





# CONTENTS

WHO WE ARE, VISION, CULTURE AND VALUES	3
MANUFACTURING & PLANTATIONS	4–6
AT A GLANCE	7
PROFILES OF DIRECTORS	8
CHAIRMAN'S REVIEW	9
MANAGEMENT DISCUSSION ANALYSIS	10–12
REPORT ON THE CORPORATE GOVERNANCE	13–20
AUDIT COMMITTEE REPORT	21–22
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT	23
REMUNERATION COMMITTEE REPORT	24
NOMINATION COMMITTEE REPORT	25
RISK MANAGEMENT	26–30
SUSTAINABILITY REPORT	31–32
REPORT OF THE DIRECTORS	33–37
STATEMENT OF DIRECTORS RESPONSIBILITY	38
<b>FINANCIAL REPORTS</b>	
INDEPENDENT AUDITOR'S REPORT	39–43
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	44
STATEMENT OF FINANCIAL POSITION	45
STATEMENT OF CHANGES IN EQUITY	46–47
STATEMENT OF CASH FLOWS	48
NOTES TO THE FINANCIAL STATEMENTS	49–109
REAL ESTATE PORTFOLIO	110
FIVE YEAR SUMMARY	111
SHAREHOLDER AND INVESTOR INFORMATION	112–116
NOTICE OF MEETING	117–120
FORM OF PROXY	121



## A PROUD SRI LANKAN

Our brands are household names in Sri Lanka, known and loved by the thousands who have depended on us for decades. Yet, not everyone knows how our success story has evolved; the deep rooted heritage of a truly home grown company, the local understanding and strength of our impact on many people's lives.

# WHO WE ARE

In 1990, a seed was planted for a Sri Lankan company that had a thriving desire to branch out into value addition in our agricultural sector, drawing on the expertise of Renuka Enterprises since 1975 and the families' involvement in agriculture since the last century.

The Company was listed on the Colombo Stock Exchange in 1994. Through acquisitions the company now traces its roots to 1866 becoming one of Sri Lankans oldest food and beverage corporates.

Renuka Foods PLC is the parent company of our Food and Beverage businesses consisting of the segments of Agri Food Exports (manufacturing, Organic Plantations) and Consumer Brands (Dairy, FMCG manufacturing & distribution).



RESPONSIVE  
ENTERPRISING  
NURTURING  
UNRELENTING  
KNOWLEDGEABLE  
ACCOUNTABLE

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## VISION

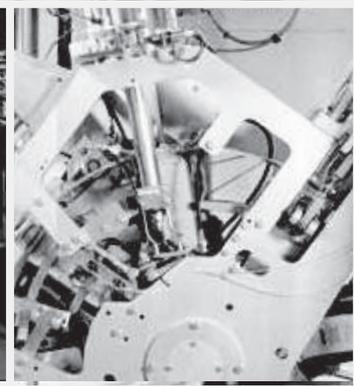
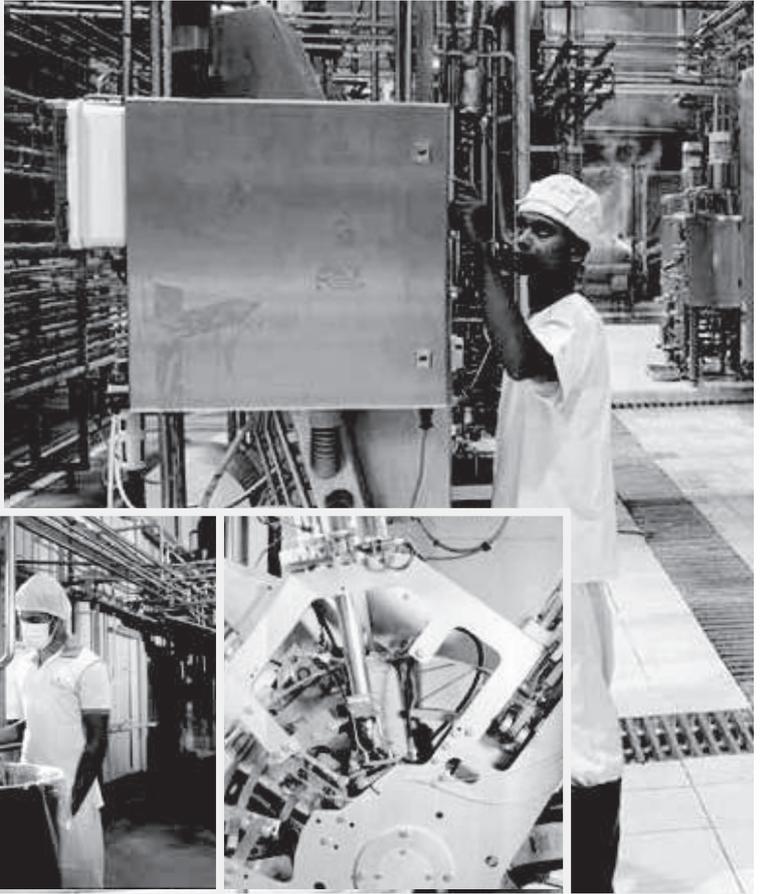
To be a leading Sri Lankan food & Beverage company, making food you love.

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# CULTURE AND VALUES

Renuka's culture reflect 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.

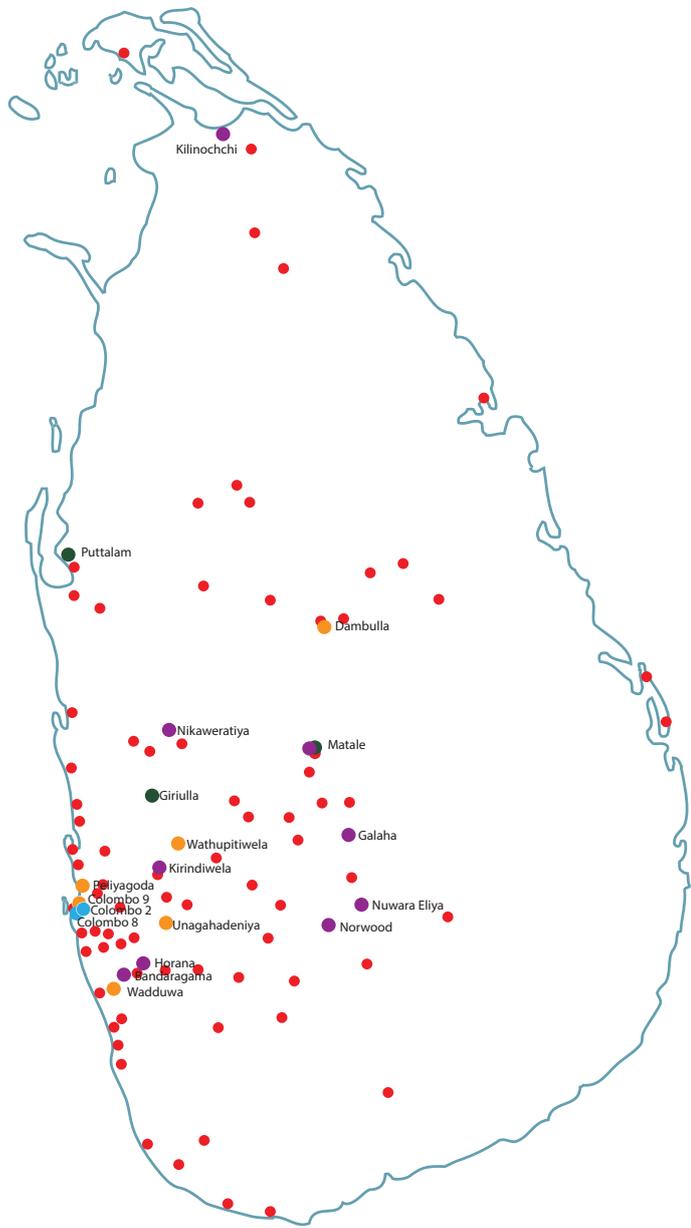
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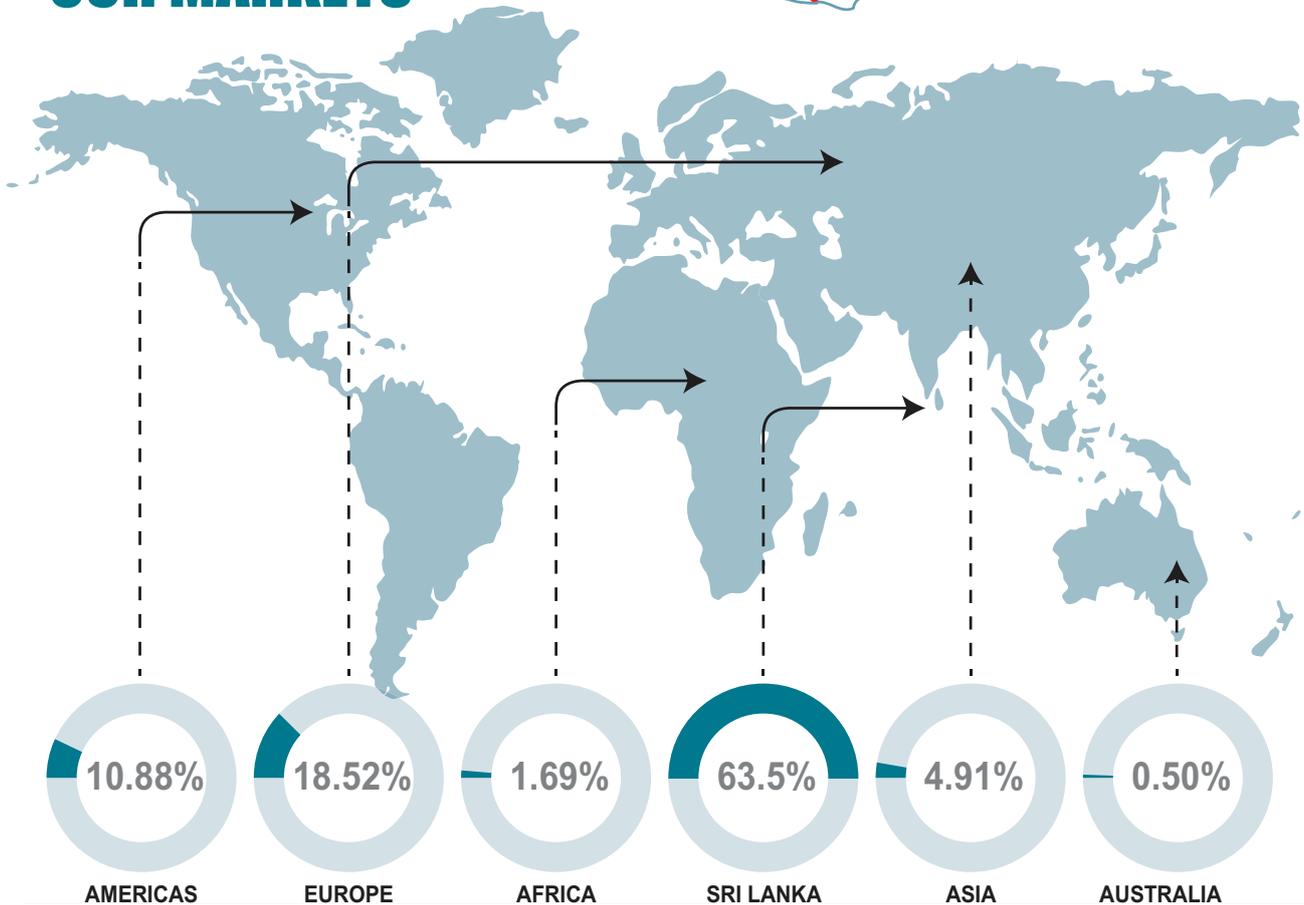


# OUR LOCATIONS

- Offices
- Factories & Warehouses
- Collection & Processing Centres
- Plantations
- Stockists



# OUR MARKETS





**Revenue**  
17,135  
Million



**Net Profit**  
499  
Million



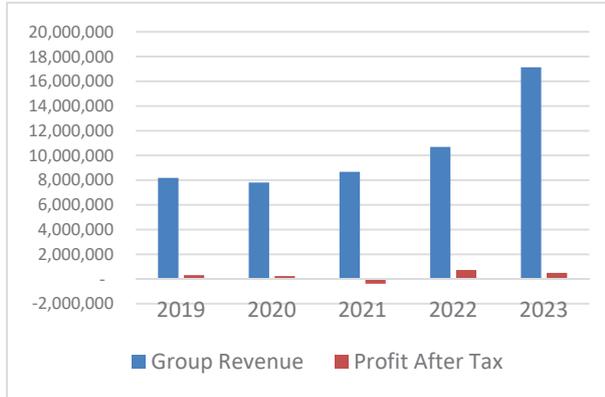
**Total Assets**  
12,771  
Million



**Employees**  
1,368  
Nos,

# AT A GLANCE

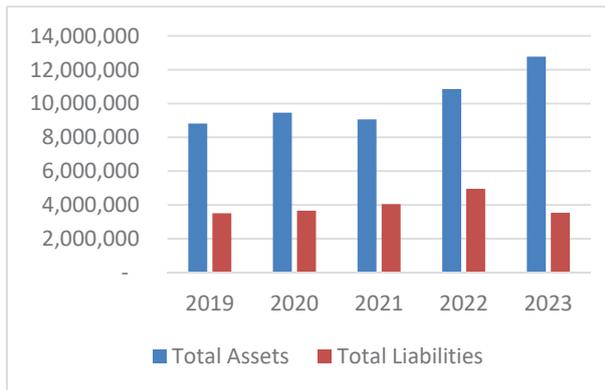
## GROUP REVENUE AND PROFIT AFTER TAX



17,135 Mn  
Revenue in year  
2022/23

499 Mn  
Profit in year  
2022/23

## TOTAL ASSETS AND TOTAL LIABILITIES



12,771 Mn  
Total Assets  
in Year 2022/23

6,537 Mn  
Total Liabilities  
in Year 2022/23

## TOTAL EQUITY AND LONG TERM LIABILITIES



6,233 Mn  
Total Equity  
in Year 2022/23

1,258 Mn  
Non - Current  
Liabilities in Year  
2022/23

# PROFILE OF DIRECTORS

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## **Dr. S.R Rajiyah**

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Dr. S.R Rajiyah is the Executive Chairman of the Company. He is also the Group Managing Director of Renuka Holdings PLC and the Executive Chairman of Renuka Agri Foods PLC, Chairman of Shaw Wallace Ceylon Ltd and Richlife Dairies Ltd and other Companies of the Renuka Group. He is medical doctor qualified in Sri Lanka and counts over 40 years of corporate experience in operations, quality management, research and development as well as in founding and running businesses.

## **Mrs. I.R. Rajiyah**

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Mrs. I.R Rajiyah is the Deputy Executive Chairperson of the Company. She is qualified in Business Studies from the United Kingdom and is a fellow of the British Institute Management. She counts over 40 years of corporate experience in founding and running businesses. She is also the Executive Chairperson of Renuka Holdings PLC and Deputy Executive Chairperson of Renuka Agri Foods PLC, a Director of Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and Companies of the Renuka Group.

## **Mr. S.V. Rajiyah**

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Mr. S.V. Rajiyah is the Managing Director of the Company. He is also the Managing Director of Renuka Holdings PLC, Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and Director of Companies of the Renuka Group. He is also the Executive Chairman of Shaw Wallace Investments PLC and Galle Face Capital Partners PLC. He is a graduate in Management from the Warwick Business School, University of Warwick, United Kingdom. He has over 20 years of experience in General Management.

## **Mr. V. Sanmugam**

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Mr V. Sanmugam is an Executive Director of the Company and he holds a Bachelor of Engineering Degree from the Mangalore University. He counts over 37 years of industrial work experience, out of which, 26 years have been with the Renuka Group Companies. He has extensive experience in New Plant Establishment, Project Planning & Management, Supply Chain/ Inventory Management, Statutory & Regulatory Compliance, besides others. He is also a Non-Executive Director of Renuka Holdings PLC, Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd and Richlife Dairies Ltd.

## **Mr. M. S. Dominic**

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Mr. M.S. Dominic is an Independent Non-Executive Director and holds a BSc (Hons) degree in Computer Science from the University of South Bank, United Kingdom. He has over 38 years of experience in the Information Technology field. He is also Director of Galle Face Properties Ltd, Renuka Foods PLC, Galle Face Capital Partners PLC and Sithijaya Fund. He is a trustee of the George Keyt Foundation. He is also Council of the University of Visual and Performance Art Colombo.

## **Mr.R.F.N.Jayasooriya**

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Mr. Nishantha Jayasooriya, heads Shaw Wallace Ceylon Limited and Richlife Dairies Ltd in managing one of the largest Consumer Foods portfolio's in Sri Lanka backed by an ever growing distribution network which is within the top 10 in the country. His career spans across over 30 years in various industries and sectors such as Tea plantation (management), Dairy, beverage, frozen confectionary, Process meat & tea in Multi-national contexts and owns an illustrious record in General Management for over 2 decades. Mr. Jayasooriya's key management areas of interest include Supply Chain Management, Corporate Strategy & Creating Value Chain excellence. He was the past president of the All Island Dairy Association and president of the Dairy Advisory Committee of Ministry of Industries.

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

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Dr J. A. S. Felix is an Independent Non-Executive Director of the Company. He was awarded LLB (Honours) degrees by the University of Colombo and the University of London in 1994. He was admitted and enrolled as an Attorney-at-Law of the Supreme Court of Sri Lanka in 1996. He was awarded a PhD degree by the University of London in 2000. He is a Fellow of the Society for Advanced Legal Studies of the University of London, 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. He is a member of the Society of Legal Scholars of the United Kingdom and Ireland.

## **Mr.B.V.Selvanayagam**

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Mr. Brian Selvanayagam is a Director of Loops Creative (Pvt) Ltd, a leading integrated advertising agency in Sri Lanka working with several leading brands and Fortune 500 Companies. Loops has offices in Australia, Malaysia, Japan and Qatar.

He is an Associate Member of the Chartered Institute of Management Accountants (UK), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Marketing (UK), Fellow Member of the Certified Management Accountants of Sri Lanka and Chartered Member of the Chartered Institute for Securities & Investment. (UK).

He is the Past Chairman of the Chartered Institute of Marketing Sri Lanka and was a member of the Audit & Risk Committee of the Chartered Institute of Marketing (U.K.)

He is presently an Independent Non Executive of Director of Galle Face Capital Partners PLC and the Past President of the Rotary Club of Colombo West and also a Commission Member of the Insurance Regulatory Commission of Sri Lanka.

He counts over 20 years of work experience in fields covering auditing, banking and financial services, property development and education. He is also a Justice of the Peace for the whole island.

# CHAIRMAN'S REVIEW

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On behalf of the Board of Directors I take pleasure in inviting you, our valued shareholders, to the 33<sup>rd</sup> Annual General Meeting of the Company and wish to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2023. As you already are aware, the year in review was a period of unprecedented challenges to the world at large and especially to Sri Lanka with an acute economic and political which is affecting all citizens and businesses in the country.

## **The Sri Lankan Economy**

The Sri Lankan economy faced its most challenging year in its post-independence history in 2022, comprising severe economic hardship that led to both public anxiety and political upheaval. The impoverished conditions in the economy warranted immediate and coordinated policy initiatives by the Government and the Central Bank to preempt a further escalation of the situation

Although these issues were more pronounced in the first half of the year, there was an improvement in the overall economy towards the latter part of the year. This improvement was driven by a clearer understanding of the macroeconomic landscape, the implementation of necessary reforms, the introduction of coordinated policy initiatives, and the successful acquisition of a USD 3 billion bailout package from the International Monetary Fund (IMF).

In nominal terms, the Sri Lankan economy recorded a significant expansion of 37.2 per cent in 2022, year-on-year, compared to that of 12.3 per cent in the preceding year, reflecting the large deflator during the year

The year under review was also characterized by fiscal tightening, with a marked increase in both direct and indirect taxes to bridge the budget deficit. Accordingly, Value Added Tax (VAT) was increased from 8% to 15%, corporate taxes on manufacturers were increased from 18% to 30%, while a social security contribution levy of 2.5% was also introduced. Consumer disposable income, and thereby household budgets, also noted a significant reduction driven by inflationary impacts and the contractionary monetary and fiscal policy including impacts of the significant increase in personal income taxes during the last quarter, which adversely impacted demand and reduced consumption of our products.

## **The Group**

During the year, the company faced challenges in conjunction with the economic situation the country was facing, which in turn led to an increase in production costs. Cost control and cash flow management was a key priority during the year and the Group sought to minimize costs wherever possible and control debtors to manage cash flows. Volatile market dynamics necessitated a curtailment of advertising and promotion costs during the year. A detailed scrutiny of costs was undertaken by the management to identify areas of potential savings. Despite the challenges faced the Group was able to report a turnover of Rs. 17 Bn against the previous year turnover of Rs. 10.6 Bn, reporting a year on year growth of 60%. The Group has reported an operating profit of Rs. 1.49 Bn, compared to Rs 805 Mn of the previous year, despite the fact that the administration and selling & distribution expenses having increased by 60% compared to the previous year. The Group reported a Profit of Rs. 499 Mn.

Despite the challenges faced by the Sri Lankan consumer industry, import restrictions and high price inflation led to consumer trends shifting to Be Sri Lankan, buy Sri Lankan mentality. As a home grown true Sri Lankan entity our products especially the Richlife Dairy range were well received. Additionally, the Richlife Lakcow Dairy Milk Powder was also introduced to the market at a crucial time when the milk powder market was out of stock and is fast becoming a leading brand at time of this report.

A continued commitment to build mutually beneficial partnerships strengthens our relationships across our networks. We export to 52 countries where we have built strong long-term understandings with our distributors and direct B2B customers. Our island wide network of over 70,000 retail outlets backed by over 160 distributors' ensured availability of our products in local communities. The retail outlets are typically micro entrepreneurs while the distributors include a number of SME's and we engage with them continuously to support their growth. Renuka works with small to medium scale farmers to procure its requirement of organic certified coconut, dairy, corn, rice, treacle and spices supporting their growth through sustained programmes for knowledge sharing, financial assistance and capacity building.

I remain hopeful for the future and trust in Renuka's resilience and the fortitude of our people. I wish to extend my heartfelt gratitude to the members of the Board the Management Team and to all our employees who played a part in the success we achieved this year. I wish to extend a special note of thanks to our shareholders, suppliers, bankers and loyal customers who continued to place their trust in us. Your support has always given us much impetus in our growth. I am confident, that Renuka Team will continue to achieve greater heights in the future, even if we encounter strong headwinds. As a home-grown Company, I am confident that we can contribute in a significant manner to revive our economy, earn foreign exchange and as we focus on our industries, create employment opportunities and deliver value.

Sgd.

Dr. S.R.Rajiyah  
Chairman  
11<sup>th</sup> August 2023

# MANAGEMENT DISCUSSION ANALYSIS

## Operating Environment

The Sri Lankan economy declined by 7.8% in real terms in 2022, in spite of the adverse impact of the COVID-19 pandemic, against the GDP by 3.5% recorded in 2021. The year 2022 posed significant challenges for the Sri Lankan economy, marking one of the toughest periods since its independence. The country faced economic hardships, causing public anxiety and political unrest. In response, both the Government and the Central Bank swiftly implemented coordinated policy initiatives to address the situation and prevent further escalation. These measures aimed to alleviate the impoverished conditions and bring stability to the economy, fostering hope for a brighter future. While the corrective measures implemented had short-term effects on the general population, they were imperative to protect the economy and its stakeholders from potentially disastrous consequences of unchecked economic instability. These measures aimed to prevent hyperinflation, a significant decline in economic activity, and isolation from the global community, which would have had far more detrimental impacts on the people and businesses of the country. Although challenging in the immediate term, these actions were taken with the long-term well-being of the nation in mind.

The following aspects were discussed pertaining to the primary macro - economic variables during the year under review and the resultant impacts on the performance of Renuka Foods PLC

Movement	Cause	Impact to Renuka Foods PLC
<b>Economy</b>		
GDP has decreased by 7.8% for the year ended 2022 compared to GDP growth of 3.5% in year 2021.	All sectors of the economy has declined during 2022 (agriculture, forestry and fishing by 4.6%, industry by 16%, and services by 2%), compared to the previous year. Investment and consumption expenditure shrank in 2022 and net external demand weakened. Investment as a percentage of nominal GDP stood at 34.4 per cent in 2022, compared to 36.7 per cent in the previous year. Due to depreciation in domestic currency, and import controls and subdued aggregate demand, the net external demand for goods and services improved notably by 34.1% in 2022 compared to previous year. consumption expenditure, which accounted for 69.2% of the GDP, expanded by 34.3%, year-on-year, in 2022, compared to the expansion of 8.4% in 2021, largely contributing to the overall nominal growth of the economy.	Due to the imposition of import control restrictions and the depreciation of the currency, the Company has been facing challenges in sourcing essential raw materials. As a result, there has been a noticeable increase in the prices of these critical inputs. These supply constraints, coupled with currency fluctuations, have impacted the Company's ability to procure necessary raw materials, leading to higher costs. The Company is actively addressing these challenges while exploring alternative sourcing options to mitigate the impact on its operations.
<b>Inflation</b>		
Year-on-year core inflation based on the CCPI and the NCPI accelerated to 57.2% and 59.2%, respectively, by end 2022, compared to 12.1% and 14%, recorded at the end of 2021, respectively.	From January to December 2022, headline inflation witnessed a significant surge, primarily driven by price pressures originating from various sources. These sources included price increases in essential sectors such as food, energy, and transportation, which were influenced by supply disruptions, sudden adjustments to administered prices, the sharp depreciation of the Sri Lanka rupee etc. The acceleration in inflation reflected a complex interplay of multiple factors impacting the overall economy, requiring careful monitoring and potential policy interventions to manage the situation effectively.	The company was significantly impacted by the high cost of manufacturing and borrowing, which posed challenges to its operations. To mitigate the negative effects on the company, measures were taken to improve product margins and enhance manufacturing efficiency. These steps were necessary to offset the increased costs and maintain competitiveness in the market. By implementing these strategies, the company aimed to safeguard its financial stability and maintain its position in the industry amid the challenging cost environment.

<b>Domestic Interest Rates</b>		
Due to the tightening monetary policy stance by The Central Bank, overall interest rates has been increased.	To preempt the build-up of excessive inflationary pressures over the medium term and to address imbalances in the external sector and financial markets, measures were taken to commence tightening the monetary policy stance from early 2022 onwards. Throughout the year, there has been a significant increase in the Monthly Average Weighted Prime Lending Rate (AWPLR), rising from 9.42% to 22.42%. This rise in the lending rate has had notable implications for borrowers, affecting the cost of borrowing across various sectors. The increase in AWPLR reflects the changing dynamics of the lending market and highlights the need for borrowers to carefully assess their financing options. It is important for individuals and businesses to consider these changes when making financial decisions and explore alternative avenues to manage borrowing costs effectively.	The Company successfully managed to absorb the high cost of borrowing through increased product margins and enhanced manufacturing efficiency. These proactive measures enabled the Company to mitigate the financial impact of borrowing expenses. By optimizing product margins and streamlining manufacturing processes, the Company demonstrated its resilience and ability to adapt to challenging market conditions. These efforts not only helped to offset the elevated cost of borrowing but also contributed to maintaining the Company's financial stability and competitiveness in the industry.
<b>Exchange Rates</b>		
Exchange rate was fluctuated from Rs. 300/- to Rs 377/- during the year against the USD.	The external sector imbalances are largely reflected by the dried-up liquidity conditions in the domestic foreign exchange market, series of sovereign rating downgrades along with the precarious level of international reserves that have exerted significant depreciation pressures on the exchange rate.	Depreciation of the Rupee had negatively impact on our import payments however this contributed positively towards the Company's export turnover growth.
<b>Share Market</b>		
The Colombo Stock Exchange (CSE) showed a mix of ups and downs during the year..	During the period from 01st April 2022 to 31st March 2023, the Colombo Stock Exchange (CSE) performance showed a mix of ups and downs. The overall trend of the market reflected the evolving economic and global conditions, as well as various internal and external factors that influenced investor sentiment. In the first quarter of the period, the market experienced some volatility, influenced by uncertainties surrounding the global economic recovery and ongoing pandemic-related challenges. However, as the year progressed, the market gradually regained stability and showcased signs of recovery. Throughout the year, the CSE witnessed fluctuations in key indices such as the All Share Price Index (ASPI) and the S&P SL20 Index, which tracks the performance of the top 20 companies listed on the exchange. The performance of individual sectors varied, with some sectors experiencing growth and others facing challenges. Factors such as changes in interest rates, government policies, corporate earnings, and global market dynamics played a role in shaping the market performance. Additionally, investor sentiment was influenced by domestic economic conditions, political developments, and global events.	Highest share price of the company's voting shares recorded at Rs. 37.50/- & lowest at Rs. 11.50/- during the year under review. It was closed at Rs. 21.40/- as at 31 <sup>st</sup> March 2023.

# MANAGEMENT DISCUSSION ANALYSIS (Contd...)

Capital Management Review Managing our capital according to a structured process is key to our continued success. The capital reports below, gives a summary description of our capital resources.

## Financial Capital

The Group achieved a significant increase in revenue, with a total of Rs. 6.4 billion, marking a 60% growth compared to the previous year's revenue of Rs. 10.7 billion. This positive performance can be attributed to several factors, including the increase in product margins. As a result, the Group reported a profit after tax attributable to equity holders amounting to Rs. 367 million for the year.

Furthermore, the Group's gross profit reached Rs. 3,252 million, reflecting a substantial increase of Rs. 1,472 million compared to the previous year. This growth in gross profit can largely be attributed to the improved product margins.

The Group's impressive financial results demonstrate its ability to effectively manage costs and optimize revenue streams. By focusing on enhancing product margins, the Group was able to drive profitability and achieve notable growth in both revenue and gross profit. These outcomes highlight the Group's commitment to sustainable financial performance and its ability to adapt to market dynamics.

## Manufactured Capital

Deriving 100% of our revenue from manufactured products we are conscious of the importance of ensuring that our manufacturing capabilities are expanded, upgraded and maintained according to carefully orchestrated plan to deliver growth and future sustainability. Our manufactured capital comprises of building, plant & machinery and other items including motor vehicles, furniture & fittings and tools and equipment.

## Natural Capital

Environmental sustainability is highly regarded and embedded into the corporate governance framework of the Renuka Sector whilst managing the natural resources and meeting corporate obligations towards protecting the environment around us. Through our organic certified plantation's and factories we ensure that our customers all around the world get organic coconut products which is sustainable in the long term as well. Focus on energy management, waste management, maintaining clean business environment, water management are a few initiatives taken

by the Group during the year. We also embarked on "Net Plus" solar power project at our factory by installing roof top solar panels with a view to reducing electricity consumption within the Group. We also provide guidance to farmers on sustainable agricultural practices with the objective of preserving soil health, forestry and bio diversity. Management of natural capital is a critical imperative as it accounts for significant portion of our total assets. We are heavily dependent on natural resources, water, energy and are significantly impacted by climate change in our

plantations

We also seek to manage our consumption of materials, water and energy to reduce cost of production and our impacts on the environment. Compliance with Central Environmental Authority License, which is obtained by all our factories, is strictly adhered to.

## Human Capital

The Group strongly believes in people development and encourages knowledge sharing. As a result management launched its organization structures and strategy for 2022 to its senior management team and emphasized the roles that each one of our employee needs to play in the coming years. Having sought insights from internal and external stakeholders, some of the business processes, operations and departments reporting have been revisited and streamlined.

## Social and Relationship Capital

In today's dynamic and competitive business environment, Corporate Sustainability link with social responsibility and the strength of the stakeholder relationships.

The companies in the Group mainly depend on the co-ordination of the society and surrounding environment. In turn, it benefits all the companies in the Group in many ways.

## Intellectual Capital

Intellectual Capital is the group knowledge assets that are attributed to an organisation and most significantly contribute to an improved competitive position of an organisation by adding value to defined stakeholders (Marr & Schiuma, 2001). The Renuka Group which the Company belongs to, trace its roots to 1866 and gradually built its solid businesses pillars owning many brands striving in local and export markets. Such

a built up knowledge is used in many aspects and able to invest in wider range of business operations while growing the Group as a whole.

Our intellectual capital enables us to compete effectively in local and global markets shaping our brand equity.

## Outlook

Given the prevailing economic conditions, the country is currently facing significant challenges. However, the company has proactively tackled these operational difficulties by implementing effective working capital and capital management strategies. By carefully managing various capitals, the company aims to maximize returns and mitigate the impact of the challenging economic environment. Despite the external challenges, the company remains committed to optimizing its operational efficiency and financial performance. Through diligent management of working capital and other resources, the company strives to navigate through the prevailing economic conditions and achieve sustainable growth. By adapting to the changing landscape and making strategic decisions, the company aims to position itself for long-term success in the face of economic uncertainties.

# REPORT ON THE CORPORATE GOVERNANCE

Corporate Governance is system of rules, practices and processes by which a company is directed and controlled. Corporate Governance essentially involves balancing the interests of the many stakeholders in a company – these include its shareholders, management, customers, suppliers, financiers, government and the community. Since Corporate Governance also provides the framework for attaining a company’s objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. The Company holds itself accountable to the highest standards of Corporate Governance and provides public accessibility to the information of the Company. Corporate Governance has been institutionalized at all levels in the Group through a strong set of corporate values which have been adhered to by the senior management and Board of Directors in the performance of their official duties and in other situations which could affect the Group image. The Group is committed to the highest standards of integrity, ethical values and professionalism in all its activities.

In Renuka Foods Group, we set our framework of Corporate Governance in line with Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the rules set out in the Colombo Stock Exchange Listing rules and also comply with the country’s legislative and regulatory requirements.

## Internal Governance Structure

### Board of Directors

The Board of Directors are the ultimate governing body of the Company with diverse experience, professionalism and has a wide range of expertise in various fields as set out on page 8.

The Board is responsible for the ultimate supervision of the Group. In all action taken by the Board, Directors are expected to exercise their business judgment considering the best interest of the Company. The Directors participate in defining goals, visions, strategies and business targets.

The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company.

The Boards composition reflects a sound balance of independence.

### COMPOSITION OF THE BOARD AND DIRECTORS INDEPENDENCE

Composition of the Board of Directors as at 31<sup>st</sup> March 2023 consists of 8 members of which

- 4 Executive Directors
- 3 Non-Executive Independent Directors
- 1 Non-Executive Director

The Independence of the Directors are measured in accordance with the Listing Rules of the Colombo Stock Exchange and the Independent Non-Executive Directors has submitted signed confirmation of their Independence.

Name of Director	Executive	Non – Executive	Independent
Dr. S.R. Rajiyah	✓		
Mrs. I.R. Rajiyah	✓		
Mr. S.V. Rajiyah	✓		
Mr. V. Sanmugam	✓		
Mr. T.K. Bandaranayake		✓	✓
Mr. M.S. Dominic		✓	✓
Dr. J.A.S. Felix		✓	✓
Mr. B.V. Selvanayagam		✓	✓
Mr. R.F.N. Jayasooriya		✓	

Note : Mr.T.K.Bandaranayake resigned w.e.f 20.01.2023 and Mr.B.V.Selvanayagam and Mr.R.F.N. Jayasooriya appointed w.e.f 20.01.2023

### BOARD RESPONSIBILITIES

The Board aims at fulfilling its responsibilities by creating value for all stakeholders that is sustainable and beneficial.Under the direction of the Executive Directors and oversight of the Board,the business of the company is conducted by its manager,officers and employees to enhance the long term value of the company

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

The Board meets regularly and gives full consideration to the following:

- Review strategic and operational issues
- Approve interim and annual budgets
- Review profit and working capital forecasts and monthly management accounts
- Provide advice and guidelines to senior managers
- Approve major Investments
- Approve interim and annual reports

### BOARD BALANCE

The balance of Executive, Non-Executive and Independent Non-Executive Directors on the Board who are professionals/academics/ business leaders holding senior positions in their respective fields ensures a right balance between executive expediency and independent judgment as no individual Director or small group of Directors dominate the Board discussion and decision making.

Directors are provided with monthly reports of performance and minutes of the Board Meetings and are given the specific documentation necessary, in advance of such meetings.

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.

### BOARD MEETINGS AND ATTENDANCE

There were 3 Board Meetings for the year ended 31st March 2023 and attendance at meetings was as follows:

Name of Director	Eligible to attend	Attended
Dr S.R. Rajiyah (Chairman)	3	3/3
Mrs I.R. Rajiyah	3	3/3
Mr. S.V. Rajiyah	3	3/3
Mr. M.S. Dominic	3	3/3
Mr. T.K. Bandaranayake	3	3/3
Mr. V. Sanmugam	3	2/3
Dr. J.A.S. Felix	3	3/3
Mr. B.V. Selvanayagam	1	1/1
Mr. R.F.N. Jayasooriya	1	1/1

Mr.T.K.Bandaranayake resigned w.e.f 20.01.2023 and Mr.B.V.Selvanayagam and Mr.R.F.N.Jayasooriya appointed w.e.f 20.01.2023

Audit Committee attendance for the year was as follows :

Name of Director	Eligible to attend	Attended
Mr. B.V. Selvanayagam (Chairman)	1	1/1
Mr. T.K. Bandaranayake (Chairman)	3	3/3
Mr. M.S. Dominic	4	3/4
Dr. J.A.S. Felix	4	3/4

Mr.T.K.Bandaranayake resigned w.e.f 20.01.2023 and Mr.B.V.Selvanayagam appointed w.e.f 20.01.2023

Related Party Transactions Review Committee (RPTRC) attendance for the year was as follows:

Name of Director	Eligible to attend	Attended
Mr. T.K.Bandaranayake (Chairman)	4	4/4
Mr. M.S.Dominic	4	3/4
Dr. J.M.Swaminathan	4	4/4

The Remuneration Committee attendance for the year was as follows :

Name of Director	Eligible to attend	Attended
Mr. M.S. Dominic (Chairman)	1	1/1
Mr. T.K.Bandaranayake	1	1/1
Dr. J.M.Swaminathan	1	1/1

The Nomination Committee attendance for the year was as follows :

Name of Director	Eligible to attend	Attended
Mr. M.S. Dominic - (Chairman)	1	1/1
Mr. T.K.Bandaranayake	1	1/1
Mrs J.J.B.A. Rajiyah	1	1/1

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

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### **APPOINTMENT AND RE-ELECTION OF DIRECTORS**

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

### **PROCEDURE FOR DIRECTORS TO OBTAIN PROFESSIONAL ADVICE**

The Directors obtain independent and professional advice with regard to decision making in their duties.

### **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, and comply with the recommendation 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 controls. The Committee has full access to the external auditors who, in turn, have access at all times to the Chairman of the Committee. The 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 pages 21 and 22 and the duties of the Audit Committee are included therein.

### **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

The related Party Transactions review committee was established on 1st January 2016 with an objective of keeping in line with the Code of Best Practice on Corporate Governance and the requirement of the Listing Rules of Colombo Stock Exchange with a view to ensure that the interests of shareholders as a whole are taken into account by Renuka Foods PLC and its subsidiaries and are consistent with the Listing Rules of Colombo Stock Exchange when entering into Related Party Transactions and make required disclosures in a timely manner.

The Related Party Transactions review committee of Renuka Foods PLC is the same committee of the ultimate parent, Renuka Holdings PLC appointed with effect from 3rd August 2016, by and responsible to the Board of Directors, The Report of the Related Party Transactions Review Committee is presented on page 23.

### **REMUNERATION COMMITTEE**

The Remuneration Committee is responsible for developing the Group's 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.

The Remuneration Committee of Renuka Foods PLC is the same committee of the ultimate parent, Renuka Holdings PLC appointed by and responsible to the Board of Directors, it consists of three Non-Executive Independent Directors. The Managing Director may also be invited to join in the deliberation as required. The Chairman of the Committee is an Independent Non-Executive Director.

### **SHAREHOLDER RELATIONS**

The Board considers the Annual General Meeting as a prime opportunity to communicate with shareholders. The Shareholders are given the opportunity of exercising their rights at the Annual General Meeting. The notice of the Annual General Meeting and the relevant documents required are published and sent to the shareholders within the statutory period. The Company circulates the agenda for the meeting and shareholders vote on each issue separately. All shareholders are invited and encouraged to participate at the Annual General Meeting. The Annual General Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company and to informally meet the Directors. The external Auditors are also present at the Annual General Meeting to render any professional assistance that may be required. Shareholders who are not in a position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their choice.

The Company publishes interim financial statements in a timely manner as its principle communication with shareholders and others. This enables stakeholders to make a rational judgment of the Company.

### **INTERNAL AUDIT AND CONTROL**

The Board is responsible for the Group's internal control and its effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline in decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, that any system can ensure only reasonable and

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

not absolute assurance that errors and irregularities are prevented or detected within a reasonable time.

The Group's internal audit function is headed by the Manager Internal Audit and report of the Internal Audits together with management comments are discussed with the Audit Committee. Further at each meeting follow up issues from previous meetings are also discussed in order to ensure implementation of appropriate policies and procedures as a prevention mechanism.

### EXTERNAL AUDIT

The Group uses four Professional Accounting Firms for its external audits. Some of them provide non assurance services to the Group. The restrictions provided in terms of rulings issued by CSE and other commitments were taken into consideration when entering into engagements with the Group auditor.

The Knowledge and experience of the Audit Committee ensure effective usage of the expertise of the auditors, whilst maintaining independence, in order to derive transparent Financial Statements. This Group maintains independence from financial and non financial interest between auditors and re-assesses the same on a regular basis.

### MAJOR TRANSACTION

There are no transactions during the year under review which fall within the definition of 'Major Transaction' in terms of the Companies Act. No. 07 of 2007.

### GOING CONCERN

The Directors, upon making necessary inquiries and reviews including reviews of the Group budget for the following year, capital expenditure requirements and available financing 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.

### CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Renuka Foods PLC is fully complied with the Corporate Governance listing requirement of the Colombo Stock Exchange and adheres to the different regulating authorities.

- Companies Act No.7 of 2007
- Code of Best Practices on Corporate Governance issued jointly by the CA Sri Lanka and the Securities & Exchange Commission of Sri Lanka
- Inland Revenue Act
- Exchange Control Act
- Board of Investment Regulations
- Customs Ordinance

Extent of Compliance with the Listing Rules set out in Section 7 of the Colombo Stock Exchange's on Corporate Governance, are summarized below.

Statement of Compliance with the Listing Rules set out in Section 7.6 of the Colombo Stock Exchange's Corporate Governance and Annual Report Disclosures.(Mandatory provisions – Fully complied)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
(i)	Names of persons who were Directors of the entity	Complied	Refer Directors' Report on page 33 to 37 in this Annual Report.
(ii)	Principal activities of the entity during the year and any changes therein	Complied	Refer Note 3.1 to Financial Statements.
(iii)	The names and the No. of shares held by the 20 largest holders of voting and non voting shares and the percentage of such shares held	Complied	Refer Shareholders and Investor information on pages 115 to 116 to this Annual Report
(iv)	The public holding percentage	Complied	Refer Shareholders and Investor information on pages 112 to 116 to this Annual Report
(v)	A Statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each Financial year	Complied	Refer Directors' Report on pages 33 to 37 to this Annual Report
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer Risk management Report on pages 26 to 30 to this Annual Report.
(vii)	Details of material issues pertaining to employees and industrial relation of the Entity	Complied	Refer Directors' Report on pages 33 to 37 to this Annual Report
(viii)	Extent, Locations, Valuations and the number of buildings of the Entity's land holding and investment properties	Complied	Refer Note 15 and page 110 to Financial Statements.

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
(ix)	Number of shares representing the Entity's Stated Capital	Complied	Refer Note 27 to Financial Statements.
(x)	A distribution schedule of the number of holders in each class of equity securities and the percentage of their total holdings	Complied	Refer Shareholders and Investor information on pages 112 and 116 to this Annual Report
(xi)	Financial ratios and Market Price Information	Complied	Refer Five Year Summary given on page 111 to this Annual Report.
(xii)	Significant change in the Company's fixed assets and market value of Land, if the value differs substantially from the book value as at the end of the year	Not Applicable	-
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	-
(xiv)	Information in respect of Employee Share Ownership or Stock Option scheme	Not Applicable	-
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6.c. of Section 7 of the Listing Rules	Complied	Refer Corporate Governance Report on page 13 to 20 to this Annual Report
(xvi)	Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Complied	Refer Note 35 to Financial Statements

Statement of Compliance with the Listing Rules set out in Section 7.10 of the Colombo Stock Exchange's on Corporate Governance, are summarized below. (Mandatory provisions fully complied)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
<b>7.10</b>	<b>COMPLIANCE</b>		
a./b./c.	Compliance with Corporate Governance Rules	Complied	This report declares the confirmation on compliance and refer above for "CORPORATE GOVERNANCE COMPLIANCE STATEMENT"
<b>7.10.1</b>	<b>NON-EXECUTIVE DIRECTORS (NED)</b>		
a.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Complied	Four out of eight Directors are Non-Executive Directors
b.	The Total number of Directors are to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Complied	Calculation is based on number as at the conclusion of the immediately preceding Annual General Meeting
c.	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	Not Applicable	-
<b>7.10.2</b>	<b>INDEPENDENT DIRECTORS</b>		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Complied	Three out of four Non-Executive Directors are independent

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
b.	Each NED to submit a signed and dated declaration annually of his/her independence or non-independence	Complied	All Non-Executive Independent Directors have submitted their confirmation on independence
<b>7.10.3</b>	<b>DISCLOSURES RELATING TO DIRECTORS</b>		
a./b.	Board shall annually determine the independence or otherwise of NEDs	Complied	The Board assessed the independence declared by Directors and determined the Directors who are independent.
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Complied	Refer page 8 for a brief resume of each Director
d.	Provide a resume of new Directors appointed to the Board along with details	Complied	Refer page 8 for a brief resume of each Director
<b>7.10.4</b>	<b>CRITERIA FOR DEFINING INDEPENDENCE</b>		
a. – h.	Requirements for meeting the criteria to be an Independent Director	Complied	As per 7.10.2 a & b in determining of the independence or otherwise of NEDs, board reviewed the criteria for defining independence as per 7.10.4 a to h
<b>7.10.5</b>	<b>REMUNERATION COMMITTEE</b>		
a.1	A listed company shall have a Remuneration Committee	Complied	The remuneration committee of Renuka Foods PLC is the same Committee of the ultimate Parent, Renuka Holdings PLC as allowed by Listing Rules of Colombo Stock Exchange.
	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Complied	The remuneration Committee comprises of 3 Non-Executive Directors of whom all are independent.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the board of directors	Complied	Mr. M.S. Dominic is the Chairman of the Committee who is Independent/ Non-Executive Director.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Complied	Refer Page 24 for Remuneration Committee scope
c.1	Names of Remuneration Committee members	Complied	Refer page 24 for names of the Committee members

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
c.2	Statement of Remuneration policy	Complied	Refer page 24.
c.3	Aggregate remuneration paid to EDs and NEDs	Complied	Refer to note 11 of the financial statements.
<b>7.10.6</b>	<b>AUDIT COMMITTEE</b>		
a.1	A listed company shall have an Audit Committee.	Complied	The Company has its own Audit Committee.
	Audit Committee shall comprise of NEDs, or a majority of whom should be independent	Complied	The Audit Comprises of three Independent Non-Executive Directors
a.2	A NED shall be the Chairman of the committee	Complied	The Chairman of the Committee is an Independent Non-Executive Director
a.3	CEO and CFO should attend Audit Committee meetings	Complied	Refer to pages 21 and 22.
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
b.	Functions of the Audit Committee		
b.1	Overseeing of the preparation, presentation and adequacy of disclosure in the financial statements in accordance with SLFRS/LKAS	Complied	Refer pages 21 and 22 of Audit Committee Report
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	Complied	Refer pages 21 and 22 of Audit Committee Report
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS	Complied	Refer pages 21 and 22 of Audit Committee Report
b.4	Assessment of the independence and performance of the Entity's external auditors	Complied	Refer pages 21 and 22 of Audit Committee Report
b.5	Make recommendations to the Board pertaining to appointment, re- appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	Complied	Refer pages 21 and 22 of Audit Committee Report
c.1	Names of the Audit Committee members shall be disclosed	Complied	Refer pages 21 and 22 of Audit Committee Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	Complied	Refer pages 21 and 22 of Audit Committee Report
c.3	Report on the manner in which Audit Committee carried out its functions	Complied	Refer pages 21 and 22 of Audit Committee Report

## REPORT ON THE CORPORATE GOVERNANCE (Contd...)

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
<b>9.2</b>	<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE(RPTR)</b>		
9.2.1 & 9.2.3	Related Party Review Committee	Complied	The Functions of the Committee are stated in the Report of the RPTR Committee on page 23.
9.2.2	Composition	Complied	Refer the report of RPTR Committee on page 23.
9.2.4	Meetings	Complied	Refer the report of RPTR Committee on page 23.
9.3.1	Immediate Disclosures	Complied	Please refer Note 35 of the Notes to the Financial Statements.
9.3.2 (a) & (b)	Disclosure of recurrent and non-recurrent Related Party Transactions	Complied	Please refer Note 35 of the Notes to the Financial Statements.
9.3.2 (c)	Report by the Related Party Transactions Review Committee	Complied	Refer the report of RPTR Committee on page 23.
9.3.2. (d)	A declaration by the Board of Directors	Complied	Please refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on pages 33 to 37.

Below summary list, Company compliance with Companies Act No 7 of 2007

Section	Companies Act Requirements	Compliance Status	Reference
168 (1) (a)	The state of the Company's affairs and nature of the business of the Company or any of its subsidiaries together with any change thereof during the accounting period	Complied	Refer Note 1 – 5 of the Financial Statements
168 (1) (b)	Signed Financial Statement of the Company and its subsidiaries for the accounting period completed	Complied	Refer page 45 of the Annual Report
168 (1) (c)	Auditors Report on Financial Statements of the Group and the Company	Complied	Refer page 39 to 43 of the Annual Report
168 (1) (d)	Accounting Policies and any changes therein	Complied	Refer Note 1 – 5 of the Financial Statement
168 (1) (e)	Particulars of the entries made in the interests Register during the accounting period	Complied	Refer Annual Report of the Board of Directors on page 33 – 37
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Complied	Refer Note 11 of the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Complied	Refer page 37 of the Annual Report
168 (1) (h)	Names of the Directors of the Company and its Subsidiaries at the end of the accounting period and name of Directors who ceased to hold office during the accounting period	Complied	Refer page 14 and 97 of the Annual Report
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period	Complied	Refer Note 11 of the Financial Statement
168 (1) (j)	Other relationships or any interest of Auditors with the Company and its subsidiaries	Complied	Refer pages 21 and 22 of the Annual Report, Audit Committee Report
168 (1) (k)	Acknowledgment of the content of this report and signature on behalf of the Board	Complied	Refer pages 33 to 37 of the Annual Report for Report of the Board of Directors

# AUDIT COMMITTEE REPORT

In keeping with the Code of the Best Practice on Corporate Governance and the requirement of the Securities and Exchange Commission for Public Listed Companies, Renuka Foods PLC has established an Audit Committee whose function, 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 the Code of Best Practice on Corporate Governance.

The role of the Audit Committee is to oversee the financial reporting system of the Company with a view of safeguarding the interest 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 auditors.

## COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee appointed by and responsible to the Board of Directors comprises three Non-Executive Directors of whom all three are independent during the year as follows:

Mr. T.K. Bandaranayake (IND/NED)  
Chairman  
Mr. B.V. Selvanayagam (IND/NED)  
Chairman  
Dr. J.A.S. Felix (IND/NED)  
Mr. M.S. Dominic (IND/NED)

(IND – Independent Director, NED  
– Non-Executive Director)

*(Mr. T.K. Bandaranayake resigned w.e.f 20.01.2023 and Mr. B.V. Selvanayagam appointed w.e.f 20.01.2023)*

The composition is in compliance With the requirement to have a Minimum of two Independent Non-Executive Directors in term of the rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

The Chairman of the Committee, Mr. B.V. Selvanayagam, an independent Non-Executive Director, is a financial professional with over 20 years in public experience. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He currently holds Directorship in number of companies and audit committees.

Brief profiles of each member are given on page 8 of this report. Their individual and collective financial knowledge and business acumen and the independence of the Committee are brought to bear on their deliberations and judgments on the matters that come within the Committee's purview.

Executive Director, and Chief Financial Officer attend meetings of the Committee by invitation.

## CHARTER OF THE AUDIT COMMITTEE

"Rules on Corporate Governance" under the listing rules of Colombo Stock Exchange and "Code of Best Practice on Corporate Governance" issued jointly by Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee.

## MEETINGS OF THE AUDIT COMMITTEE

The attendance of the members of Audit Committee meeting is stated in the table on page 14. The Committee met four times during the year.

Other members of the Board, Management members as well as External Auditors were present at the discussions where it was re-quired. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

## FINANCIAL REPORTING

The Committee oversees the Company's financial reporting on behalf of the Board of Directors, as part of its responsibility, review the quarterly and Annual Financial Statements and recommended them to the Board for its deliberations prior to their issuance.

The Committee reviews the Financial Statements to ensure consistence of the accounting policies and their compliance with the Sri Lanka Accounting Standards.

The Committee has also regularly discussed the operations of the Company and its future prospects with the management and is satisfied that all relevant matters have been taken into account in the preparation of the Financial Statements.

## INTERNAL AUDIT

Internal audits are carried out internally in line with an agreed audit plan. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon.

## AUDIT COMMITTEE REPORT (Contd...)

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### CONTROLS AND RISKS

The Committee reviewed the process to assess the effectiveness of the internal financial controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded, and that the financial reporting system can be relied upon in preparation and presentation of Financial Statements. Further it evaluates compliance with laws, regulations and established policies and procedures of the Company.

### EXTERNAL AUDITORS

The Audit Committee evaluated the independence of the External Auditors and the effectiveness of the audit process. The Committee discussed the Management letter at the conclusion of the Audit.

The Committee reviewed the Audited Financial Statements with the External Auditors who are responsible to expressing an opinion on its conformity with the Sri Lanka Accounting Standards. Also the External Auditors kept the Audit Committee advised on an on-going basis regarding any unresolved matters of significance.

The Audit Committee undertook the evaluation of the independence and objectivity of the external auditor and the effectiveness of the audit process. As far as the Audit Committee is aware, Auditors do not have any relationship (other than of Auditors) with the Company. In addition, as required by the Companies Act No. 07 of 2007, the Committee has received a declaration from Messrs. KPMG confirming that they do not have any relationship with the Company, which may have a bearing on their independence.

The Audit Committee recommended to the Board of Directors that M/s KPMG be appointed as Auditors for the financial year ending 31st March 2024 subject to the approval of the shareholders at the Annual General Meeting.

### Conclusion

The Audit Committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequately designed and operate effectively and is of the view that they provide reasonable assurance that the Company's assets are safeguarded and that the financial statements of the Company are reliable. The Company's External Auditors have been effective and independent throughout the year.

Sgd.  
**B.V.Selvanayagam**  
Chairman  
11<sup>th</sup> August 2023

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee was established on 1st January 2016. The objective of the Committee is to keep in line with the Code of Best Practice on Corporate Governance and the requirement of the Listing Rules of Colombo Stock Exchange with a view to ensure that the interests of shareholders as a whole are taken into account by Renuka Foods PLC and its subsidiaries and are consistent with the Listing Rules of Colombo Stock Exchange when entering into Related Party Transactions and made required disclosures in a timely manner.

## Composition of the Related Party Transactions Review (RPTR) Committee

The Related Party Transactions Review Committee is appointed by and responsible to the Board of Directors. However as from 3rd August 2016 the Related Party Transaction Review Committee of the Ultimate Parent Company namely Renuka Holdings PLC which is a listed legal entity functions as the RPTR Committee for Renuka Foods PLC. This is in compliance in terms of the rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

## Related Party Transactions Review Committee Members

Mr. T.K. Bandaranayake (IND/NED)  
Chairman  
Mr. M.S.Dominic (IND/NED)  
Dr. J.M. Swaminathan (IND/NED)  
IND – Independent Director  
NED – Non-Executive Director

Brief profiles of Mr. M.S.Dominic is given on pages 8 and Dr.J.M.Swaminathan's and Mr.T.K.Bandaranayake's profiles are given below. Their individual and collective financial knowledge and business acumen and the independence of the Committee are brought to bear on their deliberations and judgments on the matters that come within the Committee's purview.

## Mr. T. K. Bandaranayake- Chairman

Mr. T.K. Bandaranayake is an Independent Non-Executive Director of Renuka Holdings PLC which is the ultimate parent Company 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, Renuka Foods PLC, Nawaloka Hospitals PLC, Overseas Realty (Ceylon) PLC, Havelock City (Pvt) Ltd, Mireka Capital Land (Pvt) Ltd, Mireka Homes (Pvt) Ltd, Samson International PLC, Harischandra Mills PLC,

Micro Holdings Ltd. and Browns & Company PLC.

## Dr. J. M. Swaminathan

Dr. J. M. Swaminathan is an Independent Non-Executive Director of Renuka Holdings PLC which is the ultimate parent company of the Company. He is an Attorney-at-Law with over 57 years in practice. He was the former Senior Partner of Messrs. Julius & Creasy. He was a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University of Council. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the Board of Studies of the Council of Legal Education and also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He is a Member of the Visiting Faculty of the LL.M Course of the University of Colombo. He also serves on the Boards of several public and private companies.

## Mandate

To ensure on behalf of the Board, that all related party transactions of Renuka Foods PLC and its subsidiaries are consistent with the listing rules of Colombo Stock Exchange.

## Number of Committee Meetings

The committee has met four times during the period from 1st April 2022 to 31st March 2023. The attendance of the members of the Committee is stated in the table on page 14.

## Attendance by Invitation

The Executive Director – Mr. S.V. Rajiyah, and Chief Financial Officer attended the meetings by invitation.

## DUTIES AND RESPONSIBILITIES OF THE RPTR COMMITTEE

- Establish the definitions and set out the threshold values of each related party transaction as per the Code which require discussion and disclosure.
- Identify related party transactions that need pre-approval from the Board of Directors, immediate market disclosure, transactions that need shareholder approval and disclosure in the Annual Report.
- Formulate a standard template to implement in the group to follow when documenting RPT and when presenting to RPT committee.

- Establish proper guide lines to identify recurrent & non- recurrent Related party transactions to follow by the company and its subsidiaries.
- Establish a method of having access to adequate knowledge or expertise to assess all aspects of proposed related party transactions where necessary, and method of obtaining appropriate professional and expert advice from appropriately qualified persons.
- Periodic review by the Committee to ensure that required disclosures have been disclosed in the market or annual report as required by the Listing Rules of Colombo Stock Exchange.
- The committee communicates its comments/observations to the Board of Directors after each review of related party transactions.

## CONCLUSION

The Committee has reviewed the related Party Transactions presented to them by the management of the Company for the financial year ended 31st March 2023. The Activities and views of the Committee have been communicated to the Board of Directors through verbal briefing and by tabling minutes of the Committee meetings.

Sgd.

**T. K. Bandaranayake**

Chairman

11<sup>th</sup> August 2023

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Renuka Foods PLC is the same Committee of the ultimate parent, Renuka Holdings PLC appointed by and responsible for the Board of Directors consists of three Non-Executive Independent Directors (IND/NED). The Managing Director may also be invited to join in the deliberations as required.

The Chairman of the Committee is an Independent Non-Executive Director.

The members are:

1. Mr. M.S. Dominic (IND/NED)  
(Chairman)
2. Mr. T.K. Bandaranayake  
(IND/NED)
3. Dr. J.M. Swaminathan (IND/NED)

(IND – Independent Director, NED – Non-Executive Director)

The brief profiles of the Directors are given on page 8 of the Annual Report and Dr. J.M. Swaminathan and Mr.T.K.Bandaranayake profiles are given below.

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

Mr.T.K. Bandaranayake is an Independent Non-Executive Director of Renuka Holdings PLC which is the ultimate parent Company 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, Renuka Foods PLC, Nawaloka Hospitals PLC, Overseas Realty (Ceylon) PLC, Havelock City (Pvt) Ltd, Mireka Capital Land (Pvt) Ltd, Mireka Homes (Pvt) Ltd, Samson International PLC, Harischandra Mills PLC, Micro Holdings Ltd. and Browns & Company PLC.

## **Dr. J. M. Swaminathan**

Dr. J. M. Swaminathan is an Independent Non-Executive Director of Renuka Holdings PLC which is the ultimate parent company of the

Company. He is an Attorney-at-Law with over 57 years in practice. He was the former Senior Partner of Messrs. Julius & Creasy. He was a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University of Council. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the Board of Studies of the Council of Legal Education and also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He is a Member of the Visiting Faculty of the LLM Course of the University of Colombo. He also serves on the Boards of several public and private companies.

## **Independence of the Committee**

The committee is independent from the management of the business and not involve any business operations.

## **The scope of the Committee**

- The committee study and recommends the remuneration policy of Directors & Key Management Personnel
- Review the performances of Key Management Personnel on periodic basis
- The Committee recommends the remuneration based on the prevailing market rates and prerequisites applicable to the Key Management personnel of the Company and makes appropriate recommendations to the Board of Directors for Approval.
- The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions.

The Remuneration Policy is to attract and retain best professional managerial talent within the Renuka Group and also to motivate and encourage them to perform at the highest possible level. The Group has a structure and professional methodology in evaluate the performance of employees. The policy ensure equality and fairness between the various employees is maintained.

Sgd.

**M.S. Dominic**

Chairman

11<sup>th</sup> August 2023

# NOMINATION COMMITTEE REPORT

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The Nomination Committee of ultimate parent, Renuka Holdings PLC, acts as the Nomination Committee of Renuka Foods PLC.

## Composition of Nomination Committee

Mr. M.S. Dominic – Chairman

Mr. T.K. Bandaranayake (Independent Non-Executive)

Mrs. J.J.B. A. Rajiyah (Non-Executive)

Brief profiles of each member are given on pages 8 of this Annual Report and Mrs. J.J.B.A. Rajiyah and Mr.T.K. Bandaranayake profiles are given below.

### 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 Foods PLC, Nawaloka Hospitals PLC, Overseas Realty (Ceylon) PLC, Havelock City (Pvt) Ltd, Mireka Capital Land (Pvt) Ltd, Mireka Homes (Pvt) Ltd, Samson International PLC, Harischandra Mills PLC, Micro Holdings Ltd. and Browns & Company PLC.

### Mrs. J. J. B.A. Rajiyah

Mrs. J. J. B. A. Rajiyah is a Non - Executive Director of the Company. She has earned her B.Sc in Law with Management from the University of London and holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. She is an Executive Director on the Board of The Autodrome PLC since 2004 and serves in the capacity of the Marketing Director. She is also a Director of

Renuka Group Limited, Renuka Enterprises (Pvt) Limited, Galle Face Properties Ltd and other Companies of the Renuka Group. She is also a Director of Mercury Ltd., and Tourama (Pvt) Ltd.

The directives of the Committee are,

- To identify suitable persons who could be considered to become Board member as a Non-Executive Director
- To recommend to the Board the process of selection of Chairman and Deputy Chairman
- Make necessary recommendation to the Board as and when needed by the Board

The Scope of the Committee is,

- To define and establish the nomination process for Non-Executive Directors,
- Lead the process of Board appointments and make recommendations to the Board.
- The Committee scope out the tasks such as assess skills required to be on the Board
- Periodic review of the extent of skills required of the Director who represent the Board
- Review description of role and capabilities required for a particular Board appointment and Identify and recommend suitable candidates to the Board.

Company Secretaries act as the secretaries to the Committee.

Sgd.

**D. S. Dominic**

Chairman

11<sup>th</sup> August 2023

# RISK MANAGEMENT

Risk Management is an integral part of our business, since management of risks against returns is a critical trade off decision, businesses have to make every day when it comes to investment and operational decision making.

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

## Our Approach to Risk Management

Our definition for risk is the potential occurrence of an external or internal event that may negatively impact our ability to achieve the Groups' business objectives.

The process of embedding risk management system within our groups systems and procedure can be outlined as below:

1. Identify Controls that are already operating
2. Monitor those controls to ensure their effectiveness
3. Improve and refine as per the requirement
4. Document evidence of monitoring and control operation

Group's risk management framework takes into account the range of risks to be managed, and summary in to below categories.

1. Strategic Risk – A possible source of loss that might arise from an unsuccessful strategic decision taken by the organization. These content strategies related to growth and strategic positioning which ultimately affect the overall mission of the group.

2. Operational Risk – is the potential loss that might arise in business operation resulting from inadequate or failed internal processes, people and system or external events which ultimately affect the day to day activities of the Group.
3. Financial Risk- The likelihood of loss inherent in financing procedures which may weaken the ability to deliver adequate return to the Group. This may include liquidity risk, currency risk, and interest rate risk.

The systems and standard operating procedures and processes are in place to deal with these risks, and the chain of responsibility within the organization to monitor the effectiveness of our mitigation measures.

## Enterprise Risk Management Process Risk Identification, Prioritization and Assessment

As the initial step of the risk framework, it is important to identify risks for effective management.

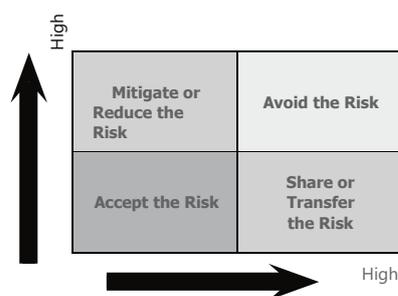
Renuka Group identifies all the risks by key stakeholders. We consider risk identification to be a key component of a robust risk management framework. In the absence of a proper risk identification process, the organization is incapable of effectively managing its key risks. We evaluate risks according to the likelihood of occurrence and magnitude of impact. This assessment provides a prioritized risk list, identifying those risks that need the most urgent attention.

		Impact		
		Low	Medium	High
Probability	High			
	Medium			
	Low			

## Develop Risk Management Strategy

The Risk management strategies address how Group intend to assess risk, respond to risk and making explicit and transparent the risk perceptions that organization routinely use in making both investment and operational decisions.

The above concept has been embedded with risk mapping in order to develop a robust framework to determine an appropriate risk management strategy as shown below.



The Risk Management process in place ensures the clear allocation and segregation of responsibilities relating to risk identification, assessment, mitigation, monitoring, control and communication. We have in place several measures to strengthen our risk management process which are linked to our business processes. These include policies to mitigate business risks along with the upgrading of the support system that enable easy monitoring and management risks.

## RISK MANAGEMENT (Contd...)

The main categories of risks that we take into account in the pursuit of our business goals are detailed below.

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
<b>STRATEGIC RISK</b>		
<b>Competitive Risk</b>		
Risks to the group's reputation and Brand image	<p>Reduced market share and rates reducing revenue, cash flow and profitability.</p> <p>Increased promotional Expenditure.</p> <p>The positive correlation between cost of resources and competition.</p>	<p>Aim to have a broad appeal in price, range and format in a way that allows us to compete effectively in different markets.</p> <p>Formed strategic relationships with a diverse pool of suppliers, enabling flexibility in pricing contracts and hedging mechanisms are used wherever possible to mitigate exposure to commodity price fluctuations.</p> <p>The Group's service excellence, committed and award winning staff, uniqueness of properties, innovative product and service developments and the strength of its brands enables the group to counter threats from new and existing players.</p> <p>Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.</p>
<b>OPERATIONAL RISK</b>		
<b>Employee Risk</b>		
Risk from not being able to attract and retain skilled and experienced staff.	<p>Reduced productivity. Reduced quality of service resulting in reduced market share and Group's image.</p>	<p>Significant resources are invested in strengthening our human capital through the deployment of the latest Human Resource Information Systems, regular staff training &amp; development, succession planning and fostering a performance-based culture.</p> <p>Maintaining cordial relationships with labour grade staff and adopting interest based negotiations for win-win solutions.</p> <p>Implemented well structured talent management process to Identify critical employees and retain them in the long run.</p> <p>Periodic employee satisfaction surveys to ensure that remuneration is in line with the market.</p> <p>Investments in strengthening employee brand image.</p>

## RISK MANAGEMENT (Contd...)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
Issue Pertaining to Employees and industrial Relationship	<p>Adverse impact on service levels, expected quality standards, operational efficiency and group reputation.</p> <p>Loss of revenue.</p>	<p>Review all the issues with regard to employees and Industrial Regulations which affect the performance of the Group.</p> <p>Steps taken to ensure employees are satisfied at all the levels and their issues are addressed in order to retain talented employees.</p> <p>Maintain cordial relationship with all labour grade staff and adopting interest-based negotiations for win-win solutions.</p> <p>Well structured grievance handling system is in place to handle the grievance of employees at all levels and development of a Multi-skilled work force through structured and focused training programmes.</p> <p>Ensure proper industrial relationships with all the government agencies.</p>
<b>IT systems and infrastructure</b>	<p>Inability to obtain timely and accurate information due to failures in IT systems.</p> <p>Potential disruption to operations</p> <p>Significant financial losses.</p>	<p>"Implementation of effective IT infrastructure and to ensure consistency of delivery,</p> <p>All relevant staffs are effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.</p> <p>Implementation of a comprehensive IT policy within the Group, supported by adequate systems and controls,ensure the safety and security of data. Contingency plans are in place to mitigate any short term loss on IT services.</p> <p>All employees are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.</p> <p>A dedicated central IT team is in place to support all IT related aspects of the group."</p>
Product Risk	<p>Product risk implies any effect of perceived impact of our product on stakeholders in general which could bring down our market share.</p>	<p>In order to eliminate loss of market share or market leadership, we monitor market leadership and customer needs.</p> <p>Develop innovation that add value to our customers. Enhance productivity and efficiency to improve price competitiveness and investing in high quality machinery and equipment.</p> <p>Employ established operating procedures to review and approve all raw material prior to use to ensure that quality control is maintained.</p> <p>Take into account safety, health and environmental hazards to cover all avenues of possible negative publicity.</p> <p>Research and development team is equipped to field any technical questions about our product,</p> <p>Marketing and distribution procedures ensure complete control of the supply chain.</p>

## RISK MANAGEMENT (Contd...)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
Supply Chain and Operational Risk	<p>"Operational disruption can occur due to inadequate quantity or quality of raw material supplies, longer lead time, supply disruption caused by global supply and demand.</p> <p>Unable to maintain strong bond with critical suppliers over the period.</p> <p>Operational risks cover the areas of system failure, continuity of decision making, dealing with contingencies and ensuring there are no deficiency in operations, application of recommended management practices."</p>	<p>Consistent engagement with a diverse pool of suppliers to maintain strong relationships</p> <p>Structured processes are in place to add value to our supplier base through livelihood development programmes.</p> <p>Technical support and guidance on enhancing quality. Manage operational risks by identifying areas of risk, formulating plans for their management, promoting best practices.</p> <p>Implement internal controls, systems and monitoring of compliance.</p>
<b>Legal Regulatory Compliance</b>	<p>Risk of legal action due to non performance of legal and statutory requirements.</p> <p>Result high cost of legal and penalty fees that reduced profitability</p> <p>Adversely impact to the Groups' reputation and brand image.</p>	<p>"The legal support services to Renuka Group management come through the legal department which ensure all legal and regulatory provisions are complied with.</p> <p>The legal function pro-actively identified and sets up appropriate system and processes for legal regulatory compliance in any foreign country that we operate in, and in such instances through legal council retained in those environments.</p> <p>Internal audit function of the Group ensures the safeguarding of company assets and recommends process improvements in areas where process control failure are noted.</p> <p>The operations of the Renuka Group come within the rules and regulations applicable to companies listed on the CSE and regulations applicable to securities trading set by the Securities and Exchange Commission of Sri Lanka. Our systems and processes are structured to satisfy the criteria set by these regulations and staff are constantly kept aware of the compliance needs imposed by these regulation."</p>

## RISK MANAGEMENT (Contd...)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
Breakdown of Internal Controls	<p>Wastage of management time and resources.</p> <p>Possible loss of data.</p> <p>Increased possibility of fraud and misuse</p> <p>Disruptions to the normal course of operations.</p> <p>Lack of ability to track performance against budgets, forecasts and schedules</p> <p>Illegal transactions including theft or misappropriation of assets by employees</p>	<p>"Regular reviews of the effectiveness of internal controls by the corporate internal audit department supplemented by regular management audits carried out by internal teams within the Group ensures the robustness of internal controls.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Making each employee accountable for ethical behavior, high standards for business conduct and adherence to laws ensures that transactions occur in a reliable way. Staff rotation and special verification audits across the Group.</p> <p>Internal auditors are also engaged to carry out special reviews wherever necessary.</p> <p>The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.</p> <p>Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform tasks, prevents errors, irregularities and fraud."</p>
<b>FINANCIAL RISK</b>		
<b>Financial risk management obligations and policies have been described in the note No. 42 to the Financial Statements.</b>		

# SUSTAINABILITY REPORT

## Overview

We emphasize the importance of our stakeholders when developing our strategies through the competitiveness in order to achieve a common value.

Sustainability is the key element of our strategy for future growth where the utilization of resources efficiently, environmentally responsible manufacturing of product and provision of services that deliver sustainability benefits which can leverage commercial advantage for the group.

The key business drives for sustainability are internal operations and stakeholder engagement. The first focuses on our internal operations and manufacturing our products and provision of our services more efficiently using fewer resources. This approach helps us to reduce costs of goods manufactured and provision of services and at the same time reduces our impact on the environment. The second approach focuses on our partnerships with our stakeholders. Stakeholders are any individual or party that has an interest in our group, and who are affected by or can affect our organizational activities. Partnerships help to build trust amongst our key stakeholders and to reach better understanding on a variety of issues. It can also pave the way for more successful solutions to problems, concerns and challenges.

## Reuka impact on economic performance

In Economic Performance, Group focused on operational excellence across all its business divisions and subsidiaries and value addition to economic development. Operational excellence measured in terms of efficiency and effectiveness of manufacturing process, process improvement and reduces waste. Further investment in IT/ERP helps measurement of operational results

on time with increased accuracy. Group has made substantial investment during the year to improve value addition to economic development. These investments have helped to improve resource utilization as well as minimization of waste and pollution.

## Renuka Sustainability Policy and guidelines

Management identify the stakeholders and rate them in line with the degree of influence and importance. Such stakeholders thus identified are,

- \* Investors
- \* Employees
- \* Customers
- \* Key suppliers and business partners
- \* The society
- \* Environment

Renuka has then formulated sustainability strategies to create value for those identified stakeholders. We have created formal and informal channels to develop effective communication systems and engagements programs to involve our stakeholders and implement continuous monitoring systems through the management team in order to gauge our impact on the stakeholders.

## ENVIRONMENTAL IMPACT

Renuka has strived to ensure that all our manufacturing and production processes will not knowingly harm people and will minimize the negative impact our businesses will have on human life as well as environment. In fact, we promote organic products to our customers due to health and other environmental benefits. This has created awareness among the farmer community of the long term benefits of sustainable farming.

## Our Stakeholder Engagement Process

### • Investors support Renuka business activities

Shareholder engagement is important to us to have access to growth capital and in the process we must make a sound return to them. In meeting global challenges and evolving consumer needs we must be geared to be proactive with new ideas and ready with the output as well. When we operate according to these principles the shareholders should realize a fair return.

### Method of engagement

- We have open doors policy which enables shareholders to keep in contact, visit and obtain information from the Company Secretaries and engage in dialogue.
- Further e-mail address has been provided for comments and suggestions.
- Update with latest financials for shareholders/investor to take rational decisions which is very important.
- We produce company performance in timely and relevant manner through quarterly Financial reports and Annual Report published in the Colombo Stock Exchange web site.
- We hold Annual General and Extra Ordinary meetings to communicate with our shareholders.

### Our Concern

Our concern is to increase the return on investment, sustainable profitability, good governance and transparency in carrying out group operations.

## SUSTAINABILITY REPORT (Contd...)

### • Employees at Renuka work place

At Renuka we have created a work place policy and created employee awareness for the total group. With an employee base of over 1368 creation of Group identity and belongings is priority. We care for our employees and health and safety is priority, giving much attention at work place including factories.

#### Method of engagement

- We have an open communication policy and have implemented a process to identify and report corruption within the business units.
- We have adopted effective two way communication system with employees and management through human resources division which has created short and long term benefits to the group.
- We also have adopted other communication methods like e-mails, presentations and team briefings on daily operations for betterment of the organization. Employees are also encouraged to access the corporate websites.
- We organize team building activities such as get-togethers, sports meets and CSR projects.
- Factories of the group companies are equipped with adequate safety measures and have educated the employees to minimize accidents

#### Our Concern

Our concern is to create a friendly environment to our employees who are motivated and talent developed to offer effective service.

### • Customers

World class quality products and customer satisfaction is our key with our customers. The group uses its competencies and decades of experience to identify the needs and wants of our customers in order to provide quality product and services creating value-for-money.

#### Method of engagement

- We engage our customers through regular meetings, visits and web portal.
- On going participation for Industry exhibitions and trade fairs locally and internationally.
- We allow buyer inspections and audits to ensure compliance with global quality standards

#### Our Concern

We are concerned about the quality of our products manufactured, are in compliance with global standards. We also create innovative products to cater to our customer needs.

### • Suppliers and business partners

We have built lasting business relationships all over the world and not only centered in Sri Lanka. It is through our business partners that we co-exist to fulfil customer needs and wants.

#### Method of engagement

- We look at our business partners as a resource base to develop business efficiency and innovative products.
- Develop long term purchase contracts with our business partners & suppliers to support responsible supply chain
- Participate in industry exhibitions and trade fairs

#### Our Concern

We maintain effective long term relationship with our business partners and suppliers who benefit from our growth, and knowledge sharing.

### • Our society

Renuka has been actively involved in supporting the rural farmer network for our coconut division. Renuka procures over Rs. 1Bn worth of produce from our farmer network.

#### Method of engagement

- We conduct farmer training programs, medical camps, veterinary services which assist in improving the livelihood and wellness of the communities within Sri Lanka.
- Local engagement through purchasing.

#### Our Concern

We take measures to carry out our operations minimizing carbon foot print and saving energy by effective utilization of limited resources while reducing wastage in order that we have only a minimal negative impact on society and the environment.

Renuka considers engagement to be an increasingly important component of its corporate citizenship strategy. Our engagement efforts help Renuka identify those issues that are most material to our business operations and shape our approach to addressing a range of areas relating to the financial, social and environmental performance of the organization.

# REPORT OF THE DIRECTORS

## Overview

The Board of Directors of Renuka Foods PLC have pleasure in presenting the Annual Report of your Company together with the Audited Consolidated Financial Statements for the year ended 31st March 2023. The details set out herein provide the required information under Companies Act No. 7 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

Renuka Foods PLC is a public limited liability company incorporated in Sri Lanka under the Companies Act No. 17 of 1982, quoted on the Colombo Stock Exchange and reregistered as required under the provisions of the Companies Act No. 7 of 2007.

## Principal Activities of the Company and the Group

Renuka Foods PLC is a food and beverages company that owns, directly or indirectly, investments engaged in Agri Business and FMCG companies constituting the Renuka Foods Group. The Group consists of a portfolio of diverse business operations. The main subsidiaries of Renuka Foods PLC are listed on Note 19.

The Principle activities of the Group are categorized into Agri business and FMCG business segments and Segmental reporting is provided in pages 108 and 109 to the annual report.

## Vision, Mission and Corporate conduct

The Corporate vision and mission are provided on the page 3 of this report. In achieving its vision and mission, all Directors and employees conduct their activities with the highest level of ethical standards and integrity.

## Review of Business and Future Developments

The review of the Group Progress and Performance during the year

with comment on the financial results and prospects is contained in the Chairman's Review on page 9, as required under Section 168 (1) (a) of the Companies Act. These reports form an integral part of the report of the Directors and together with the Audited Financial Statement reflect the state of affairs of the company.

## Statement of Directors of Responsibilities

The Statement of Directors responsibilities for the Financial Statements is given on page 38.

## Financial Statements of the Company and Group

The Financial Statements of the Company and Group are given on pages 44 to 109.

## Accounting Policies and Changes During the Year

The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 49 to 63. Further Accounting Standards issued but not yet effective are disclosed on page 63.

## Group Turnover

The Turnover of the Group was Rs. 17.1 Bn as compared with Rs. 10.7 Bn in the previous year. A detailed analysis of the Group Turnover is given in Note 6 of the Financial Statements.

## Gross Profit

The Group Gross Profit for the year was Rs. 3.3 Bn, compared with the Group Gross Profit of Rs. 1.8 Bn for the previous year.

## Net Profit

The Group Profit after Taxation for the year was Rs. 499 Mn, compared with the Group Profit after Taxation of Rs. 733 Mn for the previous year.

## Group Investments

Investment of the Company and the Group in Subsidiaries, Associates and Other long term equity investment amounted to Rs. 3.8Bn (2022 – 4.4Bn). Detailed description of the Subsidiaries, Associates, and Other long term equity investments held at the Balance Sheet date are given in Note 19 and 20 in the Financial Statements.

## Property, Plant and Equipment

Group has incurred Capital Expenditure during the year on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment Properties, Intangible assets amounting to Rs. 246 Mn (2022 – Rs. 683 Mn).

Detailed information relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment Properties, Intangible assets are given in Note 15, 17, 18 and 21 to the Financial Statements.

Extent, Locations, number of buildings and Valuations of the properties of the Group are given under Real Estate Portfolio on page 110 and the market values of the Land and Buildings owned by the Company and Group are included on the basis of valuation carried out by a professionally qualified valuer is given in Note 15 and 17 to the Financial Statements.

## Stated Capital

The Stated Capital of the Company as at 31st March 2023 was Rs. 2,242Mn comprising of Voting Ordinary Shares of 117,960,106 and Non-Voting Ordinary shares of 4,773,346.

## Reserves

Total Group Reserves as at 31<sup>st</sup> March 2023 amounts to Rs. 2.6 Bn (2022 – Rs. 2.3 Bn) representing Revaluation Reserve and Retained Earnings

## REPORT OF THE DIRECTORS (Contd...)

and the detailed movement of the Reserves shown in the Statement of Changes in equity in the Financial Statements.

### Dividend

The Board of Directors has recommended a payment of Rs. 0.41 per share payable for 2022/23. The Directors are confident that the Company would meet the solvency test requirement under Section 57 of the Companies Act of No. 7 of 2007 immediately after the proposed final dividend distribution.

### 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 for dividend paid during the year.

### Major Shareholdings

Details of the twenty largest shareholders with the percentage of their respective holdings are given on page 115 and 116 together with comparative shareholding as at 31st March 2022.

### Public Holding

There were 3,877 (2022 – 3,839) registered voting shareholders and 744 (2022–772) registered non-voting shareholders as at 31st March 2023, with the percentage of shares held by the public, as per the Colombo Stock Exchange Rules, being 24.71% (2022–25.99%) for voting shares and 68.89%. (2022–68.89%) for non-voting shares.

### Share Holdings /Share Information

Information relating to earnings, dividend, net assets, market value per share, share trading and distribution of shareholding is given

on pages 112 to 116.

### Ratios and Market Price Information

The ratios relating to equity as required by the listing requirement of the Colombo Stock Exchange are given in page 111 to this report.

### Equitable Treatment to all Shareholders

The company has made every endeavor to ensure the equitable treatment to all shareholders and adopted adequate measures to prevent information asymmetry.

### Information to Shareholders

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

Name of Director	Executive	Non – Executive	Independent
Dr. S.R. Rajiyah	✓		
Mrs. I.R. Rajiyah	✓		
Mr. S.V. Rajiyah	✓		
Mr. V. Sanmugam	✓		
Mr. T.K. Bandaranayake		✓	
Mr. M.S. Dominic		✓	✓
Dr. J.A.S. Felix		✓	✓
Mr. B.V. Selvanayagam		✓	✓
Mr.R.F.N Jayasooriya		✓	

The basis on which Directors are classified as Independent Non-Executive Directors is discussed in the Corporate Governance Report.

Mr.T.K.Bandaranayake resigned w.e.f. 20.01.2023 & Mr.B.V.Selvanayagam and Mr.R.F.N.Jayasooriya appointed w.e.f 20.01.2023

### Directors

The names of the Directors who held office during the financial year are given in the above table. The brief profiles of the Board of Directors appear on page 8.

### Recommendation for re-election

1. To re-elect Mr R.F.N.Jayasooriya as a Director who retires and eligible for re-election in terms of Article 26 (2).

2. To re-elect Mr B. V. Selvanayagam as a Director who retires and eligible for re-election in terms of Article 26 (2).

3. To re-elect Mr. M.S. Dominic as a Director who retires by rotation in terms of Article 28 (1).

4. To re-appoint Dr. S.R. Rajiyah who is over 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 Dr. S.R. Rajiyah.

5. To re-appoint Mrs. I.R. Rajiyah who is over 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 I.R. Rajiyah.

## REPORT OF THE DIRECTORS (Contd...)

### Entries in the Interest Register

The Company, in compliance with the Companies Act No. 7 of 2007, maintains an Interest Register. The Directors have made the declaration

required by said Act and they have been entered into the Interest register.

### Directors' Interest in Transactions

The Company carried out transactions in the ordinary course of business with the entities which a Director of the Company is a Director. The transactions with entities where a Director of the Company either has control or exercises significant influence have been classified as related party transaction and disclosed in Note 35 to Financial Statements.

The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

### Directors Interest in Shares

Directors of the Company and its Subsidiaries who have relevant interest in the shares of their respective companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with section 200 of the Companies Act.

Directors' holdings, in ordinary shares of the Company are given on below table.

Name	As at 31st March 2023		As at 31st March 2022	
	Voting	Non Voting	Voting	Non Voting
Dr. S.R. Rajiyah				
- Individually	3,720	-	3,720	-
- Jointly with Mrs. I.R. Rajiyah	11,798,563	-	11,798,563	-
Mrs. I.R. Rajiyah				
- Individually	674	-	674	-
- Jointly with Dr. S.R. Rajiyah (refer above)	-	-	-	-
Mr. S.V. Rajiyah				
- Individually	940,000	-	940,000	-
- Jointly with Mrs. J.J.B.A. Rajiyah	500,000	-	-	-
Mr. M.S. Dominic	-	-	-	-
Mr. B.V. Selvanayagam	150	-	-	-
Mr. V. Sanmugam	-	-	-	-
Mr. R.F.N. Jayasooriya	-	-	-	-
Dr. J.A.S. Felix	-	-	-	-

Share dealing by Directors during the year were disclosed to Colombo Stock Exchange.

### Remuneration of Directors

The remuneration of the Directors in respect of the Company for the year ended 31st March 2023 is given in Note 11 to Financial Statements.

### Directors Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 14 of the annual report.

### Directors Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of Colombo Stock exchange.

### Board Committees

The Board has established Committees for better monitoring and guidance of different aspects of operations and control.

### Audit Committee

The composition of the Board Audit Committee comprising of Non-Executive Directors is provided on pages 21 and 22. The Executive Directors, Chief Financial Officer External auditors attend the meeting by invitation. Detail scope of Audit Committee and their work during the

## REPORT OF THE DIRECTORS (Contd...)

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year is disclosed in Audit Committee report given on Pages 21 and 22.

### Remuneration Committee

The composition of the Board Remuneration Committee comprising of Non-Executive Directors is provided on page 24.

The remuneration committee of Renuka Foods PLC is the same committee of the ultimate parent, Renuka Holdings PLC, appointed by and responsible for the Board of Directors consists of three Non-Executive Independent Directors.

The Managing Director may also be invited to join in the deliberations as required. The Chairman of the committee is an independent Non-Executive Director.

### Related Party Transactions Review Committee

The composition of the Board Related Party Transactions Review Committee comprising of Non-Executive Directors is provided on page 23. The Executive Directors and Chief Financial Officer attend the meeting by invitation. Detail scope of Related Party Transaction Review Committee and their work during the year is disclosed in Related Party Transactions Review Committee report given on page 23.

The company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions from 1st January 2016.

### Non – Recurrent Related Party Transactions

All Non – Recurrent Related Party transactions of which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited Financial Statements of 31st March

2022, which required additional disclosures in the Annual Report of 2022/23 under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission directive issued under Section 13(c) of the Securities and Exchange Commission Act are disclosed under note 35 in the Financial statements.

### Recurrent Related Party Transactions

All the Recurrent Related Party Transactions which in aggregate value exceeds 10% of the revenue of the Company as per 31st March 2022 audited Financial Statements are disclosed under note 35. If any, to the Financial Statements as required by Colombo Stock Exchange Listing Rules 9.3.2 and Code of Best Practices on Related Party transactions under the Securities and Exchange Commission directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other regulatory institutions and those related to employees have been made on time. The declaration relating to statutory payments is made in the Statement of Directors Responsibilities on page 38.

### Compliance with Laws and Regulations

The company has complied with all applicable laws and regulations. A compliance checklist is signed-off on a monthly basis by responsible officers and any violations are reported to the Board Audit Committee. Refer page 38 for a statement of compliance.

### Code of Conduct

The company demand impeccable standards of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the company's image.

### System of Internal control

The Board of Directors has put place an effective and comprehensive system of internal controls covering financial, operational and compliance controls and have obtained reasonable assurance of their effectiveness.

### Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the listing rules of the Colombo Stock Exchange.

The Corporate Governance Report on pages 13 to 20 discusses this further in detail.

### Going Concern

The Directors are in the view that the Company has adequate resources to continue in operations and have applied the going concern basis in preparing these Financial Statements.

### Risk Management

The Board and the management of the company have put in place a comprehensive risk identification, measurement and mitigation process.

The Group exposure to risk and structure to manage and mitigate risk is discussed in more detail in Risk Management Report from pages 26 to 30.

### Compliance with the transfer pricing regulations

All transactions entered into with associated persons during the year are on an arm's length basis, and are

## REPORT OF THE DIRECTORS (Contd...)

Comparable with transactions carried out with non- associated persons.

### Event after the Reporting period

No event of material significance that requires adjustment to the Financial Statements has occurred subsequent to the date of the reporting date, other than those disclosed in Note 38 to the Financial Statements.

### Capital Commitments

No significant capital commitments exist as at 31st March 2023 other than those disclosed in Note 37 to the financial statements.

### Contingencies and Outstanding Litigation

In the opinion of the Directors and in consultation with the company lawyers, litigation currently pending against the company will not have a material impact on the reported financial results or future operations of the company.

### Corporate Donations

Donation by the Group for the year ended 31 March 2023 is Rs. 20,418,450. (2020-Rs 412,949). No donations were made for political purposes.

### Employees and Industrial Relations

The Group has a structure to assess the competencies and commitment of its employees. There are no material issues pertaining to employees and industrial relations of the entity.

### Auditors

Company's Auditors during the year under review were M/s KPMG, Chartered Accountants. Their report on the Financial Statements is given on page 39 to 43 of the Annual Report.

The fee amount paid/payable for the services provided to the company during the year, with corresponding figures for the previous year is presented below. Based on the declaration from Messrs. KPMG and as far as Directors are aware, the Auditors do not have any other relationship or interest with the Company or its Subsidiaries other than that of an auditor of the Company.

	2023	2022
Audit and Audit related fees	834,000	695,400
Non audit fees	208,305	346,556

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.

### Auditors Report

Auditors Report on the financial statements is given on page 39 to 43 of this annual report.

### Environmental Protection

The group effort in minimizing and conserve scarce and non- renewable resources as well as environmental objectives are discussed in detail in Sustainability Report on page 31.

### Employment Policies

The Group employment policies respect the individuals and offer equal career opportunities, regardless of sex, race or religion and consider the relationship with the employees to be good. The number of persons employed in the Company and its subsidiaries as at 31st March 2023 was 1,368 (2022 – 1,296)

### Annual Report

The Board of Directors approved the Consolidated Financial Statement along with Company Financial Statements on 11<sup>th</sup> of August 2023. The appropriate number of copies of this report will be submitted to

Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

### Annual General Meeting

Following the issuance of guidelines by the Colombo Stock Exchange (CSE) due to the COVID-19 pandemic situation in the county, and in the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka the 33<sup>rd</sup> Annual General Meeting of Renuka Foods PLC will be held as a virtual meeting at 3.30 p.m on Thursday, 07<sup>th</sup> September 2023.

The Notice of the Annual General Meeting appears on page 117.

This Annual report is signed for and on behalf of the Board of Directors by:

Sgd.

**Dr. S.R. Rajiyah**

Sgd.

**Mr. S.V Rajiyah**

Sgd.

**Renuka Enterprises (Pvt) Ltd**

Company Secretaries

11<sup>th</sup> August 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements for the year ended 31st March 2023 which have been prepared and presented in accordance with the requirements of the Sri Lanka Accounting Standards, the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 is set out in the following statement.

As per the provisions of the Companies Act No. 7 of 2007, the Directors are required to prepare Financial Statements, for each financial year and presented before a General Meeting which comprise;

- a) A statement of profit or loss and other comprehensive income of the Company and its subsidiaries which present a true and fair view of the profit or loss of the Company for the financial year;
- b) A statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year together with explanatory notes to the financial statements;
- c) A statement of changes in equity which presents a true and fair view of the changes in the Company's and its subsidiaries retained earnings for the financial year; and
- d) A statement of cash flow which presents a true and fair view of the flow of cash in and out of the business for the financial year for the Company and its Subsidiaries and; notes to the Financial Statements, and which comply with the requirements of the Act.

The Directors are of the view that, in preparing these Financial Statements:

- a) The appropriate accounting policies have been selected and applied in a consistent manner, material deviations if any have been disclosed and explained;
- b) All applicable Accounting Standards, in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) as relevant have been applied;
- c) Reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected;
- d) It provide the information required by and otherwise complies with the Companies Act No. 7 of 2007, Listing Rules of Colombo Stock Exchange and requirement of any other regulatory authority as applicable to the company.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy of the financial position of the Company and of the Group, also to reflect the transparency of transactions and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The External Auditors, M/s KPMG who were deemed reappointed in terms of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 39 to 43 set out their responsibilities in relation to the Financial Statements.

The Directors are also of the view that the Company has adequate resources to continue in operations and have applied the going concern basis in preparing these Financial Statements.

The Directors are also responsible for taking reasonable steps to safeguard the Assets of the Company and that of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

## COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the company and all other known statutory dues as were due and payable by the company as at the reporting date have been paid or where relevant provided for.

By order of the Board

**Renuka Enterprises (Pvt) Ltd**

Sgd.

**Company Secretaries**

11<sup>th</sup> August 2023

# INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
+94 - 11 244 8058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF RENUKA FOODS PLC

#### Opinion

We have audited the financial statements of Renuka Foods 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 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, set out on pages 49 to 109.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

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

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

C.P. Jayatilaka FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapaksa FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumathasekara FCA  
Principals - S.R.L. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA,  
Ms. F.R. Ziyad FCMA(UK), FTS

# INDEPENDENT AUDITOR'S REPORT (Contd...)



## Key audit matters

<b>01. Carrying Value of Inventories</b>	
<i>Refer to the accounting policies in "Note 4.2 to the Financial Statements: Inventories", "Note 2.4 to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 22 to the Financial Statements: Inventories".</i>	
<b>Risk Description</b>	<b>Our responses</b>
<p>The Group has recognized a total inventory provision of Rs.178 Mn in arriving at carrying value of inventory value of Rs. 3,297 Mn.</p> <p>Therefore, judgement is involved with regard to categorization of inventories in to obsolete and/or slow moving and which should therefore be considered for provision.</p> <p>As a result of the prevailing uncertain and volatile macro-economic environment, resulted in interruption in business activities and resulted in loss of income for some of the individuals/industries which would adversely affect the ability to sell its inventories with a reasonable margin which would potential impact on the net realizable value adjustments.</p> <p>We identified assessing the carrying value of inventories as a key audit matter because of the inherent risk that the Group's inventories may become obsolete or may be sold at prices below their carrying values and because the judgment exercised by management in determining the appropriate provision for inventories involves management's bias.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Involving the component auditors of the subsidiary Companies' and reviewing the work carried out by the component auditors where necessary.</li> <li>Testing the adequacy of the Group's provision against inventory by assessing the assumptions applied by the Group in providing against aged/obsolete items. We did this by assessing the historical accuracy of the Group provisioning policy.</li> <li>As part of our attendance at the year-end inventory counts, we challenged the inventory provisioning in line with our observations of potentially obsolete inventory. We tested a sample of inventory, comparing the carrying value to recent sales invoices to ensure provisions were appropriately applied.</li> <li>Testing the calculation of labor and production overhead absorption by critically assessing the method of calculation and challenging the levels of overhead absorbed compared to actual overhead costs incurred and in comparison, to prior year levels.</li> <li>On a sample basis, testing of inventory items sales subsequent to the year end and assessed if they were sold at higher than the cost.</li> </ul>
<b>02. Impairment of investment in subsidiaries and goodwill subsidiaries</b>	
<i>Refer to the accounting policies in "Note 3.5.1: Goodwill, Note 3.1.3: Investment in subsidiaries", "Note 2.4 to the Financial Statements: Use of Estimates and Judgments" and "Note 19 to the Financial Statements: Investment in subsidiaries", and "Note 21.1 to the Financial statements: Goodwill".</i>	
<b>Risk Description</b>	<b>Our responses</b>
<p>The Company holds investments in subsidiaries amounting to Rs. 3,293 million as at 31st March 2023 Further, the Group holds goodwill amounting to Rs. 204 million as at 31 March 2023.</p> <p>Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations. The identification of impairment events and the determination of the impairment charge require the application of significant judgment by management. Accordingly, the management performed an impairment assessment on the cash generating units ("CGUs") relating to the investment in subsidiaries which had an indication of impairment as individual Cash Generating Units and management allocated goodwill to the respective CGU and the recoverable amounts of the identified CGUs have been determined based on value-in-use calculation.</p> <p>We considered the audit of management's impairment assessment of goodwill and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying value and use of significant judgments and estimates.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the impairment indication relates to this asset and obtaining the management's judgment and estimates assessment and test if those assessment involve any management bias.</li> <li>Obtaining an understanding of management's impairment assessment process.</li> <li>Obtaining assessment from management and see whether it is comply with relevant standards.</li> <li>Evaluating the reasonableness of the Group's key assumptions for its revised cash flow projections such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including the Group budgetary process and reasonableness of historical forecasts.</li> <li>Reviewing of value in use computations for recoverable amounts with impairment indications and discussion with management of the Group.</li> <li>Assessing the disclosure in the financial statements in line with the requirements of relevant accounting standards.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT (Contd...)



<b>03. Valuation of Investment property</b>	
<p>Refer to the accounting policies in "Note 3.8 to the Financial Statements: investment property", "Note 2.4 to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 17. To the Financial Statements: investment property".</p>	
<b>Risk Description</b>	<b>Our responses</b>
<p>The fair value of the Group's investment properties as at 31 March 2023 was Rs. 351 Mn and fair value gain derived from investment properties for the year ended 31 March 2023 was Rs. 30 Mn.</p> <p>The fair value of the Group's investment properties was determined by independent external valuer engaged by the Group.</p> <p>We identified assessing the valuation of investment properties as a key audit matter because of the significance of investment properties to the Group and because the valuation of investment properties can be inherently subjective and requires the exercise of significant judgement and estimation, in particular in determining the appropriate valuation methodology, capitalisation and discount rates and market rents, which increases the risk of error or management bias.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Assessing the objectivity, independence, competency, and qualifications of the external Valuers engaged by the Group.</li> <li>Obtaining and inspecting the valuation report prepared by the Valuer engaged by the management.</li> <li>Assessment of key assumptions applied by the external Valuers in deriving the fair value of properties and comparing the same with evidence of current market values.</li> <li>Assessing the adequacy of disclosures made in relation to the fair value of properties in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used in the estimates.</li> </ul>
<b>04. Recoverability of Trade Receivables</b>	
<p>Refer to the "Note 2.4 to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. To the Financial Statements: trade receivables".</p>	
<b>Risk Description</b>	<b>Our responses</b>
<p>Trade receivable balances were significant to the Group due to the trade receivables from following subsidiary companies;</p> <ul style="list-style-type: none"> <li>Shaw Wallace Ceylon Limited</li> <li>Renuka Agri Foods PLC</li> <li>Renuka Agri Organics Limited</li> <li>Richlife Dairies Limited</li> </ul> <p>Any impairment of significant trade receivable could have material impact on the Group's profitability.</p> <p>Recoverability of trade receivables remains one of the most significant judgments made by the management particularly in light of the prevailing uncertain and volatile macro-economic environment as at the reporting date.</p> <p>The Group uses significant judgment, based on the available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's repayment history and known market factors. In addition, trade receivables allowance assessment requires significant management judgment. As such, we determined that this is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Involving the component auditors of the subsidiary Companies' and reviewing the work carried out by the component auditors where necessary.</li> <li>Testing the aging of the trade receivables and evaluated management's assumptions used to estimate the trade receivables provision amount, through specific review of significant overdue individual trade receivables, reviewing payment history of debtors, checking the bank receipts for the payment received subsequent to the year end and calling debtor confirmations.</li> <li>Assessing the adequacy of the disclosures related to trade receivables and the related credit risk in the consolidated financial statements.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT (Contd...)



## 05 Revenue Recognition

Refer to the accounting policies in "Note 3.15.1 to the Financial Statements: Revenue", "Note 2.4 to the Financial Statements: Use of Estimates and Judgments" and "Note 6. To the Financial Statements: Revenue".

### Risk Description

The Company recorded revenues of Rs. 73 Mn for year ended 31st March 2023 and Group recorded revenue of Rs. 17 Bn for the year ended 31st March 2023.

Whilst revenue recognition and measurement is not complex for the Company, the subsidiaries operates in a market which is affected by different customer behavior and the various discounts and locally imposed duties and fees in regard to revenue recognition introduce an inherent risk to the revenue recognition process. This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter

### Our responses

Our audit procedures included:

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions.
- Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment with the assistance of IT specialists.
- Obtaining an understanding and testing design, implementation and operating effectiveness of controls over journal entries and post-closing adjustments.
- Comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts, underlying goods delivery, and acceptance notes, where appropriate, to assess whether the related revenue was recognized in accordance with the Company's revenue recognition accounting policies.
- Agreeing the monthly sales system reports to the general ledger to ensure that the revenue is accounted accurately and completely in the general ledger.
- On a sample basis, testing that sales have been recognized in the correct accounting period and evaluating whether there are any significant product returns after the year end.

## Other Information

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT (Contd...)



## Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

KPMG  
Chartered Accountants  
14<sup>th</sup> August 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Revenue</b>	<b>6</b>	<b>17,135,330,652</b>	10,695,305,164	<b>73,159,654</b>	12,000,000
Cost of Sales		<b>(13,883,392,459)</b>	(8,914,518,671)	-	-
<b>Gross Profit</b>		<b>3,251,938,193</b>	1,780,786,493	<b>73,159,654</b>	12,000,000
Gain on disposal of Investment	<b>7</b>	-	104,151,964	-	117,783,925
Other Income	<b>8</b>	<b>34,711,176</b>	47,622,112	<b>177</b>	-
Change in Fair Value of Investment Property	<b>17.1</b>	<b>30,197,682</b>	17,367,549	-	-
Administrative Expenses		<b>(690,499,710)</b>	(514,671,307)	<b>(6,732,438)</b>	(7,204,140)
Selling & Distribution Expense		<b>(1,137,643,633)</b>	(630,330,051)	-	-
<b>Operating Profit</b>		<b>1,488,703,708</b>	804,926,760	<b>66,427,393</b>	122,579,785
Finance Income	<b>09</b>	<b>431,658,645</b>	592,703,439	<b>260,027</b>	256,349
Finance Costs	<b>10</b>	<b>(1,164,431,937)</b>	(527,476,794)	<b>(1,918,644)</b>	(5,628,933)
<b>Net Finance (Costs) / Income</b>		<b>(732,773,292)</b>	65,226,645	<b>(1,658,617)</b>	(5,372,584)
<b>Profit before Tax</b>	<b>11</b>	<b>755,930,416</b>	870,153,405	<b>64,768,776</b>	117,207,201
Taxation	<b>13</b>	<b>(256,470,566)</b>	(136,881,260)	<b>(10,136,850)</b>	(16,899,144)
<b>Profit for the year</b>		<b>499,459,850</b>	733,272,145	<b>54,631,926</b>	100,308,057
<b>Other Comprehensive Income / (Expenses)</b>					
<b>Items that will not be re-classified to Profit or Loss</b>					
Actuarial Gains on Retirement Benefit Plans	<b>31.1</b>	<b>6,769,080</b>	9,835,736	-	-
Revaluation of land and buildings		-	17,100,000	-	-
Gain on Fair Value of Investment		<b>29,163,775</b>	33,846,317	-	-
Fair Value loss in sale of Investment		<b>(18,266,404)</b>	-	-	-
Tax effect on Revaluation of land and buildings		<b>(83,805,405)</b>	(224,918)	-	-
Tax effect on changes in Fair Value of Investment		<b>(14,533,207)</b>	(7,107,727)	-	-
Tax effect on Actuarial loss		<b>(698,968)</b>	(1,314,325)	-	-
<b>Other Comprehensive Income, / (Expenses) Net of Tax</b>		<b>(81,371,129)</b>	52,135,083	-	-
<b>Total Comprehensive Income</b>		<b>418,088,721</b>	785,407,228	<b>54,631,926</b>	100,308,057
<b>Profit Attributable to;</b>					
Owners of the Company		<b>367,859,119</b>	554,351,186	<b>54,631,926</b>	100,308,057
Non Controlling Interests		<b>131,600,731</b>	178,920,959	-	-
<b>Profit for the year</b>		<b>499,459,850</b>	733,272,145	<b>54,631,926</b>	100,308,057
<b>Total Comprehensive Income Attributable to;</b>					
Owners of the Company		<b>294,504,158</b>	594,736,259	<b>54,631,926</b>	100,308,057
Non Controlling Interests		<b>123,584,563</b>	190,670,969	-	-
<b>Total Comprehensive Income for the year</b>		<b>418,088,721</b>	785,407,228	<b>54,631,926</b>	100,308,057
Basic Earnings per Share	<b>14.1</b>	<b>3.00</b>	4.52	<b>0.45</b>	0.82
Diluted Earnings per Share	<b>14.2</b>	<b>3.00</b>	4.52	<b>0.45</b>	0.82
Dividend per Share	<b>14.3</b>	<b>0.41</b>	-	<b>0.41</b>	-

Figures in brackets indicate deductions. The Notes set out on page 49 to 109 form an integral part of these Financial Statements.

# STATEMENT FINANCIAL POSITION

AS AT 31 <sup>ST</sup> MARCH	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	15	4,578,092,166	4,672,434,663	-	-
Right of use assets	16	118,341,153	124,533,033	-	-
Investment Property	17	350,955,376	320,757,694	-	-
Biological Assets	18	128,101,107	120,940,042	-	-
Investment in Subsidiaries	19	-	-	3,293,149,435	3,293,149,435
Investment in FVTOCI	20	556,572,883	1,140,675,512	-	-
Intangible Assets and Goodwill	21	212,449,090	216,108,447	-	-
<b>Total Non-Current Assets</b>		<b>5,944,511,775</b>	<b>6,595,449,391</b>	<b>3,293,149,435</b>	<b>3,293,149,435</b>
<b>Current Assets</b>					
Inventories	22	3,119,725,917	1,912,173,981	-	-
Trade and Other Receivables	23	2,197,695,406	1,855,027,308	339,034	331,701
Current Tax Assets		8,954,318	4,086,246	-	-
Amounts Due from Related Companies	24	609,729,061	10,396,913	-	-
Cash and Cash Equivalents	25	890,185,526	476,255,688	18,851,184	6,023,672
Assets Held for Sale		-	4,698,806	-	-
<b>Total Current Assets</b>		<b>6,826,290,228</b>	<b>4,262,638,942</b>	<b>19,190,218</b>	<b>6,355,373</b>
<b>Total Assets</b>		<b>12,770,802,003</b>	<b>10,858,088,333</b>	<b>3,312,339,653</b>	<b>3,299,504,808</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	27	2,241,842,234	2,241,842,234	2,241,842,234	2,241,842,234
Revaluation Reserve	28	662,164,336	737,310,185	-	-
Retained Earnings		1,935,563,856	1,616,234,564	1,048,329,756	1,044,018,545
<b>Equity attributable to Owners of the Company</b>		<b>4,839,570,426</b>	<b>4,595,386,983</b>	<b>3,290,171,990</b>	<b>3,285,860,779</b>
<b>Non Controlling Interest</b>		<b>1,393,855,277</b>	<b>1,309,461,060</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>6,233,425,703</b>	<b>5,904,848,043</b>	<b>3,290,171,990</b>	<b>3,285,860,779</b>
<b>Non-Current Liabilities</b>					
Deferred Tax Liability	29	653,677,915	470,301,364	-	-
Interest Bearing Borrowings	30	359,721,800	457,391,950	-	-
Lease Liabilities	16.2	145,335,969	139,097,279	-	-
Retirement Benefit Obligation	31	99,518,121	101,919,111	-	-
<b>Total Non Current Liabilities</b>		<b>1,258,253,805</b>	<b>1,168,709,704</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade and Other Payables	32	1,520,423,453	1,432,457,075	2,802,341	2,325,615
Amounts Due to Subsidiary Companies	33	-	-	10,878,271	-
Amounts Due to Related Companies	33.1	1,426,590,561	36,900	-	-
Dividend Payable	34	13,038,580	12,107,992	5,326,107	5,088,486
Interest Bearing Borrowings	30	1,998,903,466	2,079,485,717	-	-
Lease Liabilities	16.2	24,692,295	23,108,974	-	-
Current Tax Payable		100,580,577	87,677,851	3,160,944	6,145,368
Bank Overdraft	26	194,893,563	149,656,077	-	84,560
<b>Total Current Liabilities</b>		<b>5,279,122,495</b>	<b>3,784,530,586</b>	<b>22,167,663</b>	<b>13,644,029</b>
<b>Total Liabilities</b>		<b>6,537,376,300</b>	<b>4,953,240,290</b>	<b>22,167,663</b>	<b>13,644,029</b>
<b>Total Equity and Liabilities</b>		<b>12,770,802,003</b>	<b>10,858,088,333</b>	<b>3,312,339,653</b>	<b>3,299,504,808</b>

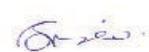
The Notes set out on page 49 to 109 form an integral part of these Financial Statements.

I certify that the Financial Statements of the Group comply with the requirement of the Companies Act No, 07 of 2007.

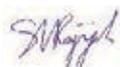


**Dilshan Perera**  
Chief Financial officer

The Board of directors is responsible for preparation and presentation of these Financial Statements. Approved and signed for and on behalf of the Board.



**Dr. S. R. Rajiyah**  
Director  
11<sup>th</sup> August 2023  
Colombo



**S.V. Rajiyah**  
Director

# STATEMENT OF CHANGES IN EQUITY

## Equity Attributable to Owners of the Company

FOR THE YEAR ENDED 31ST MARCH	Stated Capital		Revaluation Reserve		FVTOCI Reserve		Retained Earnings		Total		Non Controlling Interests		Total Equity	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>GROUP</b>														
Balance at 1 April 2021	2,241,842,234	-	755,457,294	-	-	1,229,183,377	4,226,482,905	788,052,773	5,014,535,678					
Profit for the year	-	-	-	-	-	554,351,186	554,351,186	178,920,959	733,272,145					
Other Comprehensive Income, net of tax	-	-	10,588,481	-	-	29,796,592	40,385,073	11,750,010	52,135,083					
Total Comprehensive Income for the year	-	-	10,588,481	-	-	584,147,778	594,736,259	190,670,969	785,407,228					
Changes in ownership interest that do not result in loss of control	-	-	(28,289,612)	-	-	(197,542,569)	(225,832,181)	327,952,181	102,120,000					
Disposal of Subsidiary	-	-	-	-	-	-	-	-	2,785,137					
<b>Transactions with the owners</b>														
Revaluation Transfer	-	-	(445,978)	-	-	445,978	-	-	-					
Total transactions with the owners	-	-	(445,978)	-	-	445,978	-	-	-					
Balance as at 31 March 2022	2,241,842,234	-	737,310,185	-	-	1,616,234,564	4,595,386,983	1,309,461,060	5,904,848,043					
<b>Balance as at 1st April 2022</b>	<b>2,241,842,234</b>	<b>-</b>	<b>737,310,185</b>	<b>-</b>	<b>-</b>	<b>1,616,234,564</b>	<b>4,595,386,983</b>	<b>1,309,461,060</b>	<b>5,904,848,043</b>					
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>367,859,119</b>	<b>367,859,119</b>	<b>131,600,731</b>	<b>499,459,850</b>					
<b>Other Comprehensive Income, / (Expenses) net of tax</b>	<b>-</b>	<b>-</b>	<b>(74,053,775)</b>	<b>-</b>	<b>-</b>	<b>698,814</b>	<b>(73,354,961)</b>	<b>(8,016,168)</b>	<b>(81,371,129)</b>					
<b>Total Comprehensive Income / (Expenses) for the year</b>	<b>-</b>	<b>-</b>	<b>(74,053,775)</b>	<b>-</b>	<b>-</b>	<b>368,557,933</b>	<b>294,504,158</b>	<b>123,584,563</b>	<b>418,088,721</b>					
<b>Transactions with the owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>					
Dividends	-	-	-	-	-	(50,320,715)	(50,320,715)	(39,190,346)	(89,511,061)					
Revaluation Transfer	-	-	(1,092,074)	-	-	1,092,074	-	-	-					
<b>Total transactions with the owners</b>	<b>-</b>	<b>-</b>	<b>(1,092,074)</b>	<b>-</b>	<b>-</b>	<b>(49,228,641)</b>	<b>-</b>	<b>-</b>	<b>-</b>					
<b>Balance as at 31 March 2023</b>	<b>2,241,842,234</b>	<b>-</b>	<b>662,164,336</b>	<b>-</b>	<b>-</b>	<b>1,935,563,856</b>	<b>4,839,570,426</b>	<b>1,393,855,277</b>	<b>6,233,425,703</b>					

set out on page 49 The Notes set out on page 49 to 109 form an integral part of these Financial Statements.

## STATEMENT OF CHANGES IN EQUITY (Contd..)

FOR THE YEAR ENDED 31ST MARCH	Stated Capital	Retained Earnings	Total
	Rs.	Rs.	Rs.
<b>COMPANY</b>			
<b>Balance as at 1st April 2021</b>	2,241,842,234	943,710,488	3,185,552,722
Profit for the period	-	100,308,057	100,308,057
Other Comprehensive Income, net of Tax	-	-	-
Total Comprehensive Income for the year	-	100,308,057	100,308,057
<b>Balance as at 31 March 2022</b>	<b>2,241,842,234</b>	<b>1,044,018,545</b>	<b>3,285,860,779</b>
<b>Balance as at 1st April 2022</b>	<b>2,241,842,234</b>	<b>1,044,018,545</b>	<b>3,285,860,779</b>
Profit for the period	-	54,631,926	54,631,926
Transactions with the owners			
Dividends	-	(50,320,715)	(50,320,715)
Other Comprehensive Income, net of Tax	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>4,311,211</b>	<b>4,311,211</b>
<b>Balance as at 31 March 2023</b>	<b>2,241,842,234</b>	<b>1,048,329,756</b>	<b>3,290,171,990</b>

Figures in brackets indicate deductions. The Notes set out on page 49 to 109 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	NOTE	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit before Tax		755,930,416	870,153,405	64,768,776	117,207,201
<b>Adjustments for :</b>					
Depreciation on Property plant and equipments	15	324,856,678	316,366,172	-	-
Amortization of Intangible Assets	21	3,659,357	3,726,208	-	-
Amortization of ROU Asset	16	17,033,493	17,206,756	-	-
Gain on Disposal of Assets held for Sale		(1,108,154)	-	-	-
Provision for Retiring Gratuity	31	26,695,642	18,528,053	-	-
Provision for Obsolete Inventory		41,582,880	(13,538,365)	-	-
Provision for Doubtful Debts	23.1	4,322,889	22,044,414	-	-
Gain from Change in Fair Value of Investment Properties	17.1	(30,197,682)	(17,367,549)	-	-
Gain on disposal of subsidiary		-	(42,713,889)	-	(117,783,925)
Changes on fair value of Biological Assets	8	9,344,726	722,302	-	-
Lease Liability Write off		(188,960)	-	-	-
Exchange loss		14,412,970	40,420,584	-	-
Interest Expenses	10	892,535,232	186,312,631	1,918,644	5,628,933
Interest Income	9	(10,344,855)	(5,554,441)	(260,027)	(256,349)
Profit / (Loss) on Revaluation of Property Plant and Equipment		(39,338)	-	-	-
<b>Operating Profit Before working Capital Changes</b>		<b>2,048,495,294</b>	<b>1,396,306,281</b>	<b>66,427,393</b>	<b>4,795,860</b>
<b>Changes in:</b>					
Inventories		(1,249,134,816)	(626,321,370)	-	-
Trade & Other Receivables		(346,990,987)	(445,290,394)	(7,330)	(12,500)
Amount Due from Related Companies		(4,332,148)	581,250	-	-
Trade & Other Payables		87,966,377	564,622,051	714,346	(4,418,428)
Amount Due to Related Companies		1,426,553,661	(633,319)	10,878,271	(45,150,682)
<b>Cash Generated/(Used in) from Operations</b>		<b>1,962,557,381</b>	<b>889,264,499</b>	<b>78,012,680</b>	<b>(44,785,750)</b>
Interest Paid		(880,702,875)	(177,241,624)	(1,918,644)	(5,628,933)
Gratuity Paid	31	(22,327,552)	(12,881,799)	-	-
Taxation Paid		(164,096,941)	(21,966,454)	(13,121,276)	(16,558,014)
<b>Net Cash Generated from/(Used in) Operating Activities</b>		<b>895,430,013</b>	<b>677,174,622</b>	<b>62,972,760</b>	<b>(66,972,697)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Addition to Property, Plant and Equipment and Investment Property	15	(230,514,178)	(670,098,672)	-	-
Addition to Intangible asset		-	(928,469)	-	-
Addition to Biological Assets	18	(16,505,791)	(12,222,570)	-	-
Interest income received	9	10,344,855	5,554,441	260,027	256,349
Proceeds from Disposal of Assets held for Sale		5,806,960	-	-	-
Net Investment/Disposal in subsidiary		-	198,119,573	-	62,737,428
Proceeds from partial disposal of a subsidiary		-	102,120,000	-	-
Proceeds from Disposal of Property, Plant and Equipment		39,338	-	-	-
Acquisition of Available for sale Financial Assets		-	(547,400,000)	-	-
<b>Net Cash Generated from/(Used in) Investing Activities</b>		<b>(230,828,816)</b>	<b>(924,855,697)</b>	<b>260,027</b>	<b>62,993,777</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Lease Rental Paid	16.2	(28,872,164)	(25,668,439)	-	-
Proceeds from Borrowings	30	7,577,205,522	7,848,369,477	-	-
Repayment of Borrowings	30	(7,755,661,730)	(7,525,329,659)	-	-
Dividends Paid		(50,083,096)	(4,715,311)	(50,320,715)	-
Dividends Paid to Minority		(38,497,377)	-	-	-
<b>Net Cash Generated from/(Used in) Financing Activities</b>		<b>(295,908,845)</b>	<b>292,656,068</b>	<b>(50,320,715)</b>	<b>-</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>368,692,352</b>	<b>44,974,993</b>	<b>12,912,072</b>	<b>(3,978,920)</b>
Cash & Cash Equivalents at the Beginning of the Period		326,599,611	281,624,618	5,939,112	9,918,032
Cash & Cash Equivalents at the End of the Period		695,291,963	326,599,611	18,851,184	5,939,112
<b>Note A: Analysis of Cash and Cash Equivalents</b>					
Cash at Bank & in Hand	26	890,185,526	476,255,688	18,851,184	6,023,672
Bank Overdraft		(194,893,563)	(149,656,077)	-	(84,560)
		695,291,963	326,599,611	18,851,184	5,939,112

Figures in brackets indicate deductions.

The Notes set out on page 49 to 109 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Renuka Foods 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 Foods PLC as the holding company and "the Group" refers to the companies whose accounts have been consolidated therein.

### 1.2 Principal Activities

During the year principal activities of the Company and Subsidiaries are given in note

3.1 .

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's immediate parent undertaking is Renuka Agro Exports (Pvt) 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 2023 were authorized for issue in accordance with a resolution of the Directors on 11th August 2023.

### 1.5 Financial Year

Financial Statements of the Company and Group entities ends on 31st March 2023.

## 2. BASIS OF PREPERATION

### 2.1 Statement of compliance

The Statement of financial position, Statement of profit or loss and other 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 2023 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.

### 2.1.1 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and SLFRS.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company", "Statement of Director's Responsibilities" and the "Statement of Financial Position".

### 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 Land and building are carried at fair value
- Assets held for sales are measured at fair value
- Liability for Defined Benefit Obligations is recognized as the present value of the defined benefit obligation.
- Land and buildings are carried at fair value
- Investment in FVTOCI are measured at fair value

### 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 17 – Measurement of investment property

Information about assumptions and estimation uncertainties

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 15 – Useful life of property plant and equipment
- Note 15.3-Revaluation of Land and Buildings
- Note 23 – Expected credit lost for impairment of trade receivables
- Note 31- Measurement of defined benefit obligations
- Note 36 – Contingencies
- Note 29 – Deferred tax assets
- Note 40 – Economic conditions and its impact on the Financial statement.

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 and considered any uncertainty that could arise under economic conditions

### 25 Going Concern

The Board of Directors has made an assessment on the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

### 26 Changes in Accounting Policies

The Group has initially adopted Definition of a Business (Amendment to SLFRS 3) from 01st April 2020. A number of other new standards are also effective from 01st April 2020, but they do not have a material effect on the Group's Financial Statements.

### 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 & export coconut based products
- **Renuka Developments (Pvt) Ltd.**  
Organic certification licence holder and investment in plantation/farm and vertical integration projects
- **Kandy Plantations Ltd**  
Engaged in Organic Certified Cultivation of Agriculture Produce

- **Ceylon Forestry (Pvt) Ltd**  
Planting and Managing Forestry.
- **Richlife Dairies Ltd**  
Manufacturing of dairy & fruit juice based products.
- **Shaw Wallace Ceylon Ltd**  
Manufacturing & distribution of Fast Moving Consumer Goods.
- **Shaw Wallace Properties (Pvt) Ltd**  
Providing warehousing facilities.
- **Renuka Agri Organics Ltd**  
Manufacture & export of coconut based products.
- **Coco Lanka (Pvt) Ltd**  
Plantation.

### 3.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### **3.12 Acquisitions of non-controlling interests**

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

### **3.13 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.

### **3.14 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.

### **3.15 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.

### **3.16 Loss of Significant Influence in Equity Accounted Investee**

When the Group loses significant influence over an equity accounted investee, it derecognizes the investment in equity accounted investee. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former equity accounted investee is measured at fair value and recorded under FVTOCI.

## **32 Foreign Currency**

### **3.21 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 3.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity. Receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

#### Financial Assets – Recognition and initial measurement

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as below:

- As measured at amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### As measured at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group financial assets classified and measured at amortised cost are limited to its other receivables, short term investments, amounts due from related party and cash & cash equivalent.

#### Fair value through other comprehensive income (FVOCI)

The Financial assets is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present

subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis. FVOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI). However, the Group recognizes interest income and impairment losses in the statement of profit and loss.

#### Fair value through profit or loss (FVTPL).

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss.

#### Financial assets – Subsequent measurement and gains and losses

##### Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

### **Derecognition – Financial assets**

Financial Assets derecognise 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 of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

### **Classification and subsequent measurement of financial liabilities**

The Group classifies financial liabilities as described below:

- Financial liabilities at fair value through profit or loss (FVTPL)
- Financial liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

### **Financial liabilities at FVTPL**

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

Gains or losses on liabilities held for trading are recognised in the profit and loss.

### **Financial liabilities at amortised cost**

The financial liabilities which are not designated at FVTPL are classified as financial liabilities at amortised cost.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

### **Derecognition – Financial Liability**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the

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

### **Non-derivative financial liabilities Measurement**

A financial liability is classified as at Fair Value through Profit or Loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. The Group classifies non-derivative financial liabilities in to other financial liability category. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group has the following non-derivative financial liabilities: trade and other payables, bank overdrafts, loans, amounts due to related parties, borrowings and financial guarantees. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

### **3.3.4. Determination of Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

### Level 1

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions.

### Level 2

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent

transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at

initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

### Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 3.3.3 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.

### 34 Property, plant and equipment

#### 34.1 Recognition and measurement

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the Property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection or maintenance activity is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statements of comprehensive income as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently

revalued, the entire class of such assets is revalued at fair value on the date of revaluation.

- Valuations are performed every 3–5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognized in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated by using a straight line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary

for it to be capable of operating in the manner intended by

management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale in accordance with SLFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in-progress and is stated at cost. On completion, the related assets are transferred to property, plant and equipment. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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.

### 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.

### 3.4.4 Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this 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 OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

However, to extent that an amount is included in the revaluation surplus for the property, the loss is recognised on OCI and reduces the revaluation surplus with in equity

## 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 21.1

### 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, including trademarks and trade license that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any 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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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.
- Trade Mark and Trade License subject to testing for impairment.

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

### 3.6 Premium paid on Leasehold premises

The premium paid by the subsidiary for leasehold premises represents prepaid rental charges which are amortized over 50 years, commencing from the second year of operation with initial adoption of SLFRS 16 – Leases, the premium paid on Leasehold Premises have been transferred to Right of Use Assets.

### 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 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 recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized 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 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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 3.10 Impairment

#### 3.10.1 Financial assets

A financial asset not carried 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 objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect 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, 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.

The Group follows 'simplified approach' for recognition of impairment loss allowance on Trade Receivables.

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime expected credit losses (ECLs) at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether

there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

#### 3.10.2. 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. 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. 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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.

### **3.11 Employee benefits**

#### **3.11.1. 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.

#### **3.11.2 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 2023. 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.

When the benefits of a plan are changed or when a plan is curtailed the resulting change in benefits that relates to Past service or gain or loss an curtailment is recognized immediately in Profit or loss. The Company recognizes gain or loses on the settlement of a defined plan when the settlement occurs.

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 31 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.

#### **3.11.3 Short-term Employee Benefits**

Short-term employee benefit obligations are measured on an undiscounted 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.

#### **3.12 Bills Payable**

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 3.13 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.

### 3.14 Provisions

A provision is recognized if 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.

### 3.15 Revenue

#### 3.15.1 Revenue Recognition

SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

**Step 1:** Identify the contract(s) with a customer: A contract is defined as an agreement

between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

**Step 2:** Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

**Step 3:** Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

**Step 4:** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

**Step 5:** Recognise revenue when (or as) the entity satisfies a performance obligation

- a) Dividend income  
Dividend income is recognized when the group's right to receive the dividend is established.
- b) 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.

### 3.1.6 As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the lease of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognized a right of use asset and a lease liability at the lease commencement date. The right of use assets is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right of use asset is subsequently depreciated using straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The Lease liability is initially measured at the present values of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the assets leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- amounts expected to be payable under residual value guaranteed; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or

termination option or if there is a revised in-substance fixed lease payments.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded as profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in 'Right-of-Use-Assets' and lease liabilities in the statement of financial position.

### Short term leases and leases of low-value assets

The Group has elected not to recognize right of use assets and lease liabilities of leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 317. Finance income and finance costs

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.

### 3171 Borrowing Cost

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs may include:

- (a) Interest expense calculated using the effective interest method.
- (b) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Then Group recognizes other borrowing costs as an expense in the period in which it incurs them.

### 318 Income tax

Income tax expense comprises current and Deferred Tax. It is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or OCI.

The Group has determined that interest and Penalties related to income taxes, including uncertain tax treatments, do not meet the definition of contingent Liabilities and contingent Assets.

### Current tax

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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 statements and computed in accordance with the provision of the Inland Revenue Act No. 24 of 2017 and its subsequent amendments thereto.

### Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they 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.

### 3.19 Segment Reporting

The Group has two 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;

- Agri Foods
- Consumer Brands

### 3.20 Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

### 3.21 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.

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.

### 4.1 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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

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 transaction after proper marketing where 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.

### 4.2 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.

### 4.3 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.

### 4.4 Land and Building

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 land and building portfolio every 3-5 years. The fair values are based on market values, being the estimated amount for which a land and building could be exchanged on the date of the valuation between a willing buyer and a willing seller in transaction after proper marketing where in the parties had each acted knowledgeably and willingly.

The Market value has been used as the fair value of the property. In determining the revaluation, the current condition of the properties and future usability have been considered. Also Value has made reference to market evidence of transaction price for similar properties, with appropriate adjustment for size, usage and location. Accordingly, the land and buildings were valued on an open market value on existing use basis.

### 5. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 April 2023.

Accordingly, these standards have not been applied in preparing these consolidated Financial Statements.

The Group has not early adopted new Standards in preparing these Financial Statements.

- Amendments to LKAS 8 - Definition of Accounting Estimates
- Amendments to LKAS 12 - Deferred tax related to Assets & Liabilities arising from a single transaction
- Amendments to LKAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to LKAS 1 - Classification of Liabilities as Current or Non Current

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

FOR THE YEAR ENDED 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>6. Revenue</b>				
Export Sales	<b>6,240,331,058</b>	5,067,610,465	–	–
Local Sales	<b>10,894,974,789</b>	5,620,523,000	–	–
Provision of Services	<b>24,805</b>	–	–	–
Dividend Income	–	232,956	<b>73,159,654</b>	12,000,000
Rental Income	–	6,938,743	–	–
	<b>17,135,330,652</b>	10,695,305,164	<b>73,159,654</b>	12,000,000
<b>7. Gain on disposal of Investment</b>	–	104,151,964	–	117,783,925
	–	104,151,964	–	117,783,925
<b>8. Other Income</b>				
Profit on disposal of Property, Plant & Equipment	<b>39,338</b>	–	–	–
Rental Income	<b>28,102,075</b>	26,265,466	–	–
Change in fair value of Biological Assets	<b>(9,344,726)</b>	(722,302)	–	–
Gain on Disposal of Asset Held for Sales	<b>1,108,154</b>	–	–	–
Sundry Income	<b>14,806,335</b>	22,078,948	<b>177</b>	–
	<b>34,711,176</b>	47,622,112	<b>177</b>	–
<b>9. Finance Income</b>				
Interest Income	<b>10,344,855</b>	5,554,441	<b>260,027</b>	256,349
Exchange Gain	<b>421,313,790</b>	587,148,998	–	–
	<b>431,658,645</b>	592,703,439	<b>260,027</b>	256,349
<b>10. Finance Costs</b>				
Interest on Bank Overdrafts	<b>19,717,078</b>	2,655,787	<b>40,372</b>	–
Interest on Borrowings	<b>562,307,578</b>	174,390,925	<b>1,878,272</b>	–
Interest on leases liability	<b>11,439,594</b>	9,071,007	–	–
Exchange Losses	<b>271,896,705</b>	341,164,163	–	–
Others	<b>11,659,923</b>	194,912	–	–
Intercompany Interest	<b>287,411,059</b>	–	–	5,628,933
	<b>1,164,431,937</b>	527,476,794	<b>1,918,644</b>	5,628,933
Net Finance (Costs)/Income	<b>(732,773,292)</b>	65,226,645	<b>(1,658,617)</b>	(5,372,584)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

FOR THE YEAR ENDED 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>11. Profit/(Loss) Before Taxation</b>				
Profit before Taxation is stated after charging all expenses including the followings;				
Directors Remuneration and Fees	<b>99,817,680</b>	64,230,110	<b>130,000</b>	240,00
Auditors' Remuneration				
Audit Services	<b>5,045,400</b>	4,250,575	<b>834,000</b>	695,400
Non Audit services	<b>550,305</b>	795,186	<b>208,305</b>	346,556
Provision / (Reversal) on Obsolete Stocks	<b>41,582,880</b>	(4,568,351)	-	-
Depreciation	<b>324,856,781</b>	316,366,172	-	-
Amortisation of right of use assets	<b>17,033,493</b>	17,206,756	-	-
Amortization of Intangible Assets	<b>3,659,357</b>	3,726,208	-	-
Personnel Cost ( Note 12)	<b>1,124,431,227</b>	1,000,608,285	-	-
<b>12. Personnel Cost</b>				
Salaries, Wages and Other related costs	<b>912,257,382</b>	828,344,082	-	-
Defined Benefit Plan Cost- Retirement Gratuity	<b>26,695,642</b>	18,528,053	-	-
Defined Contribution Plan Cost – EPF & ETF	<b>185,478,203</b>	153,736,150	-	-
	<b>1,124,431,227</b>	1,000,608,285	-	-
<b>13. Taxation</b>				
Income Tax charged for the year	<b>153,695,332</b>	96,461,254	<b>10,136,850</b>	16,899,144
Capital Gain Tax on Disposal of Investment.	-	65,000	-	-
Under/Over provision in respect of previous years	<b>18,436,263</b>	(2,886,768)	-	-
Origination and Reversal of Temporary Differences	<b>84,338,971</b>	43,241,774	-	-
	<b>256,470,566</b>	136,881,260	<b>10,136,850</b>	16,899,144

### 13.1 Current Tax

#### 13.1.1 Company

Income tax has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto.

According to Third Schedule –(Exempt Amounts) item (h) of the Income Tax Act No. 24 of 2017, profit earned on sale of shares on which share transaction levy under Section 7 of the Finance Act No.05 of 2005, is paid, exempt from income tax. Interest and other Income are liable to Income Tax at 14%, 18% & 24% respectively upto 30<sup>th</sup> September 2022 and 30% w.e.f 1<sup>st</sup> October 2022 (2022- 24%).

### 13.2 Subsidiary companies enjoying tax holidays at concessional rates of tax

#### 13.2.1 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 3 years of assessment ending 2014/15 by a supplementary agreement. After the expiration of said tax exemption period, the Company will be liable for taxation at the rate of 12%. In terms of section 59 L of the Inland Revenue Act

No. 10 of 2006, the Renuka Agri Foods PLC was entitled to a 50% tax credit on the income tax liability of the business of food processing (both export and local sales).

The Departments of Inland Revenue has issued a notice No. PM/IT/2020-03 (Revised) dated 8 April 2020, proposing to amend the existing Inland Revenue Act, No 24 of 2017 effective from 1 January 2020. Proposed notice also provides concessional tax rate for specific businesses at 14% and income tax exemptions to agro-processing & manufacturing and agro-farming respectively.

According to the recent amendments, Profits from Export business income, Local Business income and other income liable for income tax at the rate of 14%, 18% & 24% respectively up to 30<sup>th</sup> September 2022 and 15% , 30% w.e.f. 1<sup>ST</sup> October 2022.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 13.2.2 Renuka Developments (Private) Limited

According to the agreements entered into with Board of Investment of Sri Lanka, the profit and income of the Company were exempted from income tax for a period of five (5) years. This tax holiday period expired on 31st March 1999.

From the year of assessments 2006/2007, under section 16 of the Inland Revenue Act No. 10 of 2006, the Company's profit was exempted from income tax for a period of five years. This tax holiday period expired on 31st March 2011. The Company is liable to income tax at 12% on profit from agriculture from the year of assessment 2011/2012.

The Company is liable to income tax at the rate of 24% upto 30<sup>th</sup> September 2022 and 30% w.e.f 1<sup>st</sup> October 2022 (2022 – 24%).

### 13.2.3 Renuka Agri Organics Limited

The enterprise shall be entitled for a tax exemption period of 4 years in terms of the Inland Revenue Act No.10 of 2006 as amended by the Inland Revenue (amendment) Act No. 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.

This tax exemption period ended by year of assessment 2017/2018.

According to the recent amendments (notice No. PM/IT/2020-03 (Revised) dated 8 April 2020) to the Inland Revenue Act, No 24 of 2017 Profit from Export business income, Local Business income and other income liable for income tax at the rate of 14%, 18% & 24% respectively upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022.

### 13.2.4 Shaw Wallace Ceylon Limited

The Company is liable to income tax at the rate of 14%, 18% & 24% respectively upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022. (2022 – 24%).

### 13.2.5 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 is 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, the profits and income of the Company is exempted from 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 per centum (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 it.
- (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 20%.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The Departments of Inland Revenue has issued a notice No. PM/IT/2020-03 (Revised) dated 8 April 2020, proposing to amend the existing Inland Revenue Act, No 24 of 2017 effective from 1 January 2020. Proposed notice also provides concessionary tax rate and income tax exemptions to agro-processing & manufacturing and agro-farming respectively.

However, other income would be liable to Income Tax at the rate of 24% upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022 (2022-24%)

### **1326 Kandy Plantations Limited**

According to the agreement with the BOI of Sri Lanka, the Profits and Income of Kandy Plantations Ltd were exempt for a period of 5 years from the year of assessment in which the enterprise commence to make profit (i.e. 2003/2004). Accordingly, the said tax holiday period was expired on 31st March 2008.

However, the profit from agriculture of the Company continued to be exempted from income tax for further 3 year of assessments ending 2010/2011, under section 16 of the Inland Revenue Act No. 10 of 2006. This tax holiday was expired on 31st March 2011.

The Departments of Inland Revenue has issued a notice No. PM/IT/2020-03 (Revised) dated 8 April 2020, proposing to amend the existing Inland Revenue Act, No 24 of 2017 effective from 1 January 2020. Proposed notice also provides concessionary tax rate and income tax exemptions to agro-processing & manufacturing and agro-farming respectively.

However, other income would be liable to Income Tax at the rate of 24% upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022 (2022-24%)

### **1327 Coco Lanka (Private) Limited**

The Departments of Inland Revenue has issued a notice No. PM/IT/2020-03 (Revised) dated 8 April 2020, proposing to amend the existing Inland Revenue Act, No 24 of 2017 effective from 1 January 2020. Proposed notice also provides concessionary tax rate and income tax exemptions to agro-processing & manufacturing and agro-farming respectively.

However, other income would be liable to Income Tax at the rate of 24% upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022 (2022-24%)

### **1328 Richlife Dairies Ltd**

The Company is liable to income tax at the rate of 14%, 18% & 24% respectively upto 30<sup>th</sup> September 2022 and 30% w.e.f. 1<sup>st</sup> October 2022. (2022 – 24%).

### **1329 Shaw Wallace Properties (Pvt) Ltd**

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 (BOI) Law No. 04 of 1978, the Company is exempted from income tax for a period of five years commencing 01 April 2009. After the expiration of the said tax exemption period the profits and income of the Company shall be charged at the rate of 10% for a period of two years immediately succeeding the last date of the tax exemption period. After the expiration of the aforesaid concessionary tax rate of 10%, the profits and income of the Company shall for any year of assessment be charged at the rate of 20% under transitional provisions to the new Inland Revenue Act No. 24 of 2017

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>13.3 Reconciliation between Taxable Profit and the Accounting Profits</b>				
Profit /(Loss) Before Tax	755,930,416	870,153,405	64,768,776	117,207,201
Other Consolidation Adjustments	101,884,326	93,832,453	-	-
<b>Profit /(Loss) Before Income Tax Before Adjustments</b>	<b>857,814,742</b>	<b>963,985,858</b>	<b>64,768,776</b>	<b>117,207,201</b>
Aggregate Disallowable Expenses	673,097,787	491,914,478	3,560,997	709,899
Aggregate Allowable Expenses	(411,556,776)	(567,302,404)	-	-
Aggregate Other income	-	(11,082,413)	(9,220)	-
Exempt Income	(104,724,141)	(54,359,590)	-	(42,504,000)
<b>Adjusted Business Profit/(Loss)</b>	<b>1,014,631,612</b>	<b>823,155,929</b>	<b>68,320,553</b>	<b>75,413,100</b>
Exempt Business Profit	11,820,936	-	-	-
Statutory Income/(Loss) From Business	1,026,452,548	-	-	-
Taxable Aggregate Other Income	17,242,220	10,850,915	9,220	-
Total Statutory Income	1,043,694,768	834,006,844	68,329,773	75,413,100
Brought Forward Loss Claimed during the Year	(159,071,138)	(233,382,488)	-	-
Tax losses incurred during the year	(96,723,095)	-	-	-
<b>Taxable Income / (Loss)</b>	<b>787,900,535</b>	<b>600,624,356</b>	<b>68,329,773</b>	<b>75,413,100</b>
Income Tax at 30%	49,540,613	-	1,068,300	-
Income Tax at 24%	11,171,150	16,353,294	2,212	15,219,144
Income Tax at 18%	39,304,584	25,019,872	-	-
Income Tax at 15%	53,678,985	-	-	-
Income Tax at 14%	-	55,088,088	9,066,338	1,680,000
<b>Income Tax on Current year Profits</b>	<b>153,695,332</b>	<b>96,461,254</b>	<b>10,136,850</b>	<b>16,899,144</b>

### 13.4 Tax Losses

Tax Losses Brought Forward	464,149,775	696,539,217	-	-
Adjustment for the Tax Loss	(2,610,401)	993,047	-	-
Tax Losses incurred/(reversal) during the year	(96,723,095)	-	-	-
Tax Losses Utilised	(159,071,138)	(233,382,489)	-	-
Tax Losses Carried Forward	205,745,141	464,149,775	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 14. BASIC EARNINGS PER SHARE

141 The Computation of Basic of Earnings/(Loss) per Share is based on the profit/(Loss) for the year attributable to ordinary shareholders for the year divided by the weighted average number of shares outstanding during the year and calculated as follows.

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	GROUP		COMPANY	
	2023	2022	2023	2022
Profit attributable to the Ordinary Shareholders (Rs.)	<b>367,859,119</b>	554,351,186	<b>54,631,926</b>	100,308,057
Weighted Average Number of Ordinary Shares as at year end	<b>122,733,452</b>	122,733,452	<b>122,733,452</b>	122,733,452
Earnings Per Share (Rs.)	<b>3.00</b>	4.52	<b>0.45</b>	0.82

### 142 Basic 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 2023 & as at 31 March 2022 there were no dilutive potential ordinary shares. Hence, diluted earnings per share is same as basic earnings per share.

### 143 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 <sup>ST</sup> MARCH	GROUP		COMPANY	
	2023	2022	2023	2022
Dividend paid during the year	<b>50,320,715</b>	-	<b>50,320,715</b>	-
Number of Ordinary Shares as at distribution	<b>122,733,452</b>	122,733,452	<b>122,733,452</b>	122,733,452
Dividend per Share (Rs.)	<b>0.41</b>	-	<b>0.41</b>	-

# NOTES TO THE FINANCIAL STATEMENTS (Contd...)

15 PROPERTY, PLANT AND EQUIPMENT  
15.1 Group  
AS AT 31ST MARCH 2023

Cost/ Valuation	Freehold Land Rs.	Leasehold Land Rs.	Buildings Rs.	Plant & Machinery Rs.	Electrical Installation Rs.	Furniture Fittings & Equipment Rs.	Motor Vehicles Rs.	Land Development Cost Rs.	Capital Work In Progress Rs.	TOTAL Rs.
<b>As at 01st of April 2021</b>	<b>1,097,927,705</b>	<b>183,483,421</b>	<b>1,668,036,829</b>	<b>2,437,181,528</b>	<b>173,364,877</b>	<b>546,019,459</b>	<b>118,552,859</b>	<b>15,883,564</b>	<b>35,920,222</b>	<b>6,276,370,464</b>
Adjustments	-	-	-	-	-	-	-	-	-	-
Adjusted balance As at 01 of April 2021	1,097,927,705	183,483,421	1,668,036,829	2,437,181,528	173,364,877	546,019,459	118,552,859	15,883,564	35,920,222	6,276,370,464
Additions	-	-	292,791,716	236,092,900	31,918,441	109,771,929	646,500	-	19,469,505	690,690,991
Revaluation	17,100,000	-	-	-	-	-	-	-	-	17,100,000
Disposal of subsidiary	(115,000,000)	-	-	(42,481,043)	-	(9,615,386)	(16,098,913)	-	-	(183,195,342)
Disposals / Transfers	(4,698,806)	-	-	-	-	-	-	-	(20,592,319)	(25,291,125)
<b>As at 31 March 2022</b>	<b>995,328,899</b>	<b>183,483,421</b>	<b>1,960,828,545</b>	<b>2,630,793,385</b>	<b>205,283,318</b>	<b>646,176,002</b>	<b>103,100,446</b>	<b>15,883,564</b>	<b>34,797,408</b>	<b>6,775,674,988</b>
<b>As at 01 of April 2022</b>										
<b>Balance As at 01 of April 2022</b>	<b>995,328,899</b>	<b>183,483,421</b>	<b>1,960,828,544</b>	<b>2,630,793,385</b>	<b>205,283,319</b>	<b>646,175,906</b>	<b>103,100,446</b>	<b>15,883,563</b>	<b>34,797,408</b>	<b>6,775,674,893</b>
Additions	17,203,000	-	21,836,032	68,614,470	1,675,606	104,470,287	-	390,364	52,234,209	266,423,968
Disposals / Transfers	-	-	-	14,114,587	-	816,000	-	-	(50,840,279)	(35,909,692)
<b>As at 31 March 2023</b>	<b>1,012,531,899</b>	<b>183,483,421</b>	<b>1,982,664,576</b>	<b>2,713,522,442</b>	<b>206,958,925</b>	<b>715,462,193</b>	<b>103,100,448</b>	<b>16,273,927</b>	<b>36,191,338</b>	<b>7,006,189,169</b>
<b>Accumulated Depreciation</b>										
<b>As at 01 of April 2021</b>	-	<b>4,758,541</b>	<b>47,549,249</b>	<b>1,227,607,158</b>	<b>44,678,572</b>	<b>399,259,881</b>	<b>110,740,184</b>	<b>5,018,547</b>	-	<b>1,839,612,132</b>
Charge for the year	-	-	49,582,035	201,353,024	16,521,266	44,059,206	4,822,457	28,184	-	316,366,172
Disposals / Transfers	-	-	-	(30,195,076)	-	(6,443,990)	(16,098,913)	-	-	(52,737,979)
<b>As at 31 March 2022</b>	-	<b>4,758,541</b>	<b>97,131,284</b>	<b>1,398,765,106</b>	<b>61,199,838</b>	<b>436,875,097</b>	<b>99,463,728</b>	<b>5,046,731</b>	-	<b>2,103,240,325</b>
<b>As at 01 of April 2022</b>										
Adjustments	-	-	-	-	-	-	-	-	-	-
<b>As at 1st April 2022</b>	-	<b>4,758,541</b>	<b>97,131,284</b>	<b>1,397,932,814</b>	<b>61,199,838</b>	<b>430,918,588</b>	<b>106,252,425</b>	<b>5,046,732</b>	-	<b>2,103,240,222</b>
Charge for the year	-	-	56,191,603	198,090,561	19,050,697	50,385,965	1,095,863	42,092	-	324,856,781
<b>As at 31 March 2023</b>	-	<b>4,758,541</b>	<b>153,322,887</b>	<b>1,596,023,375</b>	<b>80,250,535</b>	<b>481,304,553</b>	<b>107,348,288</b>	<b>5,088,824</b>	-	<b>2,428,097,003</b>
<b>Carrying Amount</b>										
<b>As at 31 March 2023</b>	<b>1,012,531,899</b>	<b>178,724,880</b>	<b>1,829,341,690</b>	<b>1,116,666,775</b>	<b>126,708,389</b>	<b>264,201,227</b>	<b>2,540,863</b>	<b>11,185,105</b>	<b>36,191,338</b>	<b>4,578,092,166</b>
<b>As at 31 March 2022</b>	<b>995,328,899</b>	<b>178,724,880</b>	<b>1,863,697,261</b>	<b>1,232,028,279</b>	<b>144,083,480</b>	<b>209,300,905</b>	<b>3,636,718</b>	<b>10,836,833</b>	<b>34,797,408</b>	<b>4,672,434,663</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

- 15.1.1** 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 2023.
- 15.1.2** Property, Plant and Equipment include fully depreciated assets having a gross amount of Rs.934,506,098 as at 31 March 2023. (Rs.692,838,362 as at 31 March 2022)
- 15.1.3** There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2023 other than disclosed in Note 30.
- 15.1.4** There were no items of Property, Plant and Equipment pledged as security as at 31 March 2023 other than disclosed in Note 30.
- 15.1.5** There were no temporary idle items of Property, Plant and Equipment as at 31 March 2023.
- 15.1.6** The capital work in progress represents project in progress.
- 15.1.7** During the year under review, the Group has not capitalized any borrowing cost.
- 15.1.8** During the financial year, the Group has acquired property, plant & equipment to the aggregate value of Rs.266,423,968 (2022 – Rs.690,690,991) cash payments amounting to Rs.266,423,968 (2022 – Rs.690,690,991) were made during the year for purchase of property, plant & equipment.
- 15.1.9** The carried amount of the revalued assets that would have been included in the Financial Statements had the assets being carried at cost are as follows.

Group	As at 31.03.2023		
	Cost Rs.	Accumulated Depreciation Rs.	Carrying Amount Rs.
Land	325,707,874	–	325,707,874
Building	1,390,749,113	283,681,021	1,107,068,092

**15.2 Company**

	As at 31.03.2023		
	Motor Vehicles Rs.	TOTAL 2023 Rs.	TOTAL 2022 Rs.
<b>Cost</b>			
As at 01 April 2022	2,598,113	-	2,598,113
<b>As at 31 March 2023</b>	2,598,113	-	2,598,113
<b>Accumulated Depreciation</b>			
As at 01 April 2022	2,598,113	-	2,598,113
<b>As at 31 March 2023</b>	2,598,113	-	2,598,113
<b>Carrying Value</b>			
<b>As at 31 March 2023</b>	-	-	-
<b>As at 31 March 2022</b>	-	-	-

- 15.2.1** Property, Plant and equipment of the Company include fully depreciated asset having a gross amount of Rs. 2,598,113 as at 31 March 2023. (Rs.2,598,113 as at 31 March 2022)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 15.3 Revaluation of Land & Building – Method of Valuation

"The Land and buildings of the companies were revalued as at 31st March 2020. The results of such revaluations were incorporated in these financial statements from its effective date, which is 31st March 2020. Fair value of the Land & Building was ascertained by an independent valuation carried out by Mr.A.A.M.Fathihu-FIV (Sri Lanka) as at 31st March 2020. Valuation was carried out in reference to Sri Lanka Accounting Standard LKAS 16 Property, Plant & Equipment together with SLFRS 13 – Fair Value Measurement. All revaluations are based on market values and based on the aforesaid valuations. The Directors are of the view that market values as at 31st March 2023 have not materially changed from the values determined as at 31st March 2020."

The Market value has been used as the fair value of the property. In determining the revaluation, the current condition of the properties and future usability have been considered. Also Value has made reference to market evidence of transaction price for similar properties, with appropriate adjustment for size, usage and location. Accordingly, the land and buildings were valued on an open market value on existing use basis.

Company	Location	Last revaluation	Land Extent	Fair Value as at 31.03.2023		No of Buildings	Level of Fair Value Hierarchy
				Land	Buildings		
Renuka Agri Foods PLC	Unagahadeniya	31st March 2020	0A-1R-30.40P	21,120,000	903,000	1	Level 3
	Wathupitiwala / Giriulla	31st March 2020	0A-3R-30P	17,203,000	626,851,561	11	Level 3
Renuka Developments (Pvt) Ltd	Unagahadeniya	31st March 2020	1A-3R-23.30P	75,825,000	22,683,624	7	Level 3
Kandy Plantations Ltd	Nalla, Diuldeniya	31st March 2020	-	-	10,850,913	4	Level 3
	Matale	31st March 2022	20A-0R-18P	72,601,194	-	-	Level 3
Coco Lanka (Pvt) Ltd	Puttalam	31st March 2020	165A-1R-05P	180,448,000	9,354,253	5	Level 3
Renuka Agri Organics Ltd	Wathupitiwala	31st March 2020	-	-	255,803,718	3	Level 3
Shaw Wallace Ceylon Ltd	Colombo – 8	31st March 2020	0A-1R-0P	320,000,000	588,921,750	1	Level 3
	Colombo - 9	31st March 2020	0A-0R-4.7P	18,800,000	-	-	Level 3
	Ekala	31st March 2020	0A-1R-19.8P	29,900,000	47,585,241	11	Level 3
	Ekala	31st March 2020	1A-1R-14.75P	107,375,000	31,531,739	3	Level 3
Richlife Diaries Ltd	Wadduwa	31st March 2020	5A-2R-06P	158,568,000	188,678,768	1	Level 3
Shaw Wallace Properties (Pvt) Ltd	Peliyagoda.	31st March 2023	0A-2R-12.59P	162,202,253	73,391,454	2	Level 3

\* Kandy Plantations Ltd has revalued Matale land as at 31st March 2022. ( Valuation carried out by Mr.A.A.M. Fathihu – FIV (Sri Lanka))

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### Valuation technique and significant unobservable inputs

Valuation techniques	Significant unobservable inputs	Inter-relationship between Significant unobservable inputs and fair value measurement
Market comparable method ; this method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices if similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particular motivated buyers of sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square feet Depreciation rate	Estimated fair value would Increase/(decrease) if Price per perch increases/(decreases) Price per square foot increases/(decreases) Depreciation rate for building increases/(decreases)
Investment method ; This method involves capitalisation of the expected rental income at an appropriate rate for years since purchased, currently characterised by the for rental property market.	Gross Monthly Rental Years Purchase (Present value of 1 unit per period void Period)	Estimated fair value would Increase/(decrease) if Gross annual rental increases/(decreases) Years Purchase increases/(decreases) Void Period increase/(decrease)

Company	Location	Market Value as at 31st March 2023	Extent	Land			Market Value as at 31st March 2023	Building		
				Per Perch Value	Increase +10%	Decrease -10%		Price per Sq. Ft.	Increase +10%	Decrease -10%
		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Renuka Agri Foods PLC	Unagahadeniya	21,120,000	0A-1R30.40P	300,000	2,112,000	(2,112,000)	903,000	750-3000	90,300	(90,300)
	Wathupitiwala / Giriulla	17,203,000	0A-3R-30P	114,687	1,720,300	(1,720,300)	626,851,561	750-3000	62,685,156	(62,685,156)
Renuka Developments (Pvt) Ltd	Unagahadeniya	75,825,000	1A-3R23.30P	250,000	7,582,500	(7,582,500)	22,683,624	750-3000	2,268,362	(2,268,362)
Kandy Plantation Ltd	Nalla, Diuldeniya	-	-	-	-	-	10,850,913	750-3000	1,085,091	(1,085,091)
	Matale	72,601,194	20A-0R-18P	21,875	7,260,119	(7,260,119)	-	-	-	-
Coco Lanka (Pvt) Ltd	Puttalam	180,448,000	165A-1R-05P	7,187	18,044,800	(18,044,800)	9,354,253	750-3000	935,425	(935,425)
Renuka Agri Organics Ltd	Wathupitiwala	-	-	-	-	-	255,803,718	750-3000	25,580,372	(25,580,372)
	Colombo 08	320,000,000	0A-1R-0P	8,000,000	3,200,000	(3,200,000)	588,921,750	750-3000	58,892,175	(58,892,175)
Shaw Wallace Ceylon Ltd	Colombo 09	18,800,000	0A-0R-4.7P	4,000,000	1,880,000	(1,880,000)	-	-	-	-
	Ekala	29,900,000	0A-1R-19.8P	500,000	2,990,000	(2,990,000)	47,585,241	750-3000	4,758,524	(4,758,524)
	Ekala	107,375,000	1A-1R14.75P	500,000	10,737,500	(10,737,500)	31,531,739	750-3000	3,153,174	(3,153,174)
Richlife Dairies Ltd	Wadduwa	158,568,000	5A-2R-06P	178,971	15,856,800	(15,856,800)	188,678,768	750-3000	18,867,877	(18,867,877)
Shaw Wallace Properties (Pvt) Ltd	Peliyagoda	162,202,253	0A-2R-12.59P	1,751,833	16,220,225	(16,220,225)	73,391,454	750-3000	7,339,145	(7,339,145)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 16. RIGHT OF USE ASSET/LEASE LIABILITY

The Group has leased factory/office premises and estates. The Lease typically run for period of two to Fifty years, with an option to renew the lease after the date. Lease payments are renegotiated every 3–5 years to reflect the market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The leases arrangements were entered into many year ago as combined leases of land and buildings.

Information about leases for which the Group is a lessee presented below.

Renuka Agri Foods PLC – BOI Land Wathupitiwala, Head Office Building, Colombo 2

Kandy Plantations Ltd – Giriulla Estate

Ceylon Forestry (Pvt) Ltd – Wiharagama Estate

Renuka Agri Organics Ltd – BOI Land Wathupitiwala, Land and Building Dankotuwa and Unagahadeniya.

16.1 The carrying amounts of right-of-use assets recognised and its movements during the year:

AS AT 31 <sup>ST</sup> MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Cost</b>				
<b>Balance as at 01st April</b>	<b>209,658,252</b>	206,539,854	-	-
Additions during the year	<b>11,398,552</b>	11,311,433	-	-
Disposals / write-offs during the year	<b>(1,248,310)</b>	-	-	-
Disposal of subsidiary	-	(8,193,035)	-	-
<b>Cost as at 31st March</b>	<b>219,808,494</b>	209,658,252	-	-
<b>Accumulated amortisation</b>				
<b>Balance as at 1st April</b>	<b>85,125,219</b>	75,559,123	-	-
Disposals / write-offs during the year	<b>(691,371)</b>	-	-	-
Charge for the year	<b>17,033,493</b>	17,206,756	-	-
Disposal of subsidiary	-	(7,640,660)	-	-
<b>Accumulated amortisation as at 31st March</b>	<b>101,467,341</b>	85,125,219	-	-
<b>Net book value as at 31st March</b>	<b>118,341,153</b>	124,533,033	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

- 16.2 The carrying amounts of lease liability (included under current and non current liabilities) and its movements during the year:

AS AT 31 <sup>ST</sup> MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Balance as at 01 April 2022</b>	<b>162,206,252</b>	127,726,502	-	-
Disposals / write-offs during the year	(745,899)	-	-	-
Disposal of subsidiary	-	(893,998)	-	-
Additions during the year	<b>11,398,552</b>	11,550,596	-	-
Accretion of interest	<b>11,628,553</b>	9,071,007	-	-
Payments	(28,872,164)	(25,668,439)	-	-
Exchange gain	<b>14,412,970</b>	40,420,584	-	-
<b>Balance as at end of the year</b>	<b>170,028,264</b>	162,206,252	-	-
Current	<b>24,692,295</b>	23,108,974	-	-
Non- current	<b>145,335,969</b>	139,097,279	-	-
<b>Balance as at end of the year</b>	<b>170,028,264</b>	162,206,253	-	-

16.3 **Amount recognized in profit or loss**

Interest on lease liabilities	<b>11,628,553</b>	9,071,007	-	-
Amortization of Right to Use Asset	<b>17,033,493</b>	17,206,756	-	-

16.4 **Amount recognized in Statement of cash flows**

Total cash out flow for leases	<b>28,872,164</b>	25,668,439	-	-
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### 17. INVESTMENT PROPERTY

17.1 Group	Land Rs.	Building Rs.	2023 Rs.	2022 Rs.
<b>Balance as at the Beginning of the Year</b>	<b>205,376,988</b>	115,380,706	<b>320,757,694</b>	303,390,145
Changes in Fair Value	<b>27,214,332</b>	2,983,350	<b>30,197,682</b>	17,367,549
<b>Balance as at the end of the year</b>	<b>232,591,320</b>	118,364,056	<b>350,955,376</b>	320,757,694

- 17.1.1 The Subsidiaries' 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.

- 17.2 No Rental Income earned from Investment Property by the group during the year 2022/23 (2021/22Rs. 5,649,979) and Rs.265,263 Operating Expenses incurred in relation to the Investment Property during the year 2022/23 (2021/22 – Rs.265,263)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

- 173** Fair value of the Investment Property is ascertained by annual independent valuation carried out by L.M.P Perera- F.I.V (Sri Lanka) as at 31 March 2023

The Market value has been used as the fair value in determining the fair value. The current condition of the properties and future usability have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size, usage a location.

Measurement of fair value method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

Rented Out Warehouse							
Company	Location		Market Value as at 31st March 2023	Extent	Per SF / Perch Value	Increase +10%	Decrease -10%
			Rs.		Rs.	Rs.	Rs.
Shaw Wallace Properties (Pvt) Ltd	New Nuge Road, Peliyagoda	Building	118,364,056	SF 35747	3,311	11,836,405	(11,836,405)
		Land	232,591,320	Perch 123	1,890,986	23,259,132	(23,259,132)

### 18 . BIOLOGICAL ASSETS

AS AT 31ST MARCH	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01 April</b>	<b>120,940,042</b>	109,439,774	-	-
Additions during the year	<b>16,505,791</b>	12,222,570	-	-
Loss on changes in Fair Value	<b>(9,344,726)</b>	(722,302)	-	-
<b>Balance as at 31st March</b>	<b>128,101,107</b>	120,940,042	-	-
<b>Represented by</b>	<b>2023</b>	2022	<b>2023</b>	2022
	Rs.	Rs.	Rs.	Rs.
Biological Assets at fair value (Note 18.1)	<b>54,076,741</b>	62,331,124	-	-
Biological Assets at cost less (Note 18.2)	<b>71,454,801</b>	56,221,752	-	-
Immature pepper plantation	<b>2,569,566</b>	2,387,166	-	-
	<b>128,101,108</b>	120,940,042	-	-

#### 18.1 Biological Assets at Fair value

Biological Assets at Fair value as at 31st March 2023 consists of Ceylon Forestry (Pvt) Limited's investment made for Teak Plants and Coco Lanka (Private) Limited's, Investments made for timber plants.

##### 18.1.1 Ceylon Forestry (Private) Limited

Managed trees include commercial teak timber plantations cultivated on the estates 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 plantation become mature, the additional investment since taken over to bring them to maturity are transferred from immature to mature.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

The fair value of managed trees was ascertained in accordance with LKAS 41 – “Agriculture” which is applicable only for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The Valuation was carried out by an independent Chartered Valuation Surveyor Mr. W.M. Chandrasena FIV(SL)MRICS (UK) using Discounted Cash Flows (DCF) method. Valuation of biological assets are considered as a level III valuation, and details of the valuation are given below.

### 18.12 Coco Lanka (Private) Limited

The biological assets is on the land acquired by Coco Lanka (Private) Limited. The total extent of the land is 165 Acres. Managed trees include commercial Teak timber plantations and coconut nursery on the estate in Puttalam. 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 plantation become mature, the additional investment since taken over to bring them to maturity are transferred from immature to mature.

The fair value of managed trees (Timber) was ascertained in accordance with LKAS 41 - "Agriculture". The Valuation was carried out by an independent Chartered Valuation Surveyor Mr. W.M. Chandrasena FIV (SL) MRICS (UK), Chartered valuation surveyor using discounted Cash Flows (DCF) method

Valuation of biological assets at fair value are considered as a level III valuation, and details of the valuation are given below

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

Variable	Comment
Timber Content	Estimated based on the girth (range between 30 to 48 inch), height (range between 15 to 39 nears) 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 (25–35 years) 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 is Rs. 800/- to Rs. 1,350/- per cubic ft.(2022- Rs.650/- to Rs. 1,000/-) 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 19% (2021 – 14.5%)

The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Inter-relationship between key unobservable inputs and fair value measurement:	The estimated average future sales price of timber may increase or decrease within a +10% to -10% range.
	The risk-adjusted discount rate of 14% may stimulate an increase or a decrease between the ranges +1% to -1%

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 18.1.3 Sensitivity Analysis

#### Sensitivity variation on sales price

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

<b>Sales price fluctuation</b>	10%	-	-10%
Manage Timber	Rs.	Rs.	Rs.
As at 31st March 2023	59,484,415	54,076,741	48,669,067
As at 31st March 2022	68,564,235	62,331,124	56,098,010

#### Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber, shows that an increase or a decrease by 1% of the estimated discount rate has the following effect on the net present value of biological assets:

<b>Discount rate fluctuation</b>	1%	-	-1%
Manage Timber	Rs.	Rs.	Rs.
As at 31st March 2023	49,880,923	54,076,741	58,727,916
As at 31st March 2022	56,589,874	62,331,124	68,783,759

- 18.2 Biological Assets at cost less depreciation include coconut nursery. The nursery is for replant vacant areas of the plantation held by Kandy Plantations Limited and Coco Lanka (Private) Limited. During the year, Kandy Plantations Limited has incurred Rs.2,846,032 (2021/22 – Rs.1,423,555) in planting coconut nursery. The asset is carried out at the cost as at the reporting date, since the nursery has just started its operation and the expected useful life is estimated to be 5 years.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 19. INVESTMENT IN SUBSIDIARIES

	Effective Holding	Effective Holding	Company	
	31 <sup>st</sup> March 2023 %	31 <sup>st</sup> March 2022 %	31 <sup>st</sup> March 2023 Rs.	31 <sup>st</sup> March 2022 Rs.
<b>Direct-Subsidiaries</b>				
Renuka Agri Foods PLC	65.12%	65.12%	791,047,245	791,047,245
Renuka Agri Organics Ltd	79.07%	79.07%	152,499,000	152,499,000
Shaw Wallace Ceylon Ltd	85.03%	85.03%	1,244,603,190	1,244,603,190
Richlife Dairies Ltd	100.00%	100.00%	1,105,000,000	1,105,000,000
<b>Sub-Subsidiaries</b>				
Renuka Developments (Pvt) Ltd	65.12%	65.12%	-	-
Kandy Plantations Ltd	63.04%	63.04%	-	-
Ceylon Forestry (Pvt) Ltd	37.82%	37.82%	-	-
Shaw Wallace Properties (Pvt) Limited	85.03%	85.03%	-	-
Coco Lanka (Pvt) Ltd	63.61%	63.61%	-	-
			<b>3,293,149,435</b>	<b>3,293,149,435</b>

#### Consolidation of entities in which the Group holds less than a majority of voting rights

Consolidation of entities in which the Group holds less than a majority of voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

1. The contractual arrangement with the other vote holders of the investee;
2. Rights arising from other contractual arrangements; and
3. The Group's voting rights and potential voting rights

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 191 PRINCIPAL SUBSIDIARIES

Following table summarised the total identifiable assets and liabilities as at disposal date.

Company and Country of Incorporation / Operation	Principal Activities	Class of Shares Held	As at 31st March 2023			As at 31st March 2022		
			Proportion of class held	Group Interest (%)	Non-controlling interest (%)	Proportion of class held	Group Interest (%)	Non-controlling interest (%)
Renuka Agri Foods PLC	Manufacture & export of coconut based products	Ordinary	65.12%	65.12%	34.88%	65.12%	65.12%	34.88%
Renuka Agri Organics Limited	Manufacture & export of coconut based products	Ordinary	79.07%	79.07%	20.93%	79.07%	79.07%	20.93%
Shaw Wallace Ceylon Ltd	Manufacturing & distribution of Fast Moving Consumer Goods	Ordinary	85.03%	85.03%	14.97%	85.03%	85.03%	14.97%
Richlife Dairies Ltd	Manufacturing of dairy & fruit juice based products	Ordinary	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%
Renuka Developments (Pvt) Ltd	Organic certification licence holder and investment in plantation / farm & vertical integration projects	Ordinary	65.12%	65.12%	34.88%	65.12%	65.12%	34.88%
Kandy Plantations Limited	Engaged in organic certified cultivation of agriculture	Ordinary	63.04%	63.04%	36.96%	63.04%	63.04%	36.96%
Ceylon Forestry (Pvt) Ltd	Planting and managing of Forestry	Ordinary	37.82%	37.82%	62.18%	37.82%	37.82%	62.18%
Shaw Wallace Properties (Pvt) Ltd	Providing warehousing facilities	Ordinary	85.03%	85.03%	14.97%	85.03%	85.03%	14.97%
Coco Lanka (Pvt) Ltd	Plantation	Ordinary	63.61%	63.61%	36.39%	63.61%	63.61%	36.39%

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

Non-controlling interest represent the equity in subsidiaries that are not attributable, directly or indirectly to the parent Company. Profit or loss and each component of other comprehensive income are attributed to the Company and non-controlling interests. Losses are attributed to non-controlling interests even if the noncontrolling interests balance reported in the consolidated statement of financial position in negative.

Non-controlling interests are directly recognized as the difference between the proceeds received and the carrying amount of the acquired interests. The difference is recorded as a reduction or increase in equity under transactions with non-controlling interests. Upon disposal of rights in a subsidiary that does not result in a loss of control, an increase or decrease in equity is recognized as the difference between the consideration received by the Group and the carrying amount of the non-controlling interests in the subsidiary adjusted for the disposal of goodwill in the subsidiary, if any, and amounts recognized in other comprehensive income, if any. Transaction costs in respect of transaction with non-controlling interests as also recorded in equity.

Significant inter group balances and transaction and gain or loss resulting from intergroup transactions are eliminated in full in the consolidated financial statements.

The financial statement of the Company and of the consolidated investees are prepared as of the same date and period. The accounting policies in the financial statements of those investees are applied consistently and uniformly with the policy applied in the financial statement of the Company.

### 19.2 NON CONTROLLING INTERESTS (NCI)

The following table summarises the information relating to the Group's subsidiaries that have material NCI.

	<b>Renuka Agri Foods PLC</b>	<b>Renuka Agri Organics Ltd</b>	<b>Shaw Wallace Ceylon Ltd</b>
NCI Percentage	34.88%	20.93%	14.97%
	<b>Amount (Rs.)</b>	<b>Amount (Rs.)</b>	<b>Amount (Rs.)</b>
Non Current Assets	3,782,918,878	443,062,151	1,992,999,686
Current Assets	2,944,702,506	659,418,321	1,718,032,177
Non Current Liabilities	(608,180,356)	(111,270,466)	(242,708,218)
Current Liabilities	(2,697,954,455)	(257,946,739)	(1,282,233,106)
Net Assets	3,421,486,573	733,263,267	2,186,090,539
Net Assets attributable to NCI	1,193,495,713	153,474,172	327,170,736
Revenue	5,603,592,764	1,604,359,114	3,890,174,822
Profit for the year	198,056,400	257,079,022	65,017,495
Other Comprehensive Income/ (Expenses)	7,896,754	(1,939,656)	(68,036,395)
Total Comprehensive Expenses	205,953,154	255,139,366	(3,018,900)
Profit allocated to NCI	69,086,772	53,807,400	9,730,531
OCI allocated to NCI	2,754,575	(405,976)	(10,182,340)
Cash flows from / (used in) operating activities	111,092,802	565,409,588	(368,797,281)
Cash flows from / (used in) investment activities	(139,056,556)	(1,854,240)	575,335,039
Cash flows from / (used in) finance activities	191,133,753	(325,678,162)	(239,013,295)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 20. INVESTMENT IN FVTOCI

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Shaw Wallace & Hedges Limited	<b>556,572,883</b>	1,140,675,512	-	-
	<b>556,572,883</b>	1,140,675,512	-	-

The Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purpose." Any cumulative gain/loss is recognized in equity at de-recognition.

### 20.1 Investment in Fair Value Through Other Comprehensive Income consists of the following,

AS AT 31ST MARCH 2023	Holding %	No. of Shares	Amount (Rs.)
Ordinary shares of Shaw Wallace & Hedges Ltd	7.81%	43,000,000	556,572,883

### 21. INTANGIBLE ASSETS

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Goodwill (Note 21.1)	<b>203,598,916</b>	203,598,916	-	-
Computer Software (Note 21.2)	<b>1,107,222</b>	1,912,743	-	-
Trade Marks (Note 21.3 , 21.4)	<b>7,742,952</b>	10,596,788	-	-
	<b>212,449,090</b>	216,108,447	-	-

### 21.1 GOODWILL

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at the beginning of the year	<b>203,598,916</b>	203,598,916	-	-
Balance as at the end of the year	<b>203,598,916</b>	203,598,916	-	-

### 21.1.1 THE GROUP GOODWILL HAS BEEN ALLOCATED TO THE FOLLOWING CASH GENERATING UNITS, FOR IMPAIRMENT TESTING.

AS AT 31ST MARCH 2023	2023 Rs.	2022 Rs.
Renuka Agri Foods PLC	<b>28,455,402</b>	28,455,402
Richlife Dairies Ltd	<b>133,024,682</b>	133,024,682
Shaw Wallace Ceylon Ltd	<b>40,062,623</b>	40,062,623
Ceylon Forestry (Pvt) Ltd	<b>1,519,005</b>	1,519,005
Kandy Plantations Ltd	<b>537,204</b>	537,204
	<b>203,598,916</b>	203,598,916

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 21.1.11 Renuka Agri Foods PLC

The recoverable amount of this CGU was based on fair value less cost of disposal, estimated using market value. The fair value measurement was categorised as a Level 1 fair value. As at 31st March 2023, the market price of share is Rs. 5.20.

### 21.1.12 Richlife Dairies Limited

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. Key assumptions are determined based on management experience, expectation of future outcome taking into account past experience adjusted for anticipated growth, historical data and industry norms.

Discount rate	15%
Revenue growth rate	Year 2 to Year 4 – 10% & 1% thereafter
Terminal growth rate	3%

### 21.1.13 Shaw Wallace Ceylon Limited

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. Key assumptions are determined based on management experience, expectation of future outcome taking into account past experience adjusted for anticipated growth, historical data and industry norms.

Discount rate	15%
Revenue growth rate	Year 2 to Year 4 – 10% & 1% thereafter
Terminal growth rate	3%

### 21.1.14 Ceylon Forestry (Private) Limited

The recoverable value of Ceylon Forestry (Private) Limited was based on value in use and this is mainly consisting of Cash Generating Units (CGU's) of biological assets, which is at fair value, where in aggregate with other related CGU's carrying a value more than the aggregation of the net assets plus goodwill. Unobservable inputs – Future sale price of timber, risk adjusted discount rate.

### 21.1.15 Kandy Plantations Limited

The recoverable value of Kandy Plantations Limited was based on value in use and this is mainly consisting of Cash Generating Units (CGU's) of land and building, which is at fair value, where in aggregate with other related CGU's carrying a value more than the aggregation of the net assets plus goodwill. Unobservable inputs – Price per perch and Square feet.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

21.2	COMPUTER SOFTWARE	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
	Balance as at the Beginning of the Year	1,912,743	1,700,482	-	-
	Additions made during the year	-	928,469	-	-
	Amortization during the year	(805,521)	(716,208)	-	-
	Balance as at the End of the Year	1,107,222	1,912,743	-	-

21.3	TRADE MARK	GROUP		COMPANY	
		2023	2022	2023	2022
		Rs.	Rs.	Rs.	Rs.
	Balance as at the Beginning of the Year	10,596,788	13,606,788	-	-
	Amortization during the year	(2,853,836)	(3,010,000)	-	-
	Balance as at the End of the Year	7,742,952	10,596,788	-	-

21.4 Shaw Wallace Ceylon Limited has acquired the "Mr. POP" Trade Mark 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.

21.5 Mayfair Foods (Pvt) Ltd has acquired the "Mayfair" trade mark for a sum of Rs. 15Mn during the year 2016/17. The Management is of the opinion that the trade mark has a useful economic life of 10 years. With the amalgamation with Shaw Wallace Ceylon Limited, the same is reflected in Shaw Wallace Ceylon Limited.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 22. INVENTORIES

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Raw Materials & Consumables	356,425,333	279,824,989	-	-
Finished Goods	1,678,879,488	960,155,654	-	-
Spares & Consumables	385,229,611	307,651,721	-	-
Packing Material & Chemicals	665,916,650	349,507,731	-	-
Work in Progress	177,644,296	97,883,910	-	-
Goods in Transit	33,398,741	53,335,298	-	-
	<b>3,297,494,119</b>	2,048,359,303	-	-
Provision for obsolete Inventory	(177,768,202)	(136,185,322)	-	-
	<b>3,119,725,917</b>	1,912,173,981	-	-

#### 22.1 Provision for Obsolete Inventories

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as 1 <sup>st</sup> April	136,185,322	140,753,673	-	-
Provision Made During the year	41,582,880	(4,568,351)	-	-
Balance as 31 <sup>st</sup> March	<b>177,768,202</b>	136,185,332	-	-

### 23. Trade & Other Receivables

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade Debtors & Bills Receivable	1,737,236,843	1,434,765,170	-	-
VAT Recoverable	7,708,067	4,147,692	-	-
Deposits & Pre-Payments	321,106,777	346,650,211	180,000	180,000
Taxes Recoverable	82,030	82,030	82,030	82,030
WHT Recoverable	778,483	450,958	40,516	33,186
Advance Payments	58,106,202	38,958,806	-	-
Staff Loan & Advances	10,520,370	5,398,390	-	-
Other Receivables	100,893,106	58,987,634	36,488	36,485
	<b>2,236,431,878</b>	1,889,440,891	<b>339,034</b>	331,701
Provision for Doubtful Debts	(38,736,472)	(34,413,583)	-	-
	<b>2,197,695,406</b>	1,855,027,308	<b>339,034</b>	331,701

#### 23.1 Impairment Provision

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as 1 <sup>st</sup> April	34,413,583	29,655,197	-	-
Provision Made During the year	4,322,889	4,758,386	-	-
Balance as 31 <sup>st</sup> March	<b>38,736,472</b>	34,413,583	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 24. Amounts due from Related Companies

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Shaw Wallace Investment PLC	595,000,000	-	-	-
Renuka Enterprises (Pvt) Ltd	14,729,061	22,496	-	-
Renuka Agro Exports Limited	-	10,374,417	-	-
	609,729,061	10,396,913	-	-

### 25. ASSETS HELD FOR SALE

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 01 <sup>st</sup> April	4,698,806	-	-	-
Land – transfer from property plant and equipment	-	4,698,806	-	-
Disposal made during the year	(4,698,806)	-	-	-
Balance as at 31st March	-	4,698,806	-	-

The total disposal proceeds amounting to Rs. 5,806,601 /- in relation to asset held for sale was received.

### 26. CASH & CASH EQUIVALENTS

#### 26.1 Favorable Balances

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Call Deposits	145,709,541	2,857,842	-	-
Cash at bank & in hand	744,475,985	473,397,846	18,851,184	6,023,672
	890,185,526	476,255,688	18,851,184	6,023,672

#### 26.2 Unfavorable Balances

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Bank Overdraft	(194,893,563)	(149,656,077)	-	(84,560)
Cash & Cash Equivalents for Cashflow Purpose	695,291,963	326,599,611	18,851,184	5,939,112

Cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>27. Stated Capital</b>				
<b>Number of Shares Issued Voting Shares</b>				
At the Beginning of the year	117,960,106	117,960,106	117,960,106	117,960,106
At the End of the year	117,960,106	117,960,106	117,960,106	117,960,106
<b>Non Voting Shares</b>				
At the Beginning of the year	4,773,346	4,773,346	4,773,346	4,773,346
At the End of the year	4,773,346	4,773,346	4,773,346	4,773,346
	122,733,452	122,733,452	122,733,452	122,733,452

The holders of ordinary shares are entitled to receive dividends as declared from time to time and only voting shareholders are entitled to one vote per individual present of meetings of the shareholders or one vote per share in the case of a poll.

### 27.1 Value of Issued and Fully Paid Ordinary Shares

Shares AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
At the Beginning of the year	2,241,842,234	2,241,842,234	2,241,842,234	2,241,842,234
At the End of the year	2,241,842,234	2,241,842,234	2,241,842,234	2,241,842,234

### 28. Reserves

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revaluation Reserve (Note 28.1)	662,164,336	737,310,185	-	-
	662,164,336	737,310,185	-	-

#### 28.1 Revaluation Reserve

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at Beginning of the Year	737,310,185	755,457,294	-	-
During the Year Movement	(75,145,849)	(18,147,109)	-	-
Balance as at the End	662,164,336	737,310,185	-	-

Revaluation reserve relates to the revaluation of land and buildings.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

29	AS AT 31ST MARCH	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
	<b>Deferred Tax Liability</b>				
	Balance As at 1st April	470,301,364	460,160,494	-	-
	Disposal of Subsidiary	-	(39,675,271)	-	-
	Impact of Rate Difference	97,516,548	-	-	-
	Provision Made/(Reversal) during the year	85,860,003	49,816,141	-	-
	Balance as at the End of the Year	653,677,915	470,301,364	-	-

### 29.1 Provision for Deferred Tax is attributable to the followings.

AS AT 31ST MARCH	2023		2022	
	Temporary Differences Rs.	Tax Effect Rs.	Temporary Differences Rs.	Tax Effect Rs.
<b>Group</b>				
On Property Plant and Equipment	1,745,071,785	348,506,107	1,830,778,851	265,067,158
On Right of use Asset	136,618,120	31,565,041	151,031,553	21,692,560
On Investment properties	542,309,116	110,958,260	496,194,205	104,200,783
Fair Value Gain on Investment	161,336,883	48,401,065	161,275,514	33,867,858
Revaluation of Land & Building	971,651,721	286,871,472	1,016,049,175	198,237,911
On Retirement Benefit Obligation	(100,216,225)	(21,480,471)	(113,191,710)	(16,583,158)
On Carried Forward Tax Losses	(205,745,141)	(61,723,542)	(388,418,984)	(82,701,490)
On lease liability	(165,359,796)	(35,573,564)	(174,863,528)	(25,054,385)
On Provision for bad debts/ Stocks	(217,498,470)	(53,846,453)	(186,969,802)	(28,425,873)
Balance as at the End	2,868,167,993	653,677,915	2,791,885,273	470,301,364

### 29.2 Reconciliation of Deferred Tax Provision

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Recognized in Profit or Loss	(84,338,971)	(41,169,171)		
Recognized in OCI	(99,037,580)	(8,646,970)	-	-
Tax Effect	(183,376,551)	(49,816,141)	-	-

29.3 In 2022, numerous changes to the tax law enacted in Sri Lanka, including an increase in the corporate tax rate from 14%, 18% and 24% to 30%. This change resulted in an additional liabilities of Rs.97.5 Mn related to the remeasurement of the deferred tax liabilities of Group being recognised during the year ended 31 March 2023 (2022 - Nil).

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 30. Interest Bearing Borrowings

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at the Beginning of the year	2,536,877,667	2,285,225,635	-	-
Additton During the year	7,577,205,522	7,848,369,477	-	-
Disposal of subsidiairy	-	(71,387,786)	-	-
Written Back during the year	203,807	-	-	-
Payments During the year	(7,755,661,730)	(7,525,329,659)	-	-
	2,358,625,266	2,536,877,667	-	-
Payable within one year	1,998,903,466	2,079,485,717	-	-
Payable after one year	359,721,800	457,391,950	-	-
	2,358,625,266	2,536,877,667	-	-

### 30.1 Renuka Agri Foods PLC

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

Financial Institution	Facility Obtained	Outstanding Balance		Repayment	Assets Pledged
		2023 Rs.	2022 Rs.		
Sampath Bank PLC	Short term Loan	420,000,000	-	Repayable on Demand	Negative Pledge over coconut milk processing plant for UHT
Hatton National Bank PLC	Short term Loan	1,053,000,000	660,000,000	Repayable on Demand	Negative Pledge over coconut milk processing plant for UHT
Hatton National Bank PLC	Term Loan	287,500,000	300,000,000	Commencing from March 2023	-
Commercial Bank PLC	Term Loan	180,555,400	200,000,000	71 Monthly Installments of Rs.2,777,800 & Rs.2,776,200 as Final	Rs. 200 mn. Corporate Guaranteed from Renuka Foods PLC Lodgment of Confirmed Orders
National Development Bank PLC	Packing Credit Loan	-	549,213,643	Repayable on Demand	-
National Development Bank PLC	Short term Loan	150,000,000	60,000,000	Repayable on Demand	-
		2,091,055,400	1,769,213,643		

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 30.2 Shaw Wallace Ceylon Ltd

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

Financial Institution	Facility Obtained	Outstanding Balance		Repayment	Assets Pledged/Securities
		2023	2022		
Hatton National Bank PLC	Short Term Loan	182,428,000	302,000,000	Payable within 120 days from draw down date.	-
National Development Bank PLC	Short Term Loan	-	50,000,000	Payable within 90 days from draw down date	Board Resolution dated 12th August 2021
Nations Trust Bank PLC	Short Term Loan	5,434,783	69,244,928	Payable within 90 days from draw down date	Board Resolution Dated 21st January 2020
		187,862,783	421,244,928		

### 30.3 Kandy Plantations Ltd

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

Financial Institution	Facility Obtained	Outstanding Balance		Repayment	Assets Pledged/Securities
		2023	2022		
Commercial Bank PLC	Term Loan	2,594,154	7,130,154	Interest to be paid during the GracePeriod of 6 months. Thereafter it is repayable in 17 equal monthlyinstalments of Rs.555,600/- and a final instalment of Rs.554,800/- plusinterest	
		2,594,154	7,130,154		

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 30.4 Renuka Agri Organics Ltd

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

Financial Institution	Facility Obtained	Outstanding Balance		Repayment	Assets Pledged
		2023	2022		
Commercial Bank of Ceylon PLC	Term Loan	-	5,539,492	24 Monthly Installments	Rs. 25 mn. Corporate Guarantee from Renuka Food.
Commercial Bank of Ceylon PLC	Term Loan	-	19,305,000	56 Monthly Installments	Rs. 300 mn. Corporate Guarantee from Renuka Food.
Commercial Bank of Ceylon PLC	Short Term Loan	<b>8,780,493</b>	50,000,000	90 days	Rs. 250 mn. Corporate Guarantee from Renuka Food.
Seylan Bank PLC	Short Term Loan	-	245,000,000	90 days	Lodgment of confirmed orders
		<b>8,780,493</b>	<b>319,844,492</b>		

### 30.5 Richlife Dairies Limited

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

Financial Institution	Facility Obtained	Outstanding Balance		Repayment	Assets Pledged/ Securities
		2023	2022		
Peoples Bank	Term Loan	<b>8,332,437</b>	19,444,450	24 Monthly Installment	
Hatton National Bank PLC	Term Loan	<b>60,000,000</b>			
		<b>68,332,437</b>	19,444,450		
<b>Total</b>		<b>2,358,625,267</b>	<b>2,536,877,667</b>		

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>31. RETIREMENT BENEFIT OBLIGATION</b>				
At the beginning of the year	<b>101,919,111</b>	113,458,562	-	-
Charge to Profit or Loss	<b>26,695,642</b>	18,528,053	-	-
Charge to OCI	<b>(6,769,080)</b>	(9,835,736)	-	-
Payment made during the year	<b>(22,327,552)</b>	(12,881,799)	-	-
Disposal of subsidiary	-	(7,349,969)	-	-
	<b>99,518,121</b>	101,919,111	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>31.1</b>	<b>Movement in the Present Value of Defined Benefit Obligation</b>			
Provision for PV – DBO as at 01 April	101,919,111	113,458,562	-	-
Interest Cost for the period	13,759,080	8,338,758	-	-
Current Service Cost for the period	12,936,562	12,244,399	-	-
Past Service Cost	-	(2,055,104)	-	-
Payments during the year	(22,327,552)	(12,881,799)	-	-
Acturial (Gain) / Loss on PV-DBO	(6,769,080)	(9,835,736)	-	-
Disposal of subsidiary	-	(7,349,969)	-	-
Benefit obligation as at 31 March	99,518,121	101,919,111	-	-

**31.2** Gratuity Liability is based on the Actuarial Valuation carried out by Mr Poopalanathan, M/S. Actuarial and Management Consultants (Pvt) Limited. Actuaries, on 31 March 2023, as per the LKAS 19 Employee Benefits. The Principal assumptions used in the 2023 actuarial valuation are as follows;

	2023	2022
Retirement Age	60	60
Discounting Rate	19.5%	13.5%
Salary Increment Rate	15%	10%
Withdrawal Rate assumed	30%	20%
Demographic Assumptions	A1967/70 Mortality	A1967/70 Mortality

The above rates were changed to reflect the market rates.

The Future working life time of an individual, as per the assumption made as at 31 March 2023 is 4.3 for Group

As per the guide lines issued by the Institute of Chartered Accountant of Sri Lanka, discount rate have been adjusted to convert the Coupon bearing yield to a zero Coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligation as per LKAS 19.

**31.3 Sensitivity of assumptions employed in Actuarial Valuation**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affect the defined benefit obligation by the amounts shown below.

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Discount Rate – (1% increase)	92,516,642	99,056,096	-	-
Discount Rate – (1% decrease)	101,343,908	104,997,822	-	-
Salary Increment Rate – (1% Increase)	101,887,303	105,581,853	-	-
Salary Increment Rate – (1% Decrease)	91,989,197	98,454,679	-	-

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

AS AT 31ST MARCH	GROUP		COMPANY	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
<b>32. TRADE AND OTHER PAYABLES</b>				
Trade Creditors	653,171,057	723,028,776	-	-
VAT Payable	52,518,317	-	-	-
Staff Creditors	-	133,585	-	-
Advance Received from Customer	34,878	-	-	-
Accrued Expenses	521,265,829	429,039,402	2,772,015	2,325,615
Other Payables	293,433,372	280,255,312	30,327	-
	1,520,423,453	1,432,457,075	2,802,342	2,325,615
<b>33. AMOUNTS DUE TO SUBSIDIARY COMPANIES</b>				
Renuka Agri Foods PLC	-	-	10,878,271	-
	-	-	10,878,271	-
<b>33.1 AMOUNT DUE TO RELATED COMPANIES</b>				
Shaw Wallace & Hedges Ltd	404,548	-	-	-
Ceylon Botanicals (Pvt) Limited	99,996	-	-	-
Renuka Teas (Ceylon) Pvt Ltd	4,400	36,900	-	-
Galle Face Properties Ltd	1,426,081,617	-	-	-
	1,426,590,561	36,900	-	-
<b>34. DIVIDEND PAYABLE</b>				
Unclaimed Dividends	13,038,580	12,107,992	5,326,107	5,088,488
	13,038,580	12,107,992	5,326,107	5,088,488

### 35. RELATED PARTY DISCLOSURE

#### 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.

The related party transactions are carried out at the terms and conditions indicated below for the respective transactions.

#### 35.1 Parent and Ultimate Control Party

The immediate parent of the Company is Renuka Agro Exports (Pvt) Ltd and the Ultimate Parent of the Company is Renuka Holdings PLC.

#### 35.2 Transactions With Related Companies

##### 35.2.1 Transactions with Related Companies – Company

RELATED COMPANY	RELATIONSHIP	NATURE OF TRANSACTIONS	AGGREGATE VALUE OF RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR	AGGREGATE VALUE OF RELATED PARTY TRANSACTIONS AS A % OF NET REVENUE/INCOME	TERMS AND CONDITIONS OF THE RELATED PARTY TRANSACTION
Renuka Enterprises (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Net of Fund (Received) / Payments Reimbursement of Expenses	3,075,111 (3,075,111)	0.03% 0.03%	Actual Basis Comparable Uncontrolled Price
Renuka Agri Foods PLC	Subsidiary of Ultimate Parent Renuka Holdings PL	Net of Fund (Received) / Payments Interest Expenses	(9,000,000) (1,878,272)	-0.08% 0.02%	Actual Basis Interest @ AWPLR

##### 35.2.2 Transactions with Related Companies – Recurring Transactions as per CSE listing rules 9.3.2

There were no recurring transactions where aggregate value of related party transactions exceeded 10% of net revenue during the financial year 2022/2023, which need to be disclosed as per CSE listing rules 9.3.2.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 35.23 Transactions with Related Companies – Non Recurring Transactions as per CSE Listing Rules 9.3.2

DATE	REPORTING ENTITY	RELATED COMPANY	RELATIONSHIP	AGGREGATE VALUE OF THE RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR RS	AGGREGATE VALUE OF RELATED PARTY TRANSACTIONS AS A % OF		TERMS AND CONDITIONS OF THE RELATED PARTY TRANSACTION	THE RATIONALE FOR ENTERING INTO THE TRANSACTIONS
					EQUITY	TOTAL ASSETS		
18.05.2022	Renuka Agri Foods PLC	Shaw Wallace & Hedges Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	530,000,000	11.5%	5.0%	Actual Basis	Loan Grant
12.07.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	500,000,000	10.9%	4.7%	Actual Basis	Loan Grant
04.08.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	490,000,000	10.7%	4.6%	Actual Basis	Loan Grant
26.08.200	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	615,000,000	13.4%	5.8%	Actual Basis	Loan Grant
29.08.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	665,000,000	14.5%	6.2%	Actual Basis	Loan Grant
30.08.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	705,000,000	15.3%	6.6%	Actual Basis	Loan Grant
27.10.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	500,000,000	10.9%	4.7%	Actual Basis	Loan Grant
08.11.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	535,000,000	11.6%	5.0%	Actual Basis	Loan Grant
17.11.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	560,000,000	12.2%	5.3%	Actual Basis	Loan Grant
05.12.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	595,000,000	12.9%	5.6%	Actual Basis	Loan Grant
31.12.2022	Shaw Wallace Ceylon Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	570,000,000	12.4%	5.4%	Actual Basis	Settlement of Loan
11.10.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	695,000,000	15.1%	6.5%	Actual Basis	Settlement of Loan
13.10.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	670,000,000	14.6%	6.3%	Actual Basis	Settlement of Loan
25.11.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	630,000,000	13.7%	5.9%	Actual Basis	Settlement of Loan
27.12.2022	Richlife Dairies Ltd	Galle Face Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	733,000,000	16.0%	6.9%	Actual Basis	Loan Grant
31.03.2023	Shaw Wallace Ceylon Ltd	Shaw Wallace Investment PLC	Subsidiary of Ultimate Parent Renuka Holdings PLC	595,000,000	12.9%	5.6%	Actual Basis	Investment

### 35.24 Transactions with Related Entities – Group

NAME OF THE COMPANY / PARTY	NAME OF THE COMMON DIRECTOR/S	RELATIONSHIP	NATURE OF TRANSACTION	AGGREGATE VALUE OF THE RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR Rs.	TERMS AND CONDITIONS OF THE RELATED PARTY TRANSACTION
Mrs. I R Rajiyah	Mrs.I.R.Rajiyah	Director	Rent Expenses	(11,328,000)	Comparable Uncontrolled Price
Renuka Group Ltd	Dr.S.R.Rajiyah Mrs.I.R.Rajiyah Mr.S.V.Rajiyah Mrs.J.J.B.A..Rajiyah	Common Director	Royalty Payment	(33,836,452)	Comparable Uncontrolled Price

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 35.3 Transactions with Key Management Personnel (KMP)

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.

AS AT 31ST MARCH	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Short Term Employee Benefits	99,817,680	64,230,110	130,000	240,000
Rent	11,520,000	11,520,000	–	–
Total Compensation Paid to KMP	111,337,680	75,750,110	130,000	240,000

### 35.25 Transactions, Arrangements and Agreements Involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP domestic partner and dependants of the KMP or the KMP domestic partner. CFM are related parties to the Group. There were no transaction carried out with above parties.

The Board of Directors declared that no related party transactions falling within the scope of the code was entered into by the Company during the financial year 2022/23 other than those disclosed in Note 35 of the financial statements above.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

DIRECTORS OF GROUP COMPANIES										
Directors of Group Companies	RF	RAF	RAO	RDL	KPL	COCO	CFL	RLDL	SWCL	SWPL
Mrs. I.R.Rajiyah	√	√	√	√	√	√	√	√	√	√
Dr. S.R.Rajiyah	√	√	√	√	√	√	√	√	√	√
Mr.S.V.Rajiyah	√	√	√	√	√	√	√	√	√	√
Mrs.J.J.B.A.Rajiyah	-	-	√	-	-	-	-	√	√	-
Mr. S.Vasanthakumara	√	√	√	√	√	√	√	√	√	√
Mr R F N Jayasooriya	√	-	-	-	√	√	√	√	√	-
Mrs. S T R E Wijesuriya	-	√	-	-	-	-	-	-	-	-
Mr T A P Peiris	-	-	-	-	√	√	√	-	-	-
Mr. N. D. Nalliah	-	-	-	-	-	-	-	-	√	-
Mr.M.S.Dominic	√	-	-	-	-	-	-	-	-	-
Dr.J.A.S.Felix	√	-	-	-	-	-	-	-	-	-
Mr.B. V. Selvanayagam	√	√	-	-	-	-	-	-	-	-
Mr.D.S.Arangala	-	√	-	-	-	-	-	-	-	-
Mr K Liyanagamage	-	√	-	-	-	-	-	-	-	-

RF Renuka Foods PLC

RAF Renuka Agri Foods PLC

RAO Renuka Agri Organics Ltd

RDL Renuka Developments (Pvt) Limited

KPL Kandy Plantations Limited

COCO Coco Lanka (Pvt) Ltd

CFL Ceylon Forestry (Pvt) Ltd

RLDL Richlife Dairies Limited

SWCL Shaw Wallace Ceylon Limited

SWPL Shaw Wallace Properties (Pvt) Limited

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 36. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at the reporting date which require adjustments or disclosures in the Financial Statements other than the following;

#### Kandy Plantations Limited

Land Reform Commission has filed a case in the District Court of Attanagalla against the Trustees of John Leo De Cross Trust for which Kandy Plantation is a respondent. In the opinion of the Lawyers, that there is a strong likelihood of the outcome of this case being in favour of the trustees The John Leo De Croos Trust.

### 37. CAPITAL COMMITMENTS

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

### 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting period that require adjustments to and/or disclosures in the Financial Statements except Note 39.

### 39. DIVIDEND

The Board of Directors has recommended a payment of Rs. 0.41 per share payable for 2022/23. The Directors are confident that the Company would meet the solvency test requirement under Section 57 of the Companies Act of No. 7 of 2007 immediately after the proposed final dividend distribution.

### 40. COMPARATIVE INFORMATION

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 41. GOING CONCERN OF SUBSIDIARIES

The Management has made an assessment on the Company's and Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's and Group's ability to continue as a going concern.

### 42. FINANCIAL RISK MANAGEMENT Overview

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

- (i) Market risk
- (ii) Credit risk
- (iii) 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.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group considers financial instruments to be in default when the debtors are unlikely to its obligations in full.

### 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	
	2023	2022
	Rs.	Rs.
Trade Receivables	<b>1,737,236,843</b>	1,434,765,170
Other Receivables	<b>100,893,109</b>	58,987,634
Amount due from Related Companies	<b>609,729,061</b>	10,396,913
Cash at bank	<b>888,344,465</b>	476,255,688
	<b>3,336,203,478</b>	1,980,405,405

### Trade 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.

### Write – Off

The gross carrying amount of a financial asset is written off when the Group has no reasonable exceptions of recovering a financial asset in its entirety or a portion thereof, based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable exceptions of recovery due.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 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.

Group	2023			2022		
	Gross carrying value (Rs.)	Loss allowance (Rs.)	Impaired	Gross carrying value (Rs.)	Loss allowance (Rs.)	Impaired
Current (not past due)	942,143,409	-	No	843,782,620	-	No
31-60 days past due	344,210,859	-	No	294,398,421	-	No
61-90 days past due	204,314,207	4,506,966	Yes	184,916,790	1,760,161	Yes
91-180 days past due	229,557,496	30,565,600	Yes	110,198,340	32,101,901	Yes
More than 180 days	17,010,872	3,663,906	Yes	1,468,999	551,521	Yes
	<b>1,737,236,843</b>	<b>38,736,472</b>		1,434,765,170	34,413,583	

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

	Carrying Amount	
	2023 Rs.	2022 Rs.
Domestic	<b>1,020,955,265</b>	1,019,643,689
Europe	<b>547,816,788</b>	243,192,282
Middle East	<b>20,258,376</b>	7,617,609
Asia	<b>65,996,131</b>	2,007,825
United States	<b>82,210,283</b>	162,303,765
	<b>1,737,236,843</b>	1,434,765,170

### Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 890,185,526 at 31st March 2023 (Rs. 476,255,688 as at 31st March 2022) and these balances are with licensed Commercial Banks of Sri Lanka, which represents its maximum credit exposure on these assets.

### Respective credit ratings of banks which company cash balances held are as follows:

Hatton National Bank PLC – AA-(lka)  
 People's Bank- AA+ (lka)  
 Commercial Bank of Ceylon PLC-AA-(lka)  
 National Development Bank PLC – A-(lka)  
 Seylan Bank PLC – A-(lka)  
 Nations Trust Bank PLC – A-(lka)  
 Sampath Bank PLC-AA-(lka)

## (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	Total	0–12 Months	More than 1 year
	Rs.	Rs.	Rs.	Rs.
<b>As at 31st March 2023</b>				
<b>Financial Liabilities (Non-Derivate)</b>				
Interest Bearing Borrowings - Short Term	1,864,208,493	1,984,543,319	1,984,543,319	-
Interest Bearing Borrowings Long Term	494,416,773	811,313,520	243,213,009	568,100,511
Lease Obligation	170,028,264	425,710,291	48,856,879	376,853,412
Amount due to Related Companies	1,426,590,561	1,426,590,561	1,426,590,561	-
Trade and other Payables	1,520,423,453	1,520,423,453	1,520,423,453	-
<b>Bank Overdrafts</b>	194,893,563	194,893,563	194,893,563	-
	5,670,561,107	6,363,474,706	5,418,520,784	944,953,923
<b>As at 31st March 2022</b>				
<b>Financial Liabilities (Non-Derivate)</b>				
Interest Bearing Borrowings Short Term	1,985,458,571	2,059,913,267	2,059,913,267	-
Interest Bearing Borrowings Long Term	551,419,097	670,825,644	244,421,160	426,404,484
Lease Obligation	162,206,252	406,125,835	46,609,258	359,516,577
Amount due to Related Companies	10,396,913	10,396,913	10,396,913	-
Trade and other Payables	1,432,457,078	1,432,457,078	1,432,457,078	-
Bank Overdrafts	149,656,077	149,656,077	149,656,077	-
	4,291,593,988	4,729,374,814	3,943,453,753	785,921,061

The following table sets out a maturity analysis of interest bearing borrowings and lease liability.

	GROUP			
	Interest Bearing Borrowings		Lease Liability	
	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.
Less than one year	1,998,903,467	2,079,485,717	23,108,974	23,108,974
One to Two years	108,333,600	119,708,754	15,895,338	15,895,338
Two to Three years	108,333,600	108,333,600	15,895,338	15,895,338
Three to Four years	95,833,600	108,333,600	13,045,083	13,045,083
Four to Five years	33,333,600	121,015,996	8,695,338	8,695,338
More than five years	13,887,600	-	85,566,182	85,566,182
<b>Total</b>	<b>2,358,625,267</b>	<b>2,536,877,667</b>	<b>162,206,253</b>	<b>162,206,253</b>

The gross inflows /(outflows) disclosed in the above table represent the contractual undiscounted 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 STATEMENTS (Contd...)

### (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.

	Carrying Amount	
	2023 USD	2022 USD
Trade and other Payables	(238,667)	(501,804)
Trade and other Receivables	1,959,203	1,412,602
Cash and cash equivalents	1,891,204	1,209,324
Gross Statement of Financial Position Exposure	3,611,740	2,120,122

The following significant exchange rates were applicable during the year

	Average Rate		Reporting Date Spot Rate	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
US Dollars	360.01	208.28	327.14	293.87

#### Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the US Dollar and at 31st March 2023 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 Profit or Loss Rs.	Weakening Profit or Loss Rs.
31st March 2023 USD (15% movement)	177,231,694	(177,231,694)
31st March 2022 USD (10% movement)	93,456,050	(93,456,050)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### b. Interest rate risk

The Market risk is that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates at the reporting date, the Group's and the Company's interest-bearing financial instruments were as follows;

	Carrying Amount – Group		Carrying Amount – Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Fixed Rate Instruments</b>				
<b>Financial Assets</b>				
Bank Deposits	890,185,526	476,255,688	18,851,184	6,023,672
<b>Variable Rate Instruments</b>				
<b>Financial Liabilities</b>				
Loans & Borrowings	(2,358,625,266)	(2,536,877,667)	-	-
Bank Overdrafts	(194,893,563)	(149,656,077)	-	(84,560)
	<b>(1,663,333,303)</b>	<b>(2,210,278,056)</b>	<b>18,851,184</b>	<b>5,939,112</b>

### Cash flow sensitivity analysis for variable rate instruments

A recoverable possible change of 100 basis points in interest rates at the reporting date would have increase/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency exchange rates, remain constant.

		Group (Rs.)		Company (Rs.)	
		2023	2022	2023	2022
Variable Rate Instruments	100 bp Increase	(16,633,333)	(22,102,781)	188,512	59,391
	100 bp Decrease	16,633,333	22,102,781	(188,512)	(59,391)

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### (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

The following significant exchange rates were applicable during the year

	Group		Company	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Net Debt	2,723,547,093	2,848,739,997	—	—
Total Equity	6,233,425,703	5,904,848,043	3,290,171,988	3,285,860,777
Net Debt to Equity Ratio	43.69%	48.24%	0.00%	0.00%

### (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 authorization 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

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 43. FINANCIAL INSTRUMENTS

#### 43.1 Group

##### Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 09.

As at 31 March	Financial Assets by Categories				Financial liabilities by categories			
	Measured at Amortised Cost		Fair Value through OCI		Total		Measured at Amortised Cost	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Financial instruments in non-current assets /non-current liabilities	-	-	556,572,883	1,140,675,512	556,572,883	1,140,675,512	359,721,800	-
Non-current financial assets	-	-	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	457,391,905
Financial instruments in current assets / current liabilities	2,197,695,406	1,855,027,308	-	-	2,197,695,406	1,855,027,308	1,520,423,453	1,432,457,078
Trade & other receivables/Payables	609,729,061	10,396,913	-	-	609,729,061	10,396,913	1,426,590,561	36,900
Amounts due from/due to related parties	890,185,526	476,255,688	-	-	890,185,526	476,255,688	-	-
Cash in hand and at Bank	-	-	-	-	-	-	1,998,903,466	2,079,485,717
Interest-bearing loans & borrowings	-	-	-	-	-	-	194,893,563	149,656,077
Bank overdraft	3,697,609,993	2,341,679,909	556,572,883	1,140,675,512	4,254,182,876	3,482,355,421	5,500,532,843	4,119,027,777

#### 43.1.1

The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

The management assessed that, cash and short-term investments, trade receivables, trade payables, bank overdrafts, Short term borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

#### 43.2 Company

##### Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 09.

As at 31 March	Financial Assets by Categories				Financial liabilities by categories			
	Measured at Amortised Cost P&L		Fair Value through OCI		Total		Measured at Amortised Cost	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Financial instruments in non-current assets /non-current liabilities	-	-	-	-	-	-	-	-
Non-current financial assets	-	-	-	-	-	-	-	-
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-
Financial instruments in current assets / current liabilities	339,034	331,701	-	-	339,034	331,701	2,802,342	2,325,615
Trade & other receivables/Payables	18,851,184	6,023,672	-	-	18,851,184	6,023,672	-	-
Cash in hand and at Bank	-	-	-	-	-	-	-	84,560
Bank overdraft	19,190,218	6,355,373	-	-	19,190,218	6,355,373	2,802,342	2,410,175

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

**43.2.1** The fair value of loans and receivables is not significantly different from the value based on amortised cost methodology.

The management assessed that, cash and short-term investments, trade receivables, trade payables, bank overdrafts, Short term borrowings and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

### 43.3 Fair Value Hierarchy

#### 43.3.1 Non financial assets – Group

Level 1 – Quoted (unadjusted) Market prices in active markets for identical assets or liabilities

Level 2 – Valuation technique for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	LEVEL 1		LEVEL 2		LEVEL 3	
	2023	2022	2023	2022	2023	2022
Asset measured at Fair value						
Land & Buildings	–	–	–	–	<b>3,020,598,468</b>	3,037,751,040
Investment property	–	–	–	–	<b>350,955,376</b>	320,757,694
Investment in fair value through OCI	–	–	–	–	<b>556,572,883</b>	1,140,675,512

In determining the fair value, highest and best use of the property including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the values have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

Investment in fair value through the OCI was based on the net assets value adjusted for the effect of the non-marketability of the investments, by discounting the net assets value of the Company. The net assets value per share of the Company was Rs. 12.94 as at 31st March 2023, prior to the discounting.

Discount rate 20% – 25%

#### 43.3.2 Non financial assets – Company

Level 1 – Quoted (unadjusted) Market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	LEVEL 1		LEVEL 2		LEVEL 3	
	2023	2022	2023	2022	2023	2022
Asset measured at Fair value	–	–	–	–	–	–

In determining the fair value, highest and best use of the property including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the values have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 44. OPERATING SEGMENTS

Segment Information is presented in respect of the group's operating segments. Operating Segments are based on the Group's management and Internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment Capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than a period of one year.

The Group comprises the following main operating segments:

Agri Food Exports – Manufacture and export of agri based products.

Consumer Brands – Manufacture and distribution of consumer brands.

For the year ended 31st March	AGRI FOOD EXPORTS		CONSUMER BRANDS		GROUP TOTAL	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue	7,270,662,529	5,884,887,814	10,531,022,687	5,442,854,652	17,801,685,216	11,327,742,466
Inter Segment Revenue	(582,521,619)	(597,912,501)	(83,832,945)	(34,524,801)	(666,354,564)	(632,437,302)
Segment Revenue	6,688,140,910	5,286,975,313	10,447,189,742	5,408,329,851	17,135,330,652	10,695,305,164
Cost of Sales	(5,081,989,248)	(4,934,308,196)	(8,801,403,211)	(4,570,512,976)	(13,883,392,459)	(9,504,821,172)
Inter Segment cost	-	528,450,802	-	61,851,699	-	590,302,501
<b>Gross Profit</b>	<b>1,606,151,662</b>	<b>881,117,919</b>	<b>1,645,786,531</b>	<b>899,668,574</b>	<b>3,251,938,193</b>	<b>1,780,786,493</b>
Other Income	(5,066,750)	12,613,476	39,777,926	139,160,600	34,711,176	151,774,076
Administrative Expenses	(414,673,507)	(321,071,620)	(275,826,203)	(193,599,687)	(690,499,710)	(514,671,307)
Change in Fair Value of Investment Properties	-	-	30,197,682	17,367,549	30,197,682	17,367,549
Selling & Distribution Expense	(189,946,212)	(94,266,053)	(947,697,421)	(536,063,998)	(1,137,643,633)	(630,330,051)
<b>Operating Profit</b>	<b>996,465,193</b>	<b>478,393,722</b>	<b>492,238,515</b>	<b>326,533,038</b>	<b>1,488,703,708</b>	<b>804,926,760</b>
Finance Income	426,908,675	590,581,578	4,749,970	2,121,861	431,658,645	592,703,439
Finance Costs	(776,159,981)	(489,609,661)	(388,271,956)	(37,867,133)	(1,164,431,937)	(527,476,794)
<b>Profit before Tax</b>	<b>647,213,887</b>	<b>579,365,639</b>	<b>108,716,529</b>	<b>290,787,766</b>	<b>755,930,416</b>	<b>870,153,405</b>
Income Tax Expense	(93,505,788)	(74,277,309)	(162,964,778)	(62,603,951)	(256,470,566)	(136,881,260)
<b>Profit/(Loss)</b>	<b>553,708,099</b>	<b>505,088,330</b>	<b>(54,248,249)</b>	<b>228,183,815</b>	<b>499,459,850</b>	<b>733,272,145</b>

## NOTES TO THE FINANCIAL STATEMENTS (Contd...)

### 44. OPERATING SEGMENTS (CONTD.)

	AGRI FOOD EXPORT		CONSUMER BRANDS		GROUP TOTAL	
	2023	2022	2023	2022	2023	2022
AS AT 31ST MARCH	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	2,284,192,847	2,347,216,698	2,293,899,319	2,325,217,965	4,578,092,166	4,672,434,663
Right of use assets	118,341,153	116,145,490	-	8,387,543	118,341,153	124,533,033
Investment Property	-	1,733,289	350,955,376	319,024,405	350,955,376	320,757,694
<b>Segment Property, Plant and Equipment &amp; Investment Property</b>	<b>2,402,534,000</b>	<b>2,465,095,477</b>	<b>2,644,854,695</b>	<b>2,652,629,913</b>	<b>5,047,388,695</b>	<b>5,117,725,390</b>
Biological Assets	75,250,032	80,065,095	52,851,075	40,874,947	128,101,107	120,940,042
Investment in Available for Sale Financial Assets	-	-	556,572,883	1,140,675,512	556,572,883	1,140,675,512
Intangible Assets and Goodwill	2,876,149	2,976,799	209,572,941	213,131,648	212,449,090	216,108,447
<b>Segment Other Non Current Assets</b>	<b>78,126,181</b>	<b>83,041,894</b>	<b>818,996,899</b>	<b>1,394,682,107</b>	<b>897,123,080</b>	<b>1,477,724,001</b>
<b>Segment Total Non Current Assets</b>	<b>2,480,660,181</b>	<b>2,548,137,371</b>	<b>3,463,851,594</b>	<b>4,047,312,020</b>	<b>5,944,511,775</b>	<b>6,595,449,391</b>
Inventories	1,643,005,706	1,220,335,269	1,476,720,211	691,838,712	3,119,725,917	1,912,173,981
Trade and Other Receivables	1,029,541,958	1,183,745,250	1,168,153,448	671,282,058	2,197,695,406	1,855,027,308
Current Tax Assets	3,588,075	4,086,246	5,366,243	-	8,954,318	4,086,246
Amounts Due from Related Companies	14,729,061	22,496	595,000,000	10,374,417	609,729,061	10,396,913
Assets Held for Sale	-	4,698,806	-	-	-	4,698,806
Cash and Cash Equivalents	749,578,373	360,128,243	140,607,153	116,127,445	890,185,526	476,255,688
<b>Segment Current Assets</b>	<b>3,440,443,173</b>	<b>2,773,016,310</b>	<b>3,385,847,055</b>	<b>1,489,622,632</b>	<b>6,826,290,228</b>	<b>4,262,638,942</b>
<b>Total Segment Assets</b>	<b>5,921,103,354</b>	<b>5,321,153,681</b>	<b>6,849,698,649</b>	<b>5,536,934,652</b>	<b>12,770,802,003</b>	<b>10,858,088,333</b>
Deferred Tax Liability	178,899,986	162,553,476	474,777,929	307,747,888	653,677,915	470,301,364
Interest Bearing Borrowings	359,721,800	449,058,600	-	8,333,350	359,721,800	457,391,950
Lease Liabilities	145,335,969	138,423,978	-	673,301	145,335,969	139,097,279
Retirement Benefit Obligation	57,988,987	61,039,742	41,529,134	40,879,369	99,518,121	101,919,111
<b>Segment Non Current Liabilities</b>	<b>741,946,742</b>	<b>811,075,796</b>	<b>516,307,063</b>	<b>357,633,908</b>	<b>1,258,253,805</b>	<b>1,168,709,704</b>
Trade and Other Payables	763,974,587	762,773,107	756,448,866	669,683,968	1,520,423,453	1,432,457,075
Amounts Due to Related Companies	239,780,150	36,900	1,186,810,411	-	1,426,590,561	36,900
Dividend Payable	6,046,553	5,353,584	6,992,027	6,754,408	13,038,580	12,107,992
Current Portion of Interest Bearing Borrowings	1,742,708,247	1,647,129,690	256,195,219	432,356,027	1,998,903,466	2,079,485,717
Lease Liabilities	24,692,295	23,036,376	-	72,598	24,692,295	23,108,974
Bank Overdraft	394,168	2,510,093	194,499,395	147,145,984	194,893,563	149,656,077
<b>Segment Current Liabilities</b>	<b>2,874,318,579</b>	<b>2,516,646,369</b>	<b>2,404,803,916</b>	<b>1,267,884,217</b>	<b>5,279,122,495</b>	<b>3,784,530,586</b>
<b>Total Segment Liabilities</b>	<b>3,616,265,321</b>	<b>3,327,722,165</b>	<b>2,921,110,979</b>	<b>1,625,518,125</b>	<b>6,537,376,300</b>	<b>4,953,240,290</b>

# REAL ESTATE PORTFOLIO

COMPANY	LOCATION	LAND/ BUILDING	LAND EXTENT (PERCHES)	BUILDING		CLASSIFICATION ON COMPANY	CLASSIFICATION GROUP	ORIGINAL COST OF PURCHASE	WDV AS AT 31.03.2023
				NO OF BUILDINGS	BUILDING IN SQ. FT				
Renuka Agri Foods PLC	Kumburagalle Estate	Land	150	-	-	PPE	PPE	17,203,000	17,203,000
	Unagahadeniya	Land	70.4	-	-	PPE	PPE	21,428,000	21,120,000
		Building	-	1	968	-	PPE	PPE	903,000
Renuka Developments (Pvt) Ltd	EPZ, Wathupitiwela	Building	-	9	111,379	PPE	PPE	158,452,264	610,789,561
	Giriulla	Building	-	2	8,031	PPE	PPE	-	16,062,000
	Unagahadeniya	Land	303.3	-	-	PPE	PPE	22,702,880	75,825,000
Kandy Plantation Ltd	"Mahawatta Estate, Indigolla Estate, Kurundugolla Estate, at Nalla Diuldeniya"	Building	-	7	17,789	PPE	PPE	23,851,270	22,683,624
		Land	3,217.92	-	-	PPE	PPE	57,900,000	72,601,194
		Building	-	4	10,598	PPE	PPE	15,927,250	10,850,913
Coco Lanka (Pvt) Ltd	Cocowatta Estate, Puttalam	Land	26,445	-	-	PPE	PPE	127,482,760	180,448,000
	Export Processing Zone, Wathupitiwela	Building	-	5	6,447	PPE	PPE	-	9,354,253
Renuka Agri Organics Ltd	Karishue Place, Colombo -9	Building	-	3	69,225	PPE	PPE	74,073,652	255,803,718
		Land	4.7	-	-	PPE	PPE	17,500,000	18,800,000
Shaw Wallace Ceylon Ltd	Danister De Silva Mawatha	Land	40	-	-	PPE	PPE	114,699,000	320,000,000
	Danister De Silva Mawatha	Building	-	1	66,828	PPE	PPE	289,341,098	588,921,750
	Gamunu Mawatha, Ekala	Land	59.8	-	-	PPE	PPE	16,445,000	29,900,000
Shaw Wallace Properties (Pvt) Ltd	Gamunu Mawatha, Ekala	Building	-	2	10,185	PPE	PPE	36,555,000	47,585,241
	Samagi Mw, Ekala Ja-Ela	Land	214.75	-	-	PPE	PPE	104,691,840	107,375,000
	Samagi Mw, Ekala Ja-Ela	Building	-	11	40,698	PPE	PPE	9,721,060	31,531,739
Richlife Dairies Ltd	New Nuge Road, Peliyagoda	Land	215.59	-	-	IP	PPE	95,000,000	394,793,573
	Private Road, Wadduwa	Building	886	3	62,714	IP	PPE	119,980,471	191,755,510
		Land		6	63,986	PPE	PPE	128,552,000	158,568,000
		Building						194,843,169	188,678,768

## FIVE YEAR SUMMARY

Year Ended 31st March	2023	2022	2021	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>a) Summary of Operation</b>					
Revenue	17,135,331	10,695,305	8,674,439	7,815,364	8,179,476
Gross Profit	3,251,938	1,780,786	1,036,283	1,838,558	1,923,848
Profit / (Loss) before finance cost and tax	1,488,704	804,926	(283,965)	416,786	664,101
Profit before taxation	755,930	870,153	(355,567)	270,716	519,907
Taxation	(256,471)	(136,881)	(10,152)	4,989	(207,615)
Loss from discontinued operation	-	-	-	(36,850)	(1,469)
Profit / (Loss) after tax	499,460	733,272	(384,857)	238,855	313,760
Profit / (Loss) attributable to equity holders of the company	367,859	554,351	(184,603)	136,285	181,840
<b>b) Summary of Financial Position</b>					
<b>Capital and reserves</b>					
Stated Capital	2,241,842	2,241,842	2,241,842	2,241,842	2,241,842
Capital reserve	662,164	737,310	755,457	709,987	408,802
Retained earnings	1,935,564	1,616,234	1,229,183	1,660,163	1,609,094
Shareholders' Fund	4,839,570	4,595,386	4,226,483	4,611,992	4,259,738
Minority interest	1,393,855	1,309,461	788,052	1,194,362	1,047,639
<b>Total Equity</b>	<b>6,233,425</b>	<b>5,904,848</b>	<b>5,014,535</b>	<b>5,806,355</b>	<b>5,307,377</b>
<b>Liabilities</b>					
Non-Current Liabilities	1,258,254	1,168,710	969,604	1,233,707	834,070
Current Liabilities	5,279,123	3,784,531	3,076,061	2,422,688	2,672,297
<b>Total Liabilities</b>	<b>6,537,377</b>	<b>4,953,240</b>	<b>4,045,665</b>	<b>3,656,395</b>	<b>3,506,367</b>
<b>Total Equity and Liabilities</b>	<b>12,770,802</b>	<b>10,858,088</b>	<b>9,060,200</b>	<b>9,462,749</b>	<b>8,813,744</b>
<b>Assets</b>					
Property, plant and equipment	4,578,092	4,672,435	4,436,758	4,541,831	3,895,851
Investment properties	350,955	320,758	303,390	292,996	276,660
Investments	556,573	1,140,676	559,429	1,273,538	1,460,134
Other non-Current assets	458,891	461,580	459,327	572,116	455,544
Current assets	6,826,290	4,262,639	3,301,296	2,782,268	2,725,555
<b>Total Assets</b>	<b>12,770,802</b>	<b>10,858,088</b>	<b>9,060,200</b>	<b>9,462,749</b>	<b>8,813,744</b>
<b>c) Key Indicators</b>					
Earnings per share (Rs.)	3.00	4.52	(1.50)	1.11	1.48
Net profit margin (%)	2.91%	6.86%	-4.26%	3.05%	3.83%
Net assets value per share (Rs.)	50.79	48.11	34.43	37.57	34.71
Dividends per share (Rs.)	0.41	-	0.35	0.35	-
Dividends payout (Rs.)	13.70%	-	-23.33%	31.53%	-
Dividend cover (times)	7.30	-	(4.28)	3.17	-
Interest cover (times)	0.85	4.4	(1.20)	2.01	4.61
Current ratio (times)	1.29	1.13	1.07	1.15	1.01
Gearing ratio (%)	37.84%	30.50%	32.50%	18.20%	24.81%
Return on equity (%)	8.00%	9.38	(3.68)	1.70%	1.92%

## SHAREHOLDER AND INVESTOR INFORMATION

### SHARE INFORMATION

	2023		2022	
	Voting	Non Voting	Voting	Non Voting
Total No of Shareholders	3,877	744	3,839	772
Total No of Shares	117,960,106	4,773,346	117,960,106	4,773,346

### PUBLIC SHARE HOLDING

The percentage of Shares held by the Public	2023	2022
Voting	24.71%	25.99%
Non Voting	68.89%	68.89%

### SHARE TRADING INFORMATION – VOTING

31st March 2023		
No of Shares Holders	No of Share Held	%
3,140	1–1,000	0.68%
543	1,001–10,000	1.69%
160	10,001–100,000	4.17%
27	100,001–1,000,000	5.79%
7	Over 1,000,000	87.67%
<b>3,877</b>		<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	3,735	23,916,779	20.28%	3,685	22,984,057	19.48%
Institutions	142	94,043,327	79.72%	154	94,976,049	80.52%
<b>Total</b>	<b>3,877</b>	<b>117,960,106</b>	<b>100.00%</b>	<b>3,839</b>	<b>117,960,106</b>	<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Resident	3,860	89,325,232	75.72%	3,824	89,493,780	75.87%
Non Resident	17	28,634,874	24.28%	15	28,466,326	24.13%
<b>Total</b>	<b>3,877</b>	<b>117,960,106</b>	<b>100.00%</b>	<b>3,839</b>	<b>117,960,106</b>	<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Renuka Agro Exports Ltd & Affiliate Companies	1	59,358,578	50.32%	1	59,358,578	50.32%
Directors and Spouses	9	14,649,538	12.42%	6	13,145,735	11.14%
Holding of 10% or more	1	14,803,147	12.55%	1	14,803,147	12.55%
Public	3,866	29,148,843	24.71%	3,831	30,652,646	25.99%
<b>Total</b>	<b>3,877</b>	<b>117,960,106</b>	<b>100.00%</b>	<b>3,839</b>	<b>117,960,106</b>	<b>100.00%</b>

## SHAREHOLDER AND INVESTOR INFORMATION (Contd...)

### SHARE TRADING INFORMATION – NON VOTING

31st March 2023		
No of Shares Holders	No of Share Held	%
520	1–1,000	2.26%
176	1,001–10,000	14.59%
39	10,001–100,000	22.43%
9	100,001–1,000,000	60.72%
-	Over 1,000,000	-
<b>744</b>		<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	694	2,608,786	54.65%	717	2,946,587	61.73%
Institutions	50	2,164,560	45.35%	55	1,826,759	38.27%
<b>Total</b>	<b>744</b>	<b>4,773,346</b>	<b>100.00%</b>	<b>772</b>	<b>4,773,346</b>	<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Resident	730	4,182,390	87.62%	758	4,250,321	89.04%
Non Resident	14	590,956	12.38%	14	523,025	10.96%
<b>Total</b>	<b>744</b>	<b>4,773,346</b>	<b>100.00%</b>	<b>772</b>	<b>4,773,346</b>	<b>100.00%</b>

No of Shares Held	31st March 2023			31st March 2022		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Renuka Agro Exports Ltd & Affiliate Companies	-	-	-	-	-	-
Directors and Spouses	1	762,583	15.98%	1	762,877	15.98%
Holding of 10% or more	1	722,384	15.13%	1	722,284	15.13%
Public	742	3,288,379	68.89%	770	3,288,185	68.89%
<b>Total</b>	<b>744</b>	<b>4,773,346</b>	<b>100.00%</b>	<b>772</b>	<b>4,773,346</b>	<b>100.00%</b>

## SHAREHOLDER AND INVESTOR INFORMATION (Contd...)

### SHARE INFORMATION

	2023		2022	
	Voting	Non Voting	Voting	Non Voting
Highest	37.50	27.50	27.20	20.90
Lowest	11.50	8.60	12.10	11.20
As at 31st March (Last Trade)	21.40	16.70	13.40	11.60

### SHARE INFORMATION

Market Capitalization	2023		2022	
	Voting	Non Voting	Voting	Non Voting
As at 31st March (Rs)	2,604,061,147		1,636,036,234	
Float Adjusted Market Capitalization (Rs)	678,701,170		448,888,402	
No.of Trades	8,262	2,578	9,662	3,993
No.of Shares Traded	15,626,042	2,790,552	17,762,926	5,070,759
Value of Shares Traded (Rs)	397,283,482	53,585,664	319,345,649	70,719,892

### Option the Listed Entity complies with the Minimum Public Holding requirement

The Company complied with option 5 of the listing rules 7.14.1 (i) (a) – which requires a minimum public Holding of 20% for a company having a float adjusted market capitalization of less than Rs.2.5Bn.

The company has over 20% public shareholding and over 500 public shareholders meeting the minimum thresholds for compliance on minimum public holding, under option 5 as per the directive issued in terms of section 13(c) and 13(cc) of the Securities & Exchange Commission of Sri Lanka Act No.36 of 1987(as amended).

## RENUKA FOODS PLC – TOP 20 MAJOR SHAREHOLDERS

No	Name	Voting as at 31.03.2023		Voting as at 31.03.2022	
		No of Shares	%	No of Shares	%
1	RENUKA AGRO EXPORTS LTD	59,358,578	50.32%	59,358,578	50.32%
2	CJ PATEL & COMPANY LIMITED	14,803,147	12.55%	14,803,147	12.55%
3	EAGLE VIEW MANAGEMENT LIMITED	13,385,159	11.35%	13,385,159	11.35%
4	DR.S.R. RAJIYAH & Mrs I.R RAJIYAH (JT)	11,798,563	10.00%	11,798,563	10.00%
5	MR. K.C VIGNARAJAH	1,437,000	1.22%	1,592,061	1.35%
6	MRS. S. VIGNARAJAH	1,428,700	1.21%	1,467,068	1.24%
7	RENUKA HOTELS PLC	1,203,062	1.02%	1,203,062	1.02%
8	MR. S.V. RAJIYAH	940,000	0.80%	940,000	0.80%
9	GALLE FACE CAPITAL PARTNERS PLC	651,874	0.55%	-	0.00%
10	MR. S.V. RAJIYAH & MRS. J.J.B. ALOYSIUS RAJIYAH	500,000	0.42%	-	0.00%
11	MRS. N. MULJIE	480,208	0.41%	480,208	0.41%
12	MRS. J.J.B.A RAJIYAH	400,000	0.34%	400,000	0.34%
13	RENUKA GROUP LIMITED	351,779	0.30%	-	0.00%
14	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	303,819	0.26%	-	-
15	HATTON NATIONAL BANK PLC/ A. P. L. FERNANDO	280,000	0.24%	300,000	0.25%
16	RENUKA CONSULTANTS & SERVICES LIMITED.	280,000	0.24%	280,000	0.24%
17	TRANZ DOMINION L.L.C	220,000	0.19%	220,000	0.19%
18	MR. N.A. KALUPATHIRANA	202,000	0.17%	235,190	0.20%
19	CRESCENT LAUNDERERS AND DRY CLEANERS PVT LIMITED	195,428	0.17%	-	-
20	MR. S. VASUDEVAN	172,956	0.15%	-	-
		<b>108,392,273</b>	<b>91.91%</b>	<b>106,463,036</b>	<b>90.26%</b>

## RENUKA FOODS PLC – TOP 20 MAJOR SHAREHOLDERS (Contd...)

No	Name	Non-Voting as at 31.03.2023		Non-Voting as at 31.03.2022	
		No of Shares	%	No of Shares	%
1	RENUKA GROUP LIMITED	762,583	15.98%	762,583	15.98%
2	MR. K.C VIGNARAJAH	722,384	15.13%	722,384	15.13%
3	HATTON NATIONAL BANK PLC/ALMAS HOLDINGS (PRIVATE) LIMITED	446,846	9.36%	-	-
4	BEST REAL INVEST CO SERVICES (PRIVATE) LIMITED	295,086	6.18%	295,086	6.18%
5	AMANA BANK PLC/MR. ABDUL MAJEED MOHAMMADU RISVI	172,328	3.61%	172,328	3.61%
6	MRS. S.VIGNARAJAH	141,109	2.96%	141,109	2.96%
7	MISS. N HARNAM & MRS. J.K.P SINGH (JT)	138,450	2.90%	138,450	2.90%
8	TRANZ DOMINION,L.L.C.	115,000	2.41%	115,000	2.41%
9	MRS. J.K.P SINGH	104,600	2.19%	104,600	2.19%
10	MR. R. GAUTAM	82,000	1.72%	80,500	1.69%
11	MR.Y.H ABDULHUSSEIN	76,498	1.60%	76,498	1.60%
12	ALMAS HOLDINGS (PRIVATE) LIMITED	63,220	1.32%	-	-
13	MR. P. SOMADASA	60,877	1.28%	-	-
14	MRS. F.R. BUHARDEEN	52,819	1.11%	-	-
15	MR. S. U. ABEYSOORIYA & T.B.M DE SILVA (JT)	52,074	1.09%	52,074	1.09%
16	ASKOLD (PRIVATE) LIMITED	51,230	1.07%	51,230	1.07%
17	MRS. S. UMESHWARY	50,922	1.07%	50,922	1.07%
18	DEUTSCHE BANK AG SINGAPORE A/C 2 (DCS CLT ACC FOR DEUTSCHE BANK AG SINGAPORE- PWM WM CLIENT)	42,175	0.88%	42,175	0.88%
19	PEOPLE'S LEASING & FINANCE PLC/MR. P.A. PREMAJAYANTHA	39,000	0.82%	40,396	0.85%
20	MR. A. MALHOTRA	31,000	0.65%	-	-
		<b>3,500,201</b>	<b>73.33%</b>	<b>2,845,335</b>	<b>59.61%</b>

# NOTICE OF MEETING

Notice is hereby given that the Thirty Third (33<sup>rd</sup>) Annual General Meeting (AGM) of Renuka Foods PLC (the 'Company') will be held on Thursday, September 7<sup>th</sup>, 2023 at 3.30 p.m. as a virtual meeting using a digital platform for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the statement of Compliance and the Financial Statement for year ended 31<sup>st</sup> March 2023 with the Report of the Auditors thereon.
2. To declare a dividend as recommended by the Board of Directors and to consider to pass the following resolutions:

**a. Declaration of a first and final dividend**

**THAT** a first and final dividend of Rs. 0.41 cents per issued and fully paid ordinary (voting) and (non-voting) shares constituting a total sum of Rs. 50,320,715 based on the issued ordinary (voting) and (non-voting) shares as at 31<sup>st</sup> July, 2023;

**THAT** the shareholders entitled to such dividend would be those shareholders [both ordinary (voting) and (non-voting)], whose names have been duly registered in the Shareholders' Register maintained by the Registrars of the Company [i.e. SSP Corporate Services (Pvt) Ltd., No. 101, Inner Flower Road, Colombo 03] and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd. ('CDS') as at end of trading on the Record Date [i.e. the third (3rd) market day from and excluding the date of the meeting] (the 'Entitled Shareholders');

**THAT** subject to the shareholders and (a) approving the proposed allotment and issue of new ordinary (voting) and (non-voting) shares by passing the resolutions set out in Items 2(i) and 2(ii) below, the declared first and final dividend of Rs. 0.41 cents per issued and fully paid ordinary (voting) and (non-voting) share be distributed and satisfied by the allotment and issue of new ordinary (voting) and (non-voting) shares (the 'distribution scheme') based on the share prices of ordinary (voting) and (non-voting) shares as at July 31<sup>st</sup>, 2023 to the Entitled Shareholders;

- The allotment and issue of new ordinary (voting) and (non-voting) shares of Rs. 0.41 cents per share dividend entitlement (subject to applicable government taxes).

**THAT** accordingly and subject to the approval of the shareholders being obtained in the manner aforementioned the implementation of the said distribution scheme shall be as follows:

**By way of the allotment and issue of new shares:**

The sum of:

- Rs. 48,363,643 to which the ordinary (voting) shareholders are entitled (subject to applicable government taxes); and
- Rs. 1,957,072 to which the ordinary (non-voting) shareholders are entitled (subject to applicable government taxes),

shall be satisfied by the allotment and issue of new ordinary (voting) and (non-voting) shares to the entitled shareholders of the ordinary (voting) and (non-voting) shares respectively, on the basis of the following ratios:

- 01 new fully paid ordinary (voting) share for every 57.7262783454 existing issued and fully paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on July 31<sup>st</sup>, 2023; and
- 01 new fully paid ordinary (non-voting) share for every 48.7804878049 existing issued and fully paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on July 31<sup>st</sup>, 2023.

**THAT** the ordinary (voting) and (non-voting) residual share fractions, respectively, arising in pursuance of the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares after applying the formulas referred to in the sub heading "Residual fractions of shares" in the "Circular to the shareholders on the first and final dividend for 2023" dated August 11, 2023 the residual fractions arising from the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares respectively, will be aggregated and the shares arising consequent thereto will, subject to receiving the approval of the Shareholders therefor, such shares will be sold and the net sale proceeds arising there from be distributed to a charity/ charities approved by the Board of Directors. The donation will be effected by the Company within a reasonable period of time.

**THAT** the new shares to be issued in pursuance of the said distribution scheme constituting a total issue of 2,043,439 new ordinary (voting) shares, based on the issued and fully paid ordinary (voting) shares as at July 31<sup>st</sup>, 2023, and 97,854 new ordinary (non-voting) shares based on the issued and fully paid ordinary (non-voting) shares as at July 31<sup>st</sup>, 2023 shall, immediately consequent to due allotment thereof to the entitled shareholders rank equal and pari passu in all respects with the existing issued and fully paid ordinary (voting) shares and the existing

issued and fully paid ordinary (non-voting) shares of the Company respectively including the entitlement to participate in any dividend that may be declared after the date of allotment thereof and shall be listed on the Colombo Stock Exchange; and

**a. (Dividend Resolution No. 2 i):**

**THAT** a new issue of shares provided for by Article 35 (b) and 12(3) of the Articles of Association of Renuka Foods PLC (the 'Company'), be and is hereby issue of new shares to be effected by the Company for purposes of satisfying in first and final dividend for the year ended March 31, 2023:

"The allotment and issue of 2,043,439 new ordinary (voting) shares, and 97,854 new ordinary (non-voting) shares credited as fully paid to entitled shareholders and which new shares shall rank equal and pari passu with the existing issued and fully paid ordinary (voting) and (non-voting) shares of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares".

**a. Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 2 (ii) ):**

**THAT** the proposed allotment and issue of 2,043,439 new ordinary (voting) shares and 97,854 new ordinary (non-voting) shares credited as fully paid to entitled shareholders and which new shares shall rank equal and pari passu with the existing issued and fully paid ordinary (voting) and (non-voting) shares of the Company including the right to participate in any dividend which may be declared after the date of allotment of such shares be and is hereby approved in pursuance of Article 35 (b) of the Articles of Association of the Company; and

**THAT** accordingly the Company's management be and is hereby authorized to take all necessary steps to give effect to the aforesaid proposed issue of new ordinary (voting) and (non-voting) shares of the Company.

- b. To re-elect Mr R.F.N.Jayasooriya as a Director who retires and eligible for re-election in terms of Article 26 (2).
- c. To re-elect Mr B.V.Selvanayagam as a Director who retires and eligible for re-election in terms of Article 26 (2).
- d. To re-elect Mr. M.S. Dominic as a Director who retires by rotation in terms of Article 28 (1).
  
- e. To re-appoint Dr. S.R. Rajiyah who is over 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 Dr. S.R. Rajiyah.
- f. To re-appoint Mrs. I.R. Rajiyah who is over 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 I.R. Rajiyah.
- a. (i) To reappoint Messrs KPMG, Chartered Accountants, as recommended by the Board of Directors as the Company's Auditors for the financial year ending March 31, 2023; and  
(ii) To authorize the Board of Directors to determine the remuneration of the Auditors for the financial year ending March 31, 2023
- g. To authorize the Board of Directors to determine donations for the year 2023.

By Order of the Board of Renuka Foods PLC,

Sgd  
**Renuka Enterprises (Pvt) Ltd**  
 Company Secretaries  
 August 11, 2023 Colombo

*Notes*

- (i) *A duly registered and entitled holder of the Company's ordinary (voting) shares is entitled to participate at the meeting by virtual means, speak and vote at the AGM and is entitled to appoint a proxy holder to participate by virtual means, speak, and vote in his/her stead.*
- (ii) *A duly registered and entitled holder of the Company's ordinary (non-voting) shares is entitled only to participate at the meeting by virtual means and speak at the AGM and to vote only on the resolutions set out in items 2 (i) and 2 (ii) of the Notice of Meeting. Such a shareholder is entitled to appoint a proxy holder to participate at the meeting by virtual means, and speak on his/her behalf and to vote only on the resolutions set out in items 2 (i) and 2 (ii) of the Notice of Meeting.*
- (iii) *A proxy holder need not be a shareholder of the Company.*
- (iv) *A Form of Proxy is sent along with this Report. The Form of Proxy should be completed legibly and forwarded to the Company, Company Secretary, No. 69, Sri Jinaratana Road Colombo 02, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.*

# Circular to the Shareholders on ***the First and Final Dividend for 2023***

Dear Shareholder/s,

## **First and Final Dividend for the year ended March 31, 2023 to be Satisfied by the Allotment and Issue of New Shares.**

The Board of Directors of the Company, is pleased to inform its Shareholders that, a first and final dividend distribution of Rs. 0.41 cents per each existing issued and fully paid ordinary (voting) and (non-voting) share has been recommended for the financial year ended March 31, 2023 for due declaration by the Shareholders at the Annual General Meeting ('AGM') to be held on Thursday, September 7<sup>th</sup>, 2023 (the date of the AGM) at 3.30 p.m. to be held, virtually, by using a digital platform and such dividend so declared be paid from the combination of "dividend received" and out of the profits of the Company for the financial year ended March 31, 2023, which would be subject to applicable government taxes.

The Board of Directors is confident that, the Company will be able to satisfy the solvency test set out in Section 57 of the Companies Act No. 07 of 2007 (as amended) ['CA 2007'] immediately post- allotment of such dividend. A Certificate of Solvency has been provided by the Company's Auditors, Messrs KPMG, Chartered Accountants.

Subject to obtaining the approval of the Shareholders, the said dividend will be satisfied in accordance with a distribution scheme whereby:

- (i) New ordinary (voting) and (non-voting) shares will be allotted and issued, in satisfaction of the dividend entitlement, constituting a total sum of Rs. 50,320,715/- based on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company as at July 31<sup>st</sup>, 2023.

Accordingly, and in pursuance of the aforesaid distribution scheme, the Company proposes to issue:

- (a) 2,043,439 number of new ordinary (voting) shares, calculated based on the issued and fully paid ordinary (voting) shares as at July 31<sup>st</sup>, 2023 and on the basis of their market value (closing price) as at end of trading on July 31<sup>st</sup>, 2023; and 97,854 number of new ordinary (non-voting) shares calculated based on the issued and fully paid ordinary (non-voting) shares as at July 31<sup>st</sup>, 2023 and on the basis of their market value (closing price) as at end of trading on July 31<sup>st</sup>, 2023.

The said shares shall be issued in the following ratios to the entitled Shareholders of the Company:

- 01 new fully paid ordinary (voting) share for every 57.7262783454 existing issued and fully paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on July 31<sup>st</sup>, 2023; and
- 01 new fully paid ordinary (non-voting) share for every 48.7804878049 existing issued and fully paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on July 31<sup>st</sup>, 2023.

The above share ratio is based on a value of Rs. 22.40 per ordinary (voting) share and Rs. 17.00 per ordinary (non-voting) share (subject to applicable government taxes) as at the end of trading on July 31<sup>st</sup>, 2023. The Board of Directors is satisfied that the aforementioned values which constitute the consideration for which the new shares are to be allotted and issued is fair and reasonable to the Company and to all its existing Shareholders.

### **Entitled Shareholders**

Shareholders entitled to participate in the said dividend are those who are duly registered in the Company's Share Register and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd ('CDS') as at end of trading on the Record Date [i.e. the third (3rd) market day from and excluding the date of the meeting] (the 'Entitled Shareholders').

In calculating the number of shares held by a shareholder as at the relevant date for the proposed allotment and issue of new shares, the shareholding of the shareholder as appearing in the CDS and the Shareholders' Register maintained by the Registrars of the Company [SSP Corporate Services (Pvt) Ltd, No. 101, Inner Flower Road, Colombo 03] will not be aggregated. However, if a shareholder holds shares with multiple stockbrokers, the shares held with multiple stockbrokers will be aggregated for calculation purposes, and the shares arising as a result of the proposed issue and allotment of new shares will be uploaded proportionately to the respective CDS accounts held with each broker. The Company has obtained the approval in principle of the Colombo Stock Exchange ('CSE') for the proposed allotment and issue of new shares.

### **Residual Fractions of Shares**

The residual fractions arising from the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares respectively, will be aggregated and the shares arising consequent thereto will, subject to receiving the approval of the Shareholders therefor, such shares will be sold and the net sale proceeds arising therefrom be distributed to a charity/ charities approved by the Board of Directors. The donation will be effected by the Company within a reasonable period of time.

Residual fractions of ordinary (voting) and (non- voting) shares above-mentioned shall mean the above-mentioned fractions arising after applying the following formulas respectively:

For voting shareholders –

Number of shares held by a shareholder  
as at end of trading on the Record Date X 1

57.7262783454

For non-voting shareholders –

Number of shares held by a shareholder as at end  
of trading on the Record Date X 1

48.7804878049

### **Status of the New Shares**

The new ordinary (voting) and (non-voting) shares to be so issued, immediately consequent to due allotment thereof to the entitled Shareholders, shall rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) and (non-voting) shares, respectively, of the Company.

### **Listing approval**

An application has been made to the CSE for listing the new ordinary (voting) and (non-voting) shares on the official list of the CSE. This

application has been approved 'in principle' by the CSE.

### **Shareholder Approvals**

The proposed method of satisfying the abovementioned first and final dividend is subject to Shareholders granting approval thereof by passing the resolutions set out in the attached Notice of Meeting pertaining to the following matters:

- Authorization to satisfy the first and final dividend by an allotment and issue of new shares:

Article 35 (b) and 12(3) of the Company's Articles of Association provides, in effect, that, subject to the provisions of CA 2007, the Board is empowered to pay a dividend by way of shares. The Board seeks the authorization of Shareholders for the satisfaction of the first and final dividend by the issue of new ordinary (voting) and (non-voting) shares in the manner set out above.

The relevant resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

As mentioned previously, the first and final dividend is proposed to be satisfied, by the allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above and on the above-mentioned application of the above-mentioned share proportion.

The relevant resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

The Company is required, in compliance with the above provisions, to seek Shareholder approval by an ordinary resolution for the proposed method of satisfaction of the first and final dividend by an allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(ii) of the attached Notice of Meeting.

### **Confirmation of Compliance**

The Board of Directors hereby confirms that the allotment and issue of new shares is in compliance with the Articles of Association of the Company, the Listing Rules of the CSE and the provisions of the CA 2007.

### **Allotment of the New Shares**

The Board of Directors emphasizes that the aforementioned allotment and issue of new shares is in satisfaction of the first and final dividend for the year ended March 31, 2023 and shall be dependent on and subject to the Shareholders passing the requisite resolutions.

### **Uploading of Shares in to CDS Accounts**

In the event that the requisite resolution declaring the dividend (including its manner of satisfaction thereof) by way of the issue and allotment of new shares is passed by the Shareholders, the accounts of the Shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares to the extent that such Shareholder has become entitled thereto.

The shares would be uploaded within five (05) market days from and excluding the Record Date. If a Shareholder holds multiple CDS accounts the total entitlement will be directly deposited to the respective CDS accounts proportionately. Pursuant to a Direction issued by the Securities and Exchange Commission of Sri Lanka ("SEC") pertaining to the de-materialisation of listed securities, the Shareholders who hold shares in scrip form (i.e. Share Certificates) as per the Share Register maintained by the Registrars of the Company, will not be issued Share Certificates for the new shares allotted and issued in their favour. Such Shareholders are accordingly requested to open an account with the CDS and to deposit their Share Certificates in the CDS prior to the date of the AGM of the Company. This will enable the Company to deposit the new shares directly into the Shareholder's CDS Account.

If a Shareholder fails to deposit his/her existing ordinary (voting) and/or (non-voting) shares in the CDS prior to the date of the AGM, such Shareholder's entitlement of new ordinary (voting) and/or (non-voting) shares will be deposited by the Company after such Shareholder has opened a CDS Account and has informed the Company's Registrars in writing of his/her CDS account number. Until such CDS account is opened by a Shareholder as aforementioned, the new ordinary (voting) and (non-voting) shares that are allotted in his/ her favour will be registered in such shareholder's account in the Share Register maintained by the Registrars of the Company. Consequent to the opening of the CDS account by such Shareholder, the new shares will be credited to such CDS account. Direct uploads pertaining to written requests received from Shareholders to deposit such shares will be done on a weekly basis.

### **Annual General Meeting (AGM)**

Attached hereto is the Annual Report comprising the Notice convening the AGM for September 7<sup>th</sup>, 2023 and setting out in item 2 thereof, the relevant resolutions to be passed by the Shareholders in the above regard.

### **Form of Proxy**

Shareholders who are unable to participate at the meeting by virtual means are entitled to appoint a proxy to participate at the said meeting by virtual means and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions to No. 69 Sri Jinaratana Road, Colombo 02, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Yours faithfully,

By Order of the Board of Renuka Foods PLC

SGD  
Renuka Enterprices (Pvt) Ltd  
Company Secretaries  
August 11, 2023

# FORM OF PROXY

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

(NIC No. ....) of ..... Or failing her/him

- Dr. S.R. Rajiyah or failing him
- Mrs. I.R. Rajiyah or failing her
- Mr. S.V. Rajiyah or failing him
- Mr. V. Sanmugam or failing him
- Mr. M.S. Dominic or failing him
- Dr. J.A.S. Felix or failing him
- Mr.B.V.Selvanayagam or failing him
- Mr.R.F.N.Jayasooriya

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 7<sup>th</sup> day of September 2023 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, the Statement of Compliance and the Financial Statements for the year ended March 31, 2023 together with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend as recommended by the Directors and to pass the following resolutions set out in the attached Notice of Meeting:		
i. Declaration of a first and final dividend and approval of its method of satisfaction (Dividend Resolution No. 2 (i))	<input type="checkbox"/>	<input type="checkbox"/>
ii. Approval of an issue of ordinary (voting) and (non-voting) shares (Dividend Resolution No. 2 (ii))	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr.R.F.N.Jayasooriya as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr.B.V.Selvanayagam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-elect Mr.M.S.Dominic as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint Mrs. I.R. Rajiyah as a Director	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint Dr.S.R.Rajiyah as a Director	<input type="checkbox"/>	<input type="checkbox"/>
8. (i) To re-appoint Messrs KPMG, Chartered Accountants as recommended by the Board of Directors, as Auditors to the Company for the Financial Year ending March 31, 2023.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To authorize the Board of Directors to determine the remuneration of the Auditors for the Financial Year ending March 31, 2023.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorize the Board of Directors to determine donations for the year 2023.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2023.

.....  
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 3.30p.m. on 7<sup>th</sup> September 2023 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 Foods PLC

### **Registration No.**

PQ 216

### **Postal Address**

P.O.Box 1403, Colombo

### **Legal Form**

Quoted Public Company With Limited Liability

### **Direct Subsidiaries**

Renuka Agri Foods PLC  
Renuka Agri Organics Ltd  
Richlife Dairies Ltd  
Shaw Wallace Ceylon Ltd

### **Indirect Subsidiaries**

Renuka Developments (Pvt) Ltd  
Ceylon Forestry (Pvt) Ltd  
Coco Lanka (Pvt) Ltd  
Kandy Plantations Ltd  
Shaw Wallace Properties (Pvt) Ltd

### **Activity**

It is the holding company for subsidiaries engaged in the business of Agri Food Exports and Consumer Brands.

### **Board Of Directors**

Dr. S.R.Rajiyah - Chairman  
Mrs. I.R.Rajiyah  
Mr. S.V.Rajiyah  
Mr. T.K.Bandaranayake (Resigned w.e.f 20<sup>th</sup> January 2023)  
Mr. V.Sanmugam  
Dr. J.A.S.Felix  
Mr. M.S.Dominic  
Mr. B.V Selvanayagm (Appointed w.e.f 20<sup>th</sup> January 2023)  
Mr. R.F.N Jayasooriya (Appointed w.e.f 20<sup>th</sup> January 2023)

### **Audit Committee**

Mr. T.K.Bandaranayake – Chairman (Resigned w.e.f 20<sup>th</sup> January 2023)  
Mr. B.V Selvanayagm – Chairman (Appointed w.e.f 20<sup>th</sup> January 2023)  
Dr. J.A.S.Felix  
Mr. M.S.Dominic

### **Related Party Transactions Review Committee \***

Mr. T.K.Bandaranayake - Chairman  
Dr. J.M.Swaminathan  
Mr. M.S.Dominic

### **Remuneration Committee \***

Mr. M.S.Dominic - Chairman  
Mr. T.K.Bandaranayake  
Dr. J.M.Swaminathan

### **Nomination Committee \***

Mr. M.S.Dominic – Chairman  
Mr. T.K.Bandaranayake  
Mrs. J.J.B.A Rajiyah

### **Ultimate Parent Company**

Renuka Holdings PLC

### **Registered Office**

"Renuka House"  
69 Sri Jinaratana Road,  
Colombo 2  
Telephone: 00941-11-2314750-5  
Fax: 00941 11-2445549  
Email: info@renukagroup.com

### **Stock Exchange Listing**

Colombo Stock Exchange

### **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.

### **External Auditors**

KPMG Chartered Accountants

### **Legal Consultant**

Heritage Partners  
Nithya Partners

### **Bankers**

Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
Habib Bank Ltd  
Hongkong Shanghai Banking Corporation  
National Development Bank PLC  
Nations Trust Bank PLC  
Peoples Bank  
Standard Chartered Bank  
Sampath Bank PLC





'RENUKA HOUSE', P.O. BOX 961, #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)