

RENUKA AGRI FOODS PLC
Annual Report 2020

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WHO WE ARE

Renuka Agri Foods PLC is an Agribusiness organisation listed on the Colombo Stock Exchange. We are an organisation engaged in plantations, manufacturing and distribution, integrated across the value chain. As an organisation focused on results, the emphasis has been towards the creation of long term shareholder value in all our businesses, while being a socially responsible corporate citizen.



RESPONSIVE
ENTERPRISING
NURTURING
UNRELENTING
KNOWLEDGEABLE
ACCOUNTABLE

VISION

To be a leading global manufacturer, marketer and center of excellence for agriculture based food and beverage products.

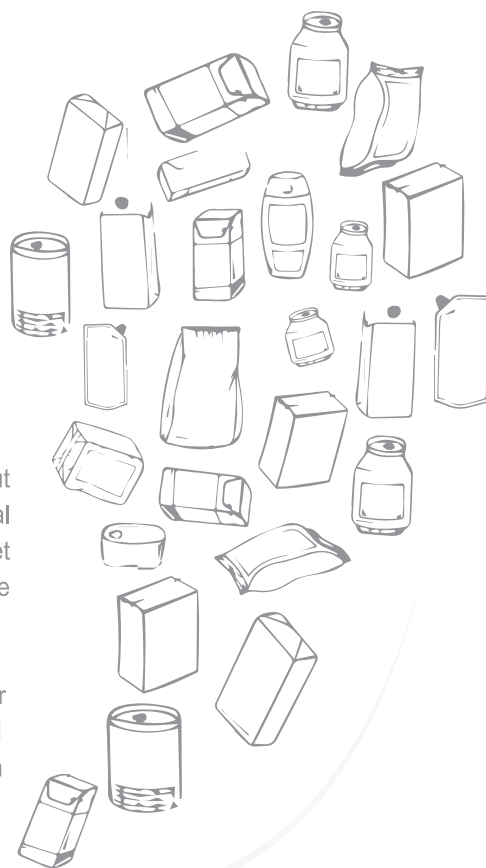
CULTURE AND VALUES

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.

MANUFACTURING

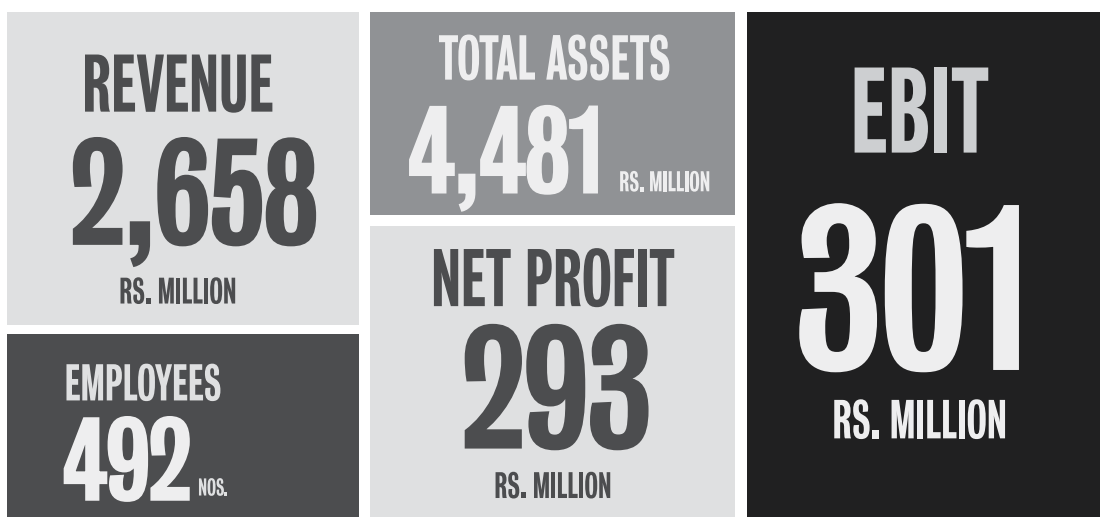
Renuka Agri Foods PLC is involved in the manufacture of coconut based food and beverage products for the local and international markets. Our state of the art production facilities are geared to meet the demands set out by clientele the world over and brings out the best taste in different forms of packaging.

Renuka Developments (Pvt) Ltd is the license holder for our organic plantations and factories thus ensuring that the world demand for organic coconut products is sustainable on a long term basis.

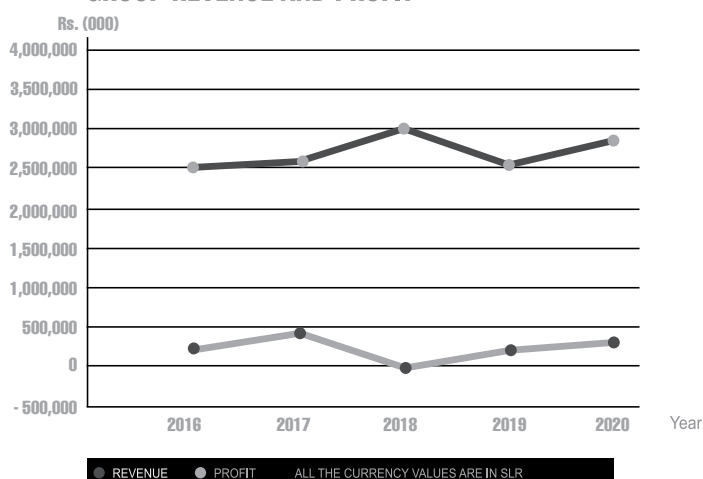


PLANTATIONS

Kandy Plantations Ltd today is one of Sri Lanka's largest, integrated organic certified farms contributing to uplift the rural communities around the region. While its subsidiary Ceylon Forestry (Pvt) Ltd is engaged in sustainable cultivation of trees.



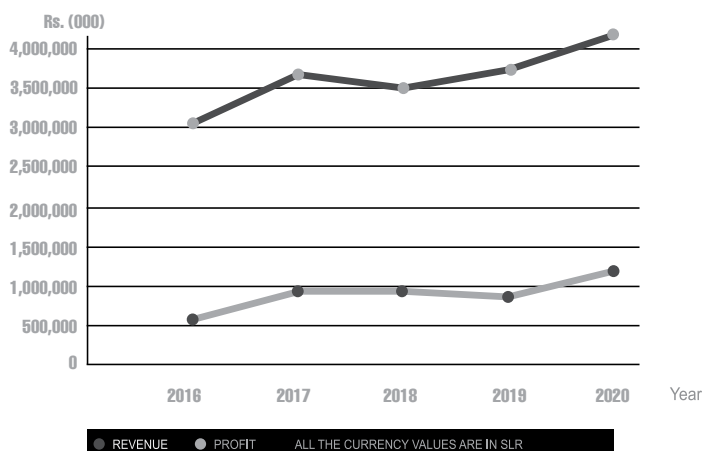
GROUP REVENUE AND PROFIT



293 Mn.
Profit in Year 2020

2,658 Mn.
Revenue in Year 2020

TOTAL ASSETS AND LIABILITIES



4,481 Mn.
Assets in Year 2020

1,257 Mn.
Liabilities in Year 2020

PROFILES OF DIRECTORS

Dr. S.R Rajiyah

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 Foods PLC, Chairman of Shaw Wallace Ceylon Ltd, Director of Richlife Dairies Ltd and other companies of the Renuka Group. He is a 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

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

Mr. S.V. Rajiyah

Mr. S.V. Rajiyah is the Managing Director of the Company. He is also the Managing Director of Renuka Foods PLC, Renuka Holdings PLC, Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and Director of companies of the Renuka Group. He is also the Executive Chairman of Renuka Capital PLC. He is a Non-Executive Director of On'ally Holdings PLC. He is a graduate in Management from the Warwick Business School, University of Warwick, United Kingdom. He has over 18 years of experience in General Management.

Mr. V. Sanmugam

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 35 years of industrial work experience, out of which, 23 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 an Executive Director of Renuka Holdings PLC, Renuka Foods PLC, Shaw Wallace Ceylon Ltd and Richlife Dairies Ltd.

Mr. Kapila Liyanagamage

Mr. Kapila Liyanagamage is an Independent Non-Executive Director and an Attorney-at-Law of the Supreme Court of Sri Lanka with more than 20 years of experience in the field of Civil & Commercial Law. He holds a degree of Master of Laws in Law of International Trade from the University of Wales. He has served as the Legal Consultant of Sri Lanka Ports Authority (2004 - 2015) and as a Director of National Savings Bank (2005 - 2008).

Ms. A.L. Rajiyah

Ms. A.L. Rajiyah is an Executive Director of the Company and holds a BSc (Hons) degree in Accounting and Finance from the University of Warwick and MSc in Law and Accounting from the London School of Economics. She spent her initial years at the investment bank, Morgan Stanley in London and later joined Alcentra Limited, a USD 18 Bn asset management firm in London, where she was a Vice President involved in portfolio management, trading and investing in credit derivative products for Alcentra's structured products platform. Since 2012, she has been with the Renuka Group and also serves as a Non-Executive Director of Renuka Holdings PLC and Renuka Foods PLC.

Mr. S. Nagarajah

Mr. S. Nagarajah is an Independent Non-Executive Director, a fellow member of the Institute of Chartered Accountants of Sri Lanka, CIMA(U.K), and ACCA(UK). He is a retired Banker.

Mr. D.S. Arangala

Mr. Daya Sumith Arangala was appointed to the Board on 2nd May 2016 as an Independent Non Executive Director. He is the Chief Executive Officer (CEO) of LVL Energy Fund PLC and Acting CEO of Lanka Ventures PLC. He has been associated with the two organizations for a considerable period of time. He represents LVL Energy Fund PLC, on the boards of its investee companies. Prior to that he has functioned as the Assistant General Manager of Capital Development and Investment Company Limited, the pioneer venture capital company in Sri Lanka. He commands considerable knowledge and experience in investing in private equity, venture capital and capital markets being associated with the industry over 30 years. He is a Bachelor of Engineering from the Royal Melbourne Institute of Technology (RMIT), Melbourne, Australia and holds a Graduate Diploma in Quality Technology from the same institute. He is a Graduate member of the Institute of Engineers, Australia.

Mrs. S.T.R.E. Wijesuriya

Mrs. S.T.R.E. Wijesuriya is an Executive Director of the Company and holds a Bsc and MSc (Food Science & Technology) from the University of Peradeniya. She has been attached to the Renuka Group for the last 18 years in various capacities and currently hold the post of Director - Quality of the Agri sector.

CHAIRMAN'S REVIEW

It is a pleasure to welcome you to the 21st Annual General Meeting of the Company and to place before you the Audited Financial Statements and the Annual Report for the year ended 31st March 2020.

The Industry

Coconut production showed an increase of 17.6% compared to the previous year due to favourable rainfall experienced in the growing areas. Better crops and lower demand helped to decrease the price of coconut during the latter half of the financial year. The above, coupled with lower prices from competitor countries in Asia, led to substantial reductions in the export prices of all the coconut products.

It was observed that the evolving situation of the spread of the COVID-19 around the world, which is disrupting all industries, including our industry and has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operation subsequent to the financial year end. However, the Group has been closely monitoring the impact of the developments on the Group's businesses and has taken adequate steps/contingency measures to minimise such impact.

The Company

Despite Sri Lanka's slower growth and political uncertainty, during the year under review, Renuka Agri Foods PLC reported better results compared to the previous year. During the current financial year the Company has reported a Group revenue of Rs. 2.7 Billion and a net profit after tax of Rs. 293 Million against the previous year of Rs. 2.6 Billion Group Revenue and a net profit after tax of Rs. 208 Million.

Even in the face of increased competition, our brands continued to grow due to the advertising and promotional activities carried out overseas and in the local market.

Regardless of the challenges faced, the Company hopes to sustain its profitable export drive by being focused on increasing value additions and achieving targeted own-brand retail export sales.

Renuka Agri Foods PLC has embarked on increasing its throughput, and hopes in the coming year, to invest in more technologically advanced plant and equipment.

In Conclusion

I take this opportunity to express my sincere gratitude to all our employees for their contribution and acknowledge the cooperation and support received from all my fellow Directors.

On behalf of the Board of Directors I thank all the Shareholders & the Stakeholders for the trust and confidence placed in the Company.

Dr. S.R Rajiyah
Chairman

28th August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Environment

- Sri Lanka's overall growth prospects were severely affected by the Easter Sunday Attack in April 2019, which was the main reason behind the Country's GDP growth slowing to 2.3% in 2019, from 3.3% in 2018, in which Agricultural Sector is only grown by 0.6%, whereas Industry and Services sectors has grown by 2.7% and 2.3% respectively.
- Despite the Easter Sunday Attack had a significant impact on the tourism sector, while it had a spillover effect across the economy, there were notable developments in the country during the last 12 months, which includes;

- Policy measures aimed at reducing pressures on the balance of payments (BOP) and the exchange rate continued in 2019.
- Subdued demand conditions allowed the continuation of low inflation during the year.

The above developments helped the Country to stay on course, in spite the impact of the Easter Sunday Attack to the Economy. 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 Agri Foods PLC .

Movement	Cause	Impact to Renuka Agri Foods PLC
Economic Growth		
GDP growth indicates 2.3% for the year ended 2019 compared to GDP growth of 3.3% in year 2018.	<p>Agricultural sector indicated a growth of 0.6% due to the extreme weather conditions.</p> <p>With the impact of the Easter Sunday attacks on tourism related activities, the growth of the services sector decelerated significantly to 2.3% in 2019 against 4.6% of the previous year.</p> <p>Industry activities grown by 2.7% compared to the growth of 1.2% in the previous year and this is mainly due to the growth in the manufacture of textiles, wearing apparel and leather products, the manufacture of food, beverages and tobacco products, and the revival of construction and mining and quarrying activities.</p>	<p>The favourable weather conditions had an impact to the increase of coconut harvest and resulted in decrease of raw material prices. But strong competition in the export markets as well as new entrants to the market resulted in maintaining the Revenue. However our flagship brands continued to maintain growth.</p>
Inflation		
The Colombo Consumer Price Index (CCPI - Base year 2013) moved down to 4.3% in 2019, as same in 2018.	Despite transient supply side disturbances, both headline and core inflation moved broadly in the desired range of 4-6 per cent during 2019, mainly as a result of subdued demand conditions and well anchored inflation expectations.	Inflation may not have a significant impact to the packing material sourcing prices and other related cost such as transport, wages etc. However, the Company was able to achieve good margins due to the decrease of main raw material prices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)

Movement	Cause	Impact to Renuka Agri Foods PLC
Domestic Interest Rates		
Both AWDR and AWLR decreased to 8.2% and 9.7% respectively by end 2019.	Central Bank adopted an accommodative monetary policy stance in 2019 to support the revival of economic activity and address the sluggish growth in credit extended to the private sector.	Increased borrowing during the year has resulted in an increase in finance costs despite the decrease in interest rates.
Yields on primary market Treasury bills decreased by 197-275 basis points across the tenures during 2019.	Within a neutral monetary policy stance, the Central Bank reduced the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of LCBs by a total of 2.50 percentage points in November 2018 and March 2019, thereby addressing the persistent liquidity deficit in the domestic money market.	
Exchange Rates		
Sri Lankan rupee recorded a marginal appreciation of 0.6% against the US dollar in 2019, compared to the significant depreciation recorded in 2018.	This appreciation of the currency mainly reflected the impact of the notable contraction in the trade deficit, in spite of pressure witnessed in the domestic foreign exchange market in the aftermath of the Easter Sunday attacks and amidst outflows of foreign investment from the government securities market during the second half of 2019.	Marginal appreciation of the Rupee had a positive export turnover growth, while having a negative impact on our import payments.
Share Market		
The All Share Price index has increased by 1.2% and the S&P Sri Lanka 20 Index decreased by 6.3% compared to the previous year.	This was mainly due to the less active Primary and Secondary market, Net foreign outflows.	During the period there was a marginal decrease in our share price from Rs. 2.00 to Rs. 1.90 from the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT.)

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 Company's Revenue was Rs. 2.7Bn in this financial year.

During the year Profit after tax attributable to equity holders amounted to Rs. 254Mn (Rs. 208Mn in 2018/19).

The gross profit of the Group was Rs. 838 Mn, Which was increased by Rs. 187 Mn compared to last year despite the marginal increase of revenue, mainly due to the drop in raw material prices.

Manufactured Capital

Deriving over 90% 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. During the year the Company has invested in new UHT plant to enhance the existing capacity and further investment was made in installing roof top solar panels which would reduce the national grid electricity consumption.

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 Agri Sector whilst managing the natural resources and meeting corporate obligations towards protecting the environment around us.

Through our organic certified plantations 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 and energy which 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 2020 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 links with the social responsibility and the strength of the stakeholder relationships.

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

Intellectual Capital

Intellectual Capital is the group of 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

In line with Government strategies to develop international trade and ongoing revisions to government policies to welcome foreign investments to the country, private sector also focus on new local and international market developments to assist in government policies. To accelerate economic growth, it is vital to manage the country inflation and exchange rates at a minimal level.

Based on the current economics trends, industry performance and external factors, Renuka Agri Foods PLC is geared to compete in the international and domestic market with new product development and continuous research and development.

CORPORATE GOVERNANCE

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 Agri 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 requirement.

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 4.

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 Board's composition reflects a sound balance of independence.

COMPOSITION OF THE BOARD AND DIRECTORS INDEPENDENCE

Composition of the Board of Directors as at 31st March 2020 consists of 9 members of which

- 6 Executive Directors
- 3 Non-Executive Independent Directors

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	✓		
Ms. A.L. Rajiyah	✓		
Mrs. S.T.R.E Wijesuriya	✓		
Mr. S. Nagarajah		✓	✓
Mr. Liyanagamage		✓	✓
Mr. D.S. Arangala		✓	✓

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 managers, officers and employees to enhance the long term value of the Company.

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's 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.

CORPORATE GOVERNANCE (CONT.)

BOARD MEETINGS AND ATTENDANCE

There were 3 Board Meetings for the year ended 31st March 2020 and attendance to meeting is as follows,

Name of Director	Eligible to attend	Attended
Dr. S.R. Rajiyah	3	1/3
Mrs. I.R. Rajiyah	3	2/3
Mr. S.V. Rajiyah	3	3/3
Mr. V. Sanmugam	3	0/3
Mrs. S.T.R.F Wijesuriya	3	1/3
Ms. A.L. Rajiyah	3	0/3
Mr. K Liyanagamage	3	3/3
Mr. S. Nagarajah	3	2/3
Mr. D.S. Arangala	3	2/3

The Audit Committee attendance for the year is as follows,

Name of Director	Eligible to attend	Attended
Mr. S. Nagarajah (Chairman)	5	5/5
Mr. D.S. Arangala	5	3/5
Mr. K Liyanagamage	5	4/5

The Related Party Transactions Review Committee (RPTRC) attendance for the year is as follows,

Name of Director	Eligible to attend	Attended
Mr. T.K. Bandaranayake (Chairman)	3	3/3
Mr. M.S. Dominic	3	2/3
Dr. J.M. Swaminathan	3	3/3

Further, RPTRC has reviewed and recommended related party transactions for the period 01st April 2019 to 30th September 2019 by resolution in writing dated 14th November 2019, which the Committee for the purposes hereof construed as equivalent to a meeting being held.

The Remuneration committee Attendance for the year is as follows,

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

The Nomination committee Attendance for the year is as follows,

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

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 review 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 page 16 and the duties of the Audit Committee are included therein.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee was established on 01st 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 Agri 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 Transaction Committee of Renuka Agri 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 Report of the Related Party Transactions Review Committee is presented on page 17 and 18.

CORPORATE GOVERNANCE (CONT.)

REMUNERATION COMMITTEE

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

The Remuneration Committee of Renuka Agri 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 two Non-Executive Independent Directors and one Non-Executive Director. 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.

NOMINATION COMMITTEE

The nomination committee is responsible to identify suitable persons who could be considered to become a board member as a Non Executive Director.

The Nomination committee of Renuka Agri Foods PLC is the same Committee of the ultimate parent, Renuka Holdings PLC appointed by and responsible to the Board of Directors. The report of the nomination committee is presented on page 20.

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

The Group obtains the services of an independent and a leading professional accounting firm other than the statutory auditors to carryout internal audits and reviews. These reports along with management comments are discussed with the Audit Committee and the Board. 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 three 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 were no major transactions during the year 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 Agri 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 Institute of Chartered Accountants of Sri Lanka and the Securities & Exchange Commission of Sri Lanka
- Inland Revenue Act
- Exchange Control Act
- Board of Investment Regulations
- Customs Ordinance

CORPORATE GOVERNANCE (CONT.)

COMPLIANCE SUMMARY

Extent of Compliance with the Listing Rules set out in Section 7.6 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
(i)	Names of persons who during the financial year were Directors of the entity	Compliant	Refer Report of the Directors on pages 27 to 31 in this Annual Report.
(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Compliant	Refer Note 1 to the 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	Compliant	Refer Shareholders and Investor information on pages 85 to 87 to this Annual Report
(iv)	The public holding percentage	Compliant	Refer Shareholders and Investor information on pages 85 to 87 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	Compliant	Refer Report of the Directors on pages 27 to 31 to this Annual Report
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Refer Risk management Report on pages 21 to 24 to this Annual Report
(vii)	Details of material issues pertaining to employees and industrial relation of the Entity	Compliant	Refer Report of the Directors on pages 27 to 31 to this Annual Report
(viii)	Extent, Locations, Valuations and the number of buildings of the Entity's land holding and investment properties	Compliant	Refer Real Estate Portfolio on page 83 to this Annual Report
(ix)	Number of shares representing the Entity's Stated Capital	Compliant	Refer Note 25 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	Compliant	Refer Shareholders and Investor information on pages 85 to 87 to this Annual Report
(xi)	Financial Ratios and Market Price Information	Compliant	Refer five year summary on page 84 to this Annual Report
(xii)	Significant changes in the Entity's or its subsidiaries' 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, 7.10.5c. & 7.10.6.c of Section 7 of the Listing Rules	Compliant	Refer Corporate Governance Report on pages 9 to 15 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.	Compliant	Refer Note 33 to the Financial Statements

CORPORATE GOVERNANCE (CONT.)

Extent 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
7.10	COMPLIANCE		
a./b./c.	Compliance with Corporate Governance Rules	Compliant	This report declares the confirmation on compliance and refer above for "CORPORATE GOVERNANCE COMPLIANCE STATEMENT"
7.10.1	NON-EXECUTIVE DIRECTORS (NED)		
a.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Compliant	Three out of nine 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	Compliant	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	Compliant	Not Applicable
7.10.2	INDEPENDENT DIRECTORS		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Compliant	All Three Non-Executive Directors are independent
b.	Each NED to submit a signed and dated declaration annually of his/her independence or non-independence	Compliant	All Non-Executive Independent Directors have submitted their confirmation on independence
7.10.3	DISCLOSURES RELATING TO DIRECTORS		
a./b.	Board shall annually determine the independence or otherwise of NEDs	Compliant	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	Compliant	Refer page 4 for a brief resume of each Director
d.	Provide a resume of new Directors appointed to the Board along with details	Compliant	Refer page 4
7.10.4	CRITERIA FOR DEFINING INDEPENDENCE		
a. - h.	Requirements for meeting the criteria to be an Independent Director	Compliant	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.
7.10.5	REMUNERATION COMMITTEE		
a.1	A listed company shall have a Remuneration Committee	Compliant	The remuneration committee of Renuka Agri 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	Compliant	The remuneration Committee comprises of 3 Non-Executive Directors of whom 2 are independent.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the board of directors	Compliant	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	Compliant	Refer page 19 for Remuneration Committee scope
c.1	Names of Remuneration Committee members	Compliant	Refer page 19 for names of the Committee Members

CORPORATE GOVERNANCE (CONT.)

c.2	Statement of Remuneration policy	Compliant	Refer page 19
c.3	Aggregate remuneration paid to EDs and NEDs	Compliant	Refer to Note 8
7.10.6 AUDIT COMMITTEE			
a.1	A listed company shall have an Audit Committee.	Compliant	The Company has its own Audit Committee.
	Audit Committee shall comprise of NEDs, or a majority of whom should be independent	Compliant	The Audit Committee comprises of three Independent Non-Executive Directors.
a.2	A NED shall be the Chairman of the committee	Compliant	The Chairman of the Committee is an Independent Non-Executive Director
a.3	CEO and CFO should attend Audit Committee meetings	Compliant	Refer to page 16
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Member of Chartered Institute of Management Accountants of United Kingdom and also a member of Association of Chartered Certified Accountants of United Kingdom.
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	Compliant	Refer page 16 of Audit Committee Report
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	Compliant	Refer page 16 of Audit Committee Report
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS	Compliant	Refer page 16 of Audit Committee Report
b.4	Assessment of the independence and performance of the Entity's external auditors	Compliant	Refer page 16 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.	Compliant	Refer page 16 of Audit Committee Report
c.1	Names of the Audit Committee members shall be disclosed	Compliant	Refer page 16 of Audit Committee Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	Compliant	Refer page 16 of Audit Committee Report
c.3	Report on the manner in which Audit Committee carried out its functions	Compliant	Refer page 16
9.2 RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTR)			
9.2.1 & 9.2.3	Related Party Review Committee	Compliant	The Functions of the Committee are stated in the Report of the Related Party Transaction Review (RPTR) Committee on Page 17 and 18
9.2.2	Composition	Compliant	Refer the report of RPTR committee on page 17 and 18

CORPORATE GOVERNANCE (CONT.)

9.2.4	Meetings	Compliant	Refer the report of RPTR committee on page 17 and 18
9.3.1	Immediate Disclosures	Compliant	Please refer Note 33 to the Financial Statements
9.3.2 (a) & (b)	Disclosure of recurrent and non-recurrent Related Party Transactions	Compliant	Please refer Note 33 to the Financial Statements
9.3.2 (c)	Report by the Related Party Transactions Review Committee	Compliant	Refer the report of RPTR committee on page 17 and 18
9.3.2. (d)	A declaration by the Board of Directors	Compliant	Please refer the Report of the Directors for an affirmative statement of compliance of the Board on pages 27 to 31

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

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
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	Compliant	Refer Note 1 of the Financial Statements
168 (1) (b)	Signed Financial Statement of the Company and its subsidiaries for the accounting period completed	Compliant	Refer page 37 of the Annual Report
168 (1) (c)	Auditors Report on Financial Statements of the Group and the Company	Compliant	Refer pages 33 to 35 of the Annual Report
168 (1) (d)	Accounting Policies and any changes therein	Compliant	Refer Note 1-5 of the Financial Statement
168 (1) (e)	Particulars of the entries made in the interests Register during the accounting period	Compliant	Refer Report of the Directors on pages 27 to 31
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Compliant	Refer Note 8 of the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Compliant	Refer page 30 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	Compliant	Refer page 9 and 82 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	Compliant	Refer Note 8 of the Financial Statement
168 (1) (j)	Other relationships or any interest of Auditors with the Company and its subsidiaries	Compliant	Refer page 16 of the Annual Report, Audit Committee Report
168 (1) (k)	Acknowledgement of the content of this report and signature on behalf of the Board	Compliant	Refer page 27 to 31 of the Annual Report, Report of the 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 Agri 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.

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. S. Nagarajah (IND/NED) - Chairman
Mr. D.S Arangala (IND/NED)
Mr. K Liyanagamage (IND/NED)
(IND - Independent Director, NED - Non-Executive Director)

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

The Chairman of the Committee, Mr. S. Nagarajah is an Independent Non-Executive Director, is a finance professional with over 39 years experience since 1976 in banking sector. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, member of Chartered Institute of Management Accountants of United Kingdom and also a member of Association of Chartered Certified Accountants of United Kingdom.

Brief profiles of each member are given on page 4 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, Chief Executive Officer - Shared Services 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 10. The Committee met five times during the year.

Other members of the Board, Management members as well as External Auditors were present at the discussions where required. 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 and has reviewed 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. These reports reviewed by the Committee and compliance with the recommendations of the Internal Auditors have been followed through at subsequent reviews.

CONTROLS AND RISKS

During the year the committee reviewed the effectiveness of the Company's system of Internal Control. The Committee also assessed the major business and control risks and the control environment prevalent in the Company and advised the Board on actions to be taken where weaknesses were observed.

The Audit Committee is satisfied that the Group's accounting policies and operational controls provide reasonable assurance that affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

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 were responsible to expressing an opinion on its conformity with the Sri Lanka Accounting Standards. Also the External Auditor kept the Audit Committee advised on an on-going basis regarding any unresolved matters of significance.

The Committee has received a declaration from Messrs. KPMG as required by the Companies Act No. 7 of 2007, confirming that it does not have any relationship or interest in the Company, which may have bearing on its independence within the meaning of the Code of Conduct and Ethics of The Institute of Chartered Accountants of Sri Lanka.

The Audit Committee evaluated the independence of the External Auditors and recommended to the Board of Directors that M/s KPMG be appointed as Auditors for the financial year ending 31st March 2021 subject to the approval of the shareholders at the Annual General Meeting.

Sgd
S. Nagarajah
Chairman
28th August 2020

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 Agri 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 Agri 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 each member 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

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

Mr. M.S. Dominic

Mr. M.S. Dominic is an Independent Non-Executive Director of Renuka Holdings PLC and holds a BSc (Hons) degree in Computer Science from the University of South Bank,

United Kingdom. He has over 35 years of experience in the Information Technology field. He is also Director of Renuka Holdings PLC, Galle Face Properties Ltd, Renuka Capital PLC (formerly known as Kalamazoo Systems PLC), and Sithijaya Fund. He is a consultant to Interblocks Ltd.

Dr. J. M. Swaminathan

Dr. J. M. Swaminathan is an independent, Non-Executive Director of Renuka Holdings PLC. He holds LLB (Ceylon), LLM, M. Phil. (Colombo) and LLD (Honoris Causa) Degrees and is an Attorney-at-Law.

He has been in the legal profession for over 53 years. He was the former senior Partner of Messrs. Julius & Creasy and is a member of the Law Commission of Sri Lanka and former member of the Council of Legal Education. He is also a member of the Company Law Advisory Commission and Chairman of the Intellectual Property Law Advisory Commission. He was a member of the Board of the Faculty of Law of the University of Colombo. He also served as a member of the Legal Cluster of the National Council for Economic Development and the Financial Systems Stability Committee of the Central Bank of Sri Lanka. He has also served as a Visiting Lecturer and an Examiner at the Faculty of Law, University of Colombo and was a Lecturer at the Institute of Advanced Legal Studies Unit of the Sri Lanka Law College and was also a Faculty Member for the LLM Courses of the University of Wales and LLM Colombo. He is a member of the Council of the University of Colombo.

Mandate

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

Number of Committee Meetings

The Committee has met three times during the period from 1st April 2019 to 31st March 2020. The attendance of the members of Committee meeting is stated in the table on page 10.

Further, the Committee has reviewed and recommended related party transactions for the period 01st April 2019 to 30th September 2019 by resolution in writing dated 14th November 2019, which the Committee for the purposes hereof construed as equivalent to a meeting being held.

Attendance by Invitation

The Executive Director, Chief Executive Officer - Shared Services and Chief Financial Officer attended the meetings by invitation.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (CONT.)

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 related party transaction when presenting to the Related Party Transaction Review 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 2020. 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.

S. K. Bandaranayake
Chairman

28th August 2020

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Renuka Agri Foods PLC is the same Committee of the ultimate parent, Renuka Holdings PLC, appointed by and responsible for the Board of Directors, consists of two Non-Executive Independent Directors and one Non-Executive Director. 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. Mr. L.M. Abeywickrama (NED)

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

The brief profile of the members are listed below

Mr. M.S. Dominic

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 35 years of experience in the Information Technology field. He is also Director of Galle Face Properties Ltd, Renuka Capital PLC (formerly known as Kalamazoo Systems PLC), Renuka Foods PLC and Sithijaya Fund. He is a consultant to Interblocks Ltd.

Mr. T.K. Bandaranayake

Mr. T.K. Bandaranayake is an Independent Non-Executive Director of Renuka Holding PLC. 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 Nawaloka Hospitals PLC, Overseas Realty (Ceylon) PLC, Samson International PLC, Laugfs Gas PLC, Harischandra Mills PLC, Micro Holdings Ltd. and Browns & Company PLC.

Mr. L.M. Abeywickrama

Mr. Lasantha Abeywickrama is a Non-Executive Director of Renuka Holding PLC. He is a Management consultant and trainer with over 30 years of management experience in the private sector both in Sri Lanka and Overseas. He holds a Bachelors Degree in Science from the University of Colombo, a Post Graduate Diploma in Marketing from the Chartered Institute of Marketing and MBA from the American University Washington DC. He is a past Chairman of the CIM Sri Lanka region. He serves as a Non-Executive Director on the Boards of Renuka Foods PLC.

The Remuneration Committee held a meeting during the year to review the Company remuneration policy and made its recommendations.

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 studies 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 perquisites 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 evaluating the performance of employees. The policy ensures equality and fairness among all employees are maintained.

Sgd.

M.S. Dominic
Chairman

28th August 2020

NOMINATION COMMITTEE REPORT

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

Composition of Nomination Committee

Mr. L. M. Abeywickrema - Chairman (Independent Non-Executive)
Mr. M.S. Dominic (Independent Non-Executive)
Mr. T K Bandaranayake (Independent Non-Executive)

Brief profiles of each member are given on page 19, of this Annual Report.

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 scope of the committee includes tasks such as assessing 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.

L. M. Abeywickrema
Chairman

28th August 2020

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 and consistency with responsiveness and flexibility. The aim was to lay a sound foundation to integrate our risk management activities as part and parcel of our 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 outline 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 contain 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 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

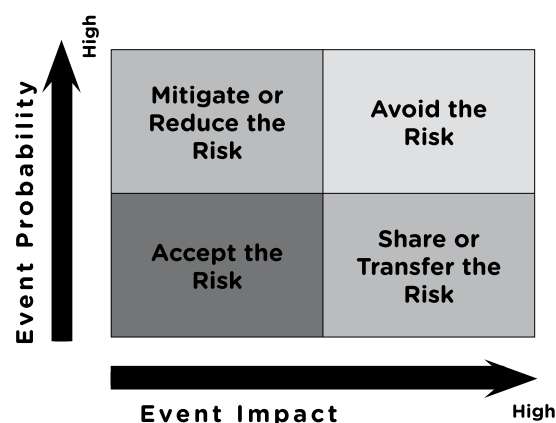
identifies all the risks by key stakeholders. We consider risk identification to be a key component of a robust risk management framework. In the absence of a proper risk identification process, the organization is incapable of effectively managing its key risks. We evaluate risks according to the likelihood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

	Low	Medium	High
High			
Medium			
Low			

Develop Risk Management Strategy

The Risk management strategies address as to how the Group intends 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 (CONT.)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
STRATEGIC RISK		
Competitive Risk		
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. 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>
OPERATIONAL RISK		
Employee Risk		
Risk from not being able to attract, retain skilled and experienced staff.	<p>Reduced productivity.</p> <p>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 & development, succession planning and fostering a performance-based culture.</p> <p>Maintaining cordial relationships with labour unions 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>
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 Trade Unions 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>

RISK MANAGEMENT (CONT.)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
IT systems and infrastructure	<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>
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>

RISK MANAGEMENT (CONT.)

RISK	IMPACT	RISK MANAGEMENT STRATEGIES
Legal Regulatory Compliance	<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 ensures 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 counsel 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 staffs are constantly kept aware of the compliance needs imposed by these regulation.</p>
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.</p> <p>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>
FINANCIAL RISK		
Financial risk management obligations and policies have been described in the note No. 39 to the Financial Statements.		

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.

Renuka 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, development of new standard operating procedures and waste reduction. 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 identifies 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.

• 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 574 a 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.

SUSTAINABILITY REPORT (CONT.)

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 experiences 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.
- Ongoing 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 fulfill 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 for 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 carryout 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 Agri 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 2020. 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 Agri 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.

Principle Activities of the Company and the Group

The Principle activity of the company is manufacturing and sale of coconut related food and beverage products. Further Renuka Agri Foods PLC is a holding company that owns, directly or indirectly, investments in the numerous companies constituting the Renuka Agri Foods Group and provides services to its Group companies. The Group consists of a portfolio of diverse business operations. The main subsidiaries of Renuka Agri Foods PLC are listed on page 63.

The Principle activities of the Group are categorized into manufacturing and plantation business segments and segmental reporting is provided in page 76 to 77 of the Annual Report.

Vision, Mission and Corporate conduct

The Corporate vision and mission are provided on the page 1 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 5, 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.

Directors Responsibilities for Financial Statements

The Statement of Directors responsibilities for the Financial Statements is given on page 32.

Financial Statements of the Company and Group

The Financial Statements of the Company and Group are given on pages 36 to 81.

Accounting Policies and Changes During the Year

The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 41 to 52. Further Accounting Standards issued but not yet effective are disclosed on page 52.

Group Turnover

The Turnover of the Group was Rs. 2.7 Bn as compared with Rs 2.6 Bn in the previous year. A detailed analysis of the Group Turnover is given in Note No. 6 of the Financial Statements.

Gross Profit

The Group Gross Profit for the year was Rs. 838 Mn, compared with the Group Gross Profit of Rs. 651 Mn for the previous year.

Net Profit

The Group Profit after Taxation for the year was Rs. 293 Mn, compared with the Group Profit of Rs. 208 Mn for the previous year.

Group Investments

Investments of the Company and the Group in Subsidiaries, Associates, Joint Ventures and Other long term External equity investment amounted to Rs. 3,501 Mn (2019 - 2,952Mn). Detailed description of the Subsidiaries, Associates, Joint Ventures and Other long term external equity investments held at the Reporting date are given in Note No. 17 and 19 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), amounting to Rs. 440 Mn (2019 - Rs. 134Mn).

Detailed information relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), is given in Note 12 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 83 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 No. 12 to the Financial Statements.

Stated Capital

The Company did not issue any shares during the year ended 31st March 2020.

REPORT OF THE DIRECTORS (CONT.)

The Stated Capital of the Company as at 31st March 2020 was Rs. 1,194Mn comprising of Voting Ordinary Shares of 561,750,000.

Reserves

Total Group Reserves as at 31st March 2020 amounts to Rs. 3.2Bn (2019 - Rs. 2.9Bn) representing Revenue Reserve and the detailed movement of the Reserves shown in the Statement of Changes in Equity in the Financial Statements.

Dividends

The Board of Directors has recommended a payment of Rs. 0.12 per share payable for 2019/20 (2018/19 - Rs.0.12). The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) 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.

A solvency certificate has been sought in respect of the first and final dividend of Rs. 0.12 per share proposed to be paid to the share holders of the Company.

Major Shareholdings

Details of the twenty largest shareholders with the percentage of their respective holdings are given on page 87. together with comparative shareholding as at 31st March 2019.

Public Holding

There were 3,832 (2019- 3,695) registered shareholders as at 31st March 2020, with the percentage of shares held by the public, as per the Colombo Stock Exchange Rules, being 24.19% (2019 - 24.52%)

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 85 and 87.

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 84 and 87 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.

Directors

The names of the Directors who held office during the financial year are given below. The brief profiles of the Board of Directors appear on page 4.

Name of Director	Executive	Non - Executive	Independent
Dr. S.R. Rajiyah	✓		
Mrs. I.R. Rajiyah	✓		
Mr. S.V. Rajiyah	✓		
Mr. V. Sanmugam	✓		
Ms. A.L. Rajiyah	✓		
Mrs. S.T.R.E Wijesuriya	✓		
Mr. S. Nagarajah		✓	✓
Mr. K Liyanagamage		✓	✓
Mr. D.S. Arangala		✓	✓

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

Key Changes to the Board during the period under review

Recommendation for re-election

To re-elect Mr. D. S. Arangala as a Director who retires by rotation in terms of Article 30 (1).

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 33 to Financial Statements.

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

REPORT OF THE DIRECTORS (CONT.)

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 of Director	At at 31st March 2020	At at 31st March 2019
Dr. S.R. Rajiyah	-	-
Mrs. I.R. Rajiyah	-	-
Dr. S.R. Rajiyah (Jointly with Mrs I.R Rajiyah)	28,551,008	28,090,337
Mr. S.V. Rajiyah	1,454,984	54,984
Mr. S. Vasanthakumara (Mr. V. Sanmugam)	1,010	1,010
Ms. A.L. Rajiyah	1,219,483	1,219,483
Mrs. S.T.R.E Wijesuriya	-	-
Mr. S. Nagarajah	-	-
Mr. K Liyanagamage	-	-
Mr. D.S. Arangala	-	-

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 2020 is given in Note 8 to the Financial Statements.

Directors Meetings

Details of Board meetings and Board subcommittee meetings are presented on page 10 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 page 16. The Executive Directors, CEO- Shared Services, Chief Financial Officer and Internal and External auditors attend the meeting by invitation. Detail scope of Audit Committee and their work during the year is disclosed in Audit Committee report given on Page No. 16.

Remuneration Committee

The composition of the Board Remuneration Committee comprising of Non-Executive Directors is provided on page 19.

The remuneration committee of Renuka Agri Foods PLC is the same committee of the ultimate parent, Renuka Holdings PLC, appointed by and responsible to the Board of Directors consists of two Non-Executive Independent Directors and one Non-Executive Director. 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 17. The Executive Directors, CEO -Shared Services 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 17 and 18.

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 the Non -Recurrent Related Party transactions of which the 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 2019, which required additional disclosures in the Annual Report of 2019/20 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 in Note 33 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 2019 audited Financial Statements are disclosed under note 33, If any, to the Financial Statements as required by Colombo Stock Exchange Listing Rules 9.3.2

REPORT OF THE DIRECTORS (CONT.)

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 No. 32.

Compliance with Laws and Regulations

The company has taken all reasonable measures to ensure that it 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 16 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 in 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. Refer pages 9 to 15 for further details

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 system for risk identification, measurement and mitigation process.

The group exposure to risk and structure to manage and mitigate risk is discussed in more detail to Risk Management Report on page No. 21 to 24.

Compliance with the transfer pricing regulations

All transactions entered into with associated persons during the period are on an arm's length basis, and are 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 have occurred subsequent to the date of the reporting date, other than those disclosed in Note 36 to the Financial Statements.

Capital Commitments

No significant capital commitments exist as at 31st March 2020 other than those disclosed in Note 35 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 31st March 2020 is Rs. 281,000. (2019 - Rs 278,340)

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.

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.

	2020 Rs.	2019 Rs.
Audit and Audit related fees	1,287,000	1,336,250
Non audit fees	656,200	328,750

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.

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.

REPORT OF THE DIRECTORS (CONT.)

Auditors Report

Auditors Report on the financial statements is given on page 33 to 35 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 No. 25 to 26.

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 2020 was 492 (2019 - 662)

Annual Report

The Board of Directors approved the Consolidated Financial Statement along with Company Financial Statements on 28th August 2020 . 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 21st Annual General Meeting of Renuka Agri Foods PLC will be held as a virtual meeting at 'BASELINE BUSINESS CENTER', No. 193, Dr. Danister De Silva Mawatha, Colombo 8 at 1.30 p.m. on Monday, 28th September 2020.

Acknowledgement of the content of the report

As required by the section 168(1)k of the Companies Act No. 7 of 2007 the Board of Directors hereby acknowledge the content of this report.

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.

Company Secretaries

Renuka Enterprises (Pvt) Ltd

28th August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements for the year ended 31st March 2020 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 pages 33 to 35 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.

As required by Companies Act, the Board of Directors has authorized distribution of the dividend now proposed, being satisfied based on information available to it that the Company would satisfy the solvency test after such distribution in accordance with the Section 57 of the Companies Act, and have obtained/ sought in respect of the dividend now proposed, a certificate of solvency from the Auditors.

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

Sgd.
Company Secretaries
Renuka Enterprises (Pvt) Ltd
28th August 2020

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 6058
Internet : www.kpmg.com/lk

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF RENUKA AGRI FOODS PLC

Opinion

We have audited the financial statements of Renuka Agri 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 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, the financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards ("SLAuSs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics). 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.

01. Carrying Value of Inventories	
Refer to the accounting policies in "Note 3.9 to the Financial Statements: Inventories", "Note 2.4 to the Financial Statements: Use of Estimates and Judgments" and "Note 20 to the Financial Statements: Inventories".	
Risk Description	Our responses
<p>The Group has recognized a total inventory provision of Rs.82 Mn in arriving at a total inventory value of Rs.478 Mn.</p> <p>The Group has significant levels of inventories and judgement is involved with regard to categorization of inventories in to obsolete and/or slow moving and which should be therefore be considered for provision.</p> <p>Further, COVID 19 outbreak 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"> Involving the component auditors of the subsidiary Companies' in performing the following audit procedures and reviewed the work carried out by the component auditors where necessary. 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. 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. 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. Testing a sample of inventory items sales subsequent to the year end and assessed if they were sold at higher than the cost.

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

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA
C.P. Jayatilake 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
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA

INDEPENDENT AUDITOR'S REPORT (CONT.)

02. Accounting for Investment in Subsidiaries and Impairment	
<i>Refer to the accounting policies in "Note 3.10 to the Financial Statements: Investment in subsidiaries and impairment", "Note 2.4 to the Financial Statements: Use of Estimates and Judgments" and "Note 17 to the Financial Statements: Investment in subsidiaries".</i>	
Risk Description	Our responses
<p>The Company has made a significant investment in its subsidiary namely Renuka Developments (Private) Limited (100%).</p> <p>Management performed the impairment assessment for subsidiaries with indications of impairment and determined their recoverable amounts based on value-in-use calculations.</p> <p>We considered the audit of management impairment assessment of investment in subsidiary as key audit matter due to the magnitude of the carrying amount of investment in subsidiary in the financial statements. In addition, this area was significant to our audit because the impairment assessment involves significant management judgement and required the management to make various judgment and required the management to make various assumptions in the underlying cash flow forecasts.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the classification of the investment whether it is an associate or subsidiary and obtain the Management's basis for accounting for this investments and checked it is in compliance with relevant accounting standards. Obtaining an understanding of management's impairment assessment process. Assessing the impairment indication relates to this asset and obtaining the management's judgement and estimates assessment. And test if those assessment involve any management bias. Challenging management assessment and classification of investment Obtaining assessment from management and see whether it is comply with relevant standards. Assessing the disclosure in the financial statements in line with the requirements of relevant accounting standards.
03. Management assessment relating to impact of COVID 19	
<i>Refer to the accounting policies in "Note 2.5.1 to the Financial Statements: Impact of COVID 19 Outbreak to the current year financial statements and possible effect to the Company's future prospects.</i>	
Risk Description	Our responses
<p>The financial statements have been prepared on a going concern basis. In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the company's cash flow projections for the next 12 months, prepared by the management. The cash flow projections were based on management's assumptions and estimation of future cash inflows and outflows, also taking into consideration the impact of COVID-19 global pandemic.</p> <p>Note 2.5.1 to the financial statements, describes the impact of COVID-19 outbreak to the current year financial statements and possible effects to the Company's, future prospects, performance and cash flows. Further, the management has described how they plan to deal with these events and circumstances.</p> <p>We identified the assessment of going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgement in assessing future cash inflows and outflows which could be subject to potential management bias.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the directors' assessment of the Company's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment. Obtaining the Company's cash flow projections covering period of not less than twelve months from the reporting period end date and challenging these key assumptions used in preparing the projections. Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions. Inspecting the facility agreements for the Company's long-term loans to identify any financial covenants or similar terms and assessing the implication of these on the Company's liquidity. Assessing the adequacy of the financial statements disclosure.

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.

INDEPENDENT AUDITOR'S REPORT (CONT.)

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.

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.

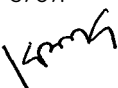
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with 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
28th August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue	6	2,657,717,199	2,635,545,516	2,645,325,376	2,624,873,563
Cost of Sales		(1,820,059,378)	(1,984,218,839)	(1,828,777,214)	(1,995,254,628)
Gross Profit		837,657,821	651,326,677	816,548,162	629,618,935
Other Operating Income	7	22,042,173	19,759,963	2,740,556	4,812,136
Administration Expenses		(314,964,909)	(293,586,380)	(262,733,701)	(243,137,062)
Selling and Distribution Expenses		(243,453,363)	(141,835,996)	(243,387,120)	(141,835,996)
Profit from Operations	8	301,281,722	235,664,264	313,167,897	249,458,013
Finance Income		20,577,771	8,070,454	21,964,501	4,580,799
Finance Cost		(78,863,986)	(21,932,953)	(75,935,877)	(18,539,038)
Net Finance Cost	9	(58,286,215)	(13,862,499)	(53,971,376)	(13,958,239)
Share of Profit from Equity Accounted Investees	18.2	37,827,377	17,699,816	-	-
Profit Before Tax		280,822,884	239,501,581	259,196,521	235,499,774
Taxation	10	12,158,091	(31,493,722)	16,637,951	(35,653,294)
Profit from continuing operations		292,980,975	208,007,859	275,834,472	199,846,480
Discontinued operations					
Profit/(Loss) from discontinued operations, net of tax	8.2	(36,850,057)	1,469,032	-	-
Profit for the year		256,130,918	209,476,891	275,834,472	199,846,480
Other Comprehensive Income					
Items that will not be re-classified to Profit or Loss					
Revaluation of Land and Building		131,609,872	-	30,826,964	-
Actuarial Gain / (Loss) on Defined Benefit Plan		(4,639,289)	4,097,754	(5,348,036)	3,446,927
EAI- Share of OCI Defined Benefit Plan		9,791,271	(1,243,439)	-	-
EAI - Share of OCI of Revaluation		39,195,275	-	-	-
Deferred Tax impact on Revaluation		(25,245,941)	-	(3,699,236)	-
Deferred Tax effect on actuarial Gain / (Loss) on Defined Benefit Plans		542,539	391,454	641,764	482,570
Actuarial Gain from discontinued operations		17,347	113,860	-	-
Other Comprehensive Income for the Year, Net of Tax		151,271,074	3,359,629	22,421,456	3,929,497
Total Comprehensive Income for the Year		407,401,992	212,836,520	298,255,928	203,775,977
Profit Attributable to:					
Equity Holders of the Company		253,975,831	208,277,773	275,834,472	199,846,480
Non Controlling Interest		2,155,087	1,199,118	-	-
Profit for the Year		256,130,918	209,476,891	275,834,472	199,846,480
Total Comprehensive Income Attributable to :					
Owners of the Company		404,300,151	211,619,540	298,255,928	203,775,977
Non Controlling Interest		3,101,841	1,216,980	-	-
Total Comprehensive Income for the Year		407,401,992	212,836,520	298,255,928	203,775,977
Basic Earnings Per Share (Rs.)	11.1	0.45	0.37	0.49	0.36
Diluted Earnings Per Share (Rs.)	11.2	0.45	0.37	0.49	0.36
Dividend Per Share (Rs.)	11.3	0.12	-	0.12	-

Figures in brackets indicate deductions

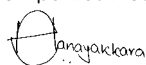
The notes to the Financial Statements on pages 41 to 81 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION

		GROUP	COMPANY		
AS AT 31ST MARCH		2020	2019	2020	2019
	Note	Rs.	Rs.	Rs.	Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	1,772,920,215	1,350,291,989	1,343,868,378	1,000,040,375
Biological Assets	13	90,952,112	71,121,024	-	-
Intangible Assets	14	10,101,732	13,729,287	-	-
Immovable Estate Assets on Lease	15	-	38,499,960	-	-
Premium Paid Leasehold Premises	16.1	-	10,631,343	-	6,875,282
Right of Use Assets	16.2	40,498,904	-	33,756,042	-
Investment In Subsidiaries	17	-	-	1,912,983,721	1,682,434,721
Investment In Equity Accounted Investees	18	1,151,675,041	834,054,650	-	-
Investments in FVOCI	19	436,350,000	436,350,000	-	-
Deferred Tax Asset	30.1	-	7,898,564	-	-
TOTAL NON CURRENT ASSETS		3,502,498,004	2,762,576,817	3,290,608,141	2,689,350,378
Current Assets					
Inventories	20	477,718,937	441,091,906	473,175,159	383,672,675
Trade and Other Receivables	21	285,551,947	353,237,282	267,405,238	342,365,337
Tax Recoverable	22	25,182,903	28,650,429	21,551,600	25,585,795
Amounts Due from Related Companies	23	19,055,749	62,342,966	18,425,787	61,713,004
Cash and Cash Equivalents	24	170,782,736	96,620,298	147,876,605	73,826,777
TOTAL CURRENT ASSETS		978,292,272	981,942,881	928,434,389	887,163,588
TOTAL ASSETS		4,480,790,276	3,744,519,698	4,219,042,530	3,576,513,966
EQUITY AND LIABILITIES					
Equity					
Stated Capital	25	1,194,452,950	1,194,452,950	1,194,452,950	1,194,452,950
Revaluation Reserve	26	241,512,823	96,881,390	119,870,282	92,742,554
Retained Earnings		1,753,355,431	1,582,300,075	1,725,533,521	1,536,239,747
Equity attributable to Owners of the Company		3,189,321,204	2,873,634,415	3,039,856,753	2,823,435,251
Non Controlling Interest		34,382,346	31,691,957	-	-
TOTAL EQUITY		3,223,703,550	2,905,326,372	3,039,856,753	2,823,435,251
Non- Current Liabilities					
Retirement Benefit Obligations	27	53,438,508	41,866,193	49,029,381	36,242,166
Loans and Borrowings	28	301,121,690	34,173,284	301,121,690	34,173,284
Lease Liability	29	47,630,405	46,500,000	28,932,063	-
Deferred Tax Liability	30.1	114,811,744	105,060,707	87,730,402	96,183,791
TOTAL NON CURRENT LIABILITIES		517,002,347	227,600,184	466,813,536	166,599,241
Current Liabilities					
Loans and Borrowings	28	430,483,912	383,830,671	430,440,511	383,787,270
Lease Liability	29	16,172,310	3,000,000	13,172,310	-
Trade and Other Payables	31	238,657,085	135,052,425	231,244,383	125,199,975
Amounts Due to Related Companies	32	341,287	8,299,927	309,980	9,368,027
Dividend Payable		6,564,240	5,529,697	5,214,240	4,179,698
Income Tax Payable		12,988,133	45,066,265	12,975,125	45,066,265
Bank Overdraft	24	34,877,412	30,814,157	19,015,692	18,878,239
TOTAL CURRENT LIABILITIES		740,084,379	611,593,142	712,372,241	586,479,474
TOTAL LIABILITIES		1,257,086,726	839,193,326	1,179,185,777	753,078,715
TOTAL EQUITY AND LIABILITIES		4,480,790,276	3,744,519,698	4,219,042,530	3,576,513,966

The notes to the Financial Statements on pages 41 to 81 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared and presented in compliance with the requirement of the Companies Act No. 07 of 2007.

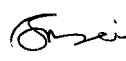


T.M. Dilum Nanayakkara
Chief Financial Officer

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



S.V. Rajiyah
Director



Dr. S.R. Rajiyah
Director

28th August 2020
Colombo

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH	Equity Attributable to Owners			Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Retained Earnings		
	Rs.	Rs.	Rs.	Rs.	Rs.
Group					
Balance as at 1st April 2018	1,194,452,950	97,060,384	1,363,538,348	37,438,168	2,692,489,850
Profit for the Year	-	-	208,277,773	1,199,118	209,476,891
Other Comprehensive Income	-	-	3,341,766	17,863	3,359,629
Total Comprehensive Income	-	-	211,619,539	1,216,981	212,836,520
Transactions with Owners of the Company, Recognized Directly in Equity					
- Effect of change in percentage holdings in subsidiaries	-	-	6,963,193	(6,963,193)	-
-Realization on Account of Depreciation on Revalued Assets	-	(178,994)	178,994	-	-
Total Transactions with Owners of the Company	-	(178,994)	7,142,188	(6,963,193)	-
Balance as at 31st March 2019	1,194,452,950	96,881,390	1,582,300,075	31,691,957	2,905,326,372
Balance as at 1st April 2019	1,194,452,950	96,881,390	1,582,300,075	31,691,957	2,905,326,372
Impact of adopting SLFRS 16	-	-	(21,354,668)	(117,609)	(21,472,277)
Adjusted Balance as at 1st April 2019	1,194,452,950	96,881,390	1,560,945,407	31,574,348	2,883,854,095
Profit for the Year	-	-	253,975,831	2,155,087	256,130,918
Other Comprehensive Income	-	144,631,433	5,692,887	946,754	151,271,074
Total Comprehensive Income	-	144,631,433	259,668,718	3,101,841	407,401,992
Transactions with Owners of the Company, Recognized Directly in Equity					
- Effect of change in percentage holding in subsidiaries	-	-	293,843	(293,843)	-
- Equity Accounted Investees directly in equity	-	-	(142,537)	-	(142,537)
- Dividend Paid	-	-	(67,410,000)	-	(67,410,000)
Total Transactions with Owners of the Company	-	-	(67,258,694)	(293,843)	(67,552,537)
Balance as at 31st March 2020	1,194,452,950	241,512,823	1,753,355,431	34,382,346	3,223,703,550

The notes to the Financial Statements on pages 41 to 81 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY (CONT.)

FOR THE YEAR ENDED 31ST MARCH	Stated Capital Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs
Company				
Balance as at 1st April 2018	1,194,452,950	92,742,554	1,332,463,770	2,619,659,274
Profit for the Year	-	-	199,846,480	199,846,480
Other Comprehensive Income	-	-	3,929,497	3,929,497
Total Comprehensive Income	-	-	203,775,977	203,775,977
Balance as at 31st March 2019	1,194,452,950	92,742,554	1,536,239,747	2,823,435,251
Balance as at 1st April 2019	1,194,452,950	92,742,554	1,536,239,747	2,823,435,251
Impact of adopting SLFRS 16	-	-	(14,424,426)	(14,424,426)
Adjusted Balance as at 1st April 2019	1,194,452,950	92,742,554	1,521,815,321	2,809,010,825
Profit for the Year	-	-	275,834,472	275,834,472
Other Comprehensive Income	-	27,127,728	(4,706,272)	22,421,456
Total Comprehensive Income	-	27,127,728	271,128,200	298,255,928
Transactions with Owners of the Company, Recognized directly in Equity				
Dividend Paid	-	-	(67,410,000)	(67,410,000)
Total Transactions with Owners of the Company	-	-	(67,410,000)	(67,410,000)
Balance as at 31st March 2020	1,194,452,950	119,870,282	1,725,533,521	3,039,856,753

The notes to the Financial Statements on pages 41 to 81 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	Note	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Cash Flow from Operating Activities					
Profit Before Tax from continue operations		280,822,884	239,501,581	259,196,521	235,499,774
(Loss) / Profit Before Tax from discontinue operations		(36,850,057)	1,469,032	-	-
		243,972,827	240,970,613	259,196,521	235,499,774
Adjustments for					
Depreciation of Property, Plant and Equipments		125,813,047	111,610,424	114,419,707	100,043,261
Fair Value Gain on Biological Assets		(9,972,677)	(3,844,956)	-	-
Amortization of Immovable Estate Assets on Lease		-	2,750,004	-	-
Amortization of Right to Use Assets		10,181,859	-	9,663,177	-
Provision for Retirement Benefit Obligation		11,152,302	10,905,479	9,853,660	9,434,218
Provision for Obsolete Inventories		21,753,083	12,427,472	21,753,083	12,143,308
Finance Income		(20,577,771)	(8,070,454)	(21,964,501)	(4,580,799)
Finance Expense		78,863,986	22,085,824	75,935,877	18,539,038
Profit on Disposal of Property, Plant and Equipment		(6,556,356)	-	(2,706,356)	-
Share of Profit of Equity Accounted Investees		(37,827,377)	(17,699,816)	-	-
Revaluation loss directly recognized in profit or loss		412,385	-	-	-
Loss on derecognition of investment in subsidiary		18,119,256	-	-	-
Amortization of Prepaid Lease Rent		-	270,786	-	174,816
Operating Profit Before Working Capital Changes		435,334,564	371,405,376	466,151,168	371,253,616
Working Capital Changes					
(Increase)/Decrease in Inventories		(91,640,592)	17,812,153	(111,255,567)	(4,306,193)
(Increase)/Decrease in Trade and Other Receivables		66,250,361	(2,356,128)	75,994,643	(5,113,263)
(Increase)/Decrease in Due from Related Parties		43,287,217	10,781,762	43,287,217	11,439,833
Increase/(Decrease) in Trade and Other Payables		104,101,370	(45,655,044)	106,044,408	(30,943,530)
Increase/(Decrease) in Due to Related Parties		(7,958,640)	6,423,006	(9,058,047)	7,491,106
Cash Generated from Operations		549,374,280	358,411,125	571,163,822	349,821,569
Premium paid Leasehold premises		-	(3,852,031)	-	-
Interest Paid		(71,894,834)	(22,085,824)	(71,718,390)	(18,539,058)
Tax Paid		(23,506,317)	(5,699,271)	(22,929,855)	(12,442,743)
Payment of Retirement Benefit Obligation		(3,461,020)	(5,343,876)	(2,414,481)	(5,343,876)
Net Cash Flows Generated from / (Used in) Operating Activities		450,512,110	321,430,124	474,101,096	313,495,892
Cash Flows from Investing Activities					
Acquisition of Property, Plant and Equipment		(439,551,569)	(125,306,136)	(434,186,505)	(123,306,731)
Acquisition of Biological Assets		(9,858,411)	(9,590,665)	-	-
Proceeds from Disposal of Property, Plant and Equipment		25,851,126	-	9,472,115	-
Investments in Existing Subsidiaries		-	-	(230,549,000)	(230,549,000)
Investment in equity accounted investees		(232,874,997)	(203,000,000)	-	-
Interest Received		20,577,771	8,070,454	21,964,501	4,580,799
Dividend Income from Investments including					
Equity Accounted Investees		2,394,000	6,900,000	-	-
Disposal of subsidiaries net of cash		21,904,440	(72,099,239)	-	-
Net Cash (Generated from) / Used in Investing Activities		(611,557,640)	(395,025,586)	(633,298,889)	(349,274,932)
Cash Flows from Financing Activities					
Loans and Borrowings obtained during the period		1,618,190,635	954,360,866	1,618,190,635	954,360,866
Repayment of Loans and Borrowings		(1,304,588,988)	(1,002,529,730)	(1,304,588,988)	(1,000,482,559)
Repayment of Lease Obligations		(16,081,477)	(3,000,000)	(13,081,479)	-
Dividend Paid		(66,375,458)	-	(67,410,000)	(6,332)
Net Cash Flows Generated From/(Used) in Financing Activities		231,144,712	(51,168,864)	233,110,168	(46,128,025)
Net Increase/ (Decrease) in Cash and Cash Equivalents		70,099,183	(124,764,325)	73,912,375	(81,907,065)
Cash and Cash Equivalents at the beginning of the Period		65,806,141	190,570,467	54,948,538	136,855,603
Cash and Cash Equivalents at the End of the Period (Note No. 24)		135,905,324	65,806,142	128,860,913	54,948,538

The notes to the Financial Statements on pages 41 to 81 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. Reporting Entity

Renuka Agri Foods PLC is a public quoted 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 of the Company is located at No. 69, Sri Jinathana Road, Colombo 2.

The consolidated financial statements of the Company as at and for the year ended 31st March 2020 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The principal activities of the Company is manufacturing and sale of coconut related food products. Ceylon Forestry (Private) Limited and Ceylon Botanicals (Private) Limited are engaged in a business of planting timber species in identified plots of land & manage them till harvest and to purchase, buy, acquire, or take on lease or otherwise acquire land & other property for purpose of Group/Company subject. Kandy Plantations Limited is engaged in business of cultivating coconut, producing organic coconut, green pepper and sale of coconut and copra. Coco Lanka (Private) Limited is engaged in sourcing, manufacturing and exporting of organic food products. Renuka Developments (Private) Limited is the organic certification licence holder and investment in plantation / farm of vertical integration projects. Matale Valley Plantations Limited is engaged in Plantation.

1.2. Parent and Ultimate Parent Undertaking

The Company's parent enterprise is Renuka Foods PLC, and the Company's ultimate parent is Renuka Holdings PLC which is incorporated in Sri Lanka.

1.3. Financial Year

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Consolidated Financial Statements of the Group as at 31st March 2020 have been prepared in accordance with the Sri Lanka Accounting standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 28th August 2020. This is the first set of Annual Financial in which SLFRS 16 - Leases has been applied. The related changes are described in Note 2.6.

2.2. Basis of measurement

The Consolidated 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,
- Liability for defined benefit obligations is carried at the present value of the defined benefit obligations,
- Land and Buildings are carried at fair value.

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

2.3. Functional and presentation currency

These Consolidated Financial Statements are presented in Sri Lankan rupees, which is the Company's functional currency. All financial information presented has been rounded to the nearest rupee unless otherwise indicated.

2.4. Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with SLFRSs 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 significant effect on the amounts recognized in the Financial Statements is included in the respective notes to the Financial Statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in respective notes to the Financial Statements.

2.4.1. Transfer pricing regulation

The Group is subject to income taxes and other taxes including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations, necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly critical judgments and estimates were used in applying the regulations in aspects including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of management's interpretation and application of transfer pricing regulation.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

2.5. 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.

Such includes management's assessment of the existing and anticipated effects of COVID-19 on the Company and its subsidiaries. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.5.1 Impact of COVID 19 and Way Forward

In the immediate aftermath of the COVID-19 outbreak in Sri Lanka, measures have been taken by the Management to reduce the risks by implementing social distance work environment, work from home and implementation of the procedures laid out by the Ministry of Health and Indigenous Medical Services in the factory and the office premises. Key impacts are summarized below:

People	In line with the Group guidelines, the Company has implemented comprehensive measures to ensure the safety of all our employees.
Supply Chain and Logistics	<ul style="list-style-type: none"> • Temporary disruptions to raw material supply where actions been taken to bring it to the normalcy. • Impact on distribution and logistics during the lockdown temporarily affected continuity of operations.
Strategies	In line with the guidelines issued by the Group, the Company has introduced a range of measures to preserve liquidity and curtail losses in this challenging period; these measures include deferment of non-essential expenditure, recruitment and advertising/promotion expenses as well as renegotiation with suppliers and banks.

2.6 Changes in significant accounting policies

The group initially adopted SLFRS 16 Lease from 1 January 2019. SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard (LKAS 17 Leases) - i.e. lessors continue to classify leases as finance or operating leases.

The Group applied SLFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at 1 April 2019. Accordingly, the comparative information presented for 2018/2019 is not restated.

As a Lessee

As a Lessee, the Group leases Land and building. The Group previously classified as operating or finance lease based on its assessment of whether the lease transferred significantly all of the risk and rewards incidental to ownership of the underlying assets to the Group. Under SLFRS 16, The Group recognizes right to use assets and lease liabilities of leases are on balance sheet.

At the 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 price.

Leases classified as operating leases under LKAS 17

Previously, the Group classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019.

Right of Use Assets are measured at either;

- Their carrying amounts as if SLFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right to use assets for impairment on the date of transition and has concluded that there is no indication that the right of use assets are impaired.

The Group used number of practical expedient when applying SLFRS 16 to leases previously classified as operating lease under LKAS 17. In particular, the Group:

- did not recognized right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial recognition;
- did not recognize right of use assets and liabilities for leases of low value assets
- excluded initial direct costs from the measurement of the right of use assets at the date of initial application; and
- used hindsight when determine the lease term.

Impact on financial statements - RAF

On transition of SLFRS 16, the group recognized additional right of use assets and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below

	31st March 2019	
	Group	Company
Right of use assets	51,442,762	36,543,937
Lease Liabilities	(72,915,040)	(50,968,363)
Retained earnings	(21,472,278)	(14,424,426)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate as at 31st March 2019.

	31st March 2019	
	Group	Company
Operating lease commitments as 31st March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	49,500,000	-
Discounted using incremental borrowing rate at 31st March 2019	72,915,040	50,968,363

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, and have been applied consistently by Group entities.

3.1. Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Company, its subsidiaries and other companies over which it has control. The Group's Financial Statements comprise of the consolidated Financial Statements of the Company and the Group which have been prepared in compliance with the group's accounting policies.

3.1.1. Business combinations

The Group accounts for business combinations using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. 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 recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non - controlling interest in acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre - existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed
- When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

3.1.3. Non-controlling interests

Non - controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners.

3.1.4. Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity.

Any resulting gain or loss is recognised in profit or loss. Any Interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.5. Investment in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies.

Interests in associate is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

3.1.6. Transactions eliminated on consolidation

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

3.2. Foreign Currency

3.2.1. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- Equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)

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 amortized 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 and 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 on an arm's length basis.

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 arm's length 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 Group, 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.

3.3.5. Stated Capital

3.3.5.1. Ordinary shares

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

3.4. Property, Plant and Equipment

3.4.1. Recognition and Measurement

Land and Buildings are measured at fair value less accumulated depreciation and accumulated impairment loss and other items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the 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.

3.4.1.1. Revaluation Method

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 recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using a straight-line basis over their estimated useful economic life. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another 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.

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.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Class of Assets	Useful Lifetime (Years)
Factory Buildings	40
Plant and machinery	10-20
Land Development	10-20
Electrical Installation	10
Workshop Tools	10
Laboratory Equipment	10
Factory Equipment	10
Office Equipment	10
Furniture and Fitting	10
Motor vehicle	05
Revalued Buildings	20-25

3.5. Intangible Assets and Goodwill

3.5.1. Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at initial recognition in accordance with Note 3.1.1.

3.5.1.1. Subsequent Measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included

in the carrying amount of the investment, and any impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3.5.2 Other intangible assets

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

3.5.3 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.

3.5.4. Amortization

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

Class of Assets	Useful Lifetime (Years)
Computer Software	5 years
Trade License	10 years

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

3.6. 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. Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Managed Timber, Tea, rubber, other plantations and nurseries are classified as biological assets. Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce or sold as biological assets. The Group recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

The managed timber is measured on initial recognition and at the end of each reporting periods at its fair value less cost to sell in terms of LKAS 41. The cost

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

is treated as approximation to fair value of young plants as the Impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independence professional valuer. All other assumptions are given in Note 13 to the financial statements. The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

3.7. Lease

The Group adopted SLFRS 16 from 01 April 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at the date of initial application. Accordingly the information presented for 2018/2019 has not been restated, i.e. it is presented, as previously reported, under LKAS 17 and IFRIC 04.

Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease of the contract conveys the right to control the use of an identified assets for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of a identified asset, the Group uses the definition of a lease in SLFRS 16.

This policy applied to contract entered into, on or after 1st April 2019.

As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocate 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 estimates 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 if use

asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 a n 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 don not meet the definition of investment property in 'property plant and equipment' and lease liabilities in 'loan and borrowings' 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 recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- The purchaser has the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risk and rewards of the ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payment over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss in straight-line basis over the term of lease. Lease incentives received were recognized as an integral part of the total lease expenses, over the term of lease.

3.8. Premium paid on Leasehold Land

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

3.9. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred in acquiring the Inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost incurred in bringing inventories to the present location and condition is recognized as follows.

- Raw Material - At cost determined at the factory on weighted average cost method
- Finished Goods - At factory cost of direct materials, direct labor and appropriate proportion of fixed production overheads at normal operating capacity.
- Goods in transit - At the actual cost
- Packing Material - At cost determined at the factory on weighted average cost method
- Harvested Crops - Inventory of harvested crop sold has been valued at realized price. Unsold harvested crop have been valued at estimated realizable value net of direct selling expenses. This basis has been adopted to recognize the profit/loss on perennial crops in the financial period of harvesting.

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

3.10. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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 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-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 plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior period; that benefit is discounted to determine its present value.

The retirement benefit obligation of the Group is based on the actuarial valuation using Projected Unit Credit (PUC) methods as recommended by Sri Lanka Accounting Standards (LKAS 19) Employee Benefits. The calculation is performed by individual actuary using the projected unit credit method. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 27 to the Financial Statements.

The Group recognizes all actuarial gains and losses arising from the defined benefit plans immediately in the statement of comprehensive income. The liability is disclosed under non-current liabilities in the statement of financial position and not externally funded. However, as per the Payment of Gratuity Act No. 12 of 1983 the liability to an employee arises only on completion of 5 years of continued services.

3.11.2. Defined benefit plan-Employee Provident Fund and

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

3.12. 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 benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pretax 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.

3.13. Commitments and Contingent Liabilities

Contingent Liabilities are possible obligations whose existence will be confirmed only by occurrence or nonoccurrence of uncertain future events not wholly within the control of the Group or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Capital Commitment and Contingent Liabilities of the Company and the Group are disclosed in the respective notes to the Financial Statements.

3.14. Events after the Reporting Period

The materiality of the events after the reporting period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

3.15. Revenue

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.

3.16. Finance income and finance costs

Finance Income comprises interest income on funds invested recognized in profit or loss using the effective interest method. 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 on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position. Dividend income recognized when the right to receive the dividend is established.

3.17. Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3.17.1. Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

3.17.2. 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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

3.18. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid are classified as operating cash flows, interest received is classified as investing cash flows for the purpose of presenting Statement of Cash Flows.

3.19. 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.

3.20. Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

3.21. Segment Reporting

Segment results that are to the Group's CEO (the Chief Operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

3.22 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

3.23 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 resale.

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 re-presented as if the operation had been discontinued from the start of the comparative year.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.1. Biological assets

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

4.2. 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. The fair value of held-to-maturity investment is determined for disclosure purposes only.

4.4. Trade and other receivables

The fair values of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial period beginning on or after 1 April 2020. Accordingly, those standards have not been applied in preparation of those Consolidated Financial Statements.

The following amended standards and the interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in SLFRS standards
- Definition of a Business (Amendments to SLFRS 3)
- Amendments to LKAS 1 and LKAS 8

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
6. REVENUE				
Export Sales	2,211,448,339	2,126,995,844	2,211,448,339	2,126,995,844
Local Sales	446,268,860	503,549,672	433,877,037	497,877,719
	2,657,717,199	2,635,545,516	2,645,325,376	2,624,873,563
7. OTHER OPERATING INCOME				
Insurance Claim	-	127,950	-	-
Fair Value Gain on Biological Assets	9,972,677	4,772,205	-	-
Profit on Sale of Property, Plant & Equipment	6,556,356	150,000	2,706,356	-
Dividend Income	-	3,529,699	-	-
Sundry Income	5,513,140	11,180,109	34,200	4,812,136
	22,042,173	19,759,963	2,740,556	4,812,136
8. Profit from Operations				
Is stated after charging all expenses including the following :				
Directors' Remuneration and Fees	65,276,480	44,848,430	65,276,480	44,848,430
Auditor's Remuneration				
Audit Services	1,287,000	1,336,250	840,000	923,500
Non Audit Services	656,200	328,750	656,200	328,750
Depreciation on Property, Plant and Equipment	125,813,047	111,610,424	114,419,707	100,043,261
Loss on de-recognition of investment in subsidiary	18,119,256	-	-	-
Provision on Obsolete Stocks	21,753,083	12,427,473	21,753,083	12,143,308
Personnel Costs (Note 8.1)	409,947,603	351,912,640	387,202,422	323,092,669
8.1 Personnel Costs				
Salaries, Wages and Related Expenses	363,099,541	306,631,412	343,646,458	281,839,730
Defined Contribution Plan Costs - EPF and ETF	35,695,762	34,375,749	33,702,304	31,818,721
Defined Benefit Plan Costs - Retirement Gratuity	11,152,300	10,905,479	9,853,660	9,434,218
	409,947,603	351,912,640	387,202,422	323,092,669

8.2 DISCONTINUED OPERATIONS

In September 2018, the Group acquired Royal Candle Works Ceylon (Private) Ltd with the intention of recovery of the investment from sale, rather than continue of use. Management expects to sell this segment before the end of March 2020 financial year, following a strategic decision to place greater focus on the Group's key competencies. The Group has not committed to any intra-group transactions with Royal Candle Works Ceylon (Private) Ltd during the year.

	GROUP	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.
8.2.1 Results of discontinued operations		
Revenue	27,022,028	4,614,350
Expenses	(63,872,085)	(3,145,319)
Results from operating activities	(36,850,057)	1,744,560
Income tax	-	(275,528)
Profit / (Loss) for the year	(36,850,057)	1,469,032
Other comprehensive income	17,347	113,860
Total Comprehensive Income / (Expenses) for the Year	(36,832,710)	1,582,892
Basic Earnings / (Loss) per share	(0.06)	(0.00)
8.2.2 Cash flows generated from or (used in) discontinued operations		
Net Cash used in operating activities	(2,882,952)	(5,838,122)
Net Cash generated from investing activities	(3,830,766)	(1,864,953)
Net Cash generated from financing activities	(1,910,371)	1,910,371
Net Cash flows for the year	(8,624,089)	(5,792,704)

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
9. NET FINANCE COST				
Finance Income				
Interest on - Call Deposits	1,733,254	2,482,222	1,417,124	1,285,338
- Savings Accounts	952,825	279,608	829,264	206,694
- Foreign Currency Accounts	-	1,511,806	-	-
- Inter Company Loans	1,600,000	3,209,301	3,428,329	2,501,250
Exchange Gain	16,291,692	587,517	16,289,784	587,517
	20,577,771	8,070,454	21,964,501	4,580,799
Finance Cost				
Interest on - Bank Loans	(12,291,127)	(7,449,985)	(12,291,127)	(4,278,434)
- Bank Overdraft	(216,693)	(101,582)	(216,693)	(99,997)
- Lease	(6,076,984)	-	(3,325,320)	-
- Packing Credit Loans	(11,019,789)	(14,160,607)	(11,019,789)	(14,160,607)
- Other	(6,850)	(27,098)	-	-
Inter Company Loan	-	(573,030)	-	-
Exchange Gain/(Loss)	(49,252,543)	379,349	(49,082,948)	-
	(78,863,986)	(21,932,953)	(75,935,877)	(18,539,038)
	(58,286,215)	(13,862,499)	(53,971,376)	(13,958,239)
10. TAXATION				
Income Tax Charge for the Year (Note 10.1)	13,968,123	37,695,515	13,968,123	37,116,955
Under/ (Over) Provisions in Respects of Previous Years	(19,072,413)	237,092	(19,095,214)	-
Deferred Tax Provision/(Reversal) for the Year (Note 30)	(7,053,801)	(6,438,885)	(11,510,860)	(1,463,661)
	(12,158,091)	31,493,722	(16,637,951)	35,653,294
10.1 Reconciliation Between Accounting Profit and Taxable Income				
Profit Before Tax	280,822,884	239,501,581	259,196,521	235,499,774
Share of Results of Equity Accounted Investees	(37,827,377)	(17,699,816)	-	-
Dividend Income from Group Companies	2,394,000	5,934,000	-	-
Other Consolidation Adjustments	(2,298,587)	(5,934,000)	-	-
Profit Before Income Tax Before Adjustments	243,090,920	221,801,765	259,196,521	235,499,774
Aggregate Disallowable Expenses	212,219,020	147,219,951	143,361,534	134,195,858
Aggregate Allowable Expenses	(215,446,550)	(125,340,731)	(169,756,009)	(104,574,526)
Aggregate Other Income	(817,344)	(2,806,527)	-	(1,492,033)
Aggregate Exempt Income	(6,244,000)	(9,126,080)	-	-
Statutory Income from Business	232,802,046	231,748,378	232,802,046	263,629,073
Taxable Aggregate Other Income	817,344	2,806,527	-	1,492,033
Total Statutory Income	233,619,390	234,554,905	232,802,046	265,121,106
Brought Forward Loss Claimed during the Year	(817,344)	(1,314,494)	-	-
Taxable Income	232,802,046	233,240,411	232,802,046	265,121,106
Income Tax at 28%	-	578,560	-	-
Income Tax at 14%	-	37,116,955	-	37,116,955
Income Tax at 12% (50% Concessionary)	13,968,123	-	13,968,123	-
	13,968,123	37,695,515	13,968,123	37,116,955
10.2 Tax Losses				
Tax Losses Brought Forward	124,105,406	92,091,787	-	-
Tax Losses incurred/(reversal) during the year	18,727,935	32,013,619	-	-
Tax Losses Utilised	(817,344)	-	-	-
Tax Losses Carried Forward	142,015,997	124,105,406	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

10. TAXATION (CONTINUED)

10.3 Income tax rates applicable to the company and subsidiaries

10.3.1 The Company

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 same benefit can be claimed under the Inland Revenue Act No. 24 of 2017 based on the Gazette Notification No.2064/53 dated 01 April 2018. Other Income is liable at reduced rate since the company's predominantly conducting a business of exporting goods, which is taxed at the reduced rate, as indicated above.

10.3.2 Subsidiaries

a) 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.

Company's other income is liable for income tax at the rate of 24%/28%.

b) Ceylon Botanicals (Private) Limited

The Company is liable to income tax at the rate of 24%/28%.

c) 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%.

However, other income would be liable to Income Tax at the rate of 24%/28% for the year.

d) 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 Company is liable to income tax at 14% on profit from agriculture from the year of assessment 2018/2019 under the Inland Revenue Act No. 24 of 2017.

e) Coco Lanka (Private) Limited

The Company is liable to income tax at the rate of 14%.

f) Coco Serendib (Private) Limited

The Company is liable to income tax at the rate of 14%.

g) Matale Valley Plantations (Private) Limited

The Company is liable to income tax at the rate of 14%.

h) The Company and its subsidiaries applied the Notice PN/IT/2020 dated 06th May 2020 issued by the Commissioner General of Inland Revenue in arriving at the tax liability for the year of assessment 2019/2020. Further difference between computing current tax liability using the propose rate of 24% and existing 28% has an immaterial impact on the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

11. EARNINGS PER SHARE**11.1 Basic Earnings Per Share**

The computation of the basic earnings per share is based on the profit 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:

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	2020	2019	2020	2019
Profit for the period, attributable to Equity Holders of the Company (Rs.)	253,975,830	208,277,773	275,834,472	199,846,480
Weighted Average number of Ordinary Shares	561,750,000	561,750,000	561,750,000	561,750,000
Basic Earnings per Share (Rs.)	0.45	0.37	0.49	0.36

11.2 Diluted Earnings Per Share

The Computation of diluted earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	2020	2019	2020	2019
Profit for the period, attributable to Equity Holders of the Company (Rs.)	253,975,830	208,277,773	275,834,472	199,846,480
Weighted Average number of Ordinary Shares	561,750,000	561,750,000	561,750,000	561,750,000
Diluted Earnings per Share (Rs.)	0.45	0.37	0.49	0.36

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown in Note 11.1

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	2020	2019	2020	2019
11.3 Dividend Per Share				
Dividend Declared and Paid during the Year (Rs.)	67,410,000	-	67,410,000	-
Weighted Average Number of Ordinary Shares	561,750,000	-	561,750,000	-
Dividend Per Share (Rs.)	0.12	-	0.12	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

AS AT 31ST MARCH 12. Property, Plant and Equipment

12.1 Company

	Freehold Land	Factory Buildings	Plant and Machinery	Furniture Fittings	Electrical Installation	Workshop Tools	Laboratory Equipment	Factory Equipment	Office Equipment	Motor Vehicles	Capital Work In Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / Revaluation												
As at 1st April 2018	21,428,000	396,364,168	941,638,858	22,806,486	29,183,505	118,701	2,796,374	96,024,085	13,651,494	87,794,082	1,607,197	1,613,412,950
Additions During the Year	-	3,397,674	35,017,537	527,696	61,143,494	-	-	20,021,748	2,467,983	730,600	-	123,306,732
As at 31st March 2019	21,428,000	399,761,842	976,656,395	23,334,182	90,326,999	118,701	2,796,374	116,045,833	16,119,477	88,524,682	1,607,197	1,736,719,682
As at 1st April 2019	21,428,000	399,761,842	976,656,395	23,334,182	90,326,999	118,701	2,796,374	116,045,833	16,119,477	88,524,682	1,607,197	1,736,719,682
Additions During the Year	-	13,466,255	343,118,129	2,015,087	62,988,466	-	31,500	124,170	1,656,651	-	10,786,247	434,186,505
Revaluation During the Year	(308,000)	31,134,964	-	-	-	-	-	-	-	-	-	30,826,964
Disposals/Transfers During the Year	-	(74,323,061)	-	-	-	-	-	-	-	(6,765,759)	-	(81,088,820)
As at 31st March 2020	21,120,000	370,040,000	1,319,774,524	25,349,269	153,315,465	118,701	2,827,874	116,170,003	17,776,128	81,758,923	12,393,444	2,120,644,331
Accumulated Depreciation												
As at 1st April 2018	-	52,059,120	451,519,080	16,772,020	15,169,714	105,341	2,189,873	34,148,782	6,043,825	58,628,291	-	636,636,046
Charge for the Year	-	10,978,423	65,760,665	1,003,864	1,653,310	3,161	91,904	9,223,941	1,450,540	9,877,453	-	100,043,261
As at 31st March 2019	-	63,037,543	517,279,745	17,775,884	16,823,024	108,502	2,281,777	43,372,723	7,494,365	68,505,744	-	736,679,307
As at 1st April 2019	-	63,037,543	517,279,745	17,775,884	16,823,024	108,502	2,281,777	43,372,723	7,494,365	68,505,744	-	736,679,307
Charge for the Year	-	11,285,518	74,097,447	1,081,941	11,096,799	3,170	90,543	9,352,727	1,505,899	5,905,663	-	114,419,707
Transfers During the Year	-	(74,323,061)	-	-	-	-	-	-	-	-	-	(74,323,061)
As at 31st March 2020	-	-	591,377,192	18,857,825	27,919,823	111,672	2,372,320	52,725,450	9,000,264	74,411,407	-	776,775,953
Written Down Value												
As at 31st March 2020	21,120,000	370,040,000	728,397,332	6,491,444	125,395,642	7,029	455,554	63,444,553	8,775,864	7,347,516	12,393,444	1,343,868,378
As at 31st March 2019	21,428,000	336,724,299	459,376,650	5,558,298	73,503,975	10,199	514,597	72,673,110	8,625,112	20,018,938	1,607,197	1,000,040,375

Fair value of the Land & Building is ascertained by an independent valuation carried out by Mr. A.A.M Fathihu - FIV (Sri Lanka) as at 31st March 2020. Valuation is carried out in reference to Sri Lanka Accounting Standard LKAS 16 Property, Plant and Equipment of 2011 and SLFRS 13 together with Valuation Standards.

Original cost of Revalued Land and building of the Company was Rs. 179,880,264.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

AS AT 31ST MARCH
12. Property, Plant and Equipment

12.2 Group

	Freehold Land	Factory Buildings	Plant and Machinery	Land Development	Furniture Fittings	Electrical Installation	Workshop Tools	Laboratory Equipment	Factory Equipment	Office Equipment	Motor Vehicles	Capital Work In Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost / Revaluation													
As at 1st April 2018	259,528,980	438,721,416	998,078,186	15,265,805	23,756,759	30,789,082	118,701	8,573,898	95,252,335	15,409,045	115,124,121	5,086,259	2,005,704,587
Additions During the Year	1,929,585	9,811,953	35,267,601	401,906	534,596	61,633,494	-	-	20,246,976	2,606,517	730,600	998,182	133,691,410
Acquisition of Subsidiary	-	15,441,581	14,422,308	-	259,278	-	-	-	107,196	1,220,485	-	-	31,450,848
Transfers during the Year	-	-	-	-	-	-	-	-	-	-	-	-	(4,533,244)
As at 31st March 2019	261,458,565	463,974,950	1,047,768,095	15,667,711	24,550,633	91,952,576	118,701	8,573,898	115,606,507	19,236,047	115,854,721	1,551,197	2,166,313,601
As at 1st April 2019	261,458,565	463,974,950	1,047,768,095	15,667,711	24,550,633	91,952,576	118,701	8,573,898	115,606,507	19,236,047	115,854,721	1,551,197	2,166,313,601
Additions During the Year	-	13,992,575	343,118,129	584,821	2,015,087	62,988,466	-	31,500	204,547	1,656,651	-	14,959,793	439,551,569
Revaluation During the Year	96,134,435	35,063,052	-	-	-	-	-	-	-	-	-	-	131,197,487
Disposals / Transfers During the Year	-	(91,988,173)	-	-	-	-	-	-	-	-	(16,987,034)	-	(108,975,207)
Disposal of subsidiary	-	-	(14,672,372)	-	(259,278)	-	-	-	(107,196)	(1,220,485)	-	-	(16,259,331)
As at 31st March 2020	357,593,000	421,042,404	1,376,213,852	16,252,532	26,306,442	154,941,042	118,701	8,605,398	115,703,858	19,672,213	98,867,687	16,510,990	2,611,828,119
Accumulated Depreciation													
As at 1st April 2018	-	50,254,867	481,449,479	650,914	16,880,061	16,177,817	105,341	3,471,807	35,935,414	6,775,250	771,30,824	-	688,831,774
Acquisition of Subsidiary	-	2,453,657	11,830,219	-	259,278	-	-	-	13,395	1,022,865	-	-	15,579,415
Charge for the Year	-	12,953,884	69,657,550	1,889,939	1,133,644	1,813,890	3,161	91,904	9,437,248	1,686,328	12,942,876	-	111,610,424
As at 31st March 2019	-	65,662,408	562,937,248	2,540,853	18,272,983	17,991,707	108,502	3,563,711	45,386,057	9,484,444	90,073,700	-	816,021,612
As at 1st April 2019	-	65,662,408	562,937,248	2,540,853	18,272,983	17,991,707	108,502	3,563,711	45,386,057	9,484,444	90,073,700	-	816,021,612
Charge for the Year	-	13,796,755	77,844,436	1,919,597	1,211,764	11,262,357	3,170	90,543	9,619,368	1,540,983	8,404,098	-	125,813,047
Disposals / Transfers During the Year	-	(79,459,163)	-	-	-	-	-	-	-	-	(10,221,275)	-	(89,680,438)
Disposal of subsidiary	-	-	(11,830,219)	-	(259,278)	-	-	-	-	(1,156,820)	-	-	(13,246,318)
As at 31st March 2020	-	628,951,465	4,460,450	4,460,450	19,225,469	29,254,064	111,672	3,654,254	55,005,425	9,868,607	88,256,523	-	838,907,903
Written Down Value													
As at 31st March 2020	357,593,000	421,042,404	747,262,387	11,792,082	7,080,973	125,686,978	7,029	4,951,144	60,698,433	9,803,606	10,611,164	16,510,990	1,772,920,215
As at 31st March 2019	261,458,565	398,312,543	484,830,847	13,126,858	6,277,650	73,960,869	10,199	5,010,187	70,220,450	9,751,603	25,781,021	1,551,197	1,350,291,989

Fair value of the Land & Building is ascertained by an independent valuation carried out by Mr. A.A.M Fathihu - FIV (Sri Lanka) as at 31st March 2020. Valuation is carried out in reference to Sri Lanka Accounting Standard LKAS 16 Property, Plant and Equipment of 2011 and SLFRS 13 together with Valuation Standards.

Original cost of Revalued Land and building of the Group was Rs. 434,117,174.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

12.3 Fully depreciated property, plant and equipment still in use

Group

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31st March 2020 is Rs. 235,897,979 (2019 - Rs. 231,297,329/-).

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31st March 2020 is Rs. 216,135,371 (2019 - Rs. 204,739,506/-).

12.4 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.

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.

Fair Value as at 31.03.2020 Rs.						
Company	Location	Last revaluation Date	Land Extent	Land	Free Hold Buildings	No of Buildings
Renuka Agri Foods PLC	Unagahadeniya	31st March 2020	0A-1R-30.40P	21,120,000	903,000	1
	Wathupitiwala / Griulla	31st March 2020	-	-	369,137,000	11
Renuka Developments (Pvt) Ltd	Unagahadeniya	31st March 2020	1A-3R-23.30P	75,825,000	24,775,000	7
Kandy Plantations Ltd	Nalla, Diuldeniya	31st March 2020	-	-	8,973,000	3
Coco Lanka (Pvt) Ltd	Coco Watte Estate, Puttalam	-	165A-1R-05.00P	180,448,000	11,005,000	5
Matale Valley Plantation (Pvt) Ltd	Matale	-	20A-2R-4.70P	60,200,000	-	-
Ceylon Botanicals (Pvt) Ltd	Viharagama Estate, Matale	31st March 2017	67A-3R-02.00P	20,000,000	-	-

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 particularly motivated buyers or sellers are too compensated for, since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square fact 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)

	GROUP		COMPANY	
AS AT 31ST MARCH 2020	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
13. BIOLOGICAL ASSETS				
Balance as at the Beginning	71,121,024	57,685,403	-	-
Additions During the Year	9,858,411	8,663,416	-	-
Gain on Fair Value During the year	9,972,677	4,772,205	-	-
Balance at the End	90,952,112	71,121,024	-	-
Represented by				
Biological Assets at Fair Value (Note 13.1)	55,950,814	44,924,590	-	-
Biological Assets at Cost less Depreciation (Note 13.2)	33,171,208	24,126,744	-	-
Immature Pepper Plantation	1,830,090	1,469,690	-	-
	90,952,112	70,521,024	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

13.1 Biological Assets at Fair Value

Biological Assets at Fair Value as at 31st March 2020 consists of Ceylon Forestry (Private) Limited's investment made for Teak and Mahogany plants and Coco Lanka (Private) Limited's investments made for Timber plants.

13.1.1 Ceylon Forestry (Private) Limited

The biological asset harvested is on the land owned by Ceylon Botanicals (Private) Limited (a subsidiary company of the Group), for which rent has been paid by Ceylon Forestry (Private) Limited. The total extent of the land is 67-A-3R-03.00P. The planted area is 42 acres. Number of trees are 13,987.

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.

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 under note No. 13.

13.1.2 Coco Lanka (Private) Limited

The biological assets is on the land acquired by Coco Lanka (Private) Limited. The total extent of the land is 159 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 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 under note No. 13.

13.1.3 Key assumptions used in valuation are as follows

Variable	Comment
Timber	Estimated based on the girth, height and considering the growth and present age of the trees of each species in different geographical regions, factoring all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company approved by the Forestry Department.
Economic Useful Life	Estimated based on normal life span of each species by factoring the forestry plan of the Company approved by the Forestry Department
Selling Price	Estimated based on prevailing Sri Lankan market prices factoring all the conditions to be fulfilled in bringing the trees in to salable condition.
Discount Rate	Future cash flows are discounted at the rate of 13% (2019 - 13%)

The valuations, as presented in the external valuation models based on the net present values, taken 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:	<p>The estimated average future sales price of timber may increase or decrease within a +10% to -10% range.</p> <p>The risk-adjusted discount rate of 13% may stimulate an increase or a decrease between the ranges +1% to -1%</p>
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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

13.1.4 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:

Sales price fluctuation	+10%	0	-10%
Managed Timber	Rs.	Rs.	Rs.
As at 31st March 2020	61,545,896	55,950,814	50,355,732

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:

Discount rate fluctuation	+1%	0	-1%
Managed Timber	Rs.	Rs.	Rs.
As at 31st March 2020	51,560,795	55,950,814	60,878,800

- 13.2** 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.3,941,401 (2018/19 - Rs.3,397,337) 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.

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
14. INTANGIBLE ASSETS				
Goodwill on Acquisition (Note 14.1)	10,101,732	13,729,287	-	-
Balance at the End	10,101,732	13,729,287	-	-
14.1 Goodwill on Acquisition				
At the Beginning of the Year	13,729,287	10,101,732	-	-
Additions During the Year	-	3,627,555	-	-
Disposal of Subsidiary	(3,627,555)	-	-	-
At the End of the Year	10,101,732	13,729,287	-	-
14.1.1 Goodwill on Acquisition Consist of Following Companies				
Coco Lanka (Private) Limited	10,101,732	10,101,732	-	-
Royal Candle Works Ceylon (Private) Limited	-	3,627,555	-	-
	10,101,732	13,729,287	-	-

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
15. IMMOVABLE ESTATE ASSETS ON LEASE				
Balance as at the Beginning	38,499,960	41,249,964	-	-
Impact on Adoption of SLFRS 16	(31,238,416)	-	-	-
Transferred to Right of Use Assets	(7,261,544)	-	-	-
Amortization During the Year	-	(2,750,004)	-	-
Balance at the End	-	38,499,960	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Kandy Plantations Limited - Immovable Estate Assets on Lease

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

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

With the initial application of SLFRS 16 - Leases, the Immovable Estate assets on lease has been transferred to Right of Use Assets after the impact adjustment.

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
16.1 PREMIUM PAID FOR LEASEHOLD PREMISES				
Balance as at the Beginning	10,631,343	7,050,098	6,875,282	7,050,098
Acquisition of Subsidiary	-	3,852,031	-	-
Transferred to Right of Use Assets	(6,875,282)	-	(6,875,282)	-
Disposal of subsidiaries	(3,756,061)	-	-	-
Amortization During the Year	-	(270,786)	-	(174,816)
Balance at the End	-	10,631,343	-	6,875,282

This represents the premium paid to the Board of Investment of Sri Lanka for the acquisition of leasehold land in year 2001 and in year 2014. The premium is amortized over the leasehold period of 50 years with effect from the year 2001 and year 2014, respectively. With the initial application of SLFRS 16 - Leases, the Premium Paid for Leasehold Premises has been transferred to Right of Use Assets.

16.2 Right of Use Assets

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 data. 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. Previously these leases were classified as operating leases under LKAS 17.

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

Renuka Agri Foods PLC - BOI Land Wathupitiwala, Head Office Building, Colombo 2
Kandy Plantations Ltd - Giriulla Estate
Ceylon Forestry (Pvt) Ltd - Viharagama Estate

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Impact on adoption of SLFRS 16				
- BOI Land / Right-To-Use Estate	8,790,988	-	8,790,988	-
- Head Office Building	27,752,949	-	27,752,949	-
Transferred from Immovable Estate Assets on lease	7,261,544	-	-	-
Transferred from premium paid for leasehold premises	6,875,282	-	6,875,282	-
Amortization during the year - BOI Land /Right-To-Use Estate	(930,876)	-	(412,194)	-
Amortization during the year - HO Building	(9,250,983)	-	(9,250,983)	-
Balance as at 31st March	40,498,904	-	33,756,042	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
17. INVESTMENT IN SUBSIDIARIES				
Renuka Developments (Private) Limited	-	-	1,912,983,721	1,682,434,721
	-	-	1,912,983,721	1,682,434,721

17.1 Investment in subsidiary - Company	% Holding		No. of Shares	
	2020	2019	2020	2019
Renuka Developments (Private) Limited	100%	100%	14,671,300	12,575,400

17.2 PRINCIPAL SUBSIDIARIES

AS AT 31ST MARCH 2020

The following disclosure excerpt highlights the group composition and the proportion of ownership interests held by NCI.

Company and Country of Incorporation/Operation	Principal Activities	Class of Shares Held	Proportion of class held	Group Interest (%)	Non-controlling interest (%)
Sri Lanka					
Renuka Developments (Private) Limited	Organic certification licence holder and investment in plantation / farm & vertical integration projects	Ordinary	100%	100%	0%
Kandy Plantations Limited (KPL)	Engaged in organic certified cultivation of agriculture	Ordinary	97%	97%	3%
Ceylon Forestry (Private) Limited (CFL)	Planting and managing of Forestry	Ordinary	58%	58%	42%
Ceylon Botanicals (Private) Limited (CBL)	Investment in Agricultural property	Ordinary	78%	78%	22%
Coco Lanka (Private) Limited (CLP)	Plantation	Ordinary	99%	99%	1%
Matale Valley Plantations Ltd (MVL)	Plantation	Ordinary	97%	97%	3%

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 non-controlling 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 ad losses 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
18. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES				
Renuka Agri Organics Limited	283,367,758	267,014,176	-	-
Shaw Wallace Ceylon Limited	417,460,638	364,040,474	-	-
Renuka Enterprises Limited	222,874,588	203,000,000	-	-
Richlife Dairies Limited	227,972,057	-	-	-
	1,151,675,041	834,054,650	-	-

18.1 PRINCIPAL EQUITY ACCOUNTED INVESTEEES**AS AT 31ST MARCH 2020**

The following disclosure excerpt provides summarized financial information for associates and a reconciliation to the carrying amount in the statement of financial position.

Name of associate and place of incorporation	Principal Activities	Financial statement reporting date	% holding in voting rights
Renuka Agri Organics Limited (RAO)	Manufacturing and export of Coconut based products	31st March 2020	20%
Shaw Wallace Ceylon Limited (SWCL)	Manufacture, market and distribute Fast moving consumer goods	31st March 2020	20%
Renuka Enterprises Limited (REL)	Provide support services to Group Companies	31st March 2020	20%
Richlife Dairies Ltd (RDL)	Manufacturing & distribution of dairy products	31st March 2020	20%

	RAO 2020 20%	SWCL 2020 20%	REL 2020 20%	RDL 2020 20%
Percentage Ownership Interest				
Non-current assets	522,102,119	2,953,541,394	1,730,002,429	655,554,930
Current assets	257,826,897	1,529,667,542	16,612,461	701,467,058
Non-current liabilities	(100,336,653)	(398,294,642)	(17,801,206)	(143,342,527)
Current liabilities	(260,672,771)	(1,441,710,586)	(16,270,668)	(341,824,769)
Non-controlling interests	-	(520,300,769)	(617,154,506)	-
Net Assets (100%)	418,919,592	2,122,902,938	1,095,388,510	871,854,692
Group's share of net assets (20%)	83,800,675	418,424,169	219,077,702	174,370,938
Goodwill	199,567,082	963,531	3,796,886	53,601,119
Carrying amount in the statement of financial position	283,367,758	417,460,638	222,874,588	227,972,057

18.2 Share of Profit from Equity Accounted Investees

Opening balance as at 1st April	267,014,176	364,040,474	203,000,000	-
Investment / (Disposal) during the year	-	(5,625,003)	17,500,000	221,000,000
Profit for the year	14,647,994	17,877,750	4,826,956	474,677
OCI	1,324,400	41,319,504	(58,367)	6,401,011
Dividend received	-	-	(2,394,000)	-
Share of net assets	381,187	(152,087)	-	96,369
Closing balance 31st March	283,367,758	417,460,638	222,874,588	227,972,057

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
19. INVESTMENTS IN FVOCI				
Shaw Wallace & Hedges Ltd	436,350,000	436,350,000	-	-
	436,350,000	436,350,000	-	-

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
20. INVENTORIES				
Raw Materials and Consumables	21,271,946	93,341,719	17,578,834	35,870,685
Finished Goods	293,365,162	201,117,839	293,365,162	201,117,839
Packing Material and Consumables	116,280,003	89,802,415	116,280,003	89,570,053
Machinery Spare Parts	95,815,235	82,248,807	95,815,235	82,248,807
Goods in Transit	8,386,036	2,491,258	7,535,370	2,491,258
Work in Progress	24,243,804	32,264,199	24,243,804	32,264,199
	559,362,186	501,266,237	554,818,408	443,562,841
Less : Provision for the Obsolete Inventories	(81,643,249)	(60,174,331)	(81,643,249)	(59,890,166)
	477,718,937	441,091,906	473,175,159	383,672,675

20.1 Provision for Obsolete Inventories				
Balance at the Beginning	60,174,331	47,746,858	59,890,166	47,746,858
Provisions made During the Year	21,753,083	12,427,473	21,753,083	12,143,308
Disposal of Subsidiaries	(284,165)	-	-	-
Balance at the End	81,643,249	60,174,331	81,643,249	59,890,166

21. TRADE AND OTHER RECEIVABLES				
Trade Debtors	149,726,678	270,967,570	149,726,678	270,967,570
Less : Impairment Provision	(1,630,519)	(1,630,519)	(1,630,519)	(1,630,519)
Staff Loans and Advances	5,296,082	343,700	5,296,082	343,700
Other Receivables	14,953,349	6,794,923	1,462,239	591,240
Pre- Payments	20,492,057	9,278,065	17,993,669	7,904,425
Deposit and Advances	96,114,300	67,483,543	94,557,089	64,188,921
Sundry Debtors	600,000	-	-	-
Impairment Provision	285,551,947	353,237,282	267,405,238	342,365,337

22. TAX RECOVERABLES				
VAT Recoverable	826,742	2,241,068	(202,095)	1,990,054
NBT Recoverable	590,778	566,281	590,778	566,281
Income Tax	2,039,755	2,119,646	-	-
WHT Recoverable	962,632	768,040	399,921	74,066
ESC Recoverable	20,762,996	22,955,394	20,762,996	22,955,394
	25,182,903	28,650,429	21,551,600	25,585,795

23. AMOUNTS DUE FROM RELATED COMPANIES				
Renuka Agro Exports Limited	-	6,961,017	-	6,961,017
Renuka Foods PLC	-	10,555,354	-	10,555,354
Richlife Dairies Limited	5,364,359	4,431,391	5,364,359	4,431,391
Shaw Wallace Ceylon Limited	13,691,390	40,395,204	13,691,390	40,395,204
Less : Impairment Provision	-	-	(629,962)	(629,962)
	19,055,749	62,342,966	18,425,787	61,713,004

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
24. CASH AND CASH EQUIVALENTS				
Call Deposits	70,816,172	18,842,195	70,816,172	17,525,607
Cash at Bank and in Hand	99,966,564	77,778,103	77,060,433	56,301,170
	170,782,736	96,620,298	147,876,605	73,826,777
Bank Overdraft	(34,877,412)	(30,814,157)	(19,015,692)	(18,878,239)
Cash and Cash equivalents for the Purpose of Statements of Cash Flows	135,905,324	65,806,141	128,860,913	54,948,538
Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.				
25. STATED CAPITAL				
561,750,000 Ordinary Shares	1,194,452,950	1,194,452,950	1,194,452,950	1,194,452,950
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.				
26. REVALUATION RESERVE				
Balance as at the beginning	96,881,390	97,060,384	92,742,554	92,742,554
Surplus on revaluation of building	144,631,433	(178,994)	27,127,728	-
Balance as at the End	241,512,823	96,881,390	119,870,282	92,742,554
27. RETIREMENT BENEFIT OBLIGATION				
Balance as at the Beginning	41,866,193	40,101,940	36,242,166	35,598,751
Acquisition/(Disposal) of Subsidiary	-	414,264	-	-
Interest Cost for the Year	4,814,612	4,351,942	4,167,849	3,737,869
Current Service Cost for the Year	6,337,690	6,553,537	5,685,811	5,696,349
Payments Made During the Year	(3,461,020)	(5,343,876)	(2,414,481)	(5,343,876)
Actuarial (Gain)/Loss for the Year	4,621,942	(4,211,614)	5,348,036	(3,446,927)
Disposal of subsidiary	(740,909)	-	-	-
Balance at the Year End	53,438,508	41,866,193	49,029,381	36,242,166
Recognised in Profit or Loss	11,152,302	10,905,479	9,853,660	9,434,218
Recognised in OCI	4,621,942	(4,211,614)	5,348,036	(3,446,927)
	15,774,244	6,693,865	15,201,696	5,987,291

An actuarial valuation of retirement benefit obligation was carried out as at 31st March 2020 by Mr.M.Poopalanathan, Actuarial and Management Consultants (Private) Limited. The valuation methods used by the actuary to value the benefit is the "Projected unit credit method", the method recommended by the Sri Lanka Accounting Standards (LKAS 19) "Employee Benefits". The Principal assumptions used were as follows and those had been uniformly applied to all the companies in the group.

	2020	2019
1. Retirement age	55 Years	55 Years
2. Discount rate (p.a)	10.5%	11.5%
3. Salary increment rate (p.a)	10%	12%
4. Demographic Assumption	A 67/70 Mortality Table	A 67/70 Mortality Table

To reflect the changes in market rates the above rates were changed.

27.1 Sensitivity Analysis - Group

In order to illustrate the significance of the Salary Escalation rate and Discount Rate assumed in this valuation as at 31 March 2020 we have conducted a sensitivity analysis for all employees assuming the following salary escalation rate and discount rate.

Discount Rate	Salary Escalation rate	Present Value of Defined Benefit Obligation
One Percentage Point increase	As given in Report	52,179,866
One Percentage Point decrease	As given in Report	54,793,437
As given in Report	One Percentage Point increase	55,062,196
As given in Report	One Percentage Point decrease	51,879,796

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
28. LOANS AND BORROWINGS				
Balance at the Beginning	418,003,955	466,172,819	417,960,554	464,082,247
Borrowings During the Year	1,618,190,635	954,360,866	1,618,190,635	954,360,866
Repayments During the year	(1,304,588,988)	(1,002,529,730)	(1,304,588,988)	(1,000,482,559)
Balance at the Year End	731,605,602	418,003,955	731,562,201	417,960,554
28.1 Repayment Due within One Year	430,483,912	383,830,671	430,440,511	383,787,270
28.2 Repayment Due After One Year	301,121,690	34,173,284	301,121,690	34,173,284
	731,605,602	418,003,955	731,562,201	417,960,554

28.3 Details of Loans and Borrowings of the Company

Financial Institution	Facility Obtained	Outstanding Balance (Rs)		Repayment	Assets Pledged
		2020	2019		
Renuka Agri Foods PLC					
Hatton National Bank PLC	Packing Credit Loan	318,365,123	357,896,160	Repayable on demand	Lodgement of confirmed export orders
Hatton National Bank PLC	Term Loan	284,865,000	-	Commencing from March 2021	Negative pledge over Coconut milk processing plant for USD 1.9 Mn
National Development Bank PLC	Packing Credit Loan	78,147,965	-	Repayable on demand	Lodgement of confirmed export orders
Nations Trust Bank PLC	Term Loan	50,184,113	60,064,394	60 monthly instalments of USD 12,250/-	Term loan agreement for USD 735,000/-
		731,562,201	417,960,554		

28.3 Details of Loans and Borrowings of the Group

Financial Institution	Facility Obtained	Outstanding Balance (Rs)		Repayment	Assets Pledged
		2020	2019		
Renuka Agri Foods PLC					
Hatton National Bank PLC	Packing Credit Loan	318,365,123	357,896,160	Repayable on demand	Lodgement of confirmed export orders
Hatton National Bank PLC	Term Loan	284,865,000	-	Commencing from March 2021	Negative pledge over Coconut milk processing plant for USD 1.9 Mn
National Development Bank PLC	Packing Credit Loan	78,147,965	-	Repayable on demand	Lodgement of confirmed export orders
Nations Trust Bank PLC	Term Loan	50,184,113	60,064,394	60 monthly instalments of USD 12,250/-	Term loan agreement for USD 735,000/-
Kandy Plantations Limited					
Hatton National Bank PLC	Term Loan	43,401	43,401	Annual repayment Commencing form June 2014.	-
		731,605,602	418,003,955		

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
29. LEASE LIABILITY				
Balance at the Beginning	49,500,000	52,500,000	-	-
Adjustment Due to Adoption of SLFRS 16	23,415,040	-	50,968,363	-
Interest for the year	6,076,984	-	3,325,319	-
Payments made during the year	(16,081,477)	(3,000,000)	(13,081,479)	-
Exchange (Gain) / Loss	892,168	-	892,168	-
Balance at the End	63,802,715	49,500,000	42,104,371	-
Liabilities to make lease payment - with in one year	16,172,310	3,000,000	13,172,310	-
Liabilities to make lease payment - after one year	47,630,405	46,500,000	28,932,063	-
Balance at the End	63,802,715	49,500,000	42,104,373	-
29.1 Analysis by Company				
Kandy Plantations Limited	21,698,342	49,500,000		
Renuka Agri Foods PLC	42,104,373	-		
	63,802,715	49,500,000		
Kandy Plantations Limited				
Land				
Balance as at the Beginning of the Year	49,500,000	52,500,000		
Adjustment Due to Adoption of SLFRS 16	(27,553,323)	-		
Interest for the year	2,751,665	-		
Repayments During the Year	(3,000,000)	(3,000,000)		
Balance as at the Year end	21,698,342	49,500,000		
Lease Rental Payable within One Year	3,000,000	3,000,000		
Lease Rental Payable After One Year	18,698,342	46,500,000		
	BOI Land Rs.	2020 HO Building Rs.	Total Rs.	
Renuka Agri Foods PLC				
Adjustment Due to Adoption of SLFRS 16	21,665,024	29,303,339	50,968,363	
Interest for the year	658,247	2,667,072	3,325,319	
Payments made during the year	(1,561,477)	(11,520,000)	(13,081,477)	
Exchange (Gain) / Loss	892,168	-	892,168	
	21,653,962	20,450,411	42,104,373	
Lease Rental Payable within One Year	1,652,310	11,520,000	13,172,310	
Lease Rental Payable After One Year	20,001,652	8,930,411	28,932,063	
	21,653,962	20,450,411	42,104,373	

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
30. DEFERRED TAXATION				
Balance at the Beginning	97,162,143	103,992,482	96,183,791	98,130,022
Provision Made / (Reversal) during the year (Note 30.4)	17,649,599	(6,830,339)	(8,453,389)	(1,946,231)
Balance at the Year end (Note 30.3)	114,811,744	97,162,143	87,730,402	96,183,791
30.1 Deferred tax asset	-	(7,898,564)	-	-
Deferred tax liability	114,811,744	105,060,707	87,730,402	96,183,791
	114,811,744	97,162,143	87,730,402	96,183,791

30.2 Renuka Agri Foods PLC, Kandy Plantations Limited and Ceylon Forestry (Private) Limited have applied the effective tax rate of 12% and 14% respectively whereas, 28% was applied by Renuka Developments (Private) Limited and Ceylon Botanicals (Private) Limited for the calculation of deferred tax asset/liability as at the reporting date.

30.3 Provision for Deferred Tax is attributable to the followings.

	2020		2019	
AS AT 31ST MARCH	Temporary Differences Rs.	Tax Effects Rs.	Temporary Differences Rs.	Tax Effects Rs.
a. Company				
On Property, Plant and Equipment	749,289,106	89,914,693	723,269,243	101,257,694
On Retirement Benefit Obligation	(49,029,380)	(5,883,526)	(36,242,166)	(5,073,903)
On Revaluation of Land and Building	30,826,964	3,699,235	-	-
	731,086,690	87,730,402	687,027,077	96,183,791
b. Group				
On Property, Plant and Equipment	844,453,549	114,420,317	792,311,334	117,860,101
On Biological Assets	22,691,703	3,176,838	12,558,106	1,758,135
On Accumulated Tax Losses	(46,275,673)	(12,958,188)	(69,709,670)	(16,594,886)
On Retirement Benefit Obligation	(53,438,507)	(6,484,481)	41,866,193	(5,861,207)
On Revaluation of Land and Building	83,945,940	11,057,258	-	-
On Investment Properties	20,000,000	5,600,000	-	-
	871,377,012	114,811,744	693,293,577	97,162,143

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
30.4 Reconciliation of Deferred Tax Provision				
Recognized in Profit or Loss	(7,053,802)	(6,438,885)	(11,510,860)	(1,463,661)
Recognized in OCI	24,703,401	(391,454)	3,057,471	(482,570)
	17,649,599	(6,830,339)	(8,453,389)	(1,946,231)

31. TRADE AND OTHER PAYABLES

Trade Creditors	91,061,335	51,598,584	86,555,590	49,462,624
Accrued Expenses	30,402,939	40,186,563	29,404,332	39,307,220
Other Payables	117,192,811	43,267,278	115,284,461	36,430,131
	238,657,085	135,052,425	231,244,383	125,199,975

32. AMOUNT DUE TO RELATED COMPANIES

Renuka Teas Ceylon (Private) Limited	309,980	-	309,980	-
Kandy Plantations Limited	-	-	-	1,068,100
Renuka Enterprises (Private) Limited	31,307	-	-	-
Renuka Agri Organics Limited	-	8,299,927	-	8,299,927
	341,287	8,299,927	309,980	9,368,027

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

33. RELATED PARTY DISCLOSURE

The Group and the Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - "Related Party Disclosures". Transactions with related parties were made on the basis of the price lists in force with non-related parties, but subject to approved discounts. Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured and interest free. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities. Details of related party transactions are reported below:

The related party transaction are carried out at the terms and conditions indicated below for the respective transactions which are in arms length.

RELATED COMPANY	RELATIONSHIP	NATURE OF TRANSACTIONS	AGGREGATE	AGGREGATE	BALANCE AS AT 31/03/2020	BALANCE AS AT 01/04/2019	TERMS AND CONDITIONS OF THE RELATED PARTY TRANSACTION
			VALUE OF RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR	VALUE OF RELATED PARTY TRANSACTIONS AS A % OF NET REVENUE/ INCOME			
Renuka Agro Exports Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Net of Fund (Received) / Payments	(6,961,017)	-0.26%	-	6,961,017	Actual Basis
Kandy Plantations Limited	Subsidiary	Net of Fund (Received) / Payments	21,252,522	0.80%	-	(1,068,100)	Actual Basis
		Net Coconut Purchase	(24,866,479)	0.94%			Comparable Uncontrolled Price
		Interest Received	978,329	0.04%			Interest @ AWPLR
		Payment for Coconuts	3,703,728	0.14%			Settlement based on Market Rate
Richlife Dairies Limited	Subsidiary of Ultimate Parent Renuka Holdings PLC	Net of Fund (Received) / Payments	(30,160,741)	1.14%	5,364,359	4,431,391	Actual Basis
		Contract packing	31,093,709	1.18%			Comparable Uncontrolled Price
Renuka Teas Ceylon (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Export Consolidated Bills	862,689	-0.03%	(309,977)	-	Actual Basis
Renuka Enterprises (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Net of Fund (Received) / Payments	(1,172,666)	-0.04%			
		Reimbursement of Expenses	(13,613,760)	-0.52%	-	-	Comparable Uncontrolled Price
Renuka Shipping & Travel (Private) Limited	Subsidiary of Ultimate Parent Renuka Holdings PLC	Net of Fund (Received) / Payments	13,613,760	-0.52%			Actual Basis
		Net of Fund (Received) / Payments	9,680,163	0.37%	-	-	Actual Basis
	Renuka Holdings PLC	Reimbursement of Expenses	(9,680,163)	0.37%			Comparable Uncontrolled Price

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Shaw Wallace Ceylon Limited	Subsidiary of Ultimate Parent	Sales	364,197,573	13.79%	13,691,390	40,395,204	Resale Price Method
	Renuka Holdings PLC	Net of Fund (Received) / Payments	(388,438,440)	14.71%			Actual Basis
		Export Consolidated Bills	(2,462,947)	0.09%			Actual Basis
Renuka Agri Organics Ltd	Subsidiary of Ultimate Parent	Export Consolidated Bills	(141,129,088)	-5.35%	-	(8,299,927)	Actual Basis
		Net of Fund (Received) / Payments	145,426,384	5.51%			Actual Basis
	Renuka Holdings PLC	Sale of materials	4,002,631	0.15%			Comparable Uncontrolled Price
Renuka Developments (Pvt) Ltd	Subsidiary	Net of Fund (Received) / Payments	(850,000)	-0.03%	-	-	Actual Basis
Renuka Foods PLC	Subsidiary of Ultimate Parent	Interest Received	850,000	0.03%			Interest @ AWPLR
	Renuka Holdings PLC	Net of Fund (Received) / Payments	12,165,354	0.46%	-	(10,55,354)	Actual Basis
		Interest Payments	(1,610,000)	0.06%	-	-	Interest @ AWPLR
Renuka International Ltd	Common Director	Royalty Payment	(2,356,529)	-0.09%	-	-	Actual Basis
Renuka Group Ltd	Common Director	Royalty Payment	(10,551,134)	-0.40%	-	-	Actual Basis

33.1.2 Transactions with Related Companies - Recurring Transactions disclosure as per CSE Listing Rules 9.3.2

Shaw Wallace Ceylon Limited	Subsidiary of Ultimate Parent	Sales	364,197,573	13.79%	13,691,390	40,395,204	Resale Price Method
	Renuka Holdings PLC	Net of Fund (Received) / Payments	(388,438,440)	14.71%			Actual Basis
		Export Consolidated Bills	(2,462,947)	0.09%			Actual Basis

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

33.1.3 Transactions with Related Companies - Non Recurring Transactions

REPORTING ENTITY	RELATED COMPANY	RELATIONSHIP	VALUE OF THE RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR RS.	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		
Kandy Plantations Ltd	Coco Serendib (Pvt) Ltd	Sub Subsidiary	7,500,000	0.3%	0.2%	Based on Net Assets Value per Share	Investment
Matale Valley Plantations Ltd	Kandy Plantations Ltd	Sub Subsidiary	8,400,000	0.3%	0.2%	Based on Net Assets Value per Share	Investment
Renuka Developments (Pvt) Ltd	Renuka Enterprises (Pvt) Ltd	Associate	17,500,000	0.6%	0.5%	Based on Net Assets Value per Share	Investment
Matale Valley Plantations Ltd	Coco Serendib (Pvt) Ltd	Sub Subsidiary	70,000,000	2.4%	1.9%	Based on Net Assets Value per Share	Restructuring
Renuka Developments (Pvt) Ltd	Shaw Wallace Ceylon Ltd	Associate	221,000,000	7.7%	5.9%	Based on Valuation	Investment
Renuka Agri Foods PLC	Renuka Developments (Pvt) Ltd	Subsidiary	230,549,000	8.0%	6.2%	Based on Net Assets Value per Share	Investment
Renuka Developments (Pvt) Ltd	Shaw Wallace Ceylon Ltd	Subsidiary	5,625,003	0.2%	0.2%	Based on Net Assets Value per Share	Restructuring

33.1.4 Transactions with Related Companies - Non Recurring Transactions disclosure as per CSE Listing Rules 9.3.2

REPORTING ENTITY	RELATED COMPANY	RELATIONSHIP	VALUE OF THE RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR RS.	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		
Renuka Developments (Pvt) Ltd	Shaw Wallace Ceylon Ltd	Associate	221,000,000	7.7%	5.9%	Based on Valuation	Investment
Renuka Agri Foods PLC	Renuka Developments (Pvt) Ltd	Subsidiary	230,549,000	8.0%	6.2%	Based on Net Assets Value per Share	Investment

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

33.1.5 Transactions with Related Entities - Group

Name of the Company / Party	Relationship	Name of the Common Director/s	Nature of Transaction	Aggregate Value Of Related Party Transactions Entered In To During The Financial Year	Terms And Conditions Of The Related Party Transaction
Mrs. I R Rajiyah	Director	Mrs. I R Rajiyah	Rent Expenses	(11,520,000)	Comparable Uncontrolled Price
Symbiosis Business Partners (Pvt) Ltd	Ultimate Parent Company Director	Mr L M Abeywickrama	Consultancy Services	(2,082,825)	Comparable Uncontrolled Price
Tourama Pvt Ltd	Ultimate Parent Company Director	Mrs J.J.B.A Rajiyah	Services	(602,000)	Comparable Uncontrolled Price

33.1.6 Transactions with Key Management Personnel (KMP)

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Short Term Employee Benefits	65,276,480	44,848,430	65,276,480	44,848,430
Rent	11,520,000	11,520,000	11,520,000	11,520,000
Total Compensation Paid to KMP	76,796,480	56,368,430	76,796,480	56,368,430

34. CONTINGENT LIABILITIES

The Company and the Group does not have any significant contingent liabilities other than those disclosed below;

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 Plantations Ltd 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.

35. CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date.

36. EVENTS OCCURRING AFTER REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the financial statements other than those disclosed below;

The Directors have recommended the payment of a First and Final Dividend of Rs. 0.12 per share for the year ended at 31st March, 2020 which will be declared at the Annual General Meeting to be held on 28th September 2020. In accordance with the Sri Lanka Accounting Standard 10 - "Event Occurring after the Reporting Date" this proposed First and Final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2020.

37. COMPARATIVE INFORMATION

Comparative information has been reclassified where necessary to conform with the current year presentation.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT**Accounting classifications and fair values**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Fair Value Hierarchy

The Group/Company uses the following hierarchy for determining and disclosing financial instruments by valuation techniques.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

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

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

Group	Carrying Amount				Fair Value		
	Financial assets at amortized cost	FVOCI	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
31st March 2020							
Financial assets measured at fair value							
Equity securities	-	436,350,000	-	436,350,000	-	-	436,350,000
	-	436,350,000	-	436,350,000	-	-	436,350,000
Financial assets not measured at fair value							
Trade and other receivables	285,551,947	-	-	285,551,947	-	-	-
Amounts due from Related Party Companies	19,055,749	-	-	19,055,749	-	-	-
Cash and cash equivalents	170,782,736	-	-	170,782,736	-	-	-
	475,390,432	-	-	475,390,432	-	-	-
Financial liabilities not measured at fair value							
Bank overdrafts	-	-	34,877,412	34,877,412	-	-	-
Secured bank loans	-	-	731,605,602	731,605,602	-	-	-
Lease liabilities	-	-	63,802,715	63,802,715	-	-	-
Amounts due to Related Party Companies	-	-	341,287	341,287	-	-	-
Trade payables	-	-	91,061,335	91,061,335	-	-	-
	-	-	921,688,351	921,688,351	-	-	436,350,000

Group	Carrying Amount				Fair Value		
	Financial assets at amortized cost	FVOCI	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3
31st March 2019							
Financial assets measured at fair value							
Equity securities	-	436,350,000	-	436,350,000	-	-	436,350,000
	-	436,350,000	-	436,350,000	-	-	436,350,000
Financial assets not measured at fair value							
Trade and other receivables	353,237,282	-	-	353,237,282	-	-	-
Amounts due from Related Party Companies	62,342,966	-	-	62,342,966	-	-	-
Cash and cash equivalents	96,620,298	-	-	96,620,298	-	-	-
	512,200,546	-	-	512,200,546	-	-	-
Financial liabilities not measured at fair value							
Bank overdrafts	-	-	30,814,157	30,814,157	-	-	-
Secured bank loans	-	-	418,003,955	418,003,955	-	-	-
Lease liabilities	-	-	49,500,000	49,500,000	-	-	-
Amounts due to Related Party Companies	-	-	8,299,927	8,299,927	-	-	-
Trade payables	-	-	51,598,584	51,598,584	-	-	-
	-	-	558,216,623	558,216,623	-	-	436,350,000

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

FINANCIAL INSTRUMENTS - FAIR VALUE AND RISK MANAGEMENT (Cont...)

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Company	Carrying Amount			Fair Value		
	Financial assets at amortized cost	FVOCI	Financial liabilities at amortized cost	Level 1	Level 2	Level 3
31st March 2020						
Financial assets not measured at fair value						
Trade and other receivables	267,405,238	-	-	-	-	-
Amounts due from Related Party Companies	18,425,787	-	-	-	-	-
Cash and cash equivalents	147,876,605	-	-	-	-	-
	433,707,630	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	-	19,015,692	-	-	-
Secured bank loans	-	-	731,562,201	-	-	-
Lease liabilities	-	-	42,104,373	-	-	-
Amounts due to Related Party Companies	-	-	309,980	-	-	-
Trade payables	-	-	86,555,590	-	-	-
	-	-	879,547,836	-	-	-
Company						
31st March 2019						
Financial assets not measured at fair value						
Trade and other receivables	342,365,337	-	-	-	-	-
Amounts due from Related Party Companies	61,713,004	-	-	-	-	-
Cash and cash equivalents	73,826,777	-	-	-	-	-
	477,905,118	-	-	-	-	-
Financial liabilities not measured at fair value						
Bank overdrafts	-	-	18,878,239	-	-	-
Secured bank loans	-	-	417,960,554	-	-	-
Amounts due to Related Party Companies	-	-	9,368,027	-	-	-
Trade payables	-	-	49,462,624	-	-	-
	-	-	495,669,444	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

38. 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:
Manufacturing
Plantation

Segmental Income Statement

	Manufacturing		Plantation		Group	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Revenue	2,652,525,376	2,632,073,563	30,058,302	40,499,312	2,682,583,678	2,672,572,875
Intra Group	-	-	(24,866,479)	(37,027,359)	(24,866,479)	(37,027,359)
Segment Revenue	2,652,525,376	2,632,073,563	5,191,823	3,471,953	2,657,717,199	2,635,545,516
Gross Profit	819,777,225	630,920,383	17,880,596	20,406,294	837,657,821	651,326,677
Other Operating Income	6,590,556	8,003,234	15,451,617	11,756,129	22,042,173	19,759,363
Administration Expenses	(264,170,182)	(244,252,239)	(32,675,471)	(49,334,141)	(296,845,653)	(293,586,380)
Selling and Distribution Expenses	(243,387,120)	(141,835,996)	(66,243)	-	(243,453,363)	(141,835,996)
Elimination/Unallocated	(18,119,256)	600	-	-	(18,119,256)	600
Segment Profit from Operations	300,691,223	252,835,982	590,499	(17,171,718)	301,281,722	235,664,264
Finance Income	19,845,476	6,434,755	732,295	1,635,699	20,577,771	8,070,454
Finance Cost	(74,399,488)	(21,481,353)	(4,464,498)	(451,600)	(78,863,986)	(21,932,953)
Segment Net Finance Cost	(54,554,012)	(15,046,598)	(3,732,203)	1,184,099	(58,286,215)	(13,862,499)
Share of Profit for Equity Accounted Investees	37,827,377	17,699,816	-	-	37,827,377	17,699,816
Profit Before Tax	283,964,588	255,489,200	(3,141,704)	(15,987,619)	280,822,884	239,501,581
Taxation	16,047,581	(35,871,387)	(3,889,490)	4,377,665	12,158,091	(31,493,722)
Profit from discontinued operations, net of tax	(36,850,057)	1,469,032	-	-	(36,850,057)	1,469,032
Profit for the Year	263,162,112	221,086,845	(7,031,194)	(11,609,954)	256,130,918	209,476,891

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	Manufacturing		Plantation		Group	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
ASSETS						
Non-Current Assets						
Property, Plant and Equipment	1,465,253,466	1,088,289,202	307,666,748	262,002,787	1,772,920,214	1,350,291,989
Biological Assets	-	-	90,952,112	71,121,024	90,952,112	71,121,024
Intangible Assets	-	-	10,101,732	13,729,287	10,101,732	13,729,287
Immovable Estate Assets on Lease	-	-	-	38,499,960	-	38,499,960
Premium Paid Leasehold Premises	-	10,631,343	-	-	-	10,631,343
ROU Assets	33,756,042		6,742,862		40,498,904	-
Investment In Equity Accounted Investees	1,151,675,041	834,054,650	-	-	1,151,675,041	834,054,650
Available for sale Investments	436,350,000	436,350,000	-	-	436,350,000	436,350,000
Deferred Tax Asset	-	5,527,142	-	2,371,422	-	7,898,564
Segment Non-Current Assets	3,087,034,549	2,374,852,337	415,463,454	387,724,480	3,502,498,003	2,762,576,817
Current Assets						
Inventory	473,175,159	435,838,326	4,543,778	5,253,580	477,718,937	441,091,906
Trade and Other Receivables	283,532,120	350,356,072	2,019,828	2,881,210	285,551,948	353,237,282
Tax Recoverable	23,128,449	26,614,632	2,054,454	2,035,797	25,182,903	28,650,429
Amounts Due from Related Companies	19,055,749	62,342,966	-	-	19,055,749	62,342,966
Cash and Cash Equivalents	160,696,144	78,859,156	10,086,592	17,761,142	170,782,736	96,620,298
Segment Current Assets	959,587,621	954,011,152	18,704,652	27,931,729	978,292,273	981,942,881
TOTAL ASSETS	4,046,622,170	3,328,863,489	434,168,106	415,656,209	4,480,790,276	3,744,519,698
Non-Current Liabilities						
Retirement Benefit Obligations	49,029,381	36,864,371	4,409,127	5,001,822	53,438,508	41,866,193
Loans and Borrowings	301,121,690	34,173,284	-	-	301,121,690	34,173,284
Finance Lease Obligation	28,932,063	-	18,698,342	46,500,000	47,630,405	46,500,000
Deferred Tax Liability	97,667,825	96,183,791	17,143,919	8,876,916	114,811,744	105,060,707
Segment Non- Current Liabilities	476,750,959	167,221,446	40,251,388	60,378,738	517,002,347	227,600,184
Current Liabilities						
Loans and Borrowings	430,440,511	383,787,270	43,401	43,401	430,483,912	383,830,671
Finance Lease Obligation	13,172,310	-	3,000,000	3,000,000	16,172,310	3,000,000
Trade and Other Payables	231,852,383	127,907,451	6,804,702	7,144,974	238,657,085	135,052,425
Amounts Due to Related Companies	309,980	8,286,727	31,307	13,200	341,287	8,299,927
Dividend Payable	6,564,240	5,529,698	-	-	6,564,240	5,529,698
Income Tax Payable	12,975,124	45,066,265	13,009	-	12,988,133	45,066,265
Bank Overdraft	19,015,692	26,217,054	15,861,720	4,597,103	34,877,412	30,814,157
Segment Current Liabilities	714,330,240	596,794,465	25,754,139	14,798,678	740,084,379	611,593,143
TOTAL LIABILITIES	1,191,081,199	764,015,911	66,005,527	75,177,416	1,257,086,726	839,193,327

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

39. 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 analyze 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.

Financial Risk Factors

The activities of the Company and the Group is exposed to variety of financial risks:

1. Market Risk
 - Currency Risk
 - Interest Rate Risk
2. Credit risk
3. Liquidity risk
4. Capital Management
5. Operational Risk

The Company's and the Group's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company and the Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programs and adherence to the Company's and the Group's financial risk management policies.

The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risk

1. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's and 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 a financial instrument fluctuation due to changes in foreign exchange rates. The Company and the Group is exposed to currency risk on sales, purchases that are denominated in a currency other than Sri Lankan Rupees (LKR). The foreign currencies in which these transactions primarily denominated is US Dollars.

Exposure to Currency Risk

The Company and the Group'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.

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 USD	2019 USD	2020 USD.	2019 USD
Trade and other Payables	(332,310)	(321,551)	(332,310)	(321,551)
Trade and other Receivables	681,622	1,336,220	681,622	1,336,220
Cash and cash equivalents	708,178	202,765	707,141	201,926
Gross Statement of Financial Position Exposure	1,057,490	1,217,434	1,056,453	1,216,595

The following significant exchange rates were applicable during the year

	Average Rate		Reporting Date Spot Rate	
AS AT 31ST MARCH	2020 USD	2019 USD	2020 USD.	2019 USD
US Dollars	180.74	169.71	189.91	176.1

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	GROUP		COMPANY	
FOR THE YEAR ENDED 31ST MARCH	Profit or Loss Rs.	Equity Rs.	Profit or Loss Rs.	Equity Rs.
31st March 2020	20,082,793	-	(20,063,099)	-
USD (10% movement) (+/-)				
31st March 2019	21,442,670	-	(21,442,670)	-
USD (10% movement) (+/-)				

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 of Group		Carrying Amount of Company	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Fixed Rate Instruments				
Financial Assets				
Bank Deposits	70,816,172	18,842,195	70,816,172	17,525,607
Variable Rate Instruments				
Financials Liabilities				
Loans and Borrowings	(731,605,602)	(418,003,955)	(731,562,201)	(417,960,554)
Bank Overdrafts	(34,877,412)	(30,814,157)	(19,015,692)	(18,878,239)
	(695,666,842)	(429,975,917)	(679,761,721)	(419,313,186)

2. Credit risk

Risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is managed on the Company and the Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (net of deposits held). Individual risk limits are set, based on internal or external ratings. The utilization of credit limits is regularly monitored. The Company and the Group place its cash and cash equivalents with a number of creditworthy financial institutions. The Company's and the Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the Company and the Group are approximately their carrying amounts as at statement of financial position date.

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 of Group		Carrying Amount of Company	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Exposure to Credit Risk				
Trade and other Receivables	285,551,947	353,237,282	267,405,238	342,365,337
Amount due from Related Companies	19,055,749	62,342,966	18,425,787	61,713,004
Balances with Banks	170,782,736	96,620,298	147,876,605	73,826,777
	475,390,432	512,200,546	433,707,630	477,905,118

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Impairment Losses

The Company and the Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of Trade and Other Receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of Trade and Other Receivables at the reporting date was as follows;

	2020			2019		
	Gross Amount Rs.	Impairment Loss Rs.	Net Amount Rs.	Gross Amount Rs.	Impairment Loss Rs.	Net Amount Rs.
Company						
Due within one year	267,405,238	-	267,405,238	342,365,337		342,365,337
Due more than one year	1,630,519	(1,630,519)	-	1,630,519	(1,630,519)	-
	269,035,757	(1,630,519)	267,405,238	343,995,856	(1,630,519)	342,365,337
Group						
Due within one year	285,551,947	-	285,551,947	353,237,282		353,237,282
Due more than one year	1,630,519	(1,630,519)	-	1,630,519	(1,630,519)	-
	287,182,466	(1,630,519)	285,551,947	354,867,801	(1,630,519)	353,237,282

The maximum exposure to credit risk for Trade and Other Receivables as at the reporting date by geographic areas as follows;

	Carrying Amount - Group		Carrying Amount - Company	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Domestic	156,105,087	117,888,886	137,958,378	107,016,941
Europe	80,712,244	172,688,094	80,712,244	172,688,094
Middle East	-	11,919,440	-	11,919,440
Asia	7,196,431	4,782,203	7,196,431	4,782,203
United States	41,130,708	33,426,428	41,130,708	33,426,428
Australia	407,477	-	407,477	-
Caribbean	-	12,532,231	-	12,532,231
	285,551,947	353,237,282	267,405,238	342,365,337

Cash and Cash Equivalents

The Group and the Company held cash and cash equivalents of Rs.170,782,736 and Rs.147,876,605 as at 31st March 2020 (Rs.96,620,298 and Rs. 73,826,777 as at 31st March 2019) respectively, which represent its maximum credit exposure on these assets.

3. 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 risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations. In the management of liquidity risk, the Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

AS AT 31ST MARCH

	Carrying Amount Rs.	0-12 Months Rs.	More than 1 Year Rs.
As at 31st March 2020			
Financial Liabilities (Non-Derivate)			
Interest Bearing Borrowings	731,605,582	430,483,892	301,121,690
Lease Liability	63,802,715	16,172,310	47,430,405
Amount due to Related Companies	341,287	341,287	-
Trade and other Payables	238,800,487	238,800,487	-
Bank OD's	34,877,412	34,877,412	-
Total	1,069,427,483	720,675,388	348,752,095
As at 31st March 2019			
Financial Liabilities (Non-Derivate)			
Interest Bearing Borrowings	418,003,955	383,830,671	34,173,284
Amount due to Related Companies	8,299,927	8,299,927	-
Trade and other Payables	135,052,425	135,052,425	-
Bank OD's	30,814,157	30,814,157	-
Total	592,170,464	557,997,180	34,173,284

4. Capital Management

The primary objective of the Company's and the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company and the Group manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and the Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments. Consistent with others in the industry, the Company and the Group monitor capital on the basis of the Net Debt to Equity Ratio. This ratio is calculated as Net Debt by total equity. Net Debt includes non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The Net Debt to Equity Ratio as at 31st March was as follows:

	GROUP		COMPANY	
AS AT 31ST MARCH	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Total Liabilities	1,257,086,726	839,193,327	1,179,185,777	753,078,714
Cash and cash equivalents	(170,782,736)	(96,620,298)	(144,876,605)	(73,826,776)
Net Debt	1,086,303,990	742,573,029	1,034,309,172	679,251,938
Total Equity	3,223,703,550	2,905,326,372	3,039,856,753	2,823,435,252
Net Debt to Equity Ratio	33.68%	25.56%	34.02%	24.06%

5. Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group 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 Group'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 Group 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

DIRECTORATE OF GROUP COMPANIES

Name of Director	RAF	RDL	KPL	CFL	CBL	COCO	MVL
Mrs.I.R.Rajiyah (Chairperson)	✓	✓	✓	✓	✓	✓	
Dr.S.R.Rajiyah	✓	✓	✓	✓	✓	✓	
Mr.S.V.Rajiyah	✓	✓	✓	✓	✓	✓	✓
Mr.L.M.Abeywickrama	-	-	-	-	-	-	-
Mr.S.Vasanthakumara	✓	✓	✓	✓	✓	✓	✓
Ms.A.L.Rajiyah	✓	-	-	-	-	-	-
Mr.C.J.de Silva Amaratunge	-	-	✓	-	-	-	-
Mr.S.Nagarajah	✓	-	-	-	-	-	-
Mr.T.G.Hockley	-	-	-	✓	-	-	-
Mr.P.Gunathilake	-	-	✓	✓	-	✓	✓
Mr R F N Jayasooriya	-	-	✓	✓	-	✓	✓
Mr.D.S.Arangala	✓	-	-	-	-	-	-
Mr K Liyanagamage	✓	-	-	-	-	-	-
Mrs.S T R E Wijesuriya	✓	-	-	-	-	-	-

RAF Renuka Agri Foods PLC

KPL Kandy Plantations Ltd

RDL Renuka Developments (Private) Ltd

MVL Matale Valley Plantations (Private) Ltd

CFL Ceylon Forestry (Private) Ltd

CBL Ceylon Botanicals (Private) Ltd

COCO Coco Lanka (Private) Ltd

REAL ESTATE PORTFOLIO

COMPANY	LOCATION	LAND / BUILDING	LAND EXTENT (PERCHES)		BUILDING		CLASSIFICATION COMPANY	CLASSIFICATION GROUP	ORIGINAL COST OF PURCHASE	WDV AS AT 31.03.2020
			FREE HOLD/ LEASEHOLD	NO OF BUILDINGS	BUILDING IN SQ.FT					
						Rs.				
Renuka Agri Foods PLC	Unagahadeniya	Land	70.4				PPE	PPE	21,428,000	21,120,000
		Building		1	968		PPE	PPE		903,000
		Building		9	111,379		PPE	PPE	158,452,264	353,075,000
	Giriulla	Building		2	8,031		PPE	PPE		16,062,000
Renuka Developments (Private) Limited	Unagahadeniya	Land	303.3				PPE	PPE	22,702,880	75,825,000
		Building		7	17,789		PPE	PPE	23,851,270	24,775,000
Kandy Plantation Limited	Mahawatta Estate, Indigolla Estate, Kurundugolla Estate, at Nalla Diuldeniya, Giriulla	Right to use Estate					Right to Use Assets	Right to Use Assets	15,927,250	6,742,862
		Building		3	10,598		PPE	PPE		8,973,000
Coco Lanka (Private) Ltd	Coco Watta Estate, Puttalam	Land	26,445				PPE	PPE	127,482,760	180,448,000
		Building		5	6,447		PPE	PPE		11,005,000
Ceylon Botanicals (Private) Limited	Viharagama Estate, Matale	Land	10,842				IP	PPE	20,000,000	20,000,000
Matale Velly Plantations (Private) Limited	Matale	Land	3,284.7				PPE	PPE	60,200,000	60,200,000

FIVE YEAR SUMMERY

Year Ended 31st March	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
a) Summery of Operation					
Revenue	2,657,717	2,635,546	2,981,186	2,541,037	2,431,782
Gross Profit	837,658	651,327	328,222	598,401	451,041
Profit before net finance cost and tax	301,282	235,664	19,829	293,715	185,774
Profit/(Loss) before taxation	280,822	239,502	(4,068)	341,385	233,829
Taxation	12,158	(31,494)	(19,685)	(18,605)	(38,316)
Profit/(Loss) after tax	292,981	208,008	(23,752)	322,780	195,513
Profit/(Loss) attributable to equity holders of the company	253,976	208,278	(15,529)	322,363	195,356
b) Summery of Financial Position					
Capital and reserves					
Stated Capital	1,194,453	1,194,453	1,194,453	1,194,453	1,194,453
Revaluation Reserve	241,513	96,881	97,060	97,776	97,770
Retained Earnings	1,753,355	1,582,300	1,363,711	1,440,185	1,188,009
Shareholders' Fund	3,189,321	2,873,634	2,655,224	2,732,414	2,480,232
Non-Controlling Interest	34,382	31,692	37,265	96,594	43,395
Total Equity	3,223,703	2,905,326	2,692,488	2,829,009	2,523,627
Liabilities					
Non- Current Liabilities	517,002	227,600	199,093	185,366	178,638
Current Liabilities	740,084	611,593	689,338	711,196	445,920
Total Liabilities	1,257,086	839,193	888,431	896,562	624,558
Total Equity and Liabilities	4,480,790	3,744,519	3,580,920	3,725,571	3,148,185
Assets					
Property, Plant and Equipment	1,772,920	1,350,295	1,316,873	1,251,817	1,148,709
Investments	1,589,682	1,270,404	1,057,848	1,074,233	997,491
Other Non-Current Assets	139,896	141,878	121,085	112,151	119,825
Current Assets	978,292	981,943	1,085,114	1,287,370	882,160
Total Assets	4,480,790	3,744,520	3,580,920	3,725,571	3,148,185
c) Key Indicators					
Earnings/(Loss) per share (Rs.)	0.45	0.37	(0.03)	0.57	0.35
Net profit margin (%)	11%	7.93%	(0.8%)	12.38%	8.04%
Net assets value per share (Rs.)	5.68	5.11	4.73	4.85	4.42
Dividends per share (Rs.)	0.12	-	-	0.12	0.12
Dividends payout (%)	26.67%	-	-	21.43%	34.29%
Dividend cover (times)	3.75	-	-	4.67	2.92
Interest cover (times)	3.82	10.74	0.71	39.07	25.07
Current ratio (times)	1.32	1.51	1.57	1.80	1.98
Gearing ratio (%)	18.5%	12.57%	14.76%	13.57%	9.95%
Return on equity (%)	7.96%	7.24%	(0.43%)	8.43%	6.21%

SHAREHOLDER AND INVESTOR INFORMATION

SHARE INFORMATION

	2020	2019
Total No of Shareholders	3,838	3,701
Total No of Shares	561,750,000	561,750,000

PUBLIC SHARE HOLDING

The percentage of Shares held by the Public

	2020	2019
Ordinary Shareholding (%)	24.19%	24.52%

31st March 2020				31st March 2019		
No of Shares Held	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1-1,000	1,580	586,870	0.10%	1,490	570,802	0.10%
1,001-10,000	1,334	5,938,716	1.06%	1,327	5,884,410	1.05%
10,001-100,000	754	24,181,426	4.30%	718	23,066,368	4.11%
100,001-1,000,000	139	37,831,434	6.73%	139	41,469,875	7.38%
1,000,001 & Over	31	493,211,554	87.80%	27	490,758,545	87.36%
Total	3,838	561,749,999	100.00%	3,701	561,750,000	100.00%

31st March 2020				31st March 2019		
No of Shares Held	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	3,681	139,184,810	24.78%	3,556	139,907,484	24.91%
Institutions	157	422,565,190	75.22%	145	421,842,516	75.09%
Total	3,838	561,750,000	100.00%	3,701	561,750,000	100.00%

31st March 2020				31st March 2019		
No of Shares Held	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Resident	3,794	525,106,201	93.48%	3,660	526,749,646	93.77%
Non Resident	44	36,643,799	6.52%	41	35,000,354	6.23%
Total	3,838	561,750,000	100.00%	3,701	561,750,000	100.00%

31st March 2020				31st March 2019		
No of Shares Held	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Renuka Foods PLC & Affiliate Companies	1	393,398,269	70.03%	1	393,398,269	70.03%
Directors & Spouses	5	32,445,970	5.78%	5	30,585,299	5.44%
Public	3,832	135,905,761	24.19%	3,695	137,766,432	24.52%
Total	3,838	561,750,000	100.00%	3,701	561,750,000	100.00%

SHAREHOLDER AND INVESTOR INFORMATION CONT.)

1st of April to 31st March	2020	2019
Share Price (Rs)		
Highest	3.50	2.50
Lowest	1.80	1.80
As at 31st March	1.90	2.00

Market Capitalization	2020	2019
As at 31st March (Rs)	1,067,325,000	1,123,500,000
Float Adjusted Market Capitalization (Rs)	258,185,918	275,482,200
No.of Trades	8,666	3,244
No.of Shares Traded	85,508,034	90,172,193
Value of Shares Traded (Rs)	244,561,045	188,368,842

Option the Listed Entity complies with the Minimum Public Holding requirement

The Company complied with option 5 of the Listing Rules 7.13.1 (a) - which requires a minimum public Holding of 20% for a company having a float adjusted market capitalization of less than Rs.2.5Bn.

RENUKA AGRI FOODS PLC - TOP 20 MAJOR SHAREHOLDERS

NO	NAME	Voting as at 31.03.2020		Voting as at 31.03.2019	
		No of Shares	%	No of Shares	%
1	RENUKA FOODS PLC	393,398,269	70.03	393,398,269	70.03
2	DR. SKANTHA RANJIT RAJIYAH & MRS. INDUMATHI RENUKA RAJIYAH	28,551,008	5.08	28,090,337	5.00
3	MRS. ABEER TALIB TAWFIQ TALIB ALNAKIB	14,855,280	2.64	14,855,280	2.64
4	MR. AMARAKOON MUDIYANSELAGE WEERASINGHE	3,769,300	0.67	2,769,300	0.49
5	DISTILLERIES COMPANY OF SRI LANKA PLC A/C NO. 02	3,668,560	0.65	3,668,560	0.65
6	MR. HENRY ANTHONY ROHAN PIERIS	3,551,727	0.63	5,103,454	0.91
6	MISS. LEANA ANNEMARIE PIERIS	3,551,727	0.63	-	-
8	MR. RAHEEL IJAZ	3,479,500	0.62	3,479,500	0.62
9	MR. HASHIM AHMED ALSAYID HASHIM ALGHARABALLY	3,168,237	0.56	3,168,237	0.56
10	STANDARD CHARTERED BANK SINGAPORE S/A HL BANK SINGAPORE BRANCH	3,000,000	0.53	3,000,000	0.53
11	MR. RAHUL GAUTAM	2,475,789	0.44	2,490,000	0.44
12	MR. ADEL MUSTAFA THUNAYAN THUNAYAN ALGHANIM & MRS. ABEER TALIB TAWFIQ TALIB ALNAQUIB (JT)	2,078,000	0.37	2,078,000	0.37
13	SANDWAVE LIMITED	2,050,309	0.36	-	-
14	MR. NANDADEVA PERERA	2,025,105	0.36	2,025,105	0.36
15	MRS. SHARMALIE ERANGANIE FERNANDO & MR. KODIMARAKKALAGE KEERTHI RAVINDRA FERNANDO	1,900,000	0.34	1,900,000	0.34
16	DR. ABDUL RAHUMAN MOHAMED	1,854,709	0.33	-	-
17	CAPITAL ALLIANCE HOLDINGS LTD	1,794,252	0.32	-	-
18	MR. KANGASU CHELVADURAI VIGNARAJAH	1,750,000	0.31	4,220,630	0.75
19	DFCC BANK PLC/G.A.C. DE SILVA	1,600,000	0.28	-	-
20	MRS. SARAH ELIZABETH MELLUISH	1,553,767	0.28	-	-

NOTICE OF MEETING

Notice is hereby given that the 21st Annual General Meeting of the RENUKA AGRI FOODS PLC will be held as a virtual meeting on Monday, 28th September 2020 at 1.30 p.m. Taking into account the current situation in the country due to the COVID-19 pandemic and the health and safety guidelines issued by the authorities with a view of protecting public health against the spread of the virus, the Annual General Meeting (AGM) will be held via audio and visual technology means in the manner set forth below;

The AGM shall be held in compliance with the Companies Act, No.07 of 2007, the Articles of Association of the Company, the Colombo Stock Exchange (CSE) Guidance Note on hosting of Annual General Meetings and guidelines published by the Ministry of Health.

Only the Chairman, Board of Directors, Company Secretaries, key management officials, representative of the Registrars, Auditors and who are essential for the administration of the formalities of the meeting will be physically present at the 'BASELINE BUSINESS CENTER', No. 193, Dr. Danister De Silva Mawatha, Colombo 8, Sri Lanka. All others, including shareholders, will participate via an online meeting platform (i.e. Zoom Platform). These measures are being adopted to observe, "social distancing" requirements to mitigate the dangers of spreading the virus.

1. To receive and consider the Report of the Directors and the Statement of the Audited Financial Statement for the year ended 31st March 2020 with the Report of the Auditors thereon.
2. To re-elect Mr. K. Liyanagamage as a Director who retires by rotation in terms of Article 30 (1).
3. To re-appoint Dr. S.R. Rajiyah who is 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.
4. To re-appoint Mr. S. Nagarajah who is 70 years of age, as a director in terms of Section 211 of the Companies Act No. 7 of 2007 and to specifically declare that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. S. Nagarajah.
5. To declare a dividend of Rs. 0.12 per share.
6. To authorise the Directors to determine the contribution to charity.
7. To re-appoint M/s KPMG, Chartered Accountants as the Auditors and authorise the Directors to determine their remuneration.

By Order of the Board,

Sgd.

Renuka Enterprises (Pvt) Ltd

Company Secretaries

28th August 2020

Note:-

- (i) A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of the member, such proxy need not be a member.
- (ii) A Form of Proxy is enclosed with this Annual Report.
- (iii) The completed Form of Proxy should be deposited at the Registered Office of the Company at "Renuka House", No. 69, Sri Jinaratana Road, Colombo 2, on or before 1.30 p.m. on 26th September 2020, being not less than 48 hours before the time appointed for the holding of the Meeting.

FORM OF PROXY

I / We of
..... being a
member/members of Renuka Agri 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
Ms. A.L. Rajiyah or failing her
Mr. S. Nagarajah or failing him
Mr. D.S. Arangala or failing him
Mr. K. Liyanagamage or failing him
Mrs. S.T.R.E. Wijesuriya

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 28th day of September 2020 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Report of the Directors and the Statement of the Audited Financial Statements for the year ended 31st March 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. K. Liyanagamage	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Dr. S. R. Rajiyah as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Mr. S. Nagarajah as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To declare a dividend of Rs. 0.12 per share	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Directors to determine the contribution to charity.	<input type="checkbox"/>	<input type="checkbox"/>
7. To re-appoint M/s KPMG, Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2020.

.....
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 1.30 p.m. on 28th September 2020 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 Agri Foods PLC

Registration No.

PB 1108/PQ

Legal Form

Quoted Public Company with Limited Liability

Principal Activity

Agri Business

Subsidiaries

Renuka Developments (Pvt) Ltd
Kandy Plantations Ltd
Ceylon Forestry (Pvt) Ltd
Ceylon Botanicals (Pvt) Ltd
Coco Lanka (Pvt) Ltd
Matale Valley Plantations (Pvt) Ltd

Board of Directors

Dr. S.R.Rajiyah-Chairman
Mrs. I.R.Rajiyah
Mr. S.V.Rajiyah
Mr. V. Sanmugam
Mrs. A.L.Rajiyah
Mr. S. Nagarajah
Mr. D. S. Arangala
Mr. K. Liyanagamage
Mrs. S.T.R.E. Wijesuriya

Audit Committee

Mr. S. Nagarajah - Chairman
Mr. D. S. Arangala
Mr. K. Liyanagamage

Related Party Transaction Review Committee

(Represented by ultimate parent company)
Mr. T.K.Bandaranayake-Chairman
Dr. J.M.Swaminathan
Mr. M.S.Dominic

Remuneration Committee

(Represented by ultimate parent company)
Mr. M.S.Dominic - Chairman
Mr. T.K.Bandaranayake
Mr. L.M.Abeywickrama

Nomination Committee

Mr. L.M.Abeywickrama - Chairman
Mr. T.K.Bandaranayake
Mr. M.S.Dominic

Company Secretaries

Renuka Enterprises (Pvt) Ltd
69, Sri Jinaratana Road,
Colombo 2

Registrars

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

Parent Company

Renuka Foods PLC

Registered Office

"Renuka House"
69, Sri Jinaratana Road,
Colombo 2
Telephone: 00941-11-2314750-5
Email: info@renukagroup.com
Fax: 00941 11-2445549

Postal Address

P.O.Box 961, Colombo

Stock Exchange Listing

Colombo Stock Exchange

Auditors

KPMG, Chartered Accountants

Legal Consultants

Nithya Partners - Attorneys- at-Law

Bankers

Commercial Bank of Ceylon PLC
DFCC Bank PLC
Hatton National Bank PLC
Hong Kong & Shanghai Banking Corporation Ltd
National Development Bank PLC
Nations Trust Bank PLC
Peoples Bank
Standard Chartered Bank



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