Employee benefit liabilities | 61,561 | 68,962 | 54,328 |
| | <u>786,648</u> | <u>807,342</u> | <u>737,718</u> |
| Current liabilities | | | |
| Trade and other payables | 152,388 | 258,177 | 279,889 |
| Interest bearing loans and borrowings | 259,960 | 225,293 | 219,960 |
| Amount due to subsidiaries | 455,426 | 353,911 | 436,366 |
| Income tax payable | 2,355 | 1,932 | 1,932 |
| Short term borrowings | 3,151,441 | 2,092,762 | 2,552,822 |
| | <u>4,021,570</u> | <u>2,932,075</u> | <u>3,490,969</u> |
| Total liabilities | <u>4,808,218</u> | <u>3,739,417</u> | <u>4,228,687</u> |
| Total equity and liabilities | <u>7,175,254</u> | <u>6,339,229</u> | <u>6,409,286</u> |

The above figures are subject to audit.

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Jagath Dissanayake
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.



W J Viville P Perera
Director



S S G Liyanage
Director

Consolidated Income Statement

| | 3 months ended | | | 9 months ended | | |
|--|-----------------------|-----------------------|-------------|-------------------------|-------------------------|-------------|
| | 31st December | | | 31st December | | |
| | 2013 | 2012 | % | 2013 | 2012 | % |
| | Rs. '000 | Rs. '000 | Variance | Rs. '000 | Rs. '000 | Variance |
| Continuing operations | | | | | | |
| Revenue | 9,204,633 | 9,470,823 | -3% | 25,890,766 | 26,520,107 | -2% |
| Cost of sales | <u>(6,932,037)</u> | <u>(7,145,349)</u> | -3% | <u>(19,967,192)</u> | <u>(20,034,208)</u> | 0% |
| Gross profit | 2,272,596 | 2,325,474 | -2% | 5,923,574 | 6,485,899 | -9% |
| Other operating income | 139,275 | 168,159 | -17% | 390,235 | 347,229 | 12% |
| Distribution costs | <u>(461,086)</u> | <u>(365,800)</u> | 26% | <u>(1,253,944)</u> | <u>(1,032,575)</u> | 21% |
| Administrative expenses | <u>(1,019,266)</u> | <u>(1,057,649)</u> | -4% | <u>(2,957,939)</u> | <u>(2,887,906)</u> | 2% |
| Other operating expenses | <u>(16,408)</u> | <u>(13,647)</u> | 20% | <u>(47,953)</u> | <u>(39,644)</u> | 21% |
| Profit from operations | 915,111 | 1,056,537 | -13% | 2,053,973 | 2,873,003 | -29% |
| Finance cost | <u>(263,643)</u> | <u>(301,380)</u> | -13% | <u>(778,204)</u> | <u>(814,518)</u> | -4% |
| Finance income | <u>52,127</u> | <u>57,994</u> | -10% | <u>294,713</u> | <u>193,685</u> | 52% |
| Profit from operations after finance cost | 703,595 | 813,151 | -13% | 1,570,482 | 2,252,170 | -30% |
| Share of results of associates | <u>10,542</u> | <u>23,250</u> | -55% | <u>21,226</u> | <u>53,238</u> | -60% |
| Profit before tax | <u>714,137</u> | <u>836,401</u> | -15% | <u>1,591,708</u> | <u>2,305,408</u> | -31% |
| Income tax expense | <u>(173,140)</u> | <u>(268,424)</u> | -35% | <u>(475,309)</u> | <u>(590,797)</u> | -20% |
| Profit for the period from continuing operation | 540,997 | 567,977 | | 1,116,399 | 1,714,611 | -35% |
| Discontinued Operations | | | | | | |
| Profit/ (Loss) after tax for the period from discontinued operations | <u>(369)</u> | <u>(813)</u> | -55% | <u>(1,039)</u> | <u>(1,207)</u> | -14% |
| Profit for the period | <u>540,628</u> | <u>567,164</u> | -5% | <u>1,115,360</u> | <u>1,713,404</u> | |
| Attributable to: | | | | | | |
| Equity holders of the parent | <u>475,184</u> | <u>453,118</u> | 5% | <u>956,339</u> | <u>1,447,496</u> | -34% |
| Minority interest | <u>65,444</u> | <u>114,046</u> | -43% | <u>159,021</u> | <u>265,908</u> | -40% |
| | <u>540,628</u> | <u>567,164</u> | -5% | <u>1,115,360</u> | <u>1,713,404</u> | -35% |
| Earnings per share | | | | | | |
| Basic (Rs.) | 0.24 | 0.23 | | 0.49 | 0.75 | |
| Diluted (Rs.) | 0.24 | 0.23 | | 0.48 | 0.72 | |

Figures in brackets indicate deductions.

The above figures are subject to audit.

Company Income Statement

| | 3 months ended 31st December | | | 9 months ended 31st December | | |
|-------------------------------|---------------------------------|-----------|----------|---------------------------------|-----------|----------|
| | 2013 | 2012 | % | 2013 | 2012 | % |
| | Rs. '000 | Rs. '000 | Variance | Rs. '000 | Rs. '000 | Variance |
| Revenue | 319,825 | 349,420 | -8% | 1,119,860 | 953,914 | 17% |
| Cost of sales | - | - | | - | - | |
| Gross profit | 319,825 | 349,420 | -8% | 1,119,860 | 953,914 | 17% |
| Administrative expenses | (96,691) | (79,009) | 22% | (289,064) | (236,063) | 22% |
| Profit from operations | 223,134 | 270,411 | -17% | 830,796 | 717,851 | 16% |
| Finance cost | (105,249) | (125,040) | -16% | (322,167) | (318,427) | 1% |
| Finance income | 21,628 | 8,518 | 154% | 72,502 | 17,635 | 311% |
| Profit before tax | 139,513 | 153,889 | -9% | 581,131 | 417,059 | 39% |
| Income tax expense | - | (10,366) | -100% | - | (10,560) | -100% |
| Profit for the period | 139,513 | 143,523 | -3% | 581,131 | 406,499 | 43% |
| Earnings per share | | | | | | |
| Basic (Rs.) | 0.07 | 0.07 | | 0.30 | 0.21 | |
| Diluted (Rs.) | 0.07 | 0.07 | | 0.29 | 0.20 | |

Figures in brackets indicate deductions.

The above figures are subject to audit.

Statement of Comprehensive Income

| Nine months ended 31st December | Group | | Company | |
|--|-------------------------|-------------------------|-----------------------|-----------------------|
| | 2013 Rs.000' | 2012 Rs.000' | 2013 Rs.000' | 2012 Rs.000' |
| Profit for the year | <u>1,115,360</u> | <u>1,713,404</u> | <u>581,131</u> | <u>406,499</u> |
| Other comprehensive income | | | | |
| Exchange differences on translation of foreign operations | 15,055 | (30) | - | - |
| Net gain/ (loss) on available for sale financial assets | (13,904) | (1,003) | (3,758) | (1,003) |
| Other comprehensive income/ (loss) for the year, net of tax | <u>1,151</u> | <u>(1,033)</u> | <u>(3,758)</u> | <u>(1,003)</u> |
| Total comprehensive income for the year, net of tax | <u>1,116,511</u> | <u>1,712,371</u> | <u>577,373</u> | <u>405,496</u> |
| Attributable to: | | | | |
| Equity holders of the parent | 955,114 | 1,449,054 | | |
| Non-controlling interests | <u>161,397</u> | <u>263,317</u> | | |
| | <u>1,116,511</u> | <u>1,712,371</u> | | |

Cash Flow Statements

| For the nine months ended 31st December | Group | | Company | |
|---|------------------|--------------------|--------------------|--------------------|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 |
| Cash flows from operating activities | | | | |
| Profit before tax and minority interest from continuing operations | 1,591,708 | 2,305,408 | 581,131 | 417,059 |
| Loss before tax from discontinued operations | (1,039) | (1,207) | - | - |
| Adjustments to reconcile profit before tax to net cash flows | 1,427,363 | 1,305,298 | 272,141 | 339,018 |
| Operating profit before working capital changes | 3,018,032 | 3,609,499 | 853,272 | 756,077 |
| Working capital adjustments | 1,219,533 | (129,826) | (148,362) | (1,350,155) |
| Cash generated from operations | 4,237,565 | 3,479,673 | 704,910 | (594,078) |
| Interest paid | (778,204) | (814,518) | (322,167) | (318,427) |
| Interest received | 294,713 | 171,743 | 72,502 | 17,635 |
| Income tax paid | (476,917) | (499,903) | (312) | (18,282) |
| Defined benefit plan costs paid | (138,184) | (173,850) | (3,368) | (1,029) |
| Net cash from / (used in) operating activities | 3,138,973 | 2,163,145 | 451,565 | (914,181) |
| Net cash flows used in investing activities | (3,753,953) | (1,114,566) | (650,470) | (197,512) |
| Net cash inflow / (outflow) before financing | (614,980) | 1,048,579 | (198,905) | (1,111,693) |
| Net cash flows from / (used in) financing activities | 418,873 | 1,186,017 | (309,240) | 537,973 |
| Net increase / (decrease) in cash and cash equivalents | (196,107) | 2,234,596 | (508,145) | (573,720) |
| Cash and cash equivalents at the beginning of the period | 76,770 | (1,236,489) | (2,220,542) | (1,481,978) |
| Cash and cash equivalents at the end of the period | (119,337) | 998,107 | (2,728,687) | (2,055,698) |
| Analysis of cash and cash equivalents at the end of the period | | | | |
| Bank and cash balances | 5,504,537 | 4,414,742 | 422,754 | 37,064 |
| Short term borrowings | (5,623,874) | (3,416,635) | (3,151,441) | (2,092,762) |
| | (119,337) | 998,107 | (2,728,687) | (2,055,698) |

Figures in brackets indicate deductions.

The above figures are subject to audit.

Statement of Changes in Equity

| Group | Attributable to equity holders of the parent | | | | | | | |
|---------------------------------------|--|------------------|-----------------------------|--------------------------------------|-------------------------|------------------|--------------------------|-------------------|
| | Stated capital | Revenue reserves | Available -for-sale reserve | Foreign currency translation reserve | Investment fund reserve | Total | Non controlling interest | Total equity |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| As at 1st April 2012 | 1,633,853 | 4,603,788 | 30,456 | 38,236 | - | 6,306,333 | 1,994,660 | 8,300,993 |
| Profit for the period | - | 1,447,496 | - | - | - | 1,447,496 | 265,908 | 1,713,404 |
| Other comprehensive income | - | - | (1,003) | 2,561 | - | 1,558 | (2,591) | (1,033) |
| Total comprehensive income | - | 1,447,496 | (1,003) | 2,561 | - | 1,449,054 | 263,317 | 1,712,371 |
| Exercise of options | 3,383 | - | - | - | - | 3,383 | - | 3,383 |
| Adjustments due to changes in holding | - | 102,091 | - | - | - | 102,091 | (88,971) | 13,120 |
| At 31st December 2012 | 1,637,236 | 6,153,375 | 29,453 | 40,797 | - | 7,860,861 | 2,169,006 | 10,029,867 |
| As at 1st April 2013 | 1,637,236 | 6,234,927 | 34,859 | 40,198 | 2,222 | 7,949,442 | 2,217,100 | 10,166,542 |
| Profit for the period | - | 956,339 | - | - | - | 956,339 | 159,021 | 1,115,360 |
| Other comprehensive income | - | - | (13,904) | 12,679 | - | (1,225) | 2,376 | 1,151 |
| Total comprehensive income | - | 956,339 | (13,904) | 12,679 | - | 955,114 | 161,397 | 1,116,511 |
| Exercise of options | 98,586 | - | - | - | - | 98,586 | - | 98,586 |
| Dividends paid | - | (489,522) | - | - | - | (489,522) | - | (489,522) |
| Adjustments due to changes in holding | - | 19,398 | - | - | - | 19,398 | (113,620) | (94,222) |
| Transfers during the year | - | - | - | - | 2,185 | 2,185 | - | 2,185 |
| Subsidiary dividend paid | - | - | - | - | - | - | (140,461) | (140,461) |
| At 31st December 2013 | 1,735,822 | 6,721,142 | 20,955 | 52,877 | 4,407 | 8,535,203 | 2,124,416 | 10,659,619 |
| Company | | | | | | | | |
| As at 1st April 2012 | 1,633,853 | 526,624 | 30,456 | - | - | 2,190,933 | - | 2,190,933 |
| Profit for the period | - | 406,499 | - | - | - | 406,499 | - | 406,499 |
| Other comprehensive income | - | - | (1,003) | - | - | (1,003) | - | (1,003) |
| Total comprehensive income | - | 406,499 | (1,003) | - | - | 405,496 | - | 405,496 |
| Exercise of options | 3,383 | - | - | - | - | 3,383 | - | 3,383 |
| At 31st December 2012 | 1,637,236 | 933,123 | 29,453 | - | - | 2,599,812 | - | 2,599,812 |
| As at 1st April 2013 | 1,637,236 | 517,072 | 26,291 | - | - | 2,180,599 | - | 2,180,599 |
| Profit for the period | - | 581,131 | - | - | - | 581,131 | - | 581,131 |
| Other comprehensive income | - | - | (3,758) | - | - | (3,758) | - | (3,758) |
| Total comprehensive income | - | 581,131 | (3,758) | - | - | 577,373 | - | 577,373 |
| Exercise of options | 98,586 | - | - | - | - | 98,586 | - | 98,586 |
| Dividends paid | - | (489,522) | - | - | - | (489,522) | - | (489,522) |
| At 31st December 2013 | 1,735,822 | 608,681 | 22,533 | - | - | 2,367,036 | - | 2,367,036 |

Figures in brackets indicate deductions.
The above figures are subject to audit.

Segmental Results

| 31st December | Gross turnover | | Inter segmental | | Intra segmental | | Revenue from external customers | | Operating profits | | Assets | |
|----------------------------|-------------------|-------------------|---------------------------|--------------------|---------------------------|--------------------|---------------------------------|-------------------|-------------------------|------------------|--------------------------|-------------------|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 |
| Rubber | 2,204,676 | 2,181,317 | (78,712) | (78,162) | (463) | (517) | 2,125,501 | 2,102,638 | 276,202 | 259,493 | 2,290,954 | 2,256,564 |
| Tyre retreading | 2,894,958 | 3,161,167 | (10,914) | (26,994) | (865,596) | (1,018,885) | 2,018,448 | 2,115,288 | 294,017 | 263,493 | 1,793,043 | 1,921,123 |
| Plastics & Distribution | 4,477,491 | 6,815,192 | (364,104) | (381,565) | (379,892) | (1,972,632) | 3,733,495 | 4,460,995 | 558,605 | 569,788 | 4,792,648 | 4,161,604 |
| Retail | 12,220,866 | 12,494,890 | - | - | (172,299) | (172,299) | 12,048,567 | 12,322,591 | 631,264 | 891,471 | 7,771,157 | 7,452,830 |
| Financial Services | 391,796 | 189,046 | - | - | - | - | 391,796 | 189,046 | 3,451 | (40,582) | 2,850,462 | 1,211,242 |
| Services | 1,373,539 | 1,100,035 | (1,222,432) | (1,091,452) | (61,780) | - | 89,327 | 8,583 | (222,247) | (135,894) | 7,666,723 | 7,094,378 |
| Plantations | 6,317,050 | 6,296,187 | - | (698,042) | (833,418) | (277,179) | 5,483,632 | 5,320,966 | 512,681 | 1,065,234 | 17,149,192 | 15,045,425 |
| Inter segment eliminations | - | - | - | - | - | - | - | - | - | - | (12,302,964) | (12,516,280) |
| Group | <u>29,880,376</u> | <u>32,237,834</u> | <u>(1,676,162)</u> | <u>(2,276,215)</u> | <u>(2,313,448)</u> | <u>(3,441,512)</u> | <u>25,890,766</u> | <u>26,520,107</u> | <u>2,053,973</u> | <u>2,873,003</u> | <u>32,011,215</u> | <u>26,626,886</u> |

Figures in brackets indicate deductions.

The above figures are subject to audit.

Notes to the Financial Statements

| For the nine months ended 31st December | 2013 Rs. | 2012 Rs. | Year ended 31st March 2013 Rs. |
|---|-------------|-------------|---|
| 1. Net asset value per share - Group | 4.36 | 4.05 | 4.10 |
| Net asset value per share - Company | 1.21 | 1.34 | 1.12 |
| Market price per share | | | |
| Highest | 6.70 | 9.00 | 9.10 |
| Lowest | 6.20 | 7.40 | 5.50 |
| Last traded | 6.30 | 7.80 | 6.60 |

2. Stated capital of Richard Pieris and Company PLC amounts to Rs.1,735,821,182 represented by 1,958,087,630 ordinary shares.
3. A first interim dividend of Rs.0.25 per share for the financial year ending 31 March 2014 was declared on 16th August 2013 and was paid on 30th August 2013.
4. Application of new/revised Sri Lanka Financial Reporting Standards (SLFRS/ LKAS)

The Group adopted Sri Lanka Accounting Standards comprising LKAS and SLFRS effective from 01st January 2012. Accordingly the condensed Interim Financial Statements of the group for period ended 31st December 2013 have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.

Prior to the adoption of SLFRS, the Group prepared the Interim Financial Statements in accordance with previous Sri Lanka Accounting Standards and where necessary , comparative figures have been re-stated to confirm with SLFRS/ LKAS.
5. The presentation and classification of the financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.
6. There has been no significant change in the nature of the contingent liabilities, which were disclosed in the Annual Report for the year ended 31st March 2013.
7. Discontinued operations comprise the results of subsidiaries of the Group whose commercial operations have been discontinued.
8. There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.
9. The percentage of shares held by the public as at 31st December 2013 was 44.60% (31st March 2013 - 45.03%).

Notes to the Financial Statements

10 The number of shares held by the Board of Directors are as follows:

| As at | 31-12-2013 | 31-3-2013 |
|---|------------|-----------|
| 1 Dr. Sena Yaddehige -Chairman/Managing Director/CEO | 18,850,005 | - |
| 2 Mr. J H Paul Ratnayake | 3,250,005 | 3,250,005 |
| 3 Prof. Lakshman R Watawala | 40,000 | 40,000 |
| 4 Prof. Susantha D. Pathirana | - | - |
| 5 Mr. W.J. Vivile P. Perera | 4,500 | 4,500 |
| 6 Mr. S S G Liyanage | 3,942,825 | 3,708,505 |
| 7 Dr. S A B Ekanayake | - | - |

11 Twenty largest shareholders of the Company are as follows:

| As at | 31-12-2013 Number of shares | % | 31-3-2013 Number of shares | % |
|---|--------------------------------|---------------|-------------------------------|---------------|
| 1 Skyworld Overseas Holdings Limited | 516,388,590 | 26.37% | 516,388,590 | 26.64% |
| 2 Camille Consulting Corp. | 316,935,120 | 16.19% | 316,935,120 | 16.35% |
| 3 HSBC International Nominees Ltd-SSBT- Deutsche Bank | 225,353,787 | 11.51% | 225,353,787 | 11.62% |
| 4 Sezeka Limited | 174,447,000 | 8.91% | 174,447,000 | 9.00% |
| 5 Employees Provident Fund | 160,604,062 | 8.20% | 137,181,379 | 7.08% |
| 6 Rockport Limited | 99,506,865 | 5.08% | 99,506,865 | 5.13% |
| 7 Dhanasiri Recreation Pvt Ltd | 26,456,764 | 1.35% | 25,759,500 | 1.33% |
| 8 Mr. D.W.R.Rutnam | 25,759,500 | 1.32% | 22,782,045 | 1.18% |
| 9 The Executor of the Estate of Late Mrs L.B. S. Pieris | 22,782,045 | 1.16% | 20,209,699 | 1.04% |
| 10 Mr. H.A. Pieris | 20,800,415 | 1.06% | 20,751,015 | 1.07% |
| 11 Dr. Sena Yaddehige | 18,850,005 | 0.96% | - | 0.00% |
| 12 Mercantile Investments and Finance PLC | 15,785,995 | 0.81% | 15,785,995 | 0.81% |
| 13 Kalday (Pvt) Ltd. | 12,126,030 | 0.62% | 12,126,030 | 0.63% |
| 14 Mr. K. R. Dharmendra | 7,576,900 | 0.39% | 7,576,900 | 0.39% |
| 15 Seylan Bank PLC - Account No: 03 | 7,000,000 | 0.36% | 7,188,780 | 0.37% |
| 16 Dr C.M. Fernando | 6,660,570 | 0.34% | 7,000,000 | 0.36% |
| 17 Employees Trust Fund Board | 6,419,095 | 0.33% | 6,660,570 | 0.34% |
| 18 Mr. R.C. Peries | 5,904,120 | 0.30% | 6,419,095 | 0.33% |
| 19 National Savings Bank | 5,323,900 | 0.27% | 5,323,900 | 0.27% |
| 20 The Incorporated Trustees of the Church of Ceylon | 4,868,795 | 0.25% | - | 0.00% |
| | 1,679,549,558 | 85.77% | 1,627,396,270 | 83.95% |

12 All values included in these financial statements are in Rs.'000s unless otherwise stated.

13. Notes to the reconciliation of equity as at 31st December 2012 and total comprehensive income for the period ended 31st December 2012

The Group adopted Sri Lanka Accounting Standards comprising LKAS and SLFRS effective from 01st January 2012. Accordingly the condensed Interim Financial Statements of the group for period ended 31st December 2013 have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS.

Prior to the adoption of SLFRS, the Group prepared the Interim Financial Statements in accordance with previous Sri Lanka Accounting Standards and where necessary, comparative figures have been re-stated to conform with SLFRS/LKAS. The resulting adjustments are described below.

A Revenue

As per SLFRS/LKAS the Group recorded Nation Building Tax (NBT) on a gross basis from the date of transition which was set off against Revenue under SLAS.

As per SLAS 32 the Profit & Loss of the perennial crop has been recognized in the financial period of harvesting, thus the unsold stock were treated as part of revenue. In terms of LKAS 18, the scope of revenue recognition was changed, therefore the revenue is recognized based on the date of auction where the recognition criterion are met and the quantity sold at auction is treated as sales.

B Cost of Sales

According to SLFRS/LKAS the recognition of Cost of Sales changed concurrently to the changes in revenue recognition. Thus, cost of sales consists of costs that are directly attributable to goods sold

C Other Operating Income

As per SLAS, the Group was permitted to recognize foreign exchange gains under Other Operating Income. However, under SLFRS/LKAS the Group is required to treat this under Other Comprehensive Income. According to LKAS 41 the Group has recorded the fair value gain of Biological Assets for the year ended 31st March 2012.

As per SLAS Finance Income has been classified under Other Operating Income. Under SLFRS/LKAS the Group is required to classify Finance Income separately.

D Selling & Distribution Expenses

According to SLFRS/LKAS the Group recognized NBT under Selling & Distribution Expenses.

E Administrative Expenses

The Group has elected to reassess useful life of certain items of Property Plant & Equipments (PPE) as at the date of transition. The impact of depreciation due to review of useful lives of assets were recognized under Administrative Expenses.

F Other Operating Expenses

As per SLAS the Group recognized fair value losses of mark to market adjustment of Available for Sale Investments (AFS) under Other Operating Expenses. However as per SLFRS/LKAS the Group is required to treat such losses under Other Comprehensive Income.

G Finance Cost/ Finance Income

Under SLAS the Group has set off certain components of Finance Income against Finance Cost. As per SLFRS/LKAS the Group reclassified the Finance Income separately.

H Income Tax

A Deferred Tax effect arose due to the increase of the Taxable temporary difference as a result of reassessment of the useful Life of PPE and Fair valuation of Biological Assets which was remeasured under SLFRS/LKAS.

I Property Plant & Equipment - PPE

As per SLFRS/LKAS the Group reclassified certain items of Investment Properties and Biological Assets which were previously presented under PPE.

Further, the Group elected to reassess certain items of PPE as at the date of transition and the carrying values were adjusted accordingly.

J Intangible Assets

With the adoption of SLFRS/LKAS the Group has written off intangible Assets which did not meet the definition criterion for Intangible Assets under LKAS 38.

K Biological Assets

According to LKAS 41 managed agricultural activities were recorded at Fair Value, which was ascertained by a Professionally Qualified Valuer.

L Other non current financial assets

Other Investment of the company were reclassified as other non current financial assets as per the requirement of SLFRS/LKAS.

M Inventories

As per SLAS produce stocks were valued at its estimated selling price. However under SLFRS/LKAS inventories measured at the lower of cost or NRV which remeasured accordingly.

N Trade and Other Receivables

According to SLFRS/LKAS certain components of bad debt provision were remeasured.

O Tax Receivables

With the implementation of SLFRS/LKAS, the presentation of tax receivable was reclassified and set off against Tax Payable

P Other Current Financial Assets

With the implementation of SLFRS/LKAS, the Group reclassified its Short term Investments as Other Current Financial assets which were previously presented under Short term Investments.

Q Capital Reserves

According to SLFRS/LKAS the Group identified Capital Reserves which are of a revenue nature and reclassified under Revenue Reserves

R Revenue Reserves

Certain components of Capital Reserves were reclassified as Revenue Reserves and Fair value gain of mark to market adjustment of Available for Sale Investments was reclassified from Revenue Reserves to Other component of equity. Further, as per SLFRS/LKAS the Group has assessed the useful lives of PPE and accounted under deemed cost through retained earnings accordingly.

S Other Component of Equity

This includes Available for Sale Investments reserve and Foreign currency translation reserve which were reclassified with adoption of SLFRS/LKAS.

T Provisions

As per SLFRS/LKAS Warranty provisions presented under Trade Payables reclassified separately.

U Deferred Tax Liability

The deferred tax effects arose due to increase of the taxable temporary differences as a result of reassessment of useful life of Property Plant & Equipment and Fair valuation of Biological assets were adjusted accordingly.

V Trade Payables

As per SLFRS/LKAS Warranty Provisions and Deposits were reclassified accordingly. Further the impact of straightlining of rental payables were adjusted as per requirements of SLFRS/LKAS.

Reconciliation of Total Comprehensive Income for the period ended 31st December 2012

| | Notes | Group | | | Company | | |
|--|-------|--|---------------------|---|--------------------------------------|---------------------|---|
| | | SLAS for the period ended 31.12.2012 | Re- measurements | SLFRS for the period ended 31.12.2012 | SLAS for the period 31.12.2012 | Re- measurements | SLFRS for the period ended 31.12.2012 |
| | | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' |
| Continuing operations | | | | | | | |
| Revenue | A | 26,380,809 | 139,298 | 26,520,107 | 953,914 | - | 953,914 |
| Cost of sales | B | (20,139,140) | 104,932 | (20,034,208) | - | - | - |
| Gross profit | | 6,241,669 | 244,230 | 6,485,899 | 953,914 | - | 953,914 |
| Other operating income | C | 599,366 | (252,137) | 347,229 | - | - | - |
| Selling and distribution expenses | D | (852,610) | (179,965) | (1,032,575) | - | - | - |
| Administrative expenses | E | (2,723,760) | (164,146) | (2,887,906) | (223,260) | (12,803) | (236,063) |
| Other operating expenses | F | (46,829) | 7,185 | (39,644) | (1,003) | 1,003 | - |
| Operating profit | | 3,217,836 | (344,833) | 2,873,003 | 729,651 | (11,800) | 717,851 |
| Finance costs | G | (793,775) | (20,743) | (814,518) | (300,792) | (17,635) | (318,427) |
| Finance Income | G | - | 193,685 | 193,685 | - | 17,635 | 17,635 |
| Share of profit of an associate | | 53,238 | - | 53,238 | - | - | - |
| Profit before tax from continuing operations | | 2,477,299 | (171,891) | 2,305,408 | 428,859 | (11,800) | 417,059 |
| Income tax expense | H | (592,638) | 1,841 | (590,797) | (10,560) | - | (10,560) |
| Profit for the year from continuing operations | | 1,884,661 | (170,050) | 1,714,611 | 418,299 | (11,800) | 406,499 |
| Discontinued operations | | | | | | | |
| Loss after tax for the year from discontinued operations | | (1,207) | - | (1,207) | - | - | - |
| Profit for the year | | 1,883,454 | (170,050) | 1,713,404 | 418,299 | (11,800) | 406,499 |
| Attributable to: | | | | | | | |
| Equity holders of the parent | | 1,572,135 | (124,639) | 1,447,496 | | | |
| Non-controlling interests | | 311,319 | (45,411) | 265,908 | | | |
| | | 1,883,454 | (170,050) | 1,713,404 | | | |
| Other comprehensive income | | | | | | | |
| Exchange differences on translation of foreign operations | | - | (30) | (30) | - | - | - |
| Net loss on available for sale financial assets | F | - | (1,003) | (1,003) | - | (1,003) | (1,003) |
| Other comprehensive income for the year, net of tax | | - | (1,033) | (1,033) | - | (1,003) | (1,003) |
| Total comprehensive income for the year, net of tax | | 1,883,454 | (171,083) | 1,712,371 | 418,299 | (12,803) | 405,496 |

Reconciliation of Equity as at 31st December 2012

| Notes | Group | | | | Company | | | | |
|--|--------------------------|--------------------------|------------------|---------------------------|--------------------------|-------------------------|----------------|---------------------------|-------------------------|
| | SLAS as at 31.12.2012 | Reclassification | Remeasurements | SLFRS as at 31.12.2012 | SLAS as at 31.12.2012 | Reclassification | Remeasurements | SLFRS as at 31.12.2012 | |
| | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' | Rs.000' | |
| Assets | | | | | | | | | |
| Non-current assets | | | | | | | | | |
| Property, plant and equipment | I | 11,229,438 | (178,000) | 504,566 | 11,556,004 | 35,058 | - | - | 35,058 |
| Leasehold Properties | | 565,987 | - | - | 565,987 | - | - | - | - |
| Investment properties | I | - | 139,628 | 120 | 139,748 | 684,594 | - | 7,759 | 692,353 |
| Intangible assets | J | 533,598 | - | (18,082) | 515,516 | - | - | - | - |
| Biological Assets | I/K | - | 38,372 | 468,819 | 507,191 | - | - | - | - |
| Investment in subsidiaries | | - | - | - | - | 2,870,544 | - | - | 2,870,544 |
| Investment in an associates | | 42,595 | - | - | 42,595 | - | - | - | - |
| Other non-current financial assets | L | - | 520,608 | - | 520,608 | - | 71,375 | - | 71,375 |
| Other Investments | L | 175,806 | (175,806) | - | - | 71,375 | (71,375) | - | - |
| Deferred tax assets | | - | - | - | - | 36,953 | - | - | 36,953 |
| | | <u>12,547,424</u> | <u>344,802</u> | <u>955,423</u> | <u>13,847,649</u> | <u>3,698,524</u> | <u>-</u> | <u>7,759</u> | <u>3,706,283</u> |
| Current assets | | | | | | | | | |
| Inventories | M | 4,184,715 | - | (273,296) | 3,911,419 | - | - | - | - |
| Trade and other receivables | N | 4,303,712 | (22,243) | 2,226 | 4,283,695 | 352,462 | - | - | 352,462 |
| Tax Receivables | O | 161,038 | - | - | 161,038 | - | - | - | - |
| Amount due from subsidiaries | | - | - | - | - | 2,192,481 | - | - | 2,192,481 |
| Other current financial assets | P | - | 50,938 | - | 50,938 | - | 50,939 | - | 50,939 |
| Short term investments | P | 50,938 | (50,938) | - | - | 50,939 | (50,939) | - | - |
| Cash and short-term deposits | | <u>4,737,301</u> | <u>(322,559)</u> | <u>-</u> | <u>4,414,742</u> | <u>37,064</u> | <u>-</u> | <u>-</u> | <u>37,064</u> |
| | | <u>13,437,704</u> | <u>(344,802)</u> | <u>(271,070)</u> | <u>12,821,832</u> | <u>2,632,946</u> | <u>-</u> | <u>-</u> | <u>2,632,946</u> |
| Total assets | | <u>25,985,128</u> | <u>-</u> | <u>684,353</u> | <u>26,669,481</u> | <u>6,331,470</u> | <u>-</u> | <u>7,759</u> | <u>6,339,229</u> |
| Equity and liabilities | | | | | | | | | |
| Equity | | | | | | | | | |
| Stated capital | | 1,637,236 | - | - | 1,637,236 | 1,637,236 | - | - | 1,637,236 |
| Capital reserves | Q | 126,901 | (126,901) | - | - | 10,574 | (10,574) | - | - |
| Revenue reserves | R | 5,684,561 | 97,448 | 371,366 | 6,153,375 | 978,310 | (18,879) | (26,308) | 933,123 |
| Foreign currency translation | S | 40,797 | (40,797) | - | - | - | - | - | - |
| Other components of equity | S | - | 70,250 | - | 70,250 | - | 29,453 | - | 29,453 |
| Equity attributable to equity holders of the parent | | <u>7,489,495</u> | <u>-</u> | <u>371,366</u> | <u>7,860,861</u> | <u>2,626,120</u> | <u>-</u> | <u>(26,308)</u> | <u>2,599,812</u> |
| Non-controlling interests | | <u>2,067,503</u> | <u>-</u> | <u>101,503</u> | <u>2,169,006</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,169,006</u> |
| Total equity | | <u>9,556,998</u> | <u>-</u> | <u>472,869</u> | <u>10,029,867</u> | <u>2,626,120</u> | <u>-</u> | <u>(26,308)</u> | <u>2,599,812</u> |
| Non-current liabilities | | | | | | | | | |
| Insurance Provision | | 53,498 | - | - | 53,498 | - | - | - | - |
| Interest bearing loans and borrowings | | 3,119,645 | - | - | 3,119,645 | 738,380 | - | - | 738,380 |
| Net liability to the lessor payable after one year | | 630,439 | - | - | 630,439 | - | - | - | - |
| Provisions | T/V | - | 82,789 | - | 82,789 | - | - | - | - |
| Government grants | | 564,885 | - | - | 564,885 | - | - | - | - |
| Deferred tax liabilities | U | 85,639 | - | 59,886 | 145,525 | - | - | - | - |
| Employee benefit liabilities | | <u>1,938,157</u> | <u>-</u> | <u>-</u> | <u>1,938,157</u> | <u>68,962</u> | <u>-</u> | <u>-</u> | <u>68,962</u> |
| | | <u>6,392,263</u> | <u>82,789</u> | <u>59,886</u> | <u>6,534,938</u> | <u>807,342</u> | <u>-</u> | <u>-</u> | <u>807,342</u> |
| Current liabilities | | | | | | | | | |
| Trade and other payables | V | 5,476,520 | (80,319) | 150,500 | 5,546,701 | 221,640 | 2,470 | 34,067 | 258,177 |
| Current portion of interest bearing loans and borrowings | | 943,315 | - | - | 943,315 | 225,293 | - | - | 225,293 |
| Current portion of net liability to the lessor | | 10,817 | - | - | 10,817 | - | - | - | - |
| Deposits | V | 2,470 | (2,470) | - | - | 2,470 | (2,470) | - | - |
| Amounts due to subsidiaries | | - | - | - | - | 353,911 | - | - | 353,911 |
| Income tax payable | | 186,110 | - | 1,098 | 187,208 | 1,932 | - | - | 1,932 |
| Short Term Borrowings | | <u>3,416,635</u> | <u>-</u> | <u>-</u> | <u>3,416,635</u> | <u>2,092,762</u> | <u>-</u> | <u>-</u> | <u>2,092,762</u> |
| | | <u>10,035,867</u> | <u>(82,789)</u> | <u>151,598</u> | <u>10,104,676</u> | <u>2,898,008</u> | <u>-</u> | <u>34,067</u> | <u>2,932,075</u> |
| Total liabilities | | <u>16,428,130</u> | <u>-</u> | <u>211,484</u> | <u>16,639,614</u> | <u>3,705,350</u> | <u>-</u> | <u>34,067</u> | <u>3,739,417</u> |
| Total equity and liabilities | | <u>25,985,128</u> | <u>-</u> | <u>684,353</u> | <u>26,669,481</u> | <u>6,331,470</u> | <u>-</u> | <u>7,759</u> | <u>6,339,229</u> |

