

88 <sup>Since 1932</sup>  
*Years*  
*Touching Lives*



RICHARD PIERIS & COMPANY PLC  
ANNUAL REPORT 2019/2020

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# 88

Since 1932  
*Years*

*Touching Lives*

THE IMPACT THAT WE HAVE MADE IN PEOPLE'S LIVES IN THE LAST 88 YEARS HAS TRULY BEEN UNBELIEVABLE. GENERATION UPON GENERATION OF SRI LANKANS HAVE BEEN A PART OF OUR STORY AND WE ARE ENTHUSED TO CONTINUE THIS LEGEND OF QUALITY AND STRENGTH INTO THE MANY DECADES THAT LIE AHEAD OF US.



# OUR CORE BUSINESS

## RETAIL SECTOR



Our Retail sector is involved in the sale of a wide array of FMCG, Household goods, Furniture and Electronic goods, while also providing value-added services, such as bank service points, ATMs, credit card and mobile bill payment facilities, and delivering an unique shopping experience to customers.

## TYRE SECTOR



Our Tyre sector has successfully made its mark across the Island as the finest and the largest Tyre Retreader in Sri Lanka. We have also introduced popular Tyre brands to the domestic market and added solid Tyres in the product portfolio.

## PLASTICS, FURNITURE & ELECTRONICS SECTOR



Our Plastic segment of the sector is in the business of manufacturing and distribution of Mattresses, Water tanks, Plastic furniture, Cushions and sheets, Rigifoam products, PVC Pipes and Fittings, Vinyl mats, day to day consumer durables, as well as industrial and domestic rubber products, Water pumps, whilst the furniture operation focuses on manufacturing Sofas, Panel furniture and Wooden furniture. The sector emphasis on the eco- friendly 'Green Gas' concept, seeking to pave the way for a cleaner energy system. The sector also included Electronics to its product portfolio.

## RUBBER SECTOR



Our Rubber sector, which mainly caters to the export market, is involved with products such as mattresses, pillows, latex rings, crutch tips, shoe soles and jar rings along with specialty items such as fire retardant mats, electrical safety mats and anti-static mats. We have also introduced new products such as Arpico Organic Latex Foam, certified by Global Organic Latex Standards (GOLS). The products of this sector are also present in the local market through the sale of our export quality rubber mats.

## PLANTATION SECTOR



Our Plantation sector holds large land banks in Sri Lanka, with Tea, Rubber, Palm Oil, Coconut and Spices. We are also the largest Tea/Rubber producer in the country. Our brand of St. Clair's Tea is popular both internationally and domestically.

## FINANCIAL SERVICES AND OTHER SECTOR



Our Financial services sector includes various services such as Insurance, Finance, Stock Broking, Margin Trading and a Logistics arm. Our Finance company offers a variety of products such as Fixed Deposits, Savings Deposits, Leasing, Hire Purchase, Term Loans and Islamic Finance, while the portfolio of the Insurance arm includes Endowment, Term Assurance, Education, Hospitalisation, Investment, Group Assurance and Loan protection plans. RPC Logistics Limited, the Logistics arm of the Group, provides fully-fledged integrated logistics solutions both locally and internationally.



## VISION

To be a market driven, technologically oriented diverse Group.

We will organise and operate to continually focus on exceeding the expectations of our customers, whilst excelling in profitability and we will attract, develop and retain talented people to ensure the continued growth and viability of all our business ventures.



## MISSION

To continually exceed the expectations of our customers.

To optimise the contribution from our employees by providing career and personal development opportunities, thereby creating an atmosphere that would motivate and internalise employee aspirations with corporate objectives.

To provide a satisfactory return to shareholders whilst retaining sufficient funds for reinvestment, thereby enhancing corporate wealth.

To ensure continuous growth by the planned expansion and diversification of business activities.

To continually strive for the upliftment of our community whilst adhering to high ethical standards in business.



# 1932 - 2020

In its 88 year journey of improving the quality of life of the people in Sri Lanka, Richard Pieris and Company PLC, has attained the status of a national institution with the 'Arpico' brand recognised as one of the oldest and most loved brand in the country.

The Company originated as a 'commission agents, general import and export merchants and dealers in estate supplies', within the British colonial backdrop where all major trade and economic activities were controlled by British principals. As such, the Company was a rare representation of the emerging category of home grown Sri Lankan businesses. The newly formed Company's first business venture was a filling station and within the first seven years of commencing business operations, revenues grew by more than 400%. In 1940 the business was converted into a limited-liability Company with the founding partners as Directors. The issued share capital of Rs. 50,000 was substantial for its day, and the new Company boasted 70 employees.

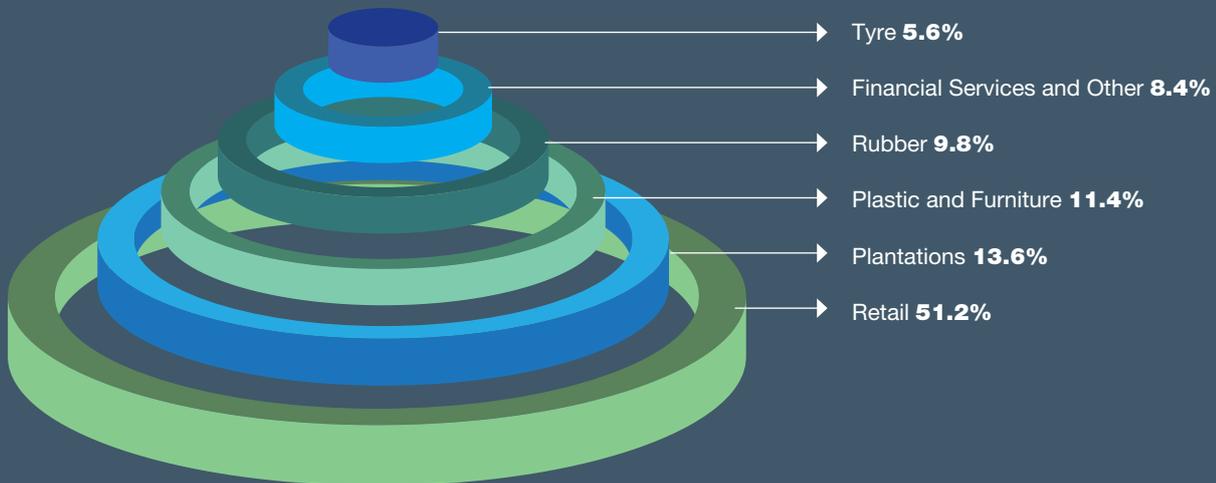
The World Wars presented another growth opportunity for this emerging conglomerate. The Company witnessed a rapid increase in demand for natural rubber, which had become a precious commodity to sustain allied military operations. Responding to the demand, Richard Pieris and Company launched a tyre rebuilding business to meet the increasing demand for tyres for military vehicles. This first manufacturing venture was an instant success that continues to remain an exceptionally successful business

venture to date, with the Arpico and Arpidag brands continuing to retain leadership status in the domestic tyre sector.

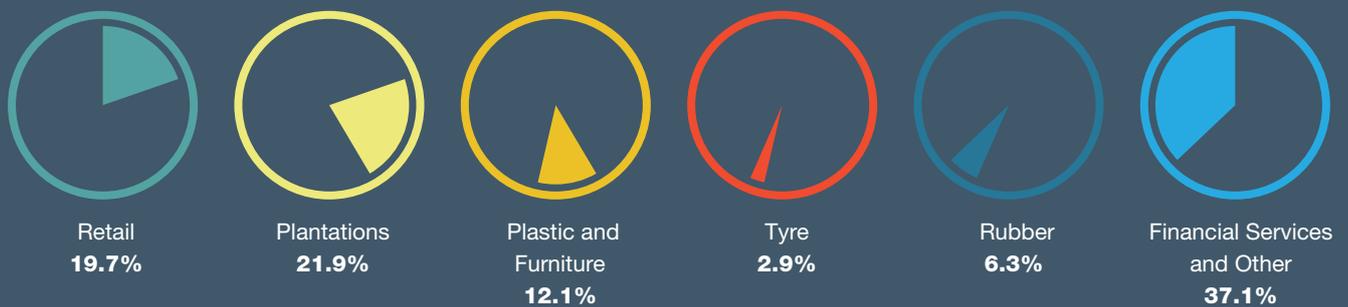
Accompanying the Sri Lankan people through eight decades of change, Richard Pieris and Company, has evolved into one of the largest private institutions in the country and stands tall among the ranks of the country's diversified business conglomerates. With its footprint extending from manufacturing to retail, to plantation management and financial services, the Group is involved in creating value across the national economy and is one of the most long standing, stable and profitable corporate entities in the country.

|   | 2019/2020<br>Rs.'000 | 2018/2019<br>Rs.'000 |
|---|----------------------|----------------------|
| Revenue   | 54,239,710           | 55,045,358           |
| Profit from operations                              | 4,306,099            | 4,879,021            |
| Profit before tax from continuing operations        | 2,568,087            | 3,353,592            |
| Income tax expense                                  | (1,270,135)          | (1,006,764)          |
| Profit for the year from continuing operations      | 1,297,952            | 2,346,828            |
| Profit for the year                                 | 1,290,586            | 2,342,267            |
| Profit attributable to equity holders of the parent | 1,143,201            | 2,009,568            |
| Total assets  | 67,417,882           | 64,820,169           |
| Shareholder funds                                   | 14,478,953           | 13,284,607           |
| Market capitalisation                               | 15,873,296           | 18,722,350           |
| Total value addition                                | 16,060,479           | 18,234,710           |
| <b>Per Ordinary Share</b>                           |                      |                      |
| Earnings (Rs.)                                      | 0.56                 | 0.99                 |
| Net assets (Rs.)                                    | 7.11                 | 6.53                 |
| Market value (Rs.)                                  | 7.80                 | 9.20                 |
| <b>Ratios</b>                                       |                      |                      |
| Return on equity (%)                                | 8.24                 | 15.13                |
| Interest cover (No. of times)                       | 2.36                 | 3.14                 |
| Dividend payout (%)                                 | -                    | 85.86                |
| Gearing ratio (%)                                   | 49.55                | 55.16                |
| Price Earnings (No. of times)                       | 13.88                | 9.29                 |
| Dividend per share (Rs.)                            | -                    | 0.85                 |
| Dividend cover (No. of times)                       | -                    | 1.16                 |
| Current Ratio (No. of times)                        | 1.03                 | 1.04                 |

### Group Turnover Composition



### Segmental Assets



### Capital Structure





“DURING THE FINANCIAL YEAR 2019/20, MOST OF THE SECTORS IN OUR BUSINESS HAVE STAYED RESILIENT AMIDST CHALLENGES. GROUP RECORDED A REVENUE OF RS. 54 BN”

Dear Valued Shareholders,

It is with great pleasure that I present to you the Annual Report and the Audited Financial Statements of Richard Pieris and Company PLC for the year ended 31st March 2020. During the financial year 2019/20, most of the sectors in our business have stayed resilient amidst challenges in the plantations and financial services sector.

### Corporate Performance

#### **Group recorded a revenue of Rs. 54 bn while delivering a Profit before Tax of Rs. 2.5 bn.**

The retail sector continued to be the largest contributor to the Group. As the flagship sector of the Group, we have continuously invested in our retail operations to offer an unmatched shopping experience to our valued customers. We now have a solid platform which has been built over the years to enter a strategic phase with the aim of bringing more value to our stakeholders. As a strong customer-focused business, we take pride in offering an unmatched range of goods under one roof. Strategic capital investments are in the pipeline to upgrade infrastructure to enhance the overall shopper experience while expanding our geographical footprint by opening new outlets. During the year under review, two new outlets were opened in Wattala and Katugasthota to serve customers with greater convenience.

The Group's Plantation Sector continued to face multiple challenges during the period under consideration including a drop in sales price, adverse weather patterns and wage hike – all of which had a major impact on the sector's profitability. Palm oil cultivation was marred by adverse external influences on replanting. Operating the plantations sector is a huge challenge as it is vulnerable to adverse weather patterns and local and global economic shocks. However, our decades-long experience in the sector enables us to steer the sector to safety.

The Plastics sector has shown encouraging results despite high exposure to market sentiments which were mitigated to a large extent through new initiatives in sales and marketing, enhanced productivity and effective cost control mechanisms. The sector has taken initiatives to further penetrate into newer segments and several other strategies are in place to stimulate growth in this segment in the coming years.

The Rubber sector sustained its performance during the year under review by strategic initiatives to expand its global footprint. The company's exports markets generated increased demand throughout the year and therefore the sector is poised to accelerate growth and capacity expansions in the near future.

The contribution from the Tyre sector to Group revenue and profits remained steady in the year under consideration. We are committed to optimising manufacturing capacity to cater to emerging needs of customers while adopting a measured approach in terms of expansion.

In keeping with weak economic growth during the year, Financial Services recorded a downward trend which has spurred a restructuring exercise that is expected to yield gains.

Arpico Insurance Company continued to grow its credentials in the market, expanding its footprint with 55 branches across the country, while securing the title of the 'Most Trusted Life Insurance Brand Sri Lanka 2019' by Global Brands. The company was bestowed with a special award from the Indian Chamber of Commerce for 'The Risk Management Strategy of the Year 2019'. These accolades reflect the innovative approach of the insurance arm.

At the time of writing, it appears the global economy will endure further hardships as an end to the COVID-19 pandemic is still not in sight. As a resilient Group with a profound history, we will step up and respond to each new challenge as it comes.

#### **Future Outlook**

Despite the economic headwinds faced during the year under review, the Group remains well-poised as it is aligned to key thrust sectors being promoted by the government. Considering this strategic positioning, the Group expects to bounce back no sooner the economy charts an upward growth. The conclusion of the Parliamentary elections and the resultant political stability should pave the way for greater policy consistency which will facilitate faster economic recovery.

#### **Acknowledgements**

I would like to place on record my gratitude to my fellow Directors on the Board, senior management, staff, suppliers, customers and business partners for their unstinted support through the challenging year. Notwithstanding external factors beyond our control, the Group weathered the turbulent year with resilience and fortitude, and remains optimistic about leveraging on emerging opportunities as the green shoots of economic recovery become visible.



**Dr. Sena Yaddhige**  
*Chairman/CEO/MD*

25th November 2020



**Dr. Sena Yaddehige**  
Chairman/ Managing Director/  
Chief Executive Officer

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.



**Mr. Sunil Liyanage**  
Director

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

He has over 40 years of management experience in the field of Rubber and 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 commercialize flexible Polyurethane Foam in this country in the form of Mattresses, Cushions and Sheets.

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



**Mr. Viville Perera**  
Director

Mr. Viville Perera is a Science graduate from Kelaniya University with Second Class Honours and a Fellow Member of the Chartered Institute of Management Accountants and Associate Member of the Chartered Institute of Marketing in United Kingdom. Mr. Perera has over 32 years' experience in senior managerial capacity in leading business organisations 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. Shaminda Yaddehige**  
Director

Mr. Shaminda Yaddehige is an Executive Director and also the Chief Operating Officer of the Company. 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 is in the Directorate of Richard Pieris Exports PLC, Richard Pieris Natural Foams Limited, Richard Pieris Distributors Limited and also in several other Companies within the Richard Pieris Group.



**Dr. Jayatissa de Costa P.C.**  
Director

Dr. Jayatissa De Costa LL.B. (Cey), LL.M. (Lond), PH.D (Colombo) is a Presidents' Counsel. He was admitted to the Legal Profession in Sri Lanka in January, 1971 and has unbroken practice of more than 49 years at Bar specializing in Civil Matters. In addition he has held numerous positions both in the Public Sector and Private Sector including the Chairmanship of Public Utilities Commission of Sri Lanka and membership of the Law Commission. He was also the Principal of Sri Lanka Law College. Dr. Jayatissa De Costa had functioned as a Law Lecturer in a number of universities both at home and abroad and has published a large number of books in Law.

He had his education at Dharmapala Vidyalaya, Pannipitiya, London School of Economics and Political Science, School of Oriental and African Studies and Kings' College, University of London.



**Mr. E P I Fernando**  
Director

Mr. E. P. I. Fernando brings over 35 years of management experience, all of which in foreign and local banks specializing in operational management, retail and institutional banking. He began his career at ANZ Grindlays and thereafter at Standard Chartered Bank where he held various senior positions including head of retail products and business development. He also worked at Pan Asia Bank PLC as the head of institutional liability sales. His leadership roles over decades in multiple functions of operation, marketing and strategy led to strengthening business and contributed towards significant growth in the organizations he served.

His contribution and expertise has also been extended through many institutional and government bodies. Mr. Fernando served as the Chairman/CEO of the Vocational Training Authority (VTA). He has also served as a board member of the National Apprentice and Industrial Training Authority, the Board of Tea Research Institute of Sri Lanka, Export Development Board and the Industrial Development Board. He was also a committee member at the National Sports Council and Advisory Council of Sri Lanka Export Development Board. Mr. Fernando also served as a board director of Richard Pieris Securities and Namanukala Plantations PLC.



**Mr. J Felix Fernandopulle**  
Director

Mr. Fernandopulle is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka. He is the present Chairman of Richard Pieris Finance Ltd and the Managing Director of Mahaweli Coconut Plantation where he had also worked in the capacity of Finance Director at the said Company.

He has served as a Director of the Coconut Development Authority and Coconut Research Institute and he has also served on the Advisory Committee on Coconut at the Ministry of Plantation Industries and Coconut Industries. He has represented Sri Lanka's Desiccated Coconut Manufacturers Association at the Asian & Pacific Coconut Council.



**Mr. Shiron Gooneratne**  
Director

Mr. Shiron Gooneratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA from University of Leicester, United Kingdom.

Mr. Gooneratne brings in a wealth of experience, both from Sri Lanka and overseas. Having trained at Ernst and Young, he joined GlaxoSmithKline Consumer Health Care as a Financial Accountant and rose to the position of Finance Director, where he completed 11 years, of which 7 years as the Finance Director. Thereafter, he held the positions of Chief Financial Officer at Sri Lanka Telecom PLC, Chief Financial Officer at Dilmah Ceylon Tea Company PLC and during the financial year he functioned as the Group Chief Financial Officer at Richard Pieris and Company PLC.

OUR BUSINESS



# Retail Sector

Our product assortment with an ever expanding product range of over 40,000 items under one roof, provides a wider choice for every household.



## Product Portfolio

Fast Moving Consumer Goods, Household Goods, Furniture & Electronics.





## Retail Sector

The Retail Sector of the Richard Pieris Group is a strong and pivotal spoke in the Group's wheel. The sector comprises 5 entities: Richard Pieris Distributors Ltd, Arpimalls Development Company (Pvt) Ltd, RPC Retail Developments (Pvt) Ltd, RPC Real Estate Development Company (Pvt) Ltd and Arpico Interiors (Pvt) Ltd.

The Sector operates and manages Retail outlets island wide through its well known brands such as Supercentres, Superstores, Daily Outlets, Showrooms and Standalone Furniture. The Retail industry showed a very strong competition in the market, but nevertheless, during this Financial Year the sector experienced many challenges dragging down its performance. Despite the challenges faced, the sector continued its efforts to make a mark in the industry as a trend setter in the modern trade retail.

In addition to its variety of retail products, the Retail sector further contributes to the Group by providing bespoke interior design solutions to many institutions and households across the country. During the Financial Year, our Interior solutions arm successfully secured major projects which will bring benefits to the sector in the coming years.

As much as the coming year is expected to pose various challenges to the company, the Retail team is geared up to take modern trade retailing to greater heights. The Arpico brand of supermarkets is expected to expand into many strategic cities and towns with the objective of 'touching lives' of many customers and suppliers in different parts of the country.

### **Richard Pieris Distributors Ltd.**

Richard Pieris Distributors Ltd manages the renowned chain of 29 Arpico Supercentres/Superstores, 12 Showrooms, 20 Arpico Daily Outlets and 1 stand alone Arpico Furniture retail stores. The Company which has built its name as a one stop shop and also the only hyper market in the country, continues to offer a wide array of products enabling customers to shop for all their needs under one roof.

Operations are led by purpose of creating better experience, for a better tomorrow. Guided by Core values and agile ways of working, we want our actions to have a positive impact every day and also to define what makes Arpico different. The Company is in the process of changing how we work, reenergizing the cost culture and focusing more on efficiency in processes, staff training, innovation, etc. These tools have helped to increase productivity, manage inventory, reduce costs and serve customers in new and exciting ways.



One of the key success pillars of Arpico Supercentres and Superstores has been ample retail space coupled with adequate parking facilities for customers, thereby redefining destination shopping with state-of-the-art infrastructures. The company has made plans to focus more on omnichannel initiatives, store remodels, customer initiatives, supply chain and technology, and less capital to new stores.



During the year under review, the company opened one Superstore in Wattala and one Supercentre in Katugasthota, offering unimaginable convenience and frictionless experiences to customers. Company efforts to date are resonating with customers with convenience offerings, in all its forms, significantly contributing to the Group's Revenue & Profits.

In enhancing the in-store experience and to widen the offerings, the company continued to organize events and promotions throughout the year at the locations, including activities for families, in order to infuse excitement and to create a sense of eagerness during special religious and cultural festivals. The company continuously focuses on improving levels of convenience and services delivered to customers, while also striving to operate in an environmentally-friendly manner. Arpico Supercentre Kegalle is the only Platinum Class Green Retail building in Sri Lanka and it is also noteworthy that Arpico Retail chain is the first to use electric cars for service delivery.

## Retail Sector



During the financial year, the Company made efforts in integrating fresh produce purchases to provide a wide range in high quality. Continuous efforts were made in creating vibrant spaces for vegetables, fruits, seafood and meat at outlets to enhance the overall customer experience. This rearrangement generated much hype and excitement amongst customers as it is more in line with international trends. Since Arpico is a firm favourite with the expat community as well, infusing the store with an international look and feel goes a long way in remaining competitive and attracting greater numbers of local and international shoppers.

Marketing promotions have been traditionally conducted expertly at Arpico and attracted a steady stream of shoppers. During the April season the campaigns got hampered due to the extremist attacks. The 2019 Christmas campaign dazzled under the “Fulfilling Christmas” theme. The promotion proved to be a gift bonanza for customers, many of whom won valuable prizes, which included a majestic tour to an exotic destination for the grand winner.

In-store retail marketing is a key contributory factor for Arpico’s success and during the year under review, the brand continued

to innovate and pioneer compelling promotional and tactical campaigns such as its popular “Super Deals” and “Daily Deals” in tandem with credit card offers. The Company continued to provide exclusive benefits to its Privilege Member base including discount offers from more than 15 partner hotels, restaurants and others merchants island-wide during the year. The Arpico Privilege Card customer base continued to grow its membership compared to the previous year. The company has also benefitted through the co-branded credit/loyalty card which is a partnership between Arpico and Standard Chartered Bank, where customers of this base are immensely rewarded with offers right throughout the year, as well as additional loyalty points for purchases made within and outside Arpico.

The Company has made arrangements to further penetrate its footprint rapidly and thereby serve the nation at large.

### **Arpimalls Development Company (Pvt) Ltd.**

Arpimalls Development Company (Pvt) Ltd. owns two large Arpico Supercentres in Battaramulla and Dehiwala, operated by Richard Pieris Distributors Ltd. The company continued its profit making record during the year under review.



#### **RPC Retail Developments (Pvt) Ltd.**

RPC Retail Developments (Pvt) Ltd. owns the two large Arpico Supercentres in Negombo and Kadawatha and has continued recording profits in the year under review.

#### **RPC Real Estate Development Company (Pvt) Ltd.**

RPC Real Estate Development Company (Pvt) Ltd. owns the Arpico Supercentre in Kandy. The Company also continued its profit making record in the year under review.

#### **Arpico Interiors (Pvt) Ltd.**

The Company has rapidly grown into a chosen cohort for transforming works spaces in the country, specialist in interior solutions with an array of products such as furniture & fittings, carpets, ceilings and partitions. The showroom at Hyde Park Corner houses a separate display area for the Interiors operations with wide range of products on display.

During the year under review, the company ventured in to several Large Projects including Corporate offices, The Leisure and Medical sectors and will be venturing in to the Residential sector in the coming years.

OUR BUSINESS



# Plantation Sector

Our plantation companies represent the unparalleled taste of the highest quality Ceylon tea.



## Product Portfolio

Leasehold Ownership & Management of Tea, Rubber, Palm Oil, Coconut Plantations and Branded Tea.





## Plantation Sector

The Sector holds three regional plantation Companies (RPC's) namely, Kegalle Plantations PLC, Namunukula Plantations PLC and Maskeliya Plantations PLC, which are involved in cultivating, processing and selling of high grown, mid grown and low grown tea, rubber, oil palm, coconut, cinnamon and other crops. The Companies operate in different geographical regions throughout the country and manage 54 estates covering 32,097 hectares. Richard Pieris Group continues to be the largest tea and rubber producer in the country.

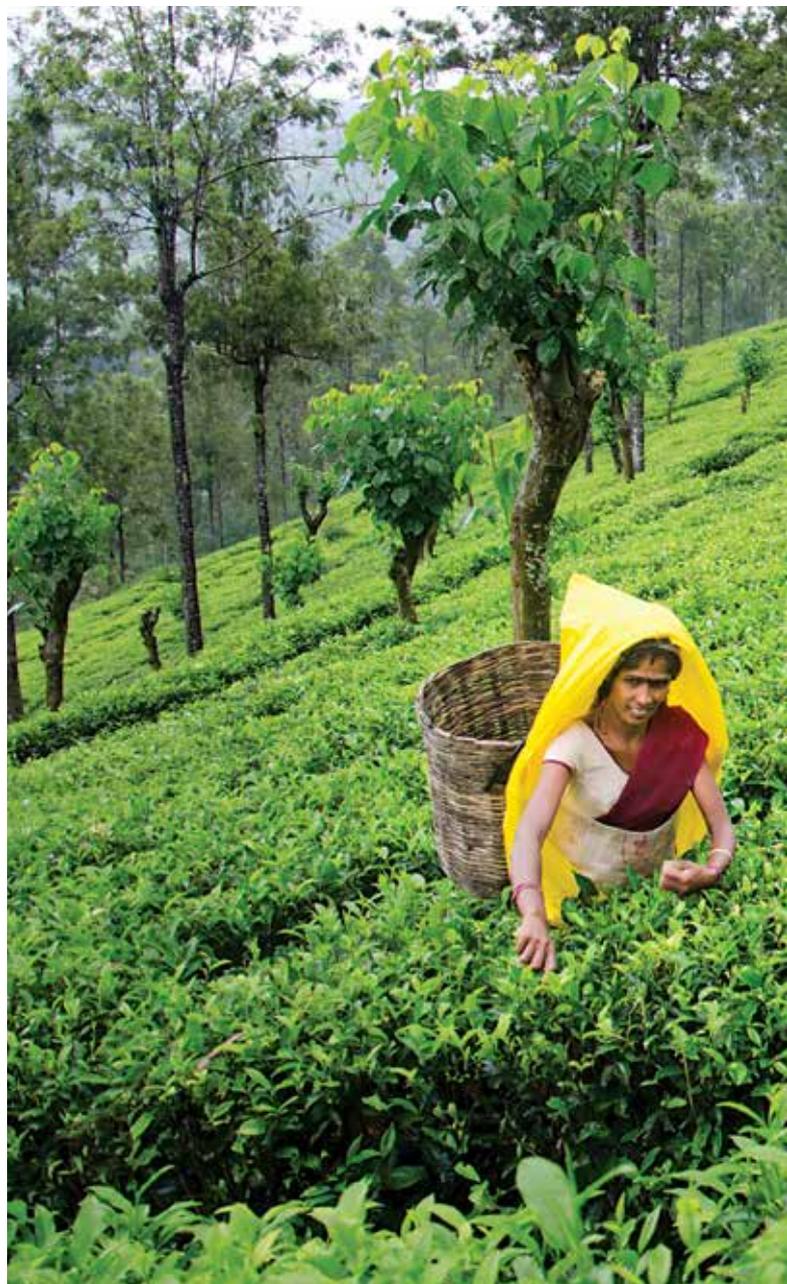
The Sector continued to face challenges stemming from the volatile global markets. Major commodity prices continued to be sluggish and the difficulties emanating from the global markets through restrictions and competition also affected the Plantation industry of Sri Lanka. The rise in labour cost, coupled with stagnated labour productivity, led to further escalation of cost of production of tea and rubber producers. Despite the challenges encountered during the year under review, the plantation sector of the Group continued to make substantial investments on enhancing stakeholders' value and in uplifting the living standards of the estate communities in the aspects of health and safety, training and education, infrastructure development etc. A significant proportion of the Sector's estates have been internationally certified with quality standards such as HACCP, ISO:22000:2005/2018, Rainforest Alliance, Ethical Tea Partnership, Global Organic Latex Standard (GOLS), Certification Fair Trade and Forest Stewardship Council® Certification. The Sector also focused on strategic investments such as product diversification/value addition.

### Namunukula Plantations PLC

Namunukula Plantations PLC, one of the most diversified Plantation companies in Sri Lanka produces five main crops - Tea, Rubber, Oil palm, Coconut and Cinnamon with a total extent of 11,779 hectares. The cultivated extent comprises 2,067 hectares of Tea, 1,431 hectares of Rubber plantations, 2,837 hectares of Oil palm and 1,677 hectares of other crops in 18 estates located in Badulla, Kalutara, Galle and Matara districts.

Tea production of the Company decreased to 1.9 mn kg in the year under consideration. The erratic weather conditions prevalent throughout the year were the major contributory factors for the lower production levels.

NPL is the second largest oil palm producer of the island, with its oil palm plantations located in Mathugama, Galle and Matara geographic areas, where the climatic conditions are ideal for growing oil palm. The Company possesses an extent of over 1,881 hectares in production and a further 766 hectares in the immature stage. Since Oil palm is considered as Golden Crop of the company, this segment is provided with due focus for expansion plans to increase the land extent and lands suitable for planting oil palm are being converted to Oil palm for better value addition.



Continuous wet weather prevailed throughout this season, averaging an annual rainfall of 4,073 mm which is well over 1000 mm above the decennial average. The wet weather discouraged the Cinnamon peelers to engage in the peeling process, and as a result, Company production of Cinnamon in the year 2019/20, production was 6,643 Kg below previous year. However, cost of production of Cinnamon is lower than last year and this achievement was made possible due to strict controls imposed on all operational expenditure to mitigate the crop deficit anticipated. The low sale averages which prevailed for Cinnamon has also contributed to the reduction in cost since the payments to peelers are based on the realized sale prices for Cinnamon.



Continued capital investment in the area of field development has become of the utmost importance, considering the long term goals of the Company to achieve and sustain land productivity. NPL values human resources as its greatest asset, thus continues providing facilities such as housing, sanitation, other basic requirements and more importantly, opportunities for additional income generation through productivity enhancement.

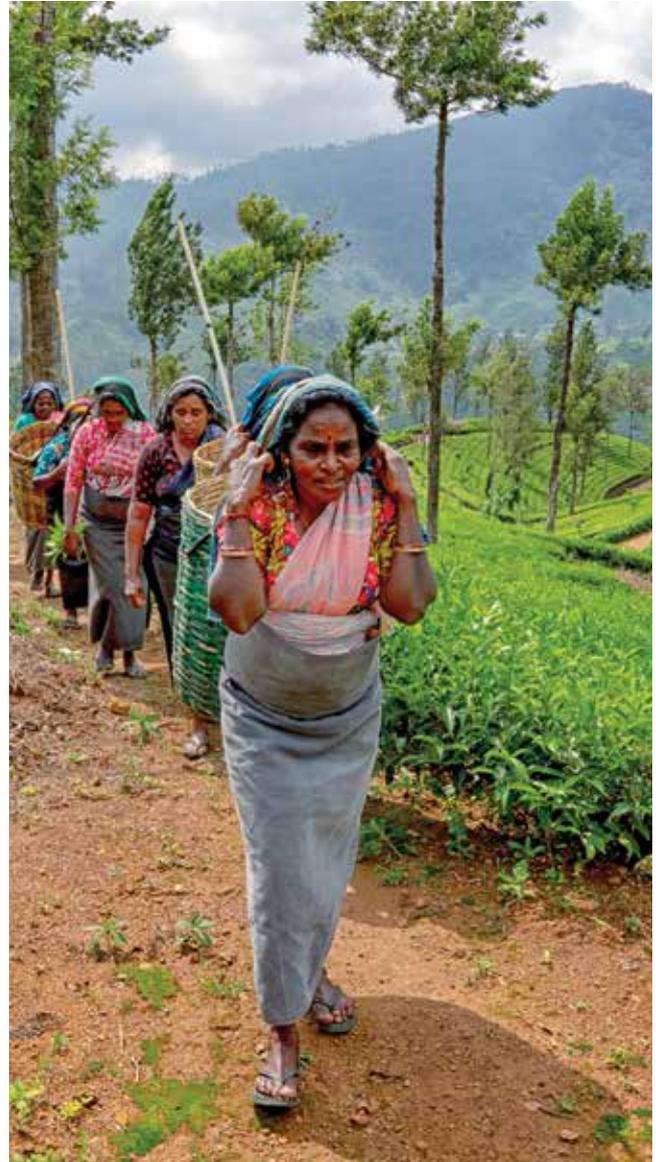
#### **Kegalle Plantations PLC**

Established in 1992 and listed in the Colombo Stock Exchange in 1996, Rubber dominant company in Sri Lanka, which has diversified in to tea and coconut as well. The Company estates

are situated in Kegalle, Kurunegala and Badulla Districts consisting of 17 estates with a total land base of approximately 9,757 hectares. Being the largest corporate rubber producer, the Company continues its journey towards being a sustainable and responsible Rubber producer, accounting for 3.7 mn kilos of average production per annum, which is mainly dominated by centrifuged latex.

The declining trend observed in national rubber production continued, mainly driven by disruptions of tapping operations due to rainy weather conditions. On the other hand, both international and domestic demand for natural rubber is lower with the slowing

Plantation Sector



down of global economic activities and relatively lower petroleum prices. The Rubber production experienced a decline from 4,080 MT to 3,667 MT during the period under review.

During the year under review, the Tea production of the Company dropped by 7% to 1.8 mn Kg and NSA has declined to Rs.475.79 per kg, by 7% compared to Rs.510.49 per kg last year.

Richard Pieris Natural Foams Ltd, a subsidiary of Richard Pieris & Company PLC, continues to be the main buyer of the Centrifuged latex. Direct export of sole crepe rubber to shoe manufacturers in the international market immensely contributed to mitigate adverse prices of the rubber segment. As a well-diversified plantation company with tea, rubber, coconut and also

a number of minor crops, it contributes to optimize and stabilize the product mix by preventing dependency on one product. Kegalle Plantations PLC also continuously seeks to undertake Rubber replanting and crop diversification, including oil palm.

As one of the premier plantation companies in Sri Lanka, Kegalle Plantations has created thousands of jobs in rural areas, helping to tackle poverty by uplifting the income and living standards of its employees, as well as improving the general infrastructure in and around the villages.

**Maskeliya Plantations PLC**

Maskeliya Plantations PLC is well known as one of the finest tea manufacturers in Sri Lanka with a land area of 10,560 hectares in 4 different regions namely Upcot (2,568 hectares), Maskeliya

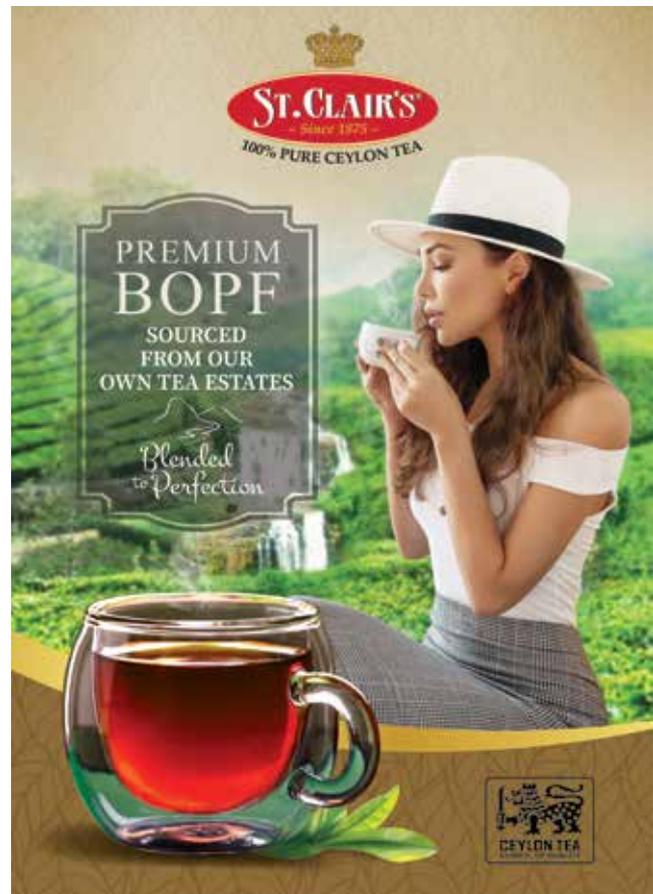
(2548 hectares), Talawakelle (1,519 hectares) and Bandarawela (3,925 hectares) with an annual average production of 9 mn kilos. The Company holds 18 tea estates with 14 tea factories.

The company has faced many challenges during the financial year, including the unfavorable prices, weather conditions and scarcity of fertilizers in the market. The 9.6% reduction of auction selling prices and adverse weather conditions played a pivotal role in the eroded profitability of the Company. Yet, during the year under review, the Company recorded revenue of Rs. 3.72 bn which is 10.8% below the previous year. Instability in wages also contributed in steering the profits down.

Maskeliya Plantations continued to remain focused on adopting Good Agricultural Practices, Good Manufacturing Practices and Good Human Capital Management Practices along with Total Quality Management. These efforts were taken to deliver the best value to stakeholders and to become a benchmark company within the industry. The Company is exploring new directions by adopting Climate Smart Agricultural Practices with the spread of its business to the multi crop concept. The Company is also seeking certification of the Rain Forest Alliance, which is a network dedicated to fighting deforestation and climate change as well as creating economic opportunities and better working conditions for our people.

#### **Maskeliya Tea Gardens Ceylon Ltd.**

Maskeliya Tea Gardens offers a wide variety of value added and specialty teas sourced from our own tea plantations, ensuring the quality and consistency at all times. The Company holds a wide array of brands such as Arpico Maskeliya Tea, Lak Kahata, Padamata Kahata and the premium brand St. Clair's Tea which caters to a niche market segment. Also, its noteworthy that key initiatives have been taken to expand the product portfolio with other food products under the brand "Arpico Chef". The operations are wide spread across the island covering small grocery stores to leading supermarkets in the country. Maskeliya Tea Gardens is committed in providing premium quality tea with an unsurpassed experience.



OUR BUSINESS



# Rubber Sector

Our innovative designs and product developments, coupled with uncompromising quality, serves customers the best solutions.



## Product Portfolio

Natural Latex Foam Mattresses, Pillows, Rubber Mats for Industrial and Domestic Use, Jar Sealing Rings, Small Moulded Products and other Specialised Rubber Products.





## Rubber Sector

### Sector Summary

The Sector comprises Richard Pieris Exports PLC, Richard Pieris Natural Foams Ltd, Arpitalian Compact Soles Ltd and Micro Minerals Ltd, which are engaged in manufacturing a variety of products categorised as latex base products, hard rubber products and Minerals.

Withstanding various challenges during the year under review, the operations were able to derive performance from its resilient foundation and enduring outlook. Over the years, the sector has entrenched its credentials for exporting high quality value added products to many countries around the world and has steadily widened its customer base. During the period under review, the sector witnessed an upsurge in demand for its products in the export markets and production facilities being consciously tweaked to cater to the demand.

The Rubber sector recorded a revenue of Rs. 5.3 bn and an operating profit of Rs. 1.2 bn, which demonstrates a marginal growth over the previous year with the severe impact to key customer continents due to the global pandemic during the latter part of the financial year under review. Profitability of the sector has been challenged by various factors and operations have been aligned to the strategic plans to mitigate the impact from these factors and to continuously grow. Strong quality standards, customer centric, backward integration with the suppliers are key focus areas for the sector in the coming years.

### Richard Pieris Natural Foams Limited

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. The Company carries out its production from a state-of-the-art factory and its world-class line-up of latex foam products includes natural latex foam mattresses, toppers, pillows, etc., which are distributed 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.

The company recorded a revenue of Rs 3.9 bn with a 3% profit before tax growth, over the corresponding period of the previous year. The continuous pillow and sheeting line recorded an increase in sales momentum during the period under review. Launching of new products to the portfolio has been given high priority and during the financial year, operations launched new orthopaedic/massage mattresses and molded topper sheets to the market. The company was able to increase output of its mattress line due to the majority of investments directed specifically for this purpose in the previous year. Aggressive marketing efforts paid off as the company was able to widen its base with more large scale customers onboard. Continuous initiatives are being taken to further strengthen the relationship with customers from various markets and to further understand their specific requirements for their respective markets.

The manufacturing facilities are harnessing solar energy through rooftop solar panels which helps the journey in having a cleaner environment and also reducing the overheads. To meet the increasing demand for products, a new plant is to be constructed



in the near future with the objective of enhancing capacity, which will further accelerate the growth of the Company.

### Richard Pieris Exports PLC

The company is the pioneer in manufacturing and exporting rubber mats, 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 Asia Pacific markets since its inception in 1983. Richard Pieris Exports PLC is a subsidiary of Richard Pieris & Company PLC, the Group's first fully export-oriented company. The company has two subsidiaries, Richard Pieris Natural Foams Ltd and Micro Minerals (Pvt) Ltd, and an associate company Arpitalian Compact Soles (Pvt) Ltd.



Richard Pieris Exports recorded a revenue of Rs. 1.3 bn for the financial year ended 2019/20 with a marginally improved Profit before tax from the previous year. Conditions are intense with high competition emanating from the market, but the company continued to increase its presence in different continents globally. The company managed to increase its sales volumes in the main products range such as the jar rings, while products such as cow mats recorded a drop in the local market. Strong focus in cost reduction and customer relationship management continued throughout the year.

Tactical plans are in place to increase sales aggressively in the coming years, especially post pandemic. The Company has focused on new product developments and is poised for growth with new revenue segments such as online presence, etc.

**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 for better prospects.

**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 Group.

OUR BUSINESS



# Tyre Sector

The forte and durability of our tyres will help you traverse any kind of road.



## Product Portfolio

Retreaded Tyres for Light and Heavy Commercial Vehicles, re-manufactured Radial Tyres, Tubes and Flaps, trading in Tubes, Flaps and other branded tyres.





## Tyre Sector

The Group has continuously expanded its tyre business over the years and thereby contributed significantly toward expanding the sector through innovation and improving accessibility. As a result, the Richard Pieris Tyre Company has grown to be the largest retreading tyre supplier in Sri Lanka, supplying to ever more regions in the country, while enjoying a larger presence country-wide, thus ensuring convenient access to its wide array of tyres for every segment of the market.

The Tyre sector of the Group comprises four companies, namely, Richard Pieris Tyre Company Limited, Arpidag International (Pvt) Limited, Richard Pieris Rubber Compounds Limited and BGN Industrial Tyre (Pvt) Ltd, which are engaged in trading and retreading of tyres and in the manufacture of solid tyres.

Arpidag International and Richard Pieris Rubber Compounds supply pre-cured tread, cushion gum and other related materials, including customized mixing facilities for the manufacturing plants. With the strategic acquisition of BGN Industrial tyres, the sector has effectively extended its footprint to the solid tyre market. The Company continues to make concerted efforts to increase its portfolio of international clients and plans to optimize its current manufacturing capacity to supply to its rapidly-expanding customer base.

### Richard Pieris Tyre Company Limited

Deploying a combination of savvy marketing and precise sales strategies, the company was able to surmount any adverse narratives for retreading tyres which is evident in its performance during the year under review. Its success in sustaining revenues on par with the previous year stemmed from internal cost control measures, a shift towards low cost energy fuel sources and procurement of raw materials at lower prices. These effective measures shored up the company's profit margins and mitigated any adverse impact on the balance sheet.

In expansion mode, Richard Pieris Tyre Company proactively explored new business avenues, successfully capturing a greater share of the market over the previous year. 'Arpico Tyres' were introduced to the market by leveraging on the goodwill/strength of the Arpico household name and witnessed rapid adoption by customers.

The Company expanded its presence in more regions by leveraging on astute sales and marketing strategies while supporting dealers to increase sales volumes and meet and exceed their targets. The Dealer Awards, a gala event where top dealers are bestowed with Awards and accolades, helps to build commitment amongst the dealer network and drive sales of the company's product range.

As a proud home-grown tyre manufacturer, the Richard Pieris Tyre Company is reputed for its precise pricing and product strategies that cater to present and future needs of customers in each segment. Cognizant of threats posed by dumping of cheaply priced radial tyres from China and competition from family owned small businesses, the Company's strong brand-building strategy has negated any competition from those quarters.

The tyre trading segment of the business has expanded with the acquisition of sole agent status for Nexen Tyre of South Korea



and Birla Tyre of India, both strong brands known worldwide for durability. During the year under review, the Nexen brand of tyres made an important contribution to the company's overall profitability. Nexen is a premium international brand in operation for over 70 years. Since Richard Pieris Tyre Company launched the brand in Sri Lanka in 2014, it has received an overwhelming response by customers.

The Company's trading arm is also strengthened by Birla Tyres, a specialized Indian brand for truck/light truck/two-three wheeler tyres which is specially built for tough road conditions that exist in Sri Lanka, while being priced affordably. Considering the acceptability of these two brands in the local market, the Company plans to bring more international premium brands into its portfolio. Its foray into new export markets continues and



during the year the Company established its footprint in several markets.

**Arpidag International (Pvt) Limited**

Commencing operations in 1991, Arpidag has entrenched its credentials as the pioneer of the cold process technology to Sri Lanka, manufacturing pre-cured tread materials and other related products. Its high quality standards have been a key pillar of its success as Arpidag complies with the ISO:9001 process quality certification.

**Richard Pieris Rubber Compounds Limited**

Providing mixing services to Richard Pieris Tyre Company as well as to several other external customers, Richard Pieris Rubber

Compounds makes a substantial contribution to the profitability of the Group's Tyre sector. The Company also supplies rubber-related chemicals to small players in the industry, while investing in continuous improvements in its milling and quality testing processes to ensure superior quality. Its high quality products have enabled the companies it supplies to carve out a greater share of the market.

**BGN Industrial Tyre (Pvt) Ltd**

Known for its range of high quality solid tyres, BGN Industrial Tyres (Pvt) Ltd is a reputed Industrial Solid Tyre manufacturing venture acquired in 2017. Within a short period, the Company has drawn up ambitious plans to expand its presence to new geographical regions.

## OUR BUSINESS



# Plastics, Furniture & Electronics Sector

We create high quality products for our patrons across the country through our state of the art technology and makes them available through our widespread distribution network.



### **Product Portfolio**

Water Tanks, Polyurethane Foam Mattresses, Cushions & Sheets, PVC Pipes & Fittings, Moulded Plastic & Expandable Rigid Polystyrene Products, Wooden, Panel and PU Furniture, Water Pumps and Electronics.





## Plastics, Furniture and Electronics Sector

### Sector Performance

The sector constitutes operations which manufacture and trade products such as Mattresses, Electronics, Furniture, Water Tanks, Rigifoam products, PVC pipes and fittings, rubber products and other consumer durables. This array of products is distributed islandwide through closely knitted distributors and direct dealers, which is one of the core strengths of the sector. During the financial year steps have been taken to have in place the sectors' own distributor points and showrooms in the journey of having its own islandwide network.

During the year under review the sector recorded a revenue of Rs. 6.2 Bn which is lower than the previous financial year. Contribution to the Group's operating profits have increased by more than 100% from the last year. The ripple effect of these in the economy has posed challenges and necessary measures have been taken by the Sector to continuedly grow. The sector performed amidst the strong challenge from the market, including the April terrorist bomb attack and Covid 19 during the early and latter part of the financial year respectively.

Development of local penetration and geographical expansions are underway for the sector, targeting a larger customer base. Also, initiatives have been undertaken for continuous product development and cost efficiencies through automation.

### Water Tank Operations

Being the pioneer of water tanks, the Arpico Water Tank, has been the most trusted hygienic water storage brand in Sri Lanka over generations. The brand trust is built through continuous innovations, use of Food and Drug Administration certified materials, quality manufacturing process, and wide availability of the products in the market. The water tank manufacturing process is certified by ISO 9001-2015 to ensure that the products are up to the standards. The Water Tank product ranges from rotation moulded water tanks, blow moulded water tank (hybrid Water tanks), septic tanks and sump tanks. The demand for water storage across the island has led the operation to maintain its momentum. The operation also offers a wide range of products including garbage bins, compost bins, green gas units and traffic accessories.

During the financial year, the Water Tank brand focused more on its digital presence, accepting the digital disruptions happening in the environment. The Annual Top Dealer Event was held to recognize the best-performing dealers and to encourage the dealer network, offering foreign tours and local tours to their families with the objective of retaining main dealers. Moreover, numerous other ATL and BTL marketing campaigns were carried out successfully with the objectives of enhancing the brand presence, customer engagement, and creation of stronger customer relationships.



### PVC Operations

As the leading manufacturer of pipes and fittings in the country, the Arpico PVC product is scientifically designed with cutting edge technology. The product portfolio consists of PVC pipes, PVC fittings, Conduit pipes, Conduit fittings, Garden Hoses and Rain convey systems. All products carry the Arpico PVC symbol of reliability and quality, and are manufactured to SLS 147, SLS 659 and SLS 935 quality standards, having also obtained the ISO 9001 System Certification for the manufacturing procedure.

# FOR LUXURIOUS SLEEP LIKE NO OTHER



The PVC operation continued its growth during the year under review with expansion in the product range, maintaining optimum sales mix and market competitiveness and penetrating to the dealer network. However, factors such as increase in raw material prices and volatility in the exchange rate have continued to challenge the operations. During the financial year, several effective marketing and promotional activities were carried out to enhance and strengthen the brand in the market.

## Arpico Mattress

Over decades Arpico has been the unparalleled market leader in the Sri Lankan mattress market, supplying the local market with a broad range of mattress products such as spring mattresses, foam mattresses, sheets and cushions and range of pillows. As the pioneer and the market leader, the products encompass the foam related household and institutional range known for quality and comfort. Also, the operations have been backed by local and international certifications such as SLS 1335 and ISO 9001:2015 respectively.

Plastics, Furniture and Electronics Sector



With its diversified product range the category has ensured that all the requirements of customers are being satisfied, providing high quality products. The company has extended its operations to overseas markets as a part of a market development process, in addition to its market leadership in Sri Lanka through the retail chain owned by Arpico itself and the island wide distribution network. Even though external environmental factors had been very challenging throughout the year, operations concentrated on product improvements, cost reduction and concentration on high margin products to record a substantial growth in its profits compared to the corresponding period.

Effective communication strategies were implemented during the year under review, to keep top of the mind awareness around the island. The “SihinaWasanthaya” Dealer tie-up promotion was also conducted to retain the main dealers islandwide, together with effective trade promotions.

**Printing Rollers/ Industrial Rubber Products and Moulded Rubber Goods Operation**

Being one of the oldest operations in the Group, the Rubber business segment manufactures printing rollers, conveyer belt/ industrial rollers, industrial rubber products and molded rubber goods. The operation continued to develop new products to cater to the market demand.

During the year under review, the operations recorded a dip in performance due to external factors where the operations mainly caters to industrial solutions, etc. Also, the operations invested in a new grinding machine in order to fulfill the business requirements.

**Arpico Water Pumps**

The financial year under review was remarkable for the Water Pumps operations, as it enhanced its product range to more than 30 different varieties. Also, the service and dealer network were increased to provide a complete solution to consumers.

A customer-centric approach has paved the way for the operation to turn around the financials during the year under review. Tactical plans are in place to increase the market share in the island and to be the market leader in this product.

**Arpico Rigifoam**

The Rigifoam operation has been maintaining a dominant position in the market through its customer focus, quality of the products and the product range. The Company continued to partner with institutions and direct dealers for use in industrial operations and for fisheries transport respectively.

Careful selection of product placements and direct dealer focus has led the operation to record better profits compared



to the previous year. Enduring business relationships with key customers, on-time delivery and superior customer services have been the critical success factors for the performance of the Rigifoam Operation.

#### Electronic Operations

Arpico electronics is an outcome of the diversification of business and is strongly affiliated to the Group's long term strategy. The product range offers Washing Machines, TVs, Refrigerators, Kitchen Appliances and other home appliances.

The operations continuously try to increase the product range through in-house manufacturing as well as sourcing through reliable suppliers around the world. Service being a key component for electronic products, initiatives have been undertaken to further strengthen it through tie-ups with key dealers, etc. Also, during the financial year a new concept was launched for dedicated electronic showrooms, predominantly to showcase Arpico branded electronic products through a closely knitted network around the island. Tactical plans are being formulated to penetrate the domestic market aggressively in the coming years.

#### Furniture Operations

Building on a legacy of manufacturing furniture, Arpico furniture products are widely found around the Island. Production includes



manufacturing of elegant Sofas, Panel furniture and Wooden furniture such as dining tables and bedroom sets in high quality for homes and institutions.

During the financial year, many initiatives have been taken to further penetrate the market with new designs at attractive prices. Operations have also been aligned to cater to the requirements of Retail outlets and institutions in order to bring about operational efficiencies.

OUR BUSINESS



# Financial Services and Other

Our strength and knowledge with unrivaled service quality, brings customers a better solution.



## Product Portfolio

Insurance, Financial Services, Freight Forwarding, Stock Broking and Margin Trading.





## Financial Services and Other

### Richard Pieris and Company PLC

Richard Pieris & Company PLC being the holding Company of the Group, guides the SBU's under the Group in shaping their individual strategy and also focuses on overall corporate policy and decision making. The Company's various divisions provide support services to Companies under the Group, including services such as Information and Communication, Human Resources and Procurement.

The Group is strongly supported by advanced ICT platforms consisting of a confluence of software and hardware systems that empower the various sectors as per their specific requirements. The company has forayed strongly onto the digital platform which is helping staff leverage technology aids such as mobile-based applications to better manage sales and distribution functions. Technology not only saves time but also heightens productivity and speed of response to customers. The mobile-based attendance recording system in the Plantation sector was launched last year. Developments are continuously done to access performance monitoring systems with information dashboards for driving operational excellence.

Human Capital continues to be the key strength of the Group with more than 28,000 employees spread across the island. Overall management and the policy are deployed by the Group HR, which has the responsibility of meeting the variety of needs and requirements of the diverse businesses around the Group. Further details on the Group's Human Capital strategies in relation to its employees, are available on page 56 of this report.

The Central Commercial Division manages and procures raw materials, consumables and other trading items from various sources including international suppliers. This division plays a pivotal role in sourcing the right product quality at the right price for the Companies under the Group. Maintaining sound relationships, order timing and managing the economies of scale are few of the key success points of the division.

Considering the diversification of the Group, financing requirements are extensive and the Group Treasury supports in advising on sourcing of funds and structuring of facilities, whilst managing aspects such as foreign exchange exposure and interest rate risks. The Group Finance manages the Group reporting, project evaluations and supports the Companies within the Group which require related assistance.

The centralised Internal Audit division determines the internal control system for the companies within the Group and also recommends, wherever necessary, adequate measures to be put in place. The variety of risks faced by each sector is diverse and requires a dynamic risk and mitigation action plan. The Internal Audit function is critical as it reinforces the stature of the Group with stronger processes and also, strengthens the confidence of shareholders and other stakeholders.



### RPC Logistics Limited

RPC Logistics' portfolio of services includes airfreight, sea freight, sea freight consolidation, customs brokerage and transshipment. The Company's portfolio also includes door-to-door cargo services and a variety of other related services.

### Arpico Insurance PLC

The Company continued to grow its client base with its strong footing in the industry. Arpico Insurance remains true to our steadfast commitment to offer innovative, relevant products and deliver exceptional services with its 55 branches around the



island. Awarded the 'Most Trusted Life Insurance Brand Sri Lanka 2019' by Global Brands, the company was also bestowed with a special award from the Indian Chamber of Commerce for 'The Risk Management Strategy of the Year 2019'.

#### **Richard Pieris Finance Limited**

Being one of the youngest finance companies, the Company continued to focus on its geographical presence around the island and pursuing options to widen the variety of products to reach a larger customer base. The Company's close engagement with the SME segment places it in a pivotal position to help

support SMEs scale up their operations to achieve true financial inclusion. Due to the economic situation prevailing in the country, the Banking & Finance industry faced challenging times which also impacted Richard Pieris Finance Limited.

The balance between economic success, environmental protection and social responsibility has been an integral part of the corporate culture at Richard Pieris and Company PLC for decades, as we endeavour to achieve more with less. We have continuously made our business viable by integrating sustainability into the heart of the enterprise, where our efforts have created value for our stakeholders as the challenges we face go far beyond financial statements. As a responsible business entity, we are cognisant that we have an obligation to fulfil towards the society we operate in, since our sustenance is derived from the multiple facets of society. We are continuously working to create sustainable value for all our stakeholders and to support communities, while minimising environmental impacts.

We aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increasing our economic success. Our Group boasts of a proud history of responsible business practices and strong principles of quality, value and integrity, which lie at the heart of our business strategy. The Group is one of the largest and oldest diversified conglomerates in Sri Lanka with a vast number of stakeholders. We engage in numerous economic, social, and environmental support initiatives targeted at fulfilling our responsibilities to all stakeholders. We aspire to grow beyond boundaries and have achieved many a milestone through diversification, yet our commitment to corporate social responsibility has not been compromised. We have continuously developed and strengthened our sustainability outlook year-on-year, having learnt that it opens a world of new opportunities for both the Group and our stakeholders. Thus, we aim to engage positively with all stakeholders, responding to them swiftly and efficiently while continuing to welcome their views.

### Our Customers

Every day, thousands of customers around the country consume or use our products and services. We have always strived to search for fresh ideas to serve our vast customer base and built lasting relationships with them, which has become our business model. For our customers, providing fresh and quality products through our retail chain has become customary and our focus is also vested in extending convenience to our customers.

Some of our companies have integrated with their customers and mutually plan productions and delivery schedules to achieve operational excellence.

Many of our products enable the usage of fewer resources, such as energy and water, bio gas and reduced energy consumption. Working with suppliers, governments, businesses and other partners enables us to find new ways to innovate and have a positive influence beyond our operations and products.

Understanding customer needs and responding to them is part and parcel of our business model. We have continuously used various methods to reach out to customers, whilst our physical presence through state-of-the-art outlets and island-wide distributor networks has supported our theme, "Touching Lives". We are in the journey of transforming from traditional energy consumption to solar power, with our outlets being converted or built with solar panels, thus reducing our carbon footprint. Our Retail chain holds the 'Platinum Class Green Retail Building' certification in Sri Lanka. Our retail chain has introduced many promotional activities throughout the year which have added value to the end customer with exciting gifts and rewards. The Retail chain introduced its own dedicated Electric Car taxi service exclusively for shoppers' convenience, a value added service that Arpico was first to offer the Sri Lankan market. We have established a number of alliances with some financial institutions to enable access to our customers for smart buying options, etc. Our customer relationship management spans across a number of facets including customer suggestions, satisfaction measurement and data base management, which are continuously evaluated to serve our customers in a timely manner.

### Our Food Safety

As a leading Retail chain in Sri Lanka, food safety is one of our key priorities. We have consistently surpassed our competitors in providing the best products to customers. We maintain stringent policies on food safety and quality, and state-of-the-art cooling chains are in place to ensure the best quality of the products at any given time. The increase in the number of customers who pass through our doors daily is testimony to the trust they have placed on our commitment towards the food safety.

#### - Good Agricultural Practices (GAPs)

Agricultural practices adopted on estates conform to TRI (Tea Research Institute) guidelines/regulations and internationally certified standards such as Rain Forest Alliance, Ethical Tea Partnership and FLO.

#### - Good Manufacturing Practices (GMPs)

From the time tea is harvested in the field until it is packed, GMPs are followed in our factories, conforming to internationally accepted standards such as HACCP/ISO 22000.

ISO 22000: 2005 System Certification – Food Safety Management System Certification for the below Tea Manufacturing Factories of the Company.

- \* Luckyland Estate
- \* Kirklees Estate
- \* Gampaha Estate
- \* Doteloya Estate
- \* Yataderiya Estate

### **Our Fair and Competitive Trading Practices**

Our policy is to be fair and honest, accessible and forthright in our dealings and to always deliver what we promise. For this purpose, we ensure that all our relationships are based on trust and honesty, and we strive to deliver win-win solutions.

### **Our Employees**

#### **Employee Health and Safety**

The Richard Pieris Group is one of the largest private sector employers in the country, hence employees are considered as key stakeholders whose contribution is vital for the continued success of the Group.

The health and safety of our employees is a key priority, and much attention is placed in this regard at all factories and workplaces. Training programmes are consistently conducted to educate employees on health and safety measures at the workplace, while medical facilities are also provided to all employees. Our health and safety policies and standards incorporate the necessary requirements and we aim to create a culture of safety through focus on the fundamental principles of leadership, competence and a safe working environment.

Safety is an integral part of our business framework. Our security function frequently reviews the safety levels at our locations and the results are reported to the management on a timely basis. Our total lost time accident rate is low and there were no major incidents during the year. Being a prudent employer, we have obtained necessary insurance covers to compensate losses. It is also noteworthy that Atale Estate of Kegalle Plantations secured the National Occupational Safety & Health Excellence Award at the ceremony held in 2020.

#### **Community and Country**

Our products are used daily by many households and we seek to encourage responsible product use through targeted communication. When it comes to implementing our sustainability strategy, it is our people who make the difference – through their dedication, skills and knowledge. They make their own contributions to sustainable development, both in their daily business lives and as members of society. They interface with our customers and consumers and drive innovation, develop successful strategies, and give Arpico its unique identity.

The Richard Pieris Group carries out a wide range of diverse activities across all provinces in Sri Lanka, with the objective of contributing towards the goodwill of the country. Our commitment for this purpose has enabled us to nurture a reputation of being a responsible corporate body. Our initiatives reach out across the island, from small isolated villages to urban centres, thereby touching the life of every Sri Lankan. The Group has always promoted a positive attitude towards age diversity, believing that a blend of youth and maturity will concurrently benefit both the company and the employees.

### **Our Suppliers**

We develop innovative solutions and set standards for responsible sourcing together with our suppliers and partners. A thorough understanding of our supply chains has enabled us to promote sustainable relationships based on innovative and win-win solutions. We work closely with our suppliers to ensure that our company values are embedded throughout the supply chain system. We are also committed to improving the income opportunities of people who come into contact with our supply chains and our business, such as smallholders and various other suppliers.

Focused and efficient integration within the supply chain leads the Group to procure a range of products at high quality inputs at the best price, and this in turn converts to an integral component of its competitive advantage. Our dedicated supply chain team has continuously brought enormous cost benefits to the group by being a loyal customer to our vast network of suppliers that is spread across the world.

As a key part of our supplier strategy, we also aim to develop partnerships with small and medium-sized enterprises in the country and provide them with guidance in using new technology for manufacturing and tapping new markets. We have continuously supported local entrepreneurs and we desire to create opportunities for them in the domestic market through our numerous outlets across the island.

### **Our Initiatives**

#### **Vegetable Outgrower System**

During the low cropping months, estate workers' income could fluctuate resulting in a less income for the worker communities. Therefore, this vegetable outgrower project, being a brainchild of our Group Chairman, was commenced to provide an additional, steady income for the families of the estate workers during the low cropping periods. Accordingly, the worker families and the entire plantation community engages in growing vegetables in their home gardens. Further, several crops are being also trialed in plantations including Pears, Oranges, Avocado, Agarwood and Khaya under many different projects initiated within past few years. The efforts are expected to support the nation in terms of creating new employments and generating additional income.

#### **Community Driven Waste Management Project and Child Nutrition**

Quality of drinking water plays an important role in child and adult nutrition. Community driven waste management projects in some regions are conducted to prevent water sources getting contaminated by domestic waste. The project benefits at large where this project is also coupled with a child nutrition enhancing programme funded by Save the Children International.

### Prevention / Mitigating of Honey Bee Attacks

There are plenty of incidents reported on Giant Honey Bee (GHB) (*Apis dorsata*) or commonly known “Bambara” attacks in plantations and several human deaths are caused due to this every year. However, there is a solution developed for this burning issue within Maskeliya Plantations by gathering knowledge on the behavior of Giant honey bees, also with an antidote developed for bee venom. Currently this knowledge is being spread within the plantations to prevent GHB attacks and avoid human deaths as a national responsibility.

### Community Tree Planting Programme

A community tree planting programme has been undertaken at some of our locations, at times with the help of the Department of Agriculture or with the assistance of any other plants received.

### Upgrading of Plantation Operations with Skilled and Dignified Work Force

An initiative offering technical courses on proper operation and maintenance of tea farm machinery such as mechanical harvesters and pruning machines was launched, targeting school leavers and for benefit of the community at large. Trainees will be supported with a loan scheme to purchase their own machinery and also given job opportunities within the estates to earn a livelihood. This initiative was conceptualized to attract the young generation back to the plantations for what they perceive as more skilled jobs. This concept was themed, ‘Wedata Enna-Hedata Inna’ meaning ‘Come and Work and be Smart’.

### Mechanized Harvesting for Female pluckers

Female pluckers have been trained to undertake harvesting of Tea using motorized machines, an innovative concept which was introduced at Talawakelle estate of Maskeliya Plantations. As a result, crop yield has increased by 30% and leaf damage has also been minimised to a great extent. This machine is a product of Maskeliya Plantations introduced through a research project

in collaboration with the Department of Agriculture Engineering, Faculty of Agriculture and University of Peradeniya.

### Supporting Health Care

At the plantations, free lunch is provided daily for children in the Child Development Centres and periodically for pensioners and pregnant women. The centres house the children of the Plantation workers and these facilities are offered free for the betterment of society at large. Several awareness programmes are held on health concerns of resident and non-resident estate persons on various topics, including an awareness programme for small holders on the consequences of using glyphosate in agricultural practices along with a Nutrition programme for children and parents who participated, including resident and non-resident families.

The estate worker community is provided with healthcare and individual medical history records which are maintained in order to provide them with proper medical attention. In addition, Moray Estate introduced documentation on the history of pregnancies of all females of the estate (including non-workers), where each and every female with child/children has a record of their history of pregnancies. This record-keeping has been well accepted and most appreciated by government hospitals, as individuals with a record of any previous abnormalities or problems can be attended to by hospital authorities. If the need arises, they could also be referred to other hospitals more equipped to handle such situations, without undue delay.

### Introduction of a Scholarship Scheme

All Estates have introduced a scholarship scheme for Grade five scholars as well as children entering universities where each selected student is provided with a monthly provision until completion of their university education. Grade five scholars are provided with a valuable stationery pack and teachers involved will be provided with gifts in appreciation of their service.



### Child Development Centres

There are more than 100 Child Development Centres in the Plantations. Children attending these Child Development Centres are provided with a mid-day meal. This ensures a healthier future generation.

### Maintenance of Worker Housing

Plantation workers are provided with free residential facilities, in particular at Maskeliya Plantations.

### Our Commitment towards the Environment

#### Forest Conservation and Tree Planting

As a Company involved in Plantations, we have continuously encountered situations on normal land and forestry areas. Conservation of forestry areas as declared by the Central Environment Authority and the Government are clearly demarcated at the respective locations to ensure circumvention of encroachment. Areas in close proximity (60 metres) to waterways as catchment areas are included in conservation areas.

Our approach to environmental preservation is not a one-time activity, but an ongoing journey towards maintaining a greener environment around us. Under this ongoing programme, we promote the habit of planting trees especially in our estates. Plants help to reduce temperature as a result of absorbing excess carbon dioxide. Having a green surrounding neutralises the effects of carbon dioxide emissions of our business activities.

We have initiated pilot projects with fruits including pears, avocado, orange and mandarin etc, which will make the landscapes richer with diverse crops. The latest addition to this

crop list is agar wood. Further, Maskeliya Plantations PLC has secured its biomass energy with giant bamboo, which will provide a steady supply of firewood for the processing centres.

We are paving the way for cleaner environment and are also on the path to become carbon neutral or even to achieve carbon credits.

### Nature and Diversity

Our estates spread over the wet zone covering Kegalle, Kalutara, Matara, Galle, Kurunagala, Nuwara Eliya and Badulla districts experience over 2500 mm of rain. Most of our Rubber estates in Kegalle, Kalutara and Galle districts are spread between the central highlands and western southern planes varying in elevations from 500 feet above sea level to 6,000 feet. The three plantation companies are situated in the wet zone, intermediate zone and are subdivided into low country, mid country and upcountry plantations. Most of the estates are close to natural forests or reservation lands for forestry where many endangered species of butterflies, birds and animals are provided protection.

Over a dozen different mini ecosystem types have been identified in Maskeliya, Udapussellawa, Haputhale, Nuwara Eliya and Nawalapitiya regions during a survey done on biodiversity. They range from pristine virgin forests and grasslands, to manmade ecosystems such as hydropower reservoirs, plantations and disturbed scrublands etc. Tea cover is the dominant vegetation type which conceals majority of the cultivable land area in Maskeliya. Our Group and the estate community take pride in the natural environment and we are committed to protect nature that we have been blessed with.



The manmade lakes of Maussakelle and Castlereigh hydropower schemes are cardinal aquatic ecosystems which regulate and transform the multi-purpose ecosystem services provided by nature, largely at national level including hydropower generation. Some of the other services are flood control, storage and gradual release of water catering to the requirements of people living downstream, including domestic water supply for Colombo and the suburbs. The local services offer scenery, inland fisheries and leisure, together with providing landing platforms for sea planes. Timber plantations and fuel wood plantations found in diversified marginal tea lands, due to soil degradation, also occupy a considerably large land extent. Scrublands are heavily infested with invasive exotic plant species, mostly introduced to the region. It is observed that most of the invasive plant species here are of Central American origin. Coster's curse (*Clidemia hirta*) or "Kata Kalu Bovitiya" in local terms, is the most aggressive tea weed in Sri Lanka. "Gal Goraka" (*Clusia rosea*), "Kurunjan Pullu" (*Austroepatorium inulifolium*) and "Maalu Othana Kola" (*Micornia calvesens*) are a few other examples to this effect.

Home gardens of the resident plantation worker community and commercial vegetable plots too collectively occupy an important part of estate land. The rest of the extent is shared by riverine forests seen along water causeways, rocky outcrops, marshy lands (Wet Patna) and isolated secondary forest patches scattered throughout the landscape. The Westward section of the region borders the Peak Wilderness Nature Reserve (PWNR), one of the most diverse primary forests in Sri Lanka and home to a vast number of endemic biological species. This pristine virgin forest is the core reservoir home for almost all the wildlife species found in the Maskeliya area. Hence, many of these species have crossed over and wandered into tea estate land, giving visitors the opportunity of admiring them at the estates, without entering into the nature reserve.

## Hydro Power

Hydro power plants at Talawakelle and Brunswick estates generate electricity which helps to supply for domestic use and also to contribute to the national grid.

## Land Management

As a Group which holds Plantation Companies, we are always concerned about our environment, particularly soil. To safeguard against land and soil erosion, we continuously emphasis on improved land management structures and methods such as terracing, mulching, weeding, growing Manaa (grass which prevents soil erosion) and other plants to prevent soil erosion. Using plants for erosion control is an excellent biological method that we use to safeguard the landscape and the shape of the land. In our tea plantations, especially in the Upcountry and Uva range plantations we adopt this method to safeguard the soil. In every bank or end of planting areas with a higher slope, we take these methods to prevent soil erosion. This has enabled us to minimise the conditions that promote soil erosion such as rain, wind, physical disturbance. It is a relatively easy way to conserve top soils and prevent open areas from wearing away.

Other methods include coir netting, mulching, terracing and drains. However, the ground cover that we maintain together with overhead canopies of our shade trees and permanent crops, protects the soil without artificial methodologies. We have also started a pilot project at Mocha Estate, Maskeliya, in order to convert weed biomass removed from the fields through manual weeding, into enriched compost to be put back to the tea fields. The aim is to enrich the soil within the generated resources and improve nutrient retention ability and moisture holding capacity. By improving the soil this way, the input use efficiency of the soil can be enhanced while controlling the usage of costly fertilizer input, thereby saving funds.



### Harvesting of Timber

All operations including felling, clearing, extraction and transportation of timber is undertaken in conformity to the environmental standards stipulated under the National Environmental Act. All precautionary measures are planned out to minimize soil erosion and runoff fluctuation of the ground water table. It is also mandatory on the part of the company to replant the harvested extents almost immediately during the succeeding monsoon, in addition to the establishment of conservation forest extents in vulnerable areas. Clear felling of trees in extents exceeding 2 hectares, felling of wind belts or any form of felling of trees in catchment areas or in lands with high gradients are totally avoided.

### Water Management

As a socially responsible Group we take every possible action with the view of preserving the water sources for future generations. We have undertaken a number of initiatives to not only to preserve water but more importantly to develop and improve our water resources through improved water retention techniques and harvesting of rainwater. These necessary step were taken not only for the concern of the business, but more importantly for serving the needs of our people.

Most of our Retail outlets have Water Treatment Plants and we do not discharge water without treating the same. Our crops do not depend on irrigation for survival but on inherent ground moisture levels and to that extent, the retention, preservation and revitalization of ground water levels. Thus, it is paramount to regularize the flow of water in our streams, waterways and springs to prevent them from drying out during the dry weather. Our focus has been to reduce ground temperature as far as possible, improve the permeability and water retention capacity of our soils, and improve recharge structures so as to reduce or eliminate the surface flow of water directed to the rivers.

We are in the process of establishing forest-like ecosystems on marginal land extents and also along the water streams present in the tea estates. Furthermore we have started the construction of mini/micro scale cascading reservoir systems in order to improve the retention of the water we harvest. Thereby, in addition to improving water availability for the estate and for the plantation community, the above water harvesting initiatives would secure the water supply for the people living downstream, beyond our territory as well. Accordingly, we would be able to halt the decline in our water resources and prevent a major crisis in years to come, to secure and improve the performance of our cultivation.

Various steps have been taken towards water management by Namunukula, Maskeliya and Kegalle Plantations such as;

- \* Improve both high and low shade that not only serves to reduce ground temperatures but provides valuable raw material for mulching and reduces the velocity of heavy rainfall at the point of impact.
- \* Contour draining - a process that enables maximizing the harvesting of rain water amongst other agronomical benefits.
- \* Forking and burying of pruning material to improve soil permeability amongst other agronomical benefits.

All water catchment areas are carefully identified and kept undisturbed to continue serving as water bodies for the resident and non-resident population, in and around our plantations. Maintaining high standards of agricultural practices, our plantations do not permit surface running of water, which instead has to be trapped through the draining system to promote absorption of water.

In the Rubber production process, the factories have well-designed effluent treatment plants, and water used in the production process is treated and adequately purified to reduce the effluent at an acceptable level as per the environment policy.

Our field of Water Resources Management will continue to adapt to current and future issues. It is likely that ongoing climate change will lead to situations that have not been encountered before. As a result, to face the rise of uncertainties in the environment, new tactics are being followed and implemented in order to avoid setbacks in the future.



## Overall Group Performance

During the financial year 2019/20, the Group recorded a revenue of Rs. 54 bn, with a decrease of 1.5% over the previous financial year. Profit before tax for the year stood at 2.5 bn witnessing the Profit after Tax at Rs. 1.3 bn. Numerous factors contributed to the drop in the Group performance including the COVID pandemic.

## Revenue Analysis

The Group recorded a decline in its revenue compared to the prior year while sectors indicating mixed results with the influence of the macro environment.

### Retail Sector

The Retail sector continued its legacy of contributing more than 50% to the Group revenue, while recording Rs. 27.8 bn for the year under review. Modern trade growth has continued throughout the year, emphasising convenience, range and availability for the lifestyle in the urban areas, while slowly penetrating to suburban areas with the intention of conversion from general trade. Increased competition in the market and the unforeseen negative activities such as terror attacks and the pandemic has caused a sluggish movement in the revenue for the year 2019/20. Premeditated geographical expansion is in the pipeline and it is noteworthy that the sector was successful in opening two large scale outlets during the year amounting to 28 outlets.

### Rubber Sector

The Rubber sector of the Group recorded a revenue of Rs. 5.3 bn showcasing promising growth for the Group in the near future. Richard Pieris Natural Foams increased its contribution to the sector revenue recording a revenue of Rs. 3.9 bn for the period under review. Incline in the volumes along with the rupee

depreciation induced the revenue during the year 2019/20. The sector continued to penetrate various regions during the financial year and tactical plans are being formulated for aggressive growth, subject to global recessionary symptoms due to the pandemic. Plans are underway for an additional production plant for Richard Pieris Natural Foams to cater to the unwavering demand from our customers around the globe.

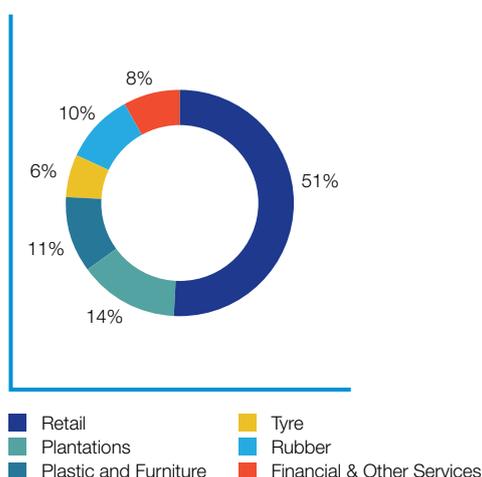
### Tyre Sector

Revenue of the Tyre sector witnessed a growth of 10.4% during the financial year 2019/20 compared to the corresponding period. The Sector reached Rs. 3 bn while continuing to contribute more than 5% to the Group revenue. The re-trading segment continued to record a dominant position compared to the trading segment, while managing the rising competition posed by imported radial tyres. Trading segment vigorously made efforts to cut across competition through wide coverage and product promotions for its brands such as Nexen and Birla. Investment in the solid tyre business is slowly paving the way for a brighter future for the sector.

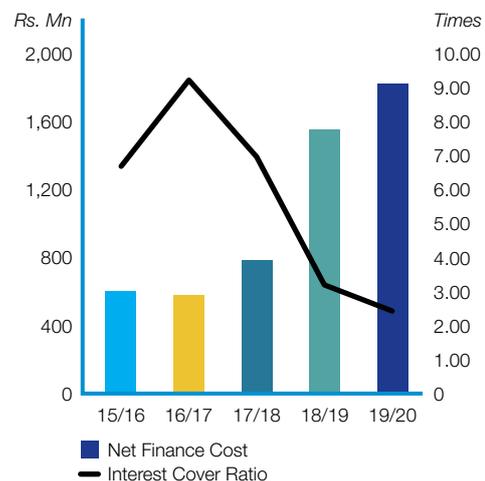
### Plastics, Furniture and Electronics Sector

The sector recorded a decline of 5.44% while contributing 11.4% to the Group revenue. The sector recorded a revenue of Rs. 6.1 bn while witnessing an arrayed geographical presence in the island with a strong network of distributors and dealers. It is noteworthy that the focus in electronic products has shown a positive response from the market with a steady growth in the sales. The Sector's main products such as Mattresses, PVC and Water Tanks demonstrated volume growth during the period under review. Product developments are in place to further increase its offer to its customer base around the island.

Group Turnover Composition



Net Finance Cost vs. Interest Cover Ratio



### Plantation Sector

The Plantation sector recorded a revenue of Rs. 7.3 bn while witnessing major challenges in the operating environment. The sector continued to be the second highest revenue contributor to the Group with 13.6%. Tea volumes from the sector witnessed stable volume of 12 mn kg's, whereas rubber volumes were less than the corresponding period to the year under review. The golden crop of the sector, Palm Oil, recorded an increase of 9.5% in revenue while increasing in its volume to 22.8 mn kg's.

### Financial Services Sector

The sector recorded a revenue of Rs. 4.5 bn during the year under review, contributing 8.4% to the Group revenue. The Finance Company and the Insurance company being the key entities under the sector, witnessed a growth of 7.7% during the year under review. Both entities though young in the industry are poised to grow in the coming years with more geographical presence and varied product assortment.

### Cost of Sales and Operating Expenses

Cost of Sale of the Group was reported to be Rs. 41.4 bn with a drop of 0.3% during the period under review, absorbing 76% of the Group revenue. As a percentage of the revenue, the Cost of Sales have increased by 0.9% impacting the Group Gross Profit for the year under review, mostly influenced by the increase in the cost of materials, due to the impact of fluctuation in the exchange rate.

The key costs such as administration and distribution costs, along with the cost of sales, constituted 94.5% of the Group's revenue during the financial year under review. Administration costs of the Group exhibited a decrease of 6.8% from Rs. 6.6 bn to Rs. 6.2 bn for the period under review. Meanwhile, the Group's distribution costs, which include advertising and promotional costs as well as sales related expenses, commissions paid on sales volumes, increased by 8.8% to reach Rs. 3.6 bn during the year, accounting for 6.7% of the total revenue.

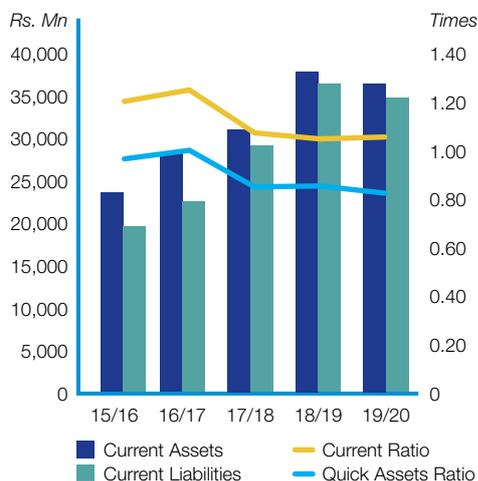
### Profit from Operations

The Group recorded a Gross Profit of Rs. 12.8 bn for the financial year 2019/20, which is a decline of 5.2% from the corresponding previous year. Profit from operations for the Group witnessed a decrease of 11.74% from Rs. 4.8 bn to Rs. 4.3 bn, while the other operating income stood at Rs. 1.3 bn for the period.

### Retail Sector

The Retail sector of the Group recorded an operating profit of Rs. 2.3 bn for the year under review with a 53.8% contribution to the Group operating profits. It is noteworthy that the sector operating profits have increased by 22% compared to the previous financial year, while simultaneously increasing the Group contribution from 38.9% in the corresponding preceding year. Initiatives taken to mitigate costs at outlet levels have paved the way for the sector to increase its operating profit. Continuous efforts made in Solar, and the store designs which usually enable natural light to spill through the building, eliminating the need for artificial lighting and have contributed immensely towards energy saving. Initiatives are under way to increase the margins through numerous ways in addition to the geographical expansions of the outlets.

Working Capital Investment vs. Current Ratio



## Rubber Sector

Being the second highest contributor with 28.8% to the Group operating profit, the sector recorded Rs. 1.2 bn during the period under review. Operating profit margin has increased from 20.9% to 22.6% during the financial period. Continuous improvement in the cost structure is underway, as it is vital to manage and penetrate new markets whilst enjoying a growth in the margins. With the steady widening in the customer base around the globe, the sector is poised for growth through product development, quality and service.

## Tyre Sector

The Operating profit margin for the sector witnessed a growth from 7.3% to 11.3% during the year under review by recording an operating profit of Rs. 551 mn. With the increase in revenue, improvement in the trading segment was also witnessed during the period. Stringent cost measures supported the sector to improve its operating profit margin in addition to its product mix.

## Plastics, Electronic and Furniture Sector

The Plastics, Electronic and Furniture sector reported an operating profit of Rs. 719 mn with 86% growth from the corresponding previous year. Operating margin of the sector improved from 5.1% to 10%. The sector achieved this tremendous growth through a number of initiatives including the product mix and cost measures, whilst enjoying geographical penetration. Water Tank and Mattress operations were key in contributing to the operating profits and the sector has taken necessary steps to widen its product portfolio to cater to its customer base.

## Plantation Sector

The sector performance declined sharply to record a loss of 84 mn for the period under review mainly because of factors emanating externally such as weather, sluggish global prices and escalation in cost of production led by rise in cost of labour which is not coupled with the productivity. Necessary measures are underway to manage the costs while improving productivity for the betterment of the sector.

## Financial Services Sector

The reporting period has been highly challenging for the sector with an operating loss of Rs. 531.8 mn for the period under review.

## Group Financial Position and Liquidity

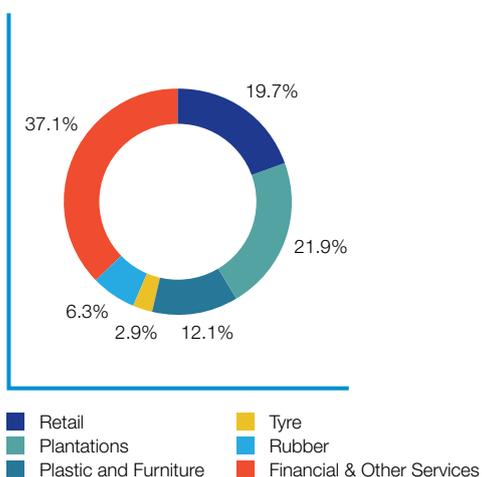
### Non-Current Assets

Non-current assets of the Group representing 46% of the total assets, increased to Rs. 31.01 bn from 26.8 bn during the period under review. The property, plant and equipment category, which accounts for 30% of the total assets, reduced to 66% of the Non-current assets from 75% during the financial period.

### Working Capital

Current assets and liabilities witnessed a drop of 4% and 3% during the period under review, respectively. Effective terms and timely sourcing of inventory strengthened the Working Capital where the Group Stock holding levels reached Rs. 8 bn establishing a 2.6% decline. Strong collections and effective trade contracts have driven the trade receivables of the Group to be at Rs. 8.2 bn, which is a 4.6% decline from the corresponding previous financial year. The total current assets of the Group accounted for 54% of its total assets while total current liabilities accounted for 71% of the same. The Group's current ratio was reported to be 1.03 and the quick ratio was reported at 0.8 compared to 1.04 and 0.82 times respectively in the corresponding period.

## Segmental Assets



## **Capital Structure**

### **Equity**

The profit attributable to the shareholders for the year was recorded at Rs. 1.1 bn, which in turn induced the reserves to reach Rs. 12.6 bn for the Group.

### **Borrowing**

In terms of borrowings, the net debt including cash balance was stationed at Rs. 17bn compared to Rs. 19.8 bn in the previous financial year, a decrease of Rs. 2.8 bn during the year.

### **Market Capitalization**

The market capitalization of the Company was Rs. 15.9 bn at the closing price of the share, down from Rs. 18.7 bn recorded in the previous year. During the year under review, the highest traded price of the Group's share was Rs. 12.50, while the lowest price was Rs. 7.60. During the period under review 35,606,417 shares were traded and the share price closed for the year at Rs. 7.80.

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

| Risk Exposure                           | Group Objectives  | Risk Minimisation Strategies  |
|---|---|---|
| <b>Financial Risk Management</b>        |   |   |
| <b>1. Liquidity and Cash Management</b> | <ul style="list-style-type: none"> <li>* To ensure faster response to market opportunities by ensuring instant funding ability.</li> <li>* To maintain a ‘sufficient’ liquidity position at all times.</li> </ul>   | <ul style="list-style-type: none"> <li>* Funding of long term assets through Equity and Long Term Loans.</li> <li>* Availability of short term borrowing facilities to the Group at all times.</li> <li>* Funding of inventory by short term creditors.</li> <li>* The Group owns land and buildings with market values significantly in excess of its book values that can be offered as collateral for future funding requirements.</li> <li>* Sourcing of funding requirements through many financial institutions.</li> </ul>   |
| <b>2. Interest Rate Risk</b>            | <ul style="list-style-type: none"> <li>* To minimise adverse effects of interest rate volatility.</li> <li>* To ensure cost of borrowing is at minimum level.</li> <li>* To optimise the return on the Shareholder’s Fund and Life Policy Fund of Insurance Company.</li> <li>* Optimize the interest spread through matching the maturities of assets and liabilities of the Finance Company.</li> </ul> | <ul style="list-style-type: none"> <li>* Structuring the loan portfolio to combine foreign currency and local currency denominated borrowings. Continuous monitoring is being done to match the mix of foreign and local denominated borrowings to the mix of export and local revenue of the Group.</li> <li>* Using fixed and variable rate borrowings to strike a balance.</li> <li>* Centralised Treasury that coordinates Group funding requirements thus ensuring more effective borrowing terms.</li> <li>* Practicing effective hedging techniques whenever deemed necessary.</li> <li>* Centralised Treasury function to get the advantage of the total pooling of funds.</li> <li>* Matching the Assets and Liabilities of maturities.</li> <li>* Duration Management.</li> </ul> |
| <b>3. Currency Risk</b>                 | <ul style="list-style-type: none"> <li>* To minimise risk associated with the fluctuation in foreign currency rates in relation to export proceeds, import payments and foreign currency debt transactions</li> </ul>   | <ul style="list-style-type: none"> <li>* Export proceeds exceeding the import payments and foreign currency debt payments act as a natural hedge.</li> <li>* Ensuring effective Treasury operations through various hedging techniques such as forward bookings, forward sales, swaps and options contracts etc.</li> </ul>   |
| <b>Business Risk Management</b>         |   |   |
| <b>1. Credit Risk</b>                   | <ul style="list-style-type: none"> <li>* To minimise risks associated with debtor defaults.</li> </ul>  | <ul style="list-style-type: none"> <li>* Obtaining insurance cover for export debtors.</li> <li>* Developing and implementing Credit Policies</li> <li>* Obtaining bank guarantees, deposits and collateral for all major local customers.</li> <li>* Following stringent assessment procedures to ensure credit worthiness of the customers prior to the granting of credit.</li> <li>* Demarcating the local areas and appointing new distributors thus increasing the number of customers with the objective of reducing credit exposure due to the reliance of a few customers.</li> <li>* Closely monitoring the debtor balances, laying action plans, and determining the same are under control.</li> </ul>  |

| Risk Exposure                           | Group Objectives  | Risk Minimisation Strategies  |
|---|---|---|
| <b>2. Asset Risk</b>                    | <ul style="list-style-type: none"> <li>To minimise risk from fire, theft and machinery and equipment breakdown.</li> </ul>  | <ul style="list-style-type: none"> <li>Obtaining comprehensive insurance covers for all tangible assets.</li> <li>Adoption of stringent procedures with regards to the moving of assets from one location to another.</li> <li>Carrying out mandatory preventive maintenance programs.</li> <li>Carrying out frequent employee training programs in areas such as fire prevention.</li> </ul>   |
| <b>3. Internal Controls</b>             | <ul style="list-style-type: none"> <li>To maintain a sound system of internal control to safeguard shareholders' wealth and Group assets.</li> </ul>  | <ul style="list-style-type: none"> <li>Carrying out of system audits and other control mechanisms such as inventory and cash counts throughout the Group by our central Internal Audit Department.</li> <li>Having in place a budgetary process and a budgetary control mechanism on a monthly basis to ensure that the</li> <li>Group's performance is in line with its targets.</li> </ul>  |
| <b>4. Reputation Risk</b>               | <ul style="list-style-type: none"> <li>To prevent the causes that damage our reputation.</li> <li>To minimise the impact if, despite our best endeavours, a reputation crisis should occur.</li> </ul>  | <ul style="list-style-type: none"> <li>Adopting stringent quality assurance policies with regard to goods bought out from third parties as well as the inputs, processes and outputs of own brand and in-house manufactured products.</li> <li>Ensuring effective communication with various stakeholders including employees, bankers, media, regulators, customers, suppliers, shareholders and the community at large.</li> <li>Providing the front line managers and the sales staff with adequate training in order to improve service standards as well as to educate staff on the importance of customer service.</li> <li>Ensuring Public Liability Cover to make certain safety of the customers and public at all times.</li> </ul> |
| <b>5. Human Capital and Labour Risk</b> | <ul style="list-style-type: none"> <li>To ensure a smooth flow of operations without any undue disruptions.</li> <li>To project ourselves as a human employer, successful in motivating, developing, retaining and attracting the best of human capital.</li> </ul> | <ul style="list-style-type: none"> <li>Maintaining healthy relationships with trade unions through regular dialogue</li> <li>Entering into agreements with trade unions.</li> <li>Improving employee benefits by way of incentives and welfare activities.</li> <li>Improving the Human Resource function of the Group with regards to employee recruitment, performance appraisals and in-house as well as external training programs.</li> <li>Promoting Performance driven culture.</li> </ul>   |
| <b>6. Technological Risk</b>            | <ul style="list-style-type: none"> <li>To keep pace with the current technological developments and safeguard against obsolescence.</li> </ul>  | <ul style="list-style-type: none"> <li>Continuous investment in new technologies and automation.</li> <li>Investing in Research and Development activities throughout the year.</li> <li>Investing in hardware and developing software in-house.</li> </ul>   |
| <b>7. Procurement Risk</b>              | <ul style="list-style-type: none"> <li>To minimise risk associated with price and availability.</li> </ul>  | <ul style="list-style-type: none"> <li>Introduction of total Supply Chain framework including correct procurement process system.</li> <li>Establishing relationships with many global and local suppliers for raw materials and commodities in order to reduce over-dependency on a single supplier/brand.</li> <li>Ensuring effective category management to reduce the risk of non-availability of goods at our retail outlets.</li> <li>Adoption of backward integration strategies.</li> <li>Centralised purchasing division which has enabled us to create a reliable network of global suppliers.</li> <li>Entering into forward contracts for raw material purchases.</li> <li>Ensure Goods in Transit are insured.</li> </ul>        |

| Risk Exposure   | Group Objectives  | Risk Minimisation Strategies  |
|---|---|---|
| <b>8. Inventory</b>                                     | <ul style="list-style-type: none"> <li>* To reduce stock obsolescence and manage stock holding costs.</li> <li>* Reducing the risk associated with theft and shrinkage.</li> </ul>                                    | <ul style="list-style-type: none"> <li>* Adopting a monthly declaration policy.</li> <li>* Identifying slow-moving stocks and effectively laying out a channel for these to be sold off.</li> <li>* Adopting security systems at the Retail outlets such as security tags with alarm systems, surveillance cameras and deployment of security to manage theft.</li> <li>* Ensure Raw Material and Finished Goods stocks are insured.</li> </ul>   |
| <b>9. Risk of Competition</b>                           | <ul style="list-style-type: none"> <li>* To maximise our market share and maintain market leadership in the respective industries.</li> </ul>   | <ul style="list-style-type: none"> <li>* Ensuring high standards of quality.</li> <li>* Increasing productivity and efficiency in order to ensure our prices remain competitive despite increasing wage, energy and transportation costs.</li> <li>* Carrying out Research and Development activities to identify needs.</li> <li>* Further strengthening our Arpico brand through aggressive advertising campaigns and target marketing.</li> <li>* Introducing pioneering products.</li> <li>* The introduction of a CRM program in our retail chain.</li> <li>* The provision of various value added services at our key retailing outlets.</li> </ul> |
| <b>10. Intellectual Capital Risk</b>                    | <ul style="list-style-type: none"> <li>* To protect ourselves against possible violations, fraudulent usage and infringements on the Group's copyrights.</li> </ul>   | <ul style="list-style-type: none"> <li>* Registering our brands and trademarks.</li> <li>* Successfully obtaining patents for manufactured radial tyres.</li> <li>* Furthering our Arpico brand image through promotions and advertising whilst ensuring value of the brand image is resolute.</li> </ul>   |
| <b>11. Capital Investments Risk</b>                     | <ul style="list-style-type: none"> <li>* To minimise risk of not meeting profit expectations.</li> </ul>  | <ul style="list-style-type: none"> <li>* Adopting a stringent approval procedure for Capital expenditure based on the level of investment and the expected pay back.</li> <li>* Carrying out extensive feasibility studies for large scale investments. External expertise is obtained wherever required.</li> </ul>  |
| <b>12. Information Systems Risk</b>                     | <ul style="list-style-type: none"> <li>* To minimise risk associated with Data Security, Hardware and Communication and Software.</li> </ul>  | <ul style="list-style-type: none"> <li>* Maintaining of spare servers.</li> <li>* Mirroring of hard disks with critical data.</li> <li>* Data back-ups stored in off-site locations.</li> <li>* Vendor agreements for support service and maintenance.</li> <li>* Regular upgrading of Virus Scanners, Fire walls etc.</li> <li>* Compliance with statutory requirements for environmental preservations.</li> <li>* Carrying out Application Control Audits.</li> <li>* Having a Disaster Recovery Site.</li> </ul>  |
| <b>13. Environmental, Political and Regulatory Risk</b> | <ul style="list-style-type: none"> <li>* To minimise the negative impact from the changes in the external environment which are beyond our control.</li> <li>* To Comply with the Regulatory Requirements.</li> </ul> | <ul style="list-style-type: none"> <li>* Compliance with statutory requirements for all tax and other payments.</li> <li>* Prioritise the IT requirements for reporting</li> <li>* Set up internal deadlines for each criterion</li> <li>* Meet the deadline for Statutory Returns and review all returns by Group Finance before the submission.</li> <li>* Continuous dialogue with statutory bodies to get the updated reporting requirements.</li> </ul>  |
| <b>14. Underwriting Risk</b>                            | <ul style="list-style-type: none"> <li>* To Minimise the Claims and to ensure proper pricing.</li> </ul>  | <ul style="list-style-type: none"> <li>* Assessing the risk exposed by accepting the policy and carrying out proper ratings and loadings before underwriting any policy.</li> <li>* Adhering to the guidelines provided by re-insurer</li> <li>* Referring any complicated matters to the re-insurer before accepting the risk.</li> <li>* Checking validity and accuracy of all the proofs given by the client before accepting the risk.</li> </ul>   |

# STATEMENT OF VALUE ADDED

Richard Pieris & Company PLC  
Annual Report 2019/2020

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|   | 2019/2020<br>Rs.'000 | %    | 2018/2019<br>Rs.'000 | %    |
|---|----------------------|------|----------------------|------|
| Revenue                                 | 54,239,710           |      | 55,045,358           |      |
| Cost of material and services purchased | (39,544,301)         |      | (38,208,306)         |      |
|   | 14,695,409           |      | 16,837,052           |      |
| Other income                            | 1,365,070            |      | 1,397,658            |      |
|   | 16,060,479           |      | 18,234,710           |      |
| <b>Distribution of value added</b>      |                      |      |                      |      |
| To employees                            |                      |      |                      |      |
| - Remuneration                          | 8,370,244            | 54%  | 8,585,373            | 47%  |
| <b>To government</b>                    |                      |      |                      |      |
| - Duties and taxes                      | 2,078,742            | 12%  | 2,227,374            | 12%  |
| <b>To providers of capital</b>          |                      |      |                      |      |
| - Interest on loan capital              | 2,329,271            | 14%  | 2,109,249            | 12%  |
| - Non controlling interest              | 147,385              | 1%   | 332,699              | 2%   |
| - Dividend to shareholders              | -                    | -    | 1,729,783            | 9%   |
| <b>Retained in the business</b>         |                      |      |                      |      |
| - Depreciation and amortisation         | 1,991,636            | 12%  | 1,240,664            | 7%   |
| - Profit retained                       | 1,143,201            | 7%   | 2,009,568            | 11%  |
|   | 16,060,479           | 100% | 18,234,710           | 100% |

The Richard Pieris Group considers its employees to be the asset with the greatest value. The blend of youth and maturity among the employees simultaneously benefits employees as well as the company. The Human Resource (HR) policies of the group systematically focus on attracting and retaining the best talent, while empowering employees to achieve their professional and personal goals, thus contributing to the value creation and success of the Group.

Richard Pieris Group, with its unparalleled heritage of 88 years, has succeeded in positioning itself at the pinnacle of the corporate sector in Sri Lanka, whole-heartedly supported by a team of enthusiastic, dedicated and motivated employees who are blessed with an abundance of talent and dynamism. The Company is committed to nurture an open and warm family atmosphere based on a strong anti-discriminatory policy. The group's human capital management is focused on fostering innovative thinking, creativity and team work which delivers unique value to customers and clients. Given its aspiration of being counted as a 'Great Place to Work', the Group is dedicated to building an exclusive work environment for its workforce of different nationalities, races, religions and cultures, working together as an integrated team.

### Employee Relations

The Group continuously strives to maintain an open door policy with employees across the hierarchy, which is a key success factor in order to nurture a rapid growth momentum to foster dynamism of the large business conglomerate. Employees at all levels are encouraged and rewarded to actively take part in the management of respective SBUs through the maintenance of a harmonious and peaceful relationship. The employee-centric management strategy has enabled the Group to effectively address the issues concerning the employees at all levels, thus driving the Group towards excellence.

### Equal Opportunity Employer

Richard Pieris Group is committed to being an equal opportunity employer; the Group respects freedom of association and sustains healthy and cordial relationship with the Trade Unions. The Company follows a zero tolerance policy for gender based discrimination, cast and geographical discrimination, and sexual harassment while ensuring a hazard-free safe workplace. We strive to enable the full participation of people with different abilities.

### Internal Mobility

This is a very important aspect contributing to our business operations. It contributes to our operational stability and business performance as well as helping us to mitigate the succession related risks. Internal mobility plays a vital role for RPC in retaining expertise, experience and talent by enabling employees to pursue individual career goals. In accordance with the new recruitment

policy all open positions are advertised to internal employees first before any external candidates can be sought. Cross-company mobility is also encouraged where employees have the ability to move within the companies. This endows employees with broad and deep multi company handling and functional skills.

### Training and Development

In identifying the training needs of staff, the Group possesses a planned and structured mechanism which identifies the different training and development requirements of the SBUs of different sectors. The systematic execution of these well-structured training programs fosters the pool of talent at Arpico, which not only benefits the Group but also the entire nation. The training programs conducted by trainers from different professional backgrounds at the Group's own in-house training academy enables staff of all categories to reach greater heights in their careers.

Going beyond the workplace, different initiatives were executed across communities of different SBUs with the objective to assist employees and their communities to uplift their living standards. Health guidance programs, nutritional programs for children and pregnant mothers were carried out especially in the Plantations of Namunukula, Kegalle and Maskeliya, where most of the workers do not have access to such programs. With all these different initiatives, the Group has been able to win the hearts of employees, whose untiring commitments generated greater value across the Group.

### Employee Innovation

All employees of RPC are encouraged to come up with innovative ideas be it business or other. The senior management warmly welcomes the ideas of our employees who come up with plans such as enhancing business process or cost cutting.

### Work Life Balance

Maintaining a steady balance between work and personal life is an essential aspect in employee wellbeing and motivation, since a hassle-free mind enhances their performance whilst inspiring innovative ideas. Different recreational activities are organized by the Group aimed at increasing employee satisfaction and delighting them with opportunities and benefits. Recreational activities such as gatherings and dinners are organized to sustain an optimal work-life balance.

### Wellbeing

Our employees being our most important resource, we rely on them to help us shape the future of our group and its subsidiaries. For people to stay healthy with their family members we provide them with comprehensive offerings such as insurance scheme, medical claim facilities, etc. The focus is on the employees' financial, social, mental and physical wellbeing which includes the above benefit plans.

### **Safety at Work**

The Covid-19 pandemic has affected our business too. In keeping with the safety measures and guidelines issued by the government, we took extra measures to ensure the work place and its surroundings were well protected by ensuring the safety measures and controls were in place and complied with by employees as well as customers.

We are committed to promoting accident prevention and safe places to work and conduct business for our employees including our stakeholders. We follow all accepted safety standards and have taken all measure in the work place to ensure the safety and satisfaction of our employees.

**1. RUBBER SECTOR**

| <b>RICHARD PIERIS EXPORTS PLC</b> |   |
|-----------------------------------|---|
| Business Activity                 | Manufacture and export of rubber mats and sealing rings |
| Dr. Sena Yaddhige                 | Chairman/CEO  |
| Mr. Shaminda Yaddhige             | Director  |
| Mr. S S G Liyanage                | Director  |
| Mr. W J V P Perera                | Director  |
| Mr. W R Abeyirigunawardena        | Director  |
| Dr. L M K Tillekeratne            | Director  |
| Mr. A M Patrick                   | Director  |
| Stated Capital                    | Rs. 220,262,000 represented by 11,163,745 shares        |
| Group Holding                     | 83.90%  |

| <b>ARPITALIAN COMPACT SOLES (PRIVATE) LIMITED</b> |   |
|---|---|
| Business Activity                                 | Manufacture and export of resin rubber shoe soling sheets                                   |
| Dr. Sena Yaddhige                                 | Chairman  |
| Mr. Lino Piccolo                                  | Director ceased to be w e f 05.11.2019  |
| Mr. Fabio Piccolo                                 | Director  |
| Mr. W R Abeyirigunawardena                        | Director  |
| Mr. Januka Karunasena                             | Director resigned w e f 01.07.2019  |
| Mr. Rohan Nishantha Yaddhige                      | Director appointed w e f 05.11.2019   |
| Mr. Manoj Pathiraja                               | Director appointed w e f 05.11.2019 resigned w e f 19.10.2020                               |
| Stated Capital                                    | Rs. 542,371,660 represented by 60,471,501 ordinary shares and 6,404,500 preferential shares |
| Group Holding                                     | 58.69%  |

| <b>RICHARD PIERIS NATURAL FOAMS LIMITED</b> |  |
|---|--|
| Business Activity                           | Manufacture and export of foam rubber products   |
| Dr. Sena Yaddhige                           | Chairman   |
| Mr. Shaminda Yaddhige                       | Director   |
| Mr. W R Abeyirigunawardena                  | Director   |
| Mr. W J V P Perera                          | Director appointed w e f 25.06.2020              |
| Stated Capital                              | Rs. 640,822,600 represented by 64,082,260 shares |
| Group Holding                               | 85.75%   |

| <b>ARPICO NATURAL LATEXFOAMS (PRIVATE) LIMITED (Discontinued Business)</b> |  |
|--|--|
| Business Activity  | Manufacture and export of foam rubber products |
| Dr. Sena Yaddhige  | Chairman                                       |
| Mr. Shaminda Yaddhige  | Director                                       |
| Mr. Januka Karunasena  | Director resigned w e f 01.07.2019             |
| Mr. W R Abeyirigunawardena   | Director                                       |
| Mr. Adrian Bogahawatte   | Director appointed w e f 17.09.2019            |
| Stated Capital   | Rs. 90,000,000 represented by 9,000,000 shares |
| Group Holding  | 84.93%   |

| <b>MICRO MINERALS (PRIVATE) LIMITED</b> |   |
|---|---|
| Business Activity                       | Manufacture of rubber fillers               |
| Dr. Sena Yaddhige                       | Chairman                                    |
| Mr. W R Abeyirigunawardena              | Director                                    |
| Mr. B L P Jayawardana                   | Director                                    |
| Stated Capital                          | Rs. 9,126,000 represented by 912,600 shares |
| Group Holding                           | 57.68%                                      |

**2. TYRE SECTOR**

| <b>RICHARD PIERIS TYRE COMPANY LIMITED</b> |  |
|--|--|
| Business Activity                          | Tyre retreading, re-manufacturing & trading    |
| Dr. Sena Yaddhige                          | Chairman                                       |
| Mr. W R Abeyirigunawardena                 | Director                                       |
| Mr. Shaminda Yaddhige                      | Director                                       |
| Mr. Pradeep Samarathunga                   | Director                                       |
| Stated Capital                             | Rs. 50,000,000 represented by 4,000,000 shares |
| Group Holding                              | 100%   |

| <b>ARPIDAG INTERNATIONAL (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity                              | Manufacture of pre-cured tyre retreading material |
| Dr. Sena Yaddhige                              | Chairman  |
| Mr. W R Abeyirigunawardena                     | Director  |
| Mr. Shaminda Yaddhige                          | Director  |
| Mr. Pradeep Samarathunga                       | Director  |
| Stated Capital                                 | Rs. 58,650,000 represented by 459,999 shares      |
| Group Holding                                  | 51.00%  |

| <b>RICHARD PIERIS RUBBER COMPOUNDS LIMITED</b> |  |
|--|--|
| Business Activity                              | Mixing rubber compounds                        |
| Dr. Sena Yaddhige                              | Chairman                                       |
| Mr. W R Abeyirigunawardena                     | Director                                       |
| Mr. Pradeep Samaratunga                        | Director                                       |
| Stated Capital                                 | Rs. 17,000,000 represented by 1,700,000 shares |
| Group Holding                                  | 100%   |

| <b>BGN INDUSTRIAL TYRE (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity                            | Manufacturing of Industrial tyre                |
| Mr. Shaminda Yaddhige                        | Director  |
| Mr. Pradeep Samarathunga                     | Director  |
| Mr. W R Abeyirigunawardena                   | Director  |
| Mr. B G Nandana                              | Director  |
| Ms. B G K Madhuhansika                       | Director  |
| Mr. P A Rohitha Karunarathne                 | Director  |
| Mr. Shiron Gooneratne                        | Director  |
| Stated Capital                               | Rs. 147,364,000 represented by 7,317,680 shares |
| Group Holding                                | 51.00%  |

### 3. PLASTICS, FURNITURE & ELECTRONICS SECTOR

| <b>PLASTISHELLS LIMITED</b> |  |
|-----------------------------|--|
| Business Activity           | Manufacture of rotational molded products      |
| Dr. Sena Yaddhige           | Chairman                                       |
| Mr. S S G Liyanage          | Director                                       |
| Mr. Shaminda Yaddhige       | Director                                       |
| Mr. Shiron Gooneratne       | Director                                       |
| Stated Capital              | Rs. 34,160,030 represented by 3,416,003 shares |
| Group Holding               | 98.39%   |

| <b>ARPICO PLASTICS LIMITED</b> |  |
|--------------------------------|--|
| Business Activity              | Manufacture of plastic products                |
| Dr. Sena Yaddhige              | Chairman                                       |
| Mr. S S G Liyanage             | Director                                       |
| Mr. L C Wijeyesinghe           | Director appointed w e f 17.09.2019            |
| Stated Capital                 | Rs. 29,000,000 represented by 2,900,000 shares |
| Group Holding                  | 100%   |

| <b>ARPITECH (PRIVATE) LIMITED</b> |  |
|-----------------------------------|--|
| Business Activity                 | Manufacture of PVC pipes & fittings and polyurethane foam products |
| Dr. Sena Yaddhige                 | Chairman   |
| Mr. S S G Liyanage                | Director   |
| Mr. L C Wijeyesinghe              | Director   |
| Mr. Shaminda Yaddhige             | Director   |
| Mr. Shiron Gooneratne             | Director   |
| Stated Capital                    | Rs. 35,000,020 represented by 3,500,002 shares                     |
| Group Holding                     | 100%   |

| <b>R P C POLYMERS (PRIVATE) LIMITED</b> |  |
|---|--|
| Business Activity                       | Manufacturers, exporters and importers of all plastic products |
| Dr. Sena Yaddhige                       | Chairman   |
| Mr. S S G Liyanage                      | Director   |
| Mr. Shiron Gooneratne                   | Director   |
| Stated Capital                          | Rs. 187,000,020 represented by 18,700,002 shares               |
| Group Holding                           | 98.88%   |

| <b>RICHARD PIERIS RUBBER PRODUCTS LIMITED</b> |  |
|---|--|
| Business Activity                             | Manufacture of rubber products                 |
| Dr. Sena Yaddhige                             | Chairman                                       |
| Mr. S S G Liyanage                            | Director                                       |
| Mr. W R Abeyirigunawardena                    | Director                                       |
| Mr. Shaminda Yaddhige                         | Director                                       |
| Stated Capital                                | Rs. 27,000,000 represented by 2,700,000 shares |
| Group Holding                                 | 100%   |

| <b>ARPICO FURNITURE DISTRIBUTORS (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity                                      | Carrying on buying and selling of furniture items |
| Dr. Sena Yaddhige                                      | Chairman  |
| Mr. S S G Liyanage                                     | Director  |
| Mr. Shaminda Yaddhige                                  | Director  |
| Mr. K A S Lasantha                                     | Director  |
| Stated Capital   | Rs. 20 represented by 2 shares                    |
| Group Holding  | 100%  |

| ARPICO DURABLES (PRIVATE) LIMITED |  |
|-----------------------------------|--|
| Business Activity                 | Business of trading and distributing goods |
| Dr. Sena Yaddehige                | Chairman                                   |
| Mr. S S G Liyanage                | Director                                   |
| Mr. Shaminda Yaddehige            | Director                                   |
| Mr. Pradeep Samarathunga          | Director                                   |
| Stated Capital                    | Rs. 20 represented by 2 shares             |
| Group Holding                     | 100%                                       |

| ARPIMALLS DEVELOPMENT COMPANY (PRIVATE) LIMITED |  |
|---|--|
| Business Activity                               | Operates retailing centers   |
| Dr. Sena Yaddehige                              | Chairman   |
| Mr. W J V P Perera                              | Director   |
| Mr. Athula Herath                               | Director   |
| Stated Capital                                  | Rs. 430,000,020 represented by 21,000,002 ordinary shares and 22,000,000 preference shares |
| Group Holding                                   | 100%   |

#### 4. RETAIL SECTOR

| RICHARD PIERIS DISTRIBUTORS LIMITED |   |
|-------------------------------------|---|
| Business Activity                   | Managing & operating a chain of retail network      |
| Dr. Sena Yaddehige                  | Chairman  |
| Mr. S S G Liyanage                  | Director  |
| Mr. Ravi Liyanage                   | Director resigned w e f 25.08.2020                  |
| Ms. Kimarli Fernando                | Director resigned w e f 28.01.2020                  |
| Mr. Shaminda Yaddehige              | Director/Alternative Director to Dr. Sena Yaddehige |
| Mr. W J V P Perera                  | Director  |
| Stated Capital                      | Rs. 1,096,760,960 represented by 106,676,096 shares |
| Group Holding                       | 100%  |

| RPC REAL ESTATE DEVELOPMENT COMPANY (PRIVATE) LIMITED |  |
|---|--|
| Business Activity                                     | Property & Real Estate Development Projects      |
| Dr. Sena Yaddehige                                    | Chairman   |
| Mr. W J V P Perera                                    | Director   |
| Mr. K A S Lasantha                                    | Director   |
| Stated Capital  | Rs. 667,000,020 represented by 66,700,002 shares |
| Group Holding   | 100%   |

| RPC RETAIL DEVELOPMENTS COMPANY (PRIVATE) LIMITED |  |
|---|--|
| Business Activity                                 | Construction, Property and Real Estate Development |
| Dr. Sena Yaddehige                                | Chairman   |
| Mr. W J V P Perera                                | Director   |
| Mr. K A S Lasantha                                | Director   |
| Stated Capital                                    | Rs 387,000,020 represented by 38,700,002 shares    |
| Group Holding                                     | 100%   |

| ARPICO INTERIORS (PRIVATE) LIMITED |  |
|------------------------------------|--|
| Business Activity                  | Interior decorating                            |
| Mr. S S G Liyanage                 | Director                                       |
| Mr. Shaminda Yaddehige             | Director                                       |
| Mr. K A S Lasantha                 | Director                                       |
| Mr. Shiron Gooneratne              | Director                                       |
| Stated Capital                     | Rs. 30,000,020 represented by 3,000,002 shares |
| Group Holding                      | 100%   |

#### 5. PLANTATION SECTOR

| ARPICO FURNITURE LIMITED (Discontinued Business) |  |
|--|--|
| Business Activity                                | Furniture Industry                             |
| Mr. S S G Liyanage                               | Director                                       |
| Mr. Shaminda Yaddehige                           | Director                                       |
| Mr. Shiron Gooneratne                            | Director appointed w e f 17.09.2019            |
| Stated Capital                                   | Rs. 40,000,000 represented by 4,000,000 shares |
| Group Holding                                    | 100%   |

| RICHARD PIERIS PLANTATIONS (PRIVATE) LIMITED |                                    |
|--|------------------------------------|
| Business Activity                            | Managing agents of plantations     |
| Dr. Sena Yaddehige                           | Chairman                           |
| Mr. W J V P Perera                           | Director                           |
| Mr. Shaminda Yaddehige                       | Director                           |
| Mr. Sriyan Eriyagama                         | Director resigned w e f 30.06.2020 |
| Stated Capital                               | Rs. 70 represented by 7 shares     |
| Group Holding                                | 100%                               |

| <b>RPC MANAGEMENT SERVICES (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity                                | Investment & management of the plantation companies |
| Dr. Sena Yaddehige                               | Chairman  |
| Dr. C M P P R P Perera                           | Director  |
| Mr. Shaminda Yaddehige                           | Director  |
| Mr. Sudheera Epitakumbura                        | Director appointed w e f 06.09.2019                 |
| Stated Capital                                   | Rs. 75,000,000/- represented by 7,500,000 shares    |
| Group Holding                                    | 100%  |

| <b>MASKELIYA PLANTATIONS PLC</b> |  |
|----------------------------------|--|
| Business Activity                | Tea Plantations                                  |
| Dr. Sena Yaddehige               | Chairman   |
| Dr. L S K Hettiarachchi          | Director   |
| Mr. J L A Fernando               | Director   |
| Mr. Shaminda Yaddehige           | Director   |
| Dr. Sarath Samaraweera           | Director   |
| Mr. S S G Liyanage               | Director   |
| Stated Capital                   | Rs. 673,720,950 represented by 53,953,490 shares |
| Group Holding                    | 83.40%   |

| <b>KEGALLE PLANTATIONS PLC</b> |  |
|--------------------------------|--|
| Business Activity              | Rubber, Tea and Coconut Plantations              |
| Dr. Sena Yaddehige             | Chairman   |
| Prof. R C W M P A Nugawela     | Director   |
| Dr. S S G Jayawardena          | Director   |
| Mr. Shaminda Yaddehige         | Director   |
| Mr. S S G Liyanage             | Director   |
| Stated Capital                 | Rs. 250,000,010 represented by 25,000,001 shares |
| Group Holding                  | 79.14%   |

| <b>EXOTIC HORTICULTURE (PRIVATE) LIMITED</b> |  |
|--|--|
| Business Activity                            | Cultivation of fruits                          |
| Dr. Sena Yaddehige                           | Chairman                                       |
| Mr. Sriyan Eriyagama                         | Director resigned w e f 30.06.2020             |
| Mr. S S G Liyanage                           | Director                                       |
| Stated Capital                               | Rs. 10,000,000 represented by 1,000,000 shares |
| Group Holding                                | 100%   |

| <b>HAMEFA KEGALLE (PRIVATE) LIMITED (Discontinued Business)</b> |  |
|---|--|
| Business Activity   | Manufacture & Export of furniture              |
| Dr. Sena Yaddehige  | Chairman                                       |
| Mr. L C Wijeyesinghe  | Director                                       |
| Mr. Sriyan Eriyagama  | Director resigned w e f 30.06.2020             |
| Stated Capital  | Rs. 28,000,020 represented by 2,800,002 shares |
| Group Holding   | 79.14%   |

| <b>NAMUNUKULA PLANTATIONS PLC</b> |  |
|-----------------------------------|--|
| Business Activity                 | Rubber, Tea, Cinnamon, Coconut & Oil Plantations |
| Dr. Sena Yaddehige                | Chairman   |
| Mr. N C Pieris                    | Director   |
| Mr. B A T Rodrigo                 | Director (Government nominee)                    |
| Mr. Shaminda Yaddehige            | Director   |
| Mr. S G D Amerasinghe             | Director   |
| Mr. S S G Liyanage                | Director   |
| Stated Capital                    | Rs. 350,000,010 represented by 23,750,001 shares |
| Group Holding                     | 67.48%   |

| <b>RPC PLANTATION MANAGEMENT SERVICES (PRIVATE) LIMITED</b> |  |
|---|--|
| Business Activity   | Investment & Management of Plantations           |
| Dr. Sena Yaddehige  | Chairman   |
| Mr. Shaminda Yaddehige                                      | Director   |
| Mr. S S G Liyanage  | Director   |
| Mr. Sudheera Epitakumbura                                   | Director appointed w e f 06.09.2019              |
| Stated Capital  | Rs. 241,062,500 represented by 24,106,250 shares |
| Group Holding   | 100%   |

| <b>MASKELIYA TEA GARDENS (CEYLON) LIMITED</b> |  |
|---|--|
| Business Activity                             | Trading & Marketing of Value Added tea         |
| Dr. Sena Yaddehige                            | Chairman                                       |
| Mr. Athula Herath                             | Director                                       |
| Mr. Januka Karunasena                         | Director resigned w e f 01.07.2019             |
| Mr. J L A Fernando                            | Director                                       |
| Mr. Manoj Pathiraja                           | Director resigned w e f 19.10.2020             |
| Stated Capital                                | Rs. 15,000,070 represented by 1,500,007 shares |
| Group Holding                                 | 100%   |

**6. FINANCIAL & OTHER SERVICES****RICHARD PIERIS GROUP SERVICES (PRIVATE) LIMITED**

|                       |                                       |
|-----------------------|---------------------------------------|
| Business Activity     | Provides Company secretarial services |
| Dr. Sena Yaddehige    | Chairman                              |
| Mrs. R J Siriweera    | Director                              |
| Mr. Shiron Gooneratne | Director                              |
| Stated Capital        | Rs.20 represented by 2 shares         |
| Group Holding         | 100%                                  |

**ARPICO INDUSTRIAL DEVELOPMENT COMPANY (PRIVATE) LIMITED**

|                    |  |
|--------------------|--|
| Business Activity  | Operates industrial estates  |
| Dr. Sena Yaddehige | Chairman   |
| Mr. W J V P Perera | Director   |
| Mr. Athula Herath  | Director   |
| Stated Capital     | Rs. 106,400,000 represented by 1,500,000 ordinary shares 9,140,000 preferential shares |
| Group Holding      | 100%   |

**RPC LOGISTICS LIMITED**

|                       |  |
|-----------------------|--|
| Business Activity     | Freight forwarding and allied services         |
| Dr. Sena Yaddehige    | Chairman                                       |
| Mr. W J V P Perera    | Director                                       |
| Mr. Shiron Gooneratne | Director                                       |
| Stated Capital        | Rs. 20,000,070 represented by 2,000,007 shares |
| Group Holding         | 100%   |

**ARPICO EXOTICA ASIANA (PRIVATE) LIMITED**

|                       |                                |
|-----------------------|--------------------------------|
| Business Activity     | Leisure                        |
| Dr. Sena Yaddehige    | Chairman                       |
| Mr. W J V P Perera    | Director                       |
| Mr. Shiron Gooneratne | Director                       |
| Stated Capital        | Rs. 20 represented by 2 shares |
| Group Holding         | 100%                           |

**ARPICO CONSTRUCTION (PRIVATE) LIMITED formerly RPC CONSTRUCTION (PRIVATE) LIMITED**

|                               |   |
|-------------------------------|---|
| Business Activity             | Business of construction nationally and internationally |
| Dr. Sena Yaddehige            | Chairman  |
| Mr. W J V P Perera            | Director  |
| Mr. Rohan Nishantha Yaddehige | Director  |
| Stated Capital                | Rs. 20,000,070 represented by 2,000,007 shares          |
| Group Holding                 | 100%  |

**ARPICO HOMES LIMITED (Discontinued Business)**

|                       |                                    |
|-----------------------|------------------------------------|
| Business Activity     | Property & Real Estate Development |
| Dr. Sena Yaddehige    | Chairman                           |
| Mr. W S Kalugala      | Director                           |
| Mr. Shiron Gooneratne | Director                           |
| Stated Capital        | Rs. 70 represented by 7 shares     |
| Group Holding         | 100%                               |

**ARPICO HOTEL SERVICES (PRIVATE) LIMITED**

|                             |   |
|-----------------------------|---|
| Business Activity           | Business of national and international airline travel and trade |
| Dr. Sena Yaddehige          | Chairman  |
| Mr. Sanjeewa Manoj Thushara | Director  |
| Mr. Shiron Gooneratne       | Director  |
| Stated Capital              | Rs. 6,000,020 represented by 600,002 shares                     |
| Group Holding               | 100%  |

**MARKRAY SYSTEMS (PRIVATE) LIMITED**

|                       |                                     |
|-----------------------|-------------------------------------|
| Business Activity     | Carrying on IT related activities   |
| Dr. Sena Yaddehige    | Chairman                            |
| Mr. W S Kalugala      | Director                            |
| Mr. Shiron Gooneratne | Director appointed w e f 10.06.2019 |
| Stated Capital        | Rs. 20 represented by 2 shares      |
| Group Holding         | 100%                                |

**RICHARD PIERIS SECURITIES (PRIVATE) LIMITED**

|                       |  |
|-----------------------|--|
| Business Activity     | Stock Broking                                    |
| Dr. Sena Yaddehige    | Chairman resigned w e f 24.04.2019               |
| Mr. Shiron Gooneratne | Director   |
| Mr. Faizan Ozman      | Director resigned w e f 06.06.2019               |
| Mr. W J V P Perera    | Director appointed w e f 01.07.2019              |
| Stated Capital        | Rs. 195,500,000 represented by 19,550,000 shares |
| Group Holding         | 100%   |

| <b>RICHARD PIERIS FINANCIAL SERVICES (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity  | Margin providers                                      |
| Dr. Sena Yaddehige   | Chairman resigned w e f 24.04.2019                    |
| Mr. Shiron Gooneratne                                      | Director  |
| Mr. Faizan Ozman   | Director resigned w e f 06.06.2019                    |
| Mr. W J V P Perera   | Director resigned w e f 01.07.2019                    |
| Stated Capital   | Rs. 35,000,000 shares represented by 3,500,000 shares |
| Group Holding  | 100%  |

| <b>ARPICO HOSPITAL (PRIVATE) LIMITED</b> |   |
|--|---|
| Business Activity                        | Relating to human health care and allied services |
| Dr. Sena Yaddehige                       | Chairman  |
| Mr. Sriyan Eriyagama                     | Director resigned w e f 30.06.2020                |
| Stated Capital                           | Rs. 40 represented by 4 shares                    |
| Group Holding                            | 69.79%  |

| <b>ARPICO WAREHOUSE (PRIVATE) LIMITED</b> |                                |
|---|--------------------------------|
| Business Activity                         | Warehousing                    |
| Mr. S S G Liyanage                        | Director                       |
| Stated Capital                            | Rs. 30 represented by 3 shares |
| Group Holding                             | 93.04%                         |

| <b>ARPICO INSURANCE PLC</b> |  |
|-----------------------------|--|
| Business Activity           | Life Insurance                                   |
| Mr. W J V P Perera          | Chairman   |
| Mrs. L S A Seresinhe        | Director   |
| Mr. S Sirikananathan        | Director   |
| Mr. Shiron Gooneratne       | Director   |
| Mr. Faizan Ozman            | Director resigned w e f 06.06.2019               |
| Mr. Ravi Liyange            | Director resigned w e f 25.08.2020               |
| Stated Capital              | Rs. 675,564,870 represented by 66,230,407 shares |
| Group Holding               | 81.59%   |

| <b>ARPICO ATARAXIA ASSET MANAGEMENT (PRIVATE) LIMITED</b> |  |
|---|--|
| Business Activity   | Asset management                               |
| Mr. W J V P Perera  | Director                                       |
| Mr. Savantha Sebastian                                    | Director                                       |
| Mr. Sharad Sridharan                                      | Director                                       |
| Stated Capital  | Rs. 40,000,020 represented by 4,000,002 shares |
| Group Holding   | 51.00%   |

| <b>RICHARD PIERIS FINANCE LIMITED</b> |   |
|---------------------------------------|---|
| Business Activity                     | Carrying on leasing, hire purchasing & other financial services |
| Mr. J F Fernandopulle                 | Chairman  |
| Mr. D P J Hewavitharana               | Director  |
| Mr. C P Abeywickrema                  | Director resigned w e f 30.08.2019                              |
| Mr. Gamini Wijesurendra               | Director resigned w e f 31.05.2020                              |
| Mr. K M M Jabir                       | Director resigned w e f 31.10.2019                              |
| Mr. Faizan Ozman                      | Director resigned w e f 12.09.2019                              |
| Mr. R S Wijeweera                     | Director appointed w e f 10.12.2019 resigned w e f 15.06.2020   |
| Mr. A P L Fernando                    | Director appointed w e f 30.08.2019 resigned w e f 31.05.2020   |
| Mr. K B Wanigasekara                  | Director appointed w e f 28.08.2020                             |
| Mrs. N D Seneviratne                  | Director appointed w e f 28.08.2020                             |
| Mr. Chamindra De Silva                | Director appointed w e f 28.08.2020                             |
| Stated Capital                        | Rs. 1,260,830,690 represented by 121,833,069 shares             |
| Group Holding                         | 97.91%  |

| <b>ARPICO INFOSYS (PRIVATE) LIMITED</b> |  |
|---|--|
| Business Activity                       | Relating to information communication technology/ business process outsourcing |
| Dr. Sena Yaddehige                      | Chairman   |
| Mr. S S G Liyanage                      | Directors appointed w e f 05.04.2019   |
| Stated Capital                          | Rs. 20 represented by 2 shares   |
| Group Holding                           | 100%   |

| <b>ARPICO PHARMACEUTICALS (PRIVATE) LIMITED</b> |  |
|---|--|
| Business Activity                               | Relating to trading of pharmaceutical product    |
| Dr. Sena Yaddehige                              | Chairman resigned w e f 07.02.2020               |
| Dr. P M S S Pathinisekara                       | Director   |
| Dr. M S Samarakoon                              | Director   |
| Mr. Shiron Gooneratne                           | Director   |
| Stated Capital                                  | Rs. 100,000,020 represented by 10,000,002 shares |
| Group Holding                                   | 100%   |

| ARPICO DEVELOPMENTS (PRIVATE) LIMITED |  |
|---------------------------------------|--|
| Business Activity                     | Construction of shopping malls and renting it out to retail business |
| Dr. Sena Yaddehige                    | Chairman   |
| Mr. S S G Liyanage                    | Director   |
| Mr. Manoj Pathiraja                   | Director resigned w e f 19.10.2020                                   |
| Stated Capital                        | Rs. 20 represented by 2 shares                                       |
| Group Holding                         | 100%   |

| ARPICO PLANTATIONS INTERNATIONAL (PRIVATE) LIMITED |                                   |
|--|-----------------------------------|
| Business Activity                                  | Business of Plantation Management |
| Dr. Sena Yaddehige                                 | Chairman                          |
| Mr. W J V P Perera                                 | Director                          |
| Stated Capital                                     | Rs. 20 represented by 2 shares    |
| Group Holding                                      | 89.57%                            |

| ARPICO HYDEPARK TOWERS (PRIVATE) LIMITED |  |
|--|--|
| Business Activity                        | Carrying on Property Development Business. |
| Dr. Sena Yaddehige                       | Chairman                                   |
| Mr. W J V P Perera                       | Director                                   |
| Stated Capital                           | Rs. 20 represented by 2 shares             |
| Group Holding                            | 100%                                       |

| RICHARD PIERIS TRADING CO. PTE LIMITED |   |
|--|---|
| Business Activity                      | General wholesale trade (Including General Importers and Exporters) |
| Mr. D P J Hewawitharana                | Director  |
| Ms. Diong Chon Loi                     | Director appointed w e f 02.09.2019                                 |
| Stated Capital                         | Rs. 65,349,374 represented by 618,500 shares                        |
| Group Holding                          | 100%  |

| ARPICO DAILY RETAIL MANAGEMENT (PRIVATE) LIMITED |                                |
|--|--------------------------------|
| Mr. S S G Liyanage                               | Director                       |
| Mrs. R S K Rambodagedara                         | Director                       |
| Stated Capital                                   | Rs. 20 represented by 2 shares |
| Group Holding                                    | 50%                            |

| KADOLANA BEACH RESORTS (PRIVATE) LIMITED |                                |
|--|--------------------------------|
| Dr. Sena Yaddehige                       | Chairman                       |
| Stated Capital                           | Rs. 30 represented by 3 shares |
| Group Holding                            | 59.71%                         |

| ARPICO NATURAL EXTRACTS (PRIVATE) LIMITED |                                     |
|---|-------------------------------------|
| Mr. S S G Liyanage                        | Director                            |
| Stated Capital                            | Rs. 1,000 represented by 100 shares |
| Group Holding                             | 91.43%                              |

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The Directors of Richard Pieris and Company PLC are pleased to present to their members the Annual Report together with the audited Financial Statements of its Group and the Company, for the year ended 31st March 2020.

The Directors approved the Financial Statements on 25th November 2020.

## Principal Activities & Operational Review

Richard Pieris and Company PLC is the holding company that owns, directly and indirectly, investments in a number of companies constituting the Richard Pieris Group. The principal activities of the Group are described under the Group Structure on pages 58 - 64 of the report.

A review of the Group's business and its performance during the year, with comments on financial results and future developments, is contained in the Chairman Review, Sector Reviews and the Financial Review of this Annual Report. The measures taken by the Company to manage its risks are detailed in the report titled Risk Management on pages 52 - 54 of this report.

## Future Developments

The Group intends to continue to pursue a strategy of focusing on its core business activities. In order to achieve this, the Group will concentrate on enhancing the performance of its retail, plantation, tyre, rubber, plastics and financial services business sectors. Further information on future developments is provided in the Chairman's Review and Sector Reviews of this report.

## Group Revenue

The revenue of the Group was Rs. 54 bn. A detailed analysis of the Group's turnover identifying the contributions from different sectors is given in Note 3 to the Financial Statements. The Group's exports from Sri Lanka were Rs. 5.5 bn. Trade between Group companies is conducted at fair market prices.

## Results & Dividends

Details relating to the Group profits are given in the table on Page 68. The Group reported a Profit after tax amounting to Rs. 1.3 bn.

## Group Investments

The Group has not invested in any subsidiary companies during the year.

## Property, Plant & Equipment

Capital expenditure on property, plant, equipment and work-in-progress incurred during the year under review amounted to Rs. 1.5 bn. Information relating to this is given in Note 12 to the Financial Statements. Land is included as described in accounting policies in the financial statements. Capital expenditure approved and contracted for after the year-end is given in Note 36 to the Financial Statements. The value of

property stated in the Financial Statements is not in excess of its current market values.

## Freehold Property

A description of the property owned by the Group is shown under the Group Real Estate portfolio on page 153.

## Stated Capital

The stated capital of the Company as at 31st March 2020 was Rs. 1.9 bn. The details of the stated capital are given in Note 24 to the Financial Statements.

## Reserves

Total Group Reserves as at 31st March 2020 amount to Rs.12.5 bn. (Rs.11.3 bn as at 31st March 2019). The details of which are given in the Statement of Equity in page 81.

## Corporate Donations

Donations made by the Group to charitable organisations amounted to Rs.1.1 mn. There are no Donations made by the Company for the year ended 31st March 2020.

## Taxation

The general corporate income tax rate in effect during the year was 24%. The rate of tax on qualified export profits and Agricultural profits were 14%. Companies that enjoy tax holiday status and other concessionary rates are listed in Note 8.1 to the Financial Statements.

In computing the Group's tax liability, the maximum relief available to investors under the provisions of the Inland Revenue Act has been claimed.

It is the Group's policy to provide for deferred taxation on all known temporary differences, on the liability method.

Details on the Group's exposure to taxation are disclosed in Note 8 to the Financial Statements.

## Share Information

Information relating to earnings, dividend, net assets and market value per share is given in the Ten Year Summary on pages 148 -149 of this report.

## Substantial Shareholdings

The twenty major shareholders and the percentage held by each one of them as at 31st March 2020 are given in page 151 under Shareholder Information.

## Directors

The names of Directors who served during the year are given on pages 10 and 11 of this report, under the caption of 'Board of Directors'.

To re-elect Mr. Prasanna Fernando, who retires by rotation in terms of Article 85 at the Annual General Meeting, a Director and to elect Mr. Shiron Gooneratne who retires in terms of Article 91 at the Annual General Meeting, a Director,

Pursuant to Section 211 of the Companies Act No. 07 of 2007, a Notice of the following Four Ordinary Resolutions have been received by the Company,

1. 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”

The Company has also received a letter dated 05th October 2020 from Dr. Sena Yaddehige declaring his willingness to be elected to the Directorate of the Company.

2. Mr. Shantha Kalugala of 174/G, Uthuwankanda Road, Thalawathugoda, a shareholder of the Company.

“That Dr. Henry Jayatissa De Costa of No. 496/3, Havelock Road, Colombo 06, who is 78 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. Henry Jayatissa De Costa”

The Company has also received a letter dated 04th October 2020 from Dr. Jayatissa De Costa declaring his willingness to be elected to the Directorate of the Company.

3. Mr. Adrian Oswald of No. 32, St. Sebastian Road, Galwetiya, Wattala, a shareholder of the Company.

“That Mr. Viville P Perera of 33, C 1, King’s Gate, Keells Housing 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 P Perera”

The Company has also received a letter dated 04th October 2020 from Mr. Viville Perera declaring his willingness to be elected to the Directorate of the Company.

4. Mr. Kalinga Perera of 54/4, Ananda Balika Mawatha, Pitakotte, Kotte, 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”

The Company has also received a letter dated 04th October 2020 from Mr. Sunil Liyanage declaring his willingness to be elected to the Directorate of the Company.

The Directors who considered the contents of the letters received by the Company from Mr. Sunil Liyanage, Mr. Shantha Kalugala, Mr. Adrian Oswald, Mr. Kalinga Perera, Dr. Sena Yaddehige, Dr. Jayatissa De Costa, Mr. Viville Perera and Mr. Sunil Liyanage, decided to notify the Shareholders of the Company of the said Notices received by the Company and the proposed Resolutions, which are to be moved at the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the said Resolutions as Ordinary Resolutions.

| Group Profits   | 2019/20<br>Rs.'000 | 2018/19<br>Rs.'000 |
|---|--------------------|--------------------|
| The net profit earned by the Group after providing for all expenses, known liabilities and depreciation on property plant and equipment was | 2,568,087          | 3,353,592          |
| From which the deduction of income tax and transfer to the deferred taxation account was  | (1,270,135)        | (1,006,764)        |
| Leaving the Group with a profit after tax from continuing operations of   | 1,297,952          | 2,346,828          |
| From which the Loss after tax from discontinued operations deducted was   | (7,366)            | (4,561)            |
| Leaving the Group with a profit for the year of   | 1,290,586          | 2,342,267          |
| From which Non-Controlling Interest deducted was  | (147,385)          | (332,699)          |
| Leaving a Profit attributable to the equity holders of the parent was   | 1,143,201          | 2,009,568          |
| To which the retained profit brought forward from the previous year added was   | 11,245,314         | 11,136,984         |
| Adjustments and transfers   | 19,952             | (16,402)           |
| Subsidiary dividend to minority shareholders  | 55,651             | 60,637             |
| Adjustments due to changes in SLFRSs  | 126,357            | (153,076)          |
| Other comprehensive income / (loss)   | 52,494             | (62,614)           |
| Leaving a profit available for appropriation of   | 12,642,969         | 12,975,097         |
| <b>Appropriations</b>   |                    |                    |
| The amount available has been appropriated as follows   |                    |                    |
| Interim dividend 2018-19  | -                  | (1,729,783)        |
| Leaving a retained profit to be carried forward amounting to  | 12,642,969         | 11,245,314         |

## Directors' Interest in Contracts with the Company and the Interest Register

Directors' interests in contracts or proposed contracts with the Company both direct and indirect are disclosed on page 146 and 147. These interests have been declared at the meetings of Directors. The Directors have no direct or indirect interest in any other contract or proposed contract of the Company. The Company maintains an interest register as required by the Companies' Act No. 07 of 2007. Information pertaining to directors' interest in contracts, their remuneration and their share ownership are disclosed in the interest register.

## Transactions with Related Undertakings

The list of Directors at each of the subsidiary and associate companies has been disclosed in the Group structure on page 58 to 64.

## Directors' Shareholding

Directors' Shareholding in Richard Pieris and Company PLC is stated in page 151.

## Directors' Interest in Contracts

Directors' interest in contracts in relation to transactions with related entities, transactions with Key Management Personnel and other related disclosures are stated in Note 39 (Related party disclosures) to the Financial Statements. In addition, the Company carried out transactions in the ordinary course of business with entities having one or more Directors in common which is summarised above.

## Directors' Remuneration

Directors' fees and emoluments, in respect of the Group and the Company for the financial year ended 31st March 2020 are disclosed in Note 39.6 to the Financial Statements.

## Vision & Long Term Goals

The Group's Vision and Long Term Goals are given in page 4 of this report.

## Environmental Protection

The Group has not engaged in any activities detrimental to the environment. The Group's efforts in relation to environmental protection are set out in the Corporate Social Responsibility Report in pages 42 - 47.

## Employment Policies

Group employment policies are based on recruiting the best people, providing them training to enhance their skills, recognition of innate skills and competencies of each individual while offering equal career opportunities regardless of gender, race or religion and to retain them with the Group as long as possible. Health and safety of the employees has always received priority in the HR agenda.

## 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 up to date.

### Events after the Reporting Date

There have not been any material events that occurred subsequent to the Reporting date that require disclosure or adjustments to the Financial Statements, other than those disclosed if any, in Note 38 to the Financial Statements.

### Corporate Governance / Internal Control

The Directors acknowledge their responsibility for the Group's corporate governance and the system of internal control. The practices carried out by the Company in relation to corporate governance and internal controls are explained in pages 70 - 72 of this report. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

### Directors' Responsibility for Financial Reporting

The Statement of Directors' Responsibility for financial reporting of the Company and the Group is set out in page 75 of this report.

### Compliance with Other Laws & Regulations

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene the laws and regulations applicable in Sri Lanka. Financial Statements are published quarterly in line with the listing rules of the Colombo Stock Exchange.

The Group has successfully adopted the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 1st January 2018 as issued by the Institute of Chartered Accountants of Sri Lanka.

The Company is in compliance with the CSE rules on related party transactions which was made mandatory with effect from 1st of January 2016.

### Annual General Meeting

The date of the Annual General Meeting will be notified later.

### Auditors

The Financial Statements for the year have been audited by Messrs. Ernst & Young, Chartered Accountants.

In accordance with the Companies Act No. 7 of 2007, a resolution proposing the re-appointment of Messrs. Ernst & Young, Chartered Accountants, as auditors to the Company and authorizing the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



**W. J. Viville Perera**  
Director



**S. S. G. Liyanage**  
Director



**Richard Pieris Group Services (Pvt) Limited**  
Secretaries

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

25th November 2020

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

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

### The Board and its Operations

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

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

During the year the Board met on one occasion. 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, who is also the Chief Executive Officer, 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 is assisted by the Executive Management Committee comprising Executive Directors and Heads of Companies of the Strategic Business Units (SBU). The Finance function evolves on the Group Chief Financial Officer, who is present by invitation at Board meetings when financial matters are discussed. The Board of Directors has access to independent professional advice as and when deemed necessary for decision making.

The main functions of the Board are to:

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

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

### Sub Committees of the Board

The Board is responsible for the establishment and functioning of all Board Committees, the appointment of members to these committees and their compensation. The Board has delegated responsibilities to three Board Sub Committees which operate within clearly defined terms of reference.

#### Audit Committee

The Audit Committee is comprised of two Independent Non-Executive Directors namely Dr. Jayatissa De Costa P.C., 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 73 describes the activities carried out by the Committee during the financial year.

#### Remuneration Committee

The Remuneration Committee is comprised 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 Fernandopulle.

The Report of the Remuneration Committee on page 72 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 74 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 and 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 52 - 54.

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

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

### Relationship with Other Stakeholders

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

The Board also ensures that the Group policies and practices are in line with the Company's values and its social responsibilities. The Group promotes protection of the environment, health and safety standards of its employees and others within the organization. The relevant measures taken are given in detail in the Corporate Social Responsibility report on pages 42 to 47.

### 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 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. W. J. V. P. Perera      | x         |               |             |
| Mr. Shaminda Yaddehige      | x         |               |             |
| Mr. S. S. G. Liyanage       | x         |               |             |
| Mr. Shiron Gooneratne       | x         |               |             |
| Dr. Jayatissa De Costa P.C. |           | x             | x           |
| Mr. Prasanna Fernando       |           | x             | x           |
| Mr. J. F. Fernandopulle     |           | x             |             |

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

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

# REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, appointed by and responsible to the Board of Directors, consist of two Independent Non-Executive Directors of Richard Pieris 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. The 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*

25th November 2020

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:

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

The Committee consisted of two Independent Non-Executive Directors namely Dr. Jayatissa De Costa P.C., 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 07 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 of 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 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 was taken when necessary.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young 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*

25th November 2020

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review 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.

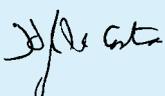
The Objectives of the Committee,

- \* 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 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 pages 146 and 147.



**Dr. Jayatissa De Costa P.C.**  
*Chairman*

25th November 2020

# STATEMENT OF DIRECTORS' RESPONSIBILITY

In keeping with the provisions under the Companies Act No. 7 of 2007, the Directors of Richard Pieris and Company 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. Ernst & Young, which are set out in their report, appearing on pages 76 and 77 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 new Sri Lanka Accounting Standards (LKAS and SLFRS), and they provide the information as required by the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards and the Listing Rules of the Colombo Stock Exchange. The Directors confirm that suitable accounting policies have been used and applied consistently, and that all applicable accounting standards have been followed in the preparation of the financial statements exhibited on pages from 78 to 147 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. Ernst & Young 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 pages 76 and 77 of this report.

By Order of the Board,



**Richard Pieris Group Services (Pvt) Limited**  
*Secretaries*

310, High Level Road, Nawinna, Maharagama

25th November 2020



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
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Sri Lanka

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Tax : +94 11 5578180  
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## TO THE SHAREHOLDERS OF RICHARD PIERIS AND COMPANY PLC

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Richard Pieris and Company 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 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 31 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 CA Sri Lanka (Code of Ethics) 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| Key audit matter  | How our audit addressed the key audit matter  |
|---|---|
| <p><b>Annual impairment assessment of Goodwill</b></p> <p>The Group recorded a goodwill amounting to Rs. 1.12 bn as at 31 March 2020 which is required to be assessed for impairment, annually.</p> <p>This annual impairment assessment was significant to our audit because such process is complex as disclosed in Note 14. In addition, the impairment assessment involved subjective judgements about future business performance, with key assumptions including cash flows, revenue growth and discount rates. Accordingly, we selected annual goodwill impairment assessment as a key audit matter.</p>   | <p><b>We performed the following procedures, amongst others:</b></p> <ul style="list-style-type: none"> <li>We tested the reasonableness of key assumptions by comparing:                             <ul style="list-style-type: none"> <li>the cash flow forecast to the respective budgets, business plans and other evidence of future intentions as approved by the board of directors;</li> <li>the current estimates of revenue growth with those achieved historically.</li> </ul> </li> <li>We involved our specialized internal resources to assist us in assessing the appropriateness of the impairment assessment and reasonableness of estimates used by the management.</li> <li>We also assessed the adequacy of the related disclosures in Note 14 to the financial statements.</li> </ul>   |
| <p><b>Impairment allowance for Loans &amp; receivables, Lease receivable &amp; Hire Purchase receivables</b></p> <p>As at 31 March 2020, Loans &amp; receivables, Lease receivable &amp; Hire Purchase receivables net of impairment amounted to Rs.13.5 bn. These collectively contributed 20% to the Group's total assets.</p> <p>We considered the impairment allowance for Loans &amp; receivables, Lease receivable &amp; Hire Purchase receivables as a key audit matter. That was due to the use of significant judgments, assumptions and complex calculations by the management to determine such impairment allowance, and the materiality of the amounts reported. Given the continuing impacts of COVID -19 pandemic on the borrowers' ability to repay and related government relief measures, the impairment allowance was subjected to a higher level of estimation uncertainty in the current year.</p> <p>The Note 21 of the financial statements describes the basis of impairment allowance and assumptions used by the management in its calculation.</p> | <p>We designed our audit procedures to obtain sufficient appropriate audit evidence on the reasonableness of the impairment allowance, which included the following procedures:</p> <ul style="list-style-type: none"> <li>We evaluated the design effectiveness of controls over impairment allowance, in the context of the requirements of SLFRS 9, focusing on the oversight, review and approval of impairment policies by the board audit committee and management.</li> <li>We evaluated the model used by the management to calculate impairment allowance and assessed its appropriateness.</li> <li>We assessed the completeness, timeliness and relevance of the underlying information used in the impairment calculations by agreeing details to source documents and information in IT systems. We rechecked the underlying calculations, for a selected sample of items.</li> <li>We also considered the reasonableness of macro-economic factors used by comparing them with publicly available data and other information sources while assessing the appropriateness of the weightages assigned to possible economic scenarios used in the expected loss calculations.</li> <li>We assessed the adequacy of the related financial statement disclosures as set out in note 21 of the financial statements.</li> </ul> |
| <p><b>Adoption of SLFRS 16: Leases, effective from 01 April 2019</b></p> <p>The Group adopted the new accounting standard - SLFRS 16: Leases, using the modified retrospective approach as disclosed in Note 29, and recognized Right of Use Assets amounting to Rs. 5.6 bn which represented 18% of Group's non-current assets.</p> <p>Given the high number of lease contracts in the Group with various terms including termination and renewal options and the need to use management judgment over the lease term and incremental borrowing rate, the implementation process of the new accounting standard was both complex and required significant management involvement. Accordingly, we considered the adoption of SLFRS 16: Leases, as a key audit matter.</p> <p>The related disclosures are included in the Notes 2.10.11 and 29 to the consolidated financial statements.</p>  | <p>Our audit procedures, among others, included the following:</p> <ul style="list-style-type: none"> <li>Obtained an understanding and evaluated the Group's implementation process, including the review of the updated accounting policy and policy elections in accordance with SLFRS 16.</li> <li>We evaluated management assumptions, specifically the assumptions used to determine the discount rates, lease terms and measurement principals with the assistance of our internal expert.</li> <li>Tested the factual inputs and calculation of the right - of - use asset and lease liability calculated by the management for each material lease contract.</li> <li>Obtained an understanding and evaluated the key controls associated with the relevant process for leases and perform substantive procedures on the consolidated statement of profit or loss and consolidated statement of financial position balances that were subject to the effect of SLFRS 16.</li> <li>Assessed the modified retrospective application and adequacy of the Group disclosures of the impact of the new standard in the consolidated financial statements.</li> </ul>   |

### Other Information included in the 2020 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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 the management and those charged with governance

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 SLAuSS 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 SLAuSS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

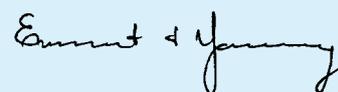
We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and 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 2199.



25 November 2020  
Colombo

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G S Manatunga FCA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principals: G B Goudian ACA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF PROFIT OR LOSS

Richard Pieris & Company PLC  
Annual Report 2019/2020

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| For the year ended 31st March                            | Notes | Group             |                 | Company          |                 |
|--|-------|-------------------|-----------------|------------------|-----------------|
|  |       | 2020<br>Rs.'000   | 2019<br>Rs.'000 | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
| <b>Continuing operations</b>                             |       |                   |                 |                  |                 |
| Revenue from contracts with customers                    | 3.1   | 49,718,797        | 50,851,486      | 599,744          | 635,229         |
| Revenue from insurance contracts                         | 3.1   | 1,641,416         | 1,374,171       | -                | -               |
| Interest Income from Finance company                     | 3.1   | 2,879,497         | 2,819,701       | -                | -               |
| Dividend Income  | 3.1   | -                 | -               | 714,684          | 2,085,645       |
| Other revenue  | 3.1   | -                 | -               | 228,457          | 213,757         |
| <b>Total Revenue</b>                                     |       | <b>54,239,710</b> | 55,045,358      | <b>1,542,885</b> | 2,934,631       |
| Cost of sales  |       | (41,439,428)      | (41,541,595)    | -                | -               |
| <b>Gross profit</b>                                      |       | <b>12,800,282</b> | 13,503,763      | <b>1,542,885</b> | 2,934,631       |
| Other operating income                                   | 4.1   | 1,364,534         | 1,397,260       | 3,164            | -               |
| Selling and distribution expenses                        |       | (3,625,910)       | (3,333,587)     | -                | -               |
| Administrative expenses                                  | 4.3   | (6,195,171)       | (6,648,960)     | (259,184)        | (459,304)       |
| Other operating expenses                                 | 4.2   | (37,636)          | (39,455)        | -                | -               |
| <b>Operating profit</b>                                  |       | <b>4,306,099</b>  | 4,879,021       | <b>1,286,865</b> | 2,475,327       |
| Finance costs  | 5     | (2,329,271)       | (2,109,249)     | (690,034)        | (717,540)       |
| Finance income   | 6     | 501,850           | 556,240         | 66,578           | 41,035          |
| Share of profit of an associate                          | 7     | 89,409            | 27,580          | -                | -               |
| <b>Profit before tax from continuing operations</b>      |       | <b>2,568,087</b>  | 3,353,592       | <b>663,409</b>   | 1,798,822       |
| Income tax expense                                       | 8     | (1,270,135)       | (1,006,764)     | (189,374)        | (5,999)         |
| <b>Profit for the year from continuing operations</b>    |       | <b>1,297,952</b>  | 2,346,828       | <b>474,035</b>   | 1,792,823       |
| <b>Discontinued operations</b>                           |       |                   |                 |                  |                 |
| Loss after tax for the year from discontinued operations | 9     | (7,366)           | (4,561)         | -                | -               |
| <b>Profit for the year</b>                               |       | <b>1,290,586</b>  | 2,342,267       | <b>474,035</b>   | 1,792,823       |
| <b>Attributable to:</b>                                  |       |                   |                 |                  |                 |
| Equity holders of the parent                             |       | 1,143,201         | 2,009,568       |                  |                 |
| Non-controlling interests                                |       | 147,385           | 332,699         |                  |                 |
|  |       | <b>1,290,586</b>  | 2,342,267       |                  |                 |
| <b>Earnings per share</b>                                |       |                   |                 |                  |                 |
| Basic  | 10    | Rs. 0.56          | Rs. 0.99        |                  |                 |
| <b>Earnings per share for continuing operations</b>      |       |                   |                 |                  |                 |
| Basic  | 10    | Rs. 0.57          | Rs. 0.99        |                  |                 |
| Dividend per share                                       | 11    | -                 | Rs. 0.85        |                  |                 |

Figures in brackets indicate deductions.

The accounting policies and notes from page 84 to 147 form an integral part of these financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

Richard Pieris & Company PLC  
Annual Report 2019/2020

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| For the year ended 31st March  | Notes | Group            |                 | Company          |                 |
|--|-------|------------------|-----------------|------------------|-----------------|
|  |       | 2020<br>Rs.'000  | 2019<br>Rs.'000 | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
| Profit for the year  |       | <b>1,290,586</b> | 2,342,267       | <b>474,035</b>   | 1,792,823       |
| <b>Other comprehensive income</b>  |       |                  |                 |                  |                 |
| <b>Other comprehensive income to be reclassified to profit or loss;</b>      |       |                  |                 |                  |                 |
| Net loss on financial assets at FVOCI  |       | <b>(7,009)</b>   | (1,604)         | -                | -               |
| Fair value movement of AFS reserve transferred to life fund                  |       | <b>7,009</b>     | 1,604           | -                | -               |
| Exchange differences on translation of foreign operations                    |       | <b>44,723</b>    | 60,259          | -                | -               |
| <b>Net other comprehensive income to be reclassified to profit or loss</b>   |       | <b>44,723</b>    | 60,259          | -                | -               |
| <b>Other comprehensive loss not to be reclassified to profit or loss;</b>    |       |                  |                 |                  |                 |
| Net loss on financial assets at FVOCI  |       | <b>(236,269)</b> | (160,644)       | <b>(197,755)</b> | (142,573)       |
| Gain / (loss) on actuarial valuation   | 32    | <b>67,038</b>    | (75,928)        | <b>15,078</b>    | (22,994)        |
| Income tax effect  |       | <b>(13,581)</b>  | 9,618           | -                | -               |
| <b>Net other comprehensive loss not to be reclassified to profit or loss</b> |       | <b>(182,812)</b> | (226,954)       | <b>(182,677)</b> | (165,567)       |
| <b>Other comprehensive loss for the year, net of tax</b>                     |       | <b>(138,089)</b> | (166,695)       | <b>(182,677)</b> | (165,567)       |
| <b>Total comprehensive income for the year, net of tax</b>                   |       | <b>1,152,497</b> | 2,175,572       | <b>291,358</b>   | 1,627,256       |
| <b>Attributable to:</b>  |       |                  |                 |                  |                 |
| Equity holders of the parent   |       | <b>992,585</b>   | 1,827,424       |                  |                 |
| Non-controlling interests  |       | <b>159,912</b>   | 348,148         |                  |                 |
|  |       | <b>1,152,497</b> | 2,175,572       |                  |                 |

Figures in brackets indicate deductions.

The accounting policies and notes from page 84 to 147 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

Richard Pieris & Company PLC  
Annual Report 2019/2020

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| As at 31st March   | Notes | Group             |                   | Company           |                   |
|--|-------|-------------------|-------------------|-------------------|-------------------|
|  |       | 2020<br>Rs.'000   | 2019<br>Rs.'000   | 2020<br>Rs.'000   | 2019<br>Rs.'000   |
| <b>Assets</b>  |       |                   |                   |                   |                   |
| <b>Non-current assets</b>                                  |       |                   |                   |                   |                   |
| Property, plant and equipment                              | 12.1  | 20,207,370        | 20,209,899        | 205,936           | 218,148           |
| Investment properties                                      | 13    | 295,246           | 236,253           | 1,213,756         | 1,221,180         |
| Right-of-use assets  | 29    | 5,559,343         | 1,293,525         | 365,634           | -                 |
| Intangible assets  | 14    | 1,142,431         | 1,155,155         | -                 | -                 |
| Bearer biological assets                                   | 15    | 1,138,269         | 1,026,885         | -                 | -                 |
| Investments in subsidiaries                                | 16    | -                 | -                 | 3,810,673         | 3,835,673         |
| Investment in associates                                   | 16    | 189,407           | 149,087           | -                 | -                 |
| Other non-current financial assets                         | 17    | 1,983,494         | 2,316,579         | 554,405           | 752,159           |
| Deferred tax assets  | 18    | 500,010           | 433,396           | -                 | -                 |
|  |       | <b>31,015,570</b> | <b>26,820,779</b> | <b>6,150,404</b>  | <b>6,027,160</b>  |
| <b>Current assets</b>                                      |       |                   |                   |                   |                   |
| Inventories  | 19    | 8,081,471         | 8,293,967         | -                 | -                 |
| Produce on bearer biological assets                        | 15    | 32,239            | 26,854            | -                 | -                 |
| Trade and other receivables                                | 20    | 8,249,393         | 8,643,735         | 425,807           | 510,636           |
| Loans and advances   | 21    | 13,530,073        | 14,011,361        | -                 | -                 |
| Tax receivables  |       | 316,554           | 296,518           | -                 | 6,987             |
| Amounts due from subsidiaries                              |       | -                 | -                 | 2,872,277         | 2,656,390         |
| Other current financial assets                             | 17    | 1,230,619         | 1,259,746         | -                 | -                 |
| Cash and short-term deposits                               | 23    | 4,961,963         | 5,467,209         | 3,669,704         | 7,880,056         |
|  |       | <b>36,402,312</b> | <b>37,999,390</b> | <b>6,967,788</b>  | <b>11,054,069</b> |
| <b>Total assets</b>  |       | <b>67,417,882</b> | <b>64,820,169</b> | <b>13,118,192</b> | <b>17,081,229</b> |
| <b>Equity and liabilities</b>                              |       |                   |                   |                   |                   |
| <b>Equity</b>  |       |                   |                   |                   |                   |
| Stated capital   | 24    | 1,972,829         | 1,972,829         | 1,972,829         | 1,972,829         |
| Revenue reserves   |       | 12,642,969        | 11,245,314        | 1,329,484         | 840,371           |
| Statutory reserve fund                                     | 25    | 76,761            | 76,606            | -                 | -                 |
| Other components of equity                                 | 26    | (213,606)         | (10,142)          | (334,560)         | (136,805)         |
| <b>Equity attributable to equity holders of the parent</b> |       | <b>14,478,953</b> | <b>13,284,607</b> | <b>2,967,753</b>  | <b>2,676,395</b>  |
| Non-controlling interests                                  |       | 2,878,055         | 2,837,869         | -                 | -                 |
| <b>Total equity</b>  |       | <b>17,357,008</b> | <b>16,122,476</b> | <b>2,967,753</b>  | <b>2,676,395</b>  |
| <b>Non-current liabilities</b>                             |       |                   |                   |                   |                   |
| Interest-bearing loans and borrowings                      | 28    | 4,244,760         | 5,876,070         | -                 | -                 |
| Lease liabilities on right-of-use assets                   | 29    | 4,335,774         | 562,035           | 449,434           | -                 |
| Insurance provision  | 27    | 1,622,089         | 1,391,506         | -                 | -                 |
| Provisions   | 30    | 137,283           | 123,884           | -                 | -                 |
| Government grants  | 31    | 508,573           | 526,770           | -                 | -                 |
| Deferred tax liabilities                                   | 18    | 949,281           | 975,040           | 3,759             | -                 |
| Employee benefit liabilities                               | 32    | 2,911,082         | 2,842,772         | 64,293            | 70,609            |
|  |       | <b>14,708,842</b> | <b>12,298,077</b> | <b>517,486</b>    | <b>70,609</b>     |
| <b>Current liabilities</b>                                 |       |                   |                   |                   |                   |
| Trade and other payables                                   | 34    | 7,853,742         | 9,933,256         | 276,627           | 974,203           |
| Customer deposits  | 35    | 8,710,786         | 6,680,386         | -                 | -                 |
| Current portion of interest-bearing loans and borrowings   | 28    | 3,843,419         | 5,187,046         | -                 | 2,170,944         |
| Current portion Lease liabilities on right-of-use assets   | 29    | 600,431           | 16,357            | 24,410            | -                 |
| Amounts due to subsidiaries                                |       | -                 | -                 | 5,940             | 2,442             |
| Income tax payable   |       | 423,445           | 351,434           | 77,232            | -                 |
| Short term borrowings                                      | 22    | 13,920,209        | 14,231,137        | 9,248,744         | 11,186,636        |
|  |       | <b>35,352,032</b> | <b>36,399,616</b> | <b>9,632,953</b>  | <b>14,334,225</b> |
| <b>Total liabilities</b>                                   |       | <b>50,060,874</b> | <b>48,697,693</b> | <b>10,150,439</b> | <b>14,404,834</b> |
| <b>Total equity and liabilities</b>                        |       | <b>67,417,882</b> | <b>64,820,169</b> | <b>13,118,192</b> | <b>17,081,229</b> |

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



**Shiron Gooneratne**  
Director

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by:



**W J V Perera**  
Director



**S S G Liyanage**  
Director

The accounting policies and notes from pages 84 to 147 form an integral part of these financial statements.

25th November 2020

# STATEMENT OF CHANGES IN EQUITY

Richard Pieris & Company PLC  
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| Group  | Attributable to equity holders of the parent |                  |   |                                      |                        | Total       | Non controlling interest | Total equity |
|--|--|------------------|---|--------------------------------------|------------------------|-------------|--------------------------|--------------|
|  | Stated capital                               | Revenue reserves | Fair value reserve of financial assets at FVOCI | Foreign currency translation reserve | Statutory reserve fund |             |                          |              |
|  | Rs.'000                                      | Rs.'000          | Rs.'000   | Rs.'000                              | Rs.'000                | Rs.'000     | Rs.'000                  | Rs.'000      |
| <b>As at 1st April 2018</b>                  | 1,972,829                                    | 11,136,984       | 6,982   | 102,406                              | 60,204                 | 13,279,405  | 2,612,630                | 15,892,035   |
| Adjustments due to changes in SLFRS          | -  | (153,076)        | -   | -                                    | -                      | (153,076)   | (3,268)                  | (156,344)    |
| <b>Restated as at 1st April 2019</b>         | 1,972,829                                    | 10,983,908       | 6,982   | 102,406                              | 60,204                 | 13,126,329  | 2,609,362                | 15,735,691   |
| Profit for the year                          | -  | 2,009,568        | -   | -                                    | -                      | 2,009,568   | 332,699                  | 2,342,267    |
| Other comprehensive income / (loss)          | -  | (62,614)         | (157,735)                                       | 38,205                               | -                      | (182,144)   | 15,449                   | (166,695)    |
| Total comprehensive income                   | -  | 1,946,954        | (157,735)                                       | 38,205                               | -                      | 1,827,424   | 348,148                  | 2,175,572    |
| Dividends                                    | -  | (1,729,783)      | -   | -                                    | -                      | (1,729,783) | -                        | (1,729,783)  |
| Transfers during the year                    | -  | (16,402)         | -   | -                                    | 16,402                 | -           | -                        | -            |
| Subsidiary dividend to minority shareholders | -  | 60,637           | -   | -                                    | -                      | 60,637      | (119,641)                | (59,004)     |
| <b>At 31st March 2019</b>                    | 1,972,829                                    | 11,245,314       | (150,753)                                       | 140,611                              | 76,606                 | 13,284,607  | 2,837,869                | 16,122,476   |
| <b>As at 1st April 2019</b>                  | 1,972,829                                    | 11,245,314       | (150,753)                                       | 140,611                              | 76,606                 | 13,284,607  | 2,837,869                | 16,122,476   |
| Profit for the year                          | -  | 1,143,201        | -   | -                                    | -                      | 1,143,201   | 147,385                  | 1,290,586    |
| Other comprehensive income                   | -  | 52,494           | (230,127)                                       | 27,017                               | -                      | (150,616)   | 12,527                   | (138,089)    |
| Total comprehensive income                   | -  | 1,195,695        | (230,127)                                       | 27,017                               | -                      | 992,585     | 159,912                  | 1,152,497    |
| Dividends                                    | -  | -                | -   | -                                    | -                      | -           | -                        | -            |
| Adjustment due to changes in SLFRSs          | -  | 126,357          | -   | -                                    | -                      | 126,357     | 52,908                   | 179,265      |
| Adjustments                                  | -  | 19,753           | -   | -                                    | -                      | 19,753      | (19,753)                 | -            |
| Transfers during the year                    | -  | 199              | (354)   | -                                    | 155                    | -           | -                        | -            |
| Subsidiary dividend to minority shareholders | -  | 55,651           | -   | -                                    | -                      | 55,651      | (152,881)                | (97,230)     |
| <b>At 31st March 2020</b>                    | 1,972,829                                    | 12,642,969       | (381,234)                                       | 167,628                              | 76,761                 | 14,478,953  | 2,878,055                | 17,357,008   |
| <b>Company</b>                               |  |                  |   |                                      |                        |             |                          |              |
| <b>As at 1st April 2018</b>                  | 1,972,829                                    | 800,325          | 5,768   | -                                    | -                      | 2,778,922   | -                        | 2,778,922    |
| Profit for the year                          | -  | 1,792,823        | -   | -                                    | -                      | 1,792,823   | -                        | 1,792,823    |
| Other comprehensive loss                     | -  | (22,994)         | (142,573)                                       | -                                    | -                      | (165,567)   | -                        | (165,567)    |
| Total comprehensive income / (income)        | -  | 1,769,829        | (142,573)                                       | -                                    | -                      | 1,627,256   | -                        | 1,627,256    |
| Dividends                                    | -  | (1,729,783)      | -   | -                                    | -                      | (1,729,783) | -                        | (1,729,783)  |
| <b>At 31st March 2019</b>                    | 1,972,829                                    | 840,371          | (136,805)                                       | -                                    | -                      | 2,676,395   | -                        | 2,676,395    |
| <b>As at 1st April 2019</b>                  | 1,972,829                                    | 840,371          | (136,805)                                       | -                                    | -                      | 2,676,395   | -                        | 2,676,395    |
| Profit for the year                          | -  | 474,035          | -   | -                                    | -                      | 474,035     | -                        | 474,035      |
| Other comprehensive income / (loss)          | -  | 15,078           | (197,755)                                       | -                                    | -                      | (182,677)   | -                        | (182,677)    |
| Total comprehensive income / (loss)          | -  | 489,113          | (197,755)                                       | -                                    | -                      | 291,358     | -                        | 291,358      |
| Dividends                                    | -  | -                | -   | -                                    | -                      | -           | -                        | -            |
| <b>At 31st March 2020</b>                    | 1,972,829                                    | 1,329,484        | (334,560)                                       | -                                    | -                      | 2,967,753   | -                        | 2,967,753    |

Figures in brackets indicate deductions.

The accounting policies and notes from page 84 to 147 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Richard Pieris & Company PLC  
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| For the year ended 31st March   | Notes  | Group            |                  | Company         |                  |
|---|--------|------------------|------------------|-----------------|------------------|
|   |        | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000  |
| <b>Operating activities</b>   |        |                  |                  |                 |                  |
| Profit before tax from continuing operations                                  |        | 2,568,087        | 3,353,592        | 663,409         | 1,798,822        |
| Loss from discontinued operations   |        | (7,366)          | (4,561)          | -               | -                |
| Profit before tax   |        | 2,560,721        | 3,349,031        | 663,409         | 1,798,822        |
| <b>Non-cash adjustments to reconcile profit before tax to net cash flows:</b> |        |                  |                  |                 |                  |
| Depreciation and impairment of property, plant and equipment                  | 12, 13 | 1,205,811        | 1,213,015        | 22,236          | 22,975           |
| Amortization of ROUA  | 29     | 771,329          | 27,649           | 52,490          | -                |
| Amortisation and impairment of intangible assets                              | 14     | 14,496           | 11,732           | -               | -                |
| Gain on disposal of property, plant and equipment                             |        | (4,035)          | (1,892)          | -               | -                |
| (Gain) / loss on biological assets  |        | (5,385)          | 5,832            | -               | -                |
| Net change in the fair value of financial assets at FVTPL                     |        | 3,948            | 7,542            | -               | -                |
| Fair value adjustment of biological assets                                    | 15.1   | (94,167)         | (59,674)         | -               | -                |
| Finance income  | 06     | (501,850)        | (556,240)        | (66,578)        | (41,035)         |
| Finance costs   | 05     | 2,329,271        | 2,109,249        | 690,034         | 717,540          |
| Share of profit of an associate   | 07     | (89,409)         | (27,580)         | -               | -                |
| Provision for bad debts   | 20     | 74,458           | 13,719           | -               | -                |
| Provision for slow moving stocks  |        | 308,109          | 265,769          | -               | -                |
| Provision for defined benefit plan  | 32     | 510,008          | 483,798          | 12,142          | 14,283           |
| Impairment of investments   |        | -                | -                | 25,000          | 15,000           |
| Provision on warranties   | 30     | 13,399           | 11,681           | -               | -                |
| Provision for unrealised profit   | 19     | (4,725)          | 2,182            | -               | -                |
| Grants amortized  | 31     | (26,990)         | (26,586)         | -               | -                |
| Impairment of loans and advances  | 21, 20 | 1,094,706        | 254,098          | -               | -                |
| Exchange differences on translation of foreign currency                       |        | 186,299          | 332,771          | (3,150)         | 53,706           |
|   |        | 8,345,994        | 7,416,096        | 1,395,583       | 2,581,291        |
| <b>Working capital adjustments:</b>   |        |                  |                  |                 |                  |
| (Increase) / decrease in trade and other receivables and prepayments          |        | 1,132,520        | (2,073,426)      | (131,064)       | (1,413,980)      |
| Increase in inventories   |        | (1,417,057)      | (558,553)        | -               | -                |
| (Increase) / decrease in trade and other payables                             |        | (1,569,828)      | 924,495          | (774,477)       | 440,527          |
| Changes in operating assets   |        | (536,995)        | (3,464,475)      | -               | -                |
| Changes in operating liabilities  | 35     | 2,030,400        | 1,610,030        | -               | -                |
| Increase in insurance provision   |        | 237,592          | 238,933          | -               | -                |
| <b>Cash generated from operations</b>   |        | <b>8,222,626</b> | <b>4,093,100</b> | <b>490,042</b>  | <b>1,607,838</b> |
| Interest paid   |        | (1,753,234)      | (1,987,791)      | (571,308)       | (597,606)        |
| Gratuity paid   | 32     | (374,660)        | (420,892)        | (3,380)         | (49,139)         |
| Interest received   |        | 501,850          | 556,240          | 66,577          | 41,035           |
| Income tax paid   |        | (1,309,964)      | (1,300,623)      | (3,420)         | (4,000)          |
| <b>Net cash flows from / (used in) operating activities</b>                   |        | <b>5,286,618</b> | <b>940,034</b>   | <b>(21,489)</b> | <b>998,128</b>   |

| For the year ended 31st March                                | Notes | Group              |                    | Company            |                    |
|--|-------|--------------------|--------------------|--------------------|--------------------|
|  |       | 2020<br>Rs.'000    | 2019<br>Rs.'000    | 2020<br>Rs.'000    | 2019<br>Rs.'000    |
| <b>Investing activities</b>                                  |       |                    |                    |                    |                    |
| Proceeds from sale of property, plant and equipment          |       | 5,393              | 50,415             | -                  | -                  |
| Purchase of property, plant and equipment                    | 12    | (1,341,862)        | (2,078,292)        | (2,328)            | (44,785)           |
| Purchase of investment properties                            | 13    | (39,625)           | (172,858)          | (272)              | (3,316)            |
| Intangible assets acquired                                   | 14    | (1,772)            | (453)              | -                  | -                  |
| Increase in biological assets due to new planting            | 15    | (17,217)           | (15,959)           | -                  | -                  |
| Purchase of financial instruments                            |       | 89,818             | (1,158,611)        | -                  | (602,723)          |
| Proceeds from sale of financial assets                       |       | 25,179             | -                  | -                  | -                  |
| Dividend Received from associate                             |       | 34,946             | -                  | -                  | -                  |
| Increase in holding in a subsidiary                          |       | -                  | -                  | -                  | (1,500)            |
| Receipt of government grants                                 | 31    | 8,793              | 14,988             | -                  | -                  |
| <b>Net cash flows used in investing activities</b>           |       | <b>(1,236,347)</b> | <b>(3,360,770)</b> | <b>(2,600)</b>     | <b>(652,324)</b>   |
| <b>Net cash (outflow) / inflow before financing</b>          |       | <b>4,050,271</b>   | <b>(2,420,736)</b> | <b>(24,089)</b>    | <b>345,804</b>     |
| <b>Financing activities</b>                                  |       |                    |                    |                    |                    |
| Proceeds from borrowings                                     |       | 1,661,149          | 6,430,130          | -                  | -                  |
| Repayment of borrowings                                      |       | (4,808,673)        | (5,849,002)        | (2,177,134)        | (2,096,227)        |
| Lease liabilities - rentals paid                             | 29.2  | (999,833)          | (12,261)           | (71,237)           | -                  |
| Dividends paid to equity holders of the parent               | 11    | -                  | (1,729,783)        | -                  | (1,729,782)        |
| Dividends paid to non-controlling interests                  |       | (97,232)           | (59,004)           | -                  | -                  |
| <b>Net cash flows used in financing activities</b>           |       | <b>(4,244,589)</b> | <b>(1,219,920)</b> | <b>(2,248,371)</b> | <b>(3,826,009)</b> |
| Net increase/(decrease) in cash and cash equivalents         |       | (194,318)          | (3,640,656)        | (2,272,460)        | (3,480,205)        |
| Cash and cash equivalents as at the beginning of the year    | 23    | (8,763,928)        | (5,123,272)        | (3,306,580)        | 173,625            |
| <b>Cash and cash equivalents at the end of the year</b>      |       | <b>(8,958,246)</b> | <b>(8,763,928)</b> | <b>(5,579,040)</b> | <b>(3,306,580)</b> |
| <b>Analysis of Cash &amp; Cash equivalents at 31st March</b> |       |                    |                    |                    |                    |
| Bank and cash balances                                       | 23    | 4,961,963          | 5,467,209          | 3,669,704          | 7,880,056          |
| Short term borrowings  | 23    | (13,920,209)       | (14,231,137)       | (9,248,744)        | (11,186,636)       |
|  |       | <b>(8,958,246)</b> | <b>(8,763,928)</b> | <b>(5,579,040)</b> | <b>(3,306,580)</b> |

Figures in brackets indicate deductions.

The accounting policies and notes from page 84 to 147 form an integral part of these financial statements.

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

Richard Pieris & Company PLC (“Company”) is a public limited company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principle business place of the Company is situated at 310, High Level Road, Nawinna, Maharagama.

In the Annual Report of the Board of Directors and in the Financial Statements, “the company” refers to Richard Pieris and Company PLC as the holding Company and “the Group” refers to the companies whose accounts have been consolidated therein.

### 1.2 Principle Activities and Nature of Operations

The principal activities of the Group are stated in the Annual Report of the Board of Directors.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company does not have an identifiable parent on its own. Richard Pieris & Company PLC is the ultimate parent of the group.

### 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 Approval of Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31st March 2020 were authorised for issue in accordance with a resolution of the directors on 25th November 2020.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the 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. 7 of 2007.

### 2.2 Basis of measurement

The Consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for fair value through profit or loss financial instruments, fair value through OCI financial assets and consumable biological assets that have been measured at fair value.

### 2.3 Presentation and Functional Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees, the Group’s functional and presentation currency, which is the primary economic environment in which the holding Company operates. All values are rounded to the nearest thousand (Rs. ‘000), except when otherwise indicated.

### 2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

### 2.5 Comparative information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements. The presentation and classification of the Financial Statement of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The Group applied SLFRS 16 with effect from 1st April 2019. Due to the transition method chosen in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

### 2.6 Rounding

All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand (Rs’000), except when otherwise indicated.

### 2.7 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards

### 2.8 Basis of Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company 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 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
- \* 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 de-recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the Statement of Profit or Loss. 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 Statement of Profit or Loss 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 Statement of Profit or Loss 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.

#### **2.8.1 Consolidation of subsidiaries with different accounting periods**

The financial statements of all subsidiaries in the Group other than Arpico Insurance PLC are prepared for a common financial year, which ends on 31st March.

Subsidiary with 31st December financial year ends prepare for consolidation purposes, additional financial information as of the same date as the financial statements of the parent. The difference between the date of the subsidiary's financial

statements and that of the consolidated financial statements will not be more than three months.

## **2.9 Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the Consolidated Financial Statements requires management to make judgements, estimates and assumptions which may 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.

### **2.9.1 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 09 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 Financial Reporting Standards, Interpretations 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 judgment 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. Further details are given in Note 08 to the Consolidated Financial Statements.

#### **Uncertainty on income tax assessments**

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment" The interpretation is effective for annual reporting period beginning on or after 1st April 2019. The effect of adoption IFRIC 23 as at 1st April 2019 presented in the Note 40 to the financial statements.

#### **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.

#### **Impairment of receivables**

The Group reviews at each reporting date all receivables to assess whether an allowance should be recorded in the Statement of Profit or Loss. The management uses judgment 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.

#### **Impairment of loans and advances**

The Company assessed loans and advances collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to expected loss. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates). Further details are given in Note 2.11.2 to the consolidated Financial Statements.

#### **Determination of performance obligations**

Significant judgments relating to determination of performance obligations in relation to Group's revenue recognition are given in note 2.10.5.1.1.

#### **Valuation of Inventories**

The Group has applied judgment in the determination of impairment in relation to inventories that are slow moving or obsolete. The Group's impairment assessment in relation to such inventories take into account factors such as the ageing of items of inventories, dates for possible expiry and expectations in relation to how the inventories will be utilised or sold. Judgment has also been applied by management in determining net realisable value of inventories (NRV). The estimates and judgements applied in the determination of NRV are influenced by expectations of sales relating to identified goods and historically realised sales prices.

#### **2.9.2 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**

##### **a. Non-financial assets other than Goodwill**

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 an active market, 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.

##### **b. Goodwill**

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 2.10.16. The basis of determining the recoverable amounts of cash generating units and key assumptions used are given in Note 14 to the Financial Statements.

#### **Defined benefit plans – Gratuity**

The Defined Benefit Obligation and the related charge for the year are 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. Further details are given in Note 32 to the Consolidated Financial Statements.

#### **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.

#### **Intangible Assets**

For the purposes of impairment testing, goodwill is allocated to cash generating units when cash generating units to which goodwill has been allocated are tested for impairment annually, using Value in Use method. The calculation of value in use for the cash generating unit is most sensitive to the assumptions of sales growth, discount rates and cost increases due to inflation. Further details are given in Note 14 to the Financial Statements.

#### **Liability Adequacy Test (LAT)**

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that is insufficient to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policy holder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on the managements prudent expectation of current market interest rates.

Any deficiencies shall be recognized in the Statement of Profit or Loss by setting up a provision for liability adequacy. Further details are given in Note 27 to the Financial Statements.

#### **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).

### **2.10 Summary of Significant Accounting Policies Applied**

#### **2.10.1 Changes in Accounting Policies**

The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described in 2.10.11.

Several other amendments and interpretations apply for the first time in 2019/20, 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.

#### **2.10.2 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 the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in Statement of 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 Statement of 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.

### 2.10.3 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 Statement of Profit or Loss 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 Statement of Profit or Loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the

investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in share of losses of an associate in the Statement of Profit or Loss.

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.

### 2.10.4 Foreign Currencies Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates applicable on the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign currency differences arising on retranslation are recognised in profit and loss. All differences arising on settlement or translation of monetary items are taken to the Statement of Profit or Loss. Non-monetary assets and liabilities which are carried in terms of historical cost in a foreign currency are translated at the exchange rate that prevailed at the date of the transaction. 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 retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

### Foreign Operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lanka Rupees as follows:

- \* Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Sri Lanka Rupees at the exchange rate at the reporting date
- \* Income and expenses are translated at the average exchange rates for the year

Foreign currency differences are recognised in Statement of Other Comprehensive Income. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to Statement of Profit or Loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is re-attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to Statement of Profit or Loss.

Arpitalian Compact Soles (Pvt) Limited uses US dollars as its functional currency as it conducts the majority of its business in US dollars and is entitled to the benefits provided to companies approved by the Board of Investment of Sri Lanka. Arpitalian Compact Soles (Pvt) Limited adopted US dollars as its measurement and functional currency in line with LKAS 21 which deals with “effects of Changes in Foreign exchange Rates” and has been translated to the presentation currency of the Group, Sri Lankan Rupees, for consolidation purpose.

Richard Pieris Trading Company PTE Limited uses Singapore dollars as its functional currency as it conducts the majority of its business in Singapore Dollars and the financials has been translated to the presentation currency of the Group, Sri Lankan Rupees, for consolidation purpose.

## **2.10.5 Revenue Recognition**

### **2.10.5.1 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 timing of revenue recognition and 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 03 to the Financial Statements.

### **2.10.5.1.1 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. The Group has not held contract assets as at the reporting date.

#### **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. Group contract liabilities mainly include loyalty points not yet redeemed. Contract liabilities of the Group have been disclosed under trade and other payables and warranty provisions.

### **2.10.5.1.2 Performance Obligations and significant judgements**

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

#### **Retail**

The Retail sector focuses on modern organised retailing through a chain of supermarkets. Revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

#### **\* Loyalty points programme**

The Group has a loyalty point programme – Arpico Privilege Points, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

#### **Sale of Rubber, Tyre, Plastic, Furniture and Electronics**

The Group is in the business of selling rubber based articles, tyres, plastic products, furniture items and electronic items. 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 IFRS 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, that 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.

\* Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Sale of Plantation produce**

Revenue from sale of plantation produce is recognized at the point in time when the controls of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

There is no element of financing present as the Group's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

**Financial Services and others**

Financial Services provides a complete range of financial solutions including leasing, insurance, stock broking and fund management. The services under one contract can be identified as one performance obligation. Entity 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 entity recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The output method will provide a faithful depiction in recognising revenue.

**2.10.5.2 Insurance Revenue**

**Gross Premium**

Gross recurring premiums on life are recognised as revenue when payable by the policyholder. For single premium business revenue is recognized on the date on which the policy is effective.

**Reinsurance Premium**

Gross reinsurance premiums on insurance contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

Reinsurance premiums are decided based on rates agreed with re-insurers.

**Fees and Commission Income**

Insurance policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or becoming due.

**Investment Income**

Interest incomes for all interest-bearing financial assets are recognised within 'investment income' in the Statement of Profit or Loss using the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

**f) Interest Income**

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, 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 Statement of Profit or Loss.

**2.10.5.3 Finance Company Revenue**

**Interest Income and Interest Expense**

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts 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 financial liability.

The calculation of EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

#### **2.10.5.4 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.

##### **Rental Income**

Rental income arising from operating leases 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.

##### **Royalties**

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

##### **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)

#### **2.10.6 Grants and 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 Statement of Profit or Loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

#### **2.10.7 Taxes**

##### **Current Income Tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to

compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in Statement of Other Comprehensive Income not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **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 liabilities are recognised for all taxable temporary differences, except:

- \* When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- \* In respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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, except:

- \* When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- \* In respect of deductible temporary differences associated with investments in subsidiaries, and associates deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 liabilities arising from investment properties at fair value are measured based on the tax consequence of the presumption that the carrying amount of the investment properties measured at fair value will be recovered entirely through sale.

Deferred tax relating to items recognised outside Statement of Profit or Loss is recognised outside Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in Statement of 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.

#### VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

#### 2.10.8 Non-current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally

through a sale rather than through continuing use. Non-current assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit or Loss.

#### 2.10.9 Property, plant and equipment

Property, plant and equipment are 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.

|   |             |
|---|-------------|
| Buildings   | 20-60 years |
| Plant, machinery tools and electrical installations | 5-30 years  |
| Furniture, fixtures and fittings                    | 4-10 years  |
| Office and other equipment                          | 5-10 years  |
| Computers   | 3-10 years  |
| Motor vehicles                                      | 4-10 years  |
| Land improvements                                   | 20 years    |
| Replanting and new planting                         |             |
| - Tea   | 33 years    |
| - Rubber  | 20 years    |
| - Coconut   | 50 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 de-recognised 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 Statement of Profit or Loss when the asset is de-recognised.

#### **2.10.10 Biological Assets**

##### ***Immature and Mature Plantations***

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Rubber, tea and other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes rubber, tea plants and coconut palms, those that are not intended to be sold or harvested, however used to grow for harvesting agriculture produce. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce from biological assets or sold as biological assets.

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is possible that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 15 to the Financial Statements.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

##### ***Infilling Cost on Bearer Biological Assets***

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field, only where such cost increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

#### **2.10.11 Leases**

##### **(Policies applicable after 01st April 2019)**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### **2.10.11.1 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 to 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 over the useful life which is the shorter of the estimated useful life of the asset as follows.

|                                     |              |
|-------------------------------------|--------------|
| Bare land                           | 53 years     |
| Mature plantations                  | 30 years     |
| Leasehold buildings and improvement | 2 - 40 years |
| Machinery                           | 15 years     |
| Land improvements                   | 30 years     |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment as more fully described In Note 2.10.16 Impairment of non-financial assets.

## **Lease liabilities**

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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.

The Group's lease liabilities are included in Note 29 to the Financial Statements.

## **Short-term leases**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low value assets recognition exemption to leases that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## **2.10.11.2 Group as a lessor for operating leases**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognised as revenue in the period in which they are earned.

## **(Policies applicable prior to 01st April 2019)**

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

## **2.10.11.3 Group as a lessee**

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life which is the shorter of the estimated useful life of the asset as follows.

|                     |          |
|---------------------|----------|
| Bare land           | 53 years |
| Mature plantations  | 30 years |
| Leasehold buildings | 25 years |
| Machinery           | 15 years |
| Land improvements   | 30 years |

## **2.10.11.4 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.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

## **2.10.12 Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale, is capitalized.

## **2.10.13 Investment Properties**

Investment properties are measured initially at cost, including transaction costs and subsequently measured at cost less accumulated depreciation and impairment.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statement of Profit or Loss in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

#### **2.10.14 Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the Statement of Profit or Loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

#### **2.10.15 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 Material**

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

##### **b) Work in Progress**

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

##### **c) Finished Goods**

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

##### **d) Goods in Transit**

At actual cost

##### **e) Growing Crop Nurseries**

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

##### **f) Consumables and Spares**

At actual cost

#### **2.10.16 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 such 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 the higher of an 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 Group 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 Statement of Profit or Loss 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 increased amount cannot 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 Statement of Profit or Loss.

The following criteria are also applied in assessing impairment of no financial assets.

## Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

## Intangible Assets

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate and when circumstances indicate that the carrying value may be impaired.

### 2.10.17 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 of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts and short term borrowings which are settled within 90 days.

### 2.10.18 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.

Non-cash distributions are measured at the fair value of the assets to be distributed. Upon settlement of the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in income as a separate line in the Statement of Comprehensive Income.

### 2.10.19 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, for example under an insurance contract, 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 Statement of Profit or Loss net of any reimbursement.

### 2.10.20 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 in Note 33 to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

### 2.10.21 Post-Employment Benefits

#### Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuary using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. 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 32 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The basis of payment of retiring gratuity as follows:

| Length of service (years) of service | No. of months' salary for each completed year |
|--------------------------------------|---|
| 00-04                                | 0   |
| 05-10                                | ½   |
| 11-20                                | ¾   |
| 21-30                                | 1   |
| Over 30                              | 1 ¼   |

The basis of payment of retiring gratuity was revised for employees recruited on or after 1st August 2011 to be in line with the provisions of the Gratuity Act No.12 of 1983. In accordance with revised LKAS 19 Employee Benefits, the Group has recognized all actuarial gains and losses in the Statement of Other Comprehensive Income.

The actuarial valuation was carried out by a professionally qualified actuary firm Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31st March 2020. Provision made for the year is in compliance with the actuarial valuation report as at 31st March 2020.

**Defined Contribution Plans:**

Employees are eligible for Arpico Employees' Provident Fund Contributions/Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Companies contribute 12% and 3% of gross emoluments of employees to the Arpico Employees' Provident Fund /Ceylon Planter's Provident Fund/ Employees' Provident Fund and Employees' Trust Fund respectively.

**2.10.22 Financial Instruments**

**2.10.22.1 Financial assets**

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 (FVPL).

**Initial recognition and measurement**

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 include cash and short-term deposits, trade and other receivables, loans and other receivables and quoted financial instruments and unquoted financial instruments.

**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. The Group's financial assets at amortized cost include trade receivables and short term investments.

**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. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

**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.

Impairment losses were evaluated based on ECL s for debt instruments of the Group which are held to maturity. Impairment losses for Loans & advances of Richard Pieris Finance Ltd were accounted based on the modified retrospective method without restating the comparatives.

**2.10.22.2 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 include trade and other payables, loans and borrowings including bank overdrafts.

**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.

**2.11 Significant Accounting Policies that are Specific to Other Businesses****2.11.1 Insurance Company****2.11.1.1 Actuarial Valuations of the Insurance Provisions**

The valuation of long term Insurance Provision was carried out by Messrs'. Actuarial Partners Consulting Sdn Bhd and the Directors agree to the long term nature of insurance business provisions on the recommendation of the said actuary.

The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the independent external actuary. The liability for life insurance contracts is based on current assumptions or on assumptions established at inception of the contract, incorporating regulator recommended minimum requirements.

The main assumptions used relate to mortality, morbidity, investment returns and discount rates. Industry and Company experience on mortality and morbidity is considered, adjusted when appropriate to reflect the product characteristics, target markets and own claims severity and frequency experiences. Discount rates are based on current and historical rates, adjusted for regulator recommended basis.

**2.11.1.2 Reinsurance Contracts**

The Company cedes insurance risk in the normal course of business to recognised re-insurers through formal reinsurance arrangements.

Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the re-insurer's policies and are in accordance with the related reinsurance contract.

Reinsurance is recorded gross in the Statement of Financial Position unless a right to offset exists. Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the re-insurer. The impairment loss, if any is recorded in the Statement of Profit or Loss. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

#### **2.11.1.3 Premium Receivable**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit or Loss.

Life Insurance premiums (only the premiums due in the 30 day grace period) are recognized at each reporting date and will be reversed if the premiums are not settled during the subsequent month, and thus the policies will be lapsed as per the Company policy.

#### **2.11.1.4 Life Insurance Contract Liabilities**

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method as specified by the Insurance Board of Sri Lanka (IBSL) based on the recommendation of the Independent Consultant Actuary. The liability is determined as the sum of the discounted value of the expected future benefits, less the discounted value of the expected future premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is computed based on IBSL specified guidelines and current assumptions which vary based on the contract type.

Furthermore, adjustments are performed to capture the likely liabilities that may arise due to currently lapsed contracts reviving in the future.

#### **2.11.1.5 Liability Adequacy Test**

As required by the SLFRS 4- Insurance Contracts, the Company performed a Liability Adequacy Test (LAT) in respect of Life Insurance contract liabilities with the assistance of a qualified actuary. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. If that assessment that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the Statement of Profit or Loss by creating an additional provision in the Statement of Financial Position.

### **2.11.2 Finance Company**

#### **2.11.2.1 Impairment of Financial Assets**

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

#### **Debt Instruments**

- \* Instruments measured at amortised cost and fair value through other Comprehensive Income;
- \* Financing and Receivables commitments; and
- \* Financial Guarantee Contracts

ECL is not recognised on equity instruments.

Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

#### **Stage 1: 12-months ECL**

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Company determines 12 months ECL from customers who are not significantly credit deteriorated (i.e. less than 30 days past due)

#### **Stage 2: Lifetime ECL – not Credit Impaired**

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the Financial Asset) is recognised. In being consistent with the policies of the Company, significant deterioration is measured through the rebuttable presumption of 30 days past due in line with the requirements of the standard.

### **Stage 3: Lifetime ECL – Credit Impaired**

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and Financing Income is calculated by applying the Effective Rate to the amortised cost (net of provision) rather than the gross carrying amount.

### **Determining the stage for Impairment**

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment loss reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for impairment loss for these Financial Assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on a collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

### **Measurement of ECLs**

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- \* Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.
- \* Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.
- \* Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.
- \* Financial Guarantee Contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For further details on how the Company calculates ECLs including the use of forward looking information, refer to the Credit quality of Financial Assets section in Note 23. For details on the effect of modifications of Financing and Receivables on the measurement of ECL refer to note on Provision for expected credit loss.

ECLs are recognised using a provision for impairment loss account in Statement of Profit and Loss. The Company recognises the provision charge in Statement of Profit or Loss, with the corresponding amount recognised in other Comprehensive Income, with no reduction in the carrying amount of the asset in the Statement of Financial Position.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of capital and financing income, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued financing income from missed payments.

LGD : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including the realisation of any collateral.

## **2.12 Segment Information**

### **2.12.1 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 03 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.

### **2.12.2 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.

## **2.13 Standards issued but not yet effective**

### **a) Amendments to SLFRS 3: Definition of a Business**

Amendments to the definition of a business in SLFRS 3 Business Combinations to help 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 assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

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 1st January 2020, with early application permitted. Pending the completion of detailed review of the above amendment, the extent of the probable impact is not reasonably estimable

### **b) Amendments to LKAS 1 and IAS 8: Definition of Material**

Amendments to LKAS 1 Presentation of Financial Statements and IAS 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 1st January 2020 with early application permitted. Pending the completion of detailed review of such amendments, the extent of the probable impact is not yet reasonably estimable

### **c) 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 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 1st January 2020, with early application are permitted. Pending the detailed review of such amendments, the extent of the probable impact is not yet known.

### 03. Group Segmental Reporting

| Year ended 31st March 2020                               | Rubber           | Tyre             | Plastic and Furniture | Retail            | Financial Services | Other Services    | Plantations       | Total segments    | Adjustments         | Consolidated      |
|--|------------------|------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Business Segment   | Rs.'000          | Rs.'000          | Rs.'000               | Rs.'000           | Rs.'000            | Rs.'000           | Rs.'000           | Rs.'000           | Rs.'000             | Rs.'000           |
| <b>Revenue</b>   |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| External customers                                       | 5,313,175        | 3,054,241        | 6,164,323             | 27,775,361        | 4,540,971          | 18,310            | 7,373,329         | 54,239,710        | -                   | 54,239,710        |
| Inter - segment  | 156,451          | 33,933           | 785,903               | 12,032            | -                  | 1,751,980         | 914,683           | 3,654,982         | (3,654,982)         | -                 |
| Intra - segment  | 25,780           | 1,803,762        | 349,779               | 249,870           | -                  | -                 | 159,608           | 2,588,799         | (2,588,799)         | -                 |
| <b>Total revenue</b>                                     | <b>5,495,406</b> | <b>4,891,936</b> | <b>7,300,005</b>      | <b>28,037,263</b> | <b>4,540,971</b>   | <b>1,770,290</b>  | <b>8,447,620</b>  | <b>60,483,491</b> | <b>(6,243,781)</b>  | <b>54,239,710</b> |
| <b>Results</b>   |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| Segment results  | 1,243,696        | 550,723          | 719,094               | 2,317,720         | (531,857)          | 805,683           | (84,276)          | 5,020,783         | (714,684)           | 4,306,099         |
| Finance costs  |                  |                  |                       |                   |                    |                   |                   |                   |                     | (2,329,271)       |
| Finance income   |                  |                  |                       |                   |                    |                   |                   |                   |                     | 501,850           |
| Share of profit of an associate                          |                  |                  |                       |                   |                    |                   |                   |                   |                     | 89,409            |
| <b>Profit before tax from continuing operations</b>      |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>2,568,087</b>  |
| Income tax expense                                       |                  |                  |                       |                   |                    |                   |                   |                   |                     | (1,270,135)       |
| <b>Profit for the year from continuing operations</b>    |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>1,297,952</b>  |
| Loss after tax for the year from discontinued operations |                  |                  |                       |                   |                    |                   |                   |                   |                     | (7,366)           |
| <b>Profit for the year</b>                               |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>1,290,586</b>  |
| Non-controlling interests                                |                  |                  |                       |                   |                    |                   |                   |                   |                     | (147,385)         |
| <b>Attributable to Equity holders of the parent</b>      |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>1,143,201</b>  |
| <b>Operating assets</b>                                  | <b>5,458,895</b> | <b>2,526,916</b> | <b>10,418,619</b>     | <b>16,939,169</b> | <b>21,419,352</b>  | <b>10,616,726</b> | <b>18,871,844</b> | <b>86,251,521</b> | <b>(19,023,046)</b> | <b>67,228,475</b> |
| <b>Operating liabilities</b>                             | <b>1,827,180</b> | <b>1,164,224</b> | <b>9,383,021</b>      | <b>12,136,814</b> | <b>17,589,685</b>  | <b>6,842,361</b>  | <b>11,276,496</b> | <b>60,219,781</b> | <b>(10,158,907)</b> | <b>50,060,874</b> |
| <b>Other disclosures</b>                                 |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| Investment in an associate                               | 227,906          | -                | -                     | -                 | -                  | -                 | 12,568            | 240,474           | (51,067)            | 189,407           |
| Capital expenditure                                      | 153,723          | 9,913            | 54,397                | 454,902           | 31,929             | 2,735             | 691,104           | 1,398,703         | -                   | 1,398,703         |
| Depreciation and amortisation                            | 110,267          | 43,259           | 235,238               | 902,322           | 135,034            | 79,726            | 471,294           | 1,977,140         | -                   | 1,977,140         |
| <b>Geographic information</b>                            |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
|  |                  |                  |                       | Sri Lanka         | USA                | Europe            | Other             | Total segments    | Adjustments         | Consolidated      |
|  |                  |                  |                       | Rs.'000           | Rs.'000            | Rs.'000           | Rs.'000           | Rs.'000           | Rs.'000             | Rs.'000           |
| Revenue  |                  |                  |                       | 51,304,126        | 978,782            | 1,772,815         | 2,772,786         | 56,828,509        | (2,588,799)         | 54,239,710        |

## Segment Information

| Year ended 31st March 2019                               | Rubber           | Tyre             | Plastic and furniture | Retail            | Financial Services | Other Services    | Plantations       | Total segments    | Adjustments         | Consolidated      |
|--|------------------|------------------|-----------------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| Business Segment   | Rs.'000          | Rs.'000          | Rs.'000               | Rs.'000           | Rs.'000            | Rs.'000           | Rs.'000           | Rs.'000           | Rs.'000             | Rs.'000           |
| <b>Revenue</b>   |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| External customers                                       | 5,370,809        | 2,766,191        | 6,519,233             | 27,719,224        | 4,217,673          | 44,489            | 8,407,739         | 55,045,358        | -                   | 55,045,358        |
| Inter-segment  | 180,197          | 20,975           | 897,165               | 18,320            | -                  | 3,137,730         | 854,262           | 5,108,649         | (5,108,649)         | -                 |
| Intra - segment  | 28,726           | 1,690,207        | 172,031               | 247,392           | -                  | -                 | 175,542           | 2,313,898         | (2,313,898)         | -                 |
| <b>Total revenue</b>                                     | <b>5,579,732</b> | <b>4,477,373</b> | <b>7,588,429</b>      | <b>27,984,936</b> | <b>4,217,673</b>   | <b>3,182,219</b>  | <b>9,437,543</b>  | <b>62,467,905</b> | <b>(7,422,547)</b>  | <b>55,045,358</b> |
| <b>Results</b>   |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| Segment results  | 1,168,298        | 328,290          | 386,508               | 1,897,784         | 481,275            | 2,030,060         | 672,451           | 6,964,666         | (2,085,645)         | 4,879,021         |
| Finance costs  |                  |                  |                       |                   |                    |                   |                   |                   |                     | (2,109,249)       |
| Finance income   |                  |                  |                       |                   |                    |                   |                   |                   |                     | 556,240           |
| Share of profit of an associate                          |                  |                  |                       |                   |                    |                   |                   |                   |                     | 27,580            |
| <b>Profit before tax from continuing operations</b>      |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>3,353,592</b>  |
| Income tax expense                                       |                  |                  |                       |                   |                    |                   |                   |                   |                     | (1,006,764)       |
| <b>Profit for the year from continuing operations</b>    |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>2,346,828</b>  |
| Loss after tax for the year from discontinued operations |                  |                  |                       |                   |                    |                   |                   |                   |                     | (4,561)           |
| <b>Profit for the year</b>                               |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>2,342,267</b>  |
| Non-controlling interests                                |                  |                  |                       |                   |                    |                   |                   |                   |                     | (332,699)         |
| <b>Attributable to Equity holders of the parent</b>      |                  |                  |                       |                   |                    |                   |                   |                   |                     | <b>2,009,568</b>  |
| <b>Operating assets</b>                                  | <b>4,838,746</b> | <b>2,510,865</b> | <b>10,232,346</b>     | <b>12,472,635</b> | <b>22,422,964</b>  | <b>10,334,874</b> | <b>20,024,962</b> | <b>82,837,392</b> | <b>(18,166,310)</b> | <b>64,671,082</b> |
| <b>Operating liabilities</b>                             | <b>1,805,366</b> | <b>1,365,331</b> | <b>8,826,395</b>      | <b>8,725,449</b>  | <b>18,184,005</b>  | <b>6,911,320</b>  | <b>12,100,694</b> | <b>57,918,559</b> | <b>(9,220,866)</b>  | <b>48,697,693</b> |
| <b>Other disclosures</b>                                 |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
| Investment in an associate                               | 227,905          | -                | -                     | -                 | -                  | -                 | 12,567            | 240,472           | (91,385)            | 149,087           |
| Capital expenditure                                      | 127,264          | 2,463            | 459,901               | 622,978           | 260,245            | 48,101            | 746,157           | 2,267,109         | -                   | 2,267,109         |
| Depreciation and amortisation                            | 100,545          | 50,475           | 154,575               | 411,749           | 55,049             | 28,264            | 440,007           | 1,240,664         | -                   | 1,240,664         |
| <b>Geographic information</b>                            |                  |                  |                       |                   |                    |                   |                   |                   |                     |                   |
|  |                  |                  |                       | Sri Lanka         | USA                | Europe            | Other             | Total segments    | Adjustments         | Consolidated      |
|  |                  |                  |                       | Rs.'000           | Rs.'000            | Rs.'000           | Rs.'000           | Rs.'000           | Rs.'000             | Rs.'000           |
| Revenue  |                  |                  |                       | 51,763,721        | 1,867,838          | 1,513,363         | 2,214,334         | 57,359,256        | (2,313,899)         | 55,045,357        |

### 3.1 Revenue from contracts with customers

| Timing of Revenue recognition               | Group             |                   | Company          |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | 2020              | 2019              | 2020             | 2019             |
|   | Rs.'000           | Rs.'000           | Rs.'000          | Rs.'000          |
| Goods transferred at a point in time        | 49,680,428        | 50,783,195        | -                | -                |
| Services transferred over time              | 38,369            | 68,291            | 599,744          | 635,229          |
| Total revenue from contracts with customers | 49,718,797        | 50,851,486        | 599,744          | 635,229          |
| Revenue from insurance contracts            | 1,641,416         | 1,374,171         | -                | -                |
| Interest income from finance company        | 2,879,497         | 2,819,701         | -                | -                |
| Dividend Income                             | -                 | -                 | 714,684          | 2,085,645        |
| Other revenue                               | -                 | -                 | 228,457          | 213,757          |
| <b>Total revenue</b>                        | <b>54,239,710</b> | <b>55,045,358</b> | <b>1,542,885</b> | <b>2,934,631</b> |

## 4. Other Income/Expenses and Adjustments

### 4.1 Other Operating Income

|   | Group            |                  | Company         |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Government grants   | 26,990           | 26,586           | -               | -               |
| Net gain on disposal of property, plant and equipment           | 4,035            | 1,892            | -               | -               |
| Space rental income   | 473,598          | 522,363          | -               | -               |
| Gain on change in fair value of biological assets               | 99,551           | 54,105           | -               | -               |
| Income from partnership promotions from retail business         | 140,710          | 149,202          | -               | -               |
| Foreign exchange gain   | 134,934          | 90,773           | 3,164           | -               |
| Scrap sales/sales commission/mixing income                      | 53,762           | 58,591           | -               | -               |
| Sale of timber/rubber trees                                     | 41,043           | 64,293           | -               | -               |
| Documentation and other service charges from financial services | 72,897           | 76,547           | -               | -               |
| Sundry income   | 317,014          | 352,908          | -               | -               |
| <b>Total other operating income</b>                             | <b>1,364,534</b> | <b>1,397,260</b> | <b>3,164</b>    | <b>-</b>        |

### 4.2 Other Operating Expenses

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Foreign exchange loss  | -               | 3,109           |
| Irrecoverable VAT on management fees of plantation companies | 12,683          | 16,005          |
| Amortisation and impairment of intangible assets             | 14,086          | 11,732          |
| Others   | 10,867          | 8,609           |
| <b>Total other operating expenses</b>                        | <b>37,636</b>   | <b>39,455</b>   |

### 4.3 Profit from operations is stated after charging following expenses

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Directors' remuneration & fees                       | 68,100          | 50,927          | 49,485          | 35,156          |
| Auditors' remuneration & fees                        | 28,848          | 27,788          | 7,209           | 1,284           |
| Depreciation   | 1,205,811       | 1,213,015       | 22,236          | 22,974          |
| Amortisation of ROUA                                 | 771,329         | 27,649          | 52,490          | -               |
| Amortisation and impairment of intangible assets     | 14,496          | 11,732          | -               | -               |
| Provision made for defined benefit plan cost         | 510,008         | 483,798         | 12,142          | 14,283          |
| Staff costs including defined contribution plan cost | 8,302,144       | 8,050,648       | 10,946          | 50,674          |
| Legal fees   | 50,323          | 23,981          | 105             | 1,826           |
| Donations  | 1,196           | 874             | -               | -               |
| Allowances for impairment of receivables             | 1,169,164       | 267,817         | 25,000          | 15,000          |

## 5. Finance Costs

|                                      | Group            |                  | Company         |                 |
|--------------------------------------|------------------|------------------|-----------------|-----------------|
|                                      | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Interest on long term loans          | 421,372          | 493,023          | 32,073          | 302,246         |
| Interest on short term loans         | 1,331,862        | 1,616,226        | 601,771         | 415,294         |
| Interest on lease liabilities (ROUA) | 576,037          | -                | 56,190          | -               |
| <b>Total finance costs</b>           | <b>2,329,271</b> | <b>2,109,249</b> | <b>690,034</b>  | <b>717,540</b>  |

## 6. Finance Income

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Interest income from related companies | -               | -               | 64,734          | 40,972          |
| Interest income from third parties     | 501,850         | 556,240         | 1,844           | 63              |
| <b>Total finance income</b>            | <b>501,850</b>  | <b>556,240</b>  | <b>66,578</b>   | <b>41,035</b>   |

## 7. Share of Results of Associates

The Group can influence up to 33.33% of the voting rights (effective interest of 22.25%) of AEN Palm Oil Processing (Pvt) Limited, an entity involved in the processing of palm oil.

The Group's share of the assets and liabilities as at 31st March 2020 and 2019, and income and expenses of the entity for the years ended 31st March 2020 and 2019, which is accounted under the equity method are as follows.

|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
|--|------------------|-----------------|
| Revenue  | 3,228,607        | 2,684,901       |
| Profit before tax                                  | 269,375          | 82,749          |
| <b>Group's share of profit before tax</b>          | <b>89,409</b>    | <b>27,580</b>   |
| (-) Tax on associate results                       | (14,143)         | (4,055)         |
| <b>Group share of profit after tax</b>             | <b>75,266</b>    | <b>23,525</b>   |
| <b>Associate's Statement of Financial Position</b> |                  |                 |
| Current assets                                     | 287,406          | 238,304         |
| Non-current assets                                 | 554,313          | 257,655         |
|  | <b>841,719</b>   | <b>495,959</b>  |
| Current liabilities                                | (136,695)        | (53,397)        |
| Non-current liabilities                            | (181,756)        | (40,256)        |
|  | <b>(318,451)</b> | <b>(93,653)</b> |
| <b>Net assets</b>                                  | <b>523,268</b>   | <b>402,306</b>  |
| Share of net assets                                | 174,407          | 134,087         |
| Goodwill   | 15,000           | 15,000          |
|  | <b>189,407</b>   | <b>149,087</b>  |
| <b>Investments in Associates</b>                   |                  |                 |
|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
| At the beginning of the year                       | 149,087          | 125,562         |
| Share of profits                                   | 89,409           | 27,580          |
| Taxation   | (14,143)         | (4,055)         |
| Dividend received                                  | (34,946)         | -               |
| <b>At the end of the year</b>                      | <b>189,407</b>   | <b>149,087</b>  |

## 8. Income Tax Expense

The major components of income tax expense for the years ended 31st March 2020 and 2019 are:

|   | Group            |                  | Company         |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| <b>Current income tax:</b>  |                  |                  |                 |                 |
| Current income tax charge   | 1,044,945        | 939,725          | 185,615         | 5,999           |
| Adjustments in respect of current income tax of previous years        | 146,523          | 1,947            | -               | -               |
| <b>Deferred tax:</b>  |                  |                  |                 |                 |
| Relating to origination and reversal of temporary differences         | (110,906)        | (212,104)        | 3,759           | -               |
| ESC Unrecoverable   | 9,444            | 3,863            | -               | -               |
| Tax on associate results  | 14,143           | 4,056            | -               | -               |
| Dividend tax  | 165,986          | 269,277          | -               | -               |
| <b>Income tax expense reported in the Statement of Profit or Loss</b> | <b>1,270,135</b> | <b>1,006,764</b> | <b>189,374</b>  | <b>5,999</b>    |
| <b>A. Taxation on current year profit</b>                             |                  |                  |                 |                 |
| Profit before tax from continuing operations                          | 2,568,086        | 3,353,592        | 663,408         | 1,798,822       |
| Loss before tax from discontinued operations                          | (7,366)          | (4,561)          | -               | -               |
| Profit from associate companies                                       | (89,409)         | (27,580)         | -               | -               |
|   | 2,471,311        | 3,321,451        | 663,408         | 1,798,822       |
| Disallowed items  | 6,471,677        | 4,709,585        | 155,927         | 375,103         |
| Allowable expenses  | (5,005,384)      | (4,405,738)      | (92,953)        | (69,140)        |
| Resident dividend   | -                | -                | (900,112)       | (2,098,359)     |
|   | 3,937,604        | 3,625,298        | (173,730)       | 6,426           |
| Tax loss brought forward  | (5,031,090)      | (4,765,959)      | (574,863)       | (574,863)       |
| Tax loss carried forward  | 3,324,796        | 5,031,090        | 574,863         | 574,863         |
| Taxable Income  | 2,231,310        | 3,890,429        | (173,730)       | 6,426           |
| Income tax 28%  | 637,781          | 750,137          | -               | 5,999           |
| Income tax 24%  | 130,177          | -                | -               | -               |
| Income tax 20%  | 53,479           | 35,336           | -               | -               |
| Income tax 18%  | 38,606           | -                | -               | -               |
| Income tax 14%  | 184,902          | 154,252          | -               | -               |
|   | 1,044,945        | 939,725          | -               | 5,999           |
| Under provision in the previous years                                 | 146,523          | 1,947            | 185,615         | -               |
|   | 1,191,468        | 941,672          | 185,615         | 5,999           |
| Deferred tax  | (110,906)        | (212,104)        | 3,759           | -               |
| ESC unrecoverable   | 9,444            | 3,863            | -               | -               |
| Tax on associate results  | 14,143           | 4,056            | -               | -               |
| Dividend tax  | 165,986          | 269,277          | -               | -               |
|   | 1,270,135        | 1,006,764        | 189,374         | 5,999           |

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| <b>B. Deferred tax expenses / (reversals)</b>                           |                 |                 |                 |                 |
| Accelerated depreciation for tax purpose - PPE                          | 199,927         | 104,702         | 13,835          | -               |
| Tax on ROUA   | (198,158)       | -               | (30,299)        | -               |
| Accelerated depreciation for tax purpose - Biological assets and others | 16,966          | (42,948)        | -               | -               |
| Retirement benefits obligation  | (78,309)        | (19,736)        | 2,715           | -               |
| Benefit / (reversal) arising from tax losses                            | (43,233)        | 116,430         | 13,308          | -               |
| Impairment provision for loans and advances                             | 34,360          | (222,936)       | -               | -               |
| Other provisions  | (42,459)        | (147,616)       | 4,200           | -               |
| Total deferred tax expense  | (110,906)       | (212,104)       | 3,759           | -               |

### 8.1 Income tax rates and details of tax holidays enjoyed by the Group

The tax liabilities of resident companies (quoted and unquoted) are computed at the standard rate of 24%.

The taxable income of Richard Pieris 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 Assessment 2018/19 since these Companies are predominantly conducting the business of exporting goods.

RPC Polymers (Pvt) Limited has entered into an agreement with the Board of Investment of Sri Lanka under section 17 of the BOI Act No. 04 of 1978 and accordingly its profit and income was exempt from income tax for a period of three years commencing from the year of assessment 2008/09 after this tax exempted period the Company was be liable to tax at 10% for a period of 2 years immediately succeeding the last day of said exemption period and currently is liable to the reduced income tax rate of 20%.

In terms of an agreement entered in to with the Board of Investment of Sri Lanka under the BOI Act No. 04 of 1978, RPC Retail Development (Pvt) Limited was exempted from tax for a period of three years commencing from the year of assessment 2009/2010. After the expiry of the tax holiday the Company was liable for income tax at 10% for two years and at 20% thereafter.

Kegalle Plantations PLC, Maskeliya Plantations PLC, Namunukula Plantations PLC and Exotic Horticulture (Pvt) Limited are liable for income tax at the rate of 14% on profits from agriculture and 24% on other profits and income, commencing from 1st January 2020.

## 9. Discontinued Operations

The Group continued to focus on its core business operations and restructured or exit from marginal businesses with limited potential. Accordingly operations of four businesses which were incurring heavy losses were discontinued in previous years namely, Arpico Homes Limited, Hamefa Kegalle (Pvt) Limited, Arpico Hotel Services (Pvt) Limited, Arpico Natural Latexfoams (Pvt) Limited.

The results of discontinued operations are given below.

|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|--|-----------------|-----------------|
| Other Income                                   | 536             | 399             |
| Expenses                                       | (7,902)         | (4,960)         |
| Loss for the year from discontinued operations | (7,366)         | (4,561)         |

The Financial Statements of the companies stated above have been prepared on a basis other than on a going concern reflecting the closure of operations.

## 10. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company 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.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of diluted potential ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

|   | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|---|-----------------|-----------------|
| Net profit attributable to ordinary equity holders of the parent from continuing operations     | 1,150,567       | 2,014,129       |
| Loss attributable to ordinary equity holders of the parent from discontinued operations         | (7,366)         | (4,561)         |
| Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings | 1,143,201       | 2,009,568       |
| Weighted average number of ordinary shares for basic earnings per share                         | 2,035,038,275   | 2,035,038,275   |
| <b>Effect of dilution:</b>  |                 |                 |
| Effect of potential ordinary shares from share options  | -               | -               |
| Weighted average number of ordinary shares adjusted for the effect of dilution                  | 2,035,038,275   | 2,035,038,275   |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these Financial Statements.

|   | 2020<br>Rs. | 2019<br>Rs. |
|---|-------------|-------------|
| Basic earnings per share                              | 0.56        | 0.99        |
| Earnings per share from continuing operations - Basic | 0.57        | 0.99        |

## 11. Dividend per Share

|                         | 2020<br>Per Share | 2020<br>Rs.'000 | 2019<br>Per Share | 2019<br>Rs.'000 |
|-------------------------|-------------------|-----------------|-------------------|-----------------|
| Interim Dividend        | -                 | -               | 0.60              | 1,221,023       |
| Second Interim Dividend | -                 | -               | 0.25              | 508,760         |
|                         | -                 | -               | 0.85              | 1,729,783       |

1.a The first interim dividend of Rs. 0.60 per share for the financial year ended 31st March 2019 was declared on 08th October 2018 and paid on 26th October 2018.

1.b The second interim dividend of Rs. 0.25 per share for the financial year ended 31st March 2019 was declared on 15th March 2019 and paid on 29th March 2019.

2.a An interim dividend of Rs. 0.50 per share for the financial period ended 30th September 2020 was declared on 25th September 2020 and paid on 23rd October 2020.

## 12. Property Plant & Equipment

### 12.1 Group

|  | As at<br>01.04.2019 | Additions | Disposals/<br>transfers | Effect of<br>foreign<br>currency<br>translation | As at<br>31.03.2020 |
|--|---------------------|-----------|-------------------------|---|---------------------|
|  | Rs.'000             | Rs.'000   | Rs.'000                 | Rs.'000   | Rs.'000             |
| <b>Cost / valuation</b>                            |                     |           |                         |   |                     |
| Land / land improvements                           | 3,852,062           | 2,961     | 9,056                   | -   | <b>3,864,079</b>    |
| Buildings  | 5,476,953           | 59,298    | -                       | 8,069   | <b>5,544,320</b>    |
| Immature / mature plantations                      | 9,520,820           | 612,064   | -                       | -   | <b>10,132,884</b>   |
| Plant, machinery, tools & electrical installations | 6,550,055           | 234,418   | -                       | 45,371  | <b>6,829,844</b>    |
| Office & other equipment                           | 1,892,212           | 124,756   | (177)                   | -   | <b>2,016,791</b>    |
| Furniture, fixtures & fittings                     | 799,227             | 49,424    | (1,248)                 | 1,557   | <b>848,960</b>      |
| Motor vehicles                                     | 1,106,108           | 9,724     | -                       | 154   | <b>1,115,986</b>    |
| Computers  | 689,675             | 40,730    | (1,308)                 | -   | <b>729,097</b>      |
|  | 29,887,112          | 1,133,375 | 6,323                   | 55,151  | <b>31,081,961</b>   |
| Capital work in progress                           | 955,906             | 359,124   | (150,637)               | -   | <b>1,164,393</b>    |
| Total gross carrying amount                        | 30,843,018          | 1,492,499 | (144,314)               | 55,151  | <b>32,246,354</b>   |

|  | As at<br>01.04.2019 | Charge<br>for the<br>year | On<br>disposals | Effect of<br>foreign<br>currency<br>translation | As at<br>31.03.2020 |
|--|---------------------|---------------------------|-----------------|---|---------------------|
|  | Rs.'000             | Rs.'000                   | Rs.'000         | Rs.'000   | Rs.'000             |
| <b>Depreciation / amortization</b>                 |                     |                           |                 |   |                     |
| Land improvements                                  | 117,335             | 5,325                     | -               | -   | <b>122,660</b>      |
| Buildings  | 1,642,785           | 223,908                   | -               | 961   | <b>1,867,654</b>    |
| Immature / mature plantations                      | 1,915,223           | 270,126                   | -               | -   | <b>2,185,349</b>    |
| Plant, machinery, tools & electrical installations | 4,088,303           | 344,769                   | -               | 23,444  | <b>4,456,516</b>    |
| Office & other equipment                           | 1,080,872           | 172,959                   | (99)            | -   | <b>1,253,732</b>    |
| Furniture, fixtures & fittings                     | 543,749             | 57,043                    | (846)           | 1,469   | <b>601,415</b>      |
| Motor vehicles                                     | 870,410             | 77,804                    | -               | 154   | <b>948,368</b>      |
| Computers  | 550,557             | 53,163                    | (430)           | -   | <b>603,290</b>      |
|  | 10,809,234          | 1,205,097                 | (1,375)         | 26,028  | <b>12,038,984</b>   |

| Net Book Values                                    | 2020<br>Rs.'000   | 2019<br>Rs.'000 |
|--|-------------------|-----------------|
| Land / land improvements                           | <b>3,741,419</b>  | 3,734,727       |
| Buildings  | <b>3,676,666</b>  | 3,834,168       |
| Immature / mature plantations                      | <b>7,947,535</b>  | 7,605,597       |
| Plant, machinery, tools & electrical installations | <b>2,373,328</b>  | 2,461,752       |
| Office & other equipment                           | <b>763,059</b>    | 811,340         |
| Furniture, fixtures & fittings                     | <b>247,545</b>    | 255,478         |
| Motor vehicles                                     | <b>167,618</b>    | 235,698         |
| Computers  | <b>125,807</b>    | 139,118         |
|  | <b>19,042,977</b> | 19,077,878      |
| Capital work in progress                           | <b>1,164,393</b>  | 955,906         |
| Total carrying amount                              | <b>20,207,370</b> | 20,033,784      |

|  | As at<br>01.04.2019 | Transferred<br>to<br>ROUA | As at<br>31.03.2020 |
|--|---------------------|---------------------------|---------------------|
|  | Rs.'000             | Rs.'000                   | Rs.'000             |
| <b>Assets acquired on finance leases</b> |                     |                           |                     |
| <b>Cost / valuation</b>                  |                     |                           |                     |
| Immature / mature plantations            | 773,460             | 773,460                   | -                   |
| Plant & machinery                        | 134,369             | 134,369                   | -                   |
| Office & other equipment                 | 836                 | 836                       | -                   |
| Motor vehicles                           | 54,692              | 54,692                    | -                   |
|  | 963,357             | 963,357                   | -                   |

|                                    | As at<br>01.04.2019 | Transferred<br>to<br>ROUA | As at<br>31.03.2020 |
|------------------------------------|---------------------|---------------------------|---------------------|
|                                    | Rs.'000             | Rs.'000                   | Rs.'000             |
| <b>Depreciation / amortization</b> |                     |                           |                     |
| Immature / mature plantations      | 627,722             | (627,722)                 | -                   |
| Plant & machinery                  | 134,369             | (134,369)                 | -                   |
| Office & other equipment           | 495                 | (495)                     | -                   |
| Motor vehicles                     | 24,656              | (24,656)                  | -                   |
|                                    | 787,242             | (787,242)                 | -                   |

| Net Book Values   | 2020              | 2019       |
|---|-------------------|------------|
|   | Rs.'000           | Rs.'000    |
| Immature / mature plantations                                   | -                 | 145,738    |
| Plant & machinery   | -                 | -          |
| Office & other equipment  | -                 | 341        |
| Motor vehicles  | -                 | 30,036     |
|   | -                 | 176,115    |
| <b>Total carrying amount of property, plant &amp; equipment</b> | <b>20,207,370</b> | 20,209,899 |

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 16,225 mn (2019 - Rs. 15,014 mn).

During the financial year, the Group acquired property plant and equipment to the aggregate value of Rs. 1,351 mn (2019 - Rs. 2,078 mn) for cash considerations.

#### The title restriction Property, Plant and Equipment

There are no restrictions that existed on the title of the property, plant and equipment of the company as at the reporting date.

## 12.2 Company

|  | As at<br>01.04.2019<br>Rs.'000 | Additions<br>Rs.'000 | Disposals/<br>transfers<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|--|--------------------------------|----------------------|------------------------------------|--------------------------------|
| <b>Cost / valuation</b>                            |                                |                      |                                    |                                |
| Buildings  | 52,208                         | -                    | -                                  | <b>52,208</b>                  |
| Plant, machinery, tools & electrical installations | 95,725                         | 900                  | -                                  | <b>96,625</b>                  |
| Office & other equipment                           | 34,892                         | 262                  | -                                  | <b>35,154</b>                  |
| Furniture, fixtures & fittings                     | 24,053                         | 195                  | -                                  | <b>24,248</b>                  |
| Motor vehicles                                     | 65,988                         | -                    | -                                  | <b>65,988</b>                  |
| Computers  | 50,255                         | 971                  | (17)                               | <b>51,209</b>                  |
|  | 323,121                        | 2,328                | (17)                               | <b>325,432</b>                 |
| Capital work in progress                           | 157,625                        | -                    | -                                  | <b>157,625</b>                 |
| <b>Total gross carrying amount</b>                 | <b>480,746</b>                 | <b>2,328</b>         | <b>(17)</b>                        | <b>483,057</b>                 |

|  | As at<br>01.04.2019<br>Rs.'000 | Charge<br>for the<br>year<br>Rs.'000 | On<br>disposals<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|--|--------------------------------|--------------------------------------|----------------------------|--------------------------------|
| <b>Depreciation / amortization</b>                 |                                |                                      |                            |                                |
| Buildings  | 26,543                         | 5,221                                | -                          | <b>31,764</b>                  |
| Plant, machinery, tools & electrical installations | 76,479                         | 4,028                                | -                          | <b>80,507</b>                  |
| Office & other equipment                           | 30,043                         | 1,158                                | -                          | <b>31,201</b>                  |
| Furniture, fixtures & fittings                     | 20,577                         | 923                                  | -                          | <b>21,500</b>                  |
| Motor vehicles                                     | 65,097                         | 252                                  | -                          | <b>65,349</b>                  |
| Computers  | 43,859                         | 2,958                                | (17)                       | <b>46,800</b>                  |
|  | 262,598                        | 14,540                               | (17)                       | <b>277,121</b>                 |

| <b>Net Book Values</b>                             | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|--|-----------------|-----------------|
| Buildings  | <b>20,444</b>   | 25,665          |
| Plant, machinery, tools & electrical installations | <b>16,118</b>   | 19,246          |
| Office & other equipment                           | <b>3,953</b>    | 4,849           |
| Furniture, fixtures & fittings                     | <b>2,748</b>    | 3,476           |
| Motor vehicles                                     | <b>639</b>      | 891             |
| Computers  | <b>4,409</b>    | 6,396           |
|  | <b>48,311</b>   | 60,523          |
| Capital work in progress                           | <b>157,625</b>  | 157,625         |
| <b>Total carrying amount</b>                       | <b>205,936</b>  | 218,148         |

Property plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 197 mn (2019 - Rs. 189 mn).

During the financial year, the Company acquired property plant and equipment to the aggregate value of Rs. 2.3 mn (2019 - Rs. 44 mn) for cash considerations.

**13. Investment properties**

**13.1 Group**

|                               | As at<br>01.04.2019<br>Rs.'000 | Additions<br>Rs.'000 | Transfers<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|-------------------------------|--------------------------------|----------------------|----------------------|--------------------------------|
| <b>Gross carrying amounts</b> |                                |                      |                      |                                |
| Freehold land                 | 199,745                        | 39,625               | 9,388                | <b>248,758</b>                 |
| Buildings                     | 38,080                         | -                    | 10,694               | <b>48,774</b>                  |
|                               | 237,825                        | 39,625               | 20,082               | <b>297,532</b>                 |

|                     | As at<br>01.04.2019<br>Rs.'000 | Charge<br>for the<br>Year<br>Rs.'000 | Transfers<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|---------------------|--------------------------------|--------------------------------------|----------------------|--------------------------------|
| <b>Depreciation</b> |                                |                                      |                      |                                |
| Buildings           | 1,572                          | 714                                  | -                    | <b>2,286</b>                   |
|                     | 1,572                          | 714                                  | -                    | <b>2,286</b>                   |

| Net Book Values                                | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|--|-----------------|-----------------|
| Freehold land                                  | <b>248,758</b>  | 199,745         |
| Buildings                                      | <b>46,488</b>   | 36,508          |
| Total carrying amount of investment properties | <b>295,246</b>  | 236,253         |

**13.2 Company**

|                                  | As at<br>01.04.2019<br>Rs.'000 | Additions<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|----------------------------------|--------------------------------|----------------------|--------------------------------|
| <b>Gross carrying amounts</b>    |                                |                      |                                |
| Freehold land                    | 1,041,379                      | 272                  | <b>1,041,651</b>               |
| Buildings and building integrals | 306,504                        | -                    | <b>306,504</b>                 |
|                                  | 1,347,883                      | 272                  | <b>1,348,155</b>               |

|                                  | As at<br>01.04.2019<br>Rs.'000 | Charge<br>for the<br>Year<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
|----------------------------------|--------------------------------|--------------------------------------|--------------------------------|
| <b>Depreciation</b>              |                                |                                      |                                |
| Buildings and building integrals | 126,703                        | 7,696                                | <b>134,399</b>                 |
|                                  | 126,703                        | 7,696                                | <b>134,399</b>                 |

| Net Book Values                                       | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
|---|------------------|-----------------|
| Freehold land   | <b>1,041,651</b> | 1,041,379       |
| Buildings on freehold land                            | <b>172,105</b>   | 179,801         |
| <b>Total carrying amount of investment properties</b> | <b>1,213,756</b> | 1,221,180       |

|  | 2020<br>Rs. Mn | 2019<br>Rs. Mn |
|--|----------------|----------------|
| Rental income derived from investment properties | 228            | 213            |
| Direct operating expenses incurred               | 6.3            | 9.3            |
| Fair value of investment properties              | 14,922         | 14,471         |

As at 31st March 2020, investment properties were valued by qualified valuer Mr. P. B. Kalugalagedara.

During the financial year, the Group acquired investment properties to the aggregate value of Rs. 39.6 mn (2019 - Rs. 173 mn) for cash considerations.

Fair value of investment properties are given in Group Real Estate Portfolio in page 153.

#### 14. Intangible Assets

|   | Goodwill<br>Rs.'000 | Licenses<br>Rs.'000 | Other<br>Intangibles<br>Rs.'000 | Total<br>Rs.'000 |
|---|---------------------|---------------------|---------------------------------|------------------|
| <b>As at 1st April 2019</b>               | 1,219,937           | 58,735              | 20,356                          | 1,299,028        |
| Acquisition through business combinations | -                   | -                   | -                               | -                |
| Acquired / incurred during the period     | -                   | -                   | 1,772                           | 1,772            |
| <b>As at 31st March 2020</b>              | 1,219,937           | 58,735              | 22,128                          | 1,300,800        |
| <b>Amortisation and Impairment</b>        |                     |                     |                                 |                  |
| <b>As at 1st April 2019</b>               | 94,403              | 41,677              | 7,793                           | 143,873          |
| Amortisation/impairment for the year      | 10,500              | 1,451               | 2,545                           | 14,496           |
| <b>As at 31st March 2020</b>              | 104,903             | 43,128              | 10,338                          | 158,369          |
| <b>Net Book Value</b>                     |                     |                     |                                 |                  |
| <b>As at 31st March 2019</b>              | 1,125,534           | 17,058              | 12,563                          | 1,155,155        |
| <b>As at 31st March 2020</b>              | 1,115,034           | 15,607              | 11,790                          | 1,142,431        |

##### (a) Goodwill

Goodwill represents the excess of an acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. The Group goodwill has been allocated to seven cash-generating units, for impairment testing as follows;

|                                |   |         |  |         |
|--------------------------------|---|---------|--|---------|
| 1. Kegalle Plantations PLC     | } | 327,736 | 5. Six estates of Uva range Namunukula Plantations PLC | 305,915 |
| 2. Namunukula Plantations PLC  |   |         | 6. BGN Industrial Tyre (Private) Limited               | 22,228  |
| 3. Maskeliya Plantations PLC   |   |         | 7. Richard Pieris Finance Limited                      | 306,013 |
| 4. Arpico Super Centre - Kandy |   | 153,142 |  |         |

Goodwill is not amortised, but is reviewed for impairment annually and whether there is an indication that goodwill may be impaired. For the purpose of testing goodwill for impairment, goodwill is allocated to the operating entity level, which is the lowest level at which the goodwill is monitored for internal management purpose.

The recoverable amount of the goodwill is determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management for one year, and forecast for the four years thereafter, covering a five year period.

##### (b) Licenses

Licenses include separately acquired five operating licenses stated at cost less accumulated amortizations and impairment losses. Licenses acquired have been amortized evenly over the validity period of the license.

## (c) Other intangible assets

Other intangible assets include an IT platform developed by Ataraxia (Pvt) Limited to manage its funds and it is amortised over a period of ten years commencing from financial year 2012/13. It includes an IT systems used by Richard Pieris Finance Limited to manage operations which is amortised over a period of 10 years commencing from financial year 2018/19.

### Key assumptions used in value in use calculations

Volume growth - Volume growth is based on past performance, the approved budget and expected performance of such CGU based on the actual performance and to evaluate future investment proposals.

Discount rates - Discount rates reflect management's estimate of the risk specific to the unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Cost increase due to inflation - Expected inflationary levels over the next five years based on management judgment were used to estimate the increase in costs over similar periods.

The value range of the key rates that are used in the assumptions are as follows.

|  |           |                                     |           |
|--|-----------|-------------------------------------|-----------|
| 10 year Risk Free (Treasury bond) rate | 9% - 12%  | Weighted Average Cost of Equity     | 13% - 19% |
| Hurdle rate for equity                 | 18% - 23% | Terminal growth rate of the company | 0% - 1%   |
| Cost of Debt                           | 9% - 14%  |                                     |           |

## 15. Biological Assets

### 15.1 Consumable Biological Assets

|                               | 2020<br>Rs.'000  | 2019<br>Rs.'000  |
|-------------------------------|------------------|------------------|
| At the beginning of the year  | 1,026,885        | 951,252          |
| Increase due to new planting  | 17,217           | 15,959           |
| Decrease due to harvesting    | -                | -                |
| Gain in fair value            | 94,167           | 59,674           |
| <b>At the end of the year</b> | <b>1,138,269</b> | <b>1,026,885</b> |

Biological assets include commercial timber plantations cultivated in estates of Kegalle Plantations PLC, Maskeliya Plantations PLC and Namunukula Plantations PLC. The valuation was carried out by Mr. W.M Chandrasena, FIV(SL) MRICS (Chartered Valuation surveyor), using discounted cash flow method.

### Key assumptions used in valuation are as follows:

1. Timber price was based on the price list of the State Timber Corporation of sawn timber logs.
2. The prices adopted are net of expenditure
3. Time period of maturity estimated at 30 years (2019 - 30 years).
4. Discount rate used was 14% (2019 - 14%)

### 15.2 Sensitivity Analysis

#### Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

| As at 31st March 2020 | -10%<br>Rs.'000 | Rs.'000   | +10%<br>Rs.'000 |
|-----------------------|-----------------|-----------|-----------------|
| Managed timber        | 1,025,186       | 1,138,269 | 1,251,351       |
| Total                 | 1,025,186       | 1,138,269 | 1,251,351       |

### Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1.5% of the discount rate has the following effect on the net present value of biological assets:

| As at 31st March 2020 | 15.50%    | 14.00%    | 12.50%    |
|-----------------------|-----------|-----------|-----------|
|                       | Rs.'000   | Rs.'000   | Rs.'000   |
| Managed timber        | 1,066,132 | 1,138,269 | 1,223,896 |
| Total                 | 1,066,132 | 1,138,269 | 1,223,896 |

### 15.3 Produce on Bearer Biological Assets

|  | 2020          | 2019    |
|--|---------------|---------|
|  | Rs.'000       | Rs.'000 |
| At the beginning of the year   | 26,854        | 32,686  |
| Gain / (loss) arising from changes in fair value of bearer biological assets | 5,385         | (5,832) |
| <b>At the end of the year</b>  | <b>32,239</b> | 26,854  |

### 15.4 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.

|                                       | 31st March 2020  | Level 1 | Level 2 | Level 3   |
|---------------------------------------|------------------|---------|---------|-----------|
|                                       | Rs.'000          | Rs.'000 | Rs.'000 | Rs.'000   |
| <b>Assets measured at fair value</b>  |                  |         |         |           |
| Consumable biological assets - timber | 1,138,269        | -       | -       | 1,138,269 |
| Produce on bearer biological assets   | 32,239           | -       | 32,239  | -         |
|                                       | <b>1,170,508</b> | -       | 32,239  | 1,138,269 |

|                                       | 31st March 2019 | Level 1 | Level 2 | Level 3   |
|---------------------------------------|-----------------|---------|---------|-----------|
|                                       | Rs.'000         | Rs.'000 | Rs.'000 | Rs.'000   |
| <b>Assets measured at fair value</b>  |                 |         |         |           |
| Consumable biological assets - timber | 1,026,885       | -       | -       | 1,026,885 |
| Produce on bearer biological assets   | 26,854          | -       | 26,854  | -         |
|                                       | 1,053,739       | -       | 26,854  | 1,026,885 |

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of transaction prices of the company, and the market prices of timber corporation, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

## 16 Investments

### A Company investments in subsidiaries

|   | % Holding  |            | No of shares |          | Value Rs.'000 |            |          |            |
|---|------------|------------|--------------|----------|---------------|------------|----------|------------|
|   | 31.03.2020 | 31.03.2019 | 31.03.2020   | Movement | 31.03.2019    | 31.03.2020 | Movement | 31.03.2019 |
| <b>Quoted investments</b>                           |            |            |              |          |               |            |          |            |
| Richard Pieris Exports PLC (Rs. 1,787 mn) *         | 84         | 84         | 9,366,027    | -        | 9,366,027     | 296,955    | -        | 296,955    |
| Kegalle Plantations PLC (Rs. 807 mn) * +            | -          | -          | 9,500        | -        | 9,500         | 1,441      | -        | 1,441      |
| Arpico Insurance PLC (Rs. 995 mn) *                 | 82         | 82         | 15,125,001   | -        | 15,125,001    | 151,250    | -        | 151,250    |
| <b>Unquoted investments</b>                         |            |            |              |          |               |            |          |            |
| Richard Pieris Distributors Limited                 | 100        | 100        | 106,673,960  | -        | 106,673,960   | 812,130    | -        | 812,130    |
| Arpidag International (Pvt) Limited                 | 51         | 51         | 234,598      | -        | 234,598       | 27,110     | -        | 27,110     |
| Richard Pieris Tyre Company Limited                 | 100        | 100        | 4,000,000    | -        | 4,000,000     | 50,000     | -        | 50,000     |
| Richard Pieris Rubber Products Limited              | 100        | 100        | 2,700,000    | -        | 2,700,000     | 27,000     | -        | 27,000     |
| Richard Pieris Rubber Compounds Limited             | 100        | 100        | 1,700,000    | -        | 1,700,000     | 17,000     | -        | 17,000     |
| Arpico Furniture Limited                            | 100        | 100        | 4,000,000    | -        | 4,000,000     | 40,000     | -        | 40,000     |
| Arpico Plastics Limited                             | 100        | 100        | 2,900,000    | -        | 2,900,000     | 29,000     | -        | 29,000     |
| Arpico Industrial Development Company Limited       |            |            |              |          |               |            |          |            |
| Ordinary Shares                                     | 100        | 100        | 1,500,000    | -        | 1,500,000     | 15,000     | -        | 15,000     |
| 12% Redeemable Cumulative Preference Shares         | -          | -          | 9,140,000    | -        | 9,140,000     | 91,400     | -        | 91,400     |
| Plastishells Limited                                | 98         | 98         | 3,361,000    | -        | 3,361,000     | 35,615     | -        | 35,615     |
| Richard Pieris Natural Foams Limited                | 86         | 86         | 14,022,254   | -        | 14,022,254    | 143,479    | -        | 143,479    |
| Arpitalian Compact Soles (Pvt) Limited              |            |            |              |          |               |            |          |            |
| Ordinary Shares                                     | 59         | 59         | 10,666,667   | -        | 10,666,667    | 80,000     | -        | 80,000     |
| 10% Redeemable Cumulative Preference Shares         | -          | -          | 6,404,500    | -        | 6,404,500     | 64,045     | -        | 64,045     |
| RPC Management Services (Pvt) Limited               | 100        | 100        | 7,499,999    | -        | 7,499,999     | 550,250    | -        | 550,250    |
| Richard Pieris Group Services (Pvt) Limited         | 100        | 100        | 2            | -        | 2             | -          | -        | -          |
| Arp-Eco (Pvt) Limited                               | 100        | 100        | 2            | -        | 2             | -          | -        | -          |
| RPC Logistics (Pvt) Limited                         | 100        | 100        | 2,000,001    | -        | 2,000,001     | 20,000     | -        | 20,000     |
| Richard Pieris Plantations (Pvt) Limited            | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| R P C Real Estate Development Company (Pvt) Limited | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| Arpico Homes (Pvt) Limited                          | 100        | 100        | 7            | -        | 7             | -          | -        | -          |
| Arpico Exotica Asiana (Pvt) Limited                 | 100        | 100        | 2            | -        | 2             | -          | -        | -          |
| Arpico Hotel Services (Pvt) Limited                 | 100        | 100        | 600,000      | -        | 600,000       | 6,000      | -        | 6,000      |
| RPC Construction (Pvt) Limited                      | 100        | 100        | 2,000,000    | -        | 2,000,000     | 20,000     | -        | 20,000     |
| Arpitech (Pvt) Limited                              | 100        | 100        | 3,500,002    | -        | 3,500,002     | 285,000    | -        | 285,000    |
| Arpimalls Development Company (Pvt) Limited         | 100        | 100        | 5,000,000    | -        | 5,000,000     | 50,000     | -        | 50,000     |
| Arpico Interiors (Pvt) Limited                      | 100        | 100        | 2,500,000    | -        | 2,500,000     | 25,000     | -        | 25,000     |
| Richard Pieris Securities (Pvt) Limited             | 100        | 100        | 19,449,999   | -        | 19,449,999    | 194,500    | -        | 194,500    |
| Richard Pieris Financial Services (Pvt) Limited     | 100        | 100        | 3,499,999    | -        | 3,499,999     | 35,000     | -        | 35,000     |
| Arpico Ataraxia Asset Management (Pvt) Limited      | 51         | 51         | 2,040,002    | -        | 2,040,002     | 20,400     | -        | 20,400     |
| Richard Pieris Finance Limited                      | 98         | 98         | 93,583,063   | -        | 93,583,063    | 935,831    | -        | 935,831    |
| Arpico Durables (Pvt) Limited                       | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| Arpico Furniture Distributors (Pvt) Limited         | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| Arpico Developments (Pvt) Limited                   | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| RPC Retail Developments Company (Pvt) Limited       | 100        | 100        | 1            | -        | 1             | -          | -        | -          |
| Arpico Pharmaceuticals (Pvt) Limited                | 100        | 100        | 10,000,001   | -        | 10,000,001    | 100,000    | -        | 100,000    |
| Richard Pieris Trading Company (Pte) Limited        | 100        | 100        | 618,500      | -        | 618,500       | 65,349     | -        | 65,349     |
|   |            |            |              |          |               | 4,188,755  | -        | 4,188,755  |
| Provision for fall in value of the investments in:  |            |            |              |          |               |            |          |            |
| Arpico Furniture Limited                            |            |            |              |          |               | (40,000)   | -        | (40,000)   |
| Arpico Hotel Services (Pvt) Limited                 |            |            |              |          |               | (6,000)    | -        | (6,000)    |
| RPC Construction (Pvt) Limited                      |            |            |              |          |               | (20,000)   | -        | (20,000)   |
| Arpitech (Pvt) Limited                              |            |            |              |          |               | (35,000)   | -        | (35,000)   |
| Arpitalian Compact Soles (Pvt) Limited              |            |            |              |          |               | (72,082)   | -        | (72,082)   |
| Arpico Pharmaceuticals (Pvt) Limited                |            |            |              |          |               | (100,000)  | -        | (100,000)  |
| Richard Pieris Securities (Pvt) limited             |            |            |              |          |               | (80,000)   | -        | (80,000)   |
| Arpico Plastics Limited                             |            |            |              |          |               | (20,000)   | (20,000) | -          |
| Arpico Ataraxia (Pvt) Limited                       |            |            |              |          |               | (5,000)    | (5,000)  | -          |
| Company investments in subsidiaries                 |            |            |              |          |               | 3,810,673  | (25,000) | 3,835,673  |

## B Group investments in subsidiaries

|   | % Holding  |            | No of shares |          |            | Value Rs.'000 |          |            |
|---|------------|------------|--------------|----------|------------|---------------|----------|------------|
|   | 31.03.2020 | 31.03.2019 | 31.03.2020   | Movement | 31.03.2019 | 31.03.2020    | Movement | 31.03.2019 |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Richard Pieris Distributors Limited                 |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| Arpimalls Development Co (Pvt) Limited              |            |            |              |          |            |               |          |            |
| Ordinary shares                                     | 76         | 76         | 16,000,000   | -        | 16,000,000 | 160,000       | -        | 160,000    |
| 6% redeemable cumulative preference shares          | -          | -          | 22,000,000   | -        | 22,000,000 | 220,000       | -        | 220,000    |
| Arpico Interiors (Pvt) Limited                      | 17         | 17         | 500,000      | -        | 500,000    | 5,000         | -        | 5,000      |
| RPC Real Estate Development (Pvt) Limited           |            |            |              |          |            |               |          |            |
| Ordinary shares                                     | 50         | 50         | 1            | -        | 1          | -             | -        | -          |
| 6% redeemable cumulative preference shares          | -          | -          | 66,700,000   | -        | 66,700,000 | 667,000       | -        | 667,000    |
| RPC Retail Development (Pvt) Limited                |            |            |              |          |            |               |          |            |
| Ordinary shares                                     | 50         | 50         | 1            | -        | 1          | -             | -        | -          |
| 6% redeemable cumulative preference shares          | -          | -          | 38,700,000   | -        | 38,700,000 | 387,000       | -        | 387,000    |
| Arpico Insurance PLC (Rs. 995 mn) *                 | 27         | 27         | 17,790,001   | -        | 17,790,001 | 177,900       | -        | 177,900    |
| Richard Pieris Finance Limited                      | 10         | 10         | 12,000,001   | -        | 12,000,001 | 120,000       | -        | 120,000    |
| Arpico Durables (Pvt) Limited                       | 50         | 50         | 1            | -        | 1          | -             | -        | -          |
| Arpico Furniture Distributors (Pvt) Limited         | 50         | 50         | 1            | -        | 1          | -             | -        | -          |
| Arpico Developments (Pvt) Limited                   | 50         | 50         | 1            | -        | 1          | -             | -        | -          |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Arpico Industrial Development Company (Pvt) Limited |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| R P C Polymers (Pvt) Limited                        | 31         | 31         | 5,700,000    | -        | 5,700,000  | 57,000        | -        | 57,000     |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Richard Pieris Exports PLC                          |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| Richard Pieris Natural Foams Limited                | 43         | 43         | 27,560,001   | -        | 27,560,001 | 284,820       | -        | 284,820    |
| Micro Minerals (Pvt) Limited                        | 69         | 69         | 627,400      | -        | 627,400    | 6,274         | -        | 6,274      |
| Arpitalian Compact Soles (Pvt) Limited              | 49         | 49         | 29,587,667   | -        | 29,587,667 | 227,905       | -        | 227,905    |
| Arpico Natural Latex Foams (Pvt) Limited            | 44         | 44         | 3,999,999    | -        | 3,999,999  | 40,000        | -        | 40,000     |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Richard Pieris Natural Foams Limited                |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| Arpico Natural Latex Foams (Pvt) Limited            | 56         | 56         | 5,000,000    | -        | 5,000,000  | 50,000        | -        | 50,000     |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Plastishells Limited                                |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| R P C Polymers (Pvt) Limited                        | 70         | 70         | 13,000,001   | -        | 13,000,001 | 130,000       | -        | 130,000    |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| Richard Pieris Plantations (Pvt) Limited            |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| Exotic Horticulture (Pvt) Limited                   | 100        | 100        | 1,000,000    | -        | 1,000,000  | 10,000        | -        | 10,000     |
| Maskeliya Tea Garden Limited                        | 100        | 100        | 1,500,000    | -        | 1,500,000  | 15,000        | -        | 15,000     |
| RPC Plantation Management Services (Pvt) Limited    | 100        | 100        | 24,106,249   | -        | 24,106,249 | 330,000       | -        | 330,000    |
| <b>Investor</b>                                     |            |            |              |          |            |               |          |            |
| RPC Management Services (Pvt) Limited               |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                     |            |            |              |          |            |               |          |            |
| Maskeliya Plantations PLC (Rs. 279 mn) *            | 83         | 83         | 44,998,397   | -        | 44,998,397 | 778,329       | -        | 778,329    |
| Kegalle Plantations PLC (Rs. 807 mn) * +            |            |            | 3,900        | -        | 3,900      | 591           | -        | 591        |

## B Group investments in subsidiaries Contd.

|  | % Holding  |            | No of shares |          |            | Value Rs.'000 |          |            |
|--|------------|------------|--------------|----------|------------|---------------|----------|------------|
|  | 31.03.2020 | 31.03.2019 | 31.03.2020   | Movement | 31.03.2019 | 31.03.2020    | Movement | 31.03.2019 |
| <b>Investor</b>                                  |            |            |              |          |            |               |          |            |
| RPC Plantation Management Services (Pvt) Limited |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                  |            |            |              |          |            |               |          |            |
| Namunukula Plantations PLC (Rs. 1,250 mn) *      | 67         | 67         | 16,026,561   | -        | 16,026,561 | 744,313       | -        | 744,313    |
| Kegalle Plantations PLC (Rs. 807 mn) *           | 79         | 79         | 19,770,477   | -        | 19,770,477 | 336,040       | -        | 336,040    |
| <b>Investor</b>                                  |            |            |              |          |            |               |          |            |
| Kegalle Plantations PLC                          |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                  |            |            |              |          |            |               |          |            |
| Richard Pieris Natural Foams Limited             | 35         | 35         | 2,250,000    | -        | 2,250,000  | 225,000       | -        | 225,000    |
| Hamefa Kegalle (Pvt) Limited                     | 100        | 100        | 2,800,000    | -        | 2,800,000  | 14,000        | -        | 14,000     |
| Arpico Insurance PLC (Rs. 995 mn) *              | 40         | 40         | 26,685,001   | -        | 26,685,001 | 266,850       | -        | 266,850    |
| Richard Pieris Finance Limited                   | 10         | 10         | 12,000,001   | -        | 12,000,001 | 120,000       | -        | 120,000    |
| <b>Investor</b>                                  |            |            |              |          |            |               |          |            |
| Arpitech (Pvt) Limited                           |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                  |            |            |              |          |            |               |          |            |
| RPC Properties (Pvt) Limited                     | 49         | 49         | 49           | -        | 49         | -             | -        | -          |
| <b>Investor</b>                                  |            |            |              |          |            |               |          |            |
| Richard Pieris Tyre Company Limited              |            |            |              |          |            |               |          |            |
| <b>Investee</b>                                  |            |            |              |          |            |               |          |            |
| BGN Industrial Tyre (Pvt) Limited                | 51         | 51         | 7,319        | -        | 7,319      | 84,150        | -        | 84,150     |
|  |            |            |              |          |            | 5,457,172     | -        | 5,457,172  |
| Provision for fall in value of investment in;    |            |            |              |          |            |               |          |            |
| Kegalle Plantations PLC                          |            |            |              |          |            | (120)         | -        | (120)      |
| Arpico Natural Latex Foams (Pvt) Limited         |            |            |              |          |            | (90,000)      | -        | (90,000)   |
|  |            |            |              |          |            | 5,367,052     | -        | 5,367,052  |

## C Company / Group investment in associate

|   | % Holding  |            | No of shares |          |            | Value Rs.'000 |          |            |
|---|------------|------------|--------------|----------|------------|---------------|----------|------------|
|   | 31.03.2020 | 31.03.2019 | 31.03.2020   | Movement | 31.03.2019 | 31.03.2020    | Movement | 31.03.2019 |
| <b>Group investments in associate;</b>        |            |            |              |          |            |               |          |            |
| <b>Unquoted Investments</b>                   |            |            |              |          |            |               |          |            |
| <b>Investor</b>                               |            |            |              |          |            |               |          |            |
| Namunukula Plantations PLC                    |            |            |              |          |            |               |          |            |
| <b>Investee</b>                               |            |            |              |          |            |               |          |            |
| AEN Palm Oil Processing (Pvt) Limited         | 33         | 33         | 699,027      | -        | 699,027    | 12,568        | -        | 12,568     |
| Group investment in associate (at cost)       |            |            |              |          |            | 12,568        | -        | 12,568     |
| Share of reserves                             |            |            |              |          |            | 176,839       | 40,320   | 136,519    |
| Group investment in associates (equity basis) |            |            |              |          |            | 189,407       | 40,320   | 149,087    |

\* Amounts stated within brackets correspond to market value as at 31st March 2020. In the opinion of the Directors, any reduction in market value below cost is considered to be of temporary nature.

+ The holding stake of these investments are less than 1%.

The value of unquoted investments based on net assets amounted to Rs.13,360 mn (2018 - Rs.12,589 mn).

### 16.1 Principal Subsidiaries with Material Non- Controlling Interest

Financial information of subsidiaries that have material non controlling interests (NCI) are provided below;

| For the year ended 31st March 2020            | Plantations      | Rubber         | Financial Services |
|---|------------------|----------------|--------------------|
|   | Rs. '000         | Rs. '000       | Rs. '000           |
| <b>Summarised Statement of Profit or Loss</b> |                  |                |                    |
| Revenue                                       | 8,049,190        | 1,329,309      | 1,641,416          |
| Operating cost                                | (8,027,415)      | (819,347)      | (1,569,343)        |
| Finance cost                                  | (468,818)        | (2,656)        | (23,869)           |
| Finance income                                | 72,484           | 24,069         | 269,210            |
| Share of profit of an associate               | 75,273           | -              | -                  |
| <b>Profit / (loss) before tax</b>             | <b>(299,286)</b> | <b>531,375</b> | <b>317,414</b>     |
| Income tax expense                            | (12,171)         | (56,323)       | (88,850)           |
| <b>Profit / (loss) for the year</b>           | <b>(311,457)</b> | <b>475,052</b> | <b>228,564</b>     |
| Other comprehensive income                    | 3,022            | 3,161          | 873                |
| <b>Total comprehensive income / (loss)</b>    | <b>(308,435)</b> | <b>478,213</b> | <b>229,437</b>     |
| Profit attributable to NCI                    | (27,656)         | 75,975         | 41,918             |
| Dividend paid to NCI                          | (65,650)         | (44,485)       | -                  |

### As at 31st March 2020

|   |                   |                  |                  |
|---|-------------------|------------------|------------------|
| <b>Summarised Statement of Financial Position</b> |                   |                  |                  |
| Current assets                                    | 2,878,014         | 1,294,827        | 2,110,528        |
| Non current assets                                | 12,238,813        | 650,158          | 1,544,357        |
| <b>Total assets</b>                               | <b>15,116,827</b> | <b>1,944,985</b> | <b>3,654,885</b> |
| Current liabilities                               | 4,452,905         | 193,045          | 203,996          |
| Non current liabilities                           | 4,699,293         | 62,923           | 1,767,763        |
| <b>Total liabilities</b>                          | <b>9,152,198</b>  | <b>255,968</b>   | <b>1,971,759</b> |
| Accumulated balance of material NCI               | 1,565,507         | 271,931          | 309,864          |

### Summarised cash flow information for the year ending 31st March

|  |             |           |         |
|--|-------------|-----------|---------|
| Cash flows from operating activities                   | 258,141     | 159,256   | 443,600 |
| Cash flows from / (used in) investing activities       | 660,378     | (1,892)   | 282,310 |
| Cash flows used in financing activities                | (1,168,627) | (276,303) | -       |
| Net increase / (decrease) in cash and cash equivalents | (250,108)   | (118,939) | 725,910 |

The above information is based on amounts before inter company eliminations.

### Names of material partly owned subsidiaries and effective holding percentage owned by non controlling interest

| Plantation Sector                 | Rubber Sector                     | Financial Services Sector   |
|-----------------------------------|-----------------------------------|-----------------------------|
| Maskeliya Plantations PLC 16.60%  | Richard Pieris Exports PLC 16.10% | Arpico Insurance PLC 18.41% |
| Kegalle Plantations PLC 20.86%    |                                   |                             |
| Namunukula Plantations PLC 32.52% |                                   |                             |

## 17. Other Financial Assets

|  | Group            |                 | Company         |                 |
|--|------------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| <b>Fair value through profit or loss</b>                   |                  |                 |                 |                 |
| <b>Unquoted equity shares</b>                              |                  |                 |                 |                 |
| Credit Information Bureau                                  | 593              | 593             | -               | -               |
| Finance Houses Consortium                                  | 200              | 200             | -               | -               |
|  | <b>793</b>       | 793             | -               | -               |
| <b>Quoted equity shares</b>                                |                  |                 |                 |                 |
| Piramal Glass Ceylon PLC                                   | 1,398            | 1,483           | -               | -               |
| Sampath Bank PLC   | 7,329            | 11,092          | -               | -               |
| Hatton National Bank PLC (Non voting)                      | 215              | 315             | -               | -               |
|  | <b>8,942</b>     | 12,890          | -               | -               |
| <b>Total fair value through profit or loss investments</b> | <b>9,735</b>     | 13,683          | -               | -               |
| <b>Fair value through other comprehensive income</b>       |                  |                 |                 |                 |
| <b>Unquoted equity shares</b>                              |                  |                 |                 |                 |
| Asset Trust Management (Pvt) Limited                       | 5,625            | 5,625           | 5,625           | 5,625           |
| Asia Auto Parts LLP  | 16,061           | 54,213          | -               | -               |
|  | <b>21,686</b>    | 59,838          | <b>5,625</b>    | 5,625           |
| <b>Quoted equity shares</b>                                |                  |                 |                 |                 |
| Commercial Bank of Ceylon PLC                              | 6                | 9               | 6               | 9               |
| John Keells Holdings PLC                                   | 14               | 19              | 14              | 19              |
| Asian Hotel Properties PLC                                 | 18,019           | 26,491          | 18,019          | 26,491          |
| Dialog Axiata PLC  | 93               | 100             | 93              | 100             |
| National Development Bank PLC                              | 530,648          | 719,915         | 530,648         | 719,915         |
|  | <b>548,780</b>   | 746,534         | <b>548,780</b>  | 746,534         |
| <b>Total fair value through other comprehensive income</b> | <b>570,466</b>   | 806,372         | <b>554,405</b>  | 752,159         |
| <b>Amortized cost</b>                                      |                  |                 |                 |                 |
| Treasury bill investments                                  | 495,939          | 363,900         | -               | -               |
| Treasury bond investments                                  | 2,746            | 3,010           | -               | -               |
| Fixed deposits   | 365,179          | 319,591         | -               | -               |
| Other loans and receivables                                | 257,075          | 257,917         | -               | -               |
| <b>Total financial assets at amortized cost</b>            | <b>1,120,939</b> | 944,418         | -               | -               |
| <b>Available for sale investments</b>                      |                  |                 |                 |                 |
| Treasury bond investments                                  | 329,285          | 377,226         | -               | -               |
| <b>Total available for sale investments at fair value</b>  | <b>329,285</b>   | 377,226         | -               | -               |
| <b>Loans and receivables</b>                               |                  |                 |                 |                 |
| Investments in corporate debts                             | 823,129          | 871,262         | -               | -               |
| Investment in repurchase agreement                         | 360,559          | 508,586         | -               | -               |
| Other loans and receivables                                | -                | 54,778          | -               | -               |
| <b>Total loans and receivables</b>                         | <b>1,183,688</b> | 1,434,626       | -               | -               |
| <b>Total other financial assets</b>                        | <b>3,214,113</b> | 3,576,325       | <b>554,405</b>  | 752,159         |
| <b>Total current</b>                                       | <b>1,230,619</b> | 1,259,746       | -               | -               |
| <b>Total non-current</b>                                   | <b>1,983,494</b> | 2,316,579       | <b>554,405</b>  | 752,159         |

### 17.1 Fair values

Set out below is a comparison by class of the carrying amounts and fair values of the Group that are carried in the financial statements.

The following methods and assumptions were used to estimate the fair value;

- \* Cash and short term deposits, trade receivables, trade payables approximate their carrying amounts largely due to the short term maturities of these instruments.
- \* Interest bearing borrowings, loans and other receivables are evaluated by the Group Treasury based on parameters such as interest rates, credit risk and other relevant risk factors. Based on the evaluation, allowances are taken to account for the expected losses of these receivables where the carrying amounts of which are not materially different from their calculated fair values.
- \* Fair Value Through Other Comprehensive Income financial assets is derived from quoted market prices in active markets where unrealized gains/losses recognized in Other Comprehensive Income.
- \* Fair value of unquoted Fair Value Through Other Comprehensive Income financial assets is estimated using appropriate valuation techniques.

#### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments carried at fair value on the statement of financial position:

| Assets measured at fair value                        | 31st March 2020<br>Rs.'000 | Level 1<br>Rs.'000 | Level 2<br>Rs.'000 | Level 3<br>Rs.'000 |
|--|----------------------------|--------------------|--------------------|--------------------|
| <b>Fair value through other comprehensive income</b> |                            |                    |                    |                    |
| Equity Shares - Quoted                               | 548,780                    | 548,780            | -                  | -                  |
| Unquoted   | 21,686                     | -                  | -                  | 21,686             |
|  | <b>570,466</b>             | 548,780            | -                  | 21,686             |
| <b>Fair value through profit or loss</b>             |                            |                    |                    |                    |
| Equity Shares - Quoted                               | 8,942                      | 8,942              | -                  | -                  |
| Unquoted   | 793                        | -                  | -                  | 793                |
|  | <b>9,735</b>               | 8,942              | -                  | 793                |
| <b>Amortized cost</b>                                |                            |                    |                    |                    |
| Treasury bill investments                            | 495,939                    | 495,939            | -                  | -                  |
| Treasury bond investments                            | 2,746                      | -                  | 2,746              | -                  |
| Fixed deposits                                       | 365,179                    | -                  | 365,179            | -                  |
| Other loans and receivables                          | 257,075                    | -                  | 257,075            | -                  |
|  | <b>1,120,939</b>           | 495,939            | 625,000            | -                  |
| <b>Available for sale financial assets</b>           |                            |                    |                    |                    |
| Treasury bond investments                            | 329,285                    | -                  | 329,285            | -                  |
|  | <b>329,285</b>             | -                  | 329,285            | -                  |
| <b>Loans and receivables</b>                         |                            |                    |                    |                    |
| Investments in corporate debts                       | 823,129                    | -                  | 823,129            | -                  |
| Investment in repurchase agreement                   | 360,559                    | -                  | 360,559            | -                  |
|  | <b>1,183,688</b>           | -                  | 1,183,688          | -                  |
|  | <b>3,214,113</b>           | 1,053,661          | 2,137,973          | 22,479             |

| Assets measured at fair value                        | 31st March 2019<br>Rs.'000 | Level 1<br>Rs.'000 | Level 2<br>Rs.'000 | Level 3<br>Rs.'000 |
|--|----------------------------|--------------------|--------------------|--------------------|
| <b>Fair value through other comprehensive income</b> |                            |                    |                    |                    |
| Equity Shares - Quoted                               | 746,534                    | 746,534            | -                  | -                  |
| Unquoted   | 59,838                     | -                  | -                  | 59,838             |
|  | 806,372                    | 746,534            | -                  | 59,838             |
| <b>Fair value through profit or loss</b>             |                            |                    |                    |                    |
| Equity Shares - Quoted                               | 12,890                     | 12,890             | -                  | -                  |
| Unquoted   | 793                        | -                  | -                  | 793                |
|  | 13,683                     | 12,890             | -                  | 793                |
| <b>Amortized cost</b>                                |                            |                    |                    |                    |
| Treasury bill investments                            | 363,900                    | 363,900            | -                  | -                  |
| Treasury bond investments                            | 3,010                      | -                  | 3,010              | -                  |
| Fixed deposits                                       | 319,591                    | -                  | 319,591            | -                  |
| Other loans and receivables                          | 257,917                    | -                  | 257,917            | -                  |
|  | 944,418                    | 363,900            | 580,518            | -                  |
| <b>Available for sale financial assets</b>           |                            |                    |                    |                    |
| Treasury bond investments                            | 377,226                    | -                  | 377,226            | -                  |
|  | 377,226                    | -                  | 377,226            | -                  |
| <b>Loans and receivables</b>                         |                            |                    |                    |                    |
| Investments in corporate debts                       | 871,262                    | -                  | 871,262            | -                  |
| Investment in repurchase agreement                   | 508,586                    | -                  | 508,586            | -                  |
| Other loans and receivables                          | 54,778                     | -                  | 54,778             | -                  |
|  | 1,434,626                  | -                  | 1,434,626          | -                  |
|  | 3,576,325                  | 1,123,324          | 2,392,370          | 60,631             |

Set out below is a comparison by class of the carrying amounts and the fair values of the Group that are carried in the financial statements.

| Group   | Carrying amount   |                   | Fair Value        |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2020<br>Rs.'000   | 2019<br>Rs.'000   | 2020<br>Rs.'000   | 2019<br>Rs.'000   |
| <b>Financial assets</b>                       |                   |                   |                   |                   |
| Trade and other receivables                   | 6,926,062         | 7,597,985         | 6,688,999         | 7,114,467         |
| Loans and advances                            | 13,530,073        | 14,011,361        | 11,848,957        | 14,091,567        |
| Cash and short-term deposits                  | 4,961,963         | 5,467,209         | 4,961,963         | 5,467,209         |
| <b>Other financial assets</b>                 |                   |                   |                   |                   |
| Fair value through other comprehensive income | 570,466           | 806,372           | 570,466           | 806,372           |
| Fair value through profit or loss             | 9,735             | 13,683            | 9,735             | 13,683            |
| Amortized cost                                | 1,120,939         | 944,418           | 1,704,315         | 919,442           |
| Available for sale investments                | 329,286           | 377,226           | 329,286           | 377,226           |
| Loans and receivables                         | 1,183,688         | 1,434,626         | 1,183,688         | 1,434,626         |
| <b>Total</b>                                  | <b>28,632,212</b> | <b>30,652,880</b> | <b>27,297,409</b> | <b>30,224,592</b> |
| <b>Financial liabilities</b>                  |                   |                   |                   |                   |
| Net liability to the lessor                   | 4,936,205         | 578,392           | 4,936,205         | 578,392           |
| Interest-bearing loans and borrowings         | 8,088,179         | 11,063,116        | 8,088,179         | 11,063,116        |
| Customer deposits                             | 8,710,786         | 6,680,386         | 8,710,786         | 6,680,386         |
| Trade and other payables                      | 7,434,527         | 9,495,412         | 6,883,537         | 8,933,256         |
| Short term borrowings                         | 13,920,209        | 14,231,137        | 13,920,209        | 14,231,137        |
| <b>Total</b>                                  | <b>43,089,906</b> | <b>42,048,443</b> | <b>42,538,916</b> | <b>41,486,287</b> |

## 18. Deferred Tax (Assets) / Liability

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| <b>Deferred tax assets</b>                                     |                 |                 |                 |                 |
| Deferred tax assets  | (500,010)       | (433,396)       | -               | -               |
| Deferred tax liabilities                                       | 949,281         | 975,040         | 3,759           | -               |
| Net deferred tax liability                                     | 449,271         | 541,644         | 3,759           | -               |
| <b>Net deferred tax liability</b>                              |                 |                 |                 |                 |
| At the beginning of the period                                 | 541,644         | 763,366         | -               | -               |
| Transfer to Statement of Profit and Loss                       | (110,906)       | (212,104)       | -               | -               |
| Transfer from/(to) the Statement of Other Comprehensive Income | 13,581          | (9,618)         | -               | -               |
| Effect of changes in exchange rates                            | 4,952           | -               | -               | -               |
| <b>At the end of the period</b>                                | <b>449,271</b>  | <b>541,644</b>  | <b>-</b>        | <b>-</b>        |
| <b>Deferred tax liabilities</b>                                |                 |                 |                 |                 |
| Accelerated depreciation for tax purposes -PPE                 | 1,179,680       | 650,828         | 51,114          | 37,279          |
| Accelerated depreciation for tax purposes -Biological assets   | 1,033,943       | 1,181,207       | -               | -               |
| Other deferred liabilities                                     | 530,642         | 573,439         | -               | -               |
|  | 2,744,265       | 2,405,474       | 51,114          | 37,279          |
| <b>Deferred tax assets</b>                                     |                 |                 |                 |                 |
| Retirement benefit obligations                                 | (540,093)       | (471,119)       | (17,056)        | (19,771)        |
| Un-utilised tax losses   | (943,627)       | (601,484)       | -               | (13,308)        |
| Tax on ROUA  | (270,301)       | -               | (30,299)        | -               |
| Other provisions   | (540,973)       | (791,227)       | -               | (4,200)         |
|  | (2,294,994)     | (1,863,830)     | (47,355)        | (37,279)        |
| <b>Deferred tax liabilities</b>                                | <b>449,271</b>  | <b>541,644</b>  | <b>3,759</b>    | <b>-</b>        |

Deferred tax assets amounting to Rs. 343 mn (2019 - Rs.117 mn) for the Group and Rs. 100 mn (2019 - Rs.94 mn) for the company has not recognized since the companies do not expect these assets to reverse in the foreseeable future.

## 19. Inventories

|                                       | Group           |                 |
|---------------------------------------|-----------------|-----------------|
|                                       | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Raw materials                         | 1,700,099       | 1,584,768       |
| Growing crop-nurseries                | 81,372          | 95,989          |
| Work in progress                      | 171,720         | 251,988         |
| Finished goods                        | 4,083,907       | 4,312,911       |
| Produce inventories                   | 753,982         | 936,702         |
| Land Stock                            | 1,604,897       | 1,297,031       |
| Goods in transit                      | 18,111          | 5,589           |
| Other inventories                     | 152,841         | 145,671         |
|                                       | 8,566,929       | 8,630,649       |
| Provision for slow moving inventories | (468,316)       | (314,815)       |
| Provision for unrealized profits      | (17,142)        | (21,867)        |
| Net inventory                         | 8,081,471       | 8,293,967       |

Inventories are net of allowances for slow moving and obsolete inventories.

The amount of write-down of inventories recognised as an expense is Rs. 173 mn (2019 Rs. 196 mn) which is recognised under administrative expenses.

Provision for slow moving inventories as an expense is Rs. 308 mn (2019 - Rs. 266 mn)

Inventories carried at net realisable value as at 31st March 2020 amounted Rs. 1,690 mn ( 2019 Rs. 1,351 mn)

Inventories with a carrying amount of Rs. 838 mn (2019 Rs.777 mn) are pledged as security for loans obtained, details of which are disclosed in Note 28.3 to the Consolidated Financial Statements.

## 20. Trade and Other Receivables

As at 31st March, the ageing analysis of trade receivables is as follows:

|                                     | Total<br>Rs.'000 | Current<br>Rs.'000 | Group                    |                          |                           |                          |
|-------------------------------------|------------------|--------------------|--------------------------|--------------------------|---------------------------|--------------------------|
|                                     |                  |                    | 30-60<br>Days<br>Rs.'000 | 61-90<br>Days<br>Rs.'000 | 91-120<br>Days<br>Rs.'000 | > 120<br>Days<br>Rs.'000 |
| <b>20.1 Gross trade receivables</b> |                  |                    |                          |                          |                           |                          |
| 2020                                | 5,344,851        | 2,098,864          | 1,169,820                | 741,027                  | 215,750                   | 1,119,390                |
| 2019                                | 5,332,506        | 3,348,506          | 782,469                  | 209,914                  | 121,895                   | 869,722                  |

|   | Total<br>Rs.'000 | Individual                   |                              | Collective                       |                                  |
|---|------------------|------------------------------|------------------------------|----------------------------------|----------------------------------|
|   |                  | Fully<br>Impaired<br>Rs.'000 | Fully<br>Impaired<br>Rs.'000 | Partially<br>Impaired<br>Rs.'000 | Partially<br>Impaired<br>Rs.'000 |
| <b>20.2 Impairment of trade receivables</b> |                  |                              |                              |                                  |                                  |
| <b>As at 1st April 2019</b>                 | 501,432          | 285,837                      | 20,477                       | 195,118                          |                                  |
| Charge for the year                         | 74,751           | 39,418                       | 3,199                        | 32,134                           |                                  |
| Unused amounts reversed                     | (293)            | (293)                        | -                            | -                                |                                  |
| Provisions written off                      | -                | -                            | -                            | -                                |                                  |
| <b>As at 31st March 2020</b>                | 575,890          | 324,962                      | 23,676                       | 227,252                          |                                  |

|                                       | Group           |                 | Company         |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Net trade receivables                 | 4,768,961       | 4,831,074       | -               | -               |
| Advances and deposits                 | 1,148,735       | 1,203,839       | -               | -               |
| Loans to employees                    | 23,604          | 12,942          | 15,882          | 10,761          |
| Premium Receivable                    | 58,210          | 49,376          | -               | -               |
| Reinsurance Receivable                | 60,512          | 40,912          | -               | -               |
| Other receivables                     | 691,648         | 1,163,596       | 36,500          | 166,412         |
| Reposessed Stock                      | 835,801         | 588,740         | -               | -               |
| Less - Provision for reposessed stock | (661,409)       | (292,494)       | -               | -               |
|                                       | 6,926,062       | 7,597,985       | 52,382          | 177,173         |
| Other non financial receivables       | 1,323,331       | 1,045,750       | 373,425         | 333,463         |
|                                       | 8,249,393       | 8,643,735       | 425,807         | 510,636         |

## 21. Loans and Advances

|   | 2020<br>Rs.'000    | 2019<br>Rs.'000   |
|---|--------------------|-------------------|
| Finance lease/ Ijarah rental receivables              | 7,084,548          | 7,202,675         |
| Hire purchase/ Muraba rental receivables              | 58,933             | 88,685            |
| Term Loans/ Mortgage loans/ Wakala rental receivables | 5,795,060          | 5,791,210         |
| Short term loans/ Trading Muraba rental receivables   | 496,457            | 216,698           |
| Other loans and advances                              | 1,324,918          | 1,216,145         |
|   | <b>14,759,916</b>  | <b>14,515,413</b> |
| Less: Impairment losses - Collective                  | <b>(1,229,843)</b> | (504,052)         |
| Net loans and advances receivables (Note 21.1)        | <b>13,530,073</b>  | 14,011,361        |

### 21.1 Analysis of rental receivables on loans and advances

|   | 2020               |              |                     |             | 2019               |              |                     |             |
|---|--------------------|--------------|---------------------|-------------|--------------------|--------------|---------------------|-------------|
|   | Within<br>one year | 1-5<br>years | More than<br>5 Year | Total       | Within<br>one year | 1-5<br>years | More than<br>5 Year | Total       |
|   | Rs.'000            | Rs.'000      | Rs.'000             | Rs.'000     | Rs.'000            | Rs.'000      | Rs.'000             | Rs.'000     |
| <b>Finance Lease/ Ijarah rental receivables</b> |                    |              |                     |             |                    |              |                     |             |
| Gross rental receivables                        | 298,933            | 9,036,359    | 90,764              | 9,426,056   | 2,033,006          | 8,054,662    | 45,149              | 10,132,817  |
| (-) Unearned income                             | (8,374)            | (2,293,979)  | (39,155)            | (2,341,508) | (1,264,165)        | (1,659,270)  | (6,707)             | (2,930,142) |
| <b>Net rental receivables</b>                   | 290,559            | 6,742,380    | 51,609              | 7,084,548   | 768,841            | 6,395,392    | 38,442              | 7,202,675   |
| (-) Allowance for impairment loss - Collective  | (549,592)          | -            | -                   | (549,592)   | (91,911)           | -            | -                   | (91,911)    |
| <b>Total net rental receivables</b>             | (259,033)          | 6,742,380    | 51,609              | 6,534,956   | 676,930            | 6,395,392    | 38,442              | 7,110,764   |
| <b>Hire purchase/ Muraba rental receivables</b> |                    |              |                     |             |                    |              |                     |             |
| Gross rental receivables                        | 6,672              | 70,397       | -                   | 77,069      | 28,256             | 95,653       | 605                 | 124,514     |
| (-) Unearned income                             | (63)               | (18,073)     | -                   | (18,136)    | (14,776)           | (20,835)     | (218)               | (35,829)    |
| <b>Net rental receivables</b>                   | 6,609              | 52,324       | -                   | 58,933      | 13,480             | 74,818       | 387                 | 88,685      |
| (-) Allowance for impairment loss - Collective  | (7,973)            | -            | -                   | (7,973)     | (20,767)           | -            | -                   | (20,767)    |
| <b>Total net rental receivables</b>             | (1,364)            | 52,324       | -                   | 50,960      | (7,287)            | 74,818       | 386                 | 67,917      |
| <b>Loans and Advances</b>                       |                    |              |                     |             |                    |              |                     |             |
| Term loans/ Mortgage loans/ Wakala              |                    |              |                     |             |                    |              |                     |             |
| Gross rental receivables                        | 694,125            | 6,820,190    | 299,241             | 7,813,556   | 1,834,764          | 6,440,682    | 97,698              | 8,373,144   |
| (-) Unearned income                             | (15,296)           | (1,856,187)  | (147,013)           | (2,018,496) | (1,092,538)        | (1,480,108)  | (9,288)             | (2,581,934) |
| <b>Net rental receivables</b>                   | 678,829            | 4,964,003    | 152,228             | 5,795,060   | 742,226            | 4,960,574    | 88,410              | 5,791,210   |
| (-) Allowance for impairment loss - Collective  | (579,530)          | -            | -                   | (579,530)   | (278,205)          | -            | -                   | (278,205)   |
| <b>Total net rental receivables</b>             | 99,299             | 4,964,003    | 152,228             | 5,215,530   | 464,021            | 4,960,574    | 88,410              | 5,513,005   |
| <b>Short term loans/ Trading Muraba</b>         |                    |              |                     |             |                    |              |                     |             |
| Gross rental receivables                        | 390,748            | 162,267      | -                   | 553,015     | 118,912            | 178,549      | -                   | 297,461     |
| (-) Unearned income                             | (13,965)           | (42,593)     | -                   | (56,558)    | (38,464)           | (42,299)     | -                   | (80,763)    |
| <b>Net rental receivables</b>                   | 376,783            | 119,674      | -                   | 496,457     | 80,448             | 136,250      | -                   | 216,698     |
| (-) Allowance for impairment loss - Collective  | (24,732)           | -            | -                   | (24,732)    | (48,925)           | -            | -                   | (48,925)    |
| <b>Total net rental receivables</b>             | 352,051            | 119,674      | -                   | 471,725     | 31,523             | 136,250      | -                   | 167,773     |

## 21.1 Analysis of rental receivables on loans and advances Contd.

|  | 2020               |              |                     |                   | 2019               |              |                     |            |
|--|--------------------|--------------|---------------------|-------------------|--------------------|--------------|---------------------|------------|
|  | Within<br>one year | 1-5<br>years | More than<br>5 Year | Total             | Within<br>one year | 1-5<br>years | More than<br>5 Year | Total      |
|  | Rs.'000            | Rs.'000      | Rs.'000             | Rs.'000           | Rs.'000            | Rs.'000      | Rs.'000             | Rs.'000    |
| <b>Other loans and advances</b>                |                    |              |                     |                   |                    |              |                     |            |
| Gross rental receivables                       | 368,172            | 1,160,571    | 118,363             | <b>1,647,106</b>  | 786,575            | 602,445      | -                   | 1,389,020  |
| (-) Unearned income                            | (1,992)            | (268,026)    | (52,170)            | <b>(322,188)</b>  | (74,086)           | (98,789)     | -                   | (172,875)  |
| <b>Net rental receivables</b>                  | 366,180            | 892,545      | 66,193              | <b>1,324,918</b>  | 712,489            | 503,656      | -                   | 1,216,145  |
| (-) Allowance for impairment loss - Collective | (68,016)           | -            | -                   | <b>(68,016)</b>   | (64,244)           | -            | -                   | (64,244)   |
| <b>Total net rental receivables</b>            | 298,164            | 892,545      | 66,193              | <b>1,256,902</b>  | 648,245            | 503,656      | -                   | 1,151,901  |
| <b>Total net loans and advances</b>            | 489,117            | 12,770,926   | 270,030             | <b>13,530,073</b> | 1,813,432          | 12,070,690   | 127,239             | 14,011,361 |

## 21.2 Collective Assessment of Impairment

If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped considering credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year-to-year such as changes in;

- \* Changes in unemployment rate
- \* Property prices
- \* Commodity prices
- \* Payment status
- \* Inflation rates
- \* Changes in laws and regulations
- \* Interest rates
- \* Recent lending portfolio growth and product mix

The methodology and assumptions used for estimating provision for impairment including assumptions for projecting future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### 21.3 Analysis of Maximum Exposure to Credit Risk and Movement in Allowance for ECL

| As at 31 March 2020   | Stage 1<br>Rs. | Stage 2<br>Rs. | Stage 3<br>Rs. | Total<br>Rs.   |
|---|----------------|----------------|----------------|----------------|
| <b>Finance Lease/ Ijarah rental receivables</b>                   |                |                |                |                |
| <b>Maximum exposure to credit risk</b>                            |                |                |                |                |
| Gross lease receivables- subject to collective impairment         | 3,937,625      | 2,137,698      | 1,009,225      | 7,084,548      |
| Allowance for expected credit losses (ECL)                        | (18,627)       | (158,822)      | (372,143)      | (549,592)      |
|   | 3,918,998      | 1,978,876      | 637,082        | 6,534,956      |
| <b>Movement in allowance for expected credit losses</b>           |                |                |                |                |
| Balance as at 31st March 2019                                     | 29,337         | 81,599         | 88,793         | 199,730        |
| Charge/ (Reversal) to income statement                            | (10,709)       | 77,223         | 283,349        | 349,863        |
| <b>Balance as at 31st March 2020</b>                              | <b>18,627</b>  | <b>158,822</b> | <b>372,143</b> | <b>549,592</b> |
| <b>Hire purchase/ Muraba rental receivables</b>                   |                |                |                |                |
| <b>Maximum exposure to credit risk</b>                            |                |                |                |                |
| Gross hire purchase receivables- subject to collective impairment | 28,218         | 7,473          | 23,242         | 58,933         |
| Allowance for expected credit losses (ECL)                        | (117)          | (245)          | (7,611)        | (7,973)        |
|   | 28,101         | 7,228          | 15,631         | 50,960         |
| <b>Movement in allowance for expected credit losses</b>           |                |                |                |                |
| Balance as at 31st March 2019                                     | 291            | 873            | 3,201          | 4,365          |
| Charge/ (Reversal) to income statement                            | (175)          | (628)          | 4,410          | 3,608          |
| Balance as at 31st March 2020                                     | 117            | 245            | 7,611          | 7,973          |
| <b>Loans and Advances</b>   |                |                |                |                |
| <b>Maximum exposure to credit risk</b>                            |                |                |                |                |
| Gross lease receivables- subject to collective impairment         | 2,416,433      | 1,808,403      | 3,391,599      | 7,616,435      |
| Allowance for expected credit losses (ECL)                        | (15,243)       | (143,778)      | (513,256)      | (672,278)      |
|   | 2,401,190      | 1,664,625      | 2,878,343      | 6,944,157      |
| <b>Movement in allowance for expected credit losses</b>           |                |                |                |                |
| Balance as at 31st March 2019                                     | 28,532         | 124,007        | 147,417        | 299,958        |
| Charge/ (Reversal) to income statement                            | (13,290)       | 19,771         | 365,839        | 372,320        |
| <b>Balance as at 31st March 2020</b>                              | <b>15,242</b>  | <b>143,778</b> | <b>513,256</b> | <b>672,278</b> |

## 22. Short Term Borrowings

|                             | Group           |                 | Company         |                 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
|                             | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Import loans (a)            | 36,750          | 50,000          | -               | -               |
| Bank overdrafts (b)         | 6,690,105       | 6,401,756       | 2,844,034       | 3,647,636       |
| Other short term borrowings | 7,193,354       | 7,779,381       | 6,404,710       | 7,539,000       |
|                             | 13,920,209      | 14,231,137      | 9,248,744       | 11,186,636      |

- (a) Import loans have been obtained for the purpose of business operations and is repayable within 30-90 days.  
(b) Bank overdrafts are repayable on demand and bank balances which are coming under a common overdraft facility has been pooled together.

## 23. Cash and Cash Equivalents

|                                 | Group               |                 | Company            |                 |
|---------------------------------|---------------------|-----------------|--------------------|-----------------|
|                                 | 2020<br>Rs.'000     | 2019<br>Rs.'000 | 2020<br>Rs.'000    | 2019<br>Rs.'000 |
| Cash at banks and in hand       | <b>4,961,963</b>    | 5,467,209       | <b>3,669,704</b>   | 7,880,056       |
| Short term borrowings (Note 22) | <b>(13,920,209)</b> | (14,231,137)    | <b>(9,248,744)</b> | (11,186,636)    |
| Cash and cash equivalents       | <b>(8,958,246)</b>  | (8,763,928)     | <b>(5,579,040)</b> | (3,306,580)     |

## 24. Stated Capital

|                       | No. of<br>Shares<br>in '000 | Value of<br>Shares<br>Rs.'000 |
|-----------------------|-----------------------------|-------------------------------|
| As at 1st April 2019  | 2,035,038                   | 1,972,829                     |
| As at 31st March 2020 | 2,035,038                   | 1,972,829                     |

## 25. Statutory Reserve Fund

|                               | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|-------------------------------|-----------------|-----------------|
| At the beginning of the year  | <b>76,606</b>   | 60,204          |
| Transfers during the year     | <b>155</b>      | 16,402          |
| <b>At the end of the year</b> | <b>76,761</b>   | 76,606          |

In accordance with the Finance Companies (Capital Funds) Direction No.1 of 2003 issued by the Central Bank of Sri Lanka, 5% of the net profit has been transferred to the Statutory Reserve Fund.

## 26. Other Components of Equity

|   | Group            |                 | Company          |                 |
|---|------------------|-----------------|------------------|-----------------|
|   | 2020<br>Rs.'000  | 2019<br>Rs.'000 | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
| Fair value reserve on Financial Assets at FVOCI | <b>(381,234)</b> | (150,753)       | <b>(334,560)</b> | (136,805)       |
| Foreign currency translation reserve            | <b>167,628</b>   | 140,611         | -                | -               |
|   | <b>(213,606)</b> | (10,142)        | <b>(334,560)</b> | (136,805)       |

## 27. Insurance Provision

|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
|--|------------------|-----------------|
| At the beginning of the year   | <b>1,391,506</b> | 1,154,177       |
| Net increase in life insurance fund  | <b>234,282</b>   | 235,725         |
| Movement in fair value reserve on financial assets at FVOCI transferred to life fund | <b>(3,699)</b>   | 1,604           |
| At the end of the year   | <b>1,622,089</b> | 1,391,506       |

Long duration contract liabilities included in the Life Insurance Fund, result primarily from traditional non participating Life Insurance products.

The actuarial reserves have been established based upon the following;

- \* Interest rates which vary by product and as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.
- \* Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the Insurance Regulatory Commission of Sri Lanka.

According to Solvency margin rules (Risk Based Capital) effective from 01st January 2016, Life Insurance Policy Liabilities are valued as per the Gross Premium Valuation (GPV) method. The change in the valuation method from Net Premium Valuation (NPV), which was applicable under the previous Solvency Margin Rules and GPV as per the new rules resulted in a one off release in Liabilities. Arpico Insurance PLC's Actuary M/S Actuarial Partners Consulting Sdn Bhd has reworked the one off surplus which is amounting to Rs. 320 mn on the RBC Basis. The one off surplus is applicable only for the non participating businesses. Company does not engage in participating business. As company has adopted a distribution basis for the liability valuation, the one off surplus will not be transferred to the shareholder fund as a restricted reserve.

As per the Valuation, the Life Insurance Fund included in the Financial Statements exceed the required actuarial reserves by Rs. 231 mn as at 31st December 2019 before any transfers to shareholders. Accordingly based on the recommendations made by the Actuary a sum of Rs. 231 mn has been transferred to Shareholders fund from the Life Insurance Fund in 2019.

#### Liability Adequacy Test (LAT)

A Liability Adequacy Test ("LAT") for Life Insurance contract Liability was carried out by Actuarial Partners, as at 31st December 2019 as required by SLFRS 4 - Insurance Contracts. When performing the LAT, the Company discounted all contractual cash flows and compared this amount with the carrying value of the liability. According to the consultant actuary's report, assets are sufficiently adequate as compared to the discounted cash flow reserves and in contrast to the reserves as at 31st December 2019. No additional provision was required against the LAT as at 31st December 2019.

## 28. Interest Bearing Loans and Borrowings

|   | Group            |                  | Company         |                  |
|---|------------------|------------------|-----------------|------------------|
|   | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000  |
| <b>Non current portion of interest bearing loans and borrowings</b> |                  |                  |                 |                  |
| Interest bearing loans  | 4,244,760        | 5,876,070        | -               | -                |
| <b>Total Non current interest bearing loans and borrowings</b>      | <b>4,244,760</b> | <b>5,876,070</b> | <b>-</b>        | <b>-</b>         |
| <b>Current portion of interest bearing loans and borrowings</b>     |                  |                  |                 |                  |
| Interest bearing loans  | 3,843,419        | 5,187,046        | -               | 2,170,944        |
| <b>Total Current interest bearing loans and borrowings</b>          | <b>3,843,419</b> | <b>5,187,046</b> | <b>-</b>        | <b>2,170,944</b> |

### 28.1 Interest Bearings Loans

|  | Group            |                   | Company         |                  |
|--|------------------|-------------------|-----------------|------------------|
|  | 2020<br>Rs.'000  | 2019<br>Rs.'000   | 2020<br>Rs.'000 | 2019<br>Rs.'000  |
| At the beginning of the year           | 11,063,116       | 9,108,191         | 2,170,944       | 3,161,686        |
| On acquisition of new subsidiaries     | -                | -                 | -               | -                |
| New loans obtained                     | 1,661,149        | 6,430,130         | -               | -                |
| Repayments                             | (4,808,673)      | (4,790,369)       | (2,177,134)     | (1,046,227)      |
| Amortisation of debenture issue cost   | 146              | 1,524             | 146             | 1,524            |
| Effect of foreign currency translation | 172,441          | 313,640           | 6,044           | 53,961           |
|  | <b>8,088,179</b> | <b>11,063,116</b> | <b>-</b>        | <b>2,170,944</b> |
| Transferred to current liabilities     | (3,843,419)      | (5,187,046)       | -               | (2,170,944)      |
| At the end of the year                 | <b>4,244,760</b> | <b>5,876,070</b>  | <b>-</b>        | <b>-</b>         |

**28.2 Interest bearing loans and borrowings repayable after one year**

| Company                             | Lender /Instrument                 | 31.03.2020  | 31.03.2019  | Repayment  | Security  |
|-------------------------------------|------------------------------------|-------------|-------------|--|---|
|                                     |                                    | Rs.'000     | Rs.'000     |  |   |
| Richard Pieris and Company PLC      | HSBC                               | -           | 246,093     | US \$ 156,250 per month                                    | Clean Basis.  |
|                                     | Listed Debenture                   | -           | 669,601     | Bullet Repayment in May 2019                               | Clean Basis.  |
| Richard Pieris Distributors Limited | IFC Loan                           | 1,746,074   | 1,990,343   | US \$1.131 mn semi annual w.e.f. February 2019             | Mortgage over land and buildings at Dehiwala, Negambo, Kadawatha, Matara, Panadura and Solar Panels at all Super Centres. |
| Richard Pieris Natural Foams Ltd    | HSBC                               | 47,750      | 102,375     | US \$ 27,777/77 per month w.e.f. January 2018              | Clean basis.  |
| BGN Industrial Tyre (Pvt) Ltd       | Sampath Bank                       | 10,081      | 19,310      | Rs. 0.947 mn per month                                     | Primary mortgage over land & machinery at Horana.   |
| Richard Pieris Finance Limited      | Sampath Bank PLC                   | 700,143     | 900,812     | Rs. 16.6 mn per month                                      | Assignment over Lease & hire purchase receivables.  |
|                                     | Sampath Bank PLC                   | -           | 45,083      | Rs. 5.0 mn per month                                       | Assignment over Lease & hire purchase receivables.  |
|                                     | Sampath Bank PLC                   | 116,254     | 216,027     | Rs. 8.35 mn per month                                      | Assignment over Lease & hire purchase receivables.  |
|                                     | Trust Certificates                 | 1,066,325   | 2,206,184   | Monthly payments in varied instalments                     | Assignment over Lease & hire purchase receivables.  |
|                                     | Trust Certificates                 | 779,201     | -           | Monthly payments in varied instalments                     | Securitization of Lease & hire purchase receivables.  |
|                                     | Seylan Bank PLC                    | -           | 116,630     | Rs. 2.083 mn per month                                     | Assignment over Lease & hire purchase receivables.  |
|                                     | Seylan Bank PLC                    | 47,154      | 109,763     | Rs. 5.21 mn per month w.e.f. December 2016                 | Assignment over Lease & hire purchase receivables.  |
|                                     | Seylan Bank PLC                    | 501,646     | 683,092     | Rs. 15.625 mn per month                                    | Assignment over Lease & hire purchase receivables.  |
|                                     | Indian Bank                        | 61,845      | 146,246     | Rs. 4.167 mn per month                                     | Assignment over Lease & hire purchase receivables.  |
|                                     | Indian Bank                        | 5,635       | 54,092      | Rs. 4.44 mn per month w.e.f. March 2017                    | Assignment over Lease & hire purchase receivables.  |
|                                     | Commercial Bank of Ceylon PLC      | 500,000     | -           | Rs. 10.41 mn per month w.e.f. March 2020                   | Assignment over Lease & hire purchase receivables.  |
|                                     | Cargills Bank                      | 185,074     | -           | Rs. 4.16 mn per month w.e.f. November 2019                 | Assignment over Lease & hire purchase receivables.  |
|                                     | Peoples Bank                       | 150,029     | 398,269     | Rs. 20.8 mn per month w.e.f. November 2016                 | Assignment over Lease, hire purchase & Loan receivables.  |
|                                     | Nations Trust Bank PLC             | 222,307     | 470,992     | Rs. 20.83 mn per quarter w.e.f. March 2017                 | Assignment over Lease, hire purchase & Loan receivables.  |
|                                     | Nations Trust Bank PLC             | 476,668     | -           | Rs. 14.0 mn  |   |
|                                     | Muslim Commercial Bank             | 45,497      | 64,980      | Rs. 1.67 mn per month                                      | Assignment over lease, hire purchase and loan receivables.  |
|                                     | HDFC Bank                          | 200,920     | 323,439     | Monthly payments in varied instalments                     | Assignment over Lease, hire purchase & Loan receivables.  |
|                                     | Bank of Ceylon                     | 292,340     | 459,916     | Monthly payments in varied instalments                     | Securitization of Lease & hire purchase receivables.  |
| Maskeliya Plantations PLC           | Hatton National Bank PLC           | -           | 13,360      | Rs. 2.1 mn per month                                       | Primary mortgage over leasehold rights of St. Clair estate.   |
|                                     | Hatton National Bank PLC           | -           | 10,000      | Rs. 2 mn per month   | Primary mortgage over leasehold rights of Ampittikande and Craig estates.   |
|                                     | Hatton National Bank PLC           | 108,451     | 208,410     | Rs. 8.3 mn per month                                       | Primary mortgage over leasehold rights of Ampittikande, Craig, St. Clair and Glenugei estates                             |
|                                     | Hatton National Bank PLC           | 154,321     | 204,240     | Rs. 4.1 mn per month                                       | Primary mortgage over leasehold rights of Ampittikande, Craig, St. Clair and Glenugei estates                             |
|                                     | National Development Bank PLC      | -           | 30,000      | 36 monthly payments in varied instalments w.e.f. July 2016 | Securitization of future sales proceeds.  |
|                                     | Tea Board - (Government Loan)      | 5,939       | 19,555      | Rs. 1.22 mn per month w.e.f. August 2017                   | Clean Basis.  |
|                                     | Tea Board - (Government Loan)      | 4,866       | 29,827      | Rs. 2.16 mn per month w.e.f. August 2017                   | Clean Basis.  |
|                                     | Tea Board - (Government Loan)      | 27,833      | -           | Rs. 2.16 mn per month w.e.f. August 2017                   | Clean Basis.  |
|                                     | Union Bank of Ceylon PLC           | 53,334      | 90,000      | Rs. 3.33 mn per month                                      | Primary mortgage over leasehold rights of Moray estate.   |
| Kegalle Plantations PLC             | Commercial Bank of Ceylon PLC      | -           | 88,066      | US \$ 83,300 per month                                     | Primary mortgage over leasehold rights of Etana and Kirkees estates.  |
|                                     | Commercial Bank of Ceylon PLC      | 417,811     | 603,280     |  | Eadella and Doteloya estates.   |
|                                     | Indian Overseas Bank               | -           | 22,819      | Rs. 2.49 mn per month                                      | } Primary mortgage over leasehold rights of Higgoda and Madeniya estates.   |
|                                     | Indian Bank                        | -           | 15,212      | Rs. 1.66 mn per month                                      |   |
|                                     | State Bank of India                | -           | 22,819      | Rs. 2.49 mn per month                                      |   |
|                                     | Indian Overseas Bank               | 149,362     | 399,789     | 54 monthly payments in varied instalments                  | Primary mortgage over leasehold rights of Ambadeniya, Hathbawa and Udapola estates.                                       |
|                                     | Tea Board - (Government Loan)      | 2,556       | 10,221      | Rs. 0.638 mn per month w.e.f. August 2017                  | Clean Basis.  |
|                                     | Tea Board - (Government Loan)      | 959         | 12,167      | Rs. 0.892 mn per month w.e.f. May 2017                     | Clean Basis.  |
| Namuukula Plantations PLC           | National Development Bank PLC      | 4,258       | 390         | Final instalment of Rs. 390.0 mn in April 2019             | Primary mortgage over plant & machinery.  |
|                                     | Indian Bank                        | -           | 17,500      | Rs. 1.65 mn per month                                      | } Primary mortgage over leasehold rights of Yatadola estate.  |
|                                     | Indian Overseas Bank               | -           | 17,500      | Rs. 1.65 mn per month                                      |   |
|                                     | Tea Board - (Government Loan)      | 2,333       | 9,333       | Rs. 0.58 mn per month w.e.f. August 2017                   | Clean Basis.  |
|                                     | Tea Board - (Government Loan)      | 1,213       | 15,378      | Rs. 1.22 mn per month w.e.f. May 2017                      | Clean Basis.  |
|                                     | Total Term Loans                   | 8,088,179   | 11,063,113  |  |   |
|                                     | Transferred to Current Liabilities | (3,843,419) | (5,187,046) |  |   |
|                                     |                                    | 4,244,760   | 5,876,067   |  |   |

### 28.3 Rated Unsecured Redeemable Debentures

| As at 31st March 2020                   | Group             |                   |                   |                  | Company           |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|
|   | Type A<br>Rs.'000 | Type B<br>Rs.'000 | Type C<br>Rs.'000 | Total<br>Rs.'000 | Type A<br>Rs.'000 | Type B<br>Rs.'000 | Type C<br>Rs.'000 | Total<br>Rs.'000 |
| At the beginning of the year            | -                 | -                 | 668,415           | 668,415          | -                 | -                 | 1,924,853         | 1,924,853        |
| Repayment                               | -                 | -                 | (669,601)         | (669,601)        | -                 | -                 | (1,925,000)       | (1,925,000)      |
| Amortisation of debenture issue expense | -                 | -                 | 1,186             | 1,186            | -                 | -                 | 147               | 147              |
| Repayable after one year                | -                 | -                 | -                 | -                | -                 | -                 | -                 | -                |

| As at 31st March 2019                   | Group             |                   |                   |                  | Company           |                   |                   |                  |
|---|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|------------------|
|   | Type A<br>Rs.'000 | Type B<br>Rs.'000 | Type C<br>Rs.'000 | Total<br>Rs.'000 | Type A<br>Rs.'000 | Type B<br>Rs.'000 | Type C<br>Rs.'000 | Total<br>Rs.'000 |
| At the beginning of the year            | -                 | 699,809           | 668,415           | 1,368,224        | -                 | 699,809           | 1,923,667         | 2,623,476        |
| Repayment                               | -                 | (700,000)         | -                 | (700,000)        | -                 | (700,000)         | -                 | (700,000)        |
| Amortisation of debenture issue expense | -                 | 191               | 1,186             | 1,377            | -                 | 191               | 1,186             | 1,377            |
| Repayable after one year                | -                 | -                 | 669,601           | 669,601          | -                 | -                 | 1,924,853         | 1,924,853        |

Interest rate of comparable government securities net of tax for the Type C debentures is 9.47% as of 31st March 2020. Type C debentures were redeemed on 16th May 2019.

## 29. Leases

### 29.1 Right-of-use assets

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the period ended 31 March 2020.

| Leased Assets recognized during the current Financial year   | Group            |                 | Company         |                 |
|--|------------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Transition adjustment due to initial application of SLFRS 16 | <b>4,726,788</b> | -               | <b>418,124</b>  | -               |
| Impact of new leases   | <b>186,012</b>   | -               | -               | -               |
| Leased Assets previously Recognized under LKAS 17            | <b>176,115</b>   | -               | -               | -               |
| ROUA previously recognized under SoRP (Note 29.1.1)          | <b>1,193,180</b> | 1,293,525       | -               | -               |
| Amortisation change for the year                             | <b>(722,752)</b> | -               | <b>(52,490)</b> | -               |
| As at 31 March 2020  | <b>5,559,343</b> | 1,293,525       | <b>365,634</b>  | -               |

#### 29.1.1 ROUA previously recognized under SoRP

|                         | Transition Adjustment due to initial application of SLFRS 16 |                      |                                |  |                                |
|-------------------------|--|----------------------|--------------------------------|--|--------------------------------|
|                         | As at<br>01.04.2019<br>Rs.'000                               | Additions<br>Rs.'000 | De-<br>recognitions<br>Rs.'000 | Effect of<br>foreign<br>currency<br>translation<br>Rs.'000 | As at<br>31.03.2020<br>Rs.'000 |
| <b>Cost / valuation</b> |  |                      |                                |  |                                |
| Right to use land       | 1,540,927  | 923,778              | (1,228,482)                    | -  | <b>1,236,223</b>               |
| Buildings               | 394,111  | -                    | (199,934)                      | -  | <b>194,177</b>                 |
|                         | 1,935,038  | 923,778              | (1,428,416)                    | -  | <b>1,430,400</b>               |

|                     | As at<br>01.04.2019 | Charge<br>for the<br>year | Transition<br>Adjustment<br>due to initial<br>application of<br>SLFRS 16 | Effect of<br>foreign<br>currency<br>translation | As at<br>31.03.2020 |
|---------------------|---------------------|---------------------------|--|---|---------------------|
|                     | Rs.'000             | Rs.'000                   | Rs.'000  | Rs.'000   | Rs.'000             |
| <b>Amortization</b> |                     |                           |  |   |                     |
| Right to use land   | 397,523             | 47,550                    | (398,181)  | -   | 46,892              |
| Buildings           | 243,990             | 1,027                     | (54,689)   | -   | 190,328             |
|                     | 641,513             | 48,577                    | (452,870)  | -   | 237,220             |

|  | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
|--|------------------|-----------------|
| Right to use land  | 1,189,331        | 1,143,404       |
| Buildings  | 3,849            | 150,121         |
| <b>Total carrying amount of leasehold properties transferred to ROUA</b> | <b>1,193,180</b> | 1,293,525       |

**29.2 Lease liabilities on right-of-use assets**

Set out below, are the carrying amounts of the lease liabilities and the movements for the period ended 31 March 2020.

**29.2.1 Lease liabilities on ROUA - Land**

|  | Group<br>2020<br>Rs.'000 | Company<br>2020<br>Rs.'000 |
|--|--------------------------|----------------------------|
| Transition adjustment due to initial application of SLFRS 16 | 571,393                  | -                          |
| Impact of new leases   | 646,512                  | -                          |
| Accretion of interest  | 158,327                  | -                          |
| Rentals paid during the year                                 | (165,214)                | -                          |
| As at 31 March 2020  | 1,211,018                | -                          |

**Maturity analysis**

|  | Group<br>2020<br>Rs.'000 | Company<br>2020<br>Rs.'000 |
|--|--------------------------|----------------------------|
| Within one year                              | 7,782                    | -                          |
| After two years but not more than five years | 48,427                   | -                          |
| More than five years                         | 1,154,809                | -                          |
| Total operating lease rentals payable        | 1,211,018                | -                          |

### 29.2.2 Lease liabilities on ROUA - Other Assets

|  | Group<br>2020<br>Rs.'000 | Company<br>2020<br>Rs.'000 |
|--|--------------------------|----------------------------|
| Transition adjustment due to initial application of SLFRS 16 | 3,935,598                | 488,891                    |
| Impact of new leases   | 208,240                  | -                          |
| Accretion of interest  | 417,710                  | 56,190                     |
| Rentals paid during the year                                 | (834,619)                | (71,237)                   |
| Exchange difference  | (1,742)                  | -                          |
| As at 31 March 2020  | 3,725,187                | 473,844                    |

#### Maturity analysis

|  | Group<br>2020<br>Rs.'000 | Company<br>2020<br>Rs.'000 |
|--|--------------------------|----------------------------|
| Within one year                                | 592,649                  | 24,410                     |
| After one year but not more than three years   | 1,335,129                | 84,823                     |
| After three years but not more than five years | 1,001,188                | 138,381                    |
| More than five years                           | 796,221                  | 226,230                    |
| Total operating lease rentals payable          | 3,725,187                | 473,844                    |

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

|   |           |          |
|---|-----------|----------|
| Amortisation of right-of-use asset        | (722,752) | (52,490) |
| Interest expense on lease liabilities     | 576,037   | 56,190   |
| Total amount recognised in profit or loss | (146,715) | 3,700    |

### 30. Provisions

|                              | Maintenance<br>Warranties |                 |
|------------------------------|---------------------------|-----------------|
|                              | 2020<br>Rs.'000           | 2019<br>Rs.'000 |
| At the beginning of the year | 123,884                   | 112,203         |
| Arising during the year      | 13,399                    | 11,681          |
| At the end of the year       | 137,283                   | 123,884         |

#### Maintenance Warranties

A provision is recognised for expected warranty claims on products sold during the year, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales level and current information available about returns based on the respective warranty period of products sold.

## 31. Government Grants

|   | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
|---|-----------------|-----------------|
| At the beginning of the period              | 526,770         | 538,368         |
| Received during the year                    | 8,793           | 14,988          |
| Released in the statement of profit or loss | (26,990)        | (26,586)        |
| At the end of the period                    | 508,573         | 526,770         |

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

## 32. Post Employee Benefit Liabilities

|   | Group            |                  | Company         |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 2020<br>Rs.'000  | 2019<br>Rs.'000  | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| At the beginning of the year                                      | 2,842,772        | 2,703,938        | 70,609          | 82,471          |
| <b>Recognised in the statement of profit or loss:</b>             |                  |                  |                 |                 |
| Current service cost  | 186,892          | 191,682          | 4,375           | 5,211           |
| Interest cost   | 323,116          | 292,116          | 7,767           | 9,072           |
|   | 510,008          | 483,798          | 12,142          | 14,283          |
| <b>Recognised in the statement of other comprehensive income:</b> |                  |                  |                 |                 |
| Actuarial gains/(losses) on obligation                            | (67,038)         | 75,928           | (15,078)        | 22,994          |
| Benefits paid   | (374,660)        | (420,892)        | (3,380)         | (49,139)        |
| <b>Benefit liabilities at the end of the year</b>                 | <b>2,911,082</b> | <b>2,842,772</b> | <b>64,293</b>   | <b>70,609</b>   |

Actuarial valuation of the defined benefit plan / gratuity was carried out on 31st March 2020 by Messrs'. Actuarial and Management Consultants (Pvt) Limited.

Appropriate and compatible assumptions were used in determining the cost of retirement benefits and the key assumptions used are as follows:

| Assumptions                             | 2019/2020   | 2018/2019   |
|---|-------------|-------------|
| <b>Demographic assumptions</b>          |             |             |
| In respect of non plantation companies, |             |             |
| Retiring age:                           |             |             |
| Executives                              | 55-60 years | 55-60 years |
| Non Executives                          | 55-60 years | 55-60 years |
| Average future working life time:       |             |             |
| Executives                              | 4.5         | 5.3         |
| Non Executives                          | 2.5         | 3.1         |
| Staff turnover rates:                   |             |             |
| Executives                              | 0.00-0.34   | 0.00-0.33   |
| Non Executives                          | 0.00-0.75   | 0.00-0.59   |

| Assumptions                                 | 2019/2020           | 2018/2019           |
|---|---------------------|---------------------|
| In respect of plantation companies,         |                     |                     |
| Retiring age:                               |                     |                     |
| Workers (male and female)                   | 60 years            | 60 years            |
| Other categories of staff (male and female) | 55-58 years         | 55-58 years         |
| Staff turnover rates                        | 0.02-0.07           | 0.02-0.07           |
| Average future working life time:           |                     |                     |
| Workers                                     | 8.10 years          | 7.88 years          |
| Staff                                       | 6.01 years          | 5.83 years          |
| In respect of the Insurance company,        |                     |                     |
| Retiring age:                               |                     |                     |
|   | 55 years            | 55 years            |
| <b>Financial assumptions</b>                |                     |                     |
| In respect of non plantation companies,     |                     |                     |
| Rate of discount                            | 11.00%              | 11.00%              |
| Rate of salary increment (average)          | 4.00%               | 6.50%               |
| In respect of plantation companies,         |                     |                     |
| Rate of discount                            | 10.00%              | 11.50%              |
| Rate of salary increment:                   |                     |                     |
| Workers                                     | 16% every two years | 16% every two years |
| Staff employees                             | 7% per year         | 8% per year         |
| In respect of the Insurance company,        |                     |                     |
| Rate of discount                            | 10.00%              | 10.50%              |
| Rate of salary increment:                   | 8%                  | 8%                  |

### 32.1 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. Simulation made for retirement benefit obligation show that an increase or decrease by 1% of salary escalation rate and discount rate has the following effect of the retirement benefit obligation.

| Salary Escalation Rate | Discount Rate      | Present value of Defined Benefit Obligation |                    |
|------------------------|--------------------|---|--------------------|
|                        |                    | Group<br>Rs.'000                            | Company<br>Rs.'000 |
| One point increase     | As given in report | 3,012,729                                   | 67,453             |
| One point decrease     | As given in report | 2,789,944                                   | 61,369             |
| As given in Report     | One point increase | 2,714,844                                   | 61,178             |
| As given in report     | One point decrease | 3,106,545                                   | 67,721             |

**32.2 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<br>Rs.'000           | Company<br>Rs.'000 |
| Within the next 12 months | 561,101                    | 11,991             |
| Between 2-5 years         | 832,890                    | 25,317             |
| Beyond 5 years            | 1,517,091                  | 26,985             |
| <b>Total</b>              | <b>2,911,082</b>           | <b>64,293</b>      |

**33. Contingent Liabilities**

There are no corporate guaranties issued by the Company on loans obtained by subsidiary companies as at 31st March 2020. Guarantees given by subsidiaries on loans obtained amounted to Rs. 80 mn.

**Namunukula Plantations PLC**

Namunukula Plantations PLC, a subsidiary of the Group took over 6 estates which were previously sub leased to Tusker Bottling Ltd. There are more than 30 cases outstanding filed by the Commissioner of Labour (Badulla) against Tusker Bottling Co. (Pvt) Ltd, the company and the superintendent of the estate regarding the payment of employees' statutory dues, which the sub lessee has failed to pay in respect of the said 6 estates. The Company has filed objections that the Company is not liable to pay such dues. The Court has directed the Commissioner of Labour to find out the correct respondent who is liable to pay such dues and institute fresh legal action against the correct party. However, the Magistrate has ordered the company to pay the dues stating that the company has the possession of the 6 estates and to pay the arrears of the employee statutory dues. As oppose, company filed revision to the High Court. Further company has made Rs. 14.75 mn as a refundable security deposit in the court. Next day of hearing will be 25th November 2020.

**Richard Pieris Exports PLC**

Following a strike at Richard Pieris Exports PLC a subsidiary of the Group, which was considered as unjustifiable, 160 workers were terminated on 28th December 2007. The workers' union demanded Rs.136 mn on behalf of the terminated employees to which the company opposed. Since negotiations failed, the matter has been referred to arbitration by Minister of Labour. The company contested the appointment of the Arbitrator before the Court of Appeal and the Court of Appeal held in favour of the Company. Accordingly a new Arbitrator was appointed and the case is now being heard before him. Further, the lawyers of the Company are unable to predict the final outcome of this case at this stage, as it is the practice in any court case. But the Company is rigorously contesting it. Therefore, no provision has been made in the accounts.

**Richard Pieris & Company PLC**

The contingent liability of Richard Pieris & Company PLC as at 31st March 2020, relates to the following:

Richard Pieris and Company PLC and Richard Pieris Distributors Limited, a subsidiary of the Group, is contesting certain claims made by a former employee in a case filed before the Commercial High Court, Colombo.

### 34. Trade and Other Payables

|                                       | Group            |                 | Company         |                 |
|---------------------------------------|------------------|-----------------|-----------------|-----------------|
|                                       | 2020<br>Rs.'000  | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Trade payables                        | 4,985,772        | 5,860,139       | -               | -               |
| Accrued expenses                      | 1,319,536        | 1,947,023       | -               | -               |
| Other financial liabilities           | 603,467          | 1,285,247       | 228,195         | 847,576         |
| Reinsurance Payables                  | 98,656           | 52,396          | -               | -               |
| Contract Liabilities                  | 427,096          | 350,607         | -               | -               |
|                                       | <b>7,434,527</b> | 9,495,412       | <b>228,195</b>  | 847,576         |
| Other non financial liabilities       | 419,215          | 437,844         | 48,432          | 126,627         |
| <b>Total trade and other payables</b> | <b>7,853,742</b> | 9,933,256       | <b>276,627</b>  | 974,203         |

### 35. Customer Deposits

|                  | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
|------------------|------------------|-----------------|
| Fixed deposits   | 8,634,382        | 6,615,614       |
| Savings deposits | 76,404           | 64,772          |
|                  | <b>8,710,786</b> | 6,680,386       |

### 36. Capital and Lease Commitments

#### 36.1 Capital Commitments

The capital commitments for property, plant and equipment incidental to the ordinary course of business as at 31st March, approved by the Board are as follows:

|                                 | Group            |                 |
|---------------------------------|------------------|-----------------|
|                                 | 2020<br>Rs.'000  | 2019<br>Rs.'000 |
| Contracted but not provided for | 325,387          | 408,926         |
| Approved but not contracted for | 777,520          | 995,152         |
|                                 | <b>1,102,907</b> | 1,404,078       |

#### 36.2 Lease Commitments

Future minimum rentals payable under non cancellable operating leases as at 31st March, are as follows:

|  | 2020<br>Rs.'000 |
|--|-----------------|
| Undiscounted future minimum lease rentals payable as at 1st April 2019 | 824,208         |
| Discounted future minimum lease rentals payable as at 1st April 2019   | 712,248         |

## 37. Financial Risk Management Objectives and Policies

The Group has loans and other receivables, trade receivables and cash and short-term deposits that arise directly from its operations. The Group's principal financial liabilities comprise loans and borrowings, trade and other payables, public deposits and financial guarantees. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its 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 stipulates policies for managing each of these risks, which are summarized below.

### Market risk

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

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

Financial instruments affected by market risk include loans and borrowings, deposits, available for sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters in order to optimize the return.

Interest rate risk

Interest rate risk is the risk that the company is exposed to due to the changes in the absolute level of market interest rates. Country's yield curve reflecting public borrowings in the domestic market, the policy rates, market liquidity, reforms in fiscal policies, credit ceilings on lending, average deposit rates, etc. are considered to be the main determining factors on the quoted interest rates for short term and long term lending facilities. These external factors stresses the market lending rates inserting pressure on the finance cost of the Group in turn having a down beating effect on the profit attributable to shareholders.

### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on borrowings as follows:

| Group   | Increase/decrease<br>in interest rate by<br>basis points | Effect on profit<br>before tax<br>Rs. Millions |
|---------|--|--|
| 2019/20 | +100 bps   | (246.32)                                       |
|         | -100 bps   | 246.32   |
| 2020/21 | +100 bps   | (220.07)                                       |
|         | -100 bps   | 220.07   |

| Company | Increase/decrease<br>in interest rate by<br>basis points | Effect on profit<br>before tax<br>Rs. Millions |
|---------|--|--|
| 2019/20 | +100 bps   | (114.33)                                       |
|         | -100 bps   | 114.33   |
| 2020/21 | +100 bps   | (92.49)  |
|         | -100 bps   | 92.49  |

Following measures and actions are usually undertaken in order to manage interest rate risk of the Group.

- \* Based on the studies and 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 where 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 revenue 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 cash management system 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, Singapore Dollars (SGD) and Pound Sterling (GBP) especially with regards to trade related transactions. The imported materials are mainly billed in USD, EURO and SGD. The group treasury division continuously monitors the exchange rate movement of the above currencies.

#### Effects of Currency Translation

For the consolidated financial statements of the Group, income and expenses and the assets and liabilities of the subsidiaries outside Sri Lanka are converted into Sri Lankan Rupees, Therefore period-to-period changes in average exchange rates may cause currency translation effects for the Group. However, exchange rate translation risk doesn't affect future cash flows. The group equity position reflects changes in book value caused by exchange rates.

#### Commodity price risk

The Group is affected by the volatility of certain commodities. The volatility in prices of tea, rubber etc. in the auctions would trigger greater uncertainty in the contribution towards Group turnover from the plantation sector.

#### Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, resulting in a negative effect towards the Group profitability. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including foreign exchange transactions and other financial instruments.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all credit clients are subject to credit verification procedures who wish to trade on credit. Furthermore, the Group continuously monitors the receivables through the segregation of the duties of controlling the receivables through SBU credit controllers. It is the responsibility of the credit controller to continuously monitor the receivables and the receipts and recoveries are done promptly according to the credit period. Furthermore age analysis is carried out along with monthly provisioning to smooth out the unrecoverable debtor balances across the periods.

With respect to credit risk arising from other financial assets such as short term deposits, cash and cash equivalents, investments, derivative instruments etc., the credit risk exposure arises due to counterparty risk. The Group manages its operations to avoid any excessive concentration of counterparty risk and takes every possible step to ensure counterparties fulfill their obligations.

## 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 maintains 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.

## Capital Management

Capital includes only the equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and re-structures the capital base time to time in light of changes in economic conditions as per the directives given by the Board of Directors. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital through share buy backs or infuse capital through new share issuance.

The Group monitors capital using indicative leverage ratios preferably through gearing ratio, which is net debt as a percentage of total equity and net debt. The Group includes within net debt, interest bearing loans & borrowings, short term borrowings less Cash & Cash Equivalents, excluding discontinued operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

**Table A**

| Group                       | Notes | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 Years | Total      |
|-----------------------------|-------|-----------|--------------------|----------------|--------------|-----------|------------|
| Year ended 31st March 2020  |       | Rs.'000   | Rs.'000            | Rs.'000        | Rs.'000      | Rs.'000   | Rs.'000    |
| Interest bearing borrowings | 28    | -         | 1,069,934          | 3,409,286      | 3,608,959    | -         | 8,088,179  |
| Net liability to the lessor | 29    | -         | 150,107            | 450,324        | 2,384,744    | 1,951,030 | 4,936,205  |
| Trade and other payables    | 34    | 219,997   | 7,518,309          | 68,865         | 46,571       | -         | 7,853,742  |
| Customer Deposits           | 35    | 76,404    | 1,967,698          | 4,144,118      | 2,522,566    | -         | 8,710,786  |
| Import loans                | 22    | -         | 36,750             | -              | -            | -         | 36,750     |
| Bank overdrafts             | 22    | 6,690,105 | -                  | -              | -            | -         | 6,690,105  |
| Other short term borrowings | 22    | -         | 4,452,039          | 2,741,315      | -            | -         | 7,193,354  |
|                             |       | 6,986,506 | 15,194,837         | 10,813,908     | 8,562,840    | 1,951,030 | 43,509,121 |

| Group                       | Notes | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 Years | Total      |
|-----------------------------|-------|-----------|--------------------|----------------|--------------|-----------|------------|
| Year ended 31st March 2019  |       | Rs.'000   | Rs.'000            | Rs.'000        | Rs.'000      | Rs.'000   | Rs.'000    |
| Interest bearing borrowings | 28    | -         | 1,546,056          | 3,405,394      | 6,111,666    | -         | 11,063,116 |
| Net liability to the lessor | 29    | -         | 2,411              | 17,380         | 151,526      | 407,075   | 578,392    |
| Trade and other payables    | 34    | 893,266   | 8,947,949          | 38,970         | 53,071       | -         | 9,933,256  |
| Public deposits             | 35    | -         | 1,773,961          | 3,030,939      | 1,875,486    | -         | 6,680,386  |
| Import loans                | 22    | -         | 50,000             | -              | -            | -         | 50,000     |
| Bank overdrafts             | 22    | 6,401,756 | -                  | -              | -            | -         | 6,401,756  |
| Other short term borrowings | 22    | -         | 6,205,381          | 1,574,000      | -            | -         | 7,779,381  |
|                             |       | 7,295,022 | 18,525,758         | 8,066,683      | 8,191,749    | 407,075   | 42,486,287 |

| Company                     | Notes | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 Years | Total     |
|-----------------------------|-------|-----------|--------------------|----------------|--------------|-----------|-----------|
| Year ended 31st March 2020  |       | Rs.'000   | Rs.'000            | Rs.'000        | Rs.'000      | Rs.'000   | Rs.'000   |
| Interest bearing borrowings | 28    | -         | -                  | -              | -            | -         | -         |
| Trade and other payables    | 34    | 276,627   | -                  | -              | -            | -         | 276,627   |
| Bank overdrafts             | 22    | 2,844,034 | -                  | -              | -            | -         | 2,844,034 |
| Other short term borrowings | 22    | -         | -                  | 6,404,710      | -            | -         | 6,404,710 |
|                             |       | 3,120,661 | -                  | 6,404,710      | -            | -         | 9,525,371 |

| Company                     | Notes | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 Years | Total      |
|-----------------------------|-------|-----------|--------------------|----------------|--------------|-----------|------------|
| Year ended 31st March 2019  |       | Rs.'000   | Rs.'000            | Rs.'000        | Rs.'000      | Rs.'000   | Rs.'000    |
| Interest bearing borrowings | 28    | -         | 2,006,884          | 164,060        | -            | -         | 2,170,944  |
| Trade and other payables    | 34    | 974,203   | -                  | -              | -            | -         | 974,203    |
| Bank overdrafts             | 22    | 3,647,636 | -                  | -              | -            | -         | 3,647,636  |
| Other short term borrowings | 22    | -         | 2,715,000          | 4,824,000      | -            | -         | 7,539,000  |
|                             |       | 4,621,839 | 4,721,884          | 4,988,060      | -            | -         | 14,331,783 |

### Risk Exposure of Arpico Insurance PLC

The largest credit risk exposure of 75% is arising from investments in debt securities. The exposure to credit risk is managed by analyzing the creditworthiness of each debt security investment. The credit worthiness of a potential debt security investment is assessed mainly through ratings assigned to the issuing institution or the ratings assigned to an issue.

### Insurance Risk

The principal risk the Arpico Insurance faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, may differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

### Life Insurance Risk

Life insurance contracts offered by the company include endowment plans and term assurance and non-conventional products. Endowment assurance are conventional products where lump sum benefits are payable on death / permanent disability or maturity whichever happens earlier. Term assurance are conventional products where lump sum benefits are payable on death or permanent disability.

The main risks that the Company is exposed to under Life Insurance Contracts are as follows;

- \* Mortality risk is the risk that actual policyholder death experience on life insurance policies is higher than expected.
- \* Morbidity risk is the risk that policyholder health-related claims are higher than expected.
- \* Longevity risk is the risk that annuitants live longer than expected.
- \* Investment return risk is the risk that actual returns lower than expected.
- \* Expense risk is the risk that expenses incurred in acquiring and administering policies are higher than expected.
- \* Policyholder behavior risk is the risk that policyholders' behavior in discontinuing and reducing contributions or withdrawing benefits prior to the maturity of the contract is worse than expected. Poor persistency rates may lead to fewer policies remaining on the books to defray future fixed expenses and therefore reduce the future positive cash flows from the business written, potentially impacting its ability to recover deferred acquisition expenses.
- \* Market risk is the risk that associated with the variation of investment income due to the changes in the financial markets.
- \* Credit risk is the risk that resulting from counterparties failing to fulfill the financial obligations.

The Arpico Insurance underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the company has the right not to renew individual policies; it has the right to reject the payment of fraudulent claims.

The Arpico Insurance further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the company. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. The Company limits exposure on any single life by way of retention limits agreed with the reinsurers.

Some of the specific actions by the Company to mitigate Life Insurance Risks are shown below.

### Life Underwriting Risk Management

- \* Maximum input is obtained from the Consultant Actuary and Reinsurer in deciding on the terms and conditions of products in order to ensure that products are adequately priced.
- \* Only registered laboratories are used when obtaining medical reports and regular visits are made by the management to such laboratories to monitor the quality of service.
- \* Focused training is provided to Insurance Advisors on proper selling in Sinhala, Tamil and English.
- \* A proposal form with Customer Need Analysis is used to identify customers' requirements and sell the most appropriate policy.

### Life Claims Risk Management

- \* An Independent Actuary is engaged to carry out a valuation of the Life Fund twice a year.
- \* Claims are reserved immediately at the intimation or on the availability of information of the death or injury of an insured.
- \* The Claims Panel (comprising CEO, Assistant Manager – Life Insurance and Head of Finance) is involved in taking decisions on significant/problematic claims and appeals made in respect of claims.

### Reinsurance Risk

The objectives of Arpico Insurance PLC for purchasing reinsurance are to provide market-leading capacity for customers while protecting the balance sheet and optimizing the Company's capital efficiency. Reinsurance ceded is placed on a proportional basis. A proportional reinsurance arrangement includes both Quota Share and Facultative Treaty programs which is taken out to reduce the overall exposure of the Company to certain classes of business. Premium ceded to the reinsurers is in accordance with the terms on the programs already agreed based on the risks written by the insurance companies.

Recoveries from reinsurers on claims are based on the cession made in respect of each risk and is estimated in a manner consistent with the outstanding claims provisions made for the loss. Although we mitigate our exposures through prudent reinsurance arrangements, the obligation to meet claims emanating from policyholders rests with the Company. Default of reinsurers does not negate this obligation and in that respect the Company carries a credit risk up to the extent ceded to each reinsurer.

The placement of reinsurance is arranged in a manner that is neither dependent on a single reinsurer nor substantially dependent upon any single reinsurance contract. The Insurance Company uses Munich Re as its reinsurance provider for individual policies as well as for Group policies. The Company also uses Hannover Re in certain cases.

Credit Rating of Reinsurance Companies with whom Arpico Insurance PLC has arrangements are listed below;

| Reinsurer   | Rating | Rating Agency |
|-------------|--------|---------------|
| Munich Re   | A+     | A.M. Best     |
| Hannover Re | A+     | A.M. Best     |

Some of the specific actions by the Company to mitigate Reinsurance Risks are shown below;

- \* Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payables on time.
- \* A very close and professional relationship is maintained with all reinsurers.
- \* No cover is issued without a confirmed reinsurance in place.
- \* Only a globally trusted and stable portfolio of reinsurance companies which are rated highly by Standard & Poor's or AM Best is used.

### **Risk Exposure of Richard Pieris Finance Limited**

#### ***Credit risk***

Credit risk arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risk.

#### ***Default risk***

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

#### ***Concentration risk***

Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

#### ***Settlement risk***

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis.

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

### **Exposure to credit risk of finance companies of the Group**

**Table B**

|   | <b>Maximum<br/>exposure to<br/>credit risk</b> | <b>Net<br/>Exposure</b> |
|---|--|-------------------------|
| <b>As at 31 March 2020</b>                        | <b>Rs.'000</b>                                 | <b>Rs.'000</b>          |
| Cash and bank balances                            | 273,750  | 273,750                 |
| Investments in fixed deposits                     | 365,179  | 365,179                 |
| Lease Receivable at Amortized Cost                | 6,534,956                                      | -                       |
| HP Receivable at Amortized Cost                   | 50,961   | -                       |
| Loans and Receivables at Amortized Cost           | 6,944,156                                      | 1,074,621               |
| Financial investments - at Fair Value through OCI | 499,477  | 499,477                 |
| <b>Total financial assets</b>                     | <b>14,668,479</b>                              | <b>2,213,027</b>        |

**Credit quality by class of financial assets of finance companies of the Group**

**Table C**

| As at 31 March 2020                               | Neither past<br>due nor<br>impaired<br>Rs.'000 | Past due<br>but not<br>impaired<br>Rs.'000 | Individually<br>impaired<br>Rs.'000 | Total<br>Rs.'000  |
|---|--|--|-------------------------------------|-------------------|
| <b>Assets</b>                                     |  |  |                                     |                   |
| Cash and bank balances                            | 273,750  | -  | -                                   | 273,750           |
| Investments in fixed deposits                     | 365,179  | -  | -                                   | 365,179           |
| Lease Receivable at Amortized Cost                | 2,926,023                                      | 4,158,525                                  | -                                   | 7,084,548         |
| HP Receivable at Amortized Cost                   | 25,321   | 33,612                                     | -                                   | 58,933            |
| Loans and Receivables at Amortized Cost           | 2,616,290                                      | 5,000,144                                  | -                                   | 7,616,434         |
| Financial investments - at Fair Value through OCI | 499,477  | -  | -                                   | 499,477           |
| Collective impairment provision                   | -  | -  | -                                   | (1,229,843)       |
| <b>Total financial assets</b>                     | <b>6,706,040</b>                               | <b>9,192,281</b>                           | <b>-</b>                            | <b>14,668,478</b> |

Aging Analysis of past due (i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

**Table D**

|   | Past due but not impaired          |                             |                             |                                 | Total<br>Rs.'000 |
|---|------------------------------------|-----------------------------|-----------------------------|---------------------------------|------------------|
|   | Less than<br>31 days<br>Rs.'000    | 31 to 60<br>days<br>Rs.'000 | 61 to 90<br>days<br>Rs.'000 | More than<br>90 days<br>Rs.'000 |                  |
|   | Lease Receivable at Amortized Cost | 4,119,547                   | 23,921                      | 13,360                          |                  |
| HP Receivable at Amortized Cost         | 30,869                             | 235                         | 544                         | 1,963                           | 33,611           |
| Loans and Receivables at Amortized Cost | 4,859,742                          | 125,214                     | 1,944                       | 13,245                          | 5,000,145        |
|   | 9,010,158                          | 149,370                     | 15,848                      | 16,905                          | 9,192,281        |

**Liquidity risk and funding management**

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for a financial institution can take two forms; transactions liquidity, a property of assets or markets, and funding liquidity, which is more closely related to creditworthiness.

Transaction liquidity risk is the risk of moving the price of an asset adversely in the act of buying or selling it. Company's transaction liquidity risk is low if assets can be liquidated without moving the price too much.

Funding liquidity risk means the Company's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is perceived to be deteriorating and the financial conditions as a whole is deteriorating.

The company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly analyses and monitors liquidity positions and, maintain an adequate margin of safety in liquid assets.

**Interest rate risk**

Interest rate risk is a key constitute of the market risk exposure of the finance companies due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the companies, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arising due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to companies' net interest income and net interest margin. Companies' exposure to interest rate risk is primarily associated with factors such as;

- \* Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio.
- \* Yield curve risk arising from unanticipated shifts of the market yield curve.

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the companies conduct periodic reviews and re-price its assets accordingly.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the companies' net interest income.

#### Net Interest Income (NII) sensitivity by interest rate change

Table E

| Parallel Increase / Decrease of Basis Points (bps) | 2020              |                   |
|--|-------------------|-------------------|
|  | +/- 100 bps       | +/- 200 bps       |
| Impact on NII (Rs. '000)                           | 13,448 / (13,448) | 26,897 / (26,897) |

#### Interest rate risk exposure on financial assets and liabilities

The table below analyses the companies' interest rate risk exposure on financial assets & liabilities. The companies' assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

Table F

| Company   | Up to 03<br>Months | 03-12<br>Months    | 01-03<br>Years   | 03-05<br>Years   | Over 05<br>Years | Non Interest<br>Bearing | Total as at<br>31/03/2020 |
|---|--------------------|--------------------|------------------|------------------|------------------|-------------------------|---------------------------|
| As at 31st March 2020                             | Rs. '000           | Rs. '000           | Rs. '000         | Rs. '000         | Rs. '000         | Rs. '000                | Rs. '000                  |
| <b>Assets</b>                                     |                    |                    |                  |                  |                  |                         |                           |
| Cash and bank balances                            | -                  | -                  | -                | -                | -                | 273,750                 | 273,750                   |
| Investments in fixed deposits                     | 200,602            | 165,009            | -                | -                | -                | -                       | 365,611                   |
| Lease Receivable at Amortized Cost                | 1,431,281          | 1,417,002          | 3,184,363        | 1,020,317        | 31,584           | -                       | 7,084,547                 |
| HP Receivable at Amortized Cost                   | 17,805             | 7,928              | 24,580           | 8,621            | -                | -                       | 58,934                    |
| Loans and Receivables at Amortized Cost           | 2,330,674          | 1,422,481          | 2,587,716        | 1,165,946        | 109,618          | -                       | 7,616,435                 |
| Financial investments - at Fair Value through OCI | 133,853            | 206,944            | 158,680          | -                | -                | -                       | 499,477                   |
| Other debtors & prepayments                       | -                  | -                  | -                | -                | -                | 1,007,972               | 1,007,972                 |
| <b>Total Financial Assets</b>                     | <b>4,114,215</b>   | <b>3,219,364</b>   | <b>5,955,339</b> | <b>2,194,884</b> | <b>141,202</b>   | <b>1,281,722</b>        | <b>16,906,726</b>         |
| <b>Financial Liabilities</b>                      |                    |                    |                  |                  |                  |                         |                           |
| Bank Overdraft                                    | 11,482             | -                  | -                | -                | -                | -                       | 11,482                    |
| Due to Customers                                  | 3,396,982          | 3,786,487          | 1,149,576        | 377,742          | -                | -                       | 8,710,787                 |
| Interest bearing borrowings                       | 1,080,410          | 1,970,087          | 2,635,960        | 258,332          | -                | -                       | 5,944,789                 |
| Trade and other payables                          | -                  | -                  | -                | -                | -                | 892,504                 | 892,504                   |
| <b>Total Financial Liabilities</b>                | <b>4,488,873</b>   | <b>5,756,573</b>   | <b>3,785,536</b> | <b>636,073</b>   | <b>-</b>         | <b>892,504</b>          | <b>15,559,562</b>         |
| <b>Interest Sensitivity Gap</b>                   | <b>(374,658)</b>   | <b>(2,537,209)</b> | <b>2,169,803</b> | <b>1,558,811</b> | <b>141,202</b>   | <b>389,218</b>          | <b>1,347,164</b>          |

### 38. Events After the Reporting Date

There have been no material events occurring after the reporting date that require adjustments or disclosures in the Financial Statements, other than what is disclosed in note 11.2a.

### 39 Related Party Disclosures

|  | Group           |                 | Company         |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| <b>39.1 Amount due from/to related parties - Subsidiaries</b>  |                 |                 |                 |                 |
| Amounts receivable as at 31 March  | -               | -               | 2,872,277       | 2,656,391       |
| Amounts payable as at 31 March   | -               | -               | 5,940           | 2,442           |
| <b>39.2 Transaction with related parties - Subsidiaries</b>  |                 |                 |                 |                 |
| Allocation of common personnel and administration expenses   | -               | -               | 180,306         | 211,499         |
| Rendering of services  | -               | -               | 89,461          | 109,094         |
| Rent income  | -               | -               | 228,457         | 213,757         |
| Royalty income   | -               | -               | 433,820         | 442,145         |
| Corporate expenses   | -               | -               | 60,816          | 61,224          |
| Interest income  | -               | -               | 33,561          | 37,862          |
| Post employment benefit plan   |                 |                 |                 |                 |
| Contribution to the provident fund   | 162,968         | 165,122         | 105,330         | 109,026         |
| <b>39.3 Associates</b>   |                 |                 |                 |                 |
| Amounts receivable as at 31 March  | 14,863          | 19,775          | -               | -               |
| Sale of goods/services   | 1,047,796       | 897,748         | -               | -               |
| <b>39.4 Terms and conditions</b>   |                 |                 |                 |                 |
| Outstanding balances at the year end are unsecured, and not interest bearing. Interest is charged based on the purpose for which funds are used.   |                 |                 |                 |                 |
| <b>Non recurrent related party transactions</b>  |                 |                 |                 |                 |
| There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31st March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act. |                 |                 |                 |                 |
| <b>Recurrent related party transactions</b>  |                 |                 |                 |                 |
| There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31st March 2019 audited financial statements, which required additional disclosures in 2019/20 Annual Report Colombo stock exchange listing rule 9.3.2 and code of best practices on related party transactions under the security exchange commission directive issued under section 13(c) of the Security Exchange Commission Act.   |                 |                 |                 |                 |
| <b>39.5 Off Balance Sheet Items</b>  |                 |                 |                 |                 |
| Guarantees given by the Company to Banks on behalf of related parties are disclosed in Note 28.1 (Interest bearing borrowings) to the Financial Statements   |                 |                 |                 |                 |

### 39.6 Transactions with key management personnel of the company or its parent

The Key Management Personnel include members of the Board of Directors of Richard Pieris and Company PLC.

#### a) Key management personnel compensation

|                              | Group           |                 | Company         |                 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
|                              | 2020<br>Rs.'000 | 2019<br>Rs.'000 | 2020<br>Rs.'000 | 2019<br>Rs.'000 |
| Short-term employee benefits | 77,187          | 50,927          | 49,485          | 35,156          |

#### b) Other transactions with key management personnel

Richard Pieris and Company carries out transactions with Key Management Personnel (KMPs) and their close family members on an arm's length basis except any concessions which have been availed under concessionary schemes uniformly applicable to all staff. This is mainly evident in the Arpico sales outlets island wide.

### 39.7 Other related party disclosures

- A banking facility enables Group Companies to borrow based on pooled balances of Companies in the Group who are within the facility. Terms are determined as per market interest rates.
- Rentals amounting to Rs. 45.4 mn were paid by the Group to related parties of a key management personnel.
- Fees amounting to Rs. 6.2 mn were paid by the Group to an entity in which a key management personnel is a Director.
- Rentals amounting to Rs. 6.9 mn were paid by the Group to an entity in which a key management personnel is a Director.
- Rentals amounting to Rs. 8.4 mn were paid by the Group to a key management personnel.
- Fees amounting to Rs. 27.1 mn were paid by the Group to a related party of a key management personnel.

### 40. IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- \* Whether an entity considers uncertain tax treatments separately
- \* The assumptions an entity makes about the examination of tax treatments by taxation authorities
- \* How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- \* How an entity considers changes in facts and circumstances

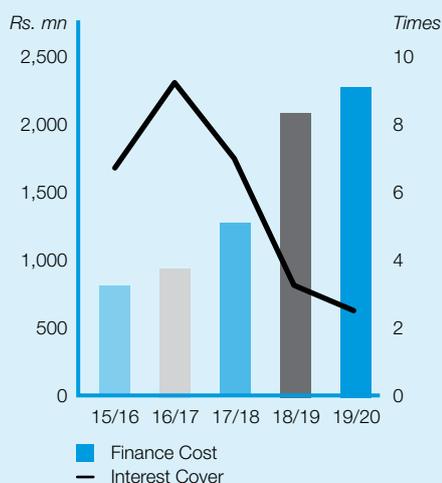
The Group/Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group/Company adopted IFRIC 23 using the retrospective method of adoption, with the date of initial application of 1 April 2019.

## Turnover



## Interest Cover



## Tax Expense



2019/20  
Rs.'000

2018/19  
Rs.'000

2017/18  
Rs.'000

## TRADING RESULTS

|  |                  |             |             |
|--|------------------|-------------|-------------|
| Revenue  | 54,239,710       | 55,045,358  | 52,972,873  |
| <b>Profit from operations</b>                                | <b>4,306,099</b> | 4,879,021   | 5,396,771   |
| Finance cost   | (2,329,271)      | (2,109,249) | (1,291,017) |
| Finance income   | 501,850          | 556,240     | 515,641     |
| Profit from operations after finance cost and finance income | 2,478,678        | 3,326,012   | 4,621,395   |
| Income from associates before tax                            | 89,409           | 27,580      | 10,157      |
| Profit before tax from continuing operations                 | 2,568,087        | 3,353,592   | 4,631,552   |
| Income tax expense   | (1,270,135)      | (1,006,764) | (1,549,776) |
| Profit for the year from continuing operations               | 1,297,952        | 2,346,828   | 3,081,776   |
| Loss after tax from discontinued operations                  | (7,366)          | (4,561)     | (4,380)     |
| Profit for the year  | 1,290,586        | 2,342,267   | 3,077,396   |
| Non controlling interest                                     | 147,385          | 332,699     | 390,416     |
| Profit attributable to equity holders of parent              | 1,143,201        | 2,009,568   | 2,686,980   |
| Gross dividend   | -                | 1,729,783   | 2,238,542   |

2019/20  
Rs.'000

2018/19  
Rs.'000

2017/18  
Rs.'000

## BALANCE SHEET

### Assets

|  |                   |            |            |
|--|-------------------|------------|------------|
| Property, plant and equipment/Leasehold properties | 20,207,370        | 20,209,899 | 20,673,193 |
| Investment properties                              | 295,246           | 236,253    | 216,623    |
| Intangible assets                                  | 1,142,431         | 1,155,155  | 1,166,434  |
| Right-of-use assets                                | 5,559,343         | 1,293,525  | -          |
| Biological assets                                  | 1,138,269         | 1,026,885  | 951,252    |
| Investments in associates and other investments    | 189,407           | 149,087    | 125,562    |
| Other non current financial assets                 | 1,983,494         | 2,316,579  | 1,741,475  |
| Deferred tax assets                                | 500,010           | 433,396    | 91,901     |
| Current assets                                     | 36,402,312        | 37,999,390 | 31,020,053 |
|  | <b>67,417,882</b> | 64,820,169 | 55,986,493 |

### Equity and liabilities

|  |                   |            |            |
|--|-------------------|------------|------------|
| Stated Capital                                     | 1,972,829         | 1,972,829  | 1,972,829  |
| Capital and revenue reserves                       | 12,642,969        | 11,245,314 | 11,136,984 |
| Statutory reserve fund/Investment fund reserve     | 76,761            | 76,606     | 60,204     |
| Other components of equity                         | (213,606)         | (10,142)   | 109,388    |
| Non controlling interest                           | 2,878,055         | 2,837,869  | 2,612,630  |
| Term loans payable after one year                  | 4,244,760         | 5,876,070  | 5,070,978  |
| Lease liabilities on right-of-use assets           | 4,335,774         | 562,035    | -          |
| Insurance provision                                | 1,622,089         | 1,391,506  | 1,154,177  |
| Deferred income and deferred tax                   | 1,457,854         | 1,501,810  | 1,393,635  |
| Provisions and other liabilities                   | 3,048,365         | 2,966,656  | 2,816,141  |
| Net liability to the lessor payable after one year | -                 | -          | 571,393    |
| Current liabilities                                | 35,352,032        | 36,399,616 | 29,088,134 |
|  | <b>67,417,882</b> | 64,820,169 | 55,986,493 |

## RATIOS & OTHER INFORMATION

|                                     |       |       |       |
|-------------------------------------|-------|-------|-------|
| Earnings per share (Rs.)            | 0.56  | 0.99  | 1.32  |
| Market value per share (Rs.)        | 7.80  | 9.20  | 12.80 |
| Price earnings ratio (No. of Times) | 13.92 | 9.29  | 9.69  |
| Net assets per share (Rs.)          | 7.11  | 6.53  | 6.53  |
| Return on equity (%)                | 8.24  | 15.13 | 20.50 |
| Dividend per share (Rs.)            | -     | 0.85  | 1.10  |
| Dividend cover (No. of Times)       | -     | 1.16  | 1.20  |
| Interest cover (No. of Times)       | 2.36  | 3.14  | 6.96  |
| Current ratio (No. of Times)        | 1.03  | 1.04  | 1.07  |
| Gearing ratio (%)                   | 49.55 | 55.15 | 49.05 |

\* All figures are based on Sri Lanka Accounting Standards.

| 2016/17<br>Rs.'000 | 2015/16<br>Rs.'000 | 2014/15<br>Rs.'000 | 2013/14<br>Rs.'000 | 2012/13<br>Rs.'000 | 2011/2012<br>Rs.'000 | 2010/2011*<br>Rs.'000 |
|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|-----------------------|
| 49,149,395         | 43,018,502         | 37,802,243         | 34,699,111         | 34,690,340         | 32,005,182           | 27,241,577            |
| 5,290,459          | 3,955,303          | 3,103,509          | 2,807,127          | 3,599,997          | 3,952,638            | 3,450,366             |
| (955,768)          | (826,092)          | (811,166)          | (922,062)          | (1,031,521)        | (798,277)            | (794,617)             |
| 383,695            | 233,759            | 244,304            | 389,584            | 302,054            | 301,991              | -                     |
| 4,718,386          | 3,362,970          | 2,536,647          | 2,274,649          | 2,870,530          | 3,456,352            | 2,655,749             |
| 83,028             | 35,944             | 42,299             | 27,902             | 63,765             | 62,436               | 113,008               |
| 4,801,414          | 3,398,914          | 2,578,946          | 2,302,551          | 2,934,295          | 3,518,788            | 2,768,757             |
| (1,237,426)        | (1,137,461)        | (747,009)          | (643,970)          | (737,082)          | (644,540)            | (616,566)             |
| 3,563,988          | 2,261,453          | 1,831,937          | 1,658,581          | 2,197,213          | 2,874,248            | 2,152,191             |
| (5,018)            | (3,536)            | (3,457)            | (2,396)            | (581)              | (4,374)              | (11,609)              |
| 3,558,970          | 2,257,917          | 1,828,480          | 1,656,185          | 2,196,632          | 2,869,874            | 2,140,582             |
| 388,875            | 110,232            | 176,388            | 238,970            | 360,297            | 294,813              | 459,898               |
| 3,170,095          | 2,147,685          | 1,652,092          | 1,417,215          | 1,836,335          | 2,575,061            | 1,680,684             |
| 1,221,023          | 1,017,519          | 508,760            | 886,270            | 387,848            | 1,550,621            | 515,946               |

| 2016/17<br>Rs.'000 | 2015/16<br>Rs.'000 | 2014/15<br>Rs.'000 | 2013/14<br>Rs.'000 | 2012/13<br>Rs.'000 | 2011/2012<br>Rs.'000 | 2010/2011<br>Rs.'000 |
|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|
|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------|----------------------|

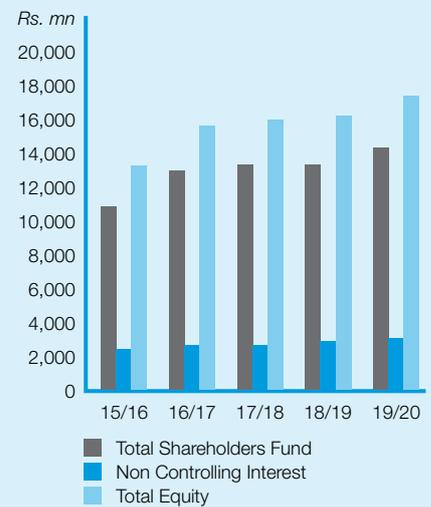
|            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|
| 17,635,423 | 16,491,231 | 15,819,465 | 14,247,201 | 12,330,580 | 11,600,282 | 10,926,376 |
| 166,709    | 165,209    | 165,152    | 140,698    | 140,404    | 139,628    | 139,628    |
| 1,140,835  | 1,147,321  | 1,158,307  | 507,192    | 508,893    | 518,494    | 469,487    |
| -          | -          | -          | -          | -          | -          | -          |
| 865,762    | 824,557    | 794,128    | 619,519    | 568,037    | 507,191    | 542,689    |
| 117,278    | 241,302    | 88,962     | 39,708     | 24,990     | 74,143     | 456,186    |
| 1,683,037  | 1,112,049  | 606,839    | 559,332    | 590,002    | 503,922    | 24,000     |
| 75,918     | 109,937    | -          | -          | -          | -          | -          |
| 28,244,173 | 23,593,348 | 19,450,377 | 16,462,737 | 13,110,630 | 10,381,632 | 8,805,222  |
| 49,929,135 | 43,684,954 | 38,083,230 | 32,576,387 | 27,273,536 | 23,725,292 | 21,363,588 |

|            |           |           |           |           |           |           |
|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1,972,829  | 1,972,829 | 1,972,829 | 1,814,824 | 1,637,236 | 1,633,853 | 1,627,612 |
| 10,807,381 | 8,786,806 | 7,861,271 | 6,712,869 | 6,234,927 | 4,603,788 | 3,682,853 |
| 46,024     | 23,190    | 2,478     | 6,852     | 2,222     | -         | -         |
| 104,969    | 89,903    | 75,826    | 73,390    | 75,057    | 68,692    | 68,935    |
| 2,614,195  | 2,412,573 | 2,431,421 | 2,150,514 | 2,217,100 | 1,994,660 | 1,976,302 |
| 6,924,988  | 6,272,108 | 6,224,424 | 4,166,767 | 3,368,878 | 2,177,814 | 1,998,292 |

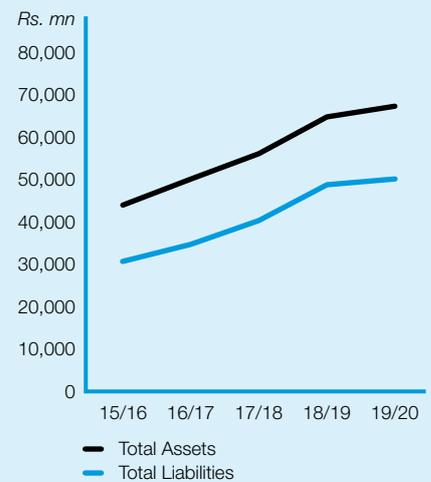
|            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|
| -          | -          | -          | -          | -          | -          | -          |
| 814,633    | 501,933    | 307,092    | 193,371    | 67,575     | 9,390      | -          |
| 1,027,096  | 938,493    | 800,429    | 774,843    | 792,831    | 704,126    | 735,923    |
| 2,543,376  | 2,545,350  | 2,725,406  | 2,196,023  | 1,912,450  | 2,032,691  | 1,704,417  |
| 583,654    | 595,444    | 606,780    | 617,679    | 628,159    | 638,237    | 650,980    |
| 22,489,990 | 19,546,325 | 15,075,274 | 13,869,255 | 10,337,101 | 9,862,041  | 8,918,274  |
| 49,929,135 | 43,684,954 | 38,083,230 | 32,576,387 | 27,273,536 | 23,725,292 | 21,363,588 |

|       |       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|-------|
| 1.56  | 1.05  | 0.82  | 0.72  | 0.95  | 1.33  | 0.87  |
| 8.30  | 7.20  | 7.40  | 6.60  | 6.60  | 7.50  | 13.60 |
| 5.32  | 6.86  | 9.00  | 9.17  | 6.95  | 5.64  | 15.63 |
| 6.35  | 5.34  | 4.87  | 4.34  | 4.10  | 3.25  | 2.58  |
| 26.64 | 20.67 | 17.84 | 17.12 | 25.76 | 45.56 | 38.22 |
| 0.60  | 0.50  | 0.25  | 0.45  | 0.20  | 0.70  | 0.30  |
| 2.60  | 2.11  | 3.29  | 1.60  | 4.75  | 1.90  | 2.90  |
| 9.25  | 6.68  | 5.47  | 5.27  | 4.94  | 7.96  | 4.34  |
| 1.26  | 1.21  | 1.29  | 1.19  | 1.27  | 1.05  | 0.99  |
| 45.03 | 41.55 | 40.49 | 37.69 | 29.50 | 34.17 | 37.44 |

### Equity



### Assets & Liabilities



The Ordinary Shares of the Company are listed in the Colombo Stock Exchange.

## As at the financial year ended 31st March 2020

### Distribution of Shareholders

| Range of shareholding | No of share holders as at 31.03.2020 | No. of shares        | % of Shareholding | No of share holders as at 31.03.2019 | No. of shares        | % of Shareholding |
|-----------------------|--------------------------------------|----------------------|-------------------|--------------------------------------|----------------------|-------------------|
| 1 - 1,000             | 4,362                                | 1,507,776            | 0.08%             | 4,383                                | 1,528,228            | 0.08%             |
| 1,001 - 10,000        | 2,705                                | 10,693,776           | 0.53%             | 2,766                                | 10,800,821           | 0.53%             |
| 10,001 - 100,000      | 1,016                                | 31,831,632           | 1.56%             | 1,024                                | 31,348,831           | 1.54%             |
| 100,001 - 1,000,000   | 233                                  | 74,570,617           | 3.66%             | 231                                  | 70,887,386           | 3.48%             |
| 1,000,001 & above     | 52                                   | 1,916,434,474        | 94.17%            | 58                                   | 1,920,473,009        | 94.37%            |
|                       | <b>8,368</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    | <b>8,462</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    |

### Composition of Shareholders

| Category                  | No of share holders as at 31.03.2020 | No. of shares        | % of Shareholding | No of share holders as at 31.03.2019 | No. of shares        | % of Shareholding |
|---------------------------|--------------------------------------|----------------------|-------------------|--------------------------------------|----------------------|-------------------|
| Institutional Investors   | 305                                  | 1,740,180,028        | 85.51%            | 285                                  | 1,735,520,109        | 85.28%            |
| Individual Investors      | 8,063                                | 294,858,247          | 14.49%            | 8,177                                | 299,518,166          | 14.72%            |
| Total                     | <b>8,368</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    | <b>8,462</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    |
| Resident shareholders     | 8,271                                | 846,018,963          | 41.57%            | 8,363                                | 848,552,966          | 41.70%            |
| Non-resident shareholders | 97                                   | 1,189,019,312        | 58.43%            | 99                                   | 1,186,485,309        | 58.30%            |
| Total                     | <b>8,368</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    | <b>8,462</b>                         | <b>2,035,038,275</b> | <b>100.00%</b>    |

The percentage of shares held by the public as at 31st March 2020 was 42.14% represented by 8,361 public shareholders. (Public shareholding as at 31st March 2019 was 42.14% represented by 8,455 public shareholders)

The Company complies with option 2 of the Listing rules 7.13.1 (a) - Rs. 7.5Bn - Float Adjusted Market capitalization which requires 500 minimum public shareholders and 5% minimum Public shareholding percentage.

### Market Activity

|                      | 31.03.2020  | Date      | 31.03.2019  | Date      |
|----------------------|-------------|-----------|-------------|-----------|
| Highest Price (Rs.)  | 12.5        | 28-Nov-19 | 12.9        | 28-May-18 |
| Lowest Price (Rs.)   | 7.6         | 20-Mar-20 | 9.0         | 15-Mar-19 |
| Year End Price (Rs.) | 7.8         | 20-Mar-20 | 9.2         | 29-Mar-19 |
| No of Transactions   | 5,846       |           | 5,799       |           |
| No of shares traded  | 35,606,417  |           | 39,133,745  |           |
| Share turnover (Rs.) | 389,337,184 |           | 434,444,807 |           |

## Major Shareholders

| Name of the Shareholder                                 | As at<br>31.03.2020  | %             | As at<br>31.03.2019 | %      |
|---|----------------------|---------------|---------------------|--------|
| 1 Skyworld Overseas Holdings Limited                    | 516,388,590          | 25.37%        | 516,388,590         | 25.37% |
| 2 Camille Consulting Corp.                              | 327,704,846          | 16.10%        | 327,704,846         | 16.10% |
| 3 Deutsche Bank AG Singapore A/C 2 (DCS CLT ACC)        | 224,853,787          | 11.05%        | 224,853,787         | 11.05% |
| 4 Sezeka Limited  | 199,678,548          | 9.81%         | 197,981,846         | 9.73%  |
| 5 Employees Provident Fund                              | 169,899,520          | 8.35%         | 169,899,520         | 8.35%  |
| 6 Rockport Limited                                      | 111,372,919          | 5.47%         | 108,660,116         | 5.34%  |
| 7 Dr. Sena Yaddehige                                    | 104,375,732          | 5.13%         | 104,375,732         | 5.13%  |
| 8 Dhanasiri Recreation Pvt Ltd                          | 33,655,437           | 1.65%         | 33,655,437          | 1.65%  |
| 9 J.B. Cocoshell (Pvt) Ltd                              | 33,602,514           | 1.65%         | 32,901,164          | 1.62%  |
| 10 Mr. D.W.R. Rutnam                                    | 25,759,500           | 1.27%         | 25,759,500          | 1.27%  |
| 11 The Executor of the Estate of Late Mrs L.B.S. Pieris | 22,782,045           | 1.12%         | 22,782,045          | 1.12%  |
| 12 Investment Resource Company (Private) Limited        | 20,000,000           | 0.98%         | 20,000,000          | 0.98%  |
| 13 Kalday (Pvt) Ltd.                                    | 12,126,030           | 0.60%         | 12,126,030          | 0.60%  |
| 14 Seylan Bank PLC/Channa Nalin Rajahmoney              | 12,009,874           | 0.59%         | 11,991,550          | 0.59%  |
| 15 Northern Trust Company S/A Hosking Global Fund       | 8,768,703            | 0.43%         | 10,293,194          | 0.51%  |
| 16 Bank of Ceylon No. 1 Account                         | 6,889,225            | 0.34%         | 6,889,225           | 0.34%  |
| 17 Dr. C.M. Fernando                                    | 6,660,570            | 0.33%         | 6,660,570           | 0.33%  |
| 18 SSBT-Retail Employees Superannuation Trust           | 5,682,268            | 0.28%         | -                   | 0.00%  |
| 19 The Incorporated Trustees of the Church of Ceylon    | 4,868,795            | 0.24%         | 4,868,795           | 0.24%  |
| 20 Mrs. S. Wambeek                                      | 3,950,000            | 0.19%         | 3,950,000           | 0.19%  |
|   | <b>1,851,028,903</b> | <b>90.95%</b> | 1,841,741,947       | 90.51% |

## Directors Shareholding

| Name of the Director  | Number of<br>shares<br>as at 31st<br>March 2020 | Number of<br>shares<br>as at 31st<br>March 2019 |
|---|---|---|
| 1 Dr. Sena Yaddehige  | 104,375,732                                     | 104,375,732                                     |
| 2 Mr. W J V P Perera  | 4,500   | 4,500   |
| 3 Mr. S S G Liyanage  | 3,942,825                                       | 3,942,825                                       |
| 4 Mr. Shaminda Yaddehige                                      | -   | -   |
| 5 Dr. Jayatissa De Costa P.C.                                 | -   | -   |
| 6 Mr. Prasanna Fernando                                       | -   | -   |
| 7 Mr. Joseph Felix Fernandopulle                              | 107,623   | 107,623   |
| 8 Mr. Shiron Gooneratne (appointed w.e.f. 13th November 2019) | -   | -   |

## Listed Debentures

Details regarding the listed debentures are as follows.

Three types of Rated Unsecured Redeemable Debentures were issued on 7th May 2014 and subsequently listed on 23rd May 2014. The Type A,B and C debentures were redeemed on 16th May 2017, on 16th May 2018 and on 16th May 2019 respectively.

## Debentures traded during financial year as of 31st March 2020

|        | No. of Transactions | No. of Debentures Traded | Highest Price (Rs.) | Lowest Price (Rs.) | Last Traded Price (Rs.) | Value of Debentures Traded (Rs.) |
|--------|---------------------|--------------------------|---------------------|--------------------|-------------------------|----------------------------------|
| Type C | 2                   | 10,000                   | 99.50               | 99.50              | 99.50                   | 995,000                          |

## Ratios

|                   | 31.03.2020 | 31.03.2019 |
|-------------------|------------|------------|
| Debt/Equity Ratio | 3.12       | 4.99       |
| Quick Asset Ratio | 0.72       | 0.98       |
| Interest Cover    | 2.36       | 3.14       |

## Freehold Land & Buildings

| Owning Company                                       | Location               | Land in Perches | Building in (Sq. Ft) | No. of Buildings | Market Value 2020<br>Rs. Mn |
|--|------------------------|-----------------|----------------------|------------------|-----------------------------|
| Richard Pieris & Company PLC                         | Hyde Park Corner       | 783             | 85,000               | 2                | 14,037                      |
|  | Maharagama             | 1,773           | 289,509              | 10               | 3,114                       |
| RPC Real Estate Development Company (Pvt) Limited    | Kandy                  | 162             | 52,500               | 1                | 960                         |
| Arapico Industrial Development Company (Pvt) Limited | Mattegoda              | 1,112           | 149,700              | 1                | 607                         |
|  | Siyambalagoda          | 467             | 57,130               | 1                | 250                         |
| Richard Pieris Distributors Limited                  | Maharagama             | 183             | 28,726               | 1                | 506                         |
|  | Moratuwa               | 85              | -                    | -                | 83                          |
|  | Mulleriyawa            | 192             | -                    | -                | 7                           |
|  | Matara                 | 362             | 38,000               | 1                | 499                         |
|  | Panadura               | -               | 18,800               | 1                | 88                          |
| RPC Retail Development (Pvt) Limited                 | Negambo                | 226             | 47,542               | 1                | 514                         |
|  | Kadawatha              | 99              | 21,850               | 1                | 374                         |
|  | Wattala                | 101             | -                    | -                | 158                         |
|  | Kelaniya               | 102             | -                    | -                | 64                          |
| Arimalls Development (Pvt) Limited                   | Dehiwala               | 166             | 44,616               | 1                | 646                         |
|  | Battaramulla           | 124             | 67,134               | 1                | 722                         |
| Plastishells Limited                                 | Mattegoda              | 340             | 45,825               | 2                | 50                          |
|  | Dambulla               | 284             | 12,494               | 1                | 28                          |
| Araptech (Pvt) Limited                               | Horethuduwa            | 488             | -                    | -                | 32                          |
|  | Kudamaduwa             | 104             | -                    | -                | 10                          |
|  | Mattegoda              | 514             | 143,200              | 2                | 52                          |
| Richard Pieris Exports PLC                           | Ja-Ela                 | 640             | 73,190               | 5                | 273                         |
| Micro Minerals (Pvt) Limited                         | Bandaragama            | 320             | 16,800               | 1                | 42                          |
| Richard Pieris Tyre Company Limited                  | Kurunagala             | 413             | 22,566               | 1                | 74                          |
| Arepidag International (Pvt) Limited                 | Maharagama             | 80              | 10,040               | 1                | 102                         |
| RPC Plantation Management Services (Pvt) Limited     | Panadura               | 333             | 10,760               | 1                | 456                         |
| Richard Pieris Finance PLC                           | Chilaw                 | 172             | -                    | -                | 22                          |
|  | Nattandiya             | 160             | 1,021                | 1                | 3                           |
|  | Mahawewa               | 38              | -                    | -                | 2                           |
|  | Chilaw                 | 76              | 17,487               | 1                | 145                         |
|  | Chilaw                 | 30              | -                    | -                | 17                          |
|  | Chilaw - Bazaar Street | 10              | 2,335                | 1                | 33                          |
|  | Elpitiya               | 40              | -                    | -                | 3                           |
| RPC Properties (Pvt) Limited                         | Polgasovita            | 1,047           | -                    | -                | 507                         |
|  | Maskeliya              | 7,629           | -                    | -                | 55                          |
|  | Mattegoda              | 529             | 88,000               | 3                | 293                         |
|  | Kiribathgoda           | 292             | -                    | -                | 179                         |
|  | Boraluwewa             | 1,623           | -                    | -                | 18                          |
|  | Kiribathgoda           | 28              | -                    | -                | 60                          |

## Leasehold Land &amp; Buildings

| Owning Company | Land in Hec | Building in (Sq.Ft) |
|----------------|-------------|---------------------|
|----------------|-------------|---------------------|

**(A) Leasehold Land of Plantations**

|                            |        |           |
|----------------------------|--------|-----------|
| Maskeliya Plantations PLC  | 10,561 | 7,112,890 |
| Kegalle Plantations PLC    | 9,757  | 3,507,810 |
| Namunukula Plantations PLC | 11,779 | 4,585,874 |

|  | Location | Land in Per | Building in (Sq.Ft) |
|--|----------|-------------|---------------------|
|--|----------|-------------|---------------------|

**(B) Leasehold Land of other subsidiaries**

|  |             |        |         |
|--|-------------|--------|---------|
| Plastishells Limited                       | Koggala     | 160    | 4,027   |
| Arpitech (Pvt) Limited                     | Pallekale   | 160    | 4,211   |
|  | Matara      | 342    | 36,980  |
|  | Polgahawela | -      | 32,260  |
|  | Dampe       | 12,782 | -       |
| RPC Polymers (Pvt) Limited                 | Horana      | 1,392  | 78,339  |
| Arpitalian Compact Soles (Pvt) Limited     | Biyagama    | 655    | 36,884  |
| Richard Pieris Natural Foams (Pvt) Limited | Biyagama    | 1,091  | 126,508 |
| Richard Pieris Tyre Company Limited        | Pallekale   | 252    | 34,936  |
|  | Weligama    | 432    | 9,030   |
|  | Polonnaruwa | 540    | 27,185  |
| BGN Industrial Tyre (Pvt) Limited          | Horana      | 320    | 21,668  |
| Richard Pieris Distributors Limited        | Kegalle     | 215    | 60,900  |

## A

### Associate Company:

An entity over which the investor has significant influence.

AWPLR

Average Prime Lending Rate published periodically by the Central Bank of Sri Lanka.

## C

### Current Ratio:

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

## D

### Debt to Equity Ratio:

Total interest bearing borrowings as a percentage of shareholder's funds and non-controlling interest.

### Deferred Taxation:

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

### Diluted Earnings Per Share (DPS):

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for the effects of all dilutive potential ordinary shares.

### Dividend Cover:

Profit attributable to ordinary shareholders divided by 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 issue as at the balance sheet date.

### Dividend Payout:

Dividends paid or declared during the period as a proportion of company earnings for the period.

### 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)

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

### 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 & amortisation.

### Effective Tax Rate:

Tax expenses divided by profit before tax.

## G

### Gearing Ratio:

Proportion of net interest bearing liabilities to total capital employed.

### Gross Dividend:

Portion of profits inclusive of tax withheld, distributed to shareholders during the year.

## I

### Interest Cover:

Profit before finance cost & tax (PBIT) divided by net finance cost. Measure of entity's debt service ability.

### Investment Property:

Property held to earn rentals or for capital appreciation or both, rather than for;

- Use in the production, supply of goods or services or for administrative purposes.
- Sale in the ordinary course of business

## M

### Market Capitalization:

Number of shares in issue at the end of the period multiplied by the market price at the end of the period

## N

### Net Assets

Total assets after deducting current liabilities, long term liabilities & non-controlling interests

### Net Assets per Share:

Total Equity less the Minority interest divided by total number of ordinary shares outstanding as at the balance sheet date. A basis of relative share valuation

### NSA

#### Net Sales Average

Average sale price obtained (over a period of time, for a kilo of produce) after deductions such as brokerage, etc.

**Non-Controlling Interest:**

The equity in a subsidiary not attributable directly or indirectly, to a parent

**P****PBIT**

Profit before interest & tax inclusive of other operating income

**Price Earnings Ratio:**

Market price of a share divided by earnings per share as reported at that date. A key multiple for relative share valuation.

**Price to Book Value:**

Market price of a share divided by net assets per share. A key multiple for relative share valuation.

**Public Shareholding:**

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

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

**R****Related Parties:**

Parties or Entities that is related to the entity that is preparing its financial statements.

**Return on Total Capital Employed:**

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

**Return on Equity:**

Profit attributable to equity holders of the parent expressed as a percentage of average ordinary shareholders' fund for the period.

**Revenue Reserves:**

Reserves considered as being available for distributions.

**S****Segmental Analysis:**

Analysis of financial information to segments of an enterprise specifically, the different industries and the different geographical areas in which it operates.

**Shareholders' Fund:**

Stated capital plus revenue reserves and other components of equity.

**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:**

An entity that is controlled by another entity.

**T****Total Capital Employed:**

Total equity plus net interest bearing borrowings

**V****Value Addition:**

The quantum of wealth generated by the activities of the Group measured as the differences between net revenue (including other income) and the cost of materials and services bought in.

**W****Working Capital Investment:**

Capital required for financing the day-to-day operations computed as current assets exclusive of liquid funds and interest earning financial receivables less operating liabilities.

# CORPORATE INFORMATION

## **Name of the Company**

Richard Pieris and Company PLC

## **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 Yaddhegige - *Chairman/Managing Director/ CEO*

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

Mr. S.S.G. Liyanage - *Director*

Mr. Shaminda Yaddhegige - *Director/COO*

Dr. Jayatissa De Costa P.C. - *Director*

Mr. Prasanna Fernando - *Director*

Mr. Joseph Felix Fernandopulle - *Director*

Mr. Shiron Gooneratne - *Director - Appointed w.e.f. 13th November 2019*

## **Head/Registered Office**

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

Telephone : + (94) 114310500

Fax : + (94) 114310777

Website : [www.arpico.com](http://www.arpico.com)

E-mail : [cpu@arpico.com](mailto: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.

## **Bankers**

Bank of Ceylon

Commercial Bank of Ceylon

Deutsche Bank AG

DFCC Bank

Hatton National Bank

Hongkong and Shanghai Banking Corporation

Indian Bank

Nations Trust Bank

National Development Bank

Pan Asia Banking Corporation

People's Bank

Sampath Bank

Seylan Bank

Standard Chartered Bank

State Bank of India

Indian Overseas Bank

Union Bank of Colombo

Cargills Bank

Muslim Commercial Bank

HDFC Bank

## **Legal Advisors**

### **Nithya Partners**

Attorneys-at-Law,

No. 97A, Galle Road, Colombo 3, Sri Lanka.

