

A large, stylized 'R' logo dominates the right side of the page. The 'R' is composed of two main parts: a teal-colored upper curve and a green-colored lower curve, both with a smooth, organic shape. The teal part is on the left, and the green part is on the right, meeting at a point at the bottom right.

# **RENUKA HOLDINGS PLC**

*Annual Report 2020*

**BUILDING ON A FOUNDATION OF 150 YEARS**

# CONTENT

Introduction	01
Sectors	02 - 03
Our Locations	04
At A Glance	05
Profile of Directors	06 - 07
Chairperson's Review	08
Management Discussion and Analysis	09 - 10
Corporate Governance	11 - 18
Audit Committee Report	19 - 20
Related Party Transactions Review Committee Report	21
Remunerations Committee Report	22
Nominations Committee Report	23
Risk Management	24 - 27
Sustainability Report	28 - 29
Report of the Directors	30 - 34
Statement of Directors' Responsibility	35
<b>FINANCIAL REPORTS</b>	
Independent Auditor's Report	36 - 40
Statement of Financial Position	41
Statement of Profit or Loss and other Comprehensive Income	42
Statement of Changes in Equity	43
Statement of Cash Flows	44 - 45
Notes to the Financial Statements	46 - 98
Real Estate Portfolio	99
Five Year Summary	100
Shareholders' & Investors' Information	101 - 103
Notice of Meeting	104
Notes	105 - 106
Form of Proxy	107 - 108

# WORLD CLASS POSSIBILITIES

Renuka Holdings PLC is a diversified organization listed on the Colombo Stock Exchange and is the holding company for subsidiaries engaged in Agri Food, Organic Plantations, FMCG, Dairy and Property & Investments tracing its roots to 1866.

Today we are Sri Lanka's leading manufacturer & exporter of Coconut based food and beverage products with our own Organic certified plantations, in addition to a century of experience in the tea industry. We are one of the top 05 dairy manufacturers and the leading snack brand.

## VISION

To be a leading Sri Lankan conglomerate in pioneering ventures with a global presence, excelling through innovation and technology.



**Revenue**  
**43**  
Million USD



**Total Assets**  
**71**  
Million USD



**Employees**  
**1,337**  
Nos,

## ONE OF THE MOST RESPECTED ENTITIES IN SRI LANKA

We also have been awarded the "Best Under a Billion USD" title by Forbes Asia and we are also winners of numerous Presidential, National, and International awards for excellence in manufacturing, exports, brands and distribution.

## WITHIN THE TOP 100 FIRMS IN SRI LANKA AS PER LMD

The Renuka family consists of over 1,300 individuals and a further 7,000 farmer families through our outgrower networks. It is their contribution and dedication which enables us to achieve world class possibilities.



**ONE OF TOP 20  
CONGLOMERATE  
BUSINESS BRANDS  
AS PER BRAND FINANCE**

**TOP 20  
CORPORATE  
EXPORT  
BRANDS**

# SECTORS



## AGRI FOOD

### COCONUT BASED FOOD AND BEVERAGES

**Renuka Agri Foods PLC & Renuka Agri Organics Ltd**, are the leading manufacturers, marketers & exporters of Coconut based food and beverages from Sri Lanka.

Our quality measures are of stringent standards and are not compromised at any point, right from the raw material purchases to delivery of goods.

Innovation has been a key strength of the company thus enabling entry into new markets and ensuring that we always remain as the Coconut Centre of Excellence.

### CEYLON TEA AND SUPERFOODS

**Renuka Teas Ceylon (Pvt) Ltd** is dedicated to the value addition of Ceylon tea, Cinnamon, Moringa and Turmeric in various forms for export markets.

Renuka Teas Ceylon (Pvt) Ltd has a century of experience tracing its roots to **Bois Bros. and Co. Ltd**, a pioneer in Ceylon tea, established in 1891.

## ORGANIC PLANTATIONS

**Kandy Plantations Ltd** is the Group's foray into sustainable organic farming since the 1980s'. Today our farms are a model of a balanced eco-system, located in the heart of the famed Coconut Triangle.

### INTERCROPPING

Our Coconut farms are rich in biodiversity and intercropped with both long crops such as Cashew, Pepper and Cinnamon and short term crops.

### CATTLE BREEDING

Another important component in the farm eco-system is cattle breeding. At present around 430 cattle roam freely, providing cow dung which forms a part of the natural fertilizer mix, along with Coconut husks, Rice straw and Gliricidia leaves.

### FORESTRY

Our forestry is mainly situated in the Wiharagama estate in the Matale district of Sri Lanka. The land comprises of Teak, Kaya and Mahagony trees.

## DAIRY

**Richlife Dairies Limited** was incorporated in the year 1995. It was the first company in Sri Lanka to manufacture Ultra High Temperature (UHT) treated, shelf-stable "Tetra Pak" packaged food products. We also manufacture culture dairy products.

Our experienced, dynamic and qualified food technologists, laboratory and quality assurance personnel carry on continuous improvements to our recipes well supported by a group of expert consultants..

## FMCG

**Shaw Wallace Ceylon Ltd** is one of the leading FMCG brand owners and distributors in the country which sources, manufactures and markets a range of food and beverage products namely Fish, Soya, Cereals, Snacks, Fruit Beverages and Confectionery.

Our grocery network distributes directly to over 70,000 outlets and indirectly to over 100,000 across Sri Lanka assisted and monitored by over 160 company salesmen on a state-of -the-art Sales Force Automation system.

### FACILITIES AND INFRASTRUCTURE

The warehouse complex is a 80,000 sq.ft. facility on an area of land designed to cater to the company's needs over the years. Our own manufacturing facilities are situated in Ekala where we manufacture various products using local raw materials such as Soya, Drink mixes, Snacks, Cereals & Canned fish. A fully fledged fleet of lorries and prime movers cater to our delivery requirements thus ensuring that products and service continue uninterrupted.



## PROPERTY AND INVESTMENT



**Galle Face Properties Ltd** owns prime real estate in Colombo 03 where currently the flagship Galle Face Icon, a 32-storey building with grade A office space, amenities, service suits and recreational areas is under construction.

**Campbell Place Properties (Pvt) Ltd** owns a property in Colombo 09 earmarked for future development.

**On'ally Holdings PLC** an associate of Renuka Capital PLC is engaged in property development and owns the Unity Plaza Building in Colombo 04. Unity Plaza is the premier Information Technology retail hub in Colombo.

**Renuka Capital PLC** is an investment trust listed on the Colombo Stock Exchange. The company actively manages a portfolio of listed equity, debt instruments, private equity and investments in alternate asset classes.

**Shaw Wallace and Hedges Ltd** is a holding company for unquoted equity investments.



## MANAGEMENT SERVICES

**Renuka Enterprises (Pvt) Ltd** is engaged in the provision of management services of corporate finance, Information technology, Human Resources, secretarial, legal and shipping to Group companies.

## BRANDS



## CERTIFICATIONS



## OUR LOCATIONS

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



## OUR NETWORK

- Distributors
- Associates





Revenue  
**7,849**  
Million

EBIT  
**322**  
Million



Net Profit  
**228**  
Million



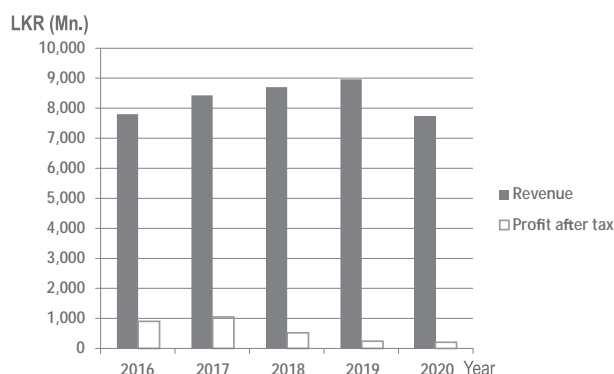
Total Assets  
**13,498**  
Million



Employees  
**1,337**  
Nos,

## AT A GLANCE

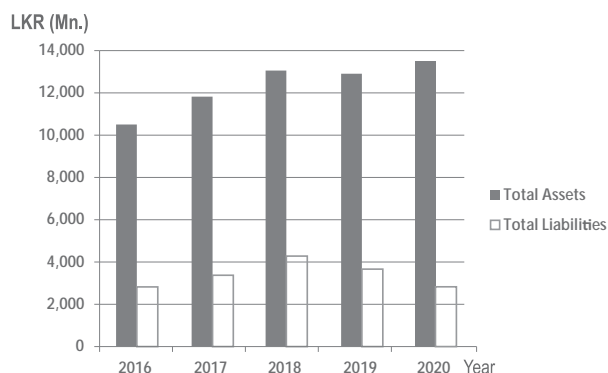
### GROUP REVENUE AND PROFIT AFTER TAX



**7,849 Mn**  
Revenue in Year 2020

**228 Mn**  
Profit in Year 2020

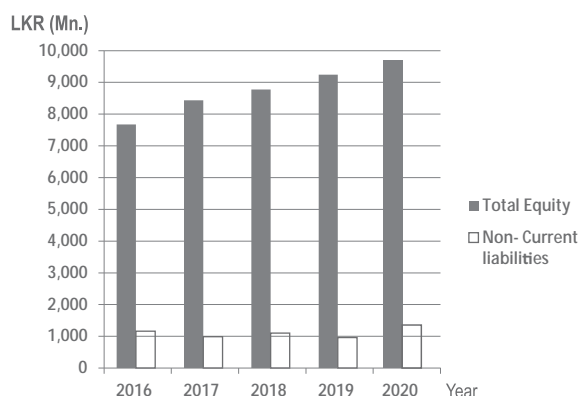
### TOTAL ASSETS AND TOTAL LIABILITIES



**13,498 Mn**  
Total Assets in Year 2020

**3,795 Mn**  
Total Liabilities in Year 2020

### TOTAL EQUITY AND LONG TERM LIABILITIES



**9,703 Mn**  
Total Equity in Year 2020

**1,337 Mn**  
Long Term Liabilities in Year 2020

# PROFILE OF DIRECTORS

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

Mrs. I.R Rajiyah is the Executive 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 Deputy Executive Chairperson of Renuka Foods PLC, Renuka Agri Foods PLC, a Director of Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and companies of the Renuka Group.

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

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

## **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 Agri Foods PLC, Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and Director of other 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 a Non - 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 Foods PLC, Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd and Richlife Dairies Ltd.

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

Dr. J. M. Swaminathan is an Independent, Non-Executive Director of the Company. He holds LLB (Ceylon), LLM, M. Phil. (Colombo) and LLD (Honoris Causa) Degrees and is an Attorney-at-Law with over 55 years in practice. He was the former Senior Partner of Messrs. Julius & Creasy. He is a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University of Colombo. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the Studies of the Council of Legal Education and also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He is a Member of the Visiting Faculty of the LLM Course of the University of Colombo. He also serves on the Boards of several public and private companies.

## **Ms. A.L. Rajiyah**

Ms. A.L. Rajiyah is a Non- 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 an Executive Director of Renuka Agri Foods PLC and Non-Executive Director of Renuka Foods PLC.

## **Mr. L. M. Abeywickrama**

Mr. L. M. Abeywickrama is a Non-Executive Director of the company. 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.



## PROFILE OF DIRECTORS (CONTD.)

### **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 36 years of experience in the Information Technology field. He is also Director of Galle Face Properties Ltd, Renuka Capital PLC, Renuka Foods PLC and Sithijaya Fund. He is a consultant to Hitachi Digital Payment Solutions Ltd.

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

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

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

Mrs. J. J. B. A. Rajiyah is a Non - Executive Director of the Company. She has earned her B.Sc in Law with Management from the University of London and holds a MBA from the Postgraduate Institute of Management, University of Sri Jayawardenepura. She is an Executive Director on the Board of The Autodrome PLC since 2004 and serves in the capacity of the Marketing Director. She is also a Director of Renuka Group Limited, Renuka Enterprises (Pvt) Limited, Galle Face Properties Ltd and other companies of the Renuka Group. She is also a Director of Mercury Ltd., and Tourama (Pvt) Ltd.

# CHAIRPERSON'S REVIEW

On behalf of the Board of Directors, I take pleasure in inviting you our valued shareholders, to the 40th Annual General Meeting of your Company and wish to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2020.

## Economy

Due to the spillover effect of the Easter Sunday Attack in April 2019, the Sri Lankan economy only grew at 2.3% in 2019 compared to 3.3% in 2018.

Further later part of the financial year the spread of the COVID - 19 around the world, which is disrupting all industries, including our industries 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 minimize such impact.

## Business & Financial Performance

As a group we stayed focused on the fundamentals of our business operations and have preserved our core, while being willing to change everything else necessary to win and retain customers. Net Profit Before Tax (PBT) was Rs. 308 Million. Our total Group Non-Current Assets recorded a 4% increase, to a position of Rs. 9 Billion which is mainly due to the increase in Property, Plant and Equipment, together with Investment Properties amounting to Rs. 846 Million. The Group Net Assets has grown by 1% amounting to Rs. 5.8 Billion as at 31st March 2020.

## The Sectors

There are 3 main sectors which are now considered for the Group.

The Agri-business sector, which consists of manufacture and marketing not merely of coconut products but also cultivation of coconuts, cinnamon, pepper and export of Ceylon tea and organic herbs, showed a marginal increase in revenue but a substantial increase in profitability mainly due to lower raw material cost.

The FMCG sector, in the face of many challenges showed an increase in revenue, but reported a loss for the year due to reduction in margins mainly owing to exchange rate fluctuations and changes in taxation policy.

The Property & Investment sector, commenced the sub structure of its flagship Galle Face Icon project, while the Unity Plaza building contributed to the profitability of this sector. With regard to investments in the Colombo Stock Exchange, the market was subdued and a long term approach was taken towards investments held.

During the year, the organization also took a decision to only focus on Food & Beverage consisting of agri-business and fast moving consumer goods, and Property & Investment, therefore all investments in non core areas were disposed of.

The Renuka Holdings group has a total work force of over 1,300 employees. A strong team in place to combine intrapreneurship with professionalism to deliver consistent results and withstand any challenges posed by the economy.

I am confident that the resilience of the group will continue to overcome all challenges and maintain its growth in the years to come. We are optimistic that a stable economic climate and clear strategic direction for the country would create higher growth and returns for your company.

## Acknowledgement

I wish to thank my fellow Board members for their guidance and support in determining the strategic direction of the Group and oversight of performance. The leadership of the Group Management Committee in delivering results is commendable amidst the many challenges faced during the year, and I convey my appreciation to the staff who have supported them in executing the strategy. I wish to thank our Principals and Customers who have shared our journey and look to their continued engagement. The Board joins me in thanking our shareholders for their continued confidence in the Board as we pursue our vision of shared value.

Sgd.

Mrs. I. R. Rajiyah

Chairperson

28th August 2020

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operating Environment

Renuka Group is a diversified organization listed on the Colombo Stock Exchange and is the holding company of subsidiaries engaged in Agri Business inclusive of Organic Plantations, FMCG Sector including Dairy & Property Investment Sector, tracing its roots to 1866.

## Sri Lanka Economy

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 Company to stay on course, in spite the impact of the Easter Sunday Attack to the Economy.

The following aspects discussed the movement of the primary macro - economic variables during the year under review and the resultant impacts on the performance of Renuka Holdings PLC and Renuka Group as a whole.

Movement	Cause	Impact to Renuka Group
<b>Economic Growth</b> GDP growth indicates 2.3% for the year ended 2019 compared to GDP growth of 3.3% in year 2018.	Agricultural sector indicated a growth of 0.6% due to the extreme weather conditions. 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 the 4.6% of the previous year. Industry activities growth by 2.7% compared to the growth of 1.2% in the previous year and this is mainly due to 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.	In the Agri sector favourable weather conditions had impact to the increase of coconut harvest and resulted decrease of raw material prices. But strong competition in the export markets as well as new entrants to the market resulted in decrease in revenue. In FMCG sector our flagship brands continued to maintain growth and the sustained distribution in the local market has enabled us to achieve the desired sales during the year.
<b>Inflation</b> 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 percent during 2019, mainly as a result of subdued demand conditions and well anchored inflation expectations. With survey based upward adjustments to house rentals and education fees, headline inflation as measured by the movements in the Colombo Consumer Price Index (CCPI, 2013=100) accelerated at the beginning of 2019.	Decreased inflation did not result in significant benefit to the Group.
<b>Domestic Interest Rates</b> Both AWDR and AWLR decreased to 8.2% and 9.74% respectively by end 2019. Yields on primary market Treasury bills decreased by 197-275 basis points across the tenures during 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. 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.	Increase borrowing during the year resulted in higher finance cost despite the marginal decreased in interest rates.
<b>Exchange Rates</b> Sri Lankan rupee recorded a marginal appreciation of 0.6 per cent against the US dollar in 2019, compared to the significant depreciation recorded in 2018.	The Central Bank maintained flexibility in the determination of the exchange rate during the year, while intervening only to prevent any excessive volatility of the Sri Lankan rupee and buildup reserves. Reflecting the nominal appreciation of the Sri Lankan rupee against the currencies of several major trading partners together with the movements in the cross currency exchange rates, both the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) indices appreciated in 2019.	Depreciation of the Rupee had a negative impact on our import payments however this contributed positively towards the Company's export turnover growth.
<b>Share Market</b> The market recorded improvements in terms of All Share Price Index (ASPI), market capitalization, Price Earnings Ratio (PER) and market capitalisation as a percentage of GDP in 2019 while S&P SL 20 index declined during the year.	This was mainly due to the less active Primary and Secondary market, Net foreign outflows.	There was a marginal increase of the Group share prices during the year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTD.)

## Capital Management Review

Being in diversified business operations, Renuka Group seek creation of long term sustainable value to our shareholders while safeguarding the financial stability of the Group and the Company.

### 1. Financial Capital

#### Operating Results

Group revenue has decreased by 12% to Rs. 7.8 Bn during the year. The Group gross profit has decreased due to reduction in revenue. Group also has invested Rs. 477 Mn. during the year in Property, Plant & Equipment.

### 2. Manufacturing Capital

Manufacturing Capital is our strength to enable to produce and deliver quality products all the time therefore we carry continuous improvements to our infrastructure. Capital assets of the Group included state of the art factories at Nittambuwa, Unagahadeniya, Ekala and Wadduwa.

### 3. Natural Capital

Environmental sustainability is highly regarded and embedded in to the Corporate Governance framework of the Group and followed by Renuka Holdings PLC as well its subsidiaries while better managing the natural resources of the Country and meet corporate obligation towards protecting the environment around us.

Focus on energy management, waste management, maintaining clean business environment, water management are few initiatives taken by the Group during the year.

### 4. 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 that each one of the employee needs to play in the forth coming years. Having sought insights from internal and external stakeholders, some of the business processes, operations, departments reporting have been revisited and streamlined.

#### Employee Engagement:

Knowledge sharing sessions are conducted across the Group pertaining to security awareness training, safety, health and food safety.

### 5. 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 Renuka Group mainly depend on the co-ordination of the society surrounding environment.

To provide better living conditions to families around the plantation estates, company completed a re-roofing programme.

In the Dairy sector, Milk farmer families are well look after by Richlife Dairies Ltd. A Fund has been created for welfare activities contributed by both the Company and milk farmer and utilize for welfare activities such as financial assistance in case of death of a family member, children's sickness, Confinement of a child, award for success in year five scholarship exam etc.

### 6. Intellectual Capital

Intellectual Capital is the Group of knowledge assets that are attributed to an organization and most significantly contribute to an improved competitive position of an organization by adding value to defined stakeholders (Marr & Schiuma, 2001). The Renuka Group, 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.

#### 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 economic trends, industry performance and external factors, Renuka Holdings PLC and its subsidiaries are geared to yield opportunities in the domestic and international market with the new developments in business operations and its continuous research & development and plan to continue with the goals and business strategies in the medium term.

# CORPORATE GOVERNANCE

Having a diverse business portfolio, Renuka Holdings PLC has adopted a well sound corporate governance frame work that facilitates effective management of corporate relationship and deliver continues values to its stakeholders. Core principle of accountability, participation and transparency has been in-built to the corporate governance system and manages the wider range of companies in the Group.

This is a robust framework of structures, principles, policies and procedures, codes and process to ensure that our group values and standards are maintained throughout the companies in the Group. Corporate Governance essentially involves balancing in the interest of the shareholders and many stakeholders of the Company- which extend to management, customers, suppliers, financiers, government and community. Since corporate governance also provides the framework for attaining the Company's objectives, it encompasses practically every sphere of management, form action plan and internal controls to performance measurement and corporate disclosures.

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 Holdings 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.

## Corporate Governance System

The Board of Directors who were appointed by the shareholders are the ultimate governing body of the Company and the highest decision making authority and has overall responsibility for determining the strategic directions of the Company and the Group. In all actions taken, the Board of Directors are expected to exercise their business judgment considering the best interest of the Company. The Corporate Governance framework is subject to continues reviews, assessments and improvements to provide best interest to its stakeholders.

## BOARD LEADERSHIP

### Composition of the Board

The Board comprised of ten Directors as at the date of Financial Statements are approved, of which three Directors are Executive and seven Directors are Non-Executive. Out of Seven Non-Executive Directors there are three independent Directors. The status of Directors are given below.

Executive Director	Non –Executive Director	Non – Executive and Independent
Mrs. I. R. Rajiyah – Executive Chairperson	Mrs. A. L. Rajiyah	Mr. T. K. Bandaranayake
Dr. S. R. Rajiyah	Mrs. J. J. B. A. Rajiyah	Dr. J. M. Swaminathan
Mr. S. V. Rajiyah	Mr. V. Sanmugam	Mr. M. S. Dominic
	Mr. L. M. Abeywickrama	

The Board determined that the independence of the Directors are measured in accordance with the Colombo Stock Exchange Rules and the independent Non-Executive Directors have submitted signed confirmation of their independences. The profiles of the directors are given in page 06 to 07 of this Annual Report which states that all Directors are having diverse experience, eminent professionals and dynamic entrepreneurs in the corporate world.

The Board is of the collective opinion that Mr. T.K. Bandranayake is an independent Non-Executive Directors in spite of being on the Board for more than Nine years, he is yet regarded as an independent Director in terms of Rule 7.10.4 of the Revised Rules of the Colombo Stock Exchange since he is not directly involved in the management of the Company and free from any business or other relationship that could materially interfere in the exercise of his free and fair judgment.

## Board Role and Responsibilities

The Board aims at fulling its responsibilities by creating values for all stakeholders that is sustainable and beneficial. Under the direction of 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 gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Company. The Boards composition reflects a sound balance of independence.

Whilst providing information to the Board on regular basis by the management who operates the individual business operations, Board meets quarterly and gives full consideration to the following:

- Review strategic and key business performance
- Approve interim and annual budgets
- Review profit and working capital forecasts and quarterly management accounts
- Provide advice and guidelines to senior Managers
- Approve major Investments
- Approve interim and annual reports
- Risk management and adequacy of internal controls of the Group
- Review reports of internal audits, Related Party Transactions, Compliance with legal and regulatory requirement



# CORPORATE GOVERNANCE (CONTD.)

## 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.

## BOARD MEETINGS AND ATTENDANCE

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

Name of Director	Eligible to attend	Attended
Mrs. I. R. Rajiyah	3	3/3
Dr. S. R. Rajiyah	3	3/3
Mr. S. V. Rajiyah	3	3/3
Ms. A. L. Rajiyah	3	0/3
Mr. V. Sanmugam	3	0/3
Mrs. J. J. B. A. Rajiyah	3	3/3
Mr. L. M. Abeywickrema	3	3/3
Mr. M. S. Dominic	3	3/3
Mr. T. K. Bandaranayake	3	3/3
Dr. J. M. Swaminathan	3	3/3

## Division of responsibilities between the Chairperson and CEO

There is a distinct and clear division of responsibilities between the Chairperson and the Managing Director together with management to ensure that there is a balance of power and authority. The roles of the Chairperson and the CEO are separated and clearly defined.

## Chairperson's Role

The Chairperson is responsible for ensuring the effectiveness and conduct of the Board whilst the Management has overall responsibilities over the operating units, organizational effectiveness of the implementation of Board policies and decisions.

The Chairperson ensures that Board members have access to adequate information and are provided with sufficient opportunity to obtain clarifications on the matters before the meetings through presentations and documents prepared by the management and their teams. Board members also have access to key management personnel for any clarifications. Chief Executive Officer - Shared Services, present the updates on performance of the Company, compliance with regulatory requirements such as Colombo Stock Exchange Listing rules, Companies Act requirements and compliance with tax regulations.

## Financial Acumen

The Board constitutes with members who are having multiple disciplines and experiences in Finance, Marketing, Economic, Legal and Human resources. As a result well balanced members in the Board has the capability in

providing constructive debates and reviews to assist in developing capable strategies.

## Information to the Board

Directors are provided with monthly reports on the performance of each Company in the Group. Chairperson ensures that Managers provide all clarifications and documentations to the Board with minutes and Board papers which are circulated among Directors prior to seven days of the Board meeting.

## Board Appointment and Re-election of Directors

The Board follows a formal process to appoint Directors to the Board mainly through the recommendation of the Nomination Committee. The Articles of Association of the Company require one third of the Non-Executive Directors retire at each Annual General Meeting and the Directors who retire are those who have served the longest periods after their respective appointments/re-appointments

## Access to Independent Professional Advice

In the process of preserving the independence of the Board and the effective decision making, the Directors obtain independent and professional advice where necessary.

## Access to Advice and Services of the Company Secretaries

All the Directors have access to the advice and services of the Company Secretarial function provided by Renuka Enterprises (Pvt) Ltd., which is responsible for ensuring that Board procedures are followed, compliance with rules and regulation, directions and statutes, recording minutes and maintaining required records of the Group.

## Independent Judgment

Directors bring independent judgment to bearing on issues of strategy, performance, resources and standards on business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all the Directors without any domination by one or few Directors on Board processes or decision making.

## Dedication of Adequate Time and Effort to Matters of the Board and the Company

Directors ensure that they dedicate adequate time and effort to the matters of the Board and the Company and that the duties and responsibilities owed to the Company are satisfactorily discharged. Accordingly dates of quarterly Board meetings and Board Sub-Committee meetings are scheduled well in advance and the relevant papers and documents are circulated a week prior to each meeting giving sufficient time for review. There is provision to circulate papers closer to the meeting on an exceptional basis.

## Disclosure of information on Directors to Shareholders

Information relating to each Director is disclosed with the profile given on pages 06 to 07 of this Annual Report. Director's profiles include name, qualifications, experience, material business interest.

# CORPORATE GOVERNANCE (CONTD.)

Membership in sub-committees are given on pages 19 to 23 to this Annual Report together with attendance at such meetings. Attendance at Board meeting is given on page No. 12 to this Annual Report.

Remuneration paid to Director is disclosed in the Note no. 33 to the Financial Statements. Related Party Transactions had with Directors are disclosed in the Note No. 45 to the Financial Statements. Further any Directorships in Listed Companies established in Sri Lanka are included in the profile of each Director on pages 06 to 07 to this Annual Report.

## Directors' Remuneration Procedure

Remuneration Committee determines and sets out the guidelines for remuneration of the management staff in the Group. Scope of Remuneration Committee and its composition are included on page No. 22 to this Annual Report.

The Board determines the remuneration of Non-Executive Directors who are paid a Directors Fee for attending the Board meetings and sub-committee meetings. However they are not paid a performance based incentive payment.

## Stakeholder Management and Shareholder Relationship

### Communication with Shareholders

The Board considers the Annual General Meeting as a prime opportunity to communicate with the shareholders of the Company. 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 circulated to the shareholders within the statutory period.

The Company circulates the agenda of the meeting and shareholders' vote on each issue separately. All the shareholders are invited and encouraged to participate the Annual General Meeting. The Annual General Meeting provides an opportunity for the 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 published quarterly accounts and Annual Report in a timely manner as its principal mode of communication with shareholders and others. This enables stakeholders to make a rational judgment of the Company.

### Disclosure of Material Proposed Transactions

During the year under review there were no material proposed transactions entered in to by Renuka Holdings PLC or the individual companies in the Group which would materially affect the Net Assets base of the Company and the Consolidated position as a whole.

## Accountability and Audit

The Board through the Chief Executive Officer-Shared Service and the management is responsible for the preparation and presentation of Consolidated Financial Statements of the Company and the Group in accordance with the Sri Lanka Accounting Standards comprising SLFRS and LKAS. This responsibility is monitored by the completion of a check list before finalizing the Interim and full year Financial Statements from the respective sector Financial Controllers, Chief Financial Officer and the Chief Executive Officer - Shared Services.

The Directors' Responsibility Statement for Financial Reporting is included on page No. 35 to this Annual Report.

## Risk Management and Internal Controls

The Board is responsible for the Company's internal controls and their effectiveness. Internal controls are established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all the 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, a leading professional accounting firm other than the statutory auditors to carry out internal audits and reviews. Their reports along with management comments are discussed with the Audit Committee and with the Board. Further at each meeting follow up issues from previous meeting also are discussed in order to make sure implementation of appropriate policies and procedures as a prevention mechanism.

## Board Sub Committees

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

The four Board Sub Committees are as follows,

- i. Audit Committee
- ii. Remuneration Committee
- iii. Related Party Transactions Review Committee
- iv. Nomination Committee

## Audit Committee

The Board has established an Audit Committee which has oversight responsibility for financial reporting system of the Company considering how they should select and apply accounting policies, financial reporting and established internal controls and maintaining an appropriate relationship with the external auditors.

# CORPORATE GOVERNANCE (CONTD.)

All the members of Audit Committee consist of independent Non-executive Directors who are appointed by and responsible to the Board of Directors. The Executive Director, Chief Executive Officer - Shared Service and Chief Financial Officer attended the meetings by invitation. Other members of the Board, members of Management as well as External Auditors were present when required. The Company secretaries serve as Secretaries to the committee.

The Audit Committee reviews the accounting policies, review of external audit function and ensures that the objectives and professional relationships are maintained with the External Auditors. Also Audit Committee reviews and assists the Board in maintaining a sound system of internal control.

The Committee has full access to the External Auditors who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the External Auditors without any executive present at least once a year, in line with good Corporate Governance Practice.

The Report of the Audit Committee is presented on pages 19 to 20 and the duties of the Audit Committee are included therein.

## **Related Party Transactions Review Committee**

The objective of the Committee is to exercise oversight on behalf of Renuka Holdings PLC and its listed subsidiaries, to ensure compliance with the Code on Related Party Transaction, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of Colombo Stock Exchange (CSE). The Committee has also adopted Best Practices as recommended by the Institute of Chartered Accountants of Sri Lanka and CSE.

The Related Party Transactions Review Committee consists of three Independent Non-executive Directors who are appointed by and responsible to the Board. The Executive Director, Chief Executive Officer- Shared Service and Chief Financial Officer attended the meetings by invitation and the Company secretaries serve Secretaries to the committee.

The Report of the RPTR Committee is presented on page 21 and the duties of the committee are included therein.

## **Remuneration Committee**

The Remuneration Committee determines the remuneration of the Chairperson, Chief Executive and the Executive Directors and sets guidelines for the remuneration of the key management staff within the Group.

The Remuneration Committee consists of three Directors out of which two Directors are independent and all three Directors are Non- executive Directors. The Chairman of Committee is an Independent Non-executive Director and the Company secretaries serve Secretaries to the committee

The Report of the Remuneration Committee is presented on page 22 and the duties of the committee are included therein.

## **Nomination Committee**

The committee objective is to define and establish the nomination process for Non Executive Directors, lead the process of Board appointment and make recommendation to the Board. The Committee sets the scope and the task such as assessing of skills required to be on the Board, periodic review of the extent of skills required to represent the Board, review the clear description of role and capabilities required for a particular Board appointment and identify and recommend suitable candidates to the Board.

All three Directors in the Nomination Committee are Non-executive Directors of which two Directors are Independent.

The Report of the Nomination Committee is presented on page 23 and the duties of the committee are included therein.

## **Institutional Investors**

Shareholders are provided with interim Financial Statements and Audited Financial Statement together with Annual report which contains the periodic / Annual performance of the Company and its subsidiaries. This information is available in the website of Colombo Stock Exchange. Further Board of Directors ensure that Shareholders are given a fair chance to communicate at the Annual General Meeting and clarify any information relating to the Company and the Group. Further the Board disseminates any information which is price sensitive to the Shareholders by announcing to the Colombo Stock Exchange.

## **Other Investors**

Board expect any other investor to carry out analysis on the information published in the Colombo Stock Exchange web site and to seek independent advice on their investment decisions to invest or divest the shares.

## **Information Technology Governance**

The Board is vigilant on the impact of the technology to the business. The Board is concerned about the threat and the need for management of IT and Cyber security risk.

Chief Information Technology Officer is entrusted with the formation of the Group Information Technology policy and Information security policy.

Management of IT and Cyber security is reviewed at monthly meetings with Directors and informed of any risks, issues and precautionary measures.

# CORPORATE GOVERNANCE (CONTD.)

## Corporate Governance Compliance Statement

Renuka Holdings PLC is fully compliant with the Corporate Governance listing requirement of the Colombo Stock Exchange and adheres to the different regulating authorities including,

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

## Compliance Summary

Statement of compliance under Section 7.6 of the Listing Rules of Colombo Stock Exchange on Annual Report disclosures.

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
(i)	Names of persons who were Directors of the entity	Compliant	Refer Directors' Report on pages 30 to 34 of this Annual Report.
(ii)	Principal activities of the entity during the year and any changes therein	Compliant	Refer Note 1 to Financial Statements.
(iii)	The names and the no. of shares held by the 20 largest holders of voting shares and the percentage of such shares held	Compliant	Refer Shareholders and Investor information on page 101 to 103 of this Annual Report
(iv)	The public holding percentage	Compliant	Refer page No 102
(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 Directors' Report on pages 30 to 34 of this Annual Report
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Refer Risk management Report on pages 24 to 27 of this Annual Report.
(vii)	Details of material issues pertaining to employees and industrial relation of the Entity	Not Applicable	There are no employees in the Company.
(viii)	Extent, Locations, Valuations and the number of buildings of the Entity's land holding and investment properties	Not Applicable	
(ix)	Number of shares representing the Entity's Stated Capital	Compliant	Refer Note 20 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 101 to 103 of this Annual Report
(xi)	Financial ratios and market price information	Compliant	Refer Five years summary given on page no 100 to this Annual Report
(xii)	Significant change in the Company's fixed assets and market value of Land, if the value differs substantially from the book value as at the end of the year	Not Applicable	-
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Not Applicable	-
(xiv)	Information in respect of Employee Share Ownership or Stock Option scheme	Not Applicable	-
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6.c. of Section 7 of the Listing Rules	Compliant	Refer Corporate Governance Report on page 11 to 18 of 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 45 to Financial Statements

# CORPORATE GOVERNANCE (CONTD.)

## Compliance Summary CONTD...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
<b>7.10</b>	<b>COMPLIANCE</b>		
a./b./c.	Compliance with Corporate Governance Rules	Compliant	This report declares the confirmation on compliance and refer above for "CORPORATE GOVERNANCE COMPLIANCE STATEMENT"
<b>7.10.1</b>	<b>NON-EXECUTIVE DIRECTORS (NED)</b>		
a.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Compliant	Seven out of Ten 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	Not Applicable	-
<b>7.10.2</b>	<b>INDEPENDENT DIRECTORS</b>		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Compliant	Three out of Seven Non Executive Directors are Independent Directors
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
<b>7.10.3</b>	<b>DISCLOSURES RELATING TO DIRECTORS</b>		
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 06 to 07 for a brief resume of each Director
d.	Provide a resume of new Directors appointed to the Board along with details	Compliant	N/A
<b>7.10.4</b>	<b>CRITERIA FOR DEFINING INDEPENDENCE</b>		
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
<b>7.10.5</b>	<b>REMUNERATION COMMITTEE</b>		
a.1	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 an chairman of the committee who is an independent/ non-executive Director.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Compliant	Refer Page 22 for Remuneration Committee scope
c.1	Names of Remuneration Committee members	Compliant	Refer page 22 for names of the Committee members
c.2	Statement of Remuneration policy	Compliant	Refer page 22
c.3	Aggregate remuneration paid to EDs and NEDs	Compliant	Refer to Note 45.1.2 of Financial Statements
<b>7.10.6</b>	<b>AUDIT COMMITTEE</b>		
a.1	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 19 to 20 for Audit Committee



# CORPORATE GOVERNANCE (CONTD.)

## Compliance Summary CONTD...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
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
<b>b.</b>	<b>Functions of the Audit Committee</b>		
b.1	Overseeing of the preparation, presentation and adequacy of disclosure in the financial statements	Compliant	Refer page No. 19 to 20 of Audit Committee Report
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	Compliant	Refer page No. 19 to 20 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 No. 19 to 20 of Audit Committee Report
b.4	Assessment of the independence and performance of the Entity's external auditors	Compliant	Refer page No. 19 to 20 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 No. 19 to 20 of Audit Committee Report
c.1	Names of the Audit Committee members shall be disclosed	Compliant	Refer page No. 19 to 20 of Audit Committee Report
c.2	Audit Committee shall make a determination of the independence of the external auditors	Compliant	Refer page No. 19 to 20 of Audit Committee Report
c.3	Report on the manner in which Audit Committee carried out its functions	Compliant	Refer page No. 19 to 20 of Audit Committee Report
<b>9.2</b>	<b>RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTR)</b>		
9.2.1	Reviewing of Related Party Transactions except the transactions mentioned under rule no. 9 should be carried out by the Committee prior to entering or completion of the transaction	Compliant	Refer Related Party Transactions Review Committee Report on page 21 of this Annual Report.
9.2.2	The Committee should comprise a combination of non-executive directors and independent non-executive directors. The composition of the Committee may also include executive directors, at the option of the Listed Entity. One independent non-executive director shall be appointed as Chairman of the Committee.	Compliant	Refer Related Party Transactions Review Committee Report on page 21 of this Annual Report.
9.2.3	Holding Company RPT Committee to function as the RPT Committee of subsidiaries	Compliant	Renuka Holdings PLC is the ultimate holding company
9.2.4	Frequency of Meetings	Compliant	Refer Related Party Transactions Review Committee Report on page 21 of this Annual Report.
9.3.1	Immediate Disclosures a) Any non-recurrent related Party transaction with a value exceeding 10 percent of the Equity or 5 percent of Total Assets which ever is lower, OR if the aggregate value of all non-recurrent Related Party Transactions entered in to with the same Related Party during the same Financial year amounts to 10 percent of the equity or 5 percent of the Total assets of the Entity as per the latest Audited Financial Statements  b) Any subsequent Non-Recurrent Transaction after it exceeds 5 percent of Equity entered with the same related party	Compliant	There were no related party transactions with a value more than the criteria

# CORPORATE GOVERNANCE (CONTD.)

## Compliance Summary CONTD...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
<b>9.3</b>	<b>RPTR COMMITTEE DISCLOSURE IN THE ANNUAL REPORT</b>		
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Compliant	Refer Note No. 45 to the Financial Statements
9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Compliant	Refer Note No. 45 to the Financial Statements
9.3.2 (c)	Report of the Related Party Transactions Review Committee	Compliant	Refer page 21 for Report of the Related Party Transactions Review Committee
9.3.2 (d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Compliant	Refer page 21 for Report of the Related Party Transactions Review Committee.

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

Section		Compliance status	Reference
168 (1) (a)	The state of the Company's affairs and nature of the business of the Company together with any change thereof during the accounting period	Compliant	Refer Note 01 of the Financial Statements
168 (1) (b)	Signed Financial Statement of the Company for the accounting period completed	Compliant	Refer pages 44 to 50 of this Annual Report
168 (1) (c)	Auditors Report on Financial Statements of the Company	Compliant	Refer pages 39 to 43 of this Annual Report
168 (1) (d)	Accounting Policies and any changes therein	Compliant	Refer Note No. 2 of the Financial Statement
168 (1) (e)	Particulars of the entries made in the interests Register during the accounting period	Compliant	Refer page No. 35 of the Financial Statements
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Compliant	Refer Note No. 33 of the Financial Statements
168 (1) (g)	Corporate donations made by the Company during the accounting period	Compliant	Refer page No. 36 of the Annual Report
168 (1) (h)	Names of the Directors of the Company at the end of the accounting period and name of Directors who ceased to hold office during the accounting period	Compliant	Refer page No. 35 of this 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 No. 33 of the Financial Statement
168 (1) (j)	Other relationships or any interest of Auditors with the Company	Compliant	Refer pages 22 to 23 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 38 of the Annual Report for the Report of the Directors

# AUDIT COMMITTEE REPORT

The Board has established the Audit Committee which has full responsibility pertaining to the Group. However when discharging its responsibilities, Audit Committee places reliance on work of other Audit Committees established for other Companies in the Group.

## Role of the Audit Committee

The main role and the responsibilities of the Audit Committee include;

Assisting the Board in accomplishing oversight responsibilities in relation to quality and integrity of the Financial Statements of the Company and the Group. This include preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.

Responsibility in ensuring that the Internal controls systems and risk management systems of the Company and the Group are adequate and are complied with legal and regulatory requirements.

Oversight responsibility in overseeing the compliance in relation to financial reporting requirement and the information requirement as required by Companies Act No. 07 of 2007 and other relevant financial reporting related regulations and requirements.

Assessing the independence, qualifications and performance of External Auditors.

Making recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and approval of the remuneration and terms of engagement of the external auditors.

Discussion of the audit plan, key audit issues and their resolution and management responses.

Discussion of the Company's Annual Audited Financial Statements and Interim Financial Statements with the Management and/or the Auditors as appropriately.

Ensuring that a process of sound system of internal control is in place in the Company and in the Group.

The Audit Committee reviews the scope and results of the audit and its effectiveness, the independence and objectivity of the external auditors. They also review the nature and extent of non audit services provided by the auditors to ensure that auditors are able to maintain objectivity and independence.

The proceedings of the Audit Committee are regularly reported to the Board of Directors.

## Composition of The Audit Committee

There are no changes to the composition of Audit Committee during the financial year. The Audit Committee consist of Independent Non-Executive Directors who are appointed by and responsible to the Board of Directors.

## Audit Committee Members

Mr. T. K. Bandaranayake – Chairman  
(Independent Non-Executive Director)

Mr. M. S. Dominic  
(Independent Non-Executive Director)

Dr. J. M. Swaminathan  
(Independent Non-Executive Director)

Brief profiles of each member are given on page 06 to 07 of this Annual 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.

## Audit Committee Meetings

The Committee has met four times during the year under review. The attendance of the members of Audit Committee meeting is stated in the table below.

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

Company Secretary acts as the Secretary to the Audit Committee. The Executive Director, Chief Executive Officer – Shared Services and Chief Financial Officer, attended the meetings by invitation. Other members of the Board, members of the Management as well as External Auditors were present at the discussions when required.

## 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 Board Audit Committee.

## Internal Audit

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

# AUDIT COMMITTEE REPORT (CONTD.)

Internal Audits are outsourced to leading audit firms in line with an agreed audit plan. Follow-up reviews are scheduled to ascertain that audit recommendations are being acted upon. These reports are 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 action 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 met with the External Auditors in relation to the scope of the audit and also to discuss the Management letter at the conclusion of the Audit.

The Committee also met with the External Auditors without the presence of the Management to discuss any sensitive aspects which arose during the audit and any other relevant matters.

The Committee reviewed the Audited Financial Statements with the External Auditors who are responsible to express an opinion on its conformity with the Sri Lanka Accounting Standards, and also the External Auditor's 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. 07 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 Messrs. 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.

T. K. Bandaranayake

Chairman

28th August 2020

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTR) was constituted with an objective of keeping in line with the Code of Best Practice on Corporate Governance and the requirement of the Securities and Exchange Commission with a view to ensure that the interests of shareholders as a whole are taken into account by Renuka Holdings PLC and are consistent with the Code when entering into Related Party Transactions and made required disclosures in a timely manner. The Committee has also adopted the Best Practices as recommended by the Institute of Chartered Accountants of Sri Lanka and CSE.

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

The committee comprises three Independent Non-executive Directors who are appointed by and responsible to the Board of Directors.

The Committee comprised of following members as at 31st March 2020

Mr. T. K. Bandaranayake – Chairman

*(Independent Non-Executive Director)*

Mr. M. S. Dominic

*(Independent Non-Executive Director)*

Dr. J. M. Swaminathan

*(Independent Non-Executive Director)*

Brief profiles of each member are given on pages 06 to 07 of this Annual 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 are placed within the Committee's purview.

## Related Party Transactions Review Committee Meetings

The Committee has met three times during the period under review. The attendance of the members of Committee meeting is stated in the table below.

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

Further Related Party Transaction Review 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 purposes hereof construed as equivalent to a meeting being held.

Company Secretaries act as the Secretaries to the Related Party Transactions Review Committee. The Executive Director, Chief Executive Officer - Shared Services and Chief Financial Officer attended the meetings by invitation.

## Policies and procedures of Related Party Transactions Review Committee

- Establishing and defining the threshold values of each listed related party transaction as per the Code which require discussion in detail and disclose.
- Identifying related party transactions that need pre-approval from the Board of Directors and need immediate market disclosure. And identify transactions that need shareholder approval and disclosure in the Annual Report.
- Formulating a standard template to implement to all listed subsidiaries in the Group to follow when documenting RPT when presenting to RPTR Committee.
- Establishing proper guide lines to identify recurrent & non-recurrent Related party transactions to review economic and commercial substance of the related party transaction.
- Establishing a method of having access to adequate knowledge or expertise to assess all aspects of proposed related party transactions where necessary and procedure for obtaining appropriate professional and expert advice from appropriately qualified persons.
- Providing guidelines which senior management must follow in dealing with related parties.
- Quarterly reviewing to ensure that adequate disclosures have been done in the market or Annual Report as required by the Code.
- The Committee communicates its comments/ observations to the Board of Directors after each review of related party transactions.

## Task of the Committee

The Committee reviewed the related party transactions presented to them by the Management and their compliance by Renuka Holdings PLC and communicated its findings to the Board of Directors.

The Committee declared that no RPT falling within the scope of the Code was entered into by the Company during the financial year 2019/20 other than those reflected in Note No. 45 to the Annual Report.

Sgd.  
T. K. Bandaranayake  
Chairman  
28th August 2020



# REMUNERATION COMMITTEE REPORT

## Composition of the Committee

The Committee consists of three non-executive directors out of which two Directors who are independent. The members of the Committee have wide experience and knowledge of the business / industry that we are engaged in.

### Members of Remuneration Committee

Mr. M. S. Dominic - Chairman

*(Independent Non-Executive)*

Mr. T. K. Bandaranayake

*(Independent Non-Executive)*

Mr. L. M. Abeywickrama

*(Non-Executive)*

The brief profile of the directors are given on page 06 to 07 of this Annual Report.

### Remuneration Committee Meeting Attendance

The Committee met once during the financial year under review. Attendances of the directors in such meetings are given below.

#### Attendance of the committee

Name of Directors	Eligible to Attend	Attended
Mr. M. S. Dominic	1	1/1
Mr. T. K. Bandaranayake	1	1/1
Mr. L. M. Abeywickrama	1	1/1

The Managing Director may attend the committee meetings on invitation and consult on the performance and remuneration of the Key management staff to make recommendations.

## Independence of the Committee

The Committee is independent from the Management of the business and does not involve any business operations.

### The scope of the Committee

- The Committee studies and recommends the remuneration policy of Directors & Key Management Personnel.
- Reviews the performance evaluation done by the Management of Key Management personnel on a 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 when deemed necessary 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 to evaluate the performance of employees. The policy ensures that equality and fairness among the various categories of employees is maintained.

Sgd.

M.S. Dominic  
Chairman

28th August 2020

# NOMINATION COMMITTEE REPORT

The Nomination Committee of Renuka Holdings PLC as at 31st March 2020 consisted of three Non-Executive Directors out of which two Directors are Independent as follows.

## Composition of Nomination Committee

Mr. L. M. Abeywickrama - Chairman  
(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 06 to 07 of this Annual Report.

## Attendance at Nomination Committee Meetings

During the financial year under review, the Committee had met once, with all members in attendance as given below.

Name of Directors	Eligible to Attend	Attended
Mr. L. M. Abeywickrama	1	1/1
Mr. M. S. Dominic	1	1/1
Mr. T. K. Bandaranayake	1	1/1

The Company Secretaries act as the Secretaries to the Committee.

The responsibilities of the Committee are,

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

## The Scope of the Committee is,

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

Sgd.

L. M. Abeywickrama  
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. Proactive risk management is vital for the Group since our business is exposed risk arising out of economic, demographic and political factors.

Each Business sector of the Group carries out sector risk assessments on periodic basis and reviewed at the Group management meetings.

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

## Our Approach to Risk Management

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

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

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

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

1. Strategic Risk - A possible source of loss that might arise from an unsuccessful strategic decision taken by the organization. These content strategies related to growth and strategic positioning which ultimately affect the overall mission of the Group.
2. Operational Risk - is the potential loss that might arise in business operation resulting from inadequate or failed internal processes, people and system or external events which ultimately affect the day to day activities of the Group.
3. Financial Risk- The likelihood of loss inherent in financing procedures which may weaken the ability to deliver adequate return to the Group. This may include liquidity risk, currency risk and interest rate risk.

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

## Enterprise Risk Management Process

### Risk Identification, Prioritization and Assessment

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

identifies all the risks by key stakeholders. We consider risk identification to be a key component of a robust risk management framework. In the absence of a proper risk identification process, the organization is incapable of effectively managing its key risks.

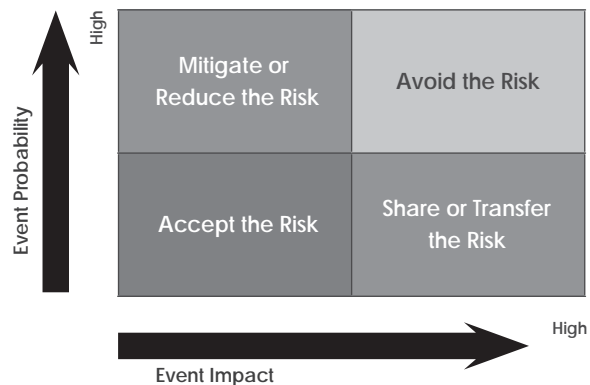
We evaluate risks according to the likelihood of occurrence and magnitude of impact. This assessment provides a prioritized risk list, identifying those risks that need the most urgent attention.

		Impact		
		Low	Medium	High
Probability	High			
	Medium			
	Low			

## Develop Risk Management Strategy

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

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



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

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

## RISK MANAGEMENT (CONTD.)

Strategic Risk		
Risk	Impact	Risk Management Strategies
Competitive Risk		
Risks to the Group's reputation and Brand image	Reduced market share and rates reducing revenue, cash flow and profitability.	Aim to have a broad appeal in price, range and format in a way that allows us to compete effectively in different markets.
	Increased promotional Expenditure.	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.
	The positive correlation between cost of resources and competition.	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.
		Maintaining a positive relationship with employees with a better remuneration and performance appraisal scheme.
Operational risk		
Risk	Impact	Risk Management Strategies
Employee Risk		
Risk from not being able to attract and retain skilled and experienced staff.	Reduced productivity.	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.
	Reduced quality of service resulting in reduced market share and Group's image.	Maintaining cordial relationships with labour unions and adopting interest based negotiations for win-win solutions.
		Implemented well structured talent management process to identify critical employees and retain them in the long run.
		Periodic employee satisfaction surveys to ensure that remuneration is in line with the market.
		Investments in strengthening employee brand image.
Issue Pertaining to Employees and industrial Relationship	Adverse impact on service levels, expected quality standards, operational efficiency and Group reputation.	Review all the issues with regard to employees and Industrial Regulations which affect the performance of the Group.
	Loss of revenue.	Steps taken to ensure employees are satisfied at all the levels and their issues are addressed in order to retain talented employees.
		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.
		Ensure proper industrial relationships with all the government agencies.
IT systems and infrastructure		
	Inability to obtain timely and accurate information due to failures in IT systems.	Implementation of effective IT infrastructure and to ensure consistency of delivery.
	Potential disruption to operations	All relevant staffs are effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.
	Significant financial losses.	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.
		All employees are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.
	A dedicated central IT team is in place to support all IT related aspects of the Group	

# RISK MANAGEMENT (CONTD.)

Operational risk		
Risk	Impact	Risk Management Strategies
<b>Product Risk</b>		
	Product risk implies any effect of perceived impact of our product on stakeholders in general which could bring down our market share.	<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.</p> <p>Enhance productivity and efficiency to improve price competitiveness and investing in high quality machinery and equipment.</p> <p>Employ established standard 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 handle any technical questions about our product.</p> <p>Marketing and distribution procedures ensure complete control of the supply chain</p>
<b>Supply Chain and Operational Risk</b>		
	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>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>
	Unable to maintain strong bond with critical suppliers over the period.	<p>Technical support and guidance on enhancing quality.</p> <p>Manage operational risks by identifying areas of risk, formulating plans for their management, promoting best practices.</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>Implement internal controls, systems and monitoring of compliance.</p>
<b>Legal Regulatory Compliance</b>		
	Risk of legal action due to non performance of legal and statutory requirements	<p>The legal support services to Renuka Group management come through the legal department which ensure all legal and regulatory provisions are complied with.</p>
	Result high cost of legal and penalty fees that reduced profitability	<p>The legal function pro-actively identified and sets up appropriate system and processes for legal regulatory compliance in any foreign country that we operate in, and in such instances through legal council retained in those environments.</p>
	Adversely impact to the Groups' reputation and brand image.	<p>Internal audit function of the Group ensures the safeguarding of company assets and recommends process improvements and assist in development of new standard operating procedures 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 regulations.</p>



# RISK MANAGEMENT (CONTD.)

Operational risk		
Risk	Impact	Risk Management Strategies
<b>Break down of Internal Controls</b>		
	Wastage of management time and resources.	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.
	Possible loss of data.	
	Increased possibility of fraud and misuse.	The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.
	Disruptions to the normal course of operations.	
	lack of ability to track performance against budgets, forecasts and schedules.	Making each employee accountable for ethical behavior, high standards for business conduct and adherence to laws ensures that transactions occur in a reliable way.
	Illegal transactions including theft or misappropriation of assets by employees	Staff rotation and special verification audits across the Group. Internal auditors are also engaged to carry out special reviews wherever necessary.
		The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks.
		Ensuring that only trained, trustworthy, knowledgeable and competent personnel perform tasks which in turn, prevents errors, irregularities and fraud.

## Financial Risk

Financial risk management obligations and policies have been described in note No 49 to the Financial Statements.

# SUSTAINABILITY REPORT

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

## Overview

Sustainability is the key element which is incorporated to Corporate Governance frame work where the utilization of resources would be achieved efficiently, though an environmentally responsible manufacturing of products and provision of services that deliver sustainability benefits which can leverage commercial advantage for the Group. Based on expectations of each stakeholder and Group desire to deliver sustainable stakeholder values over time, the Group designed appropriate strategies to face the challenge of fulfilling stakeholder expectations.

The key business drivers for sustainability are internal operations and stakeholder engagement. The former focuses on our internal operations and manufacturing our products and provision of our services more efficiently using limited 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 later 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 builds trust among 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.

## Impact on Economic Performance

In Economic Performance, Group focused on operational excellence across all its business divisions and subsidiaries and value addition to economic development. Operational excellence measured in terms of efficiency and effectiveness of manufacturing process, process improvement and reduction of waste. Further investment in IT/ ERP helps measurement of operational results on time with increase accuracy. Group has continue to make substantial investment during the year to improve value addition to economic development. These investments have helped to improve resources utilization as well as minimization of waste and pollution.

## Sustainability Policy and Guidelines

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

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

Renuka Group 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

Shareholder engagement is important to us to have access to capital growth 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, a fair return should be realised for the shareholders.

### Method of Engagement

- We have open door policy which enables shareholders to keep in contact, visit and obtain information from the Company Secretaries and engage in dialogue.
- Further e-mail address is provided for comments and suggestions.
- Update with latest financial for shareholders/investors to take rational decisions which are 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 meetings, Extra Ordinary meetings with a view for letting in the shareholders to express their voice.

### Our Concern

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

### Employees Support

At Renuka we have created a work place policy and created employee awareness for the total group. With an employee base of over 1,600, creation of Group identity and belongings is priority. We care for our employees and health and safety is priority, keeping much attention at work place including factories and workplaces.

# SUSTAINABILITY REPORT (CONTD.)

## 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. Newly implemented quarterly News Letter communicate significant events occurred in the Group.
- We organize team building activities such as get-together, sports meets and CSR projects.
- Factories of the Group Companies are equipped with adequate safety measures and the employees are educated to minimize accidents.
- Awareness program are carried out for employees relating to health and safety measures, personal hygiene and precautions to be taken in an event of fire.

## Our Concern

Our concern is to create a friendly environment to our employees who are motivated and talented in order to offer effective service.

## Customers' Support

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.
- On going participation for Industry exhibitions and trade fairs locally and internationally.
- We allow buyer inspections and audits to carry out to ensure compliance with global quality standards

## Our Concern

We are concerned of the quality of our products manufactured in compliance with global standards and creation of innovative products to cater customer needs.

## Support of the 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 full fill 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 share knowledge.

## Environment Support

The Company continues to assess and monitor the consumption of natural resources such as electricity, water and environment around us. Generating solar energy within the Group would able to reduce the cost of electricity expense and could provide excess electricity to National Grid. Focus on waste management and water management are key elements included in staff training events to obtain collective support from staff to protect the natural resources.

## Our Society Around

Renuka Group has been actively involved in supporting the rural farmer network for our coconut division as well as the dairy division. Renuka Group procures over Rs. 2.5 Bn 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 measure to carryout our operations minimizing carbon foot print and saving energy by effective utilization of limited resources while reducing wastage so as to have minimal negative impact on society to have safe environment.

Renuka Group considers engagement to be an increasingly important component of its corporate citizenship strategy. Our engagement efforts help Renuka Group 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

## 1. Overview

The Board of Directors of Renuka Holdings PLC have pleasure in presenting the Annual Report and the Audited Financial Statements for the year ended 31st March 2020 which were approved on 28th August 2020. The details set out herein provide the pertinent information required under section 168 of Companies Act No. 07 of 2007, Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

Renuka Holdings 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 re-registered as required under the provisions of the Companies Act No. 7 of 2007.

## 2. Review of Business

### 2.1. Principal Business Activities

Renuka Holdings PLC is a holding company that owns, directly and indirectly, investments in the numerous companies constituting the Renuka Holdings Group. The Group consists of a portfolio of diverse business operations that are engaged in Agri Business sector, FMCG sector and Property and Investment Sector. The main subsidiaries and their principle activities of Renuka Holdings PLC are listed on page No. 73 to this Annual Report.

### 2.2. Review of operations of the Company and the Group

The Company's businesses and the performance during the year, with comments on financial results, as well as future business developments are presented in the Chairperson's message.

### 2.3 Future Developments

The Future developments of the Group are stated in the Chairperson's Report on page 8 to this Annual Report.

## 3. Associated Companies

Associated Companies belong to the Renuka Group is listed on page No. 72 to this Annual Report.

## 4. Financial Statements of the Company and the Group

The Financial Statements of the Company and the Group are given on pages 41 to 98 of this Annual Report.

## 5. Directors' Responsibility for Financial Statements

The statement of Directors' responsibilities for the Financial Statements is given on page 35 to this Annual Report

## 6. Auditor's Report

The Auditors of the Company, Messrs KPMG performed the audit on the Financial Statements for the year ended March 31, 2020 and the Auditor's Report on the Financial Statements is given on pages 41 to 98 of this Annual Report as required by section 168(1)(c) of the companies Act No. 07 of 2007.

## 7. Accounting Policies and Changes During the Year

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 which require compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) that were in effect up to the year under review. The detailed of significant accounting policies adopted in the preparation of the Financial Statements are given on pages 46 to 62 as required by Section 168 (1) (d) of the Companies Act No 07 of 2007. Changes in accounting policies if any that are made during the accounting period are described under page No. 47 of the Accounting Policies. The Board confirms that there were no changes to the Accounting Policies used by the company during the year other than those disclose their in.

## 8. Financial Results and Appropriations of the year

The Group turnover for the year ended 31st March 2020 was Rs. 7,849 Mn, compared to Rs. 8,961 Mn during the previous year. A detailed analysis of the Group turnover is given in Note No. 28 of the Financial Statements. Further Net profit of the Group was Rs. 228 Mn Compared with the net profit of Rs. 234 Mn for the previous year.

## 9. Stated capital

The Company did not issue any shares during the year ended 31st March 2020. The Stated capital of the Company as at 31st March 2020 was Rs. 1,199 Mn comprising 89,034,626 Voting shares and 12,856,830 Non voting shares.

## 10. Profit Appropriations

The Group's profit before income tax for the year was Rs. 308 Mn (2019 - Rs. 608 Mn) and profit after tax was Rs. 265 Mn (2019 - Rs. 233 Mn.)

## 11. Dividends on Ordinary Shares

The Board of Directors has recommended payment of Rs. 0.25 per share payable for 2019/20 (2018/19 Rs 0.25 per share)

The Directors are confident that the Company would meet the solvency test requirement under section 56 (2) of Companies Act No. 7 of 2007 immediately after the proposed final dividends distribution.

### 11.1 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 received in respect of the first and final dividend of Rs. 0.25 per share (2019 - Rs. 0.25) proposed to be paid to the share holders of the Company.

## 12. Reserves

The Group reserves as at 31st March 2020 amount to Rs 4.6 Bn (2019 - Rs 4.5 Bn) representing revaluation reserves and Retained Earning and the detailed movement of the reserves shown in the Statement of Changes in Equity in the Financial Statements.

# REPORT OF THE DIRECTORS (CONTD.)

## 13. Provision for Tax

The taxable income of the Company is tax at 28% - 24% (2019 - 28%). Taxable income is arising from the operations of the Company and has been disclosed in accordance with Sri Lanka Accounting Standards. The Group companies have provided deferred tax on all known temporary differences under the liability method, as permitted by the Sri Lanka Accounting Standard - LKAS 12 on "Income Taxes". Information on Income Tax Expenses & Deferred Taxes is given in Notes No. 35 & 21 to the Financial Statements on pages 82 & 76 respectively, to this Annual Report.

## 14. Group Investments

The Group Companies have invested in quoted/ unquoted shares of wider portfolio during the year. Detailed portfolio of the investments held by the Group is given in Note No. 14 to the Financial Statements.

## 15. Property, Plant & Equipment and Capital Expenditure

Group has incurred Capital Expenditure during the year on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment Properties, Intangible assets amounting to Rs. 1,008 Mn (2019 - Rs.540 Mn).

Detailed information relating to capital expenditure on Property, Plant & Equipment (including capital work-in-progress), Biological assets, Investment Properties, Intangible assets are given in Note No. 8 to 12 to the Financial Statements.

## 16. Market Value of Investment in Land & Buildings and Investment Properties

Extent, locations, number of buildings and valuations of the properties of the Group are given under Real Estate Portfolio on Page 99 and the market values of the Land & 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. 8 to the Financial Statement.

## 17. Share Information

### 17.1 Information on earnings, net assets and market values

Information relating to earnings and net assets are given with the Five Year Summary appearing on page 100 to this Annual Report. Market value details of the ordinary shares are appearing with Shareholder information on page No. 101 to 103 of this Annual Report.

### 17.2 Major Shareholdings

Details of the twenty largest shareholders with the percentage of their respective shareholdings as at 31st March 2020 are given on page 103 together with comparative shareholdings.

### 17.3 Public Holding

There were 2,089 (2019 - 2,057) registered voting shareholders as at 31st March 2020 with the percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 32.99 % (2019 - 32.99 %).

## 17.4 Distribution of Shareholdings/ Share information

Shareholders distribution schedule is given on pages 101 to 102 of this Annual Report together with Shareholders and investor information.

## 17.5 Ratio and market price information

The ratios relating to equity as required by the listing requirement by the Colombo Stock Exchange are given on page 101 to this Annual Report.

## 17.6 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.

## 17.7 Interests Register

The Interests Register is maintained by the Company Secretary, as per the Section 168(1) (e) of the Companies Act No 7 of 2007. All Directors have made their declarations as provided for in section 192(1) & (2) of the Companies Act No. 07 of 2007 aforesaid. The share ownership of Directors is disclosed on page 32 to this Annual Report. Entries were made in the Interests Register on share transaction and Directors' interest in contracts. The Interest Register is available for inspection by shareholders or their authorised representatives as required by the section 119 (1) (d) of the Companies Act No. 07 of 2007.

## 17.8 Information to Shareholders

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

## 18. Board of Directors

### 18.1 Composition of the Board of Directors

The names of the directors who held office during the period up to the Financial Statements are given below. The brief profile of the Board of directors appear on pages 06 to 07 this Annual Report.

Name of Directors	Executive	Non-Executive	Independent
Mrs. I. R. Rajiyah	X		
Dr. S. R. Rajiyah	X		
Mr. S. V. Rajiyah	X		
Ms. A. L. Rajiyah		X	
Mr. L. M. Abeywickrama		X	
Mr. T. K. Bandaranayake		X	X
Dr. J. M. Swaminathan		X	X
Mr. M. S. Dominic		X	X
Mr. V. Sanmugam		X	
Mrs. J. J. B. A. C. J. Rajiyah		X	

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

# REPORT OF THE DIRECTORS (CONTD.)

## 18.2 New appointments and Resignations

There were no new appointment or resignation of Directors during the year.

## 18.3 Recommendation for re-election

1. To re-elect Mr. L. M. Abeywickrama as a Director who retires by rotation in terms of Article 28 (1).
2. 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.
3. To re-appoint Mr. T.K. Bandaranayake who is 77 years of age, as a director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. T.K. Bandaranayake.
4. To re-appoint Dr. J. M. Swaminathan who is 79 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. J.M. Swaminathan.

## 18.4 Directors' Meetings

Details of the Board Meetings are presented on page 12 and details of the sub committee are presented with related committee report (Audit Committee report on page 19 to 20 Remuneration Committee on page 22, Related Party Transactions Review Committee on page 21 and Nomination Committee on page 23.)

## 18.5 Directors' Interest in transactions

The Company carried out transactions in the ordinary cause of business with the entities where a Director of the Company is a Director. The transactions with the 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 No. 45 to Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

## 18.6 Directors' Interest in Shares

Directors of the Company and its subsidiaries who have relevant interest in 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.

AS AT 31ST March	2020		2019	
Name of Directors	Voting	Non-voting	Voting	Non-voting
Mrs. I. R. Rajiyah	-	-	-	-
Dr. S.R. Rajiyah	-	-	-	-
Dr. & Mrs. Rajiyah (Jt)	17,399,368	171,422	17,399,368	171,422
Mr. S. V. Rajaiyah	-	435,414	-	435,414
Ms. A. L. Rajiyah	330,783	42,850	330,783	42,850
Mr. L. M. Abeywickrama	-	-	-	-
Mr. T. K. Bandaranayake	-	-	-	-
Mr. M. S. Dominic	-	-	-	-
Dr. J. M. Swaminathan	-	-	-	-
Mr. V. Sanmugam	-	-	-	-
	17,730,151	649,686	17,730,156	649,686

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

## 18.7 Remuneration of Directors

The remuneration of Directors in respect of the Company for the year ended 31st March 2020 is given in Note No. 45 to Financial Statements.

## 18.8 Directors Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true & fair view of the status 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.

## 18.9 Board Committees

The Board has established committees for better monitoring and guidance of different aspects of operations and controls of the Company.

### 18.9.1 Audit Committee

The composition of Board Audit Committee comprising of Non-Executive Directors is provided on page 19 and 20 to this Annual Report. Detailed scope of the Audit Committee and its work during the year disclosed in Audit Committee Report given on pages 19 to 20 of this Annual Report.

### 18.9.2 Remuneration Committee

The composition of board Remuneration Committee and report is given on page 22 to this Annual Report.

### 18.9.3 Nomination Committee

The composition of Nomination Committee and its report is given on page 23 to this Annual Report.



# REPORT OF THE DIRECTORS (CONTD.)

## 18.9.4 Related Party Transactions Review Committee

The composition of Related Party Transactions Review Committee and its report is given on page 21 to this Annual Report.

## 19. Related Party Transactions

The Board of Directors has given the following statement in respect of the related party transactions. The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules.

## 20. Statutory Payment

The directors, to the best of their knowledge and belief are satisfied that all statutory payments are due to the Government, other regulatory institutions and those related to employees (if any) have been made on time.

Declaration relating to statutory payments is made in the statement of Directors' Responsibilities on the page 35 to this Annual Report.

## 21. Corporate Donations

Donations made by the Group amounted to Rs. 302,000 (2019 - Rs. 208,524.)

## 22. Environmental Protection

The Directors, to the best of their knowledge and belief are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

## 23. Events Occurred After the Reporting Date

There are no events of material and significance nature that requires adjustment to the Financial Statements, occurred subsequent to the date of the reporting date, other than those disclosed in Note No. 39 to the Financial Statements.

## 24. Going Concern

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore the going concern basis has been adopted in the preparation of the Financial Statements.

## 25. Capital Commitments

No significant capital commitments exist as at 31st March 2020 other than those disclosed in Note No. 41 to this Annual Report.

## 26. Risk Management and system of Internal Controls

### 26.1 Risk Management

The Company has a structured risk management process in place to support its operations. The Renuka Holdings PLC Board Audit Committee plays a major role in this process. The Risk Management Report elaborates these processes and the Company's risk factors.

### 26.2 Internal Controls

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance, inter alia, regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated.

However, any system can only ensure reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable time period.

The Board, having reviewed the system of internal controls, is satisfied with the Group's adherence to and effectiveness of these controls for the year up to the date of signing the Financial Statements.

## 27. Compliance with Laws and Regulations

The Company has taken all reasonable measures to comply with all applicable laws and regulations. A compliance checklist is signed-off on a quarterly basis by responsible officers and any violations are reported to the Board Audit Committee. Detailed report of the Audit Committee is given on Pages 19 to 20 to this Annual Report.

## 28. Contingent Liabilities

There is no contingent liabilities existed as at the balance sheet date except what is disclosed in the Note No. 42 to the Financial Statements on page 88 to this Annual Report.

## 29. Outstanding Litigation

There are no litigations pending against the Company as at the balance sheet date other than what is disclosed in the note No. 40 to Financial Statements on page No. 88 to this Annual Report.

## 30. Code of Conduct

The Company demands 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.

## 31. Corporate Governance

The Company has complied with the Corporate Governance rules that are laid down under the Listing Rules of the Colombo Stock Exchange. The Corporate Governance Report on pages 11 to 18 details this further.

# REPORT OF THE DIRECTORS (CONTD.)

## 32. Compliance with Transfer Pricing Regulations

All transactions are entered in to with associated persons during the period are on an arm's length basis, and are comparable with transactions carried out with non-associated parties.

## 33. Human Resources

As a policy the Company, it continues to regard communication with its employees as an integral part of the relationship. Information is effectively communicated to employees on the matters pertaining to the financial performance and economic factors affecting the Company's performance and other developments in the Group as a whole through its quarterly News Letter. Employees are encouraged to discuss operational and strategic issues with their line management and to make suggestions.

## 34. Employees and Industrial Relations

The Renuka Group has a structure to assess the competencies and commitments of its employees. There are no employees attached to Renuka Holdings PLC as such no material issues pertaining to employees and industrial relations of the entity.

## 35. Appointment of Auditors

Messrs. KPMG, Chartered Accountants, who are the company auditors during the year, are deemed reappointed, in terms of Section 158 of the Companies Act No. 7 of 2007 as auditors of the Company. The retired auditors have expressed their willingness to continued in office. A resolution to re-appoint them as auditors of the Company and authorizing directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

## 36. Auditors' Remuneration and Interest in contracts

The amount of fees paid/payable for the services provided to the Company during the year with corresponding figures for the previous year is presented in Note No. 33.

## 37. Annual Report

The Board of Directors approved the Consolidated Financial Statements along with Company Financial Statements on xx 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.

## 38. Annual General Meeting

Following the issuance of guidelines by the Colombo Stock Exchange (CSE) due to the COVID-19 pandemic situation in the country, 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 30th Annual General Meeting of Renuka Foods PLC will be held

as a virtual meeting at 'BASELINE BUSINESS CENTER', No. 193, Dr. Danister De Silva Mawatha, Colombo 8 at 3.30 p.m. on Monday, 28th September 2020.

The Notice of the Annual General Meeting appears on page 104.

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

## 39. Acknowledgment of the contents of the Report

As required by section 168(1)(k) of the Companies Act No 07 of 2007 the Board of Directors hereby acknowledge the contents of this Annual Report.

For and on behalf of the Board

Sgd.  
S. V. Rajiyah

Sgd.  
V. Sanmugam

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

# STATEMENT OF DIRECTORS RESPONSIBILITY

The Board of Directors of the Company is responsible for preparation and presentation of financial statements for the year ended 31st March 2020 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.

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 comprising

- 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 and its subsidiaries 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
- d. A Cash Flow Statement which presents a true and fair view of the flow of cash in and out of the Company and its subsidiaries for the financial year; and notes to the Financial Statements and which comply with the requirements of the Act.

The Board of Directors are of the view that prevailing Corporate Governance frame, Internal Control systems, risk management policies established by the Company ensure that there are reasonable assurance that all assets are safeguard and all transactions are properly authorized by the management and recorded on time, hence any material misstatements or irregularities are prevented or bring to the notice of the management within a reasonable time.

## **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 judgments have been made so that the form and substance of transactions 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. No. 07 of 2007.

The External Auditors, M/s KPMG were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion on the Financial Statements. The Report of the Auditors, shown on page 36 to 40 set out their responsibilities in relation to the Financial Statements.

The Directors are also of the view that the Company and its subsidiaries have 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 Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company based on the information available, satisfies the solvency test immediately after the distribution in accordance with section 57 of the Companies Act No. 07 of 2007, and have obtained/ sought in respect of the dividend now proposed a certificate of solvency from the Audit.

## **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 its Group and all other known statutory dues as were due and payable by the Company and its Group companies as at the reporting date have been paid or where relevant provided for.

By order of the Board

Renuka Enterprises (Pvt.) Ltd

Sgd.  
Company Secretaries  
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](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF RENUKA HOLDINGS PLC

### Opinion

We have audited the financial statements of Renuka Holdings 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.

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	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon 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 (CONTD.)

## Key audit matters

01. Carrying Value of Inventories	
Refer to the accounting policies in "Note 2.28 to the Financial Statements: Inventories", "Note 2.26 to the Financial Statements: Use of Estimates and Judgments" and "Note 15 to the Financial Statements: Inventories".	
Risk Description	Our responses
<p>The Group has recognized a total inventory provision of Rs.112 Mn in arriving at carrying value of inventory of Rs.1, 286 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><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>Testing the adequacy of the group's provision against inventory by assessing the assumptions applied by the group in providing against aged/obsolete items. We did this by assessing the historical accuracy of the group provisioning policy.</li> <li>As part of our attendance at the year-end inventory counts we challenged the inventory provisioning in line with our observations of potentially obsolete inventory. We tested a sample of inventory, comparing the carrying value to recent sales invoices to ensure provisions were appropriately applied.</li> <li>Testing the calculation of labor and production overhead absorption by critically assessing the method of calculation and challenging the levels of overhead absorbed compared to actual overhead costs incurred and in comparison to prior year levels.</li> <li>Testing a sample of inventory items sales subsequent to the year end and assessed if they were sold at higher than the cost.</li> </ul>
02. Accounting for goodwill, investments in subsidiaries and equity-accounted investees	
Refer to the accounting policies in "Note 2.6: Goodwill, Note 2.8: Investment in Associates and impairment", "Note 2.26 to the Financial Statements: Use of Estimates and Judgments" and "Note 13 to the Financial Statements: Investment in subsidiaries and impairment", "Note 13(a) and (b) to the Financial Statements: Investment in Subsidiaries and Equity Accounted investees" and "Note 09 to the Financial statements: Goodwill".	
Risk Description	Our responses
<p>The Company holds investments in subsidiaries amounting to Rs. 1,649 million as at 31st March 2020. Further, the Group holds investments in equity-accounted investees amounting to Rs. 642 million and goodwill amounting to Rs. 158 million as at 31st March 2020.</p> <p>Investments which do not generate adequate returns may be an indication on of impairment. Management performed the impairment assessment for goodwill, subsidiaries and equity-accounted investees with indicators of impairment.</p> <p>The carrying amount of each investments in subsidiary and investments in equity- accounted investees have been tested for impairment as individual Cash Generating Units and management allocated goodwill to the respective cash-generating units ("CGU") and the recoverable amounts of the identified CGUs have been determined based on value-in-use calculation.</p> <p>We considered the audit of management's impairment assessment of goodwill, investment in equity accounted investees and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying value and use of significant judgments and estimates.</p>	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>Assessing the classification of the investment whether it is an associate, equity investment or subsidiary .and obtain the Management's basis for accounting for this investments and checked it is in compliance with relevant accounting standards.</li> <li>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.</li> <li>Obtaining an understanding of management's impairment assessment process.</li> <li>Evaluating the reasonableness of the group's key assumptions for its revised cash flow projections such as discount rates, cost inflation and business growth with reference to the internally and externally derived sources including the Group budgetary process and reasonableness of historical forecasts.</li> <li>Reviewing of value in use computations for recoverable amounts with impairment indications and discussion with management of the Group to ensure that management assessment is in line with relevant accounting standards.</li> <li>Assessing the extent to which the need for large scale government intervention is required for each of subsidiaries/associates in response to Covid-19 was evident as at reporting date.</li> <li>Assessing the disclosure in the financial statements in line with the requirements of relevant accounting standards.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT (CONTD.)

03. Recoverability of Trade Receivables	
Refer to the accounting policies in "Note 3.4 to the Financial Statements: Financial Instruments", "Note 2.26 to the Financial Statements: Use of Estimates and Judgments" and "Note 16 to the Financial Statements: trade receivables".	
Risk Description	Our responses
<p>Trade receivable balances were significant to the Group due to the receivables in Shaw Wallace Ceylon Limited. Any impairment of significant trade receivable could have material impact on the Group's profitability.</p> <p>Recoverability of trade receivables remains one of the most significant judgment made by the management particularly in light of the uncertain economic outlook in Sri Lanka as at the reporting date due to the potential impact of the Covid-19 outbreak.</p> <p>The Group uses significant judgment, based on the available facts and circumstances, including but not limited to, the length of relationship with the customer and the customer's repayment history and known market factors. In addition, trade receivables allowance assessment requires significant management judgment. As such, we determined that this is a key audit matter.</p>	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Involving the component auditors of the subsidiary Companies' in performing the following audit procedures and review their working papers where necessary.</li> <li>• Testing the aging of the trade receivables and evaluated management's assumptions used to estimate the trade receivables provision amount, through specific review of significant overdue individual trade receivables, reviewing payment history of debtors, checking the bank receipts for the payment received subsequent to the year end and calling debtor confirmations.</li> <li>• Assessing the adequacy of the disclosures related to trade receivables and the related credit risk in the financial statements.</li> </ul>
04. Valuation of Land and building	
Refer to the accounting policies in "Note 2.17/2.20 to the Financial Statements: property plant and equipment and investment property", "Note 2.26 to the Financial Statements: Use of Estimates and Judgments" and "Note 08/10. To the Financial Statements: property plant and equipment and investment property".	
Risk Description	Our responses
<p>As at reporting date 31st March 2020, land and building carries at fair value, classified as Property, Plant and Equipment's and Investment Properties amounted to Rs.4,514 Mn and Rs.3,334 Mn respectively.</p> <p>The fair value of these properties were determined by the Independent external value engagement by the management, who has the qualification and experience required to perform valuation in the market.</p> <p>The Valuation of land and building was significant to our audit due to the use of significant estimates and judgments such as per perch price and value per square foot.</p>	<p><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>• Assessing the objectivity, independence, competency and qualifications of the external Valuers engaged by the Company.</li> <li>• Assessing the appropriateness of the valuation techniques used by the external valuers, taking into account the profile of the properties.</li> <li>• Assessment of key assumptions applied by the external Valuers in deriving the fair value of properties and comparing the same with evidence of current market values where available and challenging the reasonableness of key assumptions based on our knowledge of the business and industry and internal benchmarks.</li> <li>• Discussion with the management and the external valuers in relation to the possible impact on the key assumptions and the resulting valuation due to Covid-19.</li> <li>• Assessing the adequacy of disclosures made in relation to the fair value of properties in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used in the estimates.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT (CONTD.)

05. Management assessment relating to impact of COVID 19	
Refer to the accounting policies in "Note 2.25 to the Financial Statements: Impact of COVID 19 Outbreak to the current year financial statements and possible effect to the Company's future prospects.	
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 2.25 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><b>Our audit procedures included:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>Assessing the adequacy of the financial statements disclosure.</li> </ul>

## Other Matter

The financial statements of the Group and the Company for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 17 July 2019.

## Other Information

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

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and

for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## 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:

# INDEPENDENT AUDITOR'S REPORT (CONTD.)

- 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.

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

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

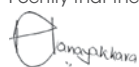
28th August 2020

# STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH	Note	Group		Company	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	8	4,513,525,789	3,861,050,333	-	-
Intangible Assets	9	176,421,621	180,202,555	-	-
Investment Property	10	3,333,884,153	3,139,378,948	-	-
Right of Use Assets	11	316,184,145	277,486,147	-	-
Biological Assets	12	90,952,113	71,121,024	-	-
Investment in Subsidiaries	13(a)	-	-	1,648,825,000	1,648,825,000
Investment in Equity Accounted Investees	13(b)	641,683,586	822,964,344	-	-
Investment - Measured at Fair Value Through OCI	13(c)	-	1,010	-	-
Deferred Tax Asset	21	10,919,908	27,183,249	-	-
<b>Total Non-Current Assets</b>		<b>9,083,571,315</b>	<b>8,379,387,610</b>	<b>1,648,825,000</b>	<b>1,648,825,000</b>
<b>Current Assets</b>					
Inventories	15	1,285,707,833	1,323,596,146	-	-
Trade and Other Receivables	16	1,059,281,037	973,187,116	-	-
Other Current Assets	17	163,696,500	130,941,717	-	-
Income Tax Refund Due	27	72,230,883	-	-	-
Investment - Measured at Fair Value Through Profit or Loss	14	423,205,251	498,680,391	-	-
Short Term Investments in Deposits	18	215,256	381,767	215,256	381,767
Cash at Bank and Cash in Hand	19	1,410,252,211	1,594,248,170	2,559,632	1,370,382
<b>Total Current Assets</b>		<b>4,414,588,971</b>	<b>4,521,035,307</b>	<b>2,774,888</b>	<b>1,752,149</b>
<b>Total Assets</b>		<b>13,498,160,286</b>	<b>12,900,422,917</b>	<b>1,651,599,888</b>	<b>1,650,577,149</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	20	1,198,897,063	1,198,897,063	1,198,897,063	1,198,897,063
Revaluation Reserve		403,976,194	271,909,252	-	-
Retained Earnings		4,221,022,676	4,278,525,561	423,065,655	429,585,706
<b>Equity Attributable to Owners of the Company</b>		<b>5,823,895,933</b>	<b>5,749,331,876</b>	<b>1,621,962,718</b>	<b>1,628,482,769</b>
Non Controlling Interest		3,878,823,539	3,482,569,538	-	-
<b>Total Equity</b>		<b>9,702,719,472</b>	<b>9,231,901,414</b>	<b>1,621,962,718</b>	<b>1,628,482,769</b>
<b>Non Current Liabilities</b>					
Deferred Tax Liability	21	798,658,334	741,007,673	-	-
Interest Bearing Borrowings	22(a)	325,688,691	76,751,000	-	-
Lease Liabilities	22(e)	88,545,216	46,500,000	-	-
Retirement Benefit Obligation	23	123,956,509	100,249,061	-	-
<b>Total Non-Current Liabilities</b>		<b>1,336,848,750</b>	<b>964,507,734</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade and Other Payables	24	769,529,875	942,099,279	7,747,480	2,666,436
Other Current Liabilities	25	146,602,326	92,026,453	32,821	11,600
Amount due to Related Companies	26	-	-	4,265,889	1,228,628
Interest Bearing Borrowings	22(b)	1,139,826,954	1,521,263,880	-	-
Lease Liabilities	22(e)	27,202,010	3,000,000	-	-
Income Tax Payable	27	47,151,500	17,175,270	2,725	1,796,174
Bank Overdraft	19	328,279,399	128,448,887	17,588,255	16,391,542
<b>Total Current Liabilities</b>		<b>2,458,592,064</b>	<b>2,704,013,769</b>	<b>29,637,170</b>	<b>22,094,380</b>
<b>Total Liabilities</b>		<b>3,795,440,814</b>	<b>3,668,521,503</b>	<b>29,637,170</b>	<b>22,094,380</b>
<b>Total Equity and Liabilities</b>		<b>13,498,160,286</b>	<b>12,900,422,917</b>	<b>1,651,599,888</b>	<b>1,650,577,149</b>

The Notes to the Financial Statements on pages 46 to 98 form an integral part of these Financial Statements.

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



T. M. Dilum Nanayakkara  
Chief Financial Officer

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



S. V. Rajiyah  
Director  
28th August 2020  
Colombo



V. Sanmugam  
Director

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH	Note	Group		Company	
		2020	2019	2020	2019
		Rs.	Rs.	Rs.	Rs.
<b>Revenue</b>	28	7,849,081,212	8,960,792,900	27,066,000	46,084,925
Cost of Sales		(5,952,538,175)	(6,797,934,458)	-	-
<b>Gross Profit</b>		<b>1,896,543,037</b>	<b>2,162,858,442</b>	<b>27,066,000</b>	<b>46,084,925</b>
Other Operating Income	29	51,955,325	44,622,274	-	-
Administrative Expenses		(800,770,793)	(792,818,788)	(7,617,185)	(7,070,129)
Distribution Expenses		(793,373,938)	(742,613,612)	-	-
Other Operating Expenses		(32,829,581)	(36,854,313)	-	(30,400,885)
<b>Profit from Operations</b>		<b>321,524,050</b>	<b>635,194,003</b>	<b>19,448,815</b>	<b>8,613,911</b>
Finance Income	30	121,338,903	167,598,998	11,000	24,247
Finance Cost	31	(149,476,887)	(226,272,961)	(504,032)	(13,148,136)
Other Financial Items	32	(36,793,202)	(13,283,250)	-	-
Fair Value Loss on Investments - Measured at Fair Through Profit / Loss	14	(8,661,830)	(44,412,174)	-	-
Share of Profit of Equity Accounted Investee	38(a)	60,431,072	88,886,826	-	-
<b>Profit/(Loss) before Taxation</b>	33	<b>308,362,106</b>	<b>607,711,442</b>	<b>18,955,783</b>	<b>(4,509,978)</b>
Taxation	35	(43,366,012)	(374,744,216)	(2,970)	(1,912,145)
<b>Profit/(Loss) from continuing operations</b>		<b>264,996,095</b>	<b>232,967,226</b>	<b>18,952,813</b>	<b>(6,422,123)</b>
<b>Discontinued operations</b>					
Profit/(Loss) from discontinued operations, net of tax	34	(36,850,057)	1,469,032	-	-
<b>Profit/(Loss) for the year</b>		<b>228,146,038</b>	<b>234,436,258</b>	<b>18,952,813</b>	<b>(6,422,123)</b>
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified to Profit or Loss</b>					
Actuarial gains/(Loss) on Retirement Benefits Plan	23	(5,301,610)	15,794,013	-	-
Revaluation reserve on Land & Buildings		483,372,519	-	-	-
Share of Other Comprehensive Income of Equity Accounted Investee	38(a)	394,184	748,117	-	-
Tax on Actuarial gains/(Loss)		619,123	(17,295,862)	-	-
Tax on Revaluation		(140,857,772)	-	-	-
Actuarial Gain from discontinued operations		17,347	113,860	-	-
<b>Other Comprehensive Income/(Expenses) for the year</b>		<b>338,243,791</b>	<b>(639,872)</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income/(Expenses) for the year</b>		<b>566,389,829</b>	<b>233,796,386</b>	<b>18,952,813</b>	<b>(6,422,123)</b>
<b>Attributable to :</b>					
Equity Holder of the Parent		67,924,345	3,721,875	18,952,813	(6,422,123)
Non Controlling Interest		160,221,693	230,714,383	-	-
		<b>228,146,038</b>	<b>234,436,258</b>	<b>18,952,813</b>	<b>(6,422,123)</b>
Total Comprehensive Income Attributable to					
Equity Holder of the Parent		202,672,504	3,128,643	18,952,813	(6,422,123)
Non Controlling Interest		363,717,325	230,667,743	-	-
<b>Total Comprehensive Income for the year</b>		<b>566,389,829</b>	<b>233,796,386</b>	<b>18,952,813</b>	<b>(6,422,123)</b>
<b>Basic Earnings/(Loss) Per Share (Rs.)</b>	36.1	0.67	0.04	0.19	(0.06)
<b>Diluted Earnings/(Loss) Per Share (Rs.)</b>	36.2	0.67	0.04	0.19	(0.06)
<b>Dividend per Share (Rs.)</b>	36.3	0.25	-	0.25	-

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 46 to 98 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

Group	Equity Attributable to Owners of the Company			Total	Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Retained Earnings			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1st April 2018</b>	<b>1,198,897,063</b>	<b>272,088,246</b>	<b>4,207,204,927</b>	<b>5,678,190,236</b>	<b>3,400,857,799</b>	<b>9,079,048,035</b>
Profit for the year	-	-	3,721,875	3,721,875	230,714,383	234,436,258
Other Comprehensive Income	-	-	(593,231)	(593,231)	(46,640)	(639,871)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>3,128,643</b>	<b>3,125,643</b>	<b>230,667,743</b>	<b>233,796,387</b>
Deemed Loss on Disposal of Equity Accounted Investee	-	-	-	-	(9,817,604)	(9,817,604)
Realisation on Account of Depreciation on Revalued Assets	-	(178,994)	178,994	-	-	-
Recognition of Deferred Tax Liability in respect of prior years	-	-	(6,648,407)	(6,648,407)	(8,362,673)	(15,011,080)
Adjustment due to acquisition of subsidiary	-	-	-	-	(1,356,020)	(1,356,020)
Adjustment due to disposal of subsidiary	-	-	-	-	(27,325,749)	(27,325,749)
Adjustments due to changes in shareholdings of Subsidiaries	-	-	74,661,404	74,661,404	(83,337,958)	(8,676,554)
Dividend Paid	-	-	-	-	(18,756,000)	(18,756,000)
<b>Balance as at 31st March 2019</b>	<b>1,198,897,063</b>	<b>271,909,252</b>	<b>4,278,525,561</b>	<b>5,749,331,876</b>	<b>3,482,569,538</b>	<b>9,231,901,414</b>
<b>Balance as at 1st April 2019</b>	<b>1,198,897,063</b>	<b>271,909,252</b>	<b>4,278,525,561</b>	<b>5,749,331,876</b>	<b>3,482,569,538</b>	<b>9,231,901,414</b>
<b>The effect on adoption of SLFRS 16 as at 1st April 2019</b>	<b>-</b>	<b>-</b>	<b>(6,117,585)</b>	<b>(6,117,585)</b>	<b>(11,471,109)</b>	<b>(17,588,694)</b>
Profit for the year	-	-	67,924,345	67,924,345	160,221,692	228,146,038
Other Comprehensive Income	-	135,745,720	(997,561)	134,748,158	203,495,633	338,243,791
<b>Total Comprehensive Income</b>	<b>-</b>	<b>135,745,720</b>	<b>66,926,784</b>	<b>202,672,504</b>	<b>363,717,325</b>	<b>566,389,829</b>
Realisation on Account of Depreciation on Revalued Assets	-	(1,316,045)	1,316,045	-	-	-
Adjustment due to disposal of subsidiary	-	-	-	-	(16,242,896)	(16,242,896)
Adjustments due to changes in shareholdings of Subsidiaries	-	(2,362,733)	(94,155,265)	(96,517,999)	112,038,074	15,520,075
Dividend Paid	-	-	(25,472,864)	25,472,864	(51,787,393)	(77,260,257)
<b>Balance as at 31st March 2020</b>	<b>1,198,897,063</b>	<b>403,976,194</b>	<b>4,221,022,676</b>	<b>5,823,895,933</b>	<b>3,878,823,539</b>	<b>9,702,719,472</b>

Company	Stated Capital	Retained Earnings	Total
	Rs.	Rs.	Rs.
	Rs.	Rs.	Rs.
Balance as at 31st April 2018	1,198,897,063	436,007,829	1,634,904,892
Profit for the year	-	(6,422,123)	(6,422,123)
Other Comprehensive Income for the year	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>(6,422,123)</b>	<b>(6,422,123)</b>
<b>Balance as at 31st March 2019</b>	<b>1,198,897,063</b>	<b>429,585,706</b>	<b>1,628,482,769</b>
<b>Balance as at 1st April 2019</b>	<b>1,198,897,063</b>	<b>429,585,706</b>	<b>1,628,482,769</b>
Loss for the year	-	18,952,813	18,952,813
Other Comprehensive Income for the year	-	-	-
<b>Total Comprehensive Income for the year</b>	<b>-</b>	<b>18,952,813</b>	<b>18,952,813</b>
Dividend Paid	-	(25,472,864)	(25,472,864)
<b>Balance as at 31st March 2020</b>	<b>1,198,897,063</b>	<b>423,065,655</b>	<b>1,621,962,718</b>

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 46 to 98 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit/(Loss) from continuing operation	308,362,106	607,711,442	18,955,783	(4,509,978)
Profit/(Loss) from Discontinued operation	(36,850,057)	1,469,032	-	-
	<b>271,512,049</b>	<b>609,180,474</b>	<b>18,955,783</b>	<b>(4,509,978)</b>
<b>Adjustments :</b>				
Share of Profit of Equity Accounted Investees	(60,431,072)	(88,886,826)	-	-
Interest Income	(121,338,903)	(167,598,998)	(11,000)	(24,247)
Fair Value (Gain) / Loss from Investment - Measured at FVTPL	8,661,830	44,412,174	-	-
Provision for Retirement Benefit Obligation	28,376,311	27,404,238	-	-
Depreciation	291,618,518	274,252,564	-	-
Amortization of Intangible Assets	4,253,637	3,315,000	-	-
Interest Expense	139,401,064	225,733,154	504,032	13,148,136
Lease Interest	10,075,823	692,678	-	-
Amortisation of Right to use Assets	18,346,031	6,444,857	-	-
Profit on Disposal of Property Plant & Equipment	(13,602,953)	(7,904)	-	-
Change in fair value of Investment Property	(2,273,000)	(32,000,000)	-	-
Fair value adjustment of biological assets	(9,972,677)	(3,844,956)	-	-
Provision for impairment of debtors	5,782,776	(37,236,379)	-	-
Loss on Disposal of Equity Accounted Investees	78,611,837	-	-	-
Goodwill written off	-	688,642	-	-
Revaluation losses directly recognized in profit or loss	412,385	-	-	-
Gain on Disposal of Quoted Shares	(1,952,065)	-	-	-
Gain on derecognition of investment in subsidiary	(1,751,195)	-	-	-
Exchange Loss	3,803,274	-	-	(6,843,750)
<b>Operating Profit / (Loss) before changes in Working Capital</b>	<b>649,533,670</b>	<b>862,548,718</b>	<b>19,448,815</b>	<b>1,770,161</b>
<b>(Increase) / Decrease in :</b>				
Inventories	4,627,835	(158,854,626)	-	-
Trade & Other Receivables	(92,895,297)	312,661,600	-	-
Other Current Assets	(33,171,158)	(50,027,730)	-	-
Net Investment in Fair Through Profit / Loss investments	68,765,375	4,261,249	-	-
<b>Increase / (Decrease) in :</b>				
Trade & Other Payables	(172,569,404)	110,602,719	5,081,044	(117,726)
Other Current Liabilities	55,072,582	(2,380,905)	21,222	-
Amount due to Related Companies	-	-	3,037,261	(10,125,593)
<b>Cash Generated from Operations</b>	<b>479,363,604</b>	<b>1,078,811,024</b>	<b>27,588,342</b>	<b>(8,473,158)</b>
Gratuity Paid	(9,212,217)	(15,000,293)	-	-
Income Tax / WHT / ESC Paid	(124,372,186)	(93,303,782)	(1,796,420)	(78,657)
Tax effect on Group Dividend	(10,794,836)	(10,930,975)	-	-
Interest Income	121,338,903	167,598,998	11,000	24,247
Interest Paid	(139,401,064)	(225,733,154)	(504,032)	(13,148,136)
<b>Net Cash from / (used in) Operating Activities</b>	<b>316,922,204</b>	<b>901,441,818</b>	<b>25,298,890</b>	<b>(21,675,704)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Intangible Assets	(472,703)	(2,651,652)	-	-
Investment in Right to Use Land	-	(8,949,119)	-	-
Investment in Biological assets	(9,858,411)	(9,590,665)	-	-
Purchase of Property Plant & Equipment	(476,675,854)	(365,835,060)	-	-
Constructions of Investment Property	(192,232,205)	(558,751,948)	-	-
Proceed from Disposal of Property Plant & Equipment	26,131,963	103,844	-	-
Withdrawal / (Investment) in FVTOCI Investment	1,000	1,000	-	-
Dividend Received from Equity Method Accounted Investees	26,898,181	29,714,001	-	-
(Purchase) / Disposal of Shares in Existing Subsidiaries	15,520,074	(117,801,669)	-	-
Consideration paid to acquire new subsidiaries	-	(74,509,076)	-	-
Disposal of subsidiaries net of cash	21,904,440	(3,313,266)	-	-
Investment in Equity Accounted Investees	(18,125,000)	-	-	-
Proceeds from Disposal of Equity Accounted Investees	137,942,706	-	-	-



# STATEMENT OF CASH FLOWS (CONTD)

FOR THE YEAR ENDED 31ST MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Sale proceeds on disposal of shares	-	-	-	117,151,815
<b>Net Cash from/ (used in) Investing Activities</b>	<b>(468,965,809)</b>	<b>(1,111,583,610)</b>	<b>-</b>	<b>117,151,815</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Share Issued to Non controlling party	-	109,125,115	-	-
Dividend Paid	(25,472,864)	-	(25,472,864)	-
Dividend Paid to Non controlling party	(51,787,393)	(18,756,000)	-	-
Leasing Installments Paid	(22,189,886)	(5,763,228)	-	-
Net Long Term & Short Term Borrowings	(132,499,235)	(563,594,298)	-	(104,418,712)
<b>Net Cash from / (used in) Financing Activities</b>	<b>(231,949,378)</b>	<b>(478,988,411)</b>	<b>(25,472,864)</b>	<b>(104,418,712)</b>
Net Increase / ( Decrease) in Cash and Cash Equivalents	(383,992,983)	(689,130,202)	(173,974)	(8,942,601)
<b>Cash and Cash Equivalents at the Beginning of the year</b>	<b>1,466,181,051</b>	<b>2,155,311,253</b>	<b>(14,639,393)</b>	<b>(5,696,792)</b>
<b>Cash and Cash Equivalents at the End of the year</b>	<b>1,082,188,068</b>	<b>1,466,181,050</b>	<b>(14,813,367)</b>	<b>(14,639,393)</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
Short Term Investments in Deposits	215,256	381,767	215,256	381,767
Cash at Bank and Cash in Hand net of Bank Overdraft	1,081,972,812	1,465,799,283	(15,028,623)	(15,021,160)
	<b>1,082,188,068</b>	<b>1,466,181,050</b>	<b>(14,813,367)</b>	<b>(14,639,393)</b>

Figures in brackets indicate deductions.

The notes to the Financial Statements on pages 46 to 98 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 REPORTING ENTITY

Renuka Holdings PLC is a Public Quoted Limited Liability Company, incorporated in Sri Lanka on 08.02.1979 and re-registered under the Companies Act No. 07 of 2007 (PQ 227) (PVS 5524/PBS) and domiciled in Sri Lanka. The shares were listed in the Colombo stock exchange on 10th March 2008.

The registered office of the Company is located at No. 69, Sri Jinaratana Road, Colombo 02. The Financial Statements are authorized for issue by the Directors on 28th August 2020.

### 1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

During the year, the principal activities of the Company, and Subsidiaries given in Note 13.

### 1.3 PARENT ENTERPRISE AND ULTIMATE PARENT ENTERPRISE

The Company does not have an identifiable parent on its own.

## 2. STATEMENT OF COMPLIANCE

The Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Notes to the Financial Statements ("Financial Statements") of the Group as at 31st March 2020 and for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

This is the first set of Annual Financial in which SLFRS 16 - Leases has been applied. The related changes are described in Note 2.5.

### 2.1 BASIS OF PREPARATION

These financial statements for the year ended 31st March 2020 are prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) As laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the group's functional & presentation currency.

### 2.2 BASIS OF MEASUREMENT

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

- Biological assets are measured at fair value less costs to sell
- Investment property is measured at fair value

- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.
- Land and Buildings are carried at fair value

### 2.3 BASIS OF CONSOLIDATION

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st March 2020.

#### Subsidiaries

Subsidiaries are those entities controlled by the Group. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns When the Group has less than a majority of the voting or similar rights of an investee; the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
  - The contractual arrangement with the other vote holders of the investee;
  - Rights arising from other contractual arrangements; and
  - The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

controlling interest and other components of equity while any resultant gain or loss is recognised in the income

statement. Any investment retained is recognised at fair value. The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position. Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Consolidated income statement and Statement of Comprehensive Income and as a component of equity in the Consolidated statement of financial position, separately from equity attributable to the shareholders of the parent. The Consolidated statement of cash flows includes the cash flows of the Company and its subsidiaries.

A list of subsidiaries within the Group together with contingent liabilities of subsidiaries is set out in Note 13(e) and 42 to the financial statements. Although the direct shareholdings in some of these Group Companies are below 50% of the equity, the accounts of such Companies are consolidated in recognition of the effective management control exercised by the Parent Company.

The details of non-controlling interests are given in Note 13(e) to the financial statements.

## 2.4 MATERIALITY AND AGGREGATION

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

## 2.5 CHANGES IN ACCOUNTING POLICIES

The Group initially adopted SLFRS 16 Lease from 1 April 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 2018/19 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.

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	106,469,321	-
Lease Liabilities	(124,058,015)	-
Retained earnings	17,588,694	-

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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	31st March 2019	
	Group	Company
Operating lease commitments as 31st March 2019 as disclosed under LKAS 17 in the Group's consolidated financial statements	46,500,000	-
Discounted using incremental borrowing rate at 31st March 2019	124,058,015	-

## 2.6 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs incurred are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments: is measured at fair value with changes in fair value either in profit or loss or as a change to other comprehensive income (OCI). If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

Contingent consideration that is classified as equity is not remeasured and subsequent settlement is measured at fair value with changes in fair value either in a profit or loss or as a change to the Other Comprehensive Income (OCI). If the contingent consideration is not within the scope of SLFRS 9, it is measured in accordance with the appropriate SLFRS.

Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstances measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

## 2.7 NON CONTROLLING INTEREST

Profit or loss and each component of other comprehensive income are attributed to equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

### 2.7.1 LOSS OF CONTROL

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

## 2.8 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

The Group investment in associates is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of associate since acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Income Statement reflects the Group's share of results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of the profit or loss of an associate is shown on the face of the Income Statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in Associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'share of losses of an associate in the Income Statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

A listing of the Group's Associates is set out in Notes 13(b) to the Financial Statements.

Summarised financial information of the Associate of the Group is given in Note 38(b) to the Financial Statements.

## 2.9 INVESTMENT IN JOINT VENTURES

A Joint Venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The group Investment in Joint Ventures is accounted using Equity method.

## 2.10 TRANSACTION ELIMINATED ON CONSOLIDATION

All intra-group assets & liabilities, equity, Income, expenses & cash flows relating to transactions between members of the group are eliminated in full on consolidation.

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. Unrealised losses are eliminated in the same way as Unrealised gains, but only to the extent that there is no evidence of impairment.

## 2.11 FOREIGN CURRENCY TRANSLATION

The Group's consolidated financial statements are presented in Sri Lankan Rupees, which is also the Parent Company's functional currency. For each entity the Group determines functional currency and items included in the financial statements of each entity are measured using that functional currency.

## 2.12 TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group entities at their functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

## 2.13 CURRENT VERSUS NON CURRENT CLASSIFICATION

The group presents assets & liabilities in the Statement of Financial Position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in a normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in a normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

## 2.14 INCOME TAX

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Income Tax has been computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and amendments thereto.

## 2.15 DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on Tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 2.16 SALES TAX

Revenues, expenses and assets are recognised net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 2.17 PROPERTY, PLANT & EQUIPMENT

### RECOGNITION AND MEASUREMENT

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation - Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

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

Depreciation is calculated by using a straight line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

separate items (major components) of property, plant and equipment.

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

## 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.

## DEPRECIATION

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

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

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

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

	Percentage
Buildings	2.5 - 5
Plant & Machinery	5 - 20
Motor Vehicles	20
Equipment & Tools	10 - 20
Furniture & Fittings	5 - 15
Electrical Installation	10 - 20
Computers & Software	25
Waste Water Treatment Plant	5

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

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

## 2.18 LEASES

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 1 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:

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

- 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 do 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 April 2019

For contracts entered into before 1 April 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 as 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.

## 2.19 BIOLOGICAL ASSETS

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

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets which comes into bearing during the year, is transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of each reporting period.

Permanent impairments to Biological Assets are charged to the Income Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

The entity recognise 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 bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment as per the ruling issued by The Institute of Chartered Accountants of Sri Lanka.

## 2.20 INVESTMENT PROPERTY

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

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the

period in which they arise applying an appropriate valuation model. Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition. Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant & equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant & equipment.

## 2.21 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 2.22 RELATED PARTY TRANSACTIONS

Disclosures are 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 or decisions of the other irrespective of whether price is being charged.

## 2.23 EVENTS OCCURRING AFTER THE REPORTING PERIOD.

All material events occurring after the reporting period have been considered and where necessary adjustments or disclosure have been made in the Financial Statements.

## 2.24 EARNINGS PER SHARE.

The group presents basic and diluted earnings per share (EPS) 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 2.25 GOING CONCERN

The Board of Directors has certified that the company had adequate resources to continue its operations in the foreseeable future.

Therefore, going concern basis has been adopted in preparing these Financial Statements.

## 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	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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 nonessential expenditure, recruitment and advertising/promotion expenses as well as renegotiation with suppliers and banks.
------------	--

## 2.26 USE OF ESTIMATES & JUDGMENTS

The preparation of Financial Statements 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 recognised in the period in which the estimate is revised and in any future periods affected.

## 2.27 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## 2.28 INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense.

Net realisable value is the estimate of the selling price in the ordinary course of business less the costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow moving and defective inventories

## 2.28.1 AGRICULTURAL PRODUCE HARVESTED FROM BIOLOGICAL ASSETS

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

## 2.28.2 INPUT MATERIAL, SPARES AND CONSUMABLES

At actual cost on weighted average basis.

## 2.29 EMPLOYEE BENEFIT COST

### 2.29.1 DEFINED BENEFIT PLAN – GRATUITY

A defined benefit plan is a post-employment benefit plan other than a defined contributions plan. The liability recognized in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value.

The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS - 19, Employees benefits. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

The actuarial gains and losses are charged or credited to statement of Comprehensive Income in the period in which they arise.

### 2.29.2 DEFINED CONTRIBUTION PLAN-EMPLOYEE'S PROVIDENT FUND AND EMPLOYEE'S TRUST FUND.

All employees who are eligible for Employee's Provident Fund Contribution and Employee's Trust Fund Contributions are covered by relevant contribution funds in line with respective Statutes and Regulations.

Contribution to Provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement in the period in which it is incurred.

## 2.30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Statement of Cash Flow, Cash and Cash Equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

## 2.31 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 2.32 CAPITAL COMMITMENTS AND CONTINGENCIES

All material capital commitments and contingencies of the Group as at the Statement of Financial Position date are disclosed in the notes to the Financial Statements.

## 2.33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

## 2.34 INTANGIBLE ASSETS

### BASIS OF RECOGNITION

An Intangible asset is recognized if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

### BASIS OF MEASUREMENT

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalized development costs, are not capitalised, and expenditure is charged against income statement in the year in which the expenditure is incurred.

### USEFUL ECONOMIC LIVES, AMORTISATION AND IMPAIRMENT

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

## 2.35 TRANSFER PRICING REGULATION

The Company 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.

## 3. FINANCIAL INSTRUMENTS-INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

### 3.1 FINANCIAL ASSETS

#### 3.1.1 INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

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 at Fair Value Through Profit or Loss (FVPL), 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.

#### 3.1.2 SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### (a) FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, loans to related parties and other investments included under other financial assets.



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## (b) FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (DEBT INSTRUMENTS)

The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group do not classified any instrument under this category as of 31 March 2020

## (c) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OCI (EQUITY INSTRUMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed and non-listed equity investments under this category

## (d) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of

the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

### 3.1.3 DERECOGNITION

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
  - The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
- a. the Group has transferred substantially all the risks and rewards of the asset, or
- b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

## 3.2 FINANCIAL LIABILITIES

### 3.2.1 INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

### 3.2.2 SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification as follows:

#### (a) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities are classified and measured at amortised cost or FVPL. A financial liability is classified as



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

at FVPL, if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

## (b) LOANS AND BORROWINGS

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss. This category generally applies to interest bearing loans and borrowings.

### 3.2.3 DERECOGNITION

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### 3.3 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 3.4 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 Company becomes a party to the contractual provisions of the instrument.

## FINANCIAL ASSETS - RECOGNITION AND INITIAL MEASUREMENT SLFRS 9

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 at 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 Company 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.

Company 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 Company 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 company 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 Company 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 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 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.

## 3.5 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 nonderivative 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.

### 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:

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

All assets and liabilities for which fair value is measured or disclosed in

the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

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

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

## Level 1

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions 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 Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company 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.

## 3.6 IMPAIRMENT

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

ECL. Lifetime ECL are the expected credit losses resulting from all possible default

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

## 3.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash in flows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 assessment of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the Income Statement expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluations.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Income

## 3.8 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

## 3.9 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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

### Level 1

When available, the Company 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 Company 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 Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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.

## 4. INCOME STATEMENT

### 4.1 REVENUE

#### 4.1.1 REVENUE RECOGNITION

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

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

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

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

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more

than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

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

#### a) Dividend income

Dividend income is recognized when the groups right to receive the dividend is established.

#### b) Provision of Accounting Services

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

## 4.2. EXPENDITURE RECOGNITION

### 4.2.1. REVENUE EXPENDITURE

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency, has been charged to revenue in arriving at the profit or loss for the year.

### 4.2.2. CAPITAL EXPENDITURE

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

For the purpose of presentation of the Income Statement, the Directors are of the opinion that function of expenses method fairly present the elements of the Company's performance, hence such presentation method is adopted.

## 5.1 REPORTING SEGMENTS

An Operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chairman and the board to make decisions about resources to be allocated

to the segment and assess its performance, and for which discrete financial information is available. The operating results of the segments are described in Note 48 to the financial statements.

## 5.2 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:

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

- 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 represented as if the operation had been discontinued from the start of the comparative year

## **6. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 April 2020.

Accordingly, these standards have not been applied in preparing these consolidated Financial Statements. The Group has not early adopted new Standards in preparing these Financial Statements.

- Amendments to References to Conceptual Framework in SLFRS standards of a Business (Amendments to SLFRS 3)
- Amendments to LKAS 1 and LKAS 8
- SLFRS 17 Insurance Contracts



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 7 - ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

The carrying amounts of Financial Assets and Financial Liabilities in each category are as follows.

7.1 GROUP	NOTE	Fair Value through Profit & Loss (Carried at FVTPL)	Fair Value through OCI (Carried at FVOCI)	Amortised Cost	TOTAL
31st March 2020		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Investment - Measured at Fair Value Through OCI	13(c)	-	-	-	-
Investment - Measured at Fair Value Through Profit or Loss	14	423,205,251	-	-	423,205,251
Trade & Other Receivables	16	-	-	1,059,281,037	1,059,281,037
Short Term Investment in Deposits	18	-	-	215,256	215,256
Cash at Bank & in Hand	19	-	-	1,410,252,211	1,410,252,211
		<b>423,205,251</b>	<b>-</b>	<b>2,469,748,504</b>	<b>2,892,953,755</b>

	NOTE	Other Liabilities (Carried at FVTPL)	Other Liabilities (Carried at Amortised Cost)	TOTAL
		Rs.	Rs.	Rs.
<b>Financial Liabilities</b>				
Interest Bearing Borrowings	22(a) & (b)	-	1,465,515,645	1,465,515,645
Trade & Other Payables	24	-	769,529,875	769,529,875
Lease Liabilities	22(e)	-	115,747,226	115,747,226
Bank Overdrafts	19	-	328,279,399	328,279,399
		<b>-</b>	<b>2,679,072,145</b>	<b>2,679,072,145</b>

	NOTE	Fair Value through Profit & Loss (Carried at FVTPL)	Fair Value through OCI (Carried at FVOCI)	Amortised Cost	TOTAL
31st March 2019		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Investment - Measured at Fair Value Through OCI	13(c)	-	1,010	-	1,010
Investment - Measured at Fair Value Through Profit or Loss	14	498,680,391	-	-	498,680,391
Trade & Other Receivables	16	-	-	973,187,116	973,187,116
Short Term Investment in Deposits	18	-	-	381,768	381,768
Cash at Bank & in Hand	19	-	-	1,594,248,170	1,594,248,170
		<b>498,680,391</b>	<b>1,010</b>	<b>2,567,817,054</b>	<b>3,066,498,455</b>

	NOTE	Other Liabilities (Carried at FVTPL)	Other Liabilities (Carried at Amortised Cost)	TOTAL
		Rs.	Rs.	Rs.
<b>Financial Liabilities</b>				
Interest Bearing Borrowings	22(a)&(b)	-	1,598,014,880	1,598,014,880
Trade & Other Payables	24	-	942,099,279	942,099,279
Lease Liabilities	22(e)	-	49,500,000	49,500,000
Bank Overdrafts	20	-	128,448,887	128,448,887
		<b>-</b>	<b>2,718,063,046</b>	<b>2,718,063,046</b>

A description of the Company's Financial Instrument risks, including risk management objectives and policies is given in Note 49.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 7 - ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS (CONTD.)

The carrying amounts of Financial Assets and Financial Liabilities in each category are as follows.

7.2 COMPANY	NOTE	Fair Value Through Profit & Loss (Carried at FVTPL)	Fair Value through OCI (Carried at FVOCI)	Amortised Cost	TOTAL
31st March 2020		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Short Term Investment in Deposits	18	-	-	215,256	215,256
Cash at Bank & in Hand	19	-	-	2,559,632	2,559,632
		-	-	<b>2,774,888</b>	<b>2,774,888</b>

	NOTE	Other Liabilities (at FVTPL)	Other Liabilities (at Amortised Cost)	TOTAL
		Rs.	Rs.	Rs.
<b>Financial Liabilities</b>				
Trade & Other Payables	24	-	7,747,480	7,747,480
Amount due to Related Company	26	-	4,265,889	4,265,889
Bank Overdraft	19	-	17,588,255	17,588,255
		-	<b>29,601,624</b>	<b>29,601,624</b>

	NOTE	Fair Value Through Profit & Loss (Carried at FVTPL)	Available For Sale (Carried at Fair Value)	Loans & Receivables (Carried at Amortised Cost)	TOTAL
31st March 2019		Rs.	Rs.	Rs.	Rs.
<b>Financial Assets</b>					
Short Term Investment in Deposits	18	-	-	381,767	381,767
Cash at Bank & in Hand	19	-	-	1,370,382	1,370,382
		-	-	<b>1,752,149</b>	<b>1,752,149</b>

	NOTE	Other Liabilities (at FVTPL)	Other Liabilities (at Amortised Cost)	TOTAL
		Rs.	Rs.	Rs.
<b>Financial Liabilities</b>				
Trade & Other Payables	24	-	2,666,436	2,666,436
Amount due to Related Company	26	-	1,228,628	1,228,628
Bank Overdraft	19	-	16,391,542	16,391,542
		-	<b>20,286,606</b>	<b>20,286,606</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 8 - PROPERTY, PLANT & EQUIPMENT

Group	Freehold Land	Buildings	Leasehold Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Equipment	Electrical Installation	Computer & Software	Waste Water Treatment Plant	Milk Collection Centre	Calvet Renovation	Capital Work in Progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost / Valuation</b>													
Balance at the Beginning of the year	800,610,405	1,592,883,865	234,240,750	1,865,852,273	176,884,796	498,880,877	91,952,576	9,175,534	2,356,839	37,191,887	9,954,000	39,962,876	5,359,946,678
Additions	-	18,555,368	-	377,276,415	(6,765,759)	34,899,155	63,509,429	-	-	-	215,863	36,721,342	524,411,813
Disposals	-	(31,246,041)	(4,283,634)	-	(20,551,471)	-	-	-	-	-	-	-	(56,081,146)
Revaluation	284,325,595	44,300,723	(2,670,616)	-	-	-	-	-	-	-	-	-	325,955,702
Transfers	-	-	-	2,356,839	-	-	-	-	(2,356,839)	-	-	(47,735,949)	(47,735,949)
Disposal of Subsidiaries	-	-	-	(14,672,372)	-	(1,586,958)	-	-	-	-	-	-	(16,259,330)
<b>Balance at the end of the year</b>	<b>1,084,936,000</b>	<b>1,624,493,915</b>	<b>227,286,500</b>	<b>2,230,813,155</b>	<b>149,567,566</b>	<b>532,193,074</b>	<b>155,462,005</b>	<b>9,175,534</b>	<b>-</b>	<b>37,191,887</b>	<b>10,169,863</b>	<b>28,948,269</b>	<b>6,090,237,768</b>
<b>Accumulated Depreciation</b>													
Balance at the Beginning of the year	-	153,918,395	3,260,171	879,643,792	146,474,700	286,427,144	17,991,706	10,142,192	471,368	566,878	-	-	1,498,896,346
Charge For the year	-	46,198,639	1,241,786	172,654,945	8,733,421	51,346,089	11,293,604	-	-	150,034	-	-	291,618,518
Depreciation on Disposals	-	(18,717,031)	(4,283,634)	-	(20,551,471)	-	-	-	-	-	-	-	(43,552,136)
Transfers	-	-	-	471,368	-	-	-	-	(471,368)	-	-	-	-
Revaluation	-	(157,004,432)	-	-	-	-	-	-	-	-	-	-	(157,004,432)
Disposal of Subsidiaries	-	-	-	(11,830,219)	-	(1,416,098)	-	-	-	-	-	-	(13,246,317)
<b>Balance at the end of the year</b>	<b>-</b>	<b>24,395,571</b>	<b>218,323</b>	<b>1,040,939,886</b>	<b>134,656,650</b>	<b>336,357,135</b>	<b>29,285,310</b>	<b>10,142,192</b>	<b>-</b>	<b>716,912</b>	<b>-</b>	<b>-</b>	<b>1,576,711,979</b>
<b>Written down value as at 31.03.2020</b>	<b>1,084,936,000</b>	<b>1,600,098,344</b>	<b>227,068,177</b>	<b>1,189,873,269</b>	<b>14,910,916</b>	<b>195,835,939</b>	<b>126,176,695</b>	<b>(966,658)</b>	<b>-</b>	<b>36,474,975</b>	<b>10,169,863</b>	<b>28,948,269</b>	<b>4,513,525,789</b>
<b>Written down value as at 31.03.2019</b>	<b>800,610,405</b>	<b>1,438,965,470</b>	<b>230,980,579</b>	<b>986,208,481</b>	<b>30,410,096</b>	<b>212,453,733</b>	<b>73,960,870</b>	<b>(966,658)</b>	<b>1,885,471</b>	<b>36,625,009</b>	<b>9,954,000</b>	<b>39,962,876</b>	<b>3,861,050,333</b>

- Based on the assessment carried out internally by the Board of Directors, no Provision was required for the potential impairment of fixed assets as at 31 March 2020.

- Property, Plant and Equipment include fully depreciated assets having a gross amount of Rs. 516,671,351 as at 31 March 2020.  
(Rs. 430,798,194 as at 31 March 2019)

- There were no restrictions on the title of the Property, Plant and Equipment as at 31 March 2020 other than those disclosed in Note 22(f).

- There were no items of Property, Plant and Equipment Pledged as security as at 31 March 2020 other than those disclosed in Note 22(f).

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Company	Location	Last Revaluation Date	Land Extent (Perches)	Fair Value as at 31.03.2020 Rs.		
				Land	Free Hold Buildings	Number of Buildings
NOTE 8.1 - REVALUATION OF LAND & BUILDINGS						
Renuka Agri Foods PLC	Unagahadeniya	31st March 2020	70.4	21,120,000	903,000	01
	Wathupitiwala	31st March 2020	-	-	-	11
Renuka Developments (Pvt) Ltd	Unagahadeniya	31st March 2020	303.3	75,825,000	24,775,000	07
Renuka Agri Organics Ltd	Wathupitiwala	31st March 2020	-	-	268,858,000	03
Shaw Wallance Ceylon Ltd	No. 193, Danister De Silva Mawatha, Colombo - 8	31st March 2020	40	320,000,000	626,512,500	01
	No. 07, Karishue Place, Colombo - 9	31st March 2020	4.7	18,800,000	-	-
	Gamunu Mawatha, Ekala, Ja - Ela	31st March 2020	59.8	29,900,000	25,060,000	02
	Samagi Mawatha, Ekala, Ja - Ela	31st March 2020	214.75	107,375,000	59,107,000	11
Shaw Wallace Properties (Pvt) Ltd	No. 42/1, New Nuge Road, Peliyagoda	31st March 2020	215.59	361,425,000	221,294,000	03
RichLife Daries Ltd	Priivena Road, Molligoda, Wadduwa	31st March 2020	886	158,568,000	170,674,000	06
Kandy Plantations Ltd	Nalla, Diuldeniya	31st March 2020	-	-	8,973,000	04
Coco Lanka (Pvt) Ltd	Coco Watte Estate, Puttalam	31st March 2020	26,445	180,448,000	11,005,000	05
Matale Valley Plantations (Pvt) Ltd	Matale	31st March 2017	3,284.7	60,200,000	-	-
Ceylon Botanicals (Pvt) Ltd	Viharagama Estate, Matale	31st March 2017	10,842	20,000,000	-	-
Bois Bros & Co. (Pvt) Ltd	No. 110/10 & No. 110/11, Kent Road, Dematagoda, Colombo - 9	31st March 2017	7.75	95,000,000	45,000,000	03

## 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 of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers of sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for Land Price per square foot 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)

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 9 - INTANGIBLE ASSETS

	Goodwill	Trade Mark	Computer Software	Total
	Rs	Rs	Rs	Rs
<b>Cost</b>				
Balance at the Beginning of the year	157,500,770	32,350,000	16,699,805	206,550,575
Additions during the year	-	-	472,703	472,703
<b>Balance at the End of the year</b>	<b>157,500,770</b>	<b>32,350,000</b>	<b>17,172,508</b>	<b>207,023,278</b>
<b>Accumulated Amortization/ Impairment</b>				
Balance at the Beginning of the year	-	12,619,867	13,728,153	26,348,020
Amortization during the year	-	3,235,000	1,018,637	4,253,637
<b>Balance at the End of the year</b>	<b>-</b>	<b>15,854,867</b>	<b>14,746,790</b>	<b>30,601,657</b>
<b>Written down value</b>				
Balance as at 31st March 2019	157,500,770	19,730,133	2,971,652	180,202,555
<b>Balance as at 31st March 2020</b>	<b>157,500,770</b>	<b>16,495,133</b>	<b>2,425,718</b>	<b>176,421,621</b>

### Goodwill

Goodwill represents the excess on acquisition over the Group interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition, and is carried at cost less accumulated impairment losses. The Group goodwill has been allocated to the following cash generating units, for impairment testing.

AS AT 31 <sup>st</sup> MARCH	2020	2019
Name of the Subsidiaries	Rs.	Rs.
Shaw Wallace Ceylon Ltd	49,621,455	49,621,455
Richlife Dairies Ltd	66,431,610	66,431,610
Mayfair Foods (Pvt) Ltd	3,868,461	3,868,461
Renuka Capital PLC	37,579,244	37,579,244
	<b>157,500,770</b>	<b>157,500,770</b>

When testing for impairment for goodwill the recoverable amount of a cash generating unit is determined on the basis of value-in-use calculations. These calculations use cash flow projections based on financial budgets, which are approved by the Management typically covering a five year period. Cash flows beyond the five year period are extrapolated using the estimated growth rates. The cash flows were discounted at an appropriate pre-tax discount rate. The Management is of the view that a provision for impairment of goodwill is not required as at the reporting date.

### Trademark

- Shaw Wallace Ceylon Limited has acquired the "Mr. POP", "Pic Nic", "Rockers", "Chatters" and associated Trade Mark for a sum of Rs. 15 Million during 2012/13. The Management is of the opinion that the trade mark has a useful economic life of 10 years.
- Mayfair Foods (Pvt) Ltd has acquired the " Mayfair" Trade Mark for a sum of Rs. 15 Million during 2016/17. The Management is of the opinion that the trade mark has a useful economic life of 10 years.

## NOTE 10 - INVESTMENT PROPERTY

	Group		Company	
AS AT 31 <sup>st</sup> MARCH	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
(a) Movement of Investment Property				
Balance at the beginning of the year	3,139,378,948	2,548,627,000	-	-
Additions made during the year	192,232,205	558,751,948	-	-
Change in fair value of investment property	2,273,000	32,000,000	-	-
<b>Balance at the end of the year</b>	<b>3,333,884,153</b>	<b>3,139,378,948</b>		

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

(b) Details of Investment Property as at 31.03.2020

(b) Details on Investment Property as at 31.03.2020							
Name of the Company		Details of the Property		Fair Value as at 31.03.2020 Rs.	Director Valuation as at 31.03.2020 Rs.	Valuer's Valuation	
						Date	Value Rs.
(a)	Land						
	Galle Face Properties Limited	Land	No.27 & 27A, Galle Face Terrece, Colombo - 03	2,032,000,000	2,032,000,000	31st March 2020	2,032,000,000
	Campbell Place Properties (Pvt) Ltd	Land	No. 210, Sri Dharma Mawatha, Colombo - 09	550,900,000	550,900,000	31st March 2020	550,900,000
(b)	Capital work-in progress						
	Galle Face Properties Limited	Building	No.27 & 27A, Galle Face Terrece, Colombo - 03	750,984,153	750,984,153	31st March 2020	-
				3,333,884,153	3,333,884,153		

(c) Rental Income Earned & Direct Operating Expenses incurred

Rent income earned from Investment Property by the Group amounted to Rs. Nil (2019 - Rs. 300,000) and no Direct operating Expenses incurred in relation to the Investment Property.

This Property has been valued by Mr. A. A. M. Fathihu - FIV (Sri Lanka) as stated in (b) above, based on the market value of the adjoining properties.

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

Significant unobservable valuation input: Range

Price per square feet Rs. 2,500 - Rs. 4,500

Carrying Value if the cost model was adopted :- Rs. 1,407,172,000

## NOTE 11 - 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.

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
<b>Balance as at 1st April</b>	277,486,147	271,225,825	-	-
Transfer to ROU Assets	(26,718,537)	-	-	-
Additions during the year	-	8,949,119	-	-
Amortization during the year	(3,677,948)	(6,444,857)	-	-
Acquisition of Subsidiary	-	3,756,060	-	-
Impact on Adoption of SLFRS 16	(31,238,416)	-	-	-
Disposal during the year	(3,756,060)	-	-	-
<b>Balance as at 31st March</b>	<b>212,095,186</b>	<b>277,486,147</b>	-	-
Balance as at 1st April	-	-	-	-
Transfers from Right To Use Land	21,021,612	-	-	-
Adjustment for impact on SLFRS 16	123,551,072	-	-	-
Additions during the year	-	-	-	-
Balance as at 31st March	<b>144,572,684</b>	-	-	-
<b>Accumulated Amortization</b>				
Balance as at 1st April	-	-	-	-
Transfers from Right To Use Land	1,178,357	-	-	-
Adjustment for impact on SLFRS 16	24,637,285	-	-	-
Charge for the year	14,668,083	-	-	-
Balance as at 31st March	<b>40,483,725</b>	-	-	-
Net Book Value	<b>104,088,959</b>	-	-	-
<b>Total</b>	<b>316,184,145</b>	<b>277,486,147</b>	-	-



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

<b>Kandy Plantations Limited (Note 11(a))</b>				
Balance as at 1st April	38,499,964	41,249,968	-	-
Amortization during the year	(518,682)	(2,750,004)	-	-
Impact on Adoption of SLFRS 16	(31,238,416)			
<b>Balance as at 31st March</b>	<b>6,742,866</b>	<b>38,499,964</b>	-	-
<b>Renuka Agri Foods PLC (Note 11(b))</b>				
Balance as at 1st April	6,875,282	7,050,098	-	-
Transfer to ROU Assets	(6,875,282)	-		
Amortization during the year	-	(174,816)	-	-
<b>Balance as at 31st March</b>	<b>-</b>	<b>6,875,282</b>	-	-
<b>Shaw Wallace Properties Limited (Note 11(c))</b>				
Balance as at 1st April	208,511,586	211,670,852	-	-
Amortization during the year	(3,159,266)	(3,159,266)	-	-
<b>Balance as at 31st March</b>	<b>205,352,320</b>	<b>208,511,586</b>	-	-
<b>Renuka Agri Organic (Pvt) Limited (Note 11(d))</b>				
Balance as at 1st April	19,843,255	11,254,907	-	-
Additions during the year	-	8,949,119		
Amortization during the year	-	(360,771)	-	-
Transfer to ROU Assets	(19,843,255)	-		
<b>Balance as at 31st March</b>	<b>-</b>	<b>19,843,255</b>	-	-
<b>Royal Candle Works Ceylon (Pvt) Ltd</b>				
Balance as at 1st April	3,756,060	-		
Disposal during the year	(3,756,060)			
Acquisition of Subsidiary	-	3,756,060		
<b>Balance as at 31st March</b>	<b>-</b>	<b>3,756,060</b>	-	-
<b>Balance as at 31st March</b>	<b>212,095,186</b>	<b>277,486,147</b>		

## NOTE 11(a) - KANDY PLANTATIONS LIMITED

Lease have been executed for 3 estates (Primarily coconut) comprising 33 contiguous allotments of Land called and known as "Giriulla Estate" in Giriulla situated in the Gampaha District, Western Province.

As per Survey Plan No. 45/27, prepared in May 1926 and April 1927 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. 82.5Mn had been capitalized on the basis that it represents the value of immovable assets taken over by Kandy Plantations Ltd.

With the initial application of SLFRS 16-Leases this has been adjusted to reflect the application of SLFRS 16-Leases.

## NOTE 11(b) - RENUKA AGRI FOODS PLC

This represents the premiums paid to the Board of Investment of Sri Lanka for the acquisition of leasehold land in 2001 and 2014. These premiums are amortized over the leasehold period of 50 years with effect from the years 2001 and 2014 respectively. With the initial application of SLFRS 16-Leases this has been adjusted to reflect the application of SLFRS 16-Leases.

## NOTE 11(c) - SHAW WALLACE PROPERTIES (PRIVATE) LIMITED

The acquisition cost of the leasehold rights of the Land situated at No. 42/1, New Nuge Road, Peliyagoda is recognized under Right to use Land. This Land is on a ninety nine year lease from the Urban Development Authority. This lease, which was assigned by the previous lessee, to the Company on 12th June 2008, expires on 31st August 2085.

## NOTE 11(d) - RENUKA AGRI ORGANICS LIMITED

The land is acquired under 50 years lease term from Board of Investment of Sri Lanka. The total lease rent is being amortised during lease term from 2014/15 at 2% per annum. Further during the year Company has made a payment of Rs. 8,949,119/- to Board of Investment to obtain an approval to set up a research and development centre and a warehouse.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 12 - BIOLOGICAL ASSETS

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>(a) Consumable Biological Assets - Timber Plantations</b>				
Balance as at 1st April	71,121,024	57,685,403	-	-
Additions during the year	9,858,411	9,590,665	-	-
Gain / (Loss) arising from changes in fair value	9,972,678	3,844,956	-	-
<b>Total</b>	<b>90,952,113</b>	<b>71,121,024</b>	<b>-</b>	<b>-</b>
<b>Represented by</b>				
Biological Assets at fair value	55,950,814	44,924,590	-	-
Biological Assets at cost less depreciation	33,171,208	24,126,744	-	-
Immature pepper plantation	1,830,090	2,069,690	-	-
<b>Total</b>	<b>90,952,112</b>	<b>71,121,024</b>	<b>-</b>	<b>-</b>

### 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 below under note No. 17

### 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 below under note No. 17

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

Inter-relationship between key unobservable inputs and fair value measurement.

The estimated average future sales price of timber may increase or decrease within a + 10% to - 10% range.

The risk-adjusted discount rate of 13% may stimulate an increase or a decrease between the ranges + 1% to - 1%

## Sensitivity Analysis

### Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are very sensitive to price change 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%
	Rs.	Rs.	Rs.
Managed Timber	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.

Discounts rate fluctuation	+1%	0	-1%
	Rs.	Rs.	Rs.
Managed Timber	51,560,795	55,950,814	60,878,800

## NOTE 13 - INVESTMENTS

### NOTE 13(a) - INVESTMENTS IN SUBSIDIARIES

	No. of Shares	Effective Holding %		Company	
		2020	2019	2020 Rs.	2019 Rs.
AS AT 31ST MARCH					
Direct-Subsidiaries					
Renuka Agro Exports (Pvt) Ltd	10,600,000	96.72%	95.57%	186,000,000	186,000,000
Shaw Wallace & Hedges Ltd	279,335,000	82.95%	82.89%	1,204,325,000	1,204,325,000
Renuka Enterprises (Pvt) Ltd	96,000,000	86.55%	86.75%	258,500,000	258,500,000
Sub-Subsidiaries					
Renuka Capital PLC		47.01%	48.09%	-	-
Renuka Foods PLC		46.78%	33.68%	-	-
Renuka Agri Foods PLC		32.76%	30.78%	-	-
Renuka Agri Organics Ltd		25.26%	33.68%	-	-
Renuka Developments (Pvt) Ltd		32.76%	48.09%	-	-
Renuka Teas Ceylon (Pvt) Ltd		46.78%	86.75%	-	-
Bois Bros and Co. (Pvt) Ltd		46.78%	48.09%	-	-
Campbell Place Properties (Pvt) Ltd		82.95%	82.89%	-	-
Ceylon Forestry (Pvt) Ltd		19.03%	19.56%	-	-
Ceylon Botanicals (Pvt) Ltd		25.37%	26.08%	-	-
Coco Lanka (Pvt) Ltd		32.00%	32.60%	-	-
Galle Face Properties Ltd		82.95%	32.90%	-	-
Kandy Plantations Ltd		31.71%	82.89%	-	-
Matale Valley Plantations (Pvt) Ltd		31.71%	0.00%	-	-
Mayfair Foods (Pvt) LTD		43.54%	32.60%	-	-
Richlife Dairies Ltd		42.68%	44.89%	-	-
Shaw Wallace Ceylon Ltd		43.54%	44.89%	-	-
Shaw Wallace Properties Ltd		43.54%	44.89%	-	-
				1,648,825,000	1,648,825,000

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 13(b) - INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES

Investor AS AT 31 <sup>ST</sup> MARCH	Investee	Effective Holding %		Value	
		2020	2019	2020	2019
Renuka Capital PLC	On'ally Holdings PLC	21%	46.57%	473,376,905	566,955,780
Shaw Wallace & Hedges Ltd	Amalgamated Investments (Pvt) Ltd	25%	2.97%	168,306,681	151,227,849
Renuka Capital PLC			47.03%		
Renuka Capital PLC	Inter Ocean Lubricants (Pvt) Ltd	30%	45%	-	67,775,449
Renuka Enterprise (Pvt) Ltd			5%		
Renuka Capital PLC	McShaw Automotive Limited	28%	50%	-	37,005,266
				<b>641,683,586</b>	<b>822,964,344</b>

### On'ally Holdings PLC

Balance as at 1st April	566,955,780	610,782,329
Share of Comprehensive Income (Net of Tax) (Note 38(a))	43,690,856	(15,301,220)
Loss on dilution of ownership percentage	(110,371,550)	
Dividend received during the year	(26,898,181)	(28,525,329)
<b>Balance on 31st March</b>	<b>473,376,905</b>	<b>566,955,780</b>

### Amalgamated Investments (Pvt) Ltd

Balance as at 1st April	151,227,849	151,688,363
investment during the year	18,125,000	-
Share of Comprehensive Income (Net of Tax) (Note 38(a))	(1,046,168)	728,158
Dividend received during the year	-	(1,188,672)
<b>Balance on 31st March</b>	<b>168,306,681</b>	<b>151,227,849</b>

### Interocean Lubricants (Pvt) Ltd

Balance as at 1st April	67,775,449	67,775,449
Share of Comprehensive Income (Net of Tax) (Note 38(a))	2,135,263	-
Disposed during the year - 31st December 2019	(69,910,712)	-
<b>Balance on 31st March</b>	<b>-</b>	<b>67,775,449</b>

### McShaw Automotive Limited

Balance as at 1st April	37,005,266	35,362,350
Share of Comprehensive Income (Net of Tax) (Note 38(a))	(732,985)	1,642,916
Disposed during the year - 31st December 2019	(36,272,281)	-
<b>Balance on 31st March</b>	<b>-</b>	<b>37,005,266</b>

## NOTE 13(c) - INVESTMENTS - MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investor AS AT 31 <sup>ST</sup> MARCH	Investee	No of Shares		Value	
		2020	2019	2020	2019
Renuka Enterprises (Pvt) Ltd	The Cargo Boat Despatch Co. Ltd	-	2,000	-	1,010
		<b>-</b>	<b>2,000</b>	<b>-</b>	<b>1,010</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 13(e) - PRINCIPAL SUBSIDIARIES AND NON-CONTROLLING INTEREST (NCI)

### AS AT MARCH 2020

The following disclosure excerpt highlights the Group composition and the portion of ownership interests held by NCI

Company and Country of Incorporation / Operation	Principal Activities	Class of Shares held	Group Effective Interest (%)	Non Controlling Effective Interest (%)
<b>Sri Lanka</b>				
Renuka Foods PLC	Fast Moving Consumer Goods	Ordinary	46.77%	53.23%
Renuka Agri Foods PLC	Manufacture & markets a range of coconut products	Ordinary	32.76%	67.24%
Renuka Capital PLC	Investing and trading in debt, equity and other classes of instruments.	Ordinary	47.01%	52.99%
Renuka Agro Exports (Pvt) Ltd	Sourcing, manufacturing & exporting ethnic food products	Ordinary	96.72%	3.28%
Shaw Wallace & Hedges Ltd	The company operates as the holding company of property development Companies	Ordinary	82.95%	17.05%
Renuka Enterprises (Pvt) Ltd	Provide support services to Group companies	Ordinary	86.55%	13.45%
Renuka Agri Organics Ltd	Export coconut based products	Ordinary	25.26%	74.74%
Renuka Developments (Pvt) Ltd	Organic certification license holder and investment in plantation/farm & vertical intergration projects	Ordinary	32.76%	67.24%
Renuka Teas Ceylon (Pvt) Ltd	Export bulk tea, value added tea products	Ordinary	46.77%	53.23%
Bios Bros & Co. (Pvt) Ltd	Providing warehousing facilities	Ordinary	46.77%	53.23%
Campbell Place Properties (Pvt) Ltd	The company is in the business of property development	Ordinary	82.95%	17.05%
Ceylon Botanicals (Pvt) Ltd	Investment in agricultural property	Ordinary	25.37%	74.63%
Ceylon Forestry (Pvt) Ltd	Planting and managing forestry	Ordinary	19.03%	80.97%
Coco Lanka (Pvt) Ltd	Organic cultivation of agriculture produce	Ordinary	32.00%	68.00%
Galle Face Properties Ltd	The company is in the business of property development	Ordinary	82.95%	17.05%
Kandy Plantations Ltd	Engaged in organic certified cultivation of agriculture	Ordinary	31.71%	68.29%
Mayfair Foods (Pvt) Ltd	Manufacture and sale of Confectionery Products	Ordinary	43.54%	56.46%
Matale Valley Plantation Ltd	The Company has not engaged in any business activities during the year	Ordinary	31.71%	68.29%
Richlife Dairies Ltd	Manufacturing of dairy and fruit juice based products	Ordinary	42.68%	57.32%
Shaw Wallace Ceylon Ltd	Manufacturing and distribution of fast moving consumer goods	Ordinary	43.54%	56.46%
Shaw Wallace Properties Ltd	Providing warehousing facilities	Ordinary	43.54%	56.46%

Non- controlling interest represent the equity in subsidiaries that are not attributable, directly or indirectly to that parent company. Profit or loss and each component of other comprehensive income are attributed to the Company and non- controlling interests. Losses are attributable to non -controlling interest 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 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 also recorded in equity.

Significant inter group balances and transaction and gain and 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 (CONTD.)

## NOTE 14 - INVESTMENTS - MEASURED AT FAIR THROUGH PROFIT OR LOSS

AS AT 31 <sup>ST</sup> MARCH	2020	2019
	Rs.	Rs.
Investment in quoted share (Note 14a)	54,425,751	129,900,891
Investment in unquoted share (Note 14b)	368,779,500	368,779,500
<b>Total</b>	<b>423,205,251</b>	<b>498,680,391</b>

## NOTE 14 (a) - INVESTMENTS IN QUOTED SHARES

Balance on 1st April	129,900,891	178,575,314
Additions during the year	31,240,408	24,097,751
Disposals during the year	(98,053,718)	(28,360,000)
Fair Value Gain / (Loss) on Investment	(8,661,830)	(44,412,174)
<b>Balance on 31st March</b>	<b>54,425,751</b>	<b>129,900,891</b>

## NOTE 14 (a) 1 - SHORT TERM INVESTMENT IN SHARES

AS AT 31 <sup>ST</sup> MARCH	No of Shares		Carrying Value of Shares/ Market Value	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
AIA Insurance Lanka PLC	-	102	-	255,000
Aitken Spense PLC	100	100	3,070	4,100
Asiri Hospitals Holdings PLC	100	100	1,700	2,020
Blue Diamonds Jewellery Worldwide PLC	100	100	50	40
Browns & Company PLC	100	100	4,200	4,800
Cargills Ceylon PLC	114	114	19,380	22,800
Cargo Boat Development Company PLC	18,776	10,101	751,040	616,161
Carsons Cumberbatch PLC	100	100	15,500	16,000
Central Finance Company PLC	209	208	16,929	17,576
Ceylon Hospitals PLC	2,823	402,823	225,840	29,124,103
Chevron Lubricants Lanka PLC	200	200	10,700	12,520
CIC Holdings PLC	100	100	3,500	3,850
Commercial Bank of Ceylon PLC	16,483	16,222	990,628	1,601,111
DFCC Bank PLC	100	100	6,060	7,000
Dialog Axiata PLC	100	100	850	910
DIMO diesel & Motor Engineering PLC	100	100	25,000	30,470
EXPO Lanka holdings PLC	100	100	200	400
The Colombo Fort Land & Building PLC	100	100	750	1,350
Hatton National Bank PLC	38,955	57,105	4,094,171	9,993,375
Haycarb PLC	4,000	4,000	640,000	508,000
Hayleys PLC	23,104	330,155	2,855,654	55,466,040
Hemas Holdings PLC	103	103	5,789	7,725
John Keells Holdings PLC	274	18,774	31,620	2,928,744
Lankem Ceylon PLC	100	100	1,710	2,200
LB Finance PLC	180	180	21,690	21,618
Lee Hedges PLC	500	500	32,500	35,000
Lanka Orix Leasing Company PLC	50	20,050	4,540	1,782,445
MTD Walkers PLC	7,500	7,500	111,000	111,000
National Development Bank PLC	125	120	8,275	11,304
Nations Trust Bank PLC	104	104	6,573	9,350
Nestle Lanka PLC	100	100	101,130	162,460
Overseas Realty Ceylon PLC	10,140	10,140	121,680	166,296
Printcare PLC	100	100	2,200	3,300
Renuka City Hotel PLC	9,036	100	1,725,876	25,000
Renuka Hotels PLC	1,053,579	529,520	42,143,160	23,829,400
Richard Peiris & Company PLC	100	100	780	920
Sampath Bank PLC	922	8,718	109,718	1,570,112
Singer Srilanka PLC	300	300	6,060	7,500
Sri Lanka Telecom PLC	100	100	2,200	2,140
Softlogic Holdings PLC	124	124	1,525	1,984
Sunshine Holdings PLC	101	101	3,828	4,747
The Autodrome PLC	5,377	-	311,866	-
Textured Jersey Lanka PLC	-	50,000	-	1,520,000
United Motors Lanka PLC	150	150	6,809	10,020
			<b>54,425,751</b>	<b>129,900,891</b>

## NOTE 14 (b) - INVESTMENTS IN UNQUOTED SHARES

Investor	Investee	No. of Shares		Value	
		2020	2019	2020	2019
Renuka Enterprises (Pvt) Ltd	Crescent Launderers & Dry Cleaners (Pvt) Ltd	265,500	265,500	368,779,500	368,779,500
<b>Balance on 31st March</b>				<b>423,205,251</b>	<b>498,680,391</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 15 - INVENTORIES

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Raw Materials	152,046,163	134,477,524	-	-
Finished Goods	646,275,456	650,251,322	-	-
Packing Material & Chemicals	267,040,990	240,458,983	-	-
Machinery Spare Parts & Consumables	191,844,554	146,101,181	-	-
Goods in Transit	61,210,174	154,304,538	-	-
Work in Progress	77,194,249	73,117,409	-	-
Others	2,437,368	4,278,853	-	-
Less: Provision for Slow Moving Items	(112,341,121)	(79,393,664)	-	-
	<b>1,285,707,833</b>	<b>1,323,596,146</b>	-	-

## NOTE 16 - TRADE AND OTHER RECEIVABLES

### 16.1 Summary

Trade Debtors	835,742,182	915,513,477	-	-
Less : Provision for Impairment (Note 16.2)	(40,648,686)	(34,865,910)	-	-
	<b>795,093,496</b>	<b>880,647,567</b>	-	-
Refundable Deposits	2,565,216	154,000	-	-
Other Debtors	261,622,325	92,385,549	-	-
	<b>264,187,541</b>	<b>92,539,549</b>	-	-
	<b>1,059,281,037</b>	<b>973,187,116</b>	-	-

### 16.2 Provision for Impairment

Balance at the beginning of the year	34,865,910	77,468,998	-	-
Adjustments due to Initial Application of SLFRS 09	-	(5,366,709)	-	-
<b>Adjusted balance of 01.04.2018</b>	<b>34,865,910</b>	<b>72,102,289</b>	-	-
Provision/(Reversal) made during the year	5,782,776	(37,236,379)	-	-
<b>Balance at the end of the year</b>	<b>40,648,686</b>	<b>34,865,910</b>	-	-

## NOTE 17 - OTHER CURRENT ASSETS

Advances & Prepayments	154,871,035	101,068,851	-	-
Other Current Assets	8,825,465	29,872,866	-	-
	<b>163,696,500</b>	<b>130,941,717</b>	-	-

## NOTE 18 - SHORT TERM INVESTMENTS IN DEPOSITS

Call Deposits	215,256	381,767	215,256	381,767
	<b>215,256</b>	<b>381,767</b>	<b>215,256</b>	<b>381,767</b>

## NOTE 19 - CASH AND CASH EQUIVALENTS

### 19.1 Favorable Cash and Cash Equivalents Balances

Cash & Bank Balances	1,410,252,211	1,594,248,170	2,559,632	1,370,382
	<b>1,410,252,211</b>	<b>1,594,248,170</b>	<b>2,559,632</b>	<b>1,370,382</b>

### 19.2 Unfavorable Cash and Cash Equivalents Balances

Bank Overdrafts	(328,279,399)	(128,448,887)	(17,588,255)	(16,391,542)
<b>Cash and Cash Equivalents for the purpose of Statement of Cash Flows</b>	<b>1,081,972,812</b>	<b>1,465,799,283</b>	<b>(15,028,623)</b>	<b>(15,021,160)</b>

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 20 - STATED CAPITAL

AS AT 31 <sup>ST</sup> MARCH	Group / Company	
	2020	2019
<b>Number of Ordinary Shares Issued and Fully Paid</b>		
Voting Shares	89,034,626	89,034,626
Non Voting Shares	12,856,830	12,856,830
<b>Total</b>	<b>101,891,496</b>	<b>101,891,496</b>
The holders of ordinary shares are entitled to receive dividends as declared from time to time and only voting shares are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.		
<b>Stated Capital</b>		
<b>Balance at the beginning of the year (Rs.)</b>	<b>1,198,897,063</b>	<b>1,198,897,063</b>
<b>Balance at the end of the year (Rs.)</b>	<b>1,198,897,063</b>	<b>1,198,897,063</b>

## NOTE 21 - DEFERRED TAXATION

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>The gross movement of Deferred tax account</b>				
Balance at the beginning of the year	713,824,424	564,556,949	-	-
Opening Balance Adjustment	-	15,011,080	-	-
Adjusted balance of 01.04.2018	713,824,424	579,568,029	-	-
Deferred Tax Charged / (Reversed) to Income Statement	(66,943,770)	115,759,883	-	-
Deferred Tax Charged / (Reversed) to Statement of Other Comprehensive Income	140,857,772	17,295,862	-	-
Deferred Tax liability in respect of prior years, directly charged to Equity	-	-	-	-
Adjustment Due to Disposal Of Subsidiary	-	1,200,650	-	-
<b>Balance at the end of the year</b>	<b>787,738,426</b>	<b>713,824,424</b>	<b>-</b>	<b>-</b>

### Note 21 (a)

Deferred Taxation-Asset				
Balance on 1st April	27,183,248	23,253,805	-	-
Adjustment Due to Disposal Of Subsidiary	-	(1,200,650)	-	-
Deferred tax expense (Income statement)	(14,509,342)	4,721,481	-	-
Deferred tax expense (Other comprehensive income) Actuarial	(22,644,509)	408,613	-	-
Transferred to deferred liability	20,890,510	-	-	-
<b>Balance on 31<sup>st</sup> March</b>	<b>10,919,908</b>	<b>27,183,249</b>	<b>-</b>	<b>-</b>

### Note 21 (b)

Deferred Taxation-Liability				
Balance on 1st April	741,007,673	587,810,754	-	-
Transferred from Deferred tax asset	20,890,510	15,011,080	-	-
Deferred tax expense (Income statement)	(81,453,112)	120,481,364	-	-
Deferred tax expense (Other comprehensive income)	118,213,263	17,704,475	-	-
<b>Balance on 31<sup>st</sup> March</b>	<b>798,658,334</b>	<b>741,007,673</b>	<b>-</b>	<b>-</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to off-set current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax Liabilities	798,658,334	741,007,673	-	-
Deferred tax Assets	(10,919,908)	(27,183,249)	-	-
	<b>787,738,426</b>	<b>713,824,424</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 22 - INTEREST BEARING BORROWINGS & LEASE INSTALLMENT

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>NOTE 22(a) - INTEREST BEARING BORROWINGS DUE AFTER ONE YEAR</b>				
Long Term Loan (Note 22[c])	325,688,691	76,751,000	-	-
<b>Total Non-Current Portion of Interest Bearing Borrowings</b>	<b>325,688,691</b>	<b>76,751,000</b>	<b>-</b>	<b>-</b>
<b>NOTE 22(b) - INTEREST BEARING BORROWINGS DUE WITHIN ONE YEAR</b>				
Long Term Loan (Note 22[c])	482,667,912	399,644,556	-	-
Project Loan (Note 22[d])	499,300,001	545,000,000	-	-
Other Loans	157,859,041	576,619,324	-	-
<b>Total Current Portion of Interest Bearing Borrowings</b>	<b>1,139,826,954</b>	<b>1,521,263,880</b>	<b>-</b>	<b>-</b>
<b>Total Interest Bearing Borrowings</b>	<b>1,465,515,645</b>	<b>1,598,014,880</b>	<b>-</b>	<b>-</b>
<b>NOTE 22(c) - LONG TERM BORROWINGS</b>				
Balance as at 1st April	476,395,556	1,102,314,431	-	104,418,712
Adjustment due to Disposal of of Subsidiary	-	(230,975,217)	-	-
Loans Obtained During the year	731,562,202	1,094,258,331	-	-
Payments made during the year	(399,601,155)	(1,489,201,989)	-	(104,418,712)
<b>Balance as at 31st March</b>	<b>808,356,603</b>	<b>476,395,556</b>	<b>-</b>	<b>-</b>
Payments due within one year	482,667,912	399,644,556	-	-
Payments due after one year	325,688,691	76,751,000	-	-
<b>Note 22(d) - PROJECT LOAN DUE WITHIN ONE YEAR</b>				
Balance as at 1st April	545,000,000	365,000,000	-	-
Loans obtained during the year	3,017,758,638	1,449,273,160	-	-
Payments made during the year	(3,063,458,637)	(1,269,273,160)	-	-
<b>Balance as at 31<sup>ST</sup> March</b>	<b>499,300,001</b>	<b>545,000,000</b>	<b>-</b>	<b>-</b>
<b>NOTE 22(e) - LIABILITIES TO MAKE LEASE PAYMENTS (TO THE OWNER OF THE ESTATE / LESSOR)</b>				
Total Lease installments payable under the lease for 30 years commencing 01.04.2003	82,500,000	82,500,000	-	-
Payments made up to the previous year end	(33,000,000)	(30,000,000)	-	-
Balance payable on lease as at 01st April	49,500,000	52,500,000	-	-
Adjustment Due to Adoption of SLFRS 16	74,558,015	-	-	-
Balance payable on lease as at 01st April	124,058,015	52,500,000	-	-
Interest for the year	10,075,823	-	-	-
Exchange (Gain) / Loss	3,803,274	-	-	-
Payments made during the year	(22,189,886)	(3,000,000)	-	-
<b>Balance payable on lease as at 31st March</b>	<b>115,747,226</b>	<b>49,500,000</b>	<b>-</b>	<b>-</b>
<b>Non-Current portion of Lease obligation</b>				
Lease Installment payable to owner of Estate	88,545,216	46,500,000	-	-
	<b>88,545,216</b>	<b>46,500,000</b>	<b>-</b>	<b>-</b>
<b>Current portion of Lease obligation</b>				
Lease Installment payable to owner of Estate	27,202,010	3,000,000	-	-
	<b>27,202,010</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Note 22(f) Details of loans obtained by the Group are set out below.

Financial Institution	Facility Obtained	Outstanding Balance (Rs)		Repayment	Assets Pledged
		2020	2019		
Renuka Agri Foods PLC					
Hatton National Bank PLC	Packing Credit Loan	318,365,124	357,896,160	Repayable on demand	Lodgment 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	Lodgment of confirmed Export orders
Nations Trust Bank PLC	Term Loan	50,184,113	60,064,394	60 monthly installements of USD 12,250/-	Term loan agreement for USD 735,000/-
		731,562,202	417,960,554		
Shaw Wallace Ceylon Ltd					
Hatton National Bank PLC	Term Loan	357,000,000	445,000,000	Maximum roll over tenor-1 month	Corporate guarantee given by Renuka Foods PLC to the value of Rs. 300 Mn.
	Term Loan	-	136,000,000	With in 5 years including grace period of 2 years w.e.f January 2015	Board Resolution dated 07.01.2015
National Development Bank PLC	Term Loan	92,300,000	100,000,000	Payable within 90 days from draw down date	Primary mortgage over stocks and book debts
Nations Trust Bank PLC	Term Loan	50,000,000	-	Payable within 90 days from draw down date	Primary mortgage over stocks and book debts
		499,300,000	681,000,000		
Renuka Teas Ceylon (Private) Ltd					
National Development Bank PLC	Packing Credit Loan	41,229,461	59,584,779	Payable within period of 120 days	a) Primary mortgage bond over stocks and book debts for Rs.22,500,000 b) Agreement to mortgage over stocks and book debts for Rs.60,000,000
		41,229,461	59,584,779		
Kandy Plantations Ltd					
National Development Bank PLC	Term Loan	43,513	43,401	Annual - repayments commencing from June 2014	
		43,513	43,401		
Renuka Agri Organics Ltd					
Hatton National Bank PLC	Packing Credit Loan	43,223,405	37,956,015	Repayable on demand	Lodgment of confirmed Export orders
Peoples Bank PLC	Packing Credit Loan	73,406,064	61,117,976	Repayable on demand	Lodgment of confirmed Export orders
Commercial Bank PLC	Term Loan - 2284659	41,660,000	166,664,000	24 Monthly Installments	Rs 300 mn Corporate Guarantee from Renuka Foods PLC
	Term Loan - 2284715	35,091,000	45,615,000	56 Monthly Installments	
		193,380,469	311,352,991		
Shaw Wallace Properties (Pvt) Ltd					
Hatton National Bank PLC	Term Loan	-	100,000,000	Maximum roll over tenor - 1 month	
		-	100,000,000		
Mayfair Foods (Pvt) Ltd					
Hatton National Bank PLC	Term Loan	-	14,500,000	Maximum roll over tenor - 90 days	
		-	14,500,000		
Richlife Dairies Ltd					
Hatton National Bank PLC	Term Loan	-	13,573,155	Maximum roll over tenor - 90 days	Corporate guarantee of Shaw Wallace Ceylon Ltd of 205 Mn.
			13,573,155		
Total Term Loan - Group		1,465,515,645	1,598,014,880		

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 23 - RETIREMENT BENEFIT OBLIGATION

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
<b>Movement in the Present Value of the Defined Benefit Obligation</b>				
Balance at the beginning of the year	100,249,061	108,119,001	-	-
Adjustment Due to Disposal of Subsidiaries	(740,909)	(4,366,013)	-	-
Current Service Cost	16,865,310	16,470,457	-	-
Interest Cost	11,511,001	10,933,781	-	-
Actuarial (gain) / loss - Recognised in OCI	5,284,263	(15,907,872)	-	-
Benefit Paid	(9,212,217)	(15,000,293)	-	-
<b>Balance at the end of the year</b>	<b>123,956,509</b>	<b>100,249,061</b>	<b>-</b>	<b>-</b>

### 23.1 - NET BENEFIT EXPENSES CATEGORIZED IN THE STATEMENT OF PROFIT OR LOSS

<b>Provision made during the year</b>				
Current Service Cost	16,865,310	16,470,457	-	-
Interest Cost	11,511,001	10,933,781	-	-
	<b>28,376,311</b>	<b>27,404,238</b>	<b>-</b>	<b>-</b>

### 23.2 This obligation is not externally funded.

Gratuity liability is based on the actuarial valuation carried out by Mr. Poopalanathan, Messrs. Actuarial and Management Consultants (Private) Limited, Actuaries, on 31st March 2020. The principal assumptions used in the actuarial valuation are as follows:

	2020	2019
Discount rate (p.a.)	10.5%	11.5%
Retirement Age	55 years	55 years
Future salary increase (p.a.)	10%	12%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A67/07 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Group.

The above rates were changed to reflect the market rates.

### Sensitivity Analysis

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used. The sensitivity was carried out for both the salary escalation rate and discount rate. Simulations made for retirement benefit obligation show that an increase or decrease by 1% of salary escalation rate and discount rate has the following effect on the retirement benefit obligation.

Salary escalation Rate	Discount Rate	Revised Defined Benefit Obligation Group Rs.
One point increase	As given in Report - 11.5%	128,885,459
One point decrease	As given in Report - 11.5%	120,434,674
As given in Report - 10%	One point increase	121,001,353
As given in Report - 10%	One point decrease	128,355,535

## NOTE 24 - TRADE & OTHER PAYABLES

Trade Creditors	502,888,631	735,304,561	-	-
Accrued Expenses & Other Payables	266,641,244	206,794,718	7,747,480	2,666,436
	<b>769,529,875</b>	<b>942,099,279</b>	<b>7,747,480</b>	<b>2,666,436</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 25 - OTHER CURRENT LIABILITIES

AS AT 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Other Payables	146,602,326	78,914,102	32,821	11,600
Other Statutory Obligations	-	13,112,351	-	-
	<b>146,602,326</b>	<b>92,026,453</b>	<b>32,821</b>	<b>11,600</b>

## NOTE 26 - AMOUNTS DUE TO RELATED COMPANIES

Renuka Enterprises (Pvt) Ltd	-	-	4,265,889	557,175
Galle Face Properties Ltd	-	-	-	671,453
	<b>-</b>	<b>-</b>	<b>4,265,889</b>	<b>1,228,628</b>

## NOTE 27 - INCOME TAX PAYABLE / (REFUND DUE)

Income Tax Payable	47,151,500	17,175,271	2,725	1,796,174
Income Tax Refund Due	(72,230,883)	-	-	-
<b>Balance at the end of the year</b>	<b>(25,079,383)</b>	<b>17,175,271</b>	<b>2,725</b>	<b>1,796,174</b>

## NOTE 28 - REVENUE

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	2020	2019	2020	2019
Exports	3,304,083,315	3,578,024,418	-	-
Local	4,505,231,887	5,321,736,609	-	-
Dividend Income	3,577,877	6,764,539	27,066,000	46,084,925
Rent Income	36,188,133	54,267,334	-	-
	<b>7,849,081,212</b>	<b>8,960,792,900</b>	<b>27,066,000</b>	<b>46,084,925</b>

## NOTE 29 - OTHER OPERATING INCOME

Other Income	9,633,777	676,078	-	-
Insurance Claim	-	148,091	-	-
Profit on Disposal of Property, Plant & Equipment	13,602,953	7,904	-	-
Gain on derecognition of investment in subsidiary	1,751,195	-	-	-
Profit on Disposal of Shares	1,952,065	1,734,128	-	-
Sundry Sales	12,769,658	3,527,991	-	-
Creditors and Payables Written Back	-	2,683,126	-	-
Change in fair value of Investment Properties	2,273,000	32,000,000	-	-
Gains on fair value change in Biological Assets	9,972,677	3,844,956	-	-
	<b>51,955,325</b>	<b>44,622,274</b>	<b>-</b>	<b>-</b>

## NOTE 30 - FINANCE INCOME

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest Income on				
• Call Deposits	8,719,334	4,219,815	11,000	24,247
• Foreign Currency Account	570,586	92,830	-	-
• Fixed Deposits	109,214,330	155,983,930	-	-
• Repo	-	844,277	-	-
• Savings	902,368	5,055,231	-	-
• Others	1,932,285	1,402,915	-	-
	<b>121,338,903</b>	<b>167,598,998</b>	<b>11,000</b>	<b>24,247</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 31 - FINANCE COST

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Interest on Loans & Bank Overdraft	140,664,612	225,742,816	504,032	11,553,792
Lease Interest	5,392,831	692,678	-	-
Others	3,419,444	(162,533)	-	1,594,344
	<b>149,476,887</b>	<b>226,272,961</b>	<b>504,032</b>	<b>13,148,136</b>

## NOTE 32 - OTHER FINANCIAL ITEMS

Exchange Loss	(36,793,202)	(13,283,250)	-	-
	<b>(36,793,202)</b>	<b>(13,283,250)</b>	<b>-</b>	<b>-</b>

## NOTE 33 - PROFIT / (LOSS) BEFORE TAXATION

is stated after charging all expenses including the following :

Directors Remuneration and fees	65,656,480	59,547,910	-	370,000
Auditors Remuneration - Note 33(a)	5,177,815	5,339,747	620,000	915,000
Depreciation on Property, Plant & Equipment	291,618,518	274,252,564	-	-
Staff Cost				
Defined Benefit Plan	28,376,311	27,404,238	-	-
Other Staff Cost (Including EPF & ETF)	35,494,783	-	-	-
Amortization of Intangible assets	4,253,637	3,315,000	-	-
Amortisation of Right to use Land	(3,677,948)	6,444,857	-	-
Revaluation losses directly recognized in profit or loss	412,385	-	-	-
Loss from change in market value of Current Investment	-	44,412,174	-	-
(Gain) / Loss arising from changes in fair value of Biological Assets	(9,972,677)	(3,844,956)	-	-
Provision/(Reversal) for Impairment of Trade and Other Receivables	5,782,776	37,236,379	-	-
Goodwill on Acquisition of Subsidiaries written off	-	955,006	-	-
Goodwill on Acquisition of Subsidiaries written off	688,642	955,006	-	-

## NOTE 33(a) - AUDITOR'S REMUNERATION

### Fees payable to KPMG & Kreston MNS & Co.

for the audit of annual accounts of Renuka Holdings PLC	270,000	320,000	270,000	320,000
for the audit of Group Financial Statements	350,000	505,000	350,000	505,000
for the audit of subsidiaries of Renuka Holdings PLC	3,647,065	3,801,165	-	-
Non Audit Fee	-	90,000	-	90,000

### Fees payable to Other auditors

for the audit of subsidiaries of Renuka Holdings PLC	910,750	623,582	-	-
	<b>5,177,815</b>	<b>5,339,747</b>	<b>620,000</b>	<b>915,000</b>

## NOTE 34 - DISCONTINUED OPERATIONS

DISCONTINUED OPERATIONS	GROUP	
	2020	2019
	Rs.	Rs.
Results of discontinued operations		
Revenue	27,022,028	15,898,080
Expenses	(63,872,085)	(14,153,520)
Results from operating activities	(36,850,057)	1,744,560
Income tax	-	(275,528)
Profit for the year	(36,850,057)	1,469,032
Other comprehensive income	17,347	113,860
Total Comprehensive Income for the Year	(36,832,710)	1,582,892
Basic earnings per share	(0.06)	-
Cash flows 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 (CONTD.)

## NOTE 35 - TAXATION

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Current year Income Tax	99,966,076	148,394,028	2,970	1,912,145
Tax Charge on Associate and Joint ventures	16,778,291	99,659,331	-	-
Tax effect on Group Dividend	10,794,836	10,930,975	-	-
Transferred to / (from) Deferred Taxation	(66,324,648)	115,759,883	-	-
Income tax under / (over) provision in respect of previous year	(17,848,543)	-	-	-
	<b>43,366,012</b>	<b>374,744,216</b>	<b>2,970</b>	<b>1,912,145</b>

### NOTE 35.1 - RECONCILIATION BETWEEN TAXABLE PROFIT AND THE ACCOUNTING PROFIT

Profit / (Loss) before Taxation	308,362,106	607,711,442	18,955,783	(4,509,979)
Less : Profit on Equity Accounted Investee	(60,431,072)	(88,886,826)	-	-
	<b>247,931,034</b>	<b>518,824,616</b>	<b>18,955,783</b>	<b>(4,509,979)</b>

Aggregate Disallowed Items	681,294,418	280,238,718	8,121,217	57,423,990
Aggregate Allowed Items	(289,579,622)	(113,380,795)	-	-
Other Source of Income	(131,593,312)	(166,338,989)	(11,000)	(24,247)
Tax Exempt Income	(115,630,174)	(123,142,414)	(27,066,000)	(46,084,925)
Taxable Aggregate other income	131,593,312	166,338,989	11,000	24,247
Tax loss adjustment	(53,187,920)	(8,327,568)	-	-
<b>Taxable Income</b>	<b>470,827,736</b>	<b>554,212,557</b>	<b>11,000</b>	<b>6,829,087</b>

Income Tax @ 28%	44,165,857	80,239,653	2,970	1,912,145
Income Tax @ 20%	697,930	2,045,518	-	-
Income Tax @ 14%	-	64,936,580	-	-
Income Tax @ 10%	23,789,031	8,157,624	-	-
Income Tax @ 06%	13,968,123	-	-	-
Tax Reductions	-	-	-	-
(Over) / under provision in the previous year	17,345,134	1,172,277	-	-
<b>Current Income Tax</b>	<b>99,966,076</b>	<b>148,394,028</b>	<b>2,970</b>	<b>1,912,145</b>

### 35.2 INCOME TAX Company

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

According to Third Schedule -(Exempt Amounts) item (h) of the Income Tax Act No. 24 of 2017, profit earned on sale of shares on which share transaction levy under Section 7 of the Finance Act No.05 of 2005, is paid, exempt from income tax.

Interest and other Income are liable to Income Tax at 28% (2019 - 28%).

12.2 Subsidiary companies enjoying tax holidays at concessionary rates of tax

- i. Renuka Holdings PLC

- a. Profit on Sale of Quoted Shares

According to the 3rd schedule - (Exempt Amounts) item (h) of the Income Tax Act No.24 of 2017, profit earned on sale of shares on which share transaction levy under Section 7 of the Finance Act No.05 of 2005, is paid is exempt from income tax.

- b. Interest Income

Interest income is liable to income tax at 24%/28%.

- ii. Renuka Agro Exports (Pvt) Limited

The Company's export profit is liable to income tax at 14%.

The Company is liable to income tax on other income at 24% - 28%.

- iii. Renuka Foods PLC

a. Profit on Sale of Shares

According to the 3rd schedule - (Exempt Amounts) item (h) of the Income Tax Act No. 24 of 2017, profit earned on sale of shares on which share transaction levy under Section 7 of the Finance Act No. 05 of 2005, is paid is exempt from income tax.

b. Interest Income

Interest income is liable to income tax at 24%/28%

iv. Renuka Agri Foods PLC

In terms of the agreement with the Board of investment of Sri Lanka (BOI), business profit of the Company is exempted from income tax for a period of 12 years from the date of commencement of its business, which came to an end in the year of assessment 2011/12. Subsequently the said exemption period was extended for another 3 years of assessment ending 2014/15 by a supplementary agreement. After the expiration of said tax exemption period, the Company will be liable for taxation at the rate of 12%. In terms of section 59 L of the Inland Revenue Act No. 10 of 2006, the Renuka Agri Foods PLC was entitled to a 50% tax credit on the income tax liability of the business of food processing (both export and local sales). The 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.

v. Renuka Capital PLC

a. Profit on Sale of Shares

According to the 3rd schedule - (Exempt Amounts) item (h) of the Income Tax Act No. 24 of 2017, profit earned on sale of shares on which share transaction levy under Section 7 of the Finance Act No. 05 of 2005, is paid is exempt from income tax.

The Company is liable to tax at 24%/28%.

vi. Renuka Agri Organics Ltd.

- a. The Company shall be entitled for a tax exemption period of 4 years. The year of assessment shall be reckoned from the year in which the enterprise commences to make profit or any year of assessment not later than 2 year reckoned from the date commencement of commercial operations, whichever comes first as determined by the Commissioner General of Inland Revenue.

The Company commenced to make profits from Y/A 2014/15. The profit from Export Sales is liable for income tax at 14%.

b. Local Sales

Local Sales are liable to tax at 14%.

c. Interest Income

Interest Income is liable tax at 24%/28%.

vii. Renuka Developments (Pvt) Ltd.

According to the agreement entered into with Board of Investment of Sri Lanka, the profit and income of the Company were exempt from income tax for a period of five (5) years. This tax holiday period expired on 21st March 1999.

From the year of assessment 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 14% on profit from the year of assessment 2011/2012.

Company's other income is liable for Income Tax at the rate of 28%.

viii. Renuka Teas Ceylon (Pvt) Ltd

The Company's export Profit is liable to Income Tax at a concessionary rate 14%. Local sales and other income is liable to income tax at 24%/28%.

ix. Shaw Wallace & Hedges Limited

The company is liable to tax at 24%/28%.

x. Renuka Enterprises (Pvt) Ltd

The company is liable to tax at 24%/28%.

xi. Renuka Shipping and Travel (Pvt) Ltd

The company is liable to tax at 24%/28%.

xii. Kandy Plantations Ltd.

The profit from Agriculture Activity of the Company is liable to income tax at 14%. The profit from export sales is liable to income tax at 14%.

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

xiii. Ceylon Forestry (Pvt) Ltd

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

For a period of eight (08) years reckoned from the Year of Assessment as may be determined by the BOI, the profits & income of the Company is exempt 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.

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 income tax.

After the expiration of the aforesaid concessionary period referred to in sub clause (ii) above, the profits and income of the Company shall be charged for any year of assessment at the rate of twenty per centum (20%) However, other income would be liable to income Tax @ 28%.

xiv. Ceylon Botanicals (Pvt) Ltd

The company is liable to tax at 24%/28%.

xv. Coco Lanka (Pvt) Ltd

The company is liable to Income Tax at the rate of 14%.

xvi. Matale Valley Plantations (Pvt) Ltd

The company is liable to Income Tax at the rate of 24%/28%.

xvii. Coco Serendib (Pvt) Ltd

The company is liable to Income Tax at the rate of 24%/28%.

xviii. Bois Bros & Co (Pvt) Ltd

The company is liable to tax at 24%/28%.

xix. Galle Face Properties Limited

The Company shall be entitled for a tax exemption period of 8 years in term Inland Revenue Act No. 10 of 2006. The year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than 2 years reckoned from the date commencement of commercial operations, whichever year is earlier as may be specified in a certificate issued by Board of Investments in Sri Lanka.

After the expiration of the aforesaid tax exemption period the profit and income of the enterprise shall, for any year of assessment, be charged at 15%.

The other Income is liable to income tax at 24%/28%.

xx. Campbell Place Properties (Pvt) Ltd

The company is liable to tax at 24%/28%

xxi. Shaw Wallace Ceylon Ltd

The company is liable to tax at 24%/28%.

xxii. Shaw Wallace Properties (Pvt) Ltd

As per the renewal agreement the effective percentage for the year 2018/2019 is 20%.

xxiii. Richlife Dairies Ltd

The Company is liable to income tax at 14% on profit from Agriculture and at 28% on other Income.

xxiv. Mayfair Foods (Pvt) Ltd

The company is liable to tax at 24%/28%.

xxv. Royal Candle Works Ceylon (Pvt) Ltd

The company is liable to Income Tax at the rate of 14%.

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 2019/20. Further difference between computing current tax liability using the proposed rate of 24% and existing 28% as an immaterial impact on the Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 36 - EARNINGS/(LOSS) PER SHARE/ DIVIDEND PER SHARE

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019

### 36.1 Basic Earnings/(loss) Per Share

Basic Earnings/(loss) per Share is calculated by dividing the Profit for the year attributable to ordinary shareholders by the weighted average number of ordinary Shares outstanding during the year.

The following reflect the Income and Share data used in the basic Earnings per Share computation.

#### Amount used as the Numerator

Profit / (Loss) Attributable to equity holders				
of the Company for basic Earnings per share (Rs.)	67,924,345	3,721,875	18,952,813	(6,422,123)

#### Number of Ordinary Shares used as Denominator

Weighted Average number of Ordinary Shares				
in issue applicable to basic Earnings per Share	101,891,456	101,891,456	101,891,456	101,891,456
Basic Earnings/(loss) per Share (Rs.)	0.67	0.04	0.19	(0.06)

### 36.2 Diluted Earnings Per Share

#### Amount used as the Numerator

Profit / (Loss) Attributable to equity holders				
of the Company for diluted Earnings per share	67,924,345	3,721,875	18,952,813	6,422,123

#### Number of Ordinary Shares used as Denominator

Weighted Average number of Ordinary Shares				
in issue applicable to diluted Earnings per Share	101,891,456	101,891,456	101,891,456	101,891,456
Diluted Earnings/(loss) per Share	0.67	0.04	0.19	(0.06)

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

As at 31st March 2019 & as at 31st March 2018 there were no dilutive potential ordinary shares. Hence, diluted earnings per share is same as basic earnings per share.

### 36.3 Dividend per share

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	Group		Company	
	2020	2019	2020	2019
Dividend declared and paid during the year (Rs.)	25,472,864	-	25,472,864	-
Weighted Average Number of Ordinary Shares	101,891,456	-	101,891,456	-
Dividend per share (Rs.)	0.25	-	0.25	-

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 37 - CHANGES IN SUBSIDIARIES

The Group has decided to derecognized the investment in Royal Candle Works Ceylon (Pvt) Ltd on 30.03.2020 for a consideration of Rs. 10,000,000/-. Tabulated below is summarised the net impact of the transaction.

(a) Derecognition of investment in subsidiary		Royal Candle Works Ceylon (Pvt) Ltd
<b>Assets</b>		
Property, Plant and Equipment		3,013,013
Inventories		33,260,478
Trade and Other Receivables		943,894
Other Current Assets		416,375
Cash & Cash Equivalents		1,922,464
		<b>39,556,224</b>
<b>Liabilities</b>		
Retirement benefit Obligation		740,909
Other Current Liabilities		496,710
Bank Overdraft		13,826,904
		<b>15,064,523</b>
<b>Total identifiable net assets as at disposal date</b>		24,491,701
<b>Gain on derecognition of investment in subsidiary</b>		
Fair value of the Consideration received		10,000,000
Non controlling interest		15,982,741
Total identifiable Net assets of subsidiaries (Note 38 a )		(24,491,701)
Goodwill		-
Gain on derecognition of investment in subsidiary		1,491,040
<b>Net Cash inflow due to derecognition of investment in subsidiary</b>		<b>21,904,440</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 38 - CHANGES IN ASSOCIATES

### NOTE 38(a) - SHARE OF PROFIT OF ASSOCIATES

The Revenue, Profit before tax and the Group's share of profit before tax of the Associate and the Joint Venture are given below.

FOR THE YEAR ENDED 31 <sup>ST</sup> MARCH	2020 Rs.	2019 Rs.
<b>McShaw Automotive Ltd</b>		
Revenue	2,371,501,648	2,219,823,611
Profit before tax	5,033,689	14,301,393
<b>Group's share of profit before tax</b>	<b>1,425,372</b>	<b>3,575,348</b>
(-) Tax on Joint venture results	(2,158,357)	(669,590)
<b>Group share of profit after tax</b>	<b>(732,985)</b>	<b>2,905,758</b>
<b>On'ally Holdings PLC</b>		
Revenue	201,223,526	180,137,952
Profit before tax	241,893,883	315,446,416
<b>Group's share of profit before tax</b>	<b>60,100,809</b>	<b>82,561,818</b>
(-) Tax on Associate results	(16,804,138)	(98,611,155)
(-) Share of Comprehensive Income (Net of Tax)	394,184	748,117
<b>Group share of profit after tax</b>	<b>43,690,856</b>	<b>(15,301,220)</b>
<b>Interocean Lubricants (Pvt) Ltd</b>		
Revenue	689,885,763	735,359,026
Profit before tax	(164,163)	(4,751,351)
<b>Group's share of profit before tax</b>	<b>(48,941)</b>	<b>-</b>
(-) Tax on Associate results	2,184,204	-
<b>Group share of profit after tax</b>	<b>2,135,263</b>	<b>-</b>
<b>Amalgamated Investments (Pvt) Ltd</b>		
Revenue	(3,569,205)	2,933,308
Profit before tax	(3,595,300)	2,889,247
<b>Group's share of profit before tax</b>	<b>(1,046,168)</b>	<b>728,158</b>
(-) Tax on Associate results	-	-
<b>Group share of profit after tax</b>	<b>(1,046,168)</b>	<b>728,158</b>
Total Share of profit before tax	60,431,072	88,886,826
<b>Total Share of Comprehensive Income (Net of Tax)</b>	<b>394,184</b>	<b>748,117</b>

### NOTE 38(b) - SUMMARIZED FINANCIAL INFORMATION OF ASSOCIATES

AS AT 31 <sup>ST</sup> MARCH	2020 Rs.	2019 Rs.
<b>McShaw Automotive Ltd - Associate</b>		
Current Assets	1,308,066,008	1,067,796,603
Non Current Assets	43,509,988	32,216,431
	<b>1,351,575,996</b>	<b>1,100,013,034</b>
Current Liabilities	1,246,560,346	991,020,835
Non Current Liabilities	15,099,893	12,820,778
	<b>1,261,660,239</b>	<b>1,003,841,613</b>
<b>On'ally Holdings PLC - Associate</b>		
Current Assets	640,298,480	471,768,273
Non Current Assets	2,281,155,395	2,218,747,938
	<b>2,921,453,875</b>	<b>2,690,516,211</b>
Current Liabilities	65,219,001	94,162,724
Non Current Liabilities	700,020,488	659,089,630
	<b>765,239,489</b>	<b>753,252,354</b>
<b>Amalgamated Investments (Pvt) Ltd - Associate</b>		
Current Assets	2,338,500	851,341
Non Current Assets	302,888,400	307,969,859
	<b>305,226,900</b>	<b>308,821,200</b>
Current Liabilities	27,000	26,000
	<b>27,000</b>	<b>26,000</b>
<b>Interocean Lubricants (Pvt) Ltd - Associate</b>		
Current Assets	417,445,290	368,347,771
Non Current Assets	22,698,313	21,507,744
	<b>440,143,603</b>	<b>389,855,515</b>
Current Liabilities	377,895,176	335,266,313
	<b>6,546,762</b>	<b>6,330,927</b>
	<b>384,441,938</b>	<b>341,597,240</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 39 - EVENTS OCCURRING AFTER THE REPORTING DATE

### Group/ Company

There were no material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements.

## NOTE 40 - PENDING LITIGATIONS

There were no litigation that require disclosure in the Financial Statements as at the Financial Reporting date other than the following:-

### Group

#### 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 Limited is a respondent. In the opinion of the Lawyers, there is a strong likelihood of the outcome of this case being awarded in favor of the Trustees The John Leo De Croos Trust.

### Company

There were no Litigations against the Company.

## NOTE 41 - CAPITAL COMMITMENTS

### Group

There were no material commitments that require disclosure in the Financial Statements other than the following.

#### Galle Face Properties Ltd

The Company commenced construction of the "Galle Face Icon", a Mixed Development Project at Colombo 3 in 2018.

The Capital commitments for this project, approved by the board are as follows :

Contracted but not provided for : Rs. 3,737,675,666

Approved but not contracted for : Nil

### Company

There were no capital commitments that require disclosure in the Financial Statements.

## NOTE 42 - CONTINGENT LIABILITIES OF SUBSIDIARIES

### Group

#### Contingent Liabilities of Subsidiaries

There are no contingent liabilities which would require adjustments to or disclosure in the Financial Statements.

### Company

There were no contingent liabilities as at the reporting date that require adjustments to or disclosure in the Financial Statements.

## NOTE 43 - DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the Financial Statements of the Company / Group in accordance with the Sri Lanka Accounting Standards and also for the provision of information as required by the Companies Act No. 07 of 2007. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company / Group as at 31st March 2020 and the Profit / (Loss) for the year then ended.

## NOTE 44 - GOING CONCERN OF SUBSIDIARIES

The Board of Directors are of the view that all subsidiaries in the group have ability to continue on a going concern and satisfied that the resources to continue in business for the foreseeable future.

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 45 - RELATED PARTY TRANSACTIONS

### 45.1 Transactions with Key Managerial Persons

**45.1.1** According to Sri Lanka Accounting Standards 24 - Related Party Disclosures, Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Key Management Personnel include the Board of Directors (including Executive & Non-Executive Directors),

### 45.1.2 Transactions with Key Managerial Persons are given below

For the year ended 31st March	2020	2019
	Rs.	Rs.
Directors Remuneration and fees	131,092,230	76,072,070
Rent	11,520,000	11,520,000
Consultancy Fees Paid	2,082,825	5,542,425
Others	602,000	2,464,675

### 45.2 Transactions with subsidiaries, Equity Accounted Investees & Other Related Companies

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 (at Arm's Length), 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. 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:-

#### a) Transactions with Related Entities (Company) - Recurrent Transactions

RELATED COMPANY	RELATIONSHIP	NAME OF THE COMMON DIRECTOR/S	NATURE OF TRANSACTIONS	AGGREGATE VALUE OF RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR	BALANCE AS AT 31/03/2020	BALANCE AS AT 01/04/2019
				Rs.	Rs.	Rs.
Renuka Enterprises (Pvt) Ltd	Subsidiary	Mrs.I.R.Rajiyah	Shared Services	(3,708,715)	(4,265,889)	(557,175)
		Dr.S.R.Rajiyah				
		Mr.S.V.Rajiyah				
		Mrs.J.J.B.A.Rajiyah				
Galle Face Properties Limited	Subsidiary	Mrs.I.R.Rajiyah	Fund Transfer	671,453	-	(671,453)
		Dr.S.R.Rajiyah				
		Mr.S.V.Rajiyah				
		Mrs.J.J.B.A.Rajiyah				
		Mr.V.Sanmugam				
		Mr.M.S.Dominic				

#### b) Transactions with Related Entities (Group)

RELATED COMPANY	RELATIONSHIP	NAME OF THE COMMON DIRECTOR/S	NATURE OF TRANSACTIONS	AGGREGATE VALUE OF RELATED PARTY TRANSACTIONS ENTERED IN TO DURING THE FINANCIAL YEAR	BALANCE AS AT 31/03/2020	BALANCE AS AT 01/04/2019
				Rs.	Rs.	Rs.
Mrs. I R Rajiyah	Director	Mrs. I R Rajiyah	Rent Expenses	9,600,000	-	-
Renuka International Ltd	Common Director	Mr.S.V.Rajiyah	Royalty Payment	3,097,268	-	-
		Mrs.A.L.Rajiyah				
Renuka Group Ltd	Common Director	Dr.S.R.Rajiyah	Royalty Payment	10,573,395	-	-
		Mrs. I R Rajiyah				
		Mr.S.V.Rajiyah				
		Mrs.J.J.B.A.Rajiyah				
Symbiosis Business Partners (Pvt) Ltd	Common Director	Mr.L.M.Abeywickrama	Consultancy Services	2,082,825	-	-
Tourama Pvt Ltd	Common Director	Mrs.J.J.B.A.Rajiyah	Services	602,000	-	-

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## 45.3 Disclosure in terms of Section 9.3.2 of the Listing Rules of Colombo Stock Exchange

### Recurrent transactions

There are no recurrent transactions that have been entered in to with Related Entities during the year which are more than 10% of the group Turnover as specified in Section 9.3.2 of the Listing Rules of Colombo Stock Exchange that require disclosure to this Annual Report.

### Non-recurrent transactions

Given below are the non-recurrent transactions that have been entered in to with Related Entities during the year as specified in the Section 9.3.2 of the Listing Rules of Colombo Stock Exchange that require disclosure to this Annual Report.

### Transaction with related Companies - Non Recurring Transactions

REPORTING ENTITY	RELATED COMPANY	RELATIONSHIP	DESCRIPTION OF TRANSACTIONS	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	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 75,000 ordinary shares of Coco Lanka (Pvt) Ltd @ Rs.100 each	7,500,000	0.1%	0.1%	Based on Net Assets Value per Share	Investment
Matale Valley Plantations Ltd	Kandy Plantations Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 3,360 ordinary shares of Coco Serendib (Pvt) Ltd @ Rs.2,500 each	8,400,000	0.1%	0.1%	Based on Net Assets Value per Share	Investment
Shaw Wallace & Hedges Ltd	Amalgamated Investment (Pvt) Ltd	Associate	Purchase of 6,250 ordinary shares @ Rs.2,900 each	18,125,000	0.3%	0.1%	Based on Net Assets Value per Share	Investment
Renuka Developments (Pvt) Ltd	Renuka Enterprises (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 500,000 ordinary shares @ Rs.35 each	17,500,000	0.3%	0.1%	Based on Net Assets Value per Share	Investment
Shaw Wallace Ceylon Ltd	Shaw Wallace Properties (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 10m ordinary shares of Shaw Wallace & Hedges Ltd @ Rs.10 each	100,000,000	1.7%	0.8%	Based on Net Assets Value per Share	Investment
Renuka Capital PLC	Renuka Enterprises (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 1,000,000 ordinary shares @ Rs.2.8 each	2,831,360	0.0%	0.0%	Based on Net Assets Value per Share	Restructuring
Renuka Capital PLC	Renuka Enterprises (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Sale of 1,000,000 ordinary shares @ Rs.3.96 each	3,965,088	0.1%	0.0%	Based on Net Assets Value per Share	Restructuring
Shaw Wallace & Hedges Ltd	Renuka Agro Exports (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 400,000 ordinary shares @ Rs.174 each	69,600,000	1.2%	0.5%	Based on Net Assets Value per Share	Investment
Matale Valley Plantations Ltd	Coco Serendib (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Amalgamation	70,000,000	1.2%	0.6%	Based on Net Assets Value per Share	Restructuring
Renuka Agri Foods PLC	Renuka Developments (Pvt) Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 2,095,000 right issue shares @ 110 each	230,549,000	4.0%	1.8%	Based on Net Assets Value per Share	Investment
Renuka Developments (Pvt) Ltd	Shaw Wallace Ceylon Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 8,116,000 ordinary shares of Richlife Dairies Ltd @ Rs.27.23 each	221,000,000	3.8%	1.7%	Based on Valuation	Investment
Renuka Capital PLC	Shaw Wallace Properties Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 10m ordinary shares of Shaw Wallace & Hedges Ltd @ Rs.10 each	100,000,000	1.7%	0.8%	Based on Valuation	Investment
Renuka Capital PLC	Shaw Wallace Ceylon Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 10m ordinary shares of Shaw Wallace & Hedges Ltd @ Rs.10 each	100,000,000	1.7%	0.8%	Based on Valuation	Investment
Renuka Foods PLC	Shaw Wallace Ceylon Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Purchase of 16,232,000 ordinary shares of Richlife Dairies Ltd @ Rs.27.23 each	442,000,000	7.7%	3.5%	Based on Net Assets Value per Share	Restructuring
Renuka Foods PLC	Shaw Wallace Ceylon Ltd	Subsidiary of Ultimate Parent Renuka Holdings PLC	Sale of 47m ordinary shares of Shaw Wallace & Hedges Ltd @ Rs.9.19 each	432,000,000	7.5%	3.4%	Based on Net Assets Value per Share	Restructuring
Renuka Enterprises (Pvt) Ltd	Renuka Shipping & Travels (Pvt) Ltd	Sub Subsidiary	Amalgamation	19,778,420	0.3%	0.2%	Based on Net Assets Value per Share	Restructuring

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 46- DIRECTORS OF GROUP COMPANIES

Directors of Group Companies		RH	RFD	RAF	RTCL	RDL	KPL	BBL	CFL	CBL	RAEL	RAOL	SW&HD	REL	GFP	COCO	RIDL	SWCL	SWPL	MFL	RC	CMP	MVL	RCWC	CSL
Mrs.I.R.Rajiyah (Chairperson)		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	-
Dr.S.R.Rajiyah		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-	-
Mr.S.V.Rajiyah		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr.L.M.Abeywickrama		✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.S.Vasanthakumara		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	-	-	✓	-	✓
Mr.T.K.Bandaranayake		✓	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.M.S.Dominic		✓	✓	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	✓	-	-	-	-
Ms.A.L.Rajiyah		✓	✓	✓	-	-	-	-	-	-	-	✓	-	-	-	-	✓	-	-	-	-	-	-	-	-
Mr.C.J.de Silva Amararatunge		-	-	-	-	-	✓	-	-	-	✓	-	✓	-	-	-	✓	-	✓	-	-	-	-	-	-
Mr.J.M.Swaminathan		✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr.J.A.S.Felix		-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.S.Nagarajah		-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.T.G.Hockey		-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.P.Gunathilake		-	-	-	-	-	✓	-	✓	-	-	-	✓	✓	✓	✓	✓	-	-	✓	✓	✓	✓	✓	✓
Mrs.S.S.W.Senarathne		-	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-	-
Mrs.J.B.A.Rajiyah		✓	-	-	✓	-	-	-	-	-	-	✓	-	✓	✓	-	-	-	-	-	-	-	-	-	✓
Mr.B.V.Selvanayagam		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-
Mr.R.N.Jayasooriya		-	-	-	-	-	✓	-	✓	-	-	-	-	-	-	✓	✓	✓	-	✓	-	-	✓	-	-
Mr.D.S.Arangala		-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.K.Liyangamage		-	-	✓	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-
Mrs.S.T.R.E.Wijesuriya		-	-	✓	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr.S.Rajaratnam		-	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-	-	-	-	-	-	-
Mr.M.R.Ratnasabapathy		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	✓	-	-	-	-

RH	Renuka Holdings Limited	BBL	Bois Bros. & Co. (Pvt) Ltd	REL	Renuka Enterprises (Pvt) Ltd	CBL	Ceylon Botanicals (Pvt) Ltd
RC	Renuka Capital PLC	RFD	Renuka Foods PLC	CFL	Ceylon Forestry (Pvt) Ltd	RTCL	Renuka Teas Ceylon (Pvt) Ltd
SWPL	Shaw Wallace Properties (Pvt) Ltd	CMP	Campbell Place Properties (Pvt) Ltd	RAF	Renuka Agri Foods PLC	RCWC	Royal Candle Works Ceylon (Pvt) Ltd
GFP	Galle Face Properties Ltd	MFL	Mayfair Foods (Pvt) Ltd	MVL	Martale valley Plantations (Pvt) Ltd	SW&HD	Shaw Wallace & Hedges Ltd
RAEL	Renuka Agro Exports (Pvt) Ltd	COCO	Coco Lanka (Pvt) Ltd	RIDL	Richlife Dairies Ltd		
RDL	Renuka Developments (Pvt) Ltd	RAOL	Renuka Agri Organics Ltd	SWCL	Shaw Wallace Ceylon Ltd		

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 48 - INDUSTRY SEGMENT INFORMATION

Sub Sector	Company	Nature of Operation
Agri Business	Renuka Agri Foods PLC	Manufacture & markets a range of coconut products
	Renuka Development (Pvt) Ltd	Organic certification license holder and investment in plantation/farm & integration projects
	Renuka Agro Exports (Pvt) Ltd	Sourcing, manufacturing & exporting ethnic food products
	Renuka Teas Ceylon (Pvt) Ltd	Export of value added tea and herbal products
	Renuka Agri Organics Ltd	Export coconut based products
	Bois Bros & Co. (Pvt.) Ltd.	Providing warehousing facilities
	Ceylon Botanicals (Pvt) Ltd	Investment in agricultural property
	Ceylon Forestry (Pvt) Ltd	Planting and managing a forestry
	Coco Lanka (Pvt) Ltd	Engaged in organic certified cultivation of agriculture produce
	Kandy Plantations Ltd	Engaged in organic certified cultivation of agriculture produce
FMCG	Matale Valley Plantation (Pvt) Ltd	The Company has not engaged in any business activities during the year
	Renuka Foods PLC	Fast moving consumer goods
	Richlife Dairies Ltd	Manufacturing of dairy and fruit juice based products
	Shaw Wallace Ceylon Ltd	Manufacturing and distribution of fast moving consumer goods
	Shaw Wallace Properties (Pvt) Ltd	Providing warehousing facilities
	Mayfair Foods (Pvt) Ltd	Manufacture and sale of Confectionery Products
Property & Investment	Shaw Wallace & Hedges Ltd	The company operates as the holding company of property development companies
	Campbell Place Properties (Pvt) Ltd	The company is in the business of property development
	Galle Face Properties Ltd	The company is in the business of property development
	Renuka Holdings PLC	Holding Investments
	Renuka Capital PLC	Invest and trading in debt, equity and other classes of instruments
	Renuka Enterprises (Pvt) Ltd	Provide support services to Group companies



# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 48 - INDUSTRY SEGMENT INFORMATION (CONTD.)

	AGRI BUSINESS				FMCG				AUTOMOTIVE				PROPERTY				INVESTMENT & SERVICES				GROUP TOTAL			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	3,814,061	4,173,110	4,578,677	4,580,628	-	735,384	3,207	10,599	114,937	145,348	8,510,882	9,645,069												
Infra Group	(437,133)	(479,198)	(104,815)	(67,399)	-	-	(3,207)	(10,299)	(116,646)	(127,380)	(661,800)	(684,276)												
<b>Segment Revenue</b>	<b>3,376,927</b>	<b>3,693,912</b>	<b>4,473,863</b>	<b>4,513,229</b>	<b>-</b>	<b>735,384</b>	<b>-</b>	<b>300</b>	<b>(1,709)</b>	<b>17,968</b>	<b>7,849,081</b>	<b>8,960,793</b>												
Gross Profit	1,107,094	1,002,146	791,120	985,437	-	197,186	-	300	(1,671)	(23,313)	1,896,543	2,161,756												
Other Operating Income	24,637	18,463	22,205	1,304	-	497	2,273	32,000	2,841	1,734	51,956	53,998												
Distribution Expenses	(230,454)	(172,972)	(552,625)	(545,139)	-	(25,734)	-	-	(10,294)	(46)	(793,374)	(743,891)												
Administrative Expenses	(368,319)	(316,107)	(285,442)	(247,163)	-	(128,873)	(32,687)	(14,611)	(114,323)	(92,908)	(800,771)	(799,662)												
Other Operating expense	(32,550)	(13,068)	(280)	-	-	-	-	(23,786)	-	-	(32,830)	(36,854)												
Profit from Operations	500,408	518,462	(25,023)	194,439	-	43,076	(30,414)	(6,097)	(123,449)	(114,533)	321,523	635,347												
Finance Cost	(50,879)	(72,527)	(97,588)	(102,813)	-	(39,506)	(34)	(27)	(977)	(11,554)	(149,477)	(226,427)												
Finance Income	7,854	891	782	2,351	-	-	112,399	155,201	304	9,156	121,339	167,599												
Other Financial Items	(37,449)	(6,260)	656	-	-	(7,023)	-	-	-	-	(36,793)	(13,283)												
Net Finance Income/ (Cost)	(80,474)	(77,896)	(96,150)	(100,462)	-	(46,529)	112,365	155,174	(672)	(2,398)	(64,931)	(72,111)												
Loss on Fair Value of Investments Measured at Fair Value through Profit / (Loss)	-	-	-	-	-	-	-	-	(8,662)	(44,412)	(8,662)	(44,412)												
Share of profit of Equity Accounted investee	-	-	-	-	-	-	-	-	60,431	88,887	60,431	88,887												
<b>Profit before Taxation</b>	<b>419,933</b>	<b>440,566</b>	<b>(121,173)</b>	<b>93,977</b>	<b>(3,453)</b>	<b>81,952</b>	<b>149,077</b>	<b>(72,352)</b>	<b>(72,456)</b>	<b>308,361</b>	<b>607,711</b>	<b>607,711</b>												
Taxation	(12,279)	(83,654)	27,935	(122,763)	-	(5,784)	(29,716)	(50,861)	(29,307)	(111,682)	(43,366)	(374,744)												
<b>Profit for the year</b>	<b>407,654</b>	<b>356,912</b>	<b>(93,237)</b>	<b>(28,786)</b>	<b>-</b>	<b>(9,237)</b>	<b>52,236</b>	<b>98,216</b>	<b>(101,658)</b>	<b>(184,138)</b>	<b>264,996</b>	<b>232,967</b>												

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 48 - INDUSTRY SEGMENT INFORMATION (CONTD.)

	AGRI BUSINESS			FMCG			PROPERTY			INVESTMENT & SERVICES			GROUP TOTAL	
	2020	2019		2020	2019		2020	2019		2020	2019		2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment	2,041,829	1,636,146	2,471,422	2,224,590	-	-	-	-	275	314	4,513,525	3,861,050		
Intangible Assets	-	-	18,921	22,701	-	-	-	-	-	-	18,921	22,702		
Goodwill	-	-	119,922	119,922	-	-	-	-	37,579	37,579	157,501	157,501		
Right To use Land	106,901	65,815	209,283	211,671	-	-	3,333,884	3,139,379	-	-	316,184	277,486		
Investment Property	-	-	-	-	-	-	-	-	-	-	3,333,884	3,139,379		
Biological Assets	90,952	71,121	-	-	-	-	-	-	-	-	90,952	71,121		
Investment - Measured at Fair Through Other Comprehensive Income	-	-	-	-	-	-	-	-	0	2	0	2		
Investments in Associates	-	-	-	-	-	-	641,684	822,964	-	-	641,684	822,964		
Deferred Tax Asset	-	8,349	-	8,465	-	-	10,920	10,369	-	-	10,920	10,369		
<b>SEGMENT NON CURRENT ASSETS</b>	<b>2,239,682</b>	<b>1,781,431</b>	<b>2,819,548</b>	<b>2,587,349</b>	<b>3,333,884</b>	<b>3,139,379</b>	<b>690,457</b>	<b>871,228</b>	<b>9,083,571</b>	<b>8,379,388</b>				
Inventories	632,393	620,470	653,315	703,126	-	-	-	-	-	-	1,285,708	1,323,596		
Investment - Measured at Fair Value Through Profit or Loss	-	-	-	-	-	-	423,205	498,680	-	-	423,205	498,680		
Trade and Other Receivables	317,265	387,387	565,940	582,394	168,624	2,505	7,452	901	1,059,281	973,187				
Other Current Assets	137,105	95,200	25,198	30,358	-	5,168	1,393	216	163,697	130,942				
Income Tax Refund Due	27,438	43,099	714	980	-	-	215	382	72,231	382				
Short Term Investments in Deposits	-	-	-	-	-	-	-	-	-	-	-	-		
Cash at Bank and Cash in Hand	261,691	160,801	145,171	94,959	999,640	1,332,040	3,751	6,449	1,410,252	1,594,248				
<b>SEGMENT CURRENT ASSETS</b>	<b>1,375,892</b>	<b>1,263,858</b>	<b>1,432,722</b>	<b>1,410,837</b>	<b>1,168,978</b>	<b>1,339,713</b>	<b>436,997</b>	<b>506,628</b>	<b>4,414,589</b>	<b>4,521,035</b>				
<b>TOTAL SEGMENT ASSETS</b>	<b>3,615,574</b>	<b>3,045,289</b>	<b>4,252,270</b>	<b>3,998,186</b>	<b>4,502,862</b>	<b>4,479,092</b>	<b>1,127,454</b>	<b>1,377,856</b>	<b>13,498,160</b>	<b>12,900,423</b>				
Deferred Tax Liability	185,352	182,582	354,909	299,145	258,397	259,281	-	-	798,658	741,008				
Interest Bearing Borrowings	325,689	76,751	-	-	-	-	-	-	325,689	76,751				
Lease Obligation	87,281	46,500	1,264	-	-	-	-	-	88,545	46,500				
Refirement Benefit Obligation	63,754	51,046	42,122	35,269	279	130	17,801	13,804	123,957	100,249				
<b>SEGMENT NON CURRENT LIABILITIES</b>	<b>662,077</b>	<b>356,879</b>	<b>398,295</b>	<b>334,414</b>	<b>258,676</b>	<b>259,411</b>	<b>17,801</b>	<b>13,804</b>	<b>1,336,849</b>	<b>964,508</b>				
Trade and Other Payables	142,857	157,148	609,937	760,436	8,581	14,422	8,155	10,093	769,530	942,099				
Other Current Liabilities	133,142	71,821	7,473	12,702	-	279	5,988	7,225	146,602	92,026				
Short Term Interest Bearing Borrowings	640,527	712,068	499,300	809,196	-	-	-	-	1,139,827	1,521,264				
Current portion of lease obligation	24,363	3,000	2,839	-	-	-	-	-	27,202	3,000				
Income Tax Payable	31,014	49,214	3,513	12,578	15,379	47	1,796	47,162	17,175					
Bank Overdraft	49,214	49,235	251,715	59,997	-	27,351	19,216	328,279	128,449					
<b>SEGMENT CURRENT LIABILITIES</b>	<b>1,021,116</b>	<b>993,272</b>	<b>1,374,777</b>	<b>1,642,331</b>	<b>21,159</b>	<b>30,080</b>	<b>41,540</b>	<b>38,330</b>	<b>2,458,592</b>	<b>2,704,014</b>				
<b>TOTAL SEGMENT LIABILITIES</b>	<b>1,683,193</b>	<b>1,350,151</b>	<b>1,773,072</b>	<b>1,976,745</b>	<b>279,835</b>	<b>289,491</b>	<b>59,341</b>	<b>52,134</b>	<b>3,795,440</b>	<b>3,668,522</b>				

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 49 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Risk Management framework

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

The Group's risk management policies are establish to identify and analyze the risks face by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limit. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and 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 overseas how management monitors compliance with the group risk management policies and procedures, and review the adequacy of the risk management frame work in relation to the risks faced by the Group.

### Financial Risks Factors

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

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

The company's and the Group's overall financial risk management programme 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 though risk reviews, internal control systems, insurance programme s and adherence to the company's and the Group's financial risk management polices.

#### 1. Market Risk

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

##### a. Currency Risk

The risk that the fair value of future cash flows of a financial instrument fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases that are denominated in a currency other than Sri Lanka Rupees (LKR), the foreign currencies in which transactions primarily denominated is US Dollars.

##### Exposure to Currency risk

The Group exposure to foreign currency risk was as follows based on notional amounts. The Group involves with foreign currency transactions and exposed to foreign exchange risk arising from various currency exposures, primarily with respect to 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.

AS AT 31ST MARCH	2020	2019
	USD	USD
Trade and Other Payables	(596,210)	(1,982,207)
Trade and Other Receivables	1,342,888	1,778,411
Cash and Cash Equivalents	1,050,510	370,881
<b>Gross Statement of Financial Position Exposure</b>	<b>1,797,188</b>	<b>167,085</b>

The following significant exchange rates were applicable during the year.

	Average Rate		Reporting Date spot rate	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
US Dollars	180.44	169.71	189.91	176.13

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 49 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the US Dollar as at 31st March 2019 would have increased / (Decreased) the equity and Profit or Loss by the amount shown below. This analysis is based on foreign currency exchange rate variances that the company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables in particular interest rates, remain constant.

	Strengthening	Weakening
	Profit or Loss	Profit or Loss
	Rs.	Rs.
31st March 2020		
US Dollar (10% movement)	34,130,405	(34,130,405)
31st March 2019		
US Dollar (10% movement)	2,942,866	(2,942,866)

### b. Interest rate risk

The risk that the fair value or future cash flows of financial instrument will fluctuate due to changes in market interest rates at the reporting date, the company's interest bearing financial instruments were as follows.

AS AT 31ST MARCH	Carrying Amount	
	2020	2019
	Rs.	Rs.
<b>Variable rate Instruments</b>		
Financial Assets		
Bank Deposits	1,410,467,467	1,594,629,937
Financial Liabilities		
Interest Bearing Borrowings	(1,465,515,645)	(1,598,014,880)
Bank OD's	(328,279,399)	(128,448,887)
	(383,327,577)	(131,833,830)

### c. Price Risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

## 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 managed on company and the group basis. Credit risk arises from cash equivalent, 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 equivalent with a number of credit worthy financial institutions. the maximum credit risk exposure of the financial assets of the company and the Group are approximately their carrying amount as at Statement of financial Position date.

### Exposure Credit risk

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

AS AT 31ST MARCH	Carrying amount	
	2020	2019
	Rs.	Rs.
Trade and Other Receivables	795,093,496	880,647,567
Balances with Banks	1,410,252,211	1,594,248,170
	2,205,345,707	2,474,895,737

### Impairment losses

The company establishes an allowance for impairment that represent its estimate of Expected 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 allowance is determined based on historical data of payment statistics for similar financial assets.

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 49 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

Company	2020			2019		
	Gross Amount Rs	Impairment Loss Rs	Net Amount Rs	Gross Amount Rs	Impairment Loss Rs	Net Amount Rs
Due within one year	-	-	-	-	-	-
Due more than one year	-	-	-	-	-	-
	-	-	-	-	-	-

### Group

Due within one year	795,093,496		795,093,496	880,647,567		880,647,567
Due more than one year	40,648,686	(40,648,686)	-	34,856,910	(34,856,910)	-
	<b>835,742,182</b>	<b>(40,648,686)</b>	<b>795,093,496</b>	<b>880,647,567</b>	<b>(34,856,910)</b>	<b>880,647,567</b>

	Carrying amount	
	2020 Rs.	2019 Rs.
Domestic	540,065,569	571,293,011
Europe	158,311,749	218,120,191
Middle East	4,809,404	15,878,328
Asia	8,115,215	5,880,223
United States	46,426,456	46,678,407
Africa	36,957,625	5,325,410
Australia	407,477	17,471,997
	<b>795,093,496</b>	<b>880,647,567</b>

### Cash and bank balances

The company held favourable cash and bank balances Rs. 1,410,252,211 as at 31st March 2019 (Rs. 1,594,248,170 /- as at 31st March 2018) which represent its maximum credit exposure on these assets.

### 3. Liquidity Risk

Liquidity risk is the risk that company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settle by delivering cash or another financial asset. The company'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 company's reputation.

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

AS AT 31ST MARCH 2020	Carrying amount	0-12 Months	More than one year
	Rs.	Rs.	Rs.
Financial Liabilities (Non-Derivative)			
Interest Bearing Borrowings	1,465,515,645	1,139,826,954	325,688,691
Lease Liabilities	115,747,226	27,202,010	88,545,216
Trade and Other Payables	769,529,875	769,529,875	-
Bank Overdraft	328,279,399	328,279,399	-
	<b>2,679,072,145</b>	<b>2,264,838,238</b>	<b>414,233,907</b>

AS AT 31ST MARCH 2019	Carrying amount	0-12 Months	More than one year
	Rs.	Rs.	Rs.
Financial Liabilities (Non-Derivative)			
Interest Bearing Borrowings	1,598,014,880	1,521,263,880	76,751,000
Lease Liabilities	49,500,000	3,000,000	46,500,000
Trade and Other Payables	942,099,279	942,099,279	-
Bank Overdraft	128,448,887	128,448,887	-
	<b>2,718,063,046</b>	<b>2,594,812,046</b>	<b>123,251,000</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 49 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

### 4. Capital Management risk

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 gearing ratio. This ratio is calculated as total borrowings divided by total equity. Total borrowings including non-current and current borrowings as shown in the statement of Financial Position. Total equity is calculated as 'Total Equity in the statement of financial Position.

The gearing ratio as at 31st March was as follows.

	Group		Company	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Borrowings	1,909,542,270	1,775,963,767	-	-
Total Equity	9,702,719,471	9,231,901,414	1,621,962,718	1,621,962,718
Gearing ratio %	19.68%	19.24%	-	-

### 5. Operational Risk

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

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

- √ Requirement for appropriate segmentation of duties, including the Independent authorization of transactions
- √ Requirements for the reconciliations 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



# REAL ESTATE PORTFOLIO

COMPANY	LOCATION	LAND / BUILDING	LAND EXTENT (PERCHES)	BUILDING		CLASSIFICATION COMPANY	CLASSIFICATION GROUP	ORIGINAL COST OF PURCHASE RS.	FAIR VALUE AS AT 31.03.2020 UNDER FAIR VALUE METHOD
				FREE HOLD/LEASEHOLD	NO OF BUILDINGS				
Renuka Agri Foods PLC	Unagahadeniya	Land	70.4			PPE	PPE	21,428,000	21,120,000
		Building		1	968	PPE	PPE		903,466
		Building		9	111,379	PPE	PPE	158,452,264	353,075,000
		Building		2	8,031	PPE	PPE		16,062,000
Renuka Developments (Pvt) Ltd	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 Plantations Ltd	"Mahawatta Estate, Indigolla Estate, Kurudugolla Estate, at Nalla Diuldeniya"	Right to use Estate				PPE	PPE		
		Building		4	10,598	PPE	PPE	49,499,976	8,973,000
Coco Lanka (Pvt) Ltd	Cocowatta Estate, Puttalam	Land	25,445			PPE	PPE	127,482,760	180,448,000
		Building		5	6,447	PPE	PPE		11,005,408
Ceylon Botanical (Pvt) Ltd	Matale	Land	10,842			IP	PPE	20,000,000	20,000,000
Matale Valley Plantations (Pvt) Ltd	Matale	Land	3284.7			PPE	PPE	60,200,000	60,200,000
Renuka Agri Organics Ltd	Export Processing Zone, Wathipitiwala	Building		3	69,225	PPE	PPE	74,073,652	268,858,000
		Land	76			IP	PPE	63,177,000	95,000,000
Bois Brass & Co. (Pvt) Ltd	Kent Road, Colombo - 09	Building		3	32,799	IP	PPE	47,001,320	45,000,000
		Land	4.7			PPE	PPE	17,500,000	18,800,000
Shaw Wallace Ceylon Ltd	Karishue Place, Colombo -9	Land	40			PPE	PPE	114,699,000	320,000,000
		Land				PPE	PPE		
Danister De Silva Mawatha, Colombo -08	Danister De Silva Mawatha, Colombo -08	Building		1	66,828	PPE	PPE	289,341,098	626,512,500
		Land	59.8			PPE	PPE	16,445,000	29,900,000
Gamunu Mawatha, Ekala	Gamunu Mawatha, Ekala	Building		2	10,185	PPE	PPE	36,555,000	25,060,000
		Land	214.75			PPE	PPE	104,691,840	107,375,000
Samagi Mw, Ekala	Samagi Mw, Ekala	Building		11	37,780	PPE	PPE	9,721,060	59,107,000
		Land				PPE	PPE		
Shaw Wallace Properties (Pvt) Ltd	New Nuge Road, Peliyagoda	Land	215.59			IP	PPE	95,000,000	361,425,000
		Building		3	62,714	IP	PPE	119,980,471	221,294,000
Richlife Dairies Ltd	Private Road, Wadduwa	Land	886			PPE	PPE	128,552,000	158,568,000
		Building		6	63,986	PPE	PPE	194,843,169	170,674,000
Galle Face Properties Limited	Galle Face Terese, Colombo 03	Land	85.19			IP	IP	309,918,000	2,032,000,000
		Land	184			IP	IP	548,627,000	550,900,000
Campbell Place Properties (Pvt) Ltd	Sri Dharma Mw, Colombo 09	Building		2		PPE	PPE		-

# FIVE YEAR SUMMARY

Year Ended 31st March	2020	2019	2018	2017	2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>a) Summary of Operation</b>					
Revenue	7,849,081	8,966,792	8,703,565	8,426,563	7,803,859
Gross Profit	1,896,543	2,162,858	1,705,803	2,135,469	1,832,919
Profit before finance cost and tax	321,524	635,194	906,829	1,305,766	930,007
Profit before taxation	308,362	607,711	748,790	1,142,005	1,000,708
Taxation	(43,366)	(374,744)	(224,845)	(90,014)	(95,656)
Profit after tax	228,146	234,436	523,945	1,051,990	905,051
<b>Profit attributable to equity holders of the company</b>	<b>67,924</b>	<b>3,722</b>	<b>355,461</b>	<b>669,600</b>	<b>430,518</b>
<b>b) Summary of Financial Position</b>					
Capital and reserves					
Stated capital	1,198,897	1,198,897	1,198,897	1,198,897	1,198,897
Revaluation Reserve	403,976	271,909	272,088	289,009	288,293
Retained earnings	4,221,022	4,278,526	3,919,518	3,886,623	3,186,445
<b>Shareholders' fund</b>	<b>5,823,896</b>	<b>5,749,332</b>	<b>5,390,503</b>	<b>5,374,529</b>	<b>4,673,635</b>
Minority interest	3,878,824	3,482,569	3,382,015	3,063,934	3,003,227
<b>Total Equity</b>	<b>9,702,719</b>	<b>9,231,901</b>	<b>8,772,518</b>	<b>8,438,463</b>	<b>7,676,862</b>
<b>Liabilities</b>					
Non- Current liabilities	1,336,848	964,508	1,102,154	986,494	1,165,100
Current liabilities	2,458,592	2,704,014	3,176,685	2,390,966	1,655,383
<b>Total Liabilities</b>	<b>3,795,441</b>	<b>3,668,522</b>	<b>4,278,839</b>	<b>3,377,460</b>	<b>2,820,483</b>
<b>Total Equity and Liabilities</b>	<b>13,498,160</b>	<b>12,900,423</b>	<b>13,051,356</b>	<b>11,815,924</b>	<b>10,497,345</b>
<b>Assets</b>					
Property, plant and equipment	4,513,526	3,861,050	3,774,024	4,299,168	4,158,815
Investment properties	3,333,884	3,139,379	2,548,627	1,703,800	1,277,850
Investments	641,684	822,966	804,746	101,282	328,659
Other non-current assets	594,478	555,993	574,940	568,090	478,673
Current assets	4,414,588	4,521,035	5,349,018	5,143,584	4,253,347
<b>Total Assets</b>	<b>13,948,160</b>	<b>12,900,423</b>	<b>13,051,356</b>	<b>11,815,924</b>	<b>10,497,345</b>
<b>c) Key Indicators</b>					
Earnings per share (Rs.)	0.67	0.04	3.49	6.57	4.23
Net profit margin (%)	2.90%	2.61%	6.02%	12.48%	11.59%
Net assets value per share (Rs.)	57.16	56.43	52.91	52.75	45.86
Dividends per share (Rs.)	0.25	-	-	0.35	0.35
Dividends payout (%)	37%	-	-	5.33%	8.27%
Dividend cover (times)	2.68	-	-	18.78	12.08
Interest cover (times)	2.15	2.8	5.74	7.97	9.95
Current ratio (times)	1.79	1.67	1.67	2.15	2.57
Gearing ratio (%)	9.68	19.24	27.25%	23.87%	21.11%
Return on equity (%)	2.35%	2.53%	9.72%	19.57%	19.37%

# SHARE HOLDER'S INFORMATION

SHARE INFORMATION	2020		2019	
	Voting	Non Voting	Voting	Non Voting
Total No. of Shareholders	2,038	1,018	2,089	1,028
Total No. of Shares	89,034,626	12,856,830	89,034,626	12,856,830

PUBLIC SHARE HOLDING				
The percentage of Shares held by the public			2020	2019
Voting			32.99%	32.99%
Non Voting			94.14%	94.14%
No. of Shareholders	Voting		2,033	2,084
	Non-voting		1,013	1,023

SHARE TRADING INFORMATION				
1st of April to 31st March	2020		2019	
	Voting	Non Voting	Voting	Non Voting
Share Price				
Highest (Rs.)	20.50	13.80	21.50	16.00
Lowest (Rs.)	12.50	8.50	12.60	8.80
As at 31st March	13.50	9.70	13.40	9.00

Market Capitalization				
As at 31st March (Rs. '000)	1,326,678		1,308,775	
Float adjusted market capitalization (Rs. '000) **	513,898		502,523	
No of Trades	2,039	779	1,585	616
No of shares Traded	4,264,131	1,396,972	3,219,702	936,524
Value of Shares Traded (Rs.)	71,290,991	16,472,722	56,388,805	11,733,613

The Company has over 20% public share holding and over 500 public share holders, thereby meeting the minimum thresholds for compliance on minimum public holding.

Dividends		
Proposed final Dividend per share (Rs.)	0.25	0.25

VOTING SHARES	31st March 2020			31st March 2019		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
<b>No of Shares Held - Voting</b>						
1 - 1,000	1,154	297,693	0.33%	1,147	295,301	0.33%
1,001 - 10,000	621	2,272,214	2.55%	664	2,405,575	2.70%
10,001 - 100,000	228	6,926,218	7.78%	243	7,377,369	8.29%
100,001 - 1,000,000	29	8,283,451	9.31%	29	7,944,164	8.92%
1,000,000 & Over	6	71,255,050	80.03%	6	71,012,217	79.76%
	<b>2,038</b>	<b>89,034,626</b>	<b>100.00%</b>	<b>2,089</b>	<b>89,034,626</b>	<b>100.00%</b>

Analysis of Shareholders - Voting						
Individuals	1,904	37,820,884	42.48%	1,955	37,998,801	42.68%
Institutions	134	51,213,742	57.52%	134	51,035,825	57.32%
<b>Total</b>	<b>2,038</b>	<b>89,034,626</b>	<b>100.00%</b>	<b>2,089</b>	<b>89,034,626</b>	<b>100.00%</b>

Analysis of Shareholders - Voting						
Resident	2,008	78,691,483	88.38%	2,057	78,446,838	88.11%
Non Resident	30	10,343,143	11.62%	32	10,587,788	11.89%
<b>Total</b>	<b>2,038</b>	<b>89,034,626</b>	<b>100.00%</b>	<b>2,089</b>	<b>89,034,626</b>	<b>100.00%</b>

# SHARE HOLDER'S INFORMATION (CONTD.)

VOTING SHARES	31st March 2020			31st March 2019		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
<b>Analysis of Shareholders</b>						
Renuka Group Limited	1	41,200,000	46.27%	1	41,200,000	46.27%
Directors and Spouses	4	18,464,752	20.74%	4	18,464,752	20.74%
Public	2,033	29,369,874	32.99%	2,084	29,369,874	32.99%
<b>Total</b>	<b>2,038</b>	<b>89,034,626</b>	<b>100.00%</b>	<b>2,089</b>	<b>89,034,626</b>	<b>100.00%</b>

Percentage of Shares held by the Public as at 31st March 2020 is 32.99%

Non-VOTING SHARES	31st MARCH 2020			31st MARCH 2019		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
<b>No of Shares Held - Non-Voting</b>						
1 - 1,000	475	123,645	0.96%	481	128,440	1.00%
1,001 - 10,000	329	1,303,167	10.14%	328	1,264,521	9.84%
10,001 - 100,000	184	5,035,236	39.16%	188	5,103,271	39.69%
100,001 - 1,000,000	30	6,394,782	49.74%	31	6,360,598	49.47%
1,000,000 & Over	-	-	-	-	-	-
	<b>1,018</b>	<b>12,856,830</b>	<b>100.00%</b>	<b>1,028</b>	<b>12,856,830</b>	<b>100.00%</b>

<b>Analysis of Shareholders - Non-Voting</b>						
Individuals	936	8,551,221	66.51%	943	8,857,747	68.90%
Institutions	82	4,305,609	33.49%	85	3,999,083	31.10%
<b>Total</b>	<b>1,018</b>	<b>12,856,830</b>	<b>100.00%</b>	<b>1,028</b>	<b>12,856,830</b>	<b>100.00%</b>

<b>Analysis of Shareholders - Non-Voting</b>						
Resident	995	11,355,161	88.32%	1,003	11,263,273	87.61%
Non Resident	23	1,501,669	11.68%	25	1,593,557	12.39%
<b>Total</b>	<b>1,018</b>	<b>12,856,830</b>	<b>100.00%</b>	<b>1,028</b>	<b>12,856,830</b>	<b>100.00%</b>

<b>Analysis of Shareholders - Non-Voting</b>						
Directors and Spouses	5	753,207	5.86%	5	753,207	5.86%
Public	1,013	12,103,623	94.14%	1,023	12,103,623	94.14%
<b>Total</b>	<b>1,018</b>	<b>12,856,830</b>	<b>100.00%</b>	<b>1,028</b>	<b>12,856,830</b>	<b>100.00%</b>

Percentage of Shares held by the Public as at 31st March 2020 is 94.14%

# SHARE HOLDER'S INFORMATION (CONTD.)

TOP 20 MAJOR SHAREHOLDERS		Voting as at 31.03.2020		Voting as at 31.03.2019	
No.	Name	No. of shares	%	No. of shares	%
1	RENUKA GROUP LIMITED	41,200,000	46.27%	41,200,000	46.27%
2	DR. S. R. RAJIYAH & MRS. I. R. RAJIYAH (JT)	17,399,368	19.54%	17,399,368	19.54%
3	DR. S. YADDEHIGE	6,445,890	7.24%	6,445,890	7.24%
4	EMPLOYEES TRUST FUND BOARD	2,914,330	3.27%	2,914,330	3.27%
5	MR. M. M. S. DAWOOD	1,840,808	2.07%	1,840,808	2.07%
6	BANK OF CEYLON NO. 1 ACCOUNT	1,454,654	1.63%	1,211,821	1.36%
7	MR. S. VASUDEVAN	817,845	0.92%	320,075	0.36%
8	PEOPLE'S LEASING & FINANCE PLC/HI LINE TRADING (PVT) LTD	691,891	0.78%	760,000	0.85%
9	ALLIANCE FINANCE COMPANY PLC	674,529	0.76%	674,529	0.76%
10	SEZEKA LIMITED	582,376	0.65%	321,600	0.36%
11	MR. A. N. ESUFALLY	456,200	0.51%	456,200	0.51%
12	MR. K. C. VIGNARAJAH	414,477	0.47%	414,466	0.47%
13	DR. G. RAJIYAH	403,818	0.45%	403,818	0.45%
14	CORPORATE DRUIDS (PVT) LIMITED	352,580	0.40%	352,580	0.40%
15	MS. S. R. RAJIYAH	330,783	0.37%	330,783	0.37%
15	MS. A. L. RAJIYAH	330,783	0.37%	330,783	0.37%
17	MR. U. F. STRUNK & MRS. M. G. DE ALBUQUERQUE LEINENBACH MARIA GISELLY	320,936	0.36%	320,936	0.36%
18	MR. H. A. S. MADANAYAKE	282,989	0.32%	282,989	0.32%
19	MR. R. K. E. PDE SILVA	247,528	0.28%	247,528	0.28%
20	ROCKPORT LIMITED	244,174	0.27%	180,405	0.20%
		<b>77,405,959</b>	<b>86.93</b>	<b>76,408,909</b>	<b>85.81</b>

TOP 20 MAJOR SHAREHOLDERS		Non-Voting as at 31.03.2020		Non-Voting as at 31.03.2019	
No.	Name	No. of shares	%	No. of shares	%
1	MR. K. C. VIGNARAJAH	626,851	4.88%	626,828	4.88%
2	NATIONAL SAVINGS BANK	466,438	3.63%	466,438	3.63%
3	MR. S. V. RAJIYAH	435,414	3.39%	435,414	3.39%
4	PEOPLE'S LEASING & FINANCE PLC/MR. D. M. P. DISANAYAKE	334,529	2.60%	110,009	0.86%
5	E. W. BALASURIYA & CO. (PVT) LTD	306,521	2.38%	306,521	2.38%
6	HALLSVILLE TRADING GROUP INC.	295,977	2.30%	295,977	2.30%
7	COMMERCIAL BANK OF CEYLON PLC A/C NO. 04	265,368	2.06%	265,368	2.06%
8	HATTON NATIONAL BANK PLC/ MR. K. R. E. M. D. M. B. JAYASUNDARA	250,000	1.94%	249,578	1.94%
9	SAMPATH BANK PLC/ DR. T. SENTHILVERL	210,471	1.64%	210,471	1.64%
10	MRS. V SARASWATHI	206,107	1.60%	43,070	0.33%
11	R. E. RAMBUKWELLA	202,500	1.58%	232,399	1.81%
12	CORPORATE DRUIDS (PVT) LIMITED	202,000	1.57%	202,000	1.57%
13	A. T. COORAY PVT LTD	195,428	1.52%	195,428	1.52%
14	MR. R. GAUTAM	191,080	1.49%	194,080	1.52%
15	SENKADAGALA FINANCE COMPANY PLC	183,274	1.43%	183,274	1.43%
16	MR. A. SITHAMPALAM	179,797	1.40%	179,797	1.40%
17	DR. S. R. RAJIYAH & MRS. I. R. RAJIYAH (JT)	171,422	1.33%	171,422	1.33%
18	MR. P. V. E. JOSEPH	165,930	1.29%	165,930	1.29%
19	HATTON NATINAL BANK PLC/MR. K. D. A. M. KUMARAGE	161,998	1.26%	150,000	1.17%
20	TRANZ DOMINION, L. L. C.	154,471	1.20%	140,000	1.09%
		<b>5,205,576</b>	<b>40.49</b>	<b>4,824,004</b>	<b>37.54</b>

# NOTICE OF MEETING

Notice is hereby given that the 40th Annual General Meeting of the RENUKA HOLDINGS PLC will be held as a virtual meeting on Monday, 28th September 2020 at 3.30 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, representatives 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 Statements for the year ended 31st March 2020 with the Report of the Auditors thereon.
2. To re-elect Mr. L.M. Abeywickrama as a Director who retires by rotation in terms of Article 28 (1).
3. To re-appoint 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. T.K. Bandaranayake who is 77 years of age, as a director in terms of Section 211 of the Companies Act No. 7 of 2007 and it is specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. T.K. Bandaranayake.
6. To re-appoint Dr. J.M. Swaminathan who is 79 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. J.M. Swaminathan.
7. To declare a dividend of Rs. 0.25 per share.
8. To authorise the Directors to determine the contribution to charity.
9. 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 3.30 p.m. on 21st September 2020 in the manner specified in the Guidelines and Registration process for the Annual General Meeting (AGM) via online meeting platform' attached hereto.

## NOTES



## NOTES

# FORM OF PROXY

I / We ..... of  
 ..... being a member/  
 members of Renuka Holdings PLC, hereby appoint; ..... (NIC No. ....)  
 of .....  
 ..... Or failing her/him

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

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.		
2.	To re-elect Mr. L.M. Abeywickrama as a Director		
3.	To re-appoint Dr. S.R. Rajiyah as a Director		
4.	To re-appoint Mr. T.K. Bandaranayake as a Director		
5.	To re-appoint Dr. J.M. Swaminathan as a Director		
6.	To declare a dividend of Rs 0.25 per share		
7.	To authorise the Directors to determine the contribution to charity.		
8.	To re-appoint M/s KPMG, Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.		

Dated this ..... day of ..... 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 4.00 p.m. on 16th 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. the leading snack brand

# CORPORATE INFORMATION

**Name Of Company**

Renuka Holdings PLC

**Registration No.**

PQ 227

**Legal Form**

Quoted Public Company With Limited Liability

**Subsidiaries:**

Renuka Foods PLC  
Renuka Agri Foods PLC  
Renuka Capital PLC  
Renuka Agro Exports (Pvt) Ltd  
Renuka Developments (Pvt) Ltd  
Renuka Agri Organics Ltd  
Renuka Teas Ceylon (Pvt) Ltd  
Shaw Wallace & Hedges Ltd  
Renuka Enterprises (Pvt) Ltd  
Galle Face Properties Ltd  
Richlife Dairies Ltd  
Shaw Wallace Ceylon Ltd  
Shaw Wallace Properties (Pvt) Ltd  
Kandy Plantations Ltd  
Ceylon Forestry (Pvt) Ltd  
Ceylon Botanicals (Pvt) Ltd  
Bois Bros. & Co. (Pvt) Ltd  
Coco Lanka (Pvt) Ltd  
Mayfair Foods (Pvt) Ltd  
Matale Valley Plantations (Pvt) Ltd  
Campbell Place Properties (Pvt) Ltd

**Associate Companies:**

Orially Holdings PLC  
Amalgamated Investments (Pvt) Ltd

**Principal Activity**

It is the holding company for subsidiaries engaged in the business of Agri Business, Dairy, FMCG, Property, Investment and Services.

**Board Of Directors - Company**

Mrs. I.R.Rajiyah (Chairperson)  
Dr S.R.Rajiyah  
Mr S.V.Rajiyah  
Mr L.M.Abeywickrama  
Mr M.S.Dominic  
Mr T.K.Bandaranayake  
Mr J.M.Swaminathan  
Ms A.L.Rajiyah  
Mrs J.J.B.A. Rajiyah  
Mr V. Sanmugam

**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.

**Registered Office**

"Renuka House"  
69 Sri Jinaratana Road,  
Colombo 2  
Telephone: 0094-11-2314750-5  
Fax: 0094 11-2445549  
Email: info@renukagroup.com

**Postal Address**

P.O.Box 25, Colombo

**Stock Exchange Listing**

Colombo Stock Exchange

**Audit Committee**

Mr. T.K.Bandaranayake (Chairman)  
Mr J.M.Swaminathan  
Mr M.S.Dominic

**Related Party Committee**

Mr. T.K.Bandaranayake (Chairman)  
Mr J.M.Swaminathan  
Mr M.S.Dominic

**Remuneration Committee**

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

**Auditors**

Kreston MNS & Co  
Chartered Accountants

**Legal Consultants**

Nithya Partners- Attorneys-at-Law

**Bankers**

National Development Bank PLC  
Hatton National Bank PLC



"Renuka House" No. 69, Sri Jinaratana Road, Colombo 2, Sri Lanka.  
Telephone: 0094-11-2314750-5 Fax : 0094-11-2445549  
Email: [info@renukagroup.com](mailto:info@renukagroup.com)  
Website: [www.renukagroup.com](http://www.renukagroup.com)