



RENUKA SHAW WALLACE PLC  
ANNUAL REPORT 2014

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## Profile

Renuka Shaw Wallace PLC is an integrated Food & Beverage organisation listed on the Colombo Stock Exchange.

Engaged in the business of Agri Food Exports, Dairy and FMCG, Renuka operates six factories, nine processing centres, two plantations, an out-grower network exceeding 7000 farmer families, a state-of-the-art warehouse and a logistics centre. Renuka exports to 61 countries and locally distributes to 65,000 grocery outlets island-wide as well as to hotels, restaurants and catering establishments among others.

## Vision

To be a leading Sri Lankan food & beverage company, making everyday delicious.

## Culture and Values

Renuka's culture reflects more than a structure, it is a statement of values. Our commitment to a Responsive, Enterprising, Nurturing, Unrelenting, Knowledgeable and Accountable workplace enables us to build relationships with clients and with colleagues, on honesty and trust. It drives our ability to deliver great products and services and to generate superior long-term financial performance for our shareholders.



RESPONSIVE  
ENTERPRISING  
NURTURING  
UNRELENTING  
KNOWLEDGEABLE  
ACCOUNTABLE



## OUR PORTFOLIO

### Ceylon Tea

Renuka Teas (Ceylon) (Pvt) Ltd manufactures and exports Ceylon Tea-Black, Green, Flavoured and Herbal teas in bulk, packets, tea bags and speciality packaging.

### Coconut and Organic Products

Renuka Agri Foods PLC is listed under the food and beverage sector of the Colombo Stock Exchange. It manufactures and markets a range of premium coconut based food & beverages in both conventional and organic forms to over 61 countries. Renuka Organics (Pvt) Ltd is the administrator for Organic Certified products and Kandy Plantations Ltd owns the Organic plantations.

### Dairy

Richlife Dairies Ltd manufactures dairy based products such as fresh and flavoured milk in UHT tetra packs, plastic bottles, pasteurized plastic sachets, dairy cream, semi solid milk food such as set yoghurt, flavoured yoghurt, fruit based yoghurt, drinking yoghurt, curd and ghee.

### FMCG

Shaw Wallace Ceylon Ltd is one of Sri Lanka's oldest firms in the forefront of the distribution business for over a century and today is a leader in the FMCG (Consumer) sector.

Our fast moving Consumer Foods portfolio primarily focuses on Food & Beverage. Our brands are household names in Sri Lanka occupying market leadership positions.

# Our Brands



## RENUKA

Renuka Coconut products such as Coconut Milk Powder, Coconut Milk in cans, Desiccated Coconut, Creamed Coconut, Coconut Water and Virgin Coconut oil are manufactured at our very own state of the art factories using the best "A" Grade handpicked coconuts from our best plantations. We are the premier Sri Lankan manufacturer and exporter of Coconut based food products and beverages to over 61 countries around the world and also distributing to over 50,000 outlets throughout Sri Lanka. All our products are manufactured under world class standards in ISO 22000 and BRC certified factories.



## COCOMI BIO

Cocomi Bio Organic is the exclusive brand of organic coconut products which are all 100% organic certified. The range includes a variety of coconut products including dairy free, vegan friendly products such as drinking coconut milk. Cocomi Bio organic coconut water is also one of the few brands of organic certified coconut water available around the world. All this combined brings one of the most extensive and exciting range of organic products available.



## RICHLIFE

The Richlife dairy liquid range varies from Ultra-Heat Treated (UHT) non-flavoured milk, UHT flavoured milk, pasteurized non- flavoured milk and pasteurized flavoured milk which comes in different packaging formats such as tetra packs, bottles and sachets. The cultured product range comprises of set yoghurt, natural fruit yoghurt, drinking yoghurt, curd and valued added curd. Richlife Dairies also produces fresh dairy cream and ghee. Richlife was the first brand to introduce pure cows' milk packed in user friendly tetra packs to the local market more than a decade ago. Since then it continues to be the innovator of milk based liquid and semi-solid products.



## RENUTE

The Renute exclusive tea range consists of teas selected from the finest gardens in the highlands of Sri Lanka. This brand includes black teas, exotic flavour blends, fruit teas, herbal infusions and green teas. Based on client requirements we have a rich experience in providing similar or custom oriented blends catered to our consumer's tastes and preference.



## CAPTAIN

The brand name of Captain is a well known and trusted brand among Sri Lankan consumers. As the market leader, Captain has won the hearts and minds of customers by delivering quality Jack Mackerel from the South American seas to Sri Lankan customers for many number of years. The brand Captain has now also expanded to other food products such as Captain Soya Meat in sachets.



## PLAZA

Plaza caters to the masses of Sri Lanka where it belongs to the more affordable & high quality segment of canned fish. It comes in a range of pack sizes based on the buyers' convenience. Plaza canned fish is enriched in Omega 3 and is extremely convenient to use. Plaza Mackerel adds goodness to all kinds of preparations while ensuring its natural taste.



## MR. POP

Mr. POP is a nationally renowned extruded snack brand, in Original, Cheese, Cheese and Onion, BBQ, Chilli and Pizza flavours. With growing plans for the snacks category, the group hopes to extend the product offerings of Mr. POP through innovation.



## SUN-GOLD

Sun-Gold Burst is a brand in Sri Lanka for fruit flavoured drink mixes. It comes in the amazing fruity tastes of Orange, Mango, Apple & Mixed Fruit with the ease of preparation. It's loved by consumers across all ages simply due to the remarkable taste and ease of use, at any time of the day. Sun- Gold Cheers is the ready to drink brand of fruit drinks. Aseptically packed in 200ml tetra packs in a range of exciting flavours such as mixed fruit, Mango, Pineapple and Wood apple.

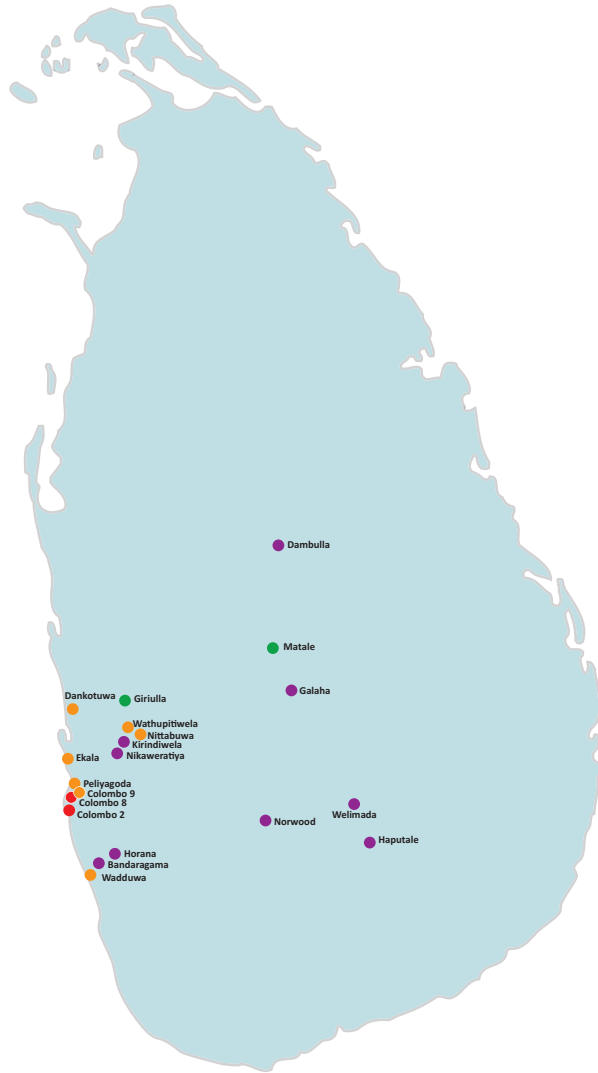


## RAINERS

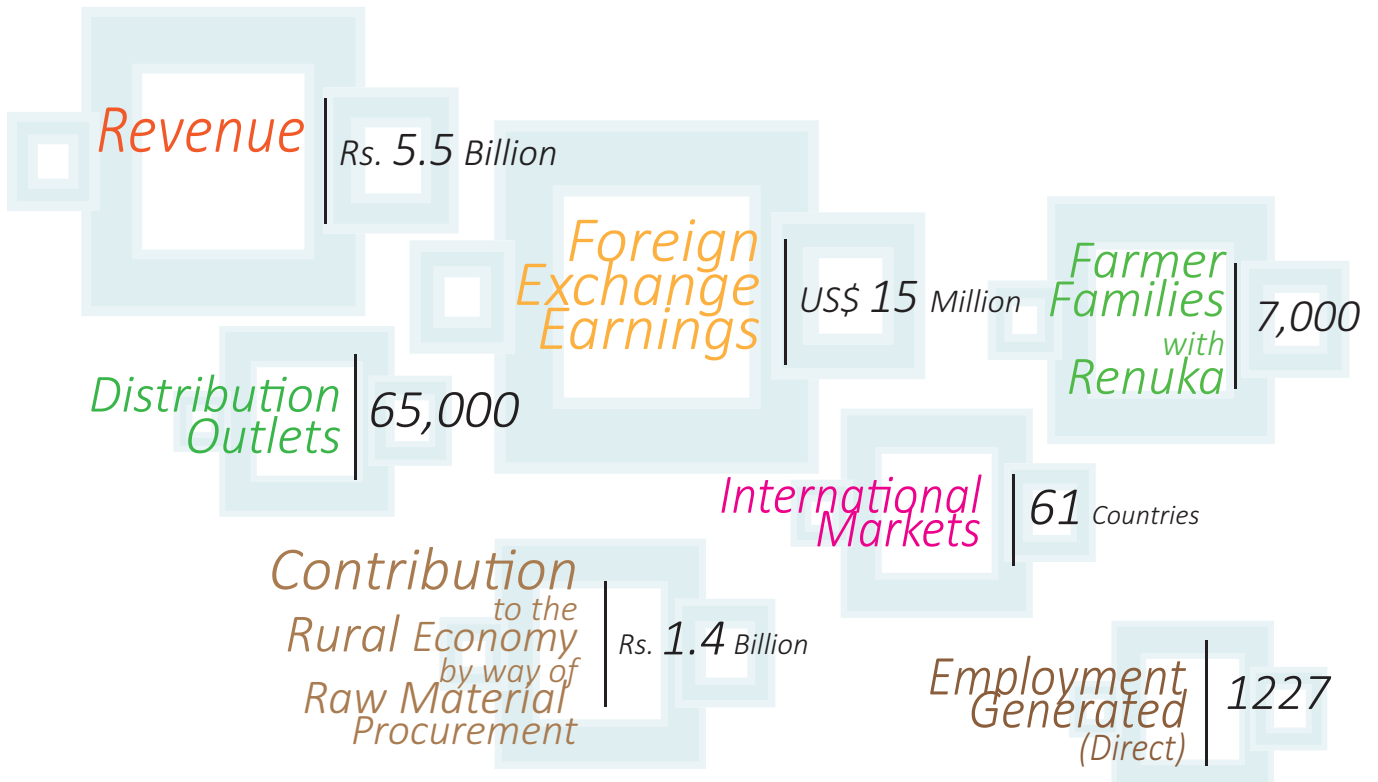
The brand name of Rainers is well-known & trusted by Sri Lankan consumers. It provides various combinations of colouring & essences to make colourful & delicious food at your home. Rainers offer a comprehensive range of food colours, which are water soluble that are formulated under hygienic conditions. Rainers colouring & essences are often used in preparing cakes, puddings and other delicious dishes, and has been the preferred choice for over 50 years.

## OUR LOCATIONS

- Offices
- Factories & Warehouses
- Collection & Processing Centers
- Plantations

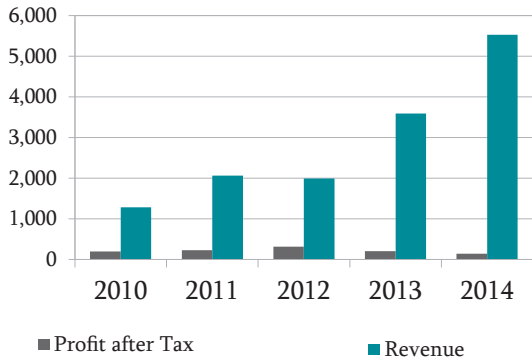


## AT A GLANCE

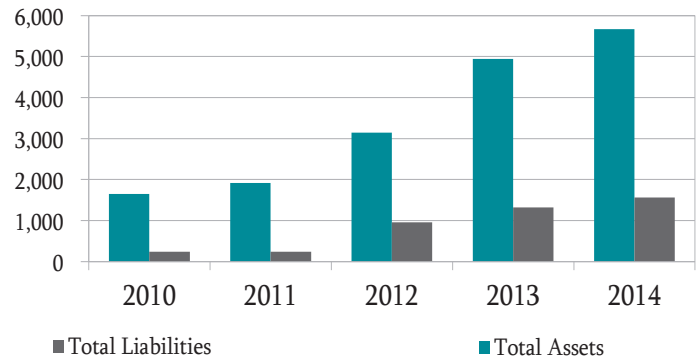


# FINANCIAL HIGHLIGHTS

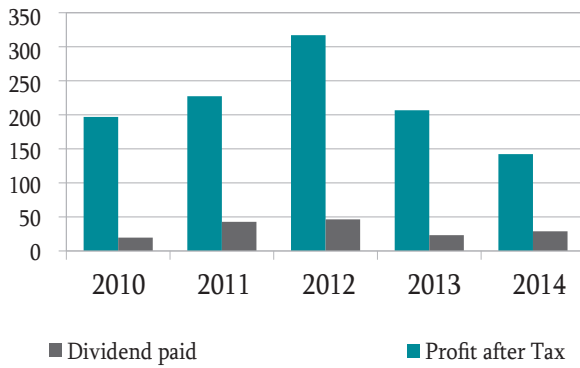
## Group Revenue & Net Profit After Tax



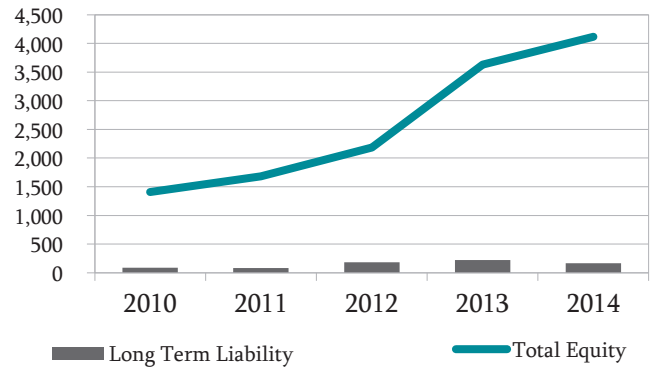
## Total Group Assets & Liabilities



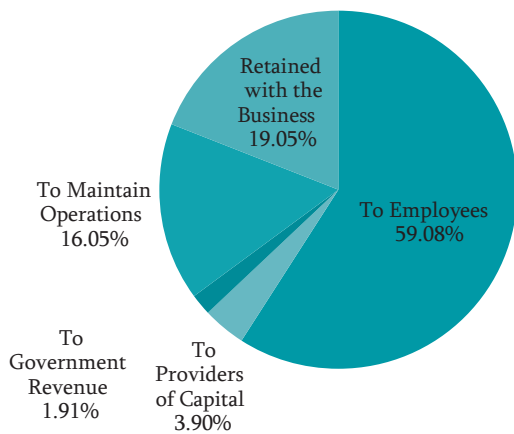
## Profit After tax & Dividend



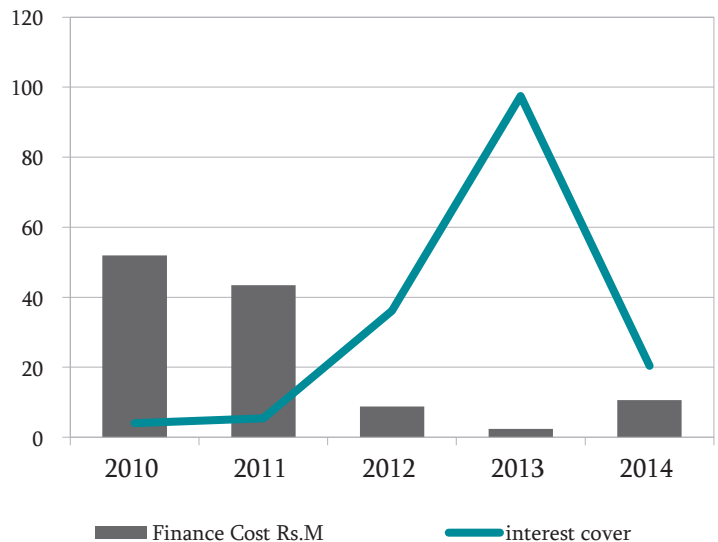
## Total Equity & long Term Liability



## Value Added Distribution



## Finance Cost & Interest Cover



# PROFILE OF THE DIRECTORS

## Dr S. R. Rajiyah

Dr S.R. Rajiyah is the Executive Chairman of the Company. He is also the Chairman of Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd, Executive Director of Richlife Dairies Ltd and the Managing Director of Renuka Group. He is a medical doctor qualified in Sri Lanka and counts over 37 years of corporate experience in operations, quality management, research and development as well as in founding and running businesses.

## Mrs I.R. Rajiyah

Mrs. I.R. Rajiyah is the Executive Deputy Chairperson of the Company. She is qualified in Business Studies from the United Kingdom and is a fellow of the British Institute of Management. She counts over 37 years of corporate experience in founding and running businesses. She was presented with the Best Woman Exporter Award in 2009 by the National Chamber of Exporters Sri Lanka. She is also the Chairperson of Renuka Holdings PLC and Executive Director of Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and several unlisted companies.

## Mr S. V. Rajiyah

Mr. S.V. Rajiyah is an Executive Director of the Company. He is also a Director of Renuka Holdings PLC, Shaw Wallace Ceylon Ltd, Renuka Agri Foods PLC and Richlife Dairies Ltd. He heads the Business Development, International Marketing and Investment Division of the Group. Mr. Rajiyah is a graduate in Management from the Warwick Business School, University of Warwick, United Kingdom. His direct interests include corporate strategy, key product and brand development and portfolio management. He has over 13 years of experience in General Management. He is a member of the Young Leaders Steering Committee of the Ceylon Chamber of Commerce and a member of the Economic Fiscal Policy Planning Committee of the Ceylon Chamber of Commerce.

## Mr M. S. Dominic

Mr. M.S. Dominic is an Independent Non- Executive Director and holds a BSc Hons degree in Information Technology from the University of South Bank, United Kingdom. He has over 27 years of experience in the Information Technology field. He is also Director of The Autodrome PLC & Renuka Holdings PLC.

## Ms A.L.Rajiyah

She is an Executive Director of the Company and holds a BSc (Hons) Accounting and Finance degree from the University of Warwick and MSc Law and Accounting from the London School of Economics.

She spent 3 years at the investment bank, Morgan Stanley in London where she was involved in the structuring of credit derivative products linked to European corporates. She subsequently joined Alcentra Limited (a subsidiary of Bank of New York Mellon Corporation) which is a USD 18 Bn asset management firm in London, where she was a Vice President involved in portfolio management, trading and investing in credit derivative products for Alcentra's structured products platform. She is an Executive Director of Renuka Holdings PLC and Renuka Agri Foods PLC.

## Mr S. Vasantha Kumara

Mr S. Vasantha Kumara is an Executive Director of the Company. He holds a Bachelor of Engineering Degree from the Mangalore University. He counts over 27 years' of industrial work experience, out of which, 16 years have been with the Renuka Group of Companies. He has extensive experience in supply chain management and overall general management functions. He is Chief Executive Officer of Renuka Agri Foods PLC and Executive Director of Shaw Wallace Ceylon Ltd & Richlife Dairies Ltd.

## Mr C. J. De S. Amaratunge

Mr. C.J.De.S. Amaratunge is an Independent, Non Executive Director of the Company. He is an Attorney at law and Notary Public and was called to Bar in 1967. He is the Senior Partner of M/s Dissanayake Amaratunge Associates, Attorney at Law, Notaries Public and Solicitors. He counts over 41 years' experience in all civil branches of the law including Commercial Corporate Conveyancing and Litigation and Conveyancing. He is the Chairman of Richlife Dairies Ltd and serves as a Director on several boards of both private and public companies.

## Mr L.M. Abeywickrama

Mr. L.M. Abeywickrama is an Independent Non Executive Director of the company. He is a Management consultant and trainer with over 26 year's management experience in the private sector both Sri Lanka and Overseas. He holds a Bachelors Degree in Science from the University



## PROFILE OF THE DIRECTORS (Cont.)

of Colombo, a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing UK and MBA from the American University Washington DC. He is a fellow of the Chartered Institute of Marketing and a past chairman of the CIM Sri Lanka region. He serves as a non-Executive Director on the Board of Renuka Holdings PLC and Renuka Agri Foods PLC.

### **Mr T.K. Bandaranayake**

Mr. T.K. Bandaranayake is an Independent Non-Executive Director of the Company. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He was in public practice with Ernst & Young for 27 years since 1982. He was a Senior Partner managing a large portfolio of clients. He is also a Director of Renuka Holdings PLC, Nawaloka Hospitals PLC, Overseas Realty (Ceylon) PLC, Samson International PLC, Laugfs Gas PLC, Central Finance Co. PLC, Harischandra Mills PLC, Micro Holdings Ltd.

### **Dr J. A. S. Felix**

Dr John Anthony Shivaji Felix was awarded L. L. B. (Honors) degrees by the University of Colombo and the University of London in 1994. Attorneys-at-Law with first class honors in 1995 and was admitted and enrolled as an Attorneys-at-Law of the Supreme Court of Sri Lanka in 1996. He was elected an Associate Fellow of the Society for Advanced Legal Studies of the University of London. He holds a Ph. D. degree by the University of London. He is a Fellow of the Sri Lanka Institute of Taxation (FTII) and a Fellow of the Royal Society of Arts, London (FRSA).

He is a member of the Taxes Committee, the Human Rights Law Committee and the Public Law Committee of the International Bar Association.

# CHAIRMAN'S REVIEW

It is with great pleasure that I welcome all of you, our valued shareholders, to the 24th Annual General Meeting of Renuka Shaw Wallace PLC and present to you the Annual Report and Audited Financial Statement for the year ended 31st March 2014.

## Our Performance

It is with satisfaction that I note that the Group's total revenue has reached hit a record high of Rs 5.5 Bn despite a challenging year. The year 2013/14 results show that your company has progressed ever further, laying the foundation for future growth in the bottom line in the years to come. We have recorded a total comprehensive income of Rs 144.5 million for the Group and during the current financial year total assets increased to Rs 5.7 billion while total equity stood at Rs 4.1 billion. While the overall group results for the year are below expectations, this was due to increased advertising and promotional cost being an investment for the future.

## Our business portfolio

The Agri business sector which consists of coconut and tea recorded a turnover of Rs 1,951 million. Currently exporting to 61 countries, our dedicated International Marketing division individually caters to client segments ranging from Ingredient manufacturers, Supermarket chains, Private label clients and distributors in conventional and Organic form. Our tea exports continue to serve a niche clientele who have been with us over many years and plans are underway to capitalize on the growth of this segment as well through more value addition.

Our dairy sector recorded a turnover of Rs 1,342 million and continues to add value to the local dairy industry through its dedicated sales channel. Total national milk production increased by 6.8 percent to 319.8 million liters in 2013 against a 16.9 percent decline imports in milk powder imports. The government continued its support for the dairy industry by providing duty free imports of machinery to aid the manufacture of dairy based products. The Agri sector (Agri Food exports and Dairy) combined has resulted in foreign exchange earnings of US\$ 13 million and contributing Rs 1.24 billion to the rural economy by way of raw material procurement.

The FMCG sector represented by Shaw Wallace Ceylon Ltd (SWCL) recorded a turnover of Rs 2,231 million which continued to grow amidst a host of challenges in the Sri Lankan market. The group partnered with Fiji based CJ Patel and company Ltd through the sale of a 42.2% stake. CJ Patel group is headquartered in Fiji and operates across 10 countries. The group's operations include manufacturing noodles, confectioneries, snacks, dairy, fish and distribution of International brands. The company has also commenced exports of products such as Captain canned fish and Plaza Mackerel which are highly sought after by Sri Lankans living overseas.

## Our Brands

Our Portfolio of national brands such as Renuka, Richlife, Captain, Plaza, Mr. Pop, Sun Gold, Plaza and Rainers have been featured on brands annual listings regularly. We also have embarked actively in brand development overseas through Cocomi Bio Organic; an exclusive and comprehensive brand launched recently catering to the Organic and health segment in developed markets.

## Acknowledgement

I wish to express my sincere gratitude to my fellow Directors on the Board for their support, and to my other colleagues in the Group who have worked tirelessly to add to shareholder value, and to all employees for their dedication and commitment. I also extend my gratitude to the shareholders and all other stakeholders for the support and confidence placed in us.

Sgd.

Dr. S.R. Rajiyah  
Chairman  
27th August 2014

# CORPORATE GOVERNANCE

Renuka Shaw Wallace PLC is the holding company of Renuka Agri Foods PLC and its subsidiary Renuka Consumer Foods Ltd.

## Responsibilities of the Board

The Board is responsible to:

- Provide direction and guidance to the Company
- Enhance shareholder value
- Ensure all stakeholder interests are considered in corporate decisions
- Formulate and communicate business policy and strategy to assure sustained growth and to monitor its implementation.
- Approve any change in the Group's business portfolio and sanction major investments and disinvestment in accordance with parameters set
- Ensure effective remuneration, reward and recognition policies are in place to help employees give of their best
- Promote an organizational culture that encourages ethical conduct.
- Set and communicate values and standards, with adequate attention being paid to accounting policies and practices.
- Ensure effective information, control, risk management and audit systems are in place
- Ensure compliance with laws and ethical standards
- Review and approve annual budgets and monitor performance
- Adopt annual and interim results before publication.

## Composition and attendance at meetings

The Board of Directors, Audit committee and Remuneration committee meet quarterly to discharge its duties effectively. The table below shows the attendance of Directors to the Board meetings and committee meetings.

	<b>Name of Director</b>	<b>Board Meeting</b>	<b>Audit Meeting Committee</b>
1.	Dr S.R.Rajiyah	4/4	-
2.	Mrs I.R.Rajiyah	3/4	-
3.	Mr S.V.Rajiyah	4/4	-
4.	Ms A.L.Rajiyah	4/4	-
5.	Mr S.Vasanthakumara	3/4	-
6.	Mr C.J.De.S.Amaratunge	4/4	3/4
7.	Mr T.K.Bandaranayake	4/4	4/4
8.	Mr L.M.Abeywickrama	2/4	-
9.	Mr M.S.Dominic	3/4	-
10.	Dr J.A.S.Felix	4/4	4/4

# CORPORATE GOVERNANCE (Cont.)

## Board Balance

The Board as at the date of this statement consists of ten members of which five members are Non-Executive Directors and five are Executive Directors. All Non Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

There is a Board balance and complies with the independent Directors criteria set out under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience which is vital for the successful direction of the Group. A brief profile of each Director is presented on page 6 to 7.

There is a distinct and clear division of responsibilities between the Chairman and the Management to ensure that there is a balance of power and authority. The roles of the Chairman and the Management are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Management has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions.

## Company Secretary

The services and advice of the Company Secretary are made available to Directors as necessary. The Company Secretary keeps the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

## Supply Of Information

The Directors are provided with quarterly reports on performance, minutes of quarterly meetings and such other reports and documents as are necessary. The Chairman ensures all Directors are adequately briefed on issues arising at Meetings.

## Re-Election Of Directors

The provision of the Company's Articles of Association requires that one third of the Non Executive Directors retire at each Annual General Meeting and the Directors who retire are those who have served for the longest period after their appointment/re-appointment.

## Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing year, capital expenditure requirements facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

## Internal Control

The Board is responsible for the company's internal controls and for reviewing their effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

## Communication With Stakeholders

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Group considers as its principal communication with them and other stakeholders. These reports are provided to the Colombo Stock Exchange.

## Board Committees

To assist the Board in discharging its duties various Board Committees are established. The functions and terms of references of the Board Committee are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance.

## Audit Committee

The Audit Committee reviews issues of accounting policy and presentation for external audit function and ensures that an objective and professional relationship is maintained with the external auditors. Its principal function is to assist the Board in maintaining a sound system of internal control. The Committee has full access to the external auditors who, in turn, have access at all times to the Chairman of the Committee. The

## CORPORATE GOVERNANCE (Cont.)

Committee meets with the external auditors without any executive present, at least once a year, in line with good corporate governance practice.

The report of the Audit Committee is presented on page 12 to 13 and the duties of the Audit Committee are included therein.

### Remuneration Committee

The Remuneration Committee is responsible for developing the Groups remuneration policy and determining the remuneration packages of executive employees of the Group. The Committee recommends to the Board and its subsidiaries the remuneration to be paid to key Management Personnel.

### Corporate Governance Disclosure

The Company has published quarterly financial statements with the necessary explanatory notes as required by the Rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non financial information, which is price sensitive or warrants the shareholders and stakeholder's attention and consideration, is promptly disclosed to the public.

### Major Transactions

There are no transactions during the year under review which fall within the definition of 'Major Transaction' in terms of the Companies Act, except disclosure in this report.

# AUDIT COMMITTEE REPORT

In keeping with the Code of Best Practice on Corporate Governance and the requirements of the Securities and Exchange Commission for Public Limited Companies, Renuka Shaw Wallace PLC has established an Audit Committee whose functions, authority and duties have been clearly identified in the Audit Committee Charter. This Charter integrates all the requirements of the Securities and Exchange Commission and Code of Best Practice on Corporate Governance.

The role of the Audit Committee is to oversee the financial reporting systems of the Company with a view of safeguarding the interests of all the stakeholders and ensuring that it has been extended to its subsidiaries. This includes selecting and applying appropriate accounting policies for the purpose of financial reporting, ensuring sound internal control principles and its effective implementation, ensuring the integrity of Financial Statements and maintaining an appropriate independent relationship with the Company's Auditors.

## Formation and Composition of the Committee

The Audit Committee was established by the Board with a formal and transparent arrangement and the committee comprises of three Independent Non-Executive Directors.

1. Mr T.K.Bandaranayake
2. Mr C.J.De.S.Amaratunge
3. Dr J.A.S.Felix

The Chairman of the Audit Committee is:

Mr Tissa K.Bandaranayake, who is an Independent Non-Executive Director, a fellow member of The Institute of Chartered Accountants of Sri Lanka and a former Senior Partner of Messrs Ernst & Young, Chartered Accountants with expert knowledge in Accounting and Finance.

## Duties and Responsibilities

In brief, the duties and responsibilities performed by the Audit Committee are as follows:

## External Audit

- ❖ Recommending the appointment of external auditors of Renuka Shaw Wallace PLC for each financial year.
- ❖ Examine any non-audit work performed by the Auditors and the fees thereon to ensure that their objectivity and independence is not impaired
- ❖ Reviewing the scope and result of the audit and its effectiveness
- ❖ Discussing with the External Auditors before commencement of the audit and at the conclusion of the audit, in relation to audit plan, key audit issues and their resolution, management responses and recommending to the Board and the remuneration of the auditors.

## Compliance with Laws and Regulations and Company Policies

- ❖ Reviewing the extent of compliance with the laws of the country, Governmental regulations, listing rules and established policies of the Company.

## Internal Controls

- ❖ Ensuring that the companies internal controls and risk management practices are adequate to meet the requirements of the Sri Lanka Auditing Standard, and are being duly performed.

## Risk Management

- ❖ Reviewing and discussing the business risk management processes and procedures adopted by the Group to manage and mitigate the effects of such risks and measures taken to minimize the impact of such risks.
- ❖ Monitoring the policies and practices related to risk management
- ❖ Obtaining statements of business risks, evaluating the severity the process in place for the management of these risks and persons responsible for the management of risks within specified time frames.

# AUDIT COMMITTEE REPORT (Cont.)

## Financial Statements

- ❖ Ensuring proper standardized updated systems for financial reporting
- ❖ Holding of meetings with the Head of Finance to ensure proper controls and segregation of duties to minimize risks.
- ❖ Reviewing Company's quarterly unaudited and annual Audited Financial Statements and making recommendations to the Board for their approval and release.

## Meetings

The Audit Committee held four meetings during the year under review. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

The Chairman of the Audit Committee has been empowered to convene regular meetings with the Financial Controller, sectional Heads and Company's external auditors, separately and periodically as deemed necessary.

## Evaluation of the Effectiveness of the Committee

The Board reviews and updates the Committee Charter annually according to the changes in business operations of the organization. The minutes of the meetings and other reports from the Audit Committee are submitted to the Board of Directors.

Sgd

Mr Tissa K.Bandaranayake

Chairman

27th August 2014

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Renuka Shaw Wallace PLC is the same committee of the ultimate parent Renuka Holdings PLC consists of three Non-Executive Directors and the Managing Director may also be invited to join in the deliberations as required.

The members are:

1. Mr. C.J.De.S. Amaratunga
2. Mr. M.S. Dominic
3. Mr. L.M. Abeywickrama

The Committee studies and recommends the remuneration and perquisites applicable to the Key Management personnel of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval.

The Group policy on remuneration packages is to attract and retain the best professional managerial talent to the Group and also to motivate and encourage them to perform at the highest possible level. The Group has a structure and professional methodology in evaluating the performance of employees. The policy ensures equity and fairness between the various employees is

maintained, no discrimination is practiced on account of gender, age, ethnicity or religion, recognizes the basic needs of staff and ensures that compensation addresses cost of living and inflation, particularly in the lower income groups.

The Committee studies and recommends the remuneration and perquisites applicable to the Key Management Personnel of the Group and makes appropriate recommendations to the Board of Directors of the Company for approval.

The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions.

Sgd  
C.J.De.S.Amaratunga  
Chairman  
27th August 2014



# ENTERPRISE RISK MANAGEMENT

Risk management is an integral part of our business, since balancing risks against returns is a critical trade off decision we have to make every day when it comes to investment decision making. We have in place several measures to strengthen our risk management processes which are linked to our daily investment decisions. These include policies to mitigate business risks along with the upgrading of the support systems that enable easy monitoring and management risks.

We reviewed and refined our investment processes balancing rigor and consistency with responsiveness and flexibility. The aim was to lay a sound foundation to integrate our risk management activities as part and parcel of our operations.

## Business Risk

The business risk management is a dynamic process due to the constant change and complexity in the operating environment of the Group. The different business operations of the Group and their performance are subject to a variety of risk factors which are constantly monitored and evaluated by the management in order to respond effectively. The manufacturing facilities are maintained according to best international food manufacturing standards.

## Competitive environment

Our businesses are highly competitive. Failure to compete with competitors on areas including price, product range, quality and service would have an adverse effect on the Group's financial results. Hence we aim to have a broad appeal in price, range and format in a way that allows us to compete effectively in different markets.

## People capabilities

Our greatest asset is our employees. It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels of operations. We review our people and policies regularly and are committed to investing in development and incentives for our people. There are clear processes for understanding and responding to employees' needs through HR initiatives, and communication of business developments.

## Health and safety risks

The safety of our staff and customer is of paramount importance to us. We operate stringent health and safety processes in line with best practice in our manufacturing facilities, stores and offices.

## Internal controls

The Company maintains a system of internal controls designed to provide a high degree of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls, and compliance with applicable laws and regulations.

## IT systems and infrastructure

The business is dependent on efficient information technology (IT) systems. We recognize the essential role that IT plays across our operations in allowing us to trade efficiently through the implementation of effective IT solutions. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery, and all relevant staff is effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.

## Market Risk

In order to eliminate loss of market share or market leadership, we monitor market and customer needs and develop innovations that add value to our customers. We also enhance productivity and efficiency to improve price competitiveness and investing in high quality machinery and equipment.

## Product Risk

Product risk implies any negative effect of perceived impact of our product on stakeholders in general which could bring down our market share. We employ established operating procedures to review and approve all raw materials prior to use to ensure that quality control is maintained. We take into account safety, health and environmental hazards to cover all avenues of possible negative publicity. Our research and development team is equipped to field any technical questions about our product, whilst our marketing and distribution procedures ensure complete control of the supply chain.

## Legal compliance

The legal support service to Renuka Shaw Wallace PLC management comes through on legal department which ensures that the Renuka Shaw Wallace PLC complies with all legal and regulatory provisions applicable to it. The legal function proactively identifies and sets up appropriate systems and processes for legal and

## ENTERPRISE RISK MANAGEMENT (Cont.)

regulatory compliance in respect of all our investments. We also ensure legal and regulatory compliance in any foreign country that we have invested in or operate in, and in such instances through legal counsel retained in those environments. Similarly, the internal audit function of the Group ensures the safeguarding of company assets and recommends process improvements in areas where process control failures are noted.

### Regulatory Compliance

The operations of the Renuka Shaw Wallace PLC come within the rules and regulations applicable to all market participants operating in the equity and debt markets of Sri Lanka, as well as the regulatory provisions applicable to companies listed on the CSE and regulations applicable to securities trading set by the Securities and Exchange Commission of Sri Lanka.

### Operational risks

We manage operational risks by identifying areas of risk, formulating plans for their management, promoting best practices, implementing internal controls and systems and monitoring compliance. Operational risks mainly cover the areas of system failure, continuity of decision making, dealing with contingencies and ensuring efficiency in operations and correct application of recommended management practices.

### Financial Risk

Financial risk management obligations and policies have been described in the note No 44 of the notes to the Financial Statement.

### Issues Pertaining To Employees And Industrial Relationship

The Board of Directors reviews all the issues with regard to employees and Industrial Relation which affect the performance of the Group. Renuka Shaw Wallace PLC takes considerable amount of steps to ensure employees are satisfied at all the levels and their issues are addressed in order to retain talented employees. A well structured grievance handling system is in place to handle the grievance of employees at all levels. We also ensure proper industrial relationships with all the governmental agencies. There are no issues which affect the company's performance to be disclosed.

# REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Renuka Shaw Wallace PLC is pleased to present its Report and the Audited Financial Statements of the Company and its subsidiary ('the Group') for the financial year ended 31st March 2014.

The details set out herein provide the pertinent information required by the Companies Act No.07 of 2007, the Colombo Stock Exchange Rules and are guided by recommended best Accounting Practices.

## The Principal Activities of the Group and Structure

Renuka Shaw Wallace PLC is an investment trust. Companies within each sector and their principal activities are described on page 30 of the Annual Report. The financial statements of the Company and the Group which includes the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and notes to the Financial Statement for the year ended 31st March 2014 are given on page 23 to 66.

## Review of Business

The review of the performance during the year, with comments on financial results and future developments is contained in the Chairman's statement. These reports form an integral part of the report of the Directors.

## Financial Results

The company recorded a net profit of Rs 25Mn and Rs 142Mn at group level for the year. An abridgement of the performance is presented in the table below.

### For the year ended 31st March

	Group		Company	
	2014 Rs 000	2013 Rs 000	2014 Rs 000	2013 Rs 000
Total Comprehensive Income	144,513	206,379	25,397	78,202
Profit Attributable to Equity Holders	93,558	111,842	25,397	78,202

## Auditors Report

The Auditors report on the financial statement is given on page 22 of this Annual Report.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on page 29 to 39. There have been no changes in the accounting policies adopted by the Group during the year under review.

## Financial Statements

Financial statements of the Group comprises of Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity together with the accounting policies and notes to the Financial Statements for the year ended 31st March 2014 are set out in page 23 to 66.

## Statement of Directors' Responsibilities

The Statement of Director's Responsibilities for the Financial Statements is given on page 20.

## Board of Directors

The following Directors held office as at 31st March 2014. Brief profile of the current Directors are given in page 6 to 7 of the Annual Report.

Directors	Executive	Non Executive	Independent
Dr S.R.Rajiyah	√		
Mrs I.R.Rajiyah	√		
Mr S.V.Rajiyah	√		
Ms A.L.Rajiyah	√		
Mr M.S.Dominic		√	√
Mr T.K.Bandaranayake		√	√
Mr S.Vasanthakumara	√		
Mr C.J.De.S.Amaratunge		√	√
Mr L.M.Abeywickrama		√	√
Dr J.A.S.Felix		√	√

All Directors' held office during the entire year.

The following Directors; served as members of the Audit Committee and Remuneration Committee.

# REPORT OF THE BOARD OF DIRECTORS (Cont.)

## Audit Committee

1. Mr T.K.Bandaranayake
2. Mr C.J.De.S.Amaratunge
3. Dr J.A.S.Felix

## Remuneration Committee

1. Mr C.J.De.S.Amaratunga
2. Mr M.S.Dominic
3. Mr. L.M. Abeywickrama

## Directors' Interest

Directors' interests in contracts or proposed contract with the Company both direct and indirect are disclosed on page 57 to 58 of the Annual Report under related party transactions. The above discloses the transaction with entities where a Director either has control or exercise significant influence. These interests have been declared at Director's Meetings.

## Directors' interests in transactions and shares

The Directors have no direct or indirect interest in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interest in Ordinary shares of the Company.

As at 31st March	2014		2013	
	Voting	Non - Voting	Voting	Non - Voting
Dr S.R.Rajiyah	6,696	248	6,696	248
Mrs I.R.Rajiyah	1,214	44	1,214	44
Dr & Mrs I.R.Rajiyah (Jt)	4,488,590	6	4,488,590	6
Mr S.V.Rajiyah	955,135	5,714	955,135	5,714
Mr T.K.Bandaranayake	-	-	-	-
Mr C.J.De.S.Amaratunga	7,680	1,282	-	-
Mr L.M.Abeywickrama	-	-	-	-
Mr S.Vasanthakumara	-	-	-	-
Ms A.L.Rajiyah	-	-	-	-
Mr M.S.Dominic	-	-	-	-
Dr J.A.S.Felix	-	-	-	-

## Remuneration of Directors

Directors' remuneration, in respect of the Company for the financial year ended 31st March 2014 is given in Note 37 to the Financial Statements, on page 58.

## Recommendation for re-election

- (a) In terms of Article 28 (1) of the Articles of Association of the Company, Mr. L.M. Abeywickrama retires by rotation and being eligible, offers himself for re-election at the forthcoming Annual General Meeting
- (b) Mr. C.J. De S. Amaratunge who is above the age of 70 years and a notice of an Ordinary Resolution has been received from a shareholder pursuant to /Section 211 of the Companies Act No. 07 of 2007, for the re-appointment of Mr. C.J. De S. Amaratunge at the forthcoming Annual General Meeting, Notwithstanding the age limit of 70 years stipulation by Section 210 of the Companies Act No. 7 of 2007. The Directors recommend the adoption of the Ordinary Resolution.
- (c) Mr. T.K. Bandaranayake who is above the age of 70 years and a notice of an Ordinary Resolution has been received from a shareholder pursuant to / Section 211 of the Companies Act No. 07 of 2007, for the re-appointment of Mr. T.K. Bandaranayake at the forthcoming Annual General Meeting, Notwithstanding the age limit of 70 years stipulation by Section 210 of the Companies Act No. 7 of 2007. The Directors recommend the adoption of the Ordinary Resolution.

## Corporate Donations

During the year donations amounting to Rs 16,000 were made by the Group.

## Auditors

Company's Auditors during the year under review were Messrs. KPMG Chartered Accountants. Their report on the Financial Statements is given on page 22 of the Annual Report.

As far as the Directors are aware the Auditors do not have any other relationship or interest with the Company other than that of an auditor of the Company.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as Auditors of the Company and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## Corporate Governance

Compliance of corporate governance rules as per the Listing Rules of the Colombo Stock Exchange (CSE).

# REPORT OF THE BOARD OF DIRECTORS (Cont.)

## Solvency Test

Solvency Test has been carried out by the Board of Directors before the payment of the final dividend as required by the Companies Act No.7 of 2007.

## Dividends

The Board of Directors has recommended a payment of Rs 0.30 per share payable for 2013/2014 (2012/2013 – Rs 0.30 per share). The Directors are confident that the company would meet the Solvency Test requirement under section 56 (2) of the companies Act No.7 of 2007 immediately after the proposed final dividend distribution.

## Stated Capital

The stated capital of the Company as at 31st March 2014 was Rs 1,383,508,316 costing of 89,771,800 ordinary voting shares & 4,773,346 ordinary non-voting shares.

## Shareholders Funds

Total Group shareholders funds stood at Rs 2.51 Bn as at 31st March 2014 (2013 Rs 2.21 Bn) comprising stated capital of Rs 1.38Bn and reserves of Rs 1.1 Bn. The movements are shown in the statement of changes in equity.

## Property, Plant & Equipment

The carrying value of Property, Plant & Equipment for the group as at 31st March 2014 amounted to Rs 2.2 Bn. The total expenditure on the acquisition of property, plant & equipment during the year in respect of new assets and replacements by the group amounted to Rs 178 Mn (including through acquisition of subsidiaries)

## Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments have been paid up to date or have been provided for in these financial statements.

Sgd  
Dr S.R.Rajiyah  
Chairman  
27th August 2014

Sgd  
C.J.De.S.Amaratunge  
Director

Sgd  
RENUKA ENTERPRISES (PVT) LTD  
Company Secretaries

## Going Concern

The Board of Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly the financial statements are prepared based on the going concern concept.

## Events Occurring after the Balance Sheet Date

Subsequent to the balance sheet date, no material circumstances have arisen, which would require adjustments to or disclosure in these financial statements other than those disclosed in note 40 to these financial statements.

## Share information

Information relating to shareholding earnings dividend, net assets and market price per share are given on page 69 to 71 of the Annual Report.

## Annual Report

The Board of Directors approved the Company's financial statements together with the reviews which forms part of the Annual Report, on 27th August 2014. The appropriate number of copies of the Report would be submitted to the Colombo Stock Exchange, Sri Lanka Accounting and Auditing Standard Monitoring Board and the Registrar of Companies within the given time frames.

## Notice of Meeting

The notice of meeting of the 24th Annual General Meeting is given on page 73.

## Public Holding

The percentage of shares held by the public as at 31st March 2014 was 30.94% voting and 69.98% Non-voting

By order of the Board

# STATEMENT OF DIRECTORS RESPONSIBILITY

This Statement of Directors' responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and to the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No.7 of 2007 to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year, and of the income and expenditure of the Company and of the Group for the financial year.

The Directors confirm that the Financial Statements of the Company for the year ended 31st March 2014 presented in the Report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act of No.7 of 2007. In preparing the Financial Statement, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgment and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the company for the company to continue in operation for the foreseeable future.

The Directors have also taken all reasonable steps to ensure that the Company and its subsidiaries maintain

adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

As required by section 56 (2) of the Companies Act No.7 of 2007, the Board of Directors have confirmed that the Company satisfies the Solvency test immediately after the distribution, in accordance with section 57 of the Companies Act No.7 of 2007.

By order of the Board

RENUKA ENTERPRISES (PVT) LTD

Sgd

Company Secretaries

27th August 2014

# FINANCIAL STATEMENTS

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# INDEPENDENT AUDITORS' REPORT



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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Internet : www.lk.kpmg.com

## TO THE SHAREHOLDERS OF RENUKA SHAW WALLACE PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Renuka Shaw Wallace PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the Statements of Financial Position as at 31st March 2014, the Statements of Comprehensive Income, Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 23 to 66 of the annual report.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### Opinion- Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

### Opinion- Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March 2014, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

CHARTERED ACCOUNTANTS  
Colombo  
27th August 2014

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Kanunaratne ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA  
R.M.D.B. Rajapakse ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo ACA  
Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA



# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st March,	Note	Group		Company	
		2014 Rs.	2013 Rs. (Restated)	2014 Rs.	2013 Rs.
<b>Revenue</b>	6	5,524,395,999	3,587,377,246	31,038,000	260,390,362
Cost of Sales		(4,446,658,440)	(2,834,501,017)	-	(178,196,955)
<b>Gross Profit</b>		1,077,737,559	752,876,229	31,038,000	82,193,407
Other Income	7	101,489,605	25,492,586	2,337,238	4,814,438
Administrative Expenses		(368,773,012)	(226,243,903)	(6,528,055)	(8,188,646)
Distribution Costs		(604,814,655)	(326,185,426)	-	-
Other Expenses	8	(2,028,878)	(17,585,173)	-	-
<b>Result from Operating Activities</b>		203,610,618	208,354,313	26,847,183	78,819,199
Finance Income	9	9,918,375	28,455,631	-	2,065,690
Finance Costs	10	(56,774,217)	(47,161,429)	(149,475)	-
Net Finance Income / (Costs)		(46,855,842)	(18,705,798)	(149,475)	2,065,690
<b>Profit before Taxation</b>	11	156,754,776	189,648,515	26,697,708	80,884,889
Income Tax (Expense) / Reversal	12	(14,298,290)	16,964,362	(1,306,950)	(3,001,420)
<b>Profit for the year</b>		142,456,486	206,612,877	25,390,759	77,883,469
<b>Other Comprehensive Income</b>					
Actuarial Gains / (Losses) on Retirement Benefit Plans		2,654,688	(19,660)	8,174	442,949
Tax effect on other Comprehensive Income		(598,442)	(214,613)	(2,289)	(124,026)
<b>Total Comprehensive Income for the year</b>		144,512,732	206,378,604	25,396,644	78,202,392
Attributable to;					
Equity Holders of the Parent company		92,289,430	112,000,852	25,390,759	77,883,469
Non Controlling Interest		50,167,056	94,612,025	-	-
<b>Profit for the year</b>		142,456,486	206,612,877	25,390,759	77,883,469
Attributable to;					
Equity Holders of the Parent company		93,557,786	111,842,201	25,396,644	78,202,392
Non Controlling Interest		50,954,946	94,536,403	-	-
<b>Total Comprehensive Income for the year</b>		144,512,732	206,378,604	25,396,644	78,202,392
<b>Earnings per Share</b>					
Basic Earnings per Share	13	0.98	1.85	0.27	1.29
Diluted Earnings per Share	13.1	0.98	1.85	0.27	1.29

Figures in brackets indicate deductions.

The Notes set out on page 29 to 66 from an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Group		Company	
		2014 Rs.	2013 Rs. (Restated)	2014 Rs.	2013 Rs.
<b>ASSETS</b>					
<b>Non Current Assets</b>					
Property, Plant and Equipment	14	2,235,639,166	2,186,825,821	-	-
Investment Properties	15	596,624,786	532,380,096	94,258,400	94,258,400
Biological Assets	16	35,562,431	29,496,828	-	-
Immovable Estate Asset on Lease	17	52,249,980	54,999,984	-	-
Premium paid for lease hold premises	18	2,486,462	2,555,532	-	-
Investment in Subsidiaries	19	-	-	1,778,047,082	1,661,172,082
Intangible Assets	20	221,921,469	224,417,351	-	-
Deferred Tax Asset	29.1	25,540,949	27,839,487	-	-
Investment Securities	21	376,000,000	-	-	-
		<b>3,546,025,243</b>	<b>3,058,515,099</b>	<b>1,872,305,482</b>	<b>1,755,430,482</b>
<b>Current Assets</b>					
Inventories	22	795,322,417	614,059,720	-	-
Trade and Other Receivables	23	828,110,707	767,177,012	180,000	4,652,350
Amounts Due from Subsidiary Companies	24	-	-	2,680,992	75,309,373
Amounts Due from Related Companies	25	11,558,090	357,000,000	-	-
Short Term Investments		50,000,000	-	-	-
Cash and Cash Equivalents	26	446,516,520	146,014,948	4,959,734	8,276,149
		<b>2,131,507,734</b>	<b>1,884,251,680</b>	<b>7,820,726</b>	<b>88,237,872</b>
<b>Total Assets</b>		<b>5,677,532,977</b>	<b>4,942,766,779</b>	<b>1,880,126,208</b>	<b>1,843,668,354</b>
<b>EQUITY AND LIABILITIES</b>					
Stated Capital	27	1,383,508,316	1,383,508,316	1,383,508,316	1,383,508,316
Revaluation Reserve	28	77,933,500	77,933,500	-	-
Retained Earnings		1,046,413,413	748,324,630	447,518,286	451,267,210
Equity attributable to equity holders of the Company		2,507,855,229	2,209,766,446	1,831,026,602	1,834,775,526
Non Controlling Interest		1,606,337,399	1,416,991,846	-	-
<b>Total Equity</b>		<b>4,114,192,628</b>	<b>3,626,758,292</b>	<b>1,831,026,602</b>	<b>1,834,775,526</b>
<b>Non Current Liabilities</b>					
Deferred Tax Liability	29	47,753,635	43,951,433	3,121,558	2,824,821
Interest Bearing Borrowings	30	107,796,179	161,253,497	-	-
Finance Lease Obligations	31	60,105,992	62,804,807	-	-
Retirement Benefit Obligation	32	46,696,218	42,401,024	127,461	179,564
		<b>262,352,024</b>	<b>310,410,761</b>	<b>3,249,019</b>	<b>3,004,385</b>
<b>Current Liabilities</b>					
Trade and Other Payables	33	661,860,951	653,847,830	3,512,239	3,458,351
Amounts Due to Subsidiary Companies	34	-	-	40,000,000	207,000
Amounts Due to Related Companies	35	7,611,334	4,523,151	-	-
Dividend Payable	36	5,542,721	3,780,877	2,318,713	2,152,276
Current Portion of Interest Bearing Borrowings	30	373,264,521	150,674,184	-	-
Current Portion of Finance Lease Obligations	31	2,698,815	2,681,258	-	-
Bank Overdraft	26.2	250,009,983	190,090,426	19,635	70,816
<b>Total Liabilities</b>		<b>1,300,988,325</b>	<b>1,005,597,726</b>	<b>45,850,587</b>	<b>5,888,443</b>
<b>Total Equity and Liabilities</b>		<b>5,677,532,977</b>	<b>4,942,766,779</b>	<b>1,880,126,208</b>	<b>1,843,668,354</b>

The Notes set out on page 29 to 66 form an integral part of these Financial Statements.  
These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

Sgd.  
P. Gunathilake  
Chief Operating Officer - Shared Services

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.  
Approved for and on behalf of the Board of Directors.

Sgd.  
S.V Rajiyah - Director  
27th August 2014  
Colombo

Sgd.  
C.J De S. Amaratunge - Director

# STATEMENT OF CHANGES IN EQUITY

GROUP	Equity Attributable to Owners				Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Retained Earnings	Total		
	Rs.	Rs.	Rs.	Rs.		
<b>Balance as at 31 March 2012</b>	<b>552,074,972</b>	<b>77,933,500</b>	<b>720,094,635</b>	<b>1,350,103,107</b>	<b>833,991,444</b>	<b>2,184,094,551</b>
Prior Year Adjustment (Note 43)	-	-	(2,022,970)	(2,022,970)	(2,015,421)	(4,038,391)
<b>Balance as at 31 March 2012 (Re stated)</b>	<b>552,074,972</b>	<b>77,933,500</b>	<b>718,071,665</b>	<b>1,348,080,137</b>	<b>831,976,023</b>	<b>2,180,056,160</b>
On Acquisition of Subsidiaries	-	-	-	-	568,730,393	568,730,393
Restated Profit for the Year (Note 43)	-	-	112,000,852	112,000,852	94,612,025	206,612,877
Other Comprehensive loss for the year	-	-	(158,651)	(158,651)	(75,622)	(234,273)
Total Comprehensive Income for the year	-	-	111,842,201	111,842,201	94,536,403	206,378,604
On Disposal of Subsidiaries	-	-	-	-	12,089	12,089
Changes in ownership interest that do not result in a loss of control	-	-	(54,008,782)	(54,008,782)	(34,838,067)	(88,846,849)
Transactions with the owners						-
Dividend Paid	-	-	(23,400,000)	(23,400,000)	(43,424,995)	(66,824,995)
Shares Issued during the year	831,433,344	-	-	831,433,344	-	831,433,344
Qualifying cost attributable to Right Share Issue	-	-	(4,180,454)	(4,180,454)	-	(4,180,454)
<b>Balance as at 31 March 2013</b>	<b>1,383,508,316</b>	<b>77,933,500</b>	<b>748,324,630</b>	<b>2,209,766,446</b>	<b>1,416,991,846</b>	<b>3,626,758,292</b>
Profit for the Year	-	-	92,289,430	92,289,430	50,167,056	142,456,486
Other Comprehensive Income/(loss) for the year	-	-	1,268,356	1,268,356	787,890	2,056,246
Total Comprehensive Income for the year	-	-	93,557,786	93,557,786	50,954,946	144,512,732
On Disposal of Subsidiaries	-	-	-	-	(2,021,324)	(2,021,324)
Changes in ownership interest that do not result in a loss of control	-	-	233,676,565	233,676,565	188,741,957	422,418,522
Transactions with the owners						
Dividend Paid	-	-	(29,145,568)	(29,145,568)	(48,330,026)	(77,475,594)
Total transactions with the owners	-	-	(29,145,568)	(29,145,568)	(48,330,026)	(77,475,594)
<b>Balance as at 31 March 2014</b>	<b>1,383,508,316</b>	<b>77,933,500</b>	<b>1,046,413,413</b>	<b>2,507,855,229</b>	<b>1,606,337,399</b>	<b>4,114,192,628</b>

Figures in brackets indicate deductions.

The Notes set out on page 29 to 66 from an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

COMPANY	Stated Capital	Retained Earnings	Total
	Rs.	Rs.	Rs.
<b>Balance as at 31 March 2012</b>	<b>552,074,972</b>	<b>400,645,272</b>	<b>952,720,244</b>
Profit for the Year	-	78,202,392	78,202,392
Other Comprehensive Income/(loss) for the year net of tax	-	-	-
<b>Total Comprehensive Income for the year</b>	-	<b>78,202,392</b>	<b>78,202,392</b>
<b>Transactions with the owners</b>			
Dividends Paid	-	(23,400,000)	(23,400,000)
Share issued during the year	831,433,344	-	831,433,344
Qualifying cost attributable to Right Issue	-	(4,180,454)	(4,180,454)
<b>Total transactions with the owners</b>	<b>831,433,344</b>	<b>(27,580,454)</b>	<b>803,852,890</b>
<b>Balance as at 31 March 2013</b>	<b>1,383,508,316</b>	<b>451,267,210</b>	<b>1,834,775,526</b>
Profit for the Year	-	25,390,759	25,390,759
Other Comprehensive Income/(loss) for the year net of tax	-	5,885	5,885
<b>Total Comprehensive Income for the year</b>	-	<b>25,396,644</b>	<b>25,396,644</b>
<b>Transactions with the owners</b>			
Dividends Paid	-	(29,145,568)	(29,145,568)
<b>Total transactions with the owners</b>	-	<b>(29,145,568)</b>	<b>(29,145,568)</b>
<b>Balance as at 31 March 2014</b>	<b>1,383,508,316</b>	<b>447,518,286</b>	<b>1,831,026,602</b>

Figures in brackets indicate deductions.

The Notes set out on page 29 to 66 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

For the Year Ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit Before Taxation	156,754,776	189,648,515	26,697,708	80,884,889
Adjustments for :				
Depreciation on Property	114,656,141	87,600,526	-	-
Amortization of Intangible Assets	5,374,359	3,582,462	-	-
Provision for Retiring Gratuity	11,433,907	3,358,582	28,371	58,114
Provision for Slow Moving Items & Doubtful Debts	62,159,882	5,987,323	2,159,487	-
Gain from Change in Fair Value of Investment Properties	(64,244,690)	-	-	-
Fair Value Gain on Biological Assets	(6,056,368)	(1,135,379)	-	-
Interest Expenses	51,938,161	43,450,502	141,825	278,014
Loss on Disposal of Subsidiary	2,028,878	914,098	-	-
Profit on Disposal of Shares	-	(37,007,252)	-	(37,007,252)
(Profit)/Loss on Disposal of Property Plant and Equipment	(2,468,454)	(5,079,988)	-	(3,609,997)
<b>Operating Profit Before working Capital Changes</b>	<b>331,576,592</b>	<b>294,138,463</b>	<b>29,027,392</b>	<b>40,603,768</b>
Changes in:				
Inventories	(203,998,052)	38,934,854	-	-
Trade & Other Receivables	(105,779,155)	(266,868,458)	2,312,861	(2,578,175)
Amount Due from Related Companies	340,441,930	(183,639,509)	(187,371,621)	156,145,675
Trade & Other Payables	8,045,121	54,508,971	(708,613)	182,527
Amount Due to Related Companies	3,088,183	(43,311,131)	39,793,000	(34,922,860)
<b>Cash Generated/(Used in) from Operations</b>	<b>373,374,618</b>	<b>(106,236,810)</b>	<b>(116,946,980)</b>	<b>159,430,935</b>
Interest Paid	(47,102,104)	(43,450,502)	(141,825)	(278,014)
Gratuity Paid	(4,484,025)	(11,195,359)	(72,300)	(160,550)
Taxation Paid	(8,795,687)	(10,402,305)	(250,000)	-
<b>Net Cash Generated from/(Used in) Operating Activities</b>	<b>312,992,802</b>	<b>(171,284,977)</b>	<b>(117,411,105)</b>	<b>158,992,371</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Acquisition of Shares in Subsidiaries net of Cash Acquired	-	(1,026,483,119)	-	-
Addition to Property, Plant and Equipment	(161,001,032)	(108,804,732)	-	-
Addition to Biological Assets	(9,235)	-	-	-
Additions of Investments in Subsidiaries	-	-	143,125,001	(1,461,600,000)
Additions of Investments in Financial Assets	(376,000,000)	-	-	-
Investment in Short Term Deposits	(53,396,735)	-	-	213,084,891
Proceeds from Disposal of Financial Assets Held for Trading	-	213,084,891	-	-
Addition to Intangible Assets	(2,878,477)	(16,025,000)	-	-
Proceeds from Disposal of Property Plant & Equipment	-	5,079,988	-	3,609,997

## STATEMENT OF CASH FLOWS (Cont.)

For the Year Ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Proceeds from Disposal of Subsidiaries Net of Cash Disposed	4,899,084	283,046,705	-	285,000,000
Proceeds from Disposal of Shares in Subsidiaries	422,418,522	-	-	-
<b>Net Cash Generated from/(Used in) Investing Activities</b>	<b>(165,967,873)</b>	<b>(650,101,267)</b>	<b>143,125,001</b>	<b>(959,905,112)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Shares	-	831,433,344	-	831,433,344
Qualifying Cost Attributable to Right Issue	-	(4,180,454)	-	(4,180,454)
Lease Rental Paid	137,816	(2,163,703)	-	-
Proceeds from Borrowings	1,236,651,302	604,420,135	-	-
Repayment of Borrowings	(1,067,518,283)	(880,804,117)	-	-
Dividends Paid	(29,145,568)	(23,400,000)	(28,979,130)	(23,400,000)
Dividends Paid to Minority	(46,568,182)	(43,424,995)	-	-
Right Shares Acquired by Non Controlling Interest	-	320,400,000	-	-
<b>Net Cash Generated from/(Used in) Financing Activities</b>	<b>93,557,085</b>	<b>802,280,210</b>	<b>(28,979,130)</b>	<b>803,852,890</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>240,582,015</b>	<b>(19,106,034)</b>	<b>(3,265,235)</b>	<b>2,940,150</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Period</b>	<b>(44,075,478)</b>	<b>(24,969,444)</b>	<b>8,205,333</b>	<b>5,265,183</b>
<b>Cash &amp; Cash Equivalents at the End of the Period</b>	<b>196,506,537</b>	<b>(44,075,478)</b>	<b>4,940,098</b>	<b>8,205,333</b>
<b>Note A: Analysis of Cash and Cash Equivalents</b>				
Cash at Bank & in Hand	446,516,520	146,014,948	2,567,802	3,153,283
Short-Term Investments	-	-	2,391,932	5,122,866
Bank Overdraft	(250,009,983)	(190,090,426)	(19,635)	(70,816)
	196,506,537	(44,075,478)	4,940,098	8,205,333

Figures in brackets indicate deductions.

The Notes set out on page 29 to 66 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Renuka Shaw Wallace PLC (“Company”) is a quoted public limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No 17 of 1982, re registered under the Companies Act No 07 of 2007. The registered office and the principal place of business is situated at No 69, Sri Jinarathana Road, Colombo 2.

In the Annual Report of the Board of Directors’ and in the financial statements, “the company” refers to Renuka Shaw Wallace PLC as the holding company and “the group” refers to the companies whose financial statements have been consolidated therein.

### 1.2 Principal Activities

The Principal activities of the company up to 31st December 2008 was manufacturing and marketing of agriculture products and with effect from 01 January 2009 the principal activity is investment in agricultural ventures and now it has become an Investment trust.

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company’s parent undertaking is Renuka Agro Exports Ltd. In the opinion of the Directors, the Company’s ultimate parent entity is Renuka Holdings PLC, which is incorporated in Sri Lanka.

### 1.4 Authorization of Financial Statements

The consolidated financial statements of the Group for the year ended 31st March 2014 were authorized for issue in accordance with a resolution of the Directors on 27th August 2014.

### 1.5 Financial Year

Financial Statements of the Company and Group entities ends on 31st March 2014.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Statement of financial position, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows, together with Notes to the financial statements (“Financial Statements”) of the Group as at 31st March 2014 and for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- ▲ Biological assets are measured at fair value less costs to sell
- ▲ Investment property is measured at fair value
- ▲ The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

### 2.3 Functional and presentation currency

These consolidated financial statements are presented in Sri Lankan Rupees, which is the Company’s functional currency.

### 2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 15 - classification of investment property

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 32 – measurement of defined benefit obligations
- Note 38 – contingencies
- Note 29.1.1 – utilization of tax losses
- Note 29.1 – deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 2.5 Going Concern

The company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

### 3.1 Basis of consolidation

The Financial Statements of the Group represents the consolidation of the Financial Statements of the Company and of its subsidiaries listed below,

- ❖ Renuka Agri Foods PLC  
Manufacture & Markets a Range of Coconut based Products
- ❖ Renuka Organics (Pvt) Ltd.  
Organic certification license holder and investment in plantation/farm & vertical integration projects
- ❖ Renuka Teas (Ceylon) (Pvt) Ltd.  
Manufacture and Exports of Tea Products.
- ❖ Kandy Plantations Ltd.  
Engaged in Organic Certified Cultivation of Agriculture
- ❖ Renuka Trading (Pvt) Ltd.  
Warehousing
- ❖ Ceylon Forestry (Pvt) Ltd.  
Planting and Managing Forestry
- ❖ Ceylon Botanicals (Pvt) Ltd.  
Investment in Agricultural Property
- ❖ Richlife Dairies Ltd.  
Manufacturing of Dairy Based Products
- ❖ Renuka Developments Ltd.  
Warehousing
- ❖ Renuka Consumer Foods Ltd.  
Investment in FMCG

- ❖ Shaw Wallace Ceylon Ltd.  
Manufacture & Distribution of Fast Moving Consumer Goods.
- ❖ Shaw Wallace Food Services Ltd.  
Distribution
- ❖ Shaw Wallace Services Ltd.  
Provision of accounting services
- ❖ Shaw Wallace Agencies Ltd.  
Provision of agency Services
- ❖ Captain Foods (Pvt) Ltd.  
Manufacture of FMCG Products
- ❖ Shaw Wallace Properties Ltd.  
Warehousing
- ❖ Bois Brothers (Pvt) Ltd.  
Investment
- ❖ Renuka Agri Organic Ltd.  
Engaged in Organic Certified Agriculture

### 3.1.1 Business combinations

#### Acquisitions on or after 1 April 2012

For acquisitions on or after 1 April 2012, the Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### Acquisitions prior to 1 April 2012

As part of its transition to SLFRSs / LKASs, the Group elected to restate only those business combinations that occurred prior to 1st April 2012. In respect of acquisitions prior to 1 April 2012, goodwill represents the amount recognized under the Group's previous accounting framework.

### 3.1.2 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as



# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

## 3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

## 3.1.4 Loss of control

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

## 3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

## 3.2 Foreign Currency

### 3.2.1 Foreign currency transactions

All transactions in foreign currencies are translated at the rate of exchange prevailing at the time the transaction was effected. All monetary assets and liabilities in foreign currencies at the year-end are translated at the rate prevailing on the Reporting date. Non-monetary assets and liabilities which are carried in terms of historical cost or fair value denominated in foreign currencies are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to reporting currency using the exchange rate that was prevailing on the date the fair value was determined. The resulting gains or losses on translations are dealt with in the Statements of Comprehensive Income.

## 3.3 Financial instruments

### 3.3.1 Non-Derivative financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for sale financial assets.

#### 3.3.1.1 Financial Assets at Fair Value through Profit or Loss

A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognized in profit or loss.

#### 3.3.1.2 Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognitions, loans and receivables are measured at amortized costs using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 3.3.1.2.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of 3 months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its short term commitments.

## 3.3.1.3 Available for sale financial assets

Available-for-sale financial assets are non derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognitions, they are measured at fair value and changes therein, other than impairment and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

## 3.3.2 Non-derivative financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdraft, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalent for the purpose of the statement of cash flows.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 3.3.3 Stated capital

### 3.3.3.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

## 3.3.4 Financial instruments (part of equity)

Financial instruments issued by the Group comprise convertible debentures that can be converted to share capital at the option of the issuer. The value of these convertible debentures is treated as part of equity of the issuer and parent or the subsidiary holding these instruments accounts as investments.

## 3.4 Property, plant and equipment

### 3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after 1 April 2011.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

### 3.4.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 3.4.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The annual rates used for this purpose which for the current and comparative periods are as follows:

	%
Buildings	2.5
Motor Vehicles	20
Plant, Machinery & Others	10
Office Equipment	10

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 3.5. Intangible assets and goodwill

### 3.5.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, refer note 3.1.1

### Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

### 3.5.2 Computer Software

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software.

### 3.5.3 Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

### 3.5.4 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

### 3.5.5 Amortization

Except for goodwill, intangible assets are amortized on a straight line basis in profit or loss over their estimated useful lives, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Software - 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.6 Premium paid on Leasehold Land

The premium paid by the subsidiary for leasehold land represents prepaid rental charges which are amortized over 50 years, commencing from the second year of operation.

### 3.7 Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs.

### 3.8 Investment property

Investment property is properly held either to earn rental income, for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such as that it is reclassified as property, plant, equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. When the use of a property changes from owner-occupied to investment property, the property is re measured to fair value and reclassified as investment property. Any gain arising on re measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

Where the group companies occupy a significant portion of the investment property of a subsidiary such as investment properties, are treated as property, plant and equipment in the consolidated Financial Statements, Accounted for in accordance with LKAS 16 – Property, Plant and Equipment.

## 3.9 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, are not recognized in the Group's statement of financial position.

## 3.10 Inventories

The cost of each category of inventory of the Company and its subsidiaries are determined on the following basis.

- Raw Material - At cost determined at the factory on weighted average cost method
- Finished Goods - At factory cost of direct materials, direct labor and appropriate proportion of fixed production overheads at normal operating capacity.

- Goods in transit - At the actual cost
- Packing Material - At cost determined at the factory on weighted average cost method
- Harvested Crops – Inventory of harvested crop sold has been valued at realized price. Unsold harvested crop have been valued at estimated realizable value net of direct selling expenses. This basis has been adopted to recognize the profit/loss on perennial crops in the financial period of harvesting.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 3.11 Impairment

### 3.11.1 Non derivative financial assets (including receivables)

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### 3.11.2 Financial assets measured at amortized costs

The Group considers evidence of impairment for financial assets at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables.

Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### 3.11.3 Available for sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

### 3.11.4 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose

of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs.

For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes. The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3.12 Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

Once classified as held for sale or distribution, intangible assets and Property, plant and equipment's are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

## 3.13 Employee benefits

### 3.13.1 Retirement Benefit Obligations

#### 3.13.1.1 Defined contribution plan- EPF and ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations.

The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

#### 3.13.1.2 Defined benefit plan- Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983.

Provision for gratuity on the employees of the company and group are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No. 19 'Employee Benefits' (LKAS – 19). The actuarial valuation was carried out by professionally qualified firm of actuaries, as at 31 March 2014. The valuation method used by the actuary is 'Projected Unit Credit Method'. The Group recognizes any actuarial gains & losses arising from defined benefit plan immediately in other comprehensive income.

The present value of defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligations.

The key assumptions used in the computation are stated in the Note 32 to the Financial Statements.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for gratuity payment to an employee arises only after the completion of five years continued service with the company.

This liability is not externally funded nor actuarially valued. The item is grouped under non-current liabilities in the Statement of Financial Position.

#### 3.13.1.3 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an un-discounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the company has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## 3.14 Bills Payable

The company account for the liability on receipt of documents for clearance.

## 3.15 Grants

Grants received in relation to assets are deducted from the cost of the assets. Thus this grant is recognized as income over the useful life of the depreciable assets by way of a reduced depreciation charge. Export rebates received as rewards are recognized as income to profit or loss.

## 3.16 Provisions

A provision is recognized it as a result of a past event the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

## 3.17 Revenue

### 3.17.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes after eliminating sales within the Group.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

The following specific criteria are used for the purpose of recognition of revenue.

## a) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of Goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

## b) Services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

## c) Rental income

Rental income from investment property is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognized as other income.

## d) Dividend income

Dividend income is recognized on a cash basis.

## e) Export Sales

Export sales are recognized at the time of shipment.

## f) Local Sales

Local sales are recognized at the time of dispatch.

## g) Provision of Accounting Services

Revenue from accounting services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

## 3.18 Leases

### 3.18.1 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement contains the right to use the asset, if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

## 3.19 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, bank loans and leases.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

## 3.20 Income tax

### Current tax

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantively enacted by the Reporting Date.

The provision for income tax is based on the elements of the income and expenditure as reported in the financial

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and its subsequent amendments thereto.

## Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 3.21 Segment Reporting

The group has three reportable segments, as described below which are the group's strategic divisions. The strategic divisions offer different products and services and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the group's CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. The Group's reportable segments are as follows;

- ❖ Agrifood Exports
- ❖ Dairy
- ❖ FMCG

## 3.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

## 4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### 4.1 Biological assets

The fair value of immature timber plantations is based on the present value of the net cash flows expected to be generated by the plantation at maturity.

### 4.2 Investment property

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio once a year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

### 4.3 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.



# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 4.4 Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investment is determined for disclosure purposes only.

## 5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS OF THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January 2014/ 2015.

Accordingly, these Standards have not been applied in preparing these financial statements.

### ❖ Sri Lanka Accounting Standards – SLFRS 10 “Consolidated financial statements”

The objective of this SLFRS is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

An investor is expected to control an investee if and only if the investor has all the following:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect the amount of the investor’s returns

This Standard will require the Company to review the group structure in the context of the new Standard and its requirements. Accordingly adoption of this standard is expected to have an impact on the Group structure, and consolidated reporting.

SLFRS 10 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 27 “Consolidated and Separate Financial Statements

### ❖ Sri Lanka Accounting Standards – SLFRS 11 “Joint Arrangements”

The objective of this SLFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

SLFRS 11 will become effective from 1 April 2014 for the Group with early adoption permitted. This SLFRS will supersede the requirements relating to consolidated financial statements in LKAS 31 “Interests in Joint Ventures

Sri Lanka Accounting Standard - SLFRS 12 “Disclosure of Interests in Other Entities”

SLFRS 10 will become effective from 1 April 2014 for the Group with early adoption permitted

### ❖ Sri Lanka Accounting Standard - SLFRS 13, “Fair Value Measurement”

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and requires disclosures about fair value measurements.

This SLFRS will become effective for the Group from 1 April 2014. Earlier application is permitted.

This SLFRS shall be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of this SLFRS need not be applied in comparative information provided for periods before initial application of this SLFRS.

### ❖ Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments”

The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

An entity shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

The effective date of standard has been deferred.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

For the year ended 31st March,	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>6. Revenue</b>				
Export Sales	1,910,129,844	1,528,461,902	-	-
Local Sales	3,554,458,277	1,830,465,482	-	-
Sale of Shares	-	213,084,891	-	213,084,891
Dividend Income	16,240,518	2,292,578	28,140,000	44,029,471
Rental Income	43,567,360	13,072,393	2,898,000	3,276,000
	<b>5,524,395,999</b>	<b>3,587,377,246</b>	<b>31,038,000</b>	<b>260,390,362</b>
<b>7. Other Income</b>				
Profit on disposal of Property Plant & Equipment	2,468,454	5,079,988	-	3,609,997
Sundry Sales	16,862,517	9,719,505	-	-
Insurance Claim	672,328	320,434	-	-
Change in Fair Value of Investment Property	64,244,690	-	-	-
Sundry Income	4,610,474	9,237,280	-	1,204,441
Interest on Deposits	5,659,307	-	2,337,238	-
Write back of Payables	915,468	-	-	-
Change in fair value of Biological Assets	6,056,368	1,135,379	-	-
	<b>101,489,605</b>	<b>25,492,586</b>	<b>2,337,238</b>	<b>4,814,438</b>
<b>8. Other Expenses</b>				
Disposal Loss on Subsidiary	2,028,878	914,098	-	-
Loss on Disposal of Investment	-	16,671,075	-	-
	<b>2,028,878</b>	<b>17,585,173</b>	<b>-</b>	<b>-</b>
<b>9. Finance Income</b>				
Interest on Repo and Bank Deposits	6,843,803	25,504,081	-	2,055,699
Exchange Gain / (Loss)	3,074,572	2,951,550	-	9,991
	<b>9,918,375</b>	<b>28,455,631</b>	<b>-</b>	<b>2,065,690</b>
<b>10. Finance Cost</b>				
Interest on Bank Overdrafts	15,396,424	11,364,842	11,025	-
Interest on Term Loan	26,048,877	23,600,132	-	-
Interest on Bank Loans	10,457,014	8,423,324	-	-
Interest on Leases	35,846	62,204	-	-
Exchange Losses	572,413	3,710,927	7,650	-
Bank Charges	4,263,644	-	130,800	-
	<b>56,774,217</b>	<b>47,161,429</b>	<b>149,475</b>	<b>-</b>
<b>11. Profit before Taxation</b>				
Profit before Taxation is stated after charging all expenses/income including the followings;				
Directors Remuneration and Fees	24,100,000	21,330,000	260,000	195,000
Auditors' Remuneration				
Audit Services	2,485,000	2,476,400	410,000	360,000
Non Audit services	172,500	172,500	-	-
Depreciation	114,656,141	87,600,526	-	-
Amortization of Intangible Assets	5,374,359	3,582,462	-	-
Personnel Costs ( Note 11.1)	441,750,908	371,877,149	20,197	(384,835)
<b>11.1 Personnel Costs</b>				
Salaries, Wages and Other related costs	392,398,696	338,513,780	-	-
Defined Benefit Plan Cost- Retirement Gratuity	8,779,221	3,378,242	20,197	(384,835)
Defined Contribution Plan Cost - EPF & ETF	40,572,991	29,985,127	-	-
	<b>441,750,908</b>	<b>371,877,149</b>	<b>20,197</b>	<b>(384,835)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

For the year ended 31 March,	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>12. Taxation</b>				
Income Tax Expense	7,605,619	9,386,751	654,426	1,248,615
Under provision in respect of previous years	353,104	371,765	358,076	-
Tax effect on Inter Co. Dividends	828,884	451,700	-	-
Origination and Reversal of Temporary Differences	5,510,683	(27,174,578)	294,448	1,752,805
	14,298,290	(16,964,362)	1,306,950	3,001,420

## 12.1 Current Tax

### 12.1.1 Company

Income tax has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto.

According to the section 13 (t) of the Inland Revenue Act No. 10 of 2006, profit earned on the sale of shares of which share transaction levy under section 7 of the Finance Act No 5 of 2005, is paid is exempt from income tax. Interest and other Income are liable to Income Tax at 28% (2013 – 28%).

## 12.2 Subsidiary Companies Enjoying Tax Holidays at Concessionary Rates of Tax

### 12.2.1 Renuka Agri Foods PLC

In terms of the agreement with the Board of investment of Sri Lanka (BOI), business profit of the Company is exempted from income tax for a period of 12 years from the date of commencement of its business, which came to an end in the year of assessment 2011/12. Subsequently the said exemption period was extended for another two years of assessments ending 2014/15 by a supplementary agreement. After the expiration of said tax exemption period, the Company will be liable for taxation at rate of 12%.

Dividend paid by Company out of exempt profits during the 12 year tax holiday period or within one year thereafter is exempted from tax. Other Income is liable for income tax at the rate of 28%.

### 12.2.2 Renuka Teas (Ceylon) (Private) Limited

The company's export profit is liable to income tax at a concessionary rate of 12%. Further, other Income is liable to income tax at 28%.

### 12.2.3 Renuka Organics (Private) Limited

According to the agreement entered into with the Board of Investment of Sri Lanka, the profit and income of the company is exempt for a period of 5 years. This tax holiday expired on 31st March 1999.

Further, from the Year of Assessment 2006/2007, under Section 16 of the Inland Revenue Act No. 10 of 2006, the Company's profit is exempt from income tax for a period of five years. This tax holiday expired on 31st March 2011. The company is liable to income tax at 10% on profit from agriculture from the year of assessment 2011/12.

Company's other income is liable for income tax at 28% .

### 12.2.4 Renuka Trading (Private) Limited

The Company is liable to income tax at 28%.

### 12.2.5 Ceylon Botanicals (Private) Limited

The Company is liable to income tax at 28%.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 12.2.6 Captain Foods (Private) Limited

The Company is liable to income tax at 28%.

## 12.2.7 Ceylon Forestry (Private) Limited

In accordance with the provisions of Section 17 of the Board of Investment of Sri Lanka Law No. 4 of 1978, the Company will be entitled to the following exemptions/benefits with regard to income tax:

- (i) For a period of eight (08) years reckoned from the Year of Assessment as may be determined by the BOI, Sri Lanka, profit of the Company is exempt from income tax. For the above purpose, the year of assessment shall be reckoned from the year in which the Company commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever year is earlier, as specified in a certificate issued by the BOI, Sri Lanka.
- (ii) After the expiration of the aforesaid tax exemption period, referred to in sub clause (i) above, the profits and income of the Company shall for each year of assessment be charged at the rate of ten percent (10%) for a period of two (2) years ("concessionary period") immediately succeeding the last date of the tax exemption period during which the profits and income of the Company is exempted from the income tax.
- (iii) After the expiration of the aforesaid concessionary period referred to in sub clause (ii) above, the profits and income of the Company shall be charged for any year of assessment at the rate of twenty percent (20%).

However, other income would be liable to Income Tax at 28% for the year.

## 12.2.8 Kandy Plantations Limited

According to the Agreement dated 13.11.2003 entered into with the Board of Investment of Sri Lanka, the Profits & Income of Kandy Plantations Ltd was exempt for a period of 5 years from the year of assessment in which the Enterprises commence to make profit (i.e. 2003/2004). Accordingly the tax holiday expired on 31st March 2008.

However, the profit from Agriculture of the Company continues to be exempt from income tax for further 3 years of Assessments ending 2010 / 2011, under Section 16 of the Inland Revenue Act No. 10 of 2006, the Company is liable to income tax at 10% on profit from Agriculture from the year 2011/2012.

The other income of the Company is liable to income tax at 28%.

The profit from export sales is liable to income tax at 12%.

## 12.2.9 Richlife Dairies Limited

The Company is liable to income tax at 10% on profit from agriculture and 28% on other income.

## 12.2.10 Renuka Developments Limited

The Company is liable to income tax at 28%.

## 12.2.11 Shaw Wallace Ceylon Limited

The Company is liable to income tax at 28%.

## 12.2.12 Shaw Wallace Properties Limited

In terms of an agreement entered into with the Board of Investment of Sri Lanka, under section 17 of the Board of Investment of Sri Lanka Law No. 04 of 1978, the Company is exempted from income tax for a period of five years commencing 01 April 2009.

## 12.2.13 Shaw Wallace Food Services Limited

The Company is liable to income tax at 28%.

## 12.2.14 Shaw Wallace Services Limited

The Company is liable to income tax at 28%.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 12.2.15 Shaw Wallace Agencies (Private) Limited

The Company is liable to income tax at 28%.

## 12.2.16 BOIS Brothers (Private) Limited

The Company is liable to income tax at 28%.

## 12.2.17 Renuka Consumer Foods Limited

The Company is liable to income tax at 28%.

## 12.2.18 Renuka Agri Organics Limited

The enterprise shall be entitled for a tax exemption period of 4 years in terms of the Inland Revenue Act number 10 of 2006 as amended by the Inland Revenue (amendment) Act number 8 of 2012 (Section 16C). The year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than 2 years reckoned from the date of commencement of commercial operations, whichever comes first as determined by the Commissioner General of Inland Revenue. The enterprise has not commenced its commercial operations yet.

## 12.3 Reconciliation between Taxable Profit and the Accounting Profits

For the year ended 31st March	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Profit before Taxation	156,754,776	189,648,515	26,697,708	80,884,889
Aggregate Disallowed Items	189,315,352	132,696,044	(3,113,087)	(51,274,830)
Aggregate Allowable Items	(362,093,354)	(247,677,010)	127,461	(1,089,420)
Tax Loss incurred	(56,612)	(64,616)	-	-
Exempt Income	(16,904,265)	(52,785,873)	-	(34,897,549)
	(32,984,103)	21,817,059	23,712,083	(5,933,961)
Exempt Business Profit	(89,859,396)	(224,212,141)	(28,140,000)	-
Tax Loss set - off	(103,462)	425,299	-	-
Taxable Income / (Loss)	(122,946,961)	(201,969,783)	(4,427,917)	(5,933,961)
Taxable Interest Income	9,093,433	7,935,065	2,337,236	4,459,341
Tax Rate 28% (2012/13 - 28%)	5,992,409	4,836,129	654,426	1,248,615
12% (2012/13 - 12%)	1,613,210	3,476,967	-	-
10% (2012/13 - 10%)	-	1,073,655	-	-
Income Tax on Current Year Profits	7,605,619	9,386,751	654,426	1,248,615

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

## 13 Earnings Per Share

The calculation of Earnings per Share is based on the profit after taxation over the weighted average number of shares in issue during the year.

For the year ended 31st March	Group		Company	
	2014	2013	2014	2013
Profit attributable to the Ordinary Shareholders (Rs.)	92,289,430	112,000,852	25,390,759	77,883,469
Weighted Average Number of Ordinary Shares as at year end	94,545,146	60,404,096	94,545,146	60,404,096
Earnings Per Share (Rs.)	0.98	1.85	0.27	1.29

### 13.1 Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the number of ordinary shares outstanding during the year after adjustment for the effects of all dilutive potential ordinary shares.

As at 31 March 2014 & as at 31 March 2013 there were no dilutive potential ordinary shares. Hence, diluted earnings per share is same as basic earnings per share.

### 13.2 Dividend Per Share

The dividend per share is based on the dividend paid during the year and the number of ordinary shares outstanding as at that date.

For the year ended 31 March,	Group		Company	
	2014	2013	2014	2013
Dividend paid during the year (Rs.)	28,363,544	23,400,000	29,145,568	23,400,000
Number of Ordinary Shares as at Paid date	94,545,146	23,400,000	94,545,146	23,400,000
Dividend per Share (Rs.)	0.30	1.00	0.30	1.00

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March

## 14. PROPERTY, PLANT & EQUIPMENT

Group	Freehold Land	Leasehold Land	Buildings	Plant & Machinery	Electrical Installation	Furniture Fittings	Equipment	Motor Vehicles	Leased Motor Vehicle	Capital Work In Progress	TOTAL 2014	TOTAL 2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>												
As at 01 of April	668,870,750	111,649,678	715,556,269	794,602,568	16,339,881	65,163,286	145,541,438	114,514,123	1,150,000	42,203,663	2,675,591,656	1,565,501,505
Additions	32,187,828	-	27,500,707	67,892,633	1,283,984	1,460,092	9,790,491	4,746,571	-	33,049,335	177,911,641	108,525,574
Acquisition of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	(2,500,000)	23,228,794	-	-	6,582,714	-	(2,444,667)	-	(42,203,663)	(17,336,822)	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	(2,737,468)
<b>As at 31 March</b>	<b>701,058,578</b>	<b>109,149,678</b>	<b>766,285,770</b>	<b>862,495,201</b>	<b>17,623,865</b>	<b>73,206,092</b>	<b>155,331,929</b>	<b>116,816,027</b>	<b>1,150,000</b>	<b>33,049,335</b>	<b>2,836,166,475</b>	<b>2,675,591,656</b>
<b>Accumulated Depreciation</b>												
Balance As at 31st March (previously Stated)	-	1,857,476	38,694,517	265,246,136	11,859,738	31,679,849	73,988,385	64,289,734	1,150,000	-	488,765,835	366,885,550
Prior year Adjustment	-	-	-	-	-	-	-	-	-	-	-	1,035,879
Balance As at 1st April (Restated)	-	1,857,476	38,694,517	265,246,136	11,859,738	31,679,849	73,988,385	64,289,734	1,150,000	-	488,765,835	367,921,429
Charge for the year	-	1,559,281	19,211,234	50,928,498	1,730,427	14,451,955	7,348,539	19,426,207	-	-	114,656,141	87,600,526
Acquisition of Subsidiaries	-	-	-	-	-	-	-	-	-	-	-	35,981,348
Disposals / Transfers	-	(450,000)	-	-	-	-	-	(2,444,667)	-	-	(2,894,667)	(2,737,468)
<b>As at 31 March</b>	<b>-</b>	<b>2,966,757</b>	<b>57,905,751</b>	<b>316,174,634</b>	<b>13,590,165</b>	<b>46,131,804</b>	<b>81,336,924</b>	<b>81,271,274</b>	<b>1,150,000</b>	<b>-</b>	<b>600,527,309</b>	<b>488,765,835</b>
<b>Carrying Amount</b>												
<b>As at 31 March 2014</b>	<b>701,058,578</b>	<b>106,182,921</b>	<b>708,380,019</b>	<b>546,320,567</b>	<b>4,033,700</b>	<b>27,074,289</b>	<b>73,995,005</b>	<b>35,544,753</b>	<b>-</b>	<b>33,049,335</b>	<b>2,235,639,166</b>	
<b>As at 31 March 2013</b>	<b>668,870,750</b>	<b>109,792,202</b>	<b>676,861,752</b>	<b>529,356,432</b>	<b>4,480,143</b>	<b>33,483,437</b>	<b>71,553,053</b>	<b>54,467,671</b>	<b>-</b>	<b>42,203,663</b>	<b>2,186,825,821</b>	

**14.1** Based on the assessment carried out internally, by the Board Of Directors no provision was required for the potential impairment of fixed assets as at 31 March 2014.

**14.2** Property, Plant and Equipment includes fully depreciated assets having a gross amount of Rs. 94,140,573 as at 31 March 2014. (Rs. 6,074,835 as of 2012/13)

**14.3** There were no capitalised borrowing costs related to the acquisition of Property Plant and Equipment during the year (2012/2013 - Nil).

**14.4** There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2014.

**14.5** There were no items of Property, Plant and Equipment pledged as security as at 31 March 2014 other than disclosed in the Note 30.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March

## 14. Property, Plant & Equipment

### 14.6 Company

	Freehold Land	Buildings	Plant & Machinery	Electrical Installation	Furniture & Fittings	Equipment	Motor Vehicles	TOTAL 2014	TOTAL 2013
	Rs.	Rs.	Rs.	Rs.	Rs.	RS.	Rs.	Rs.	Rs.
<b>Cost / Valuation</b>									
As at 01 April 2013	-	-	-	-	-	-	6,074,835	6,074,835	8,213,835
Disposals	-	-	-	-	-	-	-	-	(2,139,000)
<b>As at 31 March 2014</b>	-	-	-	-	-	-	6,074,835	6,074,835	6,074,835
<b>Depreciation</b>									
As at 01 April 2013	-	-	-	-	-	-	6,074,835	6,074,835	8,213,835
Disposals	-	-	-	-	-	-	-	-	(2,139,000)
<b>As at 31 March 2014</b>	-	-	-	-	-	-	6,074,835	6,074,835	6,074,835
<b>Written Down Value</b>									
<b>As at 31 March 2014</b>	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2013</b>	-	-	-	-	-	-	-	-	-

## 15. Investment Property

### 15.1 Group

	Land	Buildings	2014	2013
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 <sup>st</sup> April	403,144,932	129,235,164	532,380,096	652,016,160
On Acquisitions during the Year	-	-	-	477,290,936
Change in Fair Value	46,087,306	18,157,384	64,244,690	-
Disposals during the year	-	-	-	(596,927,000)
<b>Balance as at 31<sup>st</sup> March</b>	<b>449,232,238</b>	<b>147,392,548</b>	<b>596,624,786</b>	<b>532,380,096</b>

**15.1.1** The Company's Investment Property has been accounted for as Property, Plant and Equipment in the Financial Statements of the Group in view of it being owner occupied property from the Group's point of view, and thereby changes in fair value adjusted respectively.

**15.1.2** Rental Income earned from Investment Property by the group amounted to Rs. 15,863,664/- (2012/13-Rs 17,528,094/-) and Direct Operating Expenses incurred in relation to the Investment Property amounted to Rs 776,891/- (2012/13-Rs. 1,388,026/-).

### 15.2 Company

	Land	Buildings	2014	2013
	Rs.	Rs.	Rs.	Rs.
Balance as at 1 <sup>st</sup> April	55,210,690	39,047,710	94,258,400	94,258,400
Change in Fair Value	-	-	-	-
<b>Balance as at 31<sup>st</sup> March</b>	<b>55,210,690</b>	<b>39,047,710</b>	<b>94,258,400</b>	<b>94,258,400</b>

**15.2.1** As a 31st march 2012, the investment properties were revalued by Mr. Leon Perera, incorporated valuer for Rs 94,258,400/- and the resultant gain of Rs 1, 522,500/- has been recognized in the income statement of the company. The Directors are of the opinion that the value stated in the valuation report as at 31st March 2012 has not changed significantly during the year 2013/14.



# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

**15.2.2** Rental income earned from Investment Property by the Company during the year amounted to Rs.2,898,000/- (2013/14 - Rs.3,276,000/-) and direct Operating Expenses incurred in relation to the Investment Property Rs. 40,325/-. (2012/13 - 40,325/-).

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Balance as at 01 April	29,496,828	28,082,291	-	-
Additions during the year	9,235	1,414,537	-	-
Gain on fair value during the year	6,056,368	-	-	-
	35,562,431	29,496,828	-	-

## 16. Biological Assets

Balance as at 01 April	29,496,828	28,082,291	-	-
Additions during the year	9,235	1,414,537	-	-
Gain on fair value during the year	6,056,368	-	-	-
	35,562,431	29,496,828	-	-

Biological Assets as at 31st March 2014 consists of Ceylon Forestry (Pvt) Limited's investments made for Teak and Mahogany Plants and Kandy Plantation Limited's investments made for immature Coconut Plants.

Managed trees include commercial timber plantations cultivated on the estate in Matale. The cost of immature trees up to 5 years from planting are treated as approximate fair value particularly on the grounds of little biological transformation has taken place and impact of the biological transformation on price is not material.

When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The fair value of managed trees was ascertained in accordance with LKAS 41- "Agriculture" using discounted Cash Flows (DCF) method.

Key assumptions used in valuation are as follows,

Variable	Comment
Timber Content	Estimated based on the girth, height and considering the growth and present age of the trees of each species in different geographical regions, factoring all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company approved by the Forestry Department.
Economic Useful Life	Estimated based on normal life span of each species by factoring the forestry plan of the Company approved by the Forestry Department.
Selling Price	Estimated based on prevailing Sri Lankan market prices factoring all the conditions to be fulfilled in bringing the trees in to salable condition.
Discount Rate	Future cash flows are discounted at the rate of 12.5% (2013-12.5%)

## 17. Immovable Estate Assets on Lease

### 17.1 Kandy Plantations Ltd.

Leases have been executed for 3 estates (Primarily coconut) comprising 33 contiguous allotments of Land called and known as "Giriulla Estate" by Mr. L.H. Croos Dabrera this contiguous allotments of Land comprise a total extent of 640A-3R-32P. This lease has been executed for a period of 30 years under 2 separate lease agreements. The first lease agreement relates to 10 years period from 1st April 2003 to 31st March 2013 and the second lease agreement relates to the next 20 years commencing from 1st April 2013 and ending on 31st March 2033.

A valuation report dated 11th October 2003 prepared by Mr. Leon M.P.Perera Dip.In.Val. F.I.V. indicates only the method of ascertaining the maximum amount payable to the owner of the Estate for the 30 years period which was Rs. 88,000,000/-. The agreed amount payable of Rs. 82.5 Mn. had been capitalised on the basis that it represents the value of immovable assets taken over by the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

	Group	
	2014	2013
	Rs.	Rs.
Balance as at 1st April	54,999,984	57,749,988
Additions during the year	-	-
Amortization during the year	(2,750,004)	(2,750,004)
Balance as at 31st March	52,249,980	54,999,984

## 18. Premium Paid for Leasehold Premises

### Renuka Agri Foods PLC

Balance at the beginning	2,555,532	2,624,602
Amortization during the year	(69,070)	(69,070)
Balance at the year end	2,486,462	2,555,532

This represents the premium paid to the Board of Investment of Sri Lanka for the acquisition of leasehold land in 2006 and it is amortized over the leasehold period of 50 years with effect from the year 2006.

## 19. Investment in Subsidiary Companies

	Number of Shares	Holding %	Company	
			2014	2013
			Rs.	Rs.
Renuka Agri Foods PLC	281,400,000	50.09%	521,172,082	521,172,082
Renuka Developments Limited	5,000,000	50.00%	450,000,000	-
Renuka Consumer Foods Limited	4,500,000	100.00%	450,000,000	450,000,000
Renuka Teas (Ceylon) (Pvt) Limited	1,250,000	100.00%	96,875,000	-
			1,518,047,082	971,172,082

### 19.1 Investment in Convertible Debentures

Investment in convertible debentures (Note A)	-	690,000,000
	-	690,000,000

### 19.2 Advance paid for purchase of shares

Renuka Consumer Foods Limited (Note 19.2.1)	190,000,000	-
Renuka Teas (Ceylon) (Pvt) Limited (Note 19.2.2)	70,000,000	-
	260,000,000	-
	1,778,047,082	1,661,172,082

**Note A** During the year 2012/13 Renuka Shaw Wallace PLC has invested Six Million Nine hundred thousand (6,900,000) in convertible debentures issued by the Renuka Consumer Foods Limited (RCFL). These debentures have been redeemed on 19th February 2014.

**19.2.1** Renuka Shaw Wallace PLC has advanced Rs. 190,000,000 to Renuka Consumer Foods Limited (RCFL) and in settlement the said advance, to accept from RCFL 1,900,000 Ordinary voting shares, at Rupees one Hundred (Rs. 100) per share for total consideration of Rs. 190,000,000.

**19.2.2** Renuka Shaw Wallace PLC has advanced Rs. 70,000,000 to Renuka Teas (Ceylon) (Pvt) Limited and in settlement the said advance Renuka Teas (Ceylon) (Pvt) Limited has agreed to issue Ordinary voting shares of Renuka Teas (Ceylon) (Pvt) Ltd to Renuka Shaw Wallace PLC, to a value of Rs. 70,000,000.

### 19.3 Acquisitions during the Year

**19.3.1** During the year Renuka Agri Foods PLC has fully disposed (100% stake) Renuka Teas (Ceylon) (Pvt) Ltd to Renuka Shaw Wallace PLC for a cash consideration of Rs. 96,875,000.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

**19.3.2** During the year Renuka Organics (Pvt) Ltd has disposed its 50% stake in Renuka Developments Ltd to Renuka Shaw Wallace PLC for an cash consideration of Rs. 450,000,000.

## 19.4 Disposals during the Year

**19.4.1** During the year, Renuka Consumer Foods Limited disposed its ownership interest of 42.24% in Shaw Wallace Ceylon Limited to Eagle View Management Services Limited and CJ Patel and Company Limited (21.12% each) for a cash consideration of Rs. 422,418,522/-.

**19.4.2** During the year, Group fully disposed its ownership interest in Campbell Teas (Pvt) Ltd. for a cash consideration of Rs. 5,000,000/-.

	<b>CTL</b>		
	<b>(Rs.)</b>		
<b>a) Identifiable assets disposed and liabilities assumed</b>			
Trade & Other Receivables	584,875		
Short Term Investments	3,396,735		
Cash in Hand & at Bank	100,916		
Amount Due from Related Parties	4,999,980		
Income Tax Payable	(305)		
Other Current Liabilities	(32,000)		
	<u>9,050,201</u>		
<b>b) Analysis of Net Cash Inflow in respect of Disposal</b>			
Cash Consideration	5,000,000		
Cash & Cash Equivalents Disposed	(100,916)		
	<u>4,899,084</u>		
<b>c) Analysis of Net Assets between Controlling Interest and Non Controlling Interest</b>			
	<b>Controlling Interest</b>	<b>Non Controlling Interest</b>	<b>Total</b>
	<b>(Rs.)</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
Share of Net Assets Disposed	4,533,246	4,516,956	9,050,201
Profit / (loss) on Disposal	(2,028,877)	(2,021,324)	(4,050,201)
Satisfied by Cash Consideration	<u>2,504,500</u>	<u>2,495,500</u>	<u>5,000,000</u>

## 20. Intangible Assets

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>20.1 Goodwill</b>				
Balance as at the beginning of the year	197,829,768	163,249,987	-	-
On Acquisition during the year	-	34,579,781	-	-
Balance as at the end of the year	<u>197,829,768</u>	<u>197,829,768</u>	<u>-</u>	<u>-</u>

**20.1.1** Goodwill as at the reporting date has been tested for impairment and no impairment was found in carrying value. Recoverable values have been estimated based on fair value less cost to sell and value in use for the above test.

**20.1.2** During the year 2012/13 addition to the Goodwill reflects the excess of the purchase consideration made for the fair value of assets and liabilities acquired in acquiring the Shaw Wallace Ceylon Ltd and its subsidiaries, Richlife Diaries Limited & Renuka Developments Ltd.

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>20.2 Computer Software</b>				
Balance as at the Beginning of the Year	11,743,747	10,918,522	-	-
On Acquisition during the year	-	3,226,523	-	-
Additions made during the year	2,878,477	1,025,000	-	-
Amortization during the year	(3,874,359)	(3,426,298)	-	-
Balance as at the End of the Year	10,747,865	11,743,747	-	-
<b>20.3 Mr. POP Trade Mark (Note 20. 4)</b>				
Balance as at the Beginning of the Year	14,843,836	-	-	-
Additions made during the year	-	15,000,000	-	-
Amortization during the year	(1,500,000)	(156,164)	-	-
Balance as at the End of the Year	13,343,836	14,843,836	-	-
Total Intangible Assets	221,921,469	224,417,351	-	-
<b>20.4</b>	Shaw Wallace Ceylon Limited has acquired trade mark "Mr. POP" for a sum of Rs. 15 Million during 2012/13. The management is of the opinion that the trade mark has a useful economic life of 10 years.			
<b>21. Investment Securities</b>				
Treasury Fund	151,000,000	-	-	-
Fixed Deposit	225,000,000	-	-	-
	376,000,000	-	-	-
<b>22. Inventories</b>				
Raw Material & Consumable	53,292,944	35,932,343	-	-
Finished Goods	496,866,489	318,093,826	-	-
Harvested Crops	8,954,997	10,392,732	-	-
Spares & Consumable	51,947,771	23,701,351	-	-
Packing Material & Chemicals	119,248,992	112,671,388	-	-
Tea Flavours	384,772	325,013	-	-
Tea Stock	16,837,007	6,651,315	-	-
Blended Tea Stock	3,608,609	1,473,395	-	-
Work in Progress	74,524,804	40,214,081	-	-
Goods in Transit	-	72,212,890	-	-
	825,666,385	621,668,334	-	-
Provision for Slow moving items	(30,343,968)	(7,608,614)	-	-
	795,322,417	614,059,720	-	-
<b>23. Trade &amp; Other Receivables</b>				
Trade Debtors & Bills Receivable	708,651,341	588,232,505	-	-
VAT Recoverable	9,263,322	8,787,131	2,004,535	1,519,789
Deposits & Pre-Payments	12,601,829	95,511,581	180,000	180,000
Taxes Recoverable	30,257,893	57,434,466	154,952	19,242
Advances Payments	49,964,126	2,467,093	-	-
Receivable from Brokers	-	572,239	-	-
Staff Loan and Advances	627,477	1,940,654	-	-
Other Receivables	63,526,337	19,588,433	-	2,933,319
	874,892,325	774,534,102	2,339,487	4,652,350
Provision for doubtful debts	(46,781,618)	(7,357,090)	(2,159,487)	-
	828,110,707	767,177,012	180,000	4,652,350

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>24. Amounts due from Subsidiary Companies</b>				
Shaw Wallace Ceylon Ltd	-	-	241,500	724,500
Renuka Consumer Foods Ltd	-	-	2,009,898	74,509,898
Captain Foods (Pvt) Ltd	-	-	429,594	74,975
	-	-	2,680,992	75,309,373
<b>25. Amounts due from Related Companies</b>				
Renuka Shipping & Travels (Pvt) Ltd	600,000	-	-	-
Renuka Holdings PLC	-	357,000,000	-	-
Mcshaw Automotive Limited	10,000	-	-	-
Renuka Agro Exports Limited	10,948,090	-	-	-
	11,558,090	357,000,000	-	-
<b>26. Cash &amp; Cash Equivalents</b>				
<b>26.1 Favourable Balances</b>				
Call Deposits	115,848,003	34,369,593	1,825,415	4,595,668
Short Term Deposits	144,123,273	9,467,367	566,517	527,198
Cash at bank & in hand	186,545,244	102,177,988	2,567,802	3,153,283
	446,516,520	146,014,948	4,959,734	8,276,149
<b>26.2 Un-favourable Balances</b>				
Bank Overdraft	(250,009,983)	(190,090,426)	(19,635)	(70,816)
	196,506,537	(44,075,478)	4,940,098	8,205,334
<b>27. Stated Capital</b>				
No of Shares Issued				
Voting Shares				
At the Beginning of the year	89,771,800	21,600,000	89,771,800	21,600,000
Issued during the year (27.2)	-	23,285,900	-	23,285,900
Sub division of shares during the year (27.3)	-	44,885,900	-	44,885,900
At the End of the year	89,771,800	89,771,800	89,771,800	89,771,800
Non Voting Shares				
At the Beginning of the year	4,773,346	1,800,000	4,773,346	1,800,000
Issued during the year (27.2)	-	586,673	-	586,673
Sub division of shares during the year (27.3)	-	2,386,673	-	2,386,673
At the End of the year	4,773,346	4,773,346	4,773,346	4,773,346
	94,545,146	94,545,146	94,545,146	94,545,146
<b>27.1 Value of Issues and Fully Paid Ordinary Shares</b>				
At the Beginning of the year	1,383,508,316	552,074,972	1,383,508,316	552,074,972
Issued during the year (27.2)	-	831,433,344	-	831,433,344
At the End of the year	1,383,508,316	1,383,508,316	1,383,508,316	1,383,508,316

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

**27.2** During 2012/13 the company issued Twenty three million two hundred and eighty five thousand nine hundred (23,285,900) new Ordinary Voting Shares at a consideration of Rs.35/- per share and five hundred and eighty six thousand six hundred and seventy three (586,673) new Ordinary Non Voting Shares by way of a rights issue in the proportion of five (5) new ordinary share for every four (4) existing ordinary share held by the shareholders of the Company as at the end of trading on 16th November 2012 and the new shares so issued shall rank "pari passu" in all respects with the existing issued Ordinary Shares of the Company and will qualify for all dividends declared.

**27.3** At an extraordinary General Meeting held on 16 November 2012, the shareholders approved a sub division of the company shares, whereby one (1) existing share was sub divided to two (2), thereby increasing the ordinary shares in issue from 47,272,573 to 94,545,146 ordinary shares. The shares arising from such sub-division carries the same rights vis a vis the existing shares from which such increase arose.

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>28. Reserves</b>				
Revaluation Reserve	77,933,500	77,933,500	-	-
	77,933,500	77,933,500	-	-
<b>29. Deferred Tax Liability</b>				
Balance As at 31st March (previously Stated)	43,951,433	48,971,817	2,824,821	947,990
Prior year Adjustment	-	3,002,512		
Balance As at 1st April (Restated)	43,951,433	51,974,329		
Origination and Reversal of Temporary Differences	3,671,255	(8,237,509)	294,448	1,752,805
Origination and Reversal of Temporary Differences on OCI	130,947	214,613	2,289	124,026
Balance as at the End of the Year	47,753,635	43,951,433	3,121,558	2,824,821
<b>Temporary Differences</b>				
On Property Plant and Equipment	526,837,128	413,673,375	11,020,959	10,268,209
On Retirement Benefit Obligation	(23,863,523)	(25,972,847)	127,461	(179,564)
On Provision for Bad Debts	-	-	-	-
On Carried Forward Tax Losses	(125,713,042)	(150,855,637)	-	-
	377,260,564	236,844,891	11,148,420	10,088,645
Tax Effect	47,753,635	43,951,433	3,121,558	2,824,821
Tax Liability Carried Forward	(43,951,433)	(48,971,817)	(2,824,821)	(947,990)
Change/ (Reversal ) for the Year	3,802,202	(8,022,896)	296,737	1,876,831
<b>29.1 Deferred Tax Asset</b>				
As at the Beginning of the Year	27,839,487	-	-	-
On Acquisition of Subsidiaries	-	8,902,418	-	-
Origination and Reversal of Temporary Differences	(2,298,538)	18,937,069	-	-
Origination and Reversal of Temporary Differences OCI	(436,256)	-	-	-
Balance as at the End of the Year	25,540,949	27,839,487	-	-
<b>Temporary Differences</b>				
On Property Plant and Equipment	(278,914,833)	(74,629,808)	-	-
On Retirement Benefit Obligation	31,170,058	13,554,501	-	-
On Provision for Bad Debts	83,973,942	39,935,450	-	-
On Carried Forward Tax Losses	376,612,075	120,566,595	-	-
	212,841,242	99,426,738	-	-
Tax Effect	25,540,949	27,839,487	-	-
On Acquisition of Subsidiaries	-	(8,902,418)	-	-
Tax Liability Carried Forward	27,839,486	-	-	-
Change/ (Reversal ) for the Year	(2,298,538)	18,937,069	-	-

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

## 29.1.1 Company

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item.

	2014	2013
	Rs.	Rs.
Tax Losses	13,892,709	8,760,841
	13,892,709	8,760,841

Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future profit will be available against which the Company can utilise the benefits therefrom.

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
<b>30. Interest Bearing Borrowings</b>				
Balance as at Beginning of the year	311,927,681	340,263,865	-	-
On Acquisition of Subsidiaries	-	248,047,798	-	-
Addition During the year	1,236,651,302	604,420,135	-	-
Payments During the year	(1,067,518,283)	(880,804,117)	-	-
	481,060,700	311,927,681	-	-
Payable with in one year	(373,264,521)	(150,674,184)	-	-
Payable after one year	107,796,179	161,253,497	-	-

## 30.1 Renuka Agri Foods PLC

Details of loans obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance(Rs.)	Interest Rates	Repayment Terms	Assets Pledged
DFCC Bank	Boiler Loan	6,657,943	AWPR + 6.5% p.a.	To be paid in 72 installments with a grace period of 24 months of Rs.267,363/- starting from July 2008.	Primary mortgage over leasehold rights of an allotted plot of land depicted on 28 lot no 28. Yatadawala.
National Development Bank	Medium Term Loan	64,227,771	1year LIBOR+ 3.75 p.a.	24 equal monthly installments of USD 40,625 each	a) Primary Mortgage over stock and book debts for USD. 740,000. b) Agreement to mortgage over stocks and book debts for USD 1,180,000/- C) Corporate guarantee from Renuka Agro Exports Limited for USD. 940,000.
	Letters of credits	17,932,748	3 months LIBOR+ 4% p.a.	120 (Days) Maximum	-
HSBC	Packing credit loan	23,862,311	6%	Repayable on demand	"Corporate Guarantees of USD 1,000,000 from Renuka Shaw Wallace PLC and LKR 25,000,000 from Rich Life Dairies Ltd."

# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

## 30.2 Richlife Dairies Limited

Details of loans obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance(Rs.)	Interest Rates	Repayment Terms	Assets Pledged
HNB	Import Loan Facility	12,002,000	AWPLR+0.5%	Repayable with in 90 days.	Corporate guarantee of Rs.325Mn from Renuka Agri Foods PLC.
Bank of Ceylon	Long Term Loans	3,775,068	6.5% p.a.	Repayable over 96 equal monthly installments.	Property held at Pirivena Road, Molligoda, Wadduwa for Rs.426 Mn.
DFCC	Term Loan	26,979,162	AWPLR + 3% p.a.	To be paid in 48 installments with a grace period of 12 months of Rs.729,167/-.	Corporate Guarantee from Renuka Agri foods PLC for Rs.95 Mn.
HNB	Term Loan (Special Scheme)	4,897,173	8% p.a.	To be repaid over a period of 5 years in 53 equal monthly installments of Rs. 0.465 Mn each & a final installment of Rs.0.335Mn plus interest commencing after an initial grace period of 6 months. Interest to be serviced monthly during the grace period.	Corporate guarantee of Rs.325 Mn from Renuka Agri Foods PLC.
HNB	Term Loan	17,639,285	AWPLR+0.75% monthly	To be repaid over a period of 5 years in 47 installments of Rs.3.4Mn each & a final installment of Rs.0.2Mn plus interest commencing after an initial grace period of 1 year. Interest to be serviced monthly during the grace period.	Corporate guarantee of Rs.325 Mn from Renuka Agri Foods PLC.
		65,292,688			

## 30.3 Shaw Wallace Ceylon Ltd

Details of loans obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance(Rs.)	Interest Rates	Repayment Terms	Assets Pledged
HNB	Loan	300,000,000	Floating Rate	Maximum roll over tenor 01 month.	Corporate guarantee given by Renuka Shaw Wallace PLC to the value of Rs.300 Mn.
		300,000,000			



# NOTES TO THE FINANCIAL STATEMENTS (Cont.)

As at 31 March 2014

## 30.4 Renuka Teas (Ceylon) (Private) Limited

Details of loans obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance(Rs.)	Interest Rates	Repayment Terms	Assets Pledged
NDB Bank	Packing Credit Loans	3,087,239	6% p.a.	Repayable on demand	-

**Total Loans and Borrowings** 481,060,700

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>31. Finance Lease Obligations</b>				
Balance Payable as at 31st March	62,804,807	65,486,065	-	-
Lease Rentals Payables within one year	(2,698,815)	(2,681,258)	-	-
Lease Rentals Payables after one year	60,105,992	62,804,807	-	-
<b>31.1 Finance Lease Obligations As At 31st March</b>				
Kandy Plantations Ltd (31.2)	62,500,000	65,000,000		
Richlife Dairies Limited (31.3)	304,807	486,065		
	<u>62,804,807</u>	<u>65,486,065</u>		
<b>31.2 Kandy Plantations Ltd</b>				
Land				
Balance payable as at the beginning of the year	65,000,000	67,000,000		
Payments made during the period	(2,500,000)	(2,000,000)		
Payable on lease as at 31st March	62,500,000	65,000,000		
Lease rentals payable within one year	(2,500,000)	(2,500,000)		
Lease rental payable after one year	60,000,000	62,500,000		
<b>31.3 Richlife Dairies Limited</b>				
Plant and Machinery Balance Payable				
Balance payable as at the beginning of the year	486,066	649,768		
On Acquisitions during the Year	-	-		
Paid during the Period	(181,259)	(163,702)		
Balance payable as at the end of the year	304,807	486,066		
Lease rentals payable within one year	(198,815)	(181,258)		
Lease rental payable after one year	105,992	304,808		
<b>31.4 Kandy Plantations Ltd</b>				

Details of the finance leases obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance(Rs.)	Interest Rates	Repayment Terms
John Leo De Croos Trust	Finance Lease	62,500,000	-	To be paid over a period of 30 years under two separate lease agreements. The first lease agreement relates to 10 years period from 1st April 2003 to 31st March 2013 and the second lease agreement relates to the next 20 years commencing from 1st April 2013 and ending on 31st March 2033.

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

## 31.5 Richlife Dairies Limited

Details of the finance leases obtained by the Company are set out below.

Financial Institution	Facility Obtained	Outstanding Balance (Rs.)	Interest Rates	Repayment Terms
Bank of Ceylon	Finance Lease	304,807	15%	Repayable over 60 equal monthly installments.

Group		Company	
2014	2013	2014	2013
Rs.	Rs.	Rs.	Rs.

## 32. Retirement Benefit Obligation

At the beginning of the year	42,401,024	24,238,959	179,564	724,949
On Acquisition of Subsidiaries	-	25,979,182	-	-
Charge to Profit or Loss	11,433,907	3,378,242	28,371	58,114
Charge to OCI	(2,654,688)	-	(8,174)	(442,949)
Payment made during the year	(4,150,425)	(11,195,359)	(72,300)	(160,550)
	46,696,218	42,401,024	127,461	179,564

### 32.1 Movement in the Present Value of Defined Benefit Obligation (PV - DBO)

Provision for PV - DBO as at 01 April	42,401,024	24,238,959	179,564	724,949
On acquisition of Subsidiaries	-	25,979,182	-	-
Interest Cost for the period	4,606,195	2,378,849	19,752	42,282
Current Service Cost for the period	6,827,712	4,122,141	8,619	15,832
Benefit Payable	(49,200)	-	(49,200)	-
Payments during the year	(4,101,225)	(11,195,359)	(23,100)	(160,550)
Actuarial (Gain) / Loss on PV-DBO	(2,654,688)	(3,122,748)	(8,174)	(442,949)
Provision for PV - DBO as at 31 March	46,696,218	42,401,024	127,461	179,564

**32.2** Gratuity Liability is based on the Actuarial Valuation carried out by M/S. Actuarial and Management Consultants (Pvt) Limited. Actuaries, on 31 March 2014, as per the LKAS 19 Employee Benefits. The Principal assumptions used in the 2014 actuarial valuation are as follows;

Retirement Age	55	55
Discounting Rate	10.50%	11%
Salary Increment Rate	10%	10%

## 33. Trade and Other Payables

Trade Creditors	363,759,725	374,771,703	-	-
Tax Payables	5,701,306	7,420,916	2,333,110	2,153,799
Staff Creditors	21,529,825	724,143	-	-
Accrued Expenses	165,731,640	115,402,110	14,577	14,577
Other Payables	105,138,455	155,528,958	1,164,552	1,289,975
	661,860,951	653,847,830	3,512,239	3,458,351

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
<b>34. Amounts Due to Subsidiary Companies</b>				
Renuka Developments Ltd	-	-	40,000,000	-
Renuka Agri Foods PLC	-	-	-	207,000
	-	-	40,000,000	207,000
<b>35. Amount Due to Related Companies</b>				
Renuka Enterprises (Pvt) Ltd	3,011,156	-	-	-
Renuka Agro Exports Ltd	4,600,178	4,070,386	-	-
Renuka Shipping & Travels (Pvt) Ltd	-	-	-	-
Renuka Holdings PLC	-	452,765	-	-
	7,611,334	4,523,151	-	-
<b>36. Dividend Payable</b>				
Unclaimed Dividends	5,542,721	3,780,877	2,318,713	2,152,276
	5,542,721	3,780,877	2,318,713	2,152,276

## 37. Related Party Transactions

The company carries out transactions with parties who are defined as related parties in Sri Lanka Accounting Standard 24 'Related Party Disclosures', the details of which are reported below.

### 37.1 Parent and Ultimate Controlling Entity

The immediate parent of the company is Renuka Agro Exports Ltd and ultimate parent of the company is Renuka Holdings PLC.

### 37.2 Transactions With Related Companies

Company	Name of the director	Nature of Transactions	Amount Received / (Paid)	
			2014 Rs.	2013 Rs.
Renuka Agri Foods PLC	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara Mr.C.J.De.S.Amaratunga Mr.L.M.Abeywickrama	Fund Transfers	207,000	(44,207,186)
Captain Foods (Pvt) Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara	Fund Transfers	354,619	74,975
Shaw Wallace Ceylon Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara Mr.L.M.Abeywickrama Mr.C.J.De.S.Amaratunga	Fund Transfers	(483,000)	724,500

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

Company	Name of the director	Nature of Transactions	Amount Received / (Paid)	
			2014 Rs.	2013 Rs.
Renuka Consumer Foods Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara	Fund Transfers	117,500,000	74,509,898
Renuka Developments Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara Mr.C.J.De.S.Amaratunga	Fund Transfers	(40,000,000)	-
Renuka Teas (Ceylon) (Pvt) Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mr.S.Vasantha Kumara	Advance for Shares	70,000,000	-

This note should be read in conjunction with the Notes 25 and 35, Related Party receivables and Related Party Payables respectively.

### 37.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standards 24 - Related Party Disclosures, Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive & Non-Executive Directors) of the Company has been classified as Key Management Personnel of the Company. The transactions with Key Management Personnel are as follows.

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Short Term Employee Benefits	24,100,000	21,330,000	260,000	195,000
Consultancy Fee	3,000,000	3,735,000	-	-
Rent Paid	5,760,000	3,600,000	-	-
	32,860,000	28,665,000	260,000	195,000

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

## 37.4 Directorate of Group companies

Name of Director	RSW	RAF	RTCL	RTRL	ROL	KPL	CFL	CBL	RDL	RAOL	RLDL	RCFL	SWCL	SWFS	SWSL	SWAL	CFPL	SWPL	BOIS
Dr. S.R. Rajiyah (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	-	✓	✓	✓
Mrs. I.R. Rajiyah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	-	✓	✓	✓
Mr. C.J. De Silva Amaratunge	✓	✓	-	-	-	✓	-	-	-	-	✓	✓	✓	-	-	-	✓	✓	✓
Mr. S.V. Rajiyah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. L.M. Abeywickrama	✓	✓	-	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-
Mr. S. Vasanthakumara	✓	✓	✓	-	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. S. Patel	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	✓	-	✓	✓	✓
Mr. A. Kodagoda	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	✓	-	✓	✓	✓
Mr. W. Rajapakshe	-	✓	-	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. T.K. Bandaranayake	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ms. A.L. Rajiyah	✓	✓	-	-	-	-	-	-	-	✓	✓	-	-	-	-	-	-	-	-
Mr. M.S. Dominic	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr. J.A.S. Felix	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. M. Terfloth	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. M.K.A. Ranglin	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr. T.G. Hockley	-	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-
Mr. P. Gunathilake	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓
Mr. S. Nagarajah	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

RSW	Renuka Shaw Wallace PLC	RCFL	Renuka Consumer Foods Ltd
RAF	Renuka Agri Foods PLC	SWCL	Shaw Wallace Ceylon Ltd
RTCL	Renuka Teas (Ceylon) Ltd	SWFS	Shaw Wallace Food services Ltd
RTRL	Renuka Trading (Pvt) Ltd	SWSL	Shaw Wallace Services Ltd
ROL	Renuka Organics (Pvt) Ltd	SWAL	Shaw Wallace Agencies Ltd
KPL	Kandy Plantations Ltd.	CFPL	Captain Foods (Pvt) Ltd.
CFL	Ceylon Forestry (Pvt) Ltd	SWPL	Shaw Wallace Properties Ltd
GBL	Ceylon Botanicals (Pvt) Ltd	BOIS	BOIS Brothers (Pvt) Ltd
RDL	Renuka Developments (Pvt) Ltd	RAOL	Renuka Agri Organics Ltd.
RLDL	Richlife Dairies Limited		

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

## 38. Contingent Liabilities

Renuka Shaw Wallace PLC has given Corporate guarantees amounting to Rs.300 Mn to HNB Bank & Rs 150 Mn to HSBC bank on behalf of Shaw Wallace Ceylon Ltd.

## 39. Capital Commitments

There were no material commitments as at the reporting date that require disclosure in the Financial Statements.

## 40. Events occurring after the Reporting Period

The Board of directors has recommended a final dividend of Rs 0.30 per share amounting Rs 28,363,544 for the year ended 31st March 2014. This to be approved at the annual general meeting to be held on 24th September 2014.

There have been no other material events occurring after the reporting period that require adjustments to and/or disclosures in the Financial Statements.

## 41. Comparative Information

The previous year's figures have been re-arranged wherever necessary to conform to the current year's presentation and disclosure.

## 42. Going Concern of Subsidiaries

### Shaw Wallace Food Services Limited

The financial statements of Shaw Wallace Food Services Limited have been prepared and presented other than on the basis of a going concern, reflecting the proposed cessation of the operations. Accordingly, the financial statement of Shaw Wallace Food Services Limited are prepared at the recoverable amount of assets and settlement of liabilities in the immediate future.

## 43. Prior Year Adjustments

Renuka Agri Foods PLC (a Subsidiary Company) has incorrectly applied the depreciation rate during the previous year. This has now been corrected retrospectively in accordance with Sri Lanka Accounting Standard LKAS 8, "Accounting Policies, changes in Accounting Estimates and Errors".

Renuka Agri Foods PLC (a Subsidiary Company) has erroneously applied incorrect rates for capital allowances. This error has now been corrected retrospectively in accordance with Sri Lanka Accounting Standard LKAS 8, "Accounting Policies, changes in Accounting Estimates and Errors".

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

	As	Adjustments		Re	Restated
	Previously Reported	Deferred Tax	Property Plant & Equipment	Classification	
	Rs.	Rs.	Rs.	Rs.	Rs.
Statement of Comprehensive Income for the year ended 31st March 2013					
Administrative Expenses	(223,056,161)	-	(3,207,402)	19,660	(226,243,903)
Income Tax (Expense) / Reversal	14,124,367	2,625,382	-	214,613	16,964,362
<b>Profit for the year</b>	<b>206,960,624</b>	<b>2,625,382</b>	<b>(3,207,402)</b>	<b>234,273</b>	<b>206,612,877</b>
Other Comprehensive Income					
Actuarial Gains / (Losses) on Retirement Benefit Plans	-	-	-	(19,660)	(19,660)
Tax Effect on OCI	-	-	-	(214,613)	(214,613)
Other Comprehensive Income for the year Net of Tax	-	-	-	(234,273)	(234,273)
<b>Total Comprehensive Income for the year</b>	<b>206,960,624</b>	<b>2,625,382</b>	<b>(3,207,402)</b>	<b>-</b>	<b>206,378,604</b>

## Statement of Financial Position as at 31st March 2013

<b>Assets</b>					
Property, Plant & Equipment	2,191,069,103	-	(4,243,282)	-	2,186,825,821
	2,191,069,103	-	(4,243,282)	-	2,186,825,821
<b>Liabilities</b>					
Deferred Tax	43,574,303	377,130	-	-	43,951,433
	43,574,303	377,130	-	-	43,951,433
<b>Equity</b>					
Retained Earnings	750,639,154	(188,917)	(2,125,607)	-	748,324,630
Non Controlling Interest	1,419,297,733	(188,213)	(2,117,674)	-	1,416,991,846

The effect of above has been accounted for retrospectively, Since the adjustment to Statement of Financial Position as at 1st April 2013 is immaterial for the Group, three statements of financial position have not been presented.

## 44 Financial risk management

### Overview

The Group has exposure to the following risks arising from financial instrument:

- Market risk
- Credit risk
- Liquidity risk

The note presents information about the Group's exposure to each of the above risk, the Group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

## Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

#### Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Carrying Amount	
	2014	2013
	Rs.	Rs.
Trade and Other Receivables	828,110,707	767,177,102
Amount due from Related Company	11,558,090	357,000,000
Balances with Banks	446,516,520	146,014,948
	<u>1,286,185,317</u>	<u>1,270,192,050</u>

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

#### Impairment Losses

The Group establishes an allowance for impairment that represents its estimate for incurred losses in respect of trade & other receivable. The main components of this allowance are a specific component that relate to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for trade & other receivables at the reporting date by geographic region was as



# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

follows.

	Carrying Amount	
	2014	2013
	Rs.	Rs.
Domestic	668,841,897	633,275,412
Europe	63,881,293	36,478,036
Middle East	26,121,477	43,208,744
Asia	3,465,476	1,500,323
United State	5,260,229	5,099,037
Canada	5,428,211	15,031,998
Caribbean	35,508,474	32,583,552
Africa	6,875,777	-
Australia	12,727,873	-
	<b>828,110,707</b>	<b>767,177,102</b>

## Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 446,516,520 at 31st March 2014 (Rs. 146,014,948 as at 31st March 2013) which represents its maximum credit exposure on these assets.

## (ii) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty 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 have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

	Carrying Amount	0-12 Months	More than 1 year
	Rs.	Rs.	Rs.
<b>As at 31st March 2014</b>			
Financial Liabilities (Non- Derivative)			
Interest Bearing Borrowings	481,060,700	373,264,521	107,796,179
Other Amounts Due to Related Company	7,611,334	7,611,334	-
Trade and Other Payables	661,860,949	661,860,949	-
Bank overdraft	250,009,983	250,009,983	-
Total	<b>1,400,542,966</b>	<b>1,292,746,787</b>	<b>107,796,179</b>
<b>As at 31st March 2013</b>			
Financial Liabilities (Non-Derivative)			
Interest Bearing Borrowings	311,927,681	150,674,184	161,253,497
Amount due to Related Companies	4,523,151	4,523,151	-
Trade and other Payables	653,847,831	653,847,831	-
Bank OD's	190,090,426	190,090,426	-
Total	<b>1,160,389,089</b>	<b>999,135,592</b>	<b>161,253,497</b>

The gross inflows /(outflows) disclosed in the previous table represent the contractual un-discounted cash flows relating to derivative financial liabilities held for risk management purposes and are which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and are gross cash inflows and outflow amounts for derivatives that have simultaneous gross cash settlements, e.g. forward exchange contracts.

It is not expected that the cash flows included in the maturity analysis would not occur significantly earlier or at significantly different amounts.

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

As at 31 March 2014

## (iii) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

### a. Currency Risk

The risk that the fair value or future cash flows of financial instruments fluctuates due to changes in foreign exchange rates.

The Group is exposed to currency risk on sales, purchases that are denominated in a currency other than Sri Lankan Rupees (LKR). The currencies in which these transactions primarily are denominated is US Dollars.

### Exposure to currency risk

The Company's exposure to foreign currency risk was as follows based on notional amounts.

The Company and the Group involves with foreign exchange transactions and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

	2014		2013	
	Rs.	USD	Rs.	USD
Trade and other Payables	(15,432,286)	(119,909)	(16,958,431)	(135,559)
Trade and other Receivables	159,268,810	1,237,520	133,901,661	1,070,357
Cash and cash equivalents	44,989,144	349,566	29,421,518	235,184
Gross Statement of Financial Position Exposure	188,825,668	1,467,177	146,364,748	1,169,982

The following significant exchange rates were applicable during the year

	Average Rate		Reporting Date Spot Rate	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
US Dollars	128.53	128.14	128.70	125.10

### Sensitivity Analysis

Strengthening of the LKR, as indicated below, against the US Dollar and at 31st March 2013 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Strengthening		Weakening	
	Profit or Loss	Equity	Profit or Loss	Equity
	Rs.	Rs.	Rs.	Rs.
31st March 2014				
USD (10% movement)	18,882,567	-	(18,882,567)	-
31st March 2013				
USD (10% movement)	61,182,109	-	(61,182,109)	-

# NOTES TO THE FINANCIAL STATEMENT (Cont.)

## b. Interest rate risk

The risk that the fair value or future cash flows of a financial instrument fluctuates due to changes in market interest rates.

At the reporting date, the Company's interest-bearing financial instruments were as follows:

	Carrying Amount	
	2014	2013
	Rs.	Rs.
<b>Fixed Rate Instruments</b>		
Financial Assets		
Bank Deposits	119,971,276	43,836,960
<b>Variable Rate Instruments</b>		
Financial Liabilities		
Bank OD's	(250,009,983)	(190,090,426)
	<u>(130,038,707)</u>	<u>(146,253,466)</u>

## (iv) Capital management risk

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of the ordinary shares, retained earnings and non controlling interest of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to the ordinary shareholders.

The Group's net debt to adjusted equity ratio at the reporting date was as follows

	Group		Company	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Borrowings & Lease	543,865,507	377,413,746	-	-
Total Equity	4,114,192,628	3,626,758,292	1,831,026,526	1,834,775,526
Net Debt to Equity Ratio	13.22%	10.40%	-	-

## (v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Development of contingency plans
- Training and professional development

# SEGMENTAL REPORT

	Agri Food Exports		Dairy		FMCG		Group Total	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Turnover								
Total	2,219,581,070	1,750,828,463	1,341,968,705	831,570,533	2,292,654,414	1,277,138,213	5,854,204,189	3,859,537,208
Intra Group	268,626,042	175,912,139	-	-	61,182,148	96,247,822	329,808,190	272,159,962
External	<u>1,950,955,028</u>	<u>1,574,916,324</u>	<u>1,341,968,705</u>	<u>831,570,533</u>	<u>2,231,472,266</u>	<u>1,180,890,391</u>	<u>5,524,395,999</u>	<u>3,587,377,246</u>
Gross Profit	434,355,482	471,929,712	265,510,628	132,877,499	377,871,449	148,069,018	1,077,737,559	752,876,229
Profit before Finance Cost								
Net Finance Cost / Income							203,610,618	208,354,313
Profit before Taxation							<u>(46,855,842)</u>	<u>(18,705,798)</u>
Total Assets	2,792,046,294	2,610,800,801	881,912,572	784,277,636	2,003,574,111	1,547,688,342	5,677,532,977	4,942,766,779
Fixed Assets Including Investment Property	1,143,895,364	1,173,190,490	550,599,066	526,135,318	1,228,068,396	1,106,932,453	2,922,562,826	2,806,258,261
Non Interest Bearing Liabilities								
Deferred Taxation	23,553,493	19,800,803	21,078,584	21,325,809	3,121,558	2,824,821	47,753,635	43,951,433
Retirement Benefit Obligations	22,695,987	19,257,184	8,547,377	6,771,025	15,452,854	16,372,815	46,696,218	42,401,024
Trade & Other Payable	243,657,857	174,863,708	135,921,829	106,641,866	282,281,265	372,342,256	661,860,951	653,847,830

## REAL ESTATE PORTFOLIO – 2013/14

Classification	Name of the Company	Location	Land Perches		No. of Buildings	Building in Sq.ft	Value (Rs.000) Cost/Valuation	
			Lease Hold	Free Hold				
Property, Plant & Equipment	Renuka Agri Foods PLC	Wathupitiwala	670		9	81,364	146,893	
	Renuka Shaw Wallace PLC	Ekala Ja-ela		215	9	29,919	94,258	
	Captain Foods (Pvt) Ltd	Ekala Ja-ela		59	2	10,148	28,859	
	Richlife Dairies Ltd	Wadduwa		682	6	57,550	322,520	
	Shaw Wallace Ceylon Ltd	Colombo 08		40	1	66,227	413,016	
	Shaw Wallace Properties Ltd	Peliyagoda	93		2	61,473	230,436	
	Renuka Developments Ltd	Colombo 09		96	2	7,507	250,000	
	Bois Brothers (Pvt) Ltd	Colombo 08		5			18,199	
	Renuka Trading (Pvt) Ltd	Colombo 09		38	3	34,706	66,000	
	Kandy Plantations Ltd	Diwuldeniya	102,552		4	8,094	63,998	
	Ceylon Botanicals (Pvt) Ltd	Matale		10,842			20,000	
	Investment Properties	Renuka Trading (Pvt) Ltd	Colombo 09		38			66,000
		Shaw Wallace Properties Ltd	Peliyagoda	122				302,219
		Renuka Developments Ltd	Colombo 09		88			228,406

# FIVE YEAR SUMMARY

Year Ended 31st March

	2014	2013	2012	2011	2010
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>A) Summary of the Operation</b>					
Revenue	5,524,396	3,587,377	1,991,255	2,058,383	1,284,948
Gross Profit	1,077,738	752,876	629,345	372,952	395,222
Profit before Finance Cost and Tax	213,529	236,810	341,359	235,484	215,788
Profit before Taxation	156,755	189,649	307,987	233,068	205,198
Taxation	(14,298)	16,964	8,684	(5,515)	(8,131)
Profit after Tax	142,456	206,613	316,671	227,553	197,067
Profit attributable to Equity Holders of the Company	93,558	111,842	142,522	161,220	147,416
<b>B) Summary of Financial Position</b>					
<b>Capital and Reserves</b>					
Stated Capital	1,383,508	1,383,508	552,075	552,075	552,075
Capital Reserves	77,934	77,934	77,934	73,185	73,185
Retained Earnings	1,046,413	748,325	720,095	599,510	321,786
<b>Shareholders' Fund</b>	<b>2,507,855</b>	<b>2,209,766</b>	<b>1,350,103</b>	<b>1,224,770</b>	<b>947,046</b>
Minority Interest	1,606,337	1,416,992	833,991	455,886	461,249
<b>Total Equity</b>	<b>4,114,192</b>	<b>3,626,758</b>	<b>2,184,095</b>	<b>1,680,656</b>	<b>1,408,295</b>
<b>Liabilities</b>					
Non-Current Liabilities	262,352	310,411	256,261	120,151	125,164
Current Liabilities	1,300,988	1,005,598	702,672	115,901	110,492
<b>Total Liabilities</b>	<b>1,563,340</b>	<b>1,316,008</b>	<b>958,933</b>	<b>236,052</b>	<b>235,656</b>
<b>Total Equity and Liabilities</b>	<b>5,677,532</b>	<b>4,942,767</b>	<b>3,143,027</b>	<b>1,916,708</b>	<b>1,643,952</b>
<b>Assets</b>					
Property, Plant and Equipments	2,323,452	2,271,323	1,287,073	586,575	546,292
Investment Properties	596,625	532,380	652,016	46,275	55,089
Other Non-Current Assets	625,948	254,812	174,169	315,225	30,225
Current Assets	2,131,507	1,884,252	1,029,770	968,633	1,012,345
<b>Total Assets</b>	<b>5,677,532</b>	<b>4,942,767</b>	<b>3,143,027</b>	<b>1,916,708</b>	<b>1,643,952</b>
<b>C) Key Indicators</b>					
Earnings per share (Rs.)	0.98	1.85	6.09	6.89	10.21
Net Profit Margin (%)	2.58%	5.76%	15.90%	11.05%	15.34%
Net Assets per Share (Rs.)	26.53	36.58	57.70	52.34	40.47
Dividends per share (Rs.)	0.30	0.30	1.00	1.00	1.00
Dividends Payout (%)	14.11%	7.39%	20.42%	21.89%	15.52%
Dividend Cover (Times)	7.09	13.53	4.90	4.57	6.45
Interest Cover (Times)	4.02	5.36	36.11	97.46	20.38
Current Ratio (Times)	1.64	1.87	1.47	8.36	9.16
Gearing (%)	3.92%	5.82%	7.73%	4.67%	5.92%
Return on Equity (%)	3.46%	5.70%	14.50%	13.54%	13.99%

# SHAREHOLDERS INFORMATION

## STOCK EXCHANGE LISTING

The issued ordinary shares of Renuka Shaw Wallace PLC are listed on the Main Board of the Colombo Stock Exchange (CSE) in Sri Lanka.

## SHAREHOLDERS INFORMATION

	2014		2013	
	Voting	Non Voting	Voting	Non Voting
Total No of Shareholders	4,007	742	4,135	777
Total No of Shares	89,771,800	4,773,346	89,771,800	4,773,346

Voting Shares	31st March 2014			31st March 2013			
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%	
1	1,000	3,118	892,390	0.99	3,208	939,301	1.04
1001	10,000	646	2,343,935	2.61	679	2,536,045	2.82
10,001	100,000	192	6,261,215	6.97	195	6,071,225	6.77
100,001	1,000,000	45	13,765,440	15.34	47	11,924,237	13.29
1,000,001	Over	06	66,508,820	74.09	06	68,300,992	76.08
<b>Total</b>		<b>4,007</b>	<b>89,771,800</b>	<b>100</b>	<b>4,135</b>	<b>89,771,800</b>	<b>100</b>

### Analysis of Shareholders - Voting

Individuals	3,848	21,761,396	24.24	3,989	21,600,616	30.38
Institutions	159	68,010,404	75.76	146	68,171,184	69.62
<b>Total</b>	<b>4,007</b>	<b>89,771,800</b>	<b>100</b>	<b>4,135</b>	<b>89,771,800</b>	<b>100</b>

### Analysis of Shareholders - Voting

Resident	3,972	87,862,760	97.87	4,102	88,321,071	99.49
Non Resident	35	1,909,040	2.13	33	1,450,729	0.51
<b>Total</b>	<b>4,007</b>	<b>89,771,800</b>	<b>100</b>	<b>4,135</b>	<b>88,771,800</b>	<b>100</b>

### Non Voting Shares

1	1,000	515	129,656	2.72	544	138,973	2.91
1001	10,000	180	651,303	13.65	187	658,364	13.79
10,001	100,000	40	1,428,455	29.92	39	1,328,064	27.83
100,001	Over	07	2,563,932	53.71	07	2,647,942	55.47
<b>Total</b>		<b>742</b>	<b>4,773,346</b>	<b>100</b>	<b>777</b>	<b>4,773,346</b>	<b>100</b>

### Analysis of Shareholders - Non Voting

Individuals	681	2,785,086	58.35	712	2,740,181	57.41
Institutions	61	1,988,260	41.65	65	2,033,165	42.59
<b>Total</b>	<b>742</b>	<b>4,773,346</b>	<b>100</b>	<b>777</b>	<b>4,773,346</b>	<b>100</b>

### Analysis of Shareholders - Non Voting

Resident	722	4,287,073	89.81	756	4,377,344	91.70
Non Resident	20	486,273	10.19	21	396,002	8.30
<b>Total</b>	<b>742</b>	<b>4,773,346</b>	<b>100</b>	<b>777</b>	<b>4,773,346</b>	<b>100</b>

# SHAREHOLDERS INFORMATION

## Public Share Holding

		2014	2013
The percentage of shares held by the public	Voting (%)	30.94	30.95
	Non Voting (%)	69.98	58.96

## Share Trading Information

1st April to 31st March	2013/2014		2012/2013	
	Voting	Non Voting	Voting	Non Voting
Highest (Rs)	24.00	19.50	63.00	49.80
Lowest (Rs)	15.00	12.30	17.30	13.00
As at 31st March	16.10	12.40	18.00	13.60

## Market Capitalization

As at 31st March	1,445,326	59,189	1,615,224	64,918
No of Trades	3,359	836	5,903	1,757
No of Shares traded	7,747,047	1,427,855	8,734,654	1,085,897
Value of shares traded (Rs)	140,165,948	24,088,975	346,461,623	38,250,721

## Dividends

Proposed/paid final dividend (Rs)	26,931,540	1,432,004	26,931,540	1,432,004
	(0.30per share)	(0.30per share)	(0.30per share)	(0.30per share)



# SHAREHOLDERS INFORMATION

## Renuka Shaw Wallace PLC - TOP 20 Shareholders

Voting as at 31.03.2014			Voting as at 31.03.2013		
No.	Name	No. of shares	%	No. of shares	%
1	Renuka Agro Exports Ltd	56,533,428	62.97	56,533,428	62.97
2	Dr. S.R. Rajiyah & Mrs. I.R. Rajiyah	4,488,590	5.00	4,488,590	5.00
3	Mr. K.C. Vignarajah	1,633,563	1.82	1,605,056	1.79
4	Mrs. S. Vignarajah	1,471,968	1.64	1,503,968	1.68
5	Renuka Hotels Ltd	1,203,062	1.34	1,203,062	1.34
6	Amana Bank Ltd	1,178,209	1.31	-	-
7	Mr. S.V. Rajiyah	955,135	1.06	955,135	1.06
8	Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	891,288	0.99	891,288	0.99
9	Commercial Bank of Ceylon PLC/Capital Trust Holdings (Pvt) Ltd	813,859	0.91	788,339	0.88
10	Seylan Bank PLC/Capital Trust Holdings (Pvt) Ltd	697,716	0.78	-	-
11	Dr. D.L. Piyarisi	613,912	0.68	613,912	0.68
12	Hallsville Trading Group Inc.	601,000	0.67	601,000	0.67
13	Ms. O.D. Gunawardene	588,288	0.66	-	-
14	Bank of Ceylon No. 1 A/c	580,146	0.65	580,146	0.65
15	Mrs. T.M. Moosajee	494,000	0.55	-	-
16	Mrs. N. Muljie	480,208	0.53	480,208	0.53
17	J.B. Cocoshell (Pvt) Ltd.	428,550	0.48	2,966,888	3.30
18	Commercial Bank of Ceylon PLC A/c No. 04	402,000	0.45	402,000	0.45
19	E.W. Balasuriya & Co. (Pvt) Ltd	401,000	0.45	401,000	0.45
20	Mr. M.N.M. Asir	326,096	0.36	363,596	0.41
		<b>74,782,018</b>	<b>83.30</b>	<b>74,377,616</b>	<b>82.85</b>

Non-voting as at 31.03.2014			Non-voting as at 31.03.2013		
No.	Name	No. of shares	%	No. of shares	%
1	Renuka Agro Exports Ltd	751,031	15.73	-	-
2	Mr. K.C. Vignarajah	722,224	15.13	722,224	15.13
3	Waldock Mackenzie Ltd/Mr.H.M.S. Abdulhussein	394,399	8.26	483,900	10.14
4	Best Real Invest Co. Services (Pvt) Ltd	295,086	6.18	295,086	6.18
5	Mr. Y.H. Abdul Hussein	155,498	3.26	155,498	3.26
6	Mrs. S. Vignarajah	141,094	2.96	141,094	2.96
7	Mrs. J.K.P. Singh	104,600	2.19	104,600	2.19
8	Ms. N. Harnam & Mrs. J.K.P. Singh	100,000	2.09	100,000	2.09
9	Mrs. R.G. Abdul Hussein	79,100	1.66	79,100	1.66
10	L.L.C. Tranz Dominion	72,001	1.51	70,000	1.47
11	Waldock Mackenzie Ltd/Hi-Line Towers (Pvt) Ltd	70,000	1.47	83,376	1.75
12	Mr. T.T.T. Al-Nakib	62,100	1.30	42,600	0.89
13	Essajee Carimjee Insurance Brokers (Pvt) Ltd	61,958	1.30	85,000	1.78
14	Mr. R.S. Madugalle	58,525	1.23	58,525	1.23
15	Askold (Pvt) Ltd	57,594	1.21	57,594	1.21
16	Mr. H.W.R.S. Jayawardena	55,966	1.17	-	-
17	Mrs. S. Umeshwary	50,922	1.07	50,922	1.07
18	Mr. A.N. Esufally	50,000	1.05	50,000	1.05
19	People's Leasing & Finance PLC/S.P. Jayakumar	49,640	1.04	-	-
20	Mr. M.N.M. Ahsan	49,000	1.03	49,000	1.03
		<b>3,380,738</b>	<b>70.83</b>	<b>2,629,019</b>	<b>55.08</b>

# NOTICE OF MEETING

Notice is hereby given that the 24th Annual General Meeting of the Company will be held at the Sri Lanka Foundation Institute, No. 100, Independence Square, Colombo 7 on the 24th September 2014 at 10.30 a.m. for the following purposes :-

1. To receive and consider the Report of the Directors and the Statement of the Audited Financial Statement for the year ended 31st March 2014 with the Report of the Auditors thereon.
2. To re-elect Mr. L.M. Abeywickrama as a Director who retires by rotation in terms of Article 28 (1) .
3. To re-appoint Mr. C.J. De S. Amaratungee who is above 70 years of age as a director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. C.J. De S. Amaratunge.
4. To re-appoint Mr. T.K. Bandaranayake who is above 70 years of age as a director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. T.K. Bandaranayake.
5. To declare a dividend of Rs 0.30 per share.
6. To authorise the Directors to determine the contribution to charity.
7. To re-appoint M/s KPMG,. Chartered Accountants as the Auditors and authorise the Directors to determine their remuneration.

By Order of the Board,

Sgd.

**Renuka Enterprises (Pvt) Ltd**

Company Secretaries

27.08.2014

Note:-

- (i) A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of the member, such proxy need not be a member.
- (ii) A Form of Proxy is enclosed with this Annual Report.
- (iii) The completed Form of Proxy should be deposited at the Registered Office of the Company at "Renuka House", No. 69, Sri Jinaratana Road, Colombo 2, on or before 10.30 a.m. on 22nd September 2014, being not less than 48 hours before the time appointed for the holding of the Meeting.





## Form of Proxy

I / We .....  
of ..... being a member/members of Renuka Shaw Wallace PLC, hereby  
appoint ;

Mrs. I.R. Rajiyah	or failing her
Dr. S.R. Rajiyah	or failing him
Mr. S.V. Rajiyah	or failing him
Mr. C.J. de S. Amaratunge	or failing him
Mr. V. Sanmugam	or failing him
Mr. L.M. Abeywickrama	or failing him
Mr. T.K. Bandaranayake	or failing him
Mr. M.S. Dominic	or failing him
Ms. A.L. Rajiyah	or failing her
Dr. J.A.S. Felix	or failing him

..... (NICNo. ....)  
of .....  
as my/ our proxy to represent me / us and to speak and to vote on my / our behalf at the Annual General Meeting of the Company to be held on the 24th day of September 2014 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

1. To receive and consider the Report of the Directors and the Statement of the Audited Financial Statements for the year ended 31st March 2014 with the Report of the Auditors thereon.
2. To re-elect Mr. L.M. Abeywickrama as a Director.
3. To re-appoint Mr. C.J. De S. Amaratunge as a Director
4. To re-appoint Mr. T.K. Bandaranayake as a Director
5. To declare a dividend of Rs 0.30 per share.
6. To authorise the Directors to determine the contribution to charity.
7. To re-appoint M/s KPMG., Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.

Dated this ..... day of ..... 2014.

.....  
Signature of Shareholder

Note :

- (a) A proxy need not be a member of the Company.
- (b) Instructions regarding completion appear overleaf.

#### **INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY**

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, at “Renuka House”, No. 69, Sri Jinaratana Road, Colombo 2, on or before 10.30 a.m. on 22nd September 2014 being not less than 48 hours before the time appointed for the holding of the Meeting.
2. In perfecting the Form of Proxy, please ensure that all the details are legible.
3. Please indicate with an ‘X’ in the space provided how your proxy to vote on each resolution. If no indication is given the proxy, in his discretion, will vote, as he thinks fit.
4. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. In the case of proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office at “Renuka House”, No. 69, Sri Jinaratana Road, Colombo 2, for registration.

## CORPORATE INFORMATION

### Name of Company

Renuka Shaw Wallace PLC

### Registration No.

PQ 216

### Legal Form

Quoted Public Company With Limited Liability

### Group Companies

Bois Brothers (Pvt) Ltd  
Captain Foods (Pvt) Ltd  
Ceylon Botanicals (Pvt) Ltd  
Ceylon Forestry (Pvt) Ltd  
Kandy Plantations Ltd  
Renuka Agri Foods PLC  
Renuka Agri Organics Ltd  
Renuka Consumer Foods Ltd  
Renuka Developments Ltd  
Renuka Organics (Pvt) Ltd  
Renuka Teas (Ceylon) (Pvt) Ltd  
Renuka Trading (Pvt) Ltd  
Richlife Dairies Ltd  
Shaw Wallace Agencies Ltd  
Shaw Wallace Ceylon Ltd  
Shaw Wallace Food Services Ltd  
Shaw Wallace Properties Ltd  
Shaw Wallace Services Ltd

### Activity

Food & Beverage

### Brands:

Renute  
Richlife  
Captain  
Mr POP  
Sun Gold  
Plaza  
Rainers

### Registered Office

“Renuka House”  
69 Sri Jinaratana Road,  
Colombo 2  
Telephone: 00941-11-2314750-5  
Fax: 00941 11-2445549  
Email: [info@renukagroup.com](mailto:info@renukagroup.com)

### Board Of Directors - Company

Dr S.R.Rajiyah (Chairman)  
Mrs I.R.Rajiyah  
Mr S.V.Rajiyah  
Ms A.L.Rajiyah  
Mr S.Vasantha Kumara  
Mr C.J.De.S.Amaratunge  
, R T.K.Bandaranayake  
Mr L.M.Abeywickrama  
Mr M.S.Dominic  
Dr J.A.Shivaji Felix

### Ultimate Parent Company

Renuka Agro Exports Ltd

### Postal Address

P.O.Box 1278, Colombo

### Stock Exchange Listing

Colombo Stock Exchange

### Audit Committee

Mr T.K.Bandaranayake (Chairman)  
Mr C.J.De.S.Amaratunge  
Dr J.A.Felix

### Company Secretaries

Renuka Enterprises (Pvt) Ltd  
No.69 Sri Jinaratana Road,  
Colombo 2

### Registrars

S.S.P.Corporate Services (Pvt) Ltd  
546 Galle Road,  
Colombo 3.

### Auditors

KPMG Chartered Accountants

### Legal Consultant

Nithya Partners- Attorneys at Law

### Bankers

National Development Bank PLC  
Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
DFCC Bank PLC  
Bank of Ceylon Ltd  
Peoples Bank Ltd  
Seylan Bank PLC  
DFCC Vardhana Bank PLC  
Hongkong & Shanghai Banking Corporation Ltd

'RENUKA HOUSE', P. O. BOX 1278, #69, Sri Jinaratana Road, Colombo 02, Sri Lanka.  
Tel: 94 - 11- 2314750 - 5, 2422694, Fax: 94 - 11 - 2445549  
E-mail: [inquiries@renukagroup.com](mailto:inquiries@renukagroup.com)  
Website: [www.renukagroup.com](http://www.renukagroup.com)