



RENUKA CAPITAL PLC
Annual Report 2020

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WHO WE ARE

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

CULTURE AND VALUES

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



RESPONSIVE
ENTERPRISING
NURTURING
UNRELENTING
KNOWLEDGEABLE
ACCOUNTABLE

OUR VISION

To be a leading investment trust focused on value investing and wealth creation with a medium to long term perspective.

REVENUE
4.69
RS. MILLION

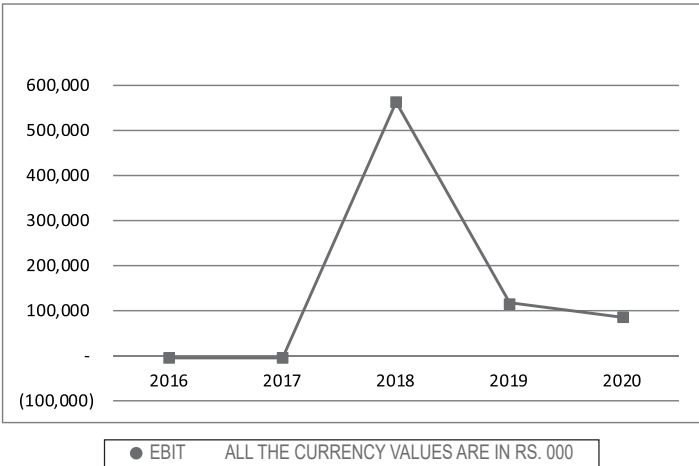
PORTFOLIO
255 RS. MILLION

TOTAL ASSETS
1,354 RS. MILLION

NET PROFIT
50.21
RS. MILLION

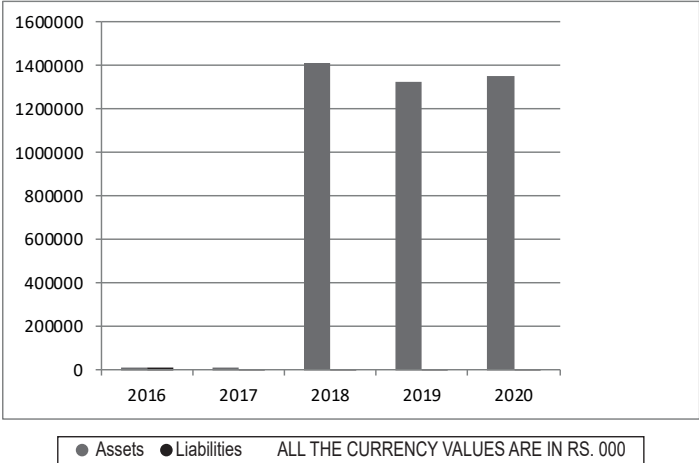
EBIT
84.54
RS. MILLION

PROFIT (EBIT)



84.54 Mn.
EBIT in Year 2019 / 2020

TOTAL ASSETS AND LIABILITIES



1,354 Mn.
Assets in Year 2019 / 2020

0.45 Mn.
Liabilities in Year 2019 / 2020

Chairman's Review

It is a pleasure to welcome you to the 63rd Annual General Meeting of the Company and to place before you the Annual Report and the Audited Financial statements of the Company for the financial year ended 31st March 2020.

The Company

Renuka Capital PLC is the investment arm of the Renuka Group. While building a listed portfolio of shares, the Company also owns all equity accounted investees of the Renuka Group.

The Company recorded a profit of Rs. 50.2 Mn for the financial year ended 31st March 2020 against the previous year loss of Rs. 62.1 Mn and this is mainly due to reduction in loss on fair value of investment and income tax expense compared to the previous year. Further our main equity accounted investment reported a profit of Rs. 174.3 Mn during the financial year where as previous year it was a loss of Rs. 57.9 Mn.

Renuka Capital PLC will build a portfolio based on long term value creation. Total investments as at the reporting period was Rs. 1,350.47 Mn.

The Economy

It was a year with unparalleled challenges, mainly due to two disturbing events which brought the economy to a downturn. Beginning of the financial year with the Easter Sunday terror attacks which took place in April 2019 and end of the financial year with the devastating COVID-19 global pandemic which is disrupting all industries.

Consequently the GDP growth slowing to 2.3% in 2019 from 3.3% in the previous year reflecting subdued consumer and investor sentiments combined with political uncertainty, unprecedented currency devaluation and fall in price indices and market capitalisation of the Colombo Stock Exchange.

Acknowledgments

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

Sgd.
Mr. S. V. Rajiyah
Chairman
25th August 2020

Directors' Profiles

Mr. S.V. Rajiyah

(Executive Chairman)

Mr. S. V. Rajiyah is the Executive Chairman of the Company. He is also the Managing Director of Renuka Holdings PLC, Renuka Foods PLC and Renuka Agri Foods PLC, Shaw Wallace Ceylon Ltd, Richlife Dairies Ltd and Director of companies of the Renuka Group. He is also 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 19 years of experience in General Management.

Mr. P. Gunathilake

(Executive Director)

Mr. P. Gunathilake is an Executive Director, a fellow member of the Chartered Institute of Management Accountants (UK), and a member of Chartered Institute of Australia. He has more than 21 years of local and international experience of which 8 years with Renuka Group.

Mr. M. S. Dominic

(Non-Executive/ Independent)

Mr. M.S. Dominic is an Independent Non-Executive Director of the Company 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 Renuka Holdings PLC, Renuka Foods PLC, Galle Face Properties Ltd and Sithijaya Fund. He is a consultant to Hitachi Digital Payment Solutions Ltd.

Mr. B. V. Selvanayagam

(Non-Executive/ Independent)

Mr. B. V. Selvanayagam is an Independent Non-Executive Director of the Company. He is an Associate Member of the Chartered Institute of Management Accountants (UK), Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Marketing (UK), Fellow

Member of the Certified Management Accountants of Sri Lanka and Chartered Member of the Chartered Institute for Securities & Investment.(U.K.)

He is the immediate past Chairman of the Chartered Institute of Marketing Sri Lanka Region, Director of On'ally Holdings PLC and Vision One (Pvt) Ltd. He is also a Justice of Peace for the whole island.

Mr. M.R. Ratnasabapathy

(Non-Executive/ Independent)

Mr. M.R. Ratnasabapathy is an independent Non - Executive Director of the Company. He is a Chartered Global Management Accountant (CGMA), FCMA (UK) and holds an MBA from PIM, University of Sri Jayawardenapura. He has over 25 years' experience in finance, in a range of different industries from audit, banking, trade, food, agriculture, power & energy and telecom, most of the latter in senior positions. He is Director of The Autodrome PLC, where he is a member of the Related Party Transaction Review Committee and the Remuneration Committee, and chairs the Audit Committee.

Mr. M.R. Ratnasabapathy was appointed to the Board on 01st February 2020.

Mr. S.N. Alles

(Non-Executive/ Independent)

Mr. Sanjiv Alles is a Director/ Co-founder of Atom Technologies (Private) Ltd and Saberion (Private) Ltd. He also a Director / Shareholder of Alles Holdings and Investments (Pvt) Limited. Presently, he also serves on the Boards of Good Hope PLC, Indo - Malay PLC and Selinsing PLC.

He holds a Bachelor of Arts degree from the Warwick Business School (UK) and a Master of Laws degree from the University of Melbourne, Australia.

Mr. Sanjiv Alles was resigned from the Board on 31st January 2020.

Management Discussion and Analysis

Operating Environment

Sri Lanka's overall growth prospects were severely affected by the Easter Sunday Attack in April 2019, which was the main reason behind the Country's GDP growth slowing to 2.3% in 2019, from 3.3% in 2018, in which Agricultural Sector is only grown by 0.6%, whereas Industry and Services sectors has grown by 2.7% and 2.3% respectively.

Despite the Easter Sunday Attack had a significant impact on the tourism sector, while it had a spillover effect across the economy, there were notable developments in the country during the last 12 months, which includes;

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

The 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 Capital PLC.

Movement	Cause	Impact to Renuka Capital PLC
<p><u>Economic Growth</u> GDP growth indicates 2.3% for the year ended 2019 compared to GDP growth of 3.3% in year 2018.</p>	<p>Agricultural sector indicated a growth of 0.6% due to the extreme weather conditions.</p> <p>With the impact of the Easter Sunday attacks on tourism related activities, the growth of the services sector decelerated significantly by 2.3 % in 2019 against the 4.6% of the previous year.</p> <p>Industry activities growth by 2.7% compared to the growth of 1.2 per cent 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.</p>	<p>The growth in GDP enhanced the sentiment of both customers and business alike which positively impacted the investment activities of the Company during the year.</p>
<p><u>Inflation</u> The Colombo Consumer Price Index (CCPI – Base year 2013) moved down to 4.3% in 2019, as same in 2018.</p>	<p>Despite transient supply side disturbances, both headline and core inflation moved broadly in the desired range of 4-6 per cent during 2019, mainly as a result of subdued demand conditions and well anchored inflation expectations.</p>	<p>General decrease in prices reduced Company and Associates operating expenses.</p>

Management Discussion and Analysis Contd..

Movement	Cause	Impact to Renuka Capital PLC
<p>Domestic Interest Rates Both AWDR and AWLR decreased to 8.2% and 9.7% respectively by end 2019.</p> <p>Yields on primary market Treasury bills decreased by 197-275 basis points across the tenures during 2019.</p>	<p>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.</p> <p>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.</p>	<p>Decrease in interest rates has increased the value of Financial assets of the Company.</p>
<p>Exchange Rates 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.</p>	<p>This appreciation of the currency mainly reflected the impact of the notable contraction in the trade deficit, in spite of pressure witnessed in the domestic foreign exchange market in the aftermath of the Easter Sunday attacks and amidst outflows of foreign investment from the government securities market during the second half of 2019.</p>	<p>Marginal appreciation of the Rupee has impacted interest rates, and decrease in interest rates has increased the value of financial assets of the Company.</p>
<p>Share Market The All Share Price index has increased by 1.2% and the S&P Sri Lanka 20 Index decreased by 6.3% compared to the previous year.</p>	<p>This was mainly due to the less active Primary and Secondary market, Net foreign outflows.</p>	<p>Due to the marginal increase in All Share Price index and reduction in S & P Sri Lanka 20 index, the loss on Fair value investment is Rs.8.6mn as at the reporting date.</p>

Capital Management Review

Being in the investment business, we seek creation of long term sustainable value to our shareholders while safeguarding the financial stability of the Company.

Strategic Investment Portfolio:

During the year the Company has disposed its two equity-accounted investment.

Intellectual Capital

Intellectual Capital is the Group of knowledge assets that are attributed to an organisation and most

significantly contribute to an improved competitive position of an organisation by adding value to defined stakeholders (Marr & Schiuma, 2001). The knowledge base of Renuka Group which the Company belongs to, has contributed to enhance the share value of the Company.

Outlook

Based on the current economic trends, industry performance and external factors, Renuka Capital PLC is closely monitoring its Short-Term investment portfolio to enhance profitability of the Company.

Report of the Board of Directors

The Board of directors have pleasure in presenting the report of the affairs of the Company and the Audited Financial Statements of the Company for the year ended 31st March 2020 together with Auditor's Report and 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.

1. Overview

Renuka Capital PLC is a public limited Company incorporated in Sri Lanka on 26th June 1958 under the Companies Ordinance, No. 51 of 1938 and subsequently re-registered on 22nd May 2008 under Companies Act No. 07 of 2007. The Ordinary shares of the Company are quoted on Colombo Stock Exchange since 1958. The Company was previously known as Kalamazoo System PLC and changed its name to Renuka Capital PLC with effect from 14th June 2017.

The registered Office of the Company is situated at "Renuka House", No. 69, Sri Jinaratana Road, Colombo 02.

Section 168 of the Companies Act No. 07 of 2007, specifies the information to be published in the Annual Report, prepared for the year ended 31st March 2020 and compliance status of same is given in the Corporate Governance Report on pages No. 14 to 26 to this Annual Report.

2. Review of Business

2.1 Principal Business Activities and business review

The principal activity of the Company is to invest in equity, debt and other alternate asset classes in order to act as a holding company. The Chairman's Review contain the performance of the Company and the future developments. Further risk involvement analysis and measures taken to

mitigate the risks are given in the Management Discussion and Analysis and the Risk Management Report.

2.2 Equity - Accounted Investees

The company invested in two associate companies.

On'ally Holdings PLC

The Company engage in property development / real estate business.

Amalgamated Investments Ltd

This Company engage in investment activities.

The Company has disposed bellow equity - accounted investees during the year.

McShaw Automotive Ltd

The Company engage in distribution of automotive products.

Interocean Lubricants (Pvt) Ltd

The Company is the exclusive distributor and license holder in Sri Lanka for SINOPEC.

3. Future Developments

Future development activities of the Company is discussed in the Chairman's Review on the page No. 03 to this Annual Report.

4. Financial Statements of the Company

The Financial Statements of the Company duly approved by two Directors in compliance with the requirements of sections 151, and 168(1) (b) of the Companies Act No. 07 of 2007 are given on page No. 47 to this Annual Report.

5. Directors' Responsibility for Financial Statements

The Directors are responsible for the preparation of Financial Statements of the Company to reflect the state of its affairs. The Directors are of the view that Statement of Financial Position, Statement

Report of the Board of Directors Contd..

of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows presented on pages No. 47 to 51 have been prepared in accordance with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007. Further, these Financial Statements are also comply with the requirements of listing rules of the Colombo Stock Exchange. The Report of "Directors' Responsibilities" appearing on pages No. 41 to 42 of this Annual Report forms an integral part of this report.

6. Auditor's Report

The Auditors of the Company, Messrs Kreston M N S & Co. 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 No. 43 to 46 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 Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (LKAS/ SLFRS) which were in effect up to year end under review. The significant accounting policies adopted in the preparation of Financial Statements of the Company are given on pages No. 52 to 65 to this Annual Report as required by Section 168 (1) (d) of the Companies Act No. 07 of 2007. The Board confirms that there were no changes to the Accounting Policies used by the Company during the year.

8. Financial Results and appropriations

The Company turnover for the year ended 31st March 2020 was Rs. 4.69 Mn compared to Rs. 5.77 Mn in the previous year. Further net profit after tax of the Company was Rs. 50.21 Mn compared with the net loss after tax of Rs. 62.08 Mn for the previous year. Detailed analysis of the income is given in Note No. 12 to the Financial Statements.

9. Dividends and Reserves

9.1 Profit appropriations

The Company had a profit of Rs. 84.72 Mn before tax for the year ended 31st March 2020 compared to Profit of Rs. 115.80 Mn in 2019 and net profit after tax was Rs. 50.21 Mn (2019 net loss after tax of Rs. 62.08 Mn.)

9.2 Dividends on Ordinary Shares

The Board of Directors has recommended a payment of Rs. 0.10 per share payable for 2019/20. (2018/19 Rs. 0.13 per share) The Directors are confident that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act of No. 7 of 2007 immediately after the proposed final dividend distribution.

9.2.1 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.0.10 per share (2018/19 - Rs. 0.13) proposed to be paid to the share holders of the Company.

9.3 Provision for Taxation.

The taxable income of the Company is taxed at 24%-28% (2019 - 28%). Taxable income is arising from the operations of the Company and has been disclosed in accordance with Sri Lanka Accounting Standards. The Company has 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 are given in Notes No. 14 to the Financial Statements.

Report of the Board of Directors Contd..

9.4 Reserves

The Reserves of the Company are given in the Changes in Equity Statement to the Financial Statements on page No. 50 to this Annual Report.

10. Investments

The Company has a share portfolio in quoted shares amounting to Rs. 255 Mn. Detailed portfolio of the investments held by the Company is given in Note No. 5 to the Financial Statements.

11. Property, Plant & Equipment and Capital Expenditure

There were no Property, Plant & Equipment held by the Company.

12. Market value of Freehold Properties and Investment Properties

There are no freehold or investment properties held by the Company.

13. Stated capital

The Stated capital of the Company as at 31st March 2020 was Rs. 878,252,200/- Comprised of 173,798,500 Ordinary shares (2019 - Rs. 878,252,200 comprising 173,798,500 Ordinary Shares)

14. Share Information

14.1 Information on earnings, net assets and market values

Information relating to earnings and net assets are given with five year summary appearing on page No. 80 to this Annual Report. Market value details of the ordinary shares are appearing with Shareholder Information on pages No. 81 to 83 of this Annual Report.

14.2 Distribution schedule of share holders

Shareholders distribution schedule is given on page No. 82 to this Annual Report together with Shareholders and investor information.

15. Major Shareholdings

Details of the twenty largest shareholders with the percentage of their respective shareholdings as at 31st March 2020 are given on page No. 83 together with comparative shareholdings.

16. Interest 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 aforesaid. The share ownership of Directors is disclosed on page No. 11 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. 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.

18. Public Holding

There were 1,337 (2019 - 1,072) registered shareholders as at 31st March 2020 with the percentage of shares held by the public, as per the Colombo Stock Exchange rules, being 11.66% (2019- 11.00%)

19. 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.

Report of the Board of Directors Contd..

20. Board of Directors

20.1 List of Directors

The names of the Directors who held office during the financial year are given below. The brief profile of the Board of Directors appear on page No. 04 to this Annual Report.

Name of Director	Executive	Non-Executive	Independent
Mr. S. V. Rajaiyah	X		
Mr. P. Gunathilake	X		
Mr. S. N. Alles		X	X
Mr. M. S. Dominic		X	X
Mr. B. V. Selvanayagam		X	X
Mr. M. R. Ratnasabapathy		X	X

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

20.2 New appointments and Resignations

Mr. M.R. Ratnasabapathy was appointed to the Board on 01st February 2020. Mr. M.R. Ratnasabapathy has over 25 years experience in finance, in a range of different industries in the senior positions. Brief profile of Mr. M.R. Ratnasabapathy is given on page No. 04 to this Annual Report.

Mr. S.N. Alles was resigned from the Board on 31st January 2020. Brief profile of Mr. S.N. Alles was given on page No. 04 to this Annual Report

20.3 Recommendation for re-election

To re-elect Mr. M. R. Ratnasabapathy as a Director who retires in terms of Article 26 (2).

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

20.4 Directors Meetings

Details of the meetings of the Board of Directors are presented on page No. 15 to this Annual Report.

20.5 Directors' Interest in transactions

The Company carried out transactions in the ordinary course of business with the entities which a Director of the Company is a Director. The transactions with 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 20 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

20.6 Directors' Interest in Shares

Directors of the Company and 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.

Report of the Board of Directors Contd..

Directors holdings, in Ordinary Shares of the Company are given in the below table.

Name of Director	As at 31st March 2020
Mr. S.V. Rajiyah	4,098,850
Mr. P. Gunathilake	-
Mr. S.V. Rajiyah Jt. Mrs. J.J.B.A. Rajiyah	6,401,530
Mr. M. S. Dominic	-
Mr. B.V. Selvanayagam	-
Mr. M. R. Ratnasabapathy	-
	10,500,380

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

20.7 Remuneration of Directors

The remuneration of Directors in respect of the Company for the year ended 31st March 2020 is given in Note 15 to Financial Statements.

20.8 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.

20.9 Board Committees

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

Audit Committee

The Audit Committee comprising of Non-Executive Directors are provided on pages No. 34

to 35 of this Annual Report. Detailed scope of the Audit Committee and their work during the year disclosed in Audit Committee Report given on pages No. 34 to 35 to this Annual Report.

Related Party Transactions Review Committee (RPTR)

Related Party Transactions Review Committee (RPTR) comprise of three independent non executive Directors. RPTR Committee of Renuka Holdings PLC, the ultimate parent company, act as the RPTR Committee of Renuka Capital PLC. Detailed scope and the meetings held during the year under review is given in the RPTR Committee Report on pages No. 36 to 37 in this Annual Report.

Remuneration Committee

Remuneration Committee of ultimate parent company, Renuka Holdings PLC, act as the Remuneration Committee of Renuka Capital PLC. The scope and meetings of the Remuneration Committee is given in the Remuneration Committee report on pages No. 38 to 39 in this Annual Report.

Nomination Committee

Nomination Committee is given on page No. 40 of this Annual Report.

21. Related Party Transactions

The Board of Directors has given the 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.

22. 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 have been made on time.

Report of the Board of Directors Contd..

Declaration relating to statutory payments is made in the Statement of Directors' Responsibilities on the pages No. 41 to 42 to this Annual Report.

23. 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.

24. Events Occurring 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. 19 to the Financial Statements.

25. Going Concern

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance code, have 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 as disclosed in Note No.2.7 to the Financial Statements.

26. Corporate Donations

The Company has not made any donations during the year under review.

27. Risk Management

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

28. 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.

29. Capital Commitments

No significant capital commitments exist as at 31st March 2020 other than those disclosed in Note No. 18 to this Financial Statements.

30. Compliance with Laws and Regulations

The Company has complied 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 No. 34 to 35 to this Annual Report.

31. Contingent Liabilities

There are no contingent liabilities existed as at the Balance Sheet date except what is disclosed in the Note No. 17 to the Financial Statements.

32. Outstanding Litigations

There are no litigations pending against the Company as at the Balance Sheet date.

33. Code of Conduct

The Company demands impeccable standards of conduct from its Directors and employees in

Report of the Board of Directors Contd..

the performance of their official duties and in situations that could affect the Company's image.

34. Corporate Governance

The Company has complied with the Corporate Governance rules laid down under the Listing Rules of the Colombo Stock Exchange. The Corporate Governance Report on pages No. 14 to 26 detailed this further.

35. Compliance with Transfer Pricing Regulations

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

36. Employees and industrial Relations.

There are no employees attached to Renuka Capital PLC.

37. Appointment of Auditors

Messrs Kreston M N S & Co., 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 continue 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.

38. Auditors' Remuneration and Interest in Contracts

The fee amount paid/payable for the services provided to the Company during the year with corresponding figures for the previous year is present in Note No. 15 to Financial Statements.

39. Annual Report

The Board of Directors approved the Company Financial Statements on 25th August 2020. The appropriate No. of copies of this report will be submitted to Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

40. 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 63rd Annual General Meeting of Renuka Capital PLC will be held as a virtual meeting at 'BASELINE BUSINESS CENTER' No. 193, Dr. Danister De Silva Mawatha, Colombo 8 at 4.30 p.m. on Monday, 28th September 2020.

The Notice of the Annual General Meeting appears on page No. 85.

41. 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 report.

Sgd.
S. V. Rajiyah
Chairman

Sgd.
P. Gunatilake
Director

Sgd.
Renuka Enterprises (Pvt) Ltd
Company Secretaries
25th August 2020

Report on the Corporate Governance

Renuka Capital PLC is involved in Investing and trading in equity and other alternative asset classes. Therefore, structured and sound Corporate Governance is required to mitigate the risk involved and to provide added value to its shareholders and other stakeholders. The Renuka Group Corporate Governance framework facilitates Renuka Capital PLC too to adhere and adopt a well sound corporate governance framework that facilitates effective management of corporate relationship and deliver continuous values to its stakeholders. Core principles of accountability, participation and transparency have been in-built to the corporate governance system and manages the wider range of Companies in the Renuka Group.

This is a robust framework of structures, principles, policies, procedures, codes and processes to ensure that our Group values and standards are maintained through out the Companies in the Group. Corporate Governance essentially involves balancing the interests of the shareholders and many stakeholders of the Company - which extend to Management, customers, suppliers, financiers, government and the community. Since Corporate Governance also provides the framework for attaining the objectives of the Company, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

The Company holds itself accountable to the highest standards of Corporate Governance and provides public accessibility to the information of the Company. Corporate Governance has been institutionalized at all levels in the Group through a strong set of corporate values which have been adhered to by the senior management and Board of Directors in the performance of their official duties and in other situations which could affect the Company image.

The Group is committed to the highest standards of integrity, ethical values and professionalism in all its activities.

At the Group level, 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. This applies to Renuka Capital PLC as well.

Corporate Governance System

The Board of Directors who are appointed by the shareholders are the ultimate governing body of the Company having the highest decision making authority and overall responsibility for determining the strategic directions of the Company. 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 continuous reviews, assessments and improvements to provide best interest to its stakeholders.

BOARD LEADERSHIP

Composition of the Board

The Board comprised of five Directors as at the date of Financial Statements are approved, of which two Directors are Executive and three Directors are Non-Executive and Independent. The status of Directors are given below.

Executive Directors	Non - Executive and Independent Directors
Mr. S. V. Rajiyah	Mr. M. R. Ratnasabapathy
Mr. P. Gunathilake	Mr. M. S. Dominic
	Mr. B. V. Selvanayagam

The Board determined that the Independence of the Directors are measured in accordance with the Colombo Stock Exchange Rules and the Independent.

Report on the Corporate Governance Contd..

Non-Executive Directors have submitted signed confirmation of their Independence. The profiles of the Directors are given in page No. 04 to this Annual Report which states that all the Directors are having diverse experience, being eminent professionals and dynamic entrepreneurs in the corporate world.

As per the Section 7.10.4(g)(ii) of the Listing Rules, Mr. M. S. Dominic is not an Independent Director. However the Board of Directors of Renuka Capital PLC having assessed his inter dependency at the Renuka Capital PLC Level are of the opinion that he is an independent Director. The decision was made at the fact that, Mr. M. S. Dominic not being involved in business operations of Renuka Holdings PLC thus acts as an independent Director of Renuka Holdings PLC.

Role & Responsibilities of the Board

The Board aims at fulfilling its responsibilities by creating value for all the stakeholders that is sustainable and beneficial. Under the direction of the Executive Directors and oversight of the Board, the business of the Company is conducted by its managers 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 Board's composition reflects a sound balance of independence.

Whilst the management provides information to the Board on regular basis, relating to the Company operations, the Board meets quarterly and gives full consideration to the following:

- Reviewing of strategic and key business performances
- Reviewing of profit/loss and asset position and quarterly management accounts
- Providing advice and guidelines to senior Managers
- Approving major Investments
- Approving the Interim and Annual Reports

- Risk management and adequacy of internal controls of the Company
- Seeking business developments and expansions in the Company
- Reviewing reports of Related Party Transactions, Compliance with legal and regulatory requirement

Board Composition

The composition of Executive and Non-Executive Independent 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

The Board convened two times during the year ended 31st March 2020 and the Directors attendance at the meetings is as follows.

Name of the Director	Eligible to Attend	Attended
Mr. S. V. Rajiyah	2	2/2
Mr. P. Gunathilake	2	2/2
Mr. S. N. Alles	2	2/2
Mr. M. S. Dominic	2	2/2
Mr. B. V. Selvanayagam	2	2/2
Mr. M. R. Ratnasabapathy	-	-

Chairman's Role

The Chairman 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.

Report on the Corporate Governance Contd..

The Chairman 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 the Company. Chairman 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 Company.

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.

Report on the Corporate Governance Contd..

Disclosure of information on Directors to Shareholders

Information relating to each Director is disclosed with the profile given on page No. 04 of this Annual Report. Director's profiles include name, qualifications, experience, material business interest.

Membership in sub-committees are given on page No. 11 to this Annual Report together with attendance at such meetings. Attendance at Board meeting is given on page No. 15 to this Annual Report.

Remuneration paid to Director is disclosed in the Note No. 15 to the Financial Statements. Related Party Transactions had with Directors are disclosed in the Note No. 20 to the Financial Statements. Further any Directorships in Listed Companies established in Sri Lanka are included in the profile of each Director on page No. 04 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 pages No. 38 and 39 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 publishes 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 Capital PLC which would materially affect the Net Assets base of the Company.

Accountability and Audit

The Board through the Chief Executive Officer-Shared Service and the Management is responsible for the preparation and presentation of Financial Statements of the Company 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.

Report on the Corporate Governance Contd..

The Directors' Responsibility Statement for Financial Reporting is included on pages No. 41 and 42 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.

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 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, establish internal controls and maintain an appropriate relationship with the External Auditors.

The Members of the 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 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 when required. The Company Secretaries serve as Secretaries to the Committee.

The Audit Committee reviews the Accounting Policies and presentation for 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 Directors present at least once a year, in line with good Corporate Governance Practice.

The Report of the Audit Committee is present on pages 34 to 35 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 the Board of Renuka Capital PLC and its listed associate Companies, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ("The Code") and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and the CSE. The Related Party Transactions Review Committee of ultimate holding Company Renuka Holdings PLC, acts as the Related Party Transactions Review Committee of Renuka Capital PLC.

Report on the Corporate Governance Contd..

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 Services and Chief Financial Officer attended the meetings by invitation and the Company Secretaries serve as Secretaries to the Committee.

The Report of the RPTR Committee is presented on pages 36 to 37 and the duties of the Committee are included therein.

Remuneration Committee

The Remuneration Committee determines the remuneration of the Chairman/Chief Executive and the Executive Directors and sets guidelines for the remuneration of the key management staff within the Group. The Remuneration Committee of ultimate holding Company Renuka Holding PLC acts as the Remuneration Committee of Renuka Capital PLC.

The Remuneration Committee consists of three Directors who are independent and Non-Executive. The Chairman of the Committee is an Independent Non-Executive Director and the Company Secretaries serve as Secretaries to the Committee.

The Report of the Remuneration Committee is presented on pages 38 to 39 and the duties of the Remuneration 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 appointments and make recommendations to the Board. The Committee sets out the scope comprising tasks such as assessing 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. The Nomination Committee of ultimate holding company, Renuka Holding PLC, acts as the Nomination Committee of Renuka Capital PLC.

All three Directors in the Nomination Committee are Non-Executive and Independent.

The Report of the Nomination Committee is presented on page No. 40 and the duties of the Committee are included therein.

Institutional Investors

The Shareholders are provided with Interim Financial Statements and Audited Financial Statements together with Annual Report which contains the periodic / annual performance of the Company and its Associate Companies. This information is available in the web site 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. Board also encourages discussions of a high level on the strategic decisions and achievement of goals of the Company at the Annual General Meeting. Further the Board disseminates any information which is price sensitive to the shareholders by announcing to the Colombo Stock Exchange.

Other Investors

The Board expects any 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.

Report on the Corporate Governance Contd..

Information Technology Governance

The Board is vigilant on the impact of the technology towards the business. The Board is concerned about the threat and the need for the management of IT and Cyber security risk. Chief Information Technology Officer in the Group is entrusted with formulation of the Group Information Technology policy and Information Security Policy.

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

Compliance Summary

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

Corporate Governance Compliance Statement

Renuka Capital PLC has fully complied with the Corporate Governance listing requirements 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

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 Report of the Board of Directors Report on pages No. 07 to 13 to this Annual Report.
(ii)	Principal activities of the entity during the year and any changes therein	Compliant	Refer Note No. 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 pages No. 81 to 83 to this Annual Report.
(iv)	The public holding percentage	Compliant	Refer Shareholders details on page No. 81 to 83 to this Annual Report
(v)	A Statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each Financial year	Compliant	Refer Report of the Board of Directors on page No. 07 to 13 to this Annual Report.
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Compliant	Refer Report on the Risk management on page No. 29 to 33 to 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.

Report on the Corporate Governance Contd..

Compliance Summary Contd...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
(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 No. 10 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 page No. 81 to 83 to this Annual Report.
(xi)	Financial ratios and market price information	Compliant	Refer Five year summary given on page No. 80 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 Report on the Corporate Governance on page No. 14 to 26 to this Annual Report.
(xvi)	Related Party Transactions exceeding 10 percent of the equity or 5 percent of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Compliant	Refer Note No. 20 to Financial Statements.
7.10	COMPLIANCE		
a./b./c.	Compliance with Corporate Governance Rules	Compliant	This report declares the confirmation on compliance and refer Page No. 20 for "CORPORATE GOVERNANCE COMPLIANCE STATEMENT".
7.10.1	NON-EXECUTIVE DIRECTORS (NED)		
a.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Compliant	Three out of five Directors are Non-Executive Directors.
b.	The Total number of Directors is 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	

Report on the Corporate Governance Contd..

Compliance Summary Contd...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
7.10.2	INDEPENDENT DIRECTORS		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'Independent'	Compliant	All Non-Executive Directors are independent.
b.	Each NED to submit a signed and dated declaration annually of his/her independence or non-independence	Compliant	All Non-Executive Independent Directors have submitted their confirmation on independence.
7.10.3	DISCLOSURES RELATING TO DIRECTORS		
a./b.	Board shall annually determine the independence or otherwise of NEDs	Compliant	The Board assessed the independence declared by Directors and determined the Directors who are independent.
c.	A brief resume of each Director should be included in the Annual Report including the Directors' experience	Compliant	Refer page No. 04 for a brief resume of each Director.
d.	Provide a resume of new Directors appointed to the Board along with details	Compliant	Refer page No. 04 for a brief resume of each Director.
7.10.4	CRITERIA FOR DEFINING INDEPENDENCE		
a. - h.	Requirements for meeting the criteria to be an Independent Director	Compliant	As per 7.10.2 a & b in determining of the independence or otherwise of NEDs, Board reviewed the criteria for defining independence as per 7.10.4 a to h
7.10.5	REMUNERATION COMMITTEE		
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Compliant	The Remuneration Committee comprises of 3 Non-Executive Directors of all are Independent.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Compliant	Mr. M.S. Dominic is the Chairman of the Committee who is a Non- Executive Director.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Compliant	Refer page No. 38 to 39 for Remuneration Committee scope.
c.1	Names of Remuneration Committee members	Compliant	Refer page No. 38 to 39 for names of the Committee members.
c.2	Statement of Remuneration policy	Compliant	Refer pages No. 38 to 39.
c.3	Aggregate remuneration paid to EDs and NEDs	Compliant	Refer to Note No. 15 of the Financial Statements.

Report on the Corporate Governance Contd..

Compliance Summary Contd...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
7.10.6	AUDIT COMMITTEE		
a.1	Audit Committee shall comprise of NEDs, or a majority of whom should be independent	Compliant	The Audit Committee comprises of three Non-Executive Directors of whom all three are independent.
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 pages No. 34 to 35 of the Report of Audit Committee.
a.4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Compliant	One member of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.
b.	Functions of the Audit Committee		
b.1	Overseeing of the preparation, presentation and adequacy of disclosure in the financial statements	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.
b.3	Ensuring the internal controls and risk management are adequate to meet the requirements of the SLFRS/LKAS	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.
b.4	Assessment of the independence and performance of the Entity's External Auditors	Compliant	Refer pages No. 34 to 35 for 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 pages No. 34 to 35 for Audit Committee Report.
c.1	Names of the Audit Committee members shall be disclosed	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.
c.2	Audit Committee shall make a determination of the independence of the external Auditors	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.
c.3	Report on the manner in which Audit Committee carried out its functions	Compliant	Refer pages No. 34 to 35 for Audit Committee Report.

Report on the Corporate Governance Contd..

Compliance Summary Contd...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
9.2	RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTR)		
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 pages No. 36 to 37 to 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 pages No. 36 to 37 to this Annual Report.
9.2.3	Holding Company RPT Committee to function as the RPT Committee of subsidiaries	Compliant	Refer Related Party Transactions Review Committee Report on pages No. 36 to 37 to this Annual Report.
9.2.4	Frequency of Meetings	Compliant	Refer Related Party Transactions Review Committee Report on pages No. 36 to 37 to this Annual Report.
9.3.1	<p>Immediate Disclosure:</p> <p>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</p> <p>b) Any subsequent Non-Recurrent Transaction after it exceeds 5 percent of Equity entered with the same related party</p>	Compliant	Refer Note No. 20 to Financial Statements.

Report on the Corporate Governance Contd..

Compliance Summary Contd...

CSE Rule Reference	Corporate Governance Principles	Compliance Status	Company's Extent of Adoption
9.3	RPTR COMMITTEE DISCLOSURE IN THE ANNUAL REPORT		
9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Compliant	Refer Note No. 20 to the Financial Statements.
9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Compliant	Refer Note No. 20 to the Financial Statements.
9.3.2 (c)	Report of the Related Party Transactions Review Committee	Compliant	Refer pages No. 36 to 37 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 pages No. 36 to 37 for Report of the Related Party Transactions Review Committee.

Report on the Corporate Governance Contd..

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

Section	Corporate Governance Principles	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 no. 01 to the Financial Statements.
168 (1) (b)	Signed Financial Statement of the Company for the accounting period completed	Compliant	Refer page no. 47 of this Annual Report.
168 (1) (c)	Auditors Report on Financial Statements of the Company	Compliant	Refer pages no. 43 to 46 of this Annual Report.
168 (1) (d)	Accounting Policies and any changes therein	Compliant	Refer Note no. 02 to the Financial Statements.
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period	Compliant	Refer page no. 10 of this Annual Report.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period	Compliant	Refer Note no. 15 to the Financial Statements.
168 (1) (g)	Corporate donations made by the Company during the accounting period	Compliant	Refer page no. 12 of this 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. 10 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. 15 to the Financial Statements.
168 (1) (j)	Other relationships or any interest of Auditors with the Company.	Compliant	Refer pages No. 34 to 35 of the Audit Committee Report.
168 (1) (k)	Acknowledgment of the content of this report and signature on behalf of the Board	Compliant	Refer page 13 of the Annual Report for Report of the Board of Directors.

Report on the Sustainability of the Company

Overview

Sustainability of the Company is the key element which is incorporated to Corporate Governance framework where the utilization of resources efficiently, environmentally responsible provision of services that deliver sustainability benefits which can leverage commercial advantage for the Company. Based on each stakeholder expectations and company desire to deliver sustainable stakeholder values over time, the Company designed appropriate strategies to face the challenge of fulfilling stakeholder expectations.

The key business drives for sustainability are internal operations and stakeholder engagement. The first focuses on our internal operations and provision of our services more efficiently using limited resources. This approach helps us to reduce costs of supply of services and at the same time reduces our impact on the environment. The second approach focuses on our partnerships with our stakeholders. Stakeholders are any individual or party that has an interest in our group, and who are affected by or can affect our organizational activities. Partnerships help to build trust 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, Company focused on operational excellence across all its business divisions and value addition to economic development. Operational excellence measured in terms of efficiency and effectiveness of internal process, improvements to processes and reduces waste. Further investment in IT/ERP helps measurement of operational results on time with increase accuracy.

Renuka Capital PLC 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
- Customers
- Key suppliers and business partners
- Environment

Renuka Capital PLC has formulated sustainability strategies to create value for those identified stakeholders. We have created formal and informal channels in line with ultimate Group (Renuka Holdings PLC) policies to develop effective communication systems and engagement programs to involve our stakeholders and implement continuous monitoring systems through the management team in order to gauge our impact on the stakeholders.

Renuka Capital PLC has strive to ensure that all processes will not knowingly harm people and will minimize the negative impact our businesses will have on human life as well as environment.

Our Stakeholder Engagement Process

Investors Support

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

Report on the Sustainability of the Company Contd..

Method of engagement

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

Our Concern

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

Customers Support

The Company 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.

Suppliers Support

We always try to build business relationships all over the world and not only centered in Sri Lanka.

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 on the 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 Company 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 Company’s business objectives. The process of embedding risk management system within our company systems and procedure can be outlined as below:

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

Company’s risk management framework takes into account the range of risks to be managed, and summery in to below categories.

01. 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 Company.

02. 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 Company.

03. Financial Risk- The likelihood of loss inherent in financing procedures which may weaken the ability to deliver adequate return to the Company. 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 Capital PLC 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.

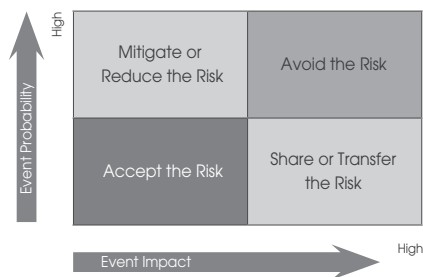
		Impact		
		Low	Medium	High
Probability	High			
	Medium			
	Low			

Report on the Risk Management Contd..

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.

Report on the Risk Management Contd..

Strategic Risk

Risk	Impact	Risk Management Strategies
Competitive Risk		
Risk to the Group's reputation and Brand image	<p>Reduced market share and rates reducing revenue, cash flow and profitability.</p> <p>Increased promotional expenditure.</p> <p>The positive correlation between cost of resources and competition.</p>	<p>Aim to have a broad appeal in price, range and format in a way that allows us to compete effectively in different markets.</p> <p>Formed strategic relationships with a diverse pool of suppliers, enabling flexibility in pricing contracts and hedging mechanisms are used wherever possible to mitigate exposure to commodity price fluctuations.</p> <p>The Company's service excellence, uniqueness of properties, innovative product and service developments and the strength of its brands enables the Group to eliminate threats from new and existing players.</p>

Operational Risk

Risk	Impact	Risk Management Strategies
IT systems and infrastructure	<p>Inability to obtain timely and accurate information due to failures in IT systems.</p> <p>Potential disruption to operations</p> <p>Significant financial losses.</p>	<p>Implementation of effective IT infrastructure and to ensure consistency of delivery.</p> <p>Engage with service providers to mitigate IT related risks through effective policy and procedures as well as increased awareness.</p> <p>Implementation of a comprehensive IT policy within the Group, supported by adequate systems and controls, ensure the safety and security of data. Contingency plans are in place to mitigate any short term loss on IT services.</p> <p>All shared service divisions are bound by the code of conduct to safeguard the Group's information, irrespective of its physical form.</p> <p>A dedicated central IT team is in place to support all IT related aspects of the Group.</p>

Report on the Risk Management Contd..

Operational risk contd...

Risk	Impact	Risk Management Strategies
Legal Compliance	<p>Regulatory Risk of legal action due to non performance of legal and statutory requirements.</p> <p>Result high cost of legal and penalty fees that reduce profitability.</p> <p>Adversely impact to the Groups' reputation and brand image.</p>	<p>The legal support services to Renuka Group management come through the legal department which ensure all legal and regulatory provisions are complied with.</p> <p>The legal function pro-actively identified and sets up appropriate system and processes for legal regulatory compliance in any foreign country that we operate in, and in such instances through legal council retained in those environments.</p> <p>Internal audit function of the Group ensures the safeguarding of company assets and recommends process improvements in areas where process control failure are noted.</p> <p>The operations of the Renuka Capital PLC 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.</p>

Report on the Risk Management Contd..

Operational risk contd...

Risk	Impact	Risk Management Strategies
Breakdown of Internal Controls	Wastage of management Time and resources. Possible loss of data. Increased possibility of fraud and misuse. Disruptions to the normal course of operations. lack of ability to track performance against budgets, forecasts and schedules.	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. The Company uses comprehensive general and specific reporting and monitoring systems to identify, assess and manage risks. 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. 3.1 to the Financial Statements.

Report of the Audit Committee

The Board appointed the Audit Committee to be in line with the Code of the Best Practice on Corporate Governance and the requirement of the Securities and Exchange Commission for Public Listed Companies. The Audit committee functions, authority and duties have been clearly identified in the Audit Committee Charter.

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. This includes preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.
- The overall responsibility in ensuring that the Internal controls systems and risk management systems of the Company are adequate and comply with legal and regulatory requirements.
- Oversight responsibility to ensure 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 management and the Auditors.
- Ensuring that all internal controls are in place in the Company.

The Audit Committee also reviews the nature and extent of non-audit services provided by the auditors to ensure that auditors are able to maintain objectivity and independence.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of Independent Non-Executive Directors who are appointed by, and are responsible to the Board of Directors.

Audit Committee Members

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

Mr. M. R. Ratnasabapathy (Appointed on 01st February 2020)
(Independent Non-Executive Director)

Mr. B. V. Selvanayagam
(Independent Non-Executive Director)

Mr. S.N. Alles (Resigned on 31st January 2020)
(Independent Non-Executive Director)

Brief profiles of each member are given on page 04 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 04 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 Attended	Attended
Mr. M.S. Dominic	4	2/4
Mr. S. N. Alles	4	3/4
Mr. B. V. Selvanayagam	4	4/4
Mr. M. R. Ratnasabapathy	-	-

Report of the Audit Committee Contd...

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, Management members as well as External Auditors were present 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 are followed.

Functions of the Audit Committee

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

Internal Audit

Internal Audits are carried out in line with an agreed audit plan. Follow-up reviews are scheduled to ascertain that audit recommendations are being acted upon. These reports reviewed 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 company’s accounting policies and operational controls provide reasonable assurance that affairs of the company are managed in accordance with company policies and that company assets are properly accounted for and adequately safeguarded.

External Audit

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 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. The External Auditors kept the Audit Committee advised on an on-going basis regarding any unresolved matters of significance.

The Audit Committee evaluated the independence of the External Auditors and recommended to the Board of Directors that M/s Kreston MNS & Co be appointed as Auditors for the financial year ending 31st March 2021 and to authorize the Directors to determine their remuneration complying with code of best practices issued by SEC and CASL subject to the approval of the shareholders at the Annual General Meeting to be held on 28th September 2020.

Evaluation of the Effectiveness of the Committee

The audit Committee is satisfied that the Company’s Accounting policies and operational controls provide reasonable assurance that affairs of the Company are managed in accordance with company policies and that Company assets are properly accounted for and adequately safeguarded.

Sgd.
M.S. Dominic
Chairman
25th August 2020.

Report of 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 Capital 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 Chartered Institute of Accountants of Sri Lanka and Colombo Stock Exchange.

RPTR Committee of ultimate parent, Renuka Holdings PLC, acts as the RPTR Committee of Renuka Capital PLC.

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 members are given on page 04 of this Annual Report and as below.

Mr T. K. Bandaranayake

Mr. T. K. Bandaranayake is an Independent Non-Executive Director of Renuka Holdings PLC. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

He was in public practice with Ernst & Young for 27 years since 1982. He was a Senior Partner managing a large portfolio of clients. He is also a Director of Renuka 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.

Dr. J. M. Swaminathan

Dr. J. M. Swaminathan is an Independent, Non-Executive Directors of Renuka Holdings PLC. 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 Council. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the 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.

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

Report of Related Party Transactions Review Committee Contd..

Further, RPTRC has reviewed and recommended related party transactions for the period 01st April 2019 to 30th September 2019, which the committee for purposes hereof construed as equivalent to a meeting held.

Company Secretary acts as the Secretary to the Related Party Transactions Review Committee. The Executive Chairman and Chief Executive Officer – Shared Services 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 dealing with related parties.
- Quarterly review 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 transaction presented to them by the management and their compliance in Renuka Capital PLC and communicated the same to the Board of Directors.

The Board of Directors 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 discuss in Note No. 20 to the Financial Statements.

Sgd.
T. K. Bandaranayake
Chairman
25th August 2020.

Report of the Remuneration Committee

Composition of the Committee

The Committee consists of three non-executive directors who are independent. The members of the Committee have wide experience and knowledge of the business industry we are engage in.

The Remuneration Committee of ultimate parent, Renuka Holdings PLC, acts as the Remuneration Committee of Renuka Capital PLC.

Members of Remuneration Committee

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

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

Mr.L.M. Abeywickrema
(Independent Non-Executive)

The brief profile of the directors are given on page No. 04 and 36 to this Annual Report and below.

Mr. L. M. Abeywickrama

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

Remuneration Committee Meeting Attendance

The Committee met once during the financial year under review. Attendances of the Directors in the meeting 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. Abeywickrema	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 not involve in any business operations.

The scope of the Committee

- The committee study and recommends the remuneration policy of Directors & Key Management Personnel
- Review the performances of Key Management personnel on periodic basis
- The Committee recommends the remuneration based on the prevailing market rates and perquisites applicable to the Key Management personnel of the Company and makes appropriate recommendations to the Board of Directors for Approval.

Report of the Remuneration Committee Contd..

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

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

Activities during 2020

The Remuneration Committee reviewed the remuneration policy for Key Management Personnel and was satisfied that the existing framework was satisfactory. The total sum that was paid as Directors Remunerations in the year under review is set out in Note 15 to the Financial Statements.

Sgd.

M.S. Dominic

Chairman

25th August 2020.

Report of the Nomination Committee

The Nomination Committee of Renuka Capital PLC as at 31st March 2020 was consist of three Non-Executive Directors who are independent.

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

Members of the Nomination Committee

Mr. L. M. Abeywickrema - Chairman
(Independent Non-Executive)

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

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

Brief profiles of each member are given on pages No. 04, 36 and 38 of this Annual Report.

Attendance of Nomination Committee Meetings

During the financial year under review, the Committee had met once, with all members in attendance. The attendances of the meetings are given below.

NAME OF DIRECTORS	ELIGIBLE TO ATTEND	ATTENDED
Mr. L.M. Abeywickrema	1	1/1
Mr. M.S. Dominic	1	1/1
Mr. T.K. Bandaranayake	1	1/1

The Company Secretaries acts as the Secretaries to the Committee.

The directives of the Committee are,

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

The Scope of the Committee is,

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

Company Secretaries act as the secretaries to the Committee.

Sgd.

L. M. Abeywickrema
Chairman
Nomination Committee
25th 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 Income and Statement of Comprehensive Income of the Company which present a true and fair view of the profit or loss of the Company for the financial year
- b) A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company 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 retained earnings for the financial year
- d) A Statement of Cash Flows which presents a true and fair view of the flow of cash in and out of the Company for the financial year and notes to the Financial Statements.

The Board of Directors are of the view that prevailing Corporate Governance frame, Internal Control systems, risk management policies established in 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 and estimates 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 also to reflect the transparency of transactions and to ensure that the Financial Statements presented comply with the requirements of the Companies Act.

The External Auditors, M/S Kreston MNS & Co who were deemed reappointed in terms of the Companies Act No. 07 of 2007 were provided with every opportunity to undertake the inspections they considered appropriate to enable them to form their opinion the Financial Statements. The Report of the Auditors, shown on page 43 to 46 set out their responsibilities in relation to the Financial Statements.

Statement of Directors' Responsibility Contd..

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

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

COMPLIANCE REPORT

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

By order of the Board
Renuka Enterprises (Pvt) Ltd

Sgd
Company Secretaries
25th August 2020.

Independent Auditor's Report



Knowing you.

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Chartered Accountants
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TO THE SHAREHOLDERS OF RENUKA CAPITAL PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **RENUKA CAPITAL PLC** ("the Company"), which comprise the Statement of Financial Position as at 31st March 2020, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages No. 47 to 79.

In our opinion, the accompanying Financial Statements of the Company give a true and fair view of the financial position of the Company as at 31st 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 Company in accordance with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Partners

Ms. Y Shirani de Silva FCA, FCMA ; S Rajanathan FCA, FCMA (UK) ; N K Atukorala FCA, ACMA ; Ms. H D S C A Tillekeratne FCA, ACMA ; K I Skandadasan B.Sc. (Madras), FCA, ACMA ; R L R Balasingham FCA, ACMA ; N K G V Bandara B.Sc.(Acc) Sp, ACA, ACMA

Branches

Anuradhapura, Badulla, Batticaloa, Hatton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee

Independent Auditor's Report Contd..

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Equity Method Accounting of Investment in Associate Company (Equity-Accounted Investees) - On'ally Holdings PLC</p> <p>The investment in Associate Company - On'ally Holdings PLC has been stated at Rs.944,853,144/- based on the Equity Method of accounting as at 31st March 2020. The carrying value of this investment is derived based on the net assets of the Associate Company which inturn was primarily dependent on the fair value of the Investment Property owned by On'ally Holdings PLC.</p> <p>The carrying value of the "Investment Property" of the Associate Company was stated at the fair value of Rs.2,240,000,000/- and the fair value gain on this included in the current year net profit of the Associate Company was Rs.40,370,618/-.</p> <p>Significant judgments were required in determining the fair value.</p> <p>This was a key audit matter:-</p> <ul style="list-style-type: none"> • Since the carrying value of Investment in Associate Company is determined based on the net asset value of the Associate. • Due to significance of the balance to the Financial Statements as a whole, involvement of significant judgments in determining the fair value. • The outbreak of the Novel Coronavirus (Covid-19) has impacted the real estate sector and had resulted in valuation uncertainty. 	<ul style="list-style-type: none"> • We assessed the adequacy of the works performed by the Auditor of the Associate Company. • We assessed the competence, capabilities and the independence of the external valuer. • We checked that the approaches he used are consistent with Sri Lanka Accounting Standard (SLAS) and industry norms. • Checked the correctness of the data provided to the valuer. • We assessed the reasonableness of the significant assumptions used by the valuer • We compared the value with the independent and publicly available information on real estate of similar property and locations. • We held discussions with the independent external valuer, focusing on possible COVID-19 impact to the local commercial property market.

Independent Auditor's Report Contd..

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 31st March 2020, but does not include 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 Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the Audit. We also:

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

Independent Auditor's Report Contd..

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 5333.

Kveston MNS & C

**CHARTERED ACCOUNTANTS
COLOMBO**

25th August 2020

Statement of Financial Position

AS AT 31ST MARCH	Note	2020 Rs.	2019 Rs.
ASSETS			
Non Current Assets			
Equity - Accounted Investees	4	1,095,751,584	1,188,460,796
Investments - Measured at Fair Value Through Profit or Loss	5	254,725,761	130,199,901
Deferred Tax Asset	6	2,862,350	2,481,674
Total Non Current Assets		<u>1,353,339,695</u>	<u>1,321,142,371</u>
Current Assets			
Income Tax Refund due	7	-	294,252
Other Current Assets	8	-	26,127
Cash & Cash Equivalents	9	717,494	4,079,986
Total Current Assets		<u>717,494</u>	<u>4,400,365</u>
Total Assets		<u>1,354,057,189</u>	<u>1,325,542,736</u>
EQUITY & LIABILITIES			
Equity			
Stated Capital	10	878,252,200	878,252,200
Retained Earnings		475,353,508	447,037,519
Total Equity		<u>1,353,605,708</u>	<u>1,325,289,719</u>
Current Liabilities			
Trade & Other Payables	11	407,427	253,017
Income Tax Payable	7	44,054	-
Total Current Liabilities		<u>451,481</u>	<u>253,017</u>
Total Equity and Liabilities		<u>1,354,057,189</u>	<u>1,325,542,736</u>

The accounting policies and notes on pages No. 52 to 79 form an integral part of these Financial Statements.

I certify that the Financial Statements have been prepared 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 for and on behalf of the Board



S.V. Rajiyah
Director
25th August 2020



P. Gunathilake
Director

Statement Of Income

FOR THE YEAR ENDED 31ST MARCH

	Note	2020 Rs.	2019 Rs.
Revenue	12	4,688,646	5,771,166
Administrative Expenses		(5,770,528)	(3,549,657)
Share of Profits from Equity - Accounted Investees	4.2	104,090,717	151,429,083
Loss on Fair Value of Investments Measured at Fair Value Through Profit or Loss	5	(8,661,830)	(44,412,174)
Loss on disposal of Investment in Equity- Accounted Investees	4.3	(9,810,688)	-
Profit from Operation		84,536,317	109,238,418
Finance Income	13	189,697	6,690,379
Finance Cost	13	(3,485)	(127,397)
Profit Before Taxation	15	84,722,529	115,801,400
Income Tax Expense	14	(34,507,945)	(177,880,615)
Profit/(Loss) for the Year		50,214,584	(62,079,215)
Earnings/(Loss) per Share	16.1	0.29	(0.36)
Dividend per share	16.2	0.13	0.13

The accounting policies and notes on pages No. 52 to 79 form an integral part of these Financial Statements.

Statement Of Comprehensive Income

FOR THE YEAR ENDED 31ST MARCH	Company	
	2020 Rs.	2019 Rs.
Profit/(Loss) for the year	50,214,584	(62,079,215)
Other Comprehensive Income / (Expenses) not to be reclassified to profit or loss in subsequent periods	-	-
Share of Other Comprehensive Income of Equity-Accounted Investees	695,210	1,504,358
Other Comprehensive Income / (Expenses) to be reclassified to profit or loss in subsequent periods	-	-
Total Comprehensive Income /(Expense) for the year	50,909,794	(60,574,857)

The accounting policies and notes on pages No. 52 to 79 form an integral part of these Financial Statements.

Statement Of Changes In Equity

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 2018	878,252,200	530,206,181	1,408,958,381
Loss for the year	-	(62,079,215)	(62,079,215)
Other Comprehensive Income	-	1,504,358	1,504,358
Total Comprehensive Income/(Expenses) for the year	-	(60,574,857)	(60,574,857)
Dividend Paid	-	(22,593,805)	(22,593,805)
Balance as at 31st March 2019	878,252,200	447,037,519	1,325,289,719
Profit for the year	-	50,214,584	50,214,584
Other Comprehensive Income	-	695,210	695,210
Total Comprehensive Income for the year	-	50,909,794	50,909,794
Dividend Paid	-	(22,593,805)	(22,593,805)
Balance as at 31st March 2020	878,252,200	475,353,508	1,353,605,708

The accounting policies and notes on pages No. 52 to 79 form an integral part of these Financial Statements.

Cash Flow Statement

FOR THE YEAR ENDED 31ST MARCH	Note	2020 Rs.	2019 Rs.
Cash Flows from Operating Activities			
Profit before Taxation		84,722,529	115,801,400
Adjustments :			
Interest Expenses	13	3,485	127,397
Interest Income	13	(189,697)	(6,690,379)
Gain on Disposal of Quoted Shares	12	(1,110,769)	(1,734,128)
Loss on fair value of Investments - Measured at Fair Value Through Profit or Loss	5	8,661,830	44,412,174
Loss on Disposal of Equity-Accounted Investees	4.3	9,810,688	-
Share of Profit of Equity-Accounted Investees	4.2	(104,090,717)	(151,429,083)
Operating Profit / (Loss) before changes in Working Capital		(2,192,651)	487,381
Changes in Working Capital			
(Increase) / Decrease in Other Current Assets	8	26,127	(26,127)
Increase / (Decrease) in Trade & Other Payables	11	154,410	13,999
Cash Generated from / (used in) Operations		(2,012,114)	475,253
Dividend Received from Equity-Accounted Investees		26,898,181	29,713,767
Interest Paid		(3,485)	(127,397)
Income Tax Paid	7	(1,586,198)	(1,372,440)
WHT Paid	7	(20)	(294,251)
WHT Paid on Dividends revived from Equity-Accounted Investees		(3,765,745)	(3,993,972)
Investment in Quoted Shares	5	(231,240,408)	(24,397,751)
Proceeds from Disposal of Quoted Shares		99,163,487	30,094,128
Investment in Equity-Accounted Investees		-	(145,774,951)
Proceeds from Disposal of Equity-Accounted Investees	4.3	131,587,918	-
Net Cash from / (used in) Operating Activities		19,041,616	(115,677,615)
Cash Flow from Investing Activities			
Interest Received		189,697	6,690,379
Net Cash from / (used in) Investing Activities		189,697	6,690,379
Cash Flow from Financing Activities			
Dividend Paid		(22,593,805)	(22,593,805)
Net Cash from / (used in) Financing Activities		(22,593,805)	(22,593,805)
Net Increase / (Decrease) in Cash and Cash Equivalents		(3,362,492)	(131,581,040)
Cash and Cash Equivalents at Beginning of the year		4,079,986	135,661,026
Cash and Cash Equivalents at End of the year	9	717,494	4,079,986

The accounting policies and notes on pages No. 52 to 79 form an integral part of these Financial Statements.

Notes To The Financial Statements

1. CORPORATE INFORMATION

1.1. REPORTING ENTITY

RENUKA CAPITAL PLC (Formerly known as Kalamazoo Systems PLC) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on Colombo Stock Exchange. The Company's Registered Office and the principal place of business is located at "RENUKA HOUSE", No. 69, Sri Jinaratana Road, Colombo 02.

The name of the Company was changed to Renuka Capital PLC from Kalamazoo Systems PLC with effect from 14th June 2017. The Financial Statements are authorized for issue by the Directors on 25th August 2020.

1.2. PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The Company is in the Business of investing and trading in debt, equity and other alternative asset classes.

1.3. PARENT ENTERPRISE AND ULTIMATE PARENT ENTERPRISE

The Company's ultimate parent Enterprise is Renuka Holdings PLC which effectively holds 56.70% of the shares of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. STATEMENT OF ACCOMPLICE

The Statement of Financial Position, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement, together with Notes to the Financial Statements ("Financial Statements") of the Company 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.

2.2. BASIS OF PREPARATION

These financial statements for the year ended 31st March 2020 are prepared in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) effective for the periods beginning on or after 01st January 2012.

The Financial Statements have been prepared on a historical cost basis, except for the financial instruments which have been measured at fair value.

The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

Consolidated Financial Statements have not been prepared for the current year since there were no subsidiaries as at 31st March 2020.

2.3. FOREIGN CURRENCY TRANSLATION

The Company's financial statements are presented in Sri Lankan Rupees, which is also the Parent Company's functional currency.

2.4. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied by the Company are consistent with those used in the previous year.

Notes To The Financial Statements Cont..

2.5 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.

2.6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

2.7 GOING CONCERN

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

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

2.8 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 recognized in the period in which the estimate is revised and in any future periods affected.

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.

2.9 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.

Notes To The Financial Statements Cont..

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

2.11 INVESTMENT IN ASSOCIATE (EQUITY-ACCOUNTED INVESTEEES)

The Company investment in Associate Companies are accounted for using the equity method. An associate is an entity in which the Company has significant influence.

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

The Income Statement reflects the Company's share of results of operations of the equity accounted investees. When there has been a change recognized directly in the equity of associates, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and associates are eliminated to the extent of the interest in the associate.

The Company's share of the profit or loss of an associate is shown on the face of the Income Statement.

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

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associates. The Company 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 Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the amount in 'share of losses of an associate' in the Income Statement.

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

Negative goodwill (NGW) arises on an acquire's financial statements when the price paid for an acquisition is less than the fair value of its net tangible assets. Negative goodwill implies a bargain purchase and the acquirer immediately records an extraordinary gain on its income statement. For the purchased Company, negative goodwill often indicates a distressed sale, whereby unfavorable sale conditions lead to a depressed sale price.

Summarised financial information of the equity-accounted investee of the Company together with the Company's interests is given in Note 4 of the Financial Statements.

Notes To The Financial Statements Cont..

2.12 PROVISIONS

Provisions are recognized 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.

2.13 CAPITAL COMMITMENTS AND CONTINGENCIES

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

2.14 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.

2.15 FINANCIAL INSTRUMENTS-INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Financial Assets

Initial recognition and measurement

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

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 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.

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 (OCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Company 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.

Notes To The Financial Statements Cont..

Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI 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 Company does not classify any instrument under this category as of 31 March 2020.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company 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 Company 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 Company does not classify any instrument under this category as at 31st March 2020.

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.

Notes To The Financial Statements Cont..

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 Company's financial liabilities include trade and other payables.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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.

Notes To The Financial Statements Cont..

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the 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.

2.16 IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

Loss allowance for debt instruments is measured at 12-month ECL unless credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) of the debt instrument has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Notes To The Financial Statements Cont..

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

2.17 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

Notes To The Financial Statements Cont..

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.

2.18 EARNINGS PER SHARE

The financial statements present earnings per share (EPS) for its ordinary shareholders. The 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.

2.19 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company 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 Company 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 inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized 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 recognized. If that is the case the carrying amount of the asset

Notes To The Financial Statements Cont..

is increased to its recoverable amount. That the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

2.20 REVENUE RECOGNITION

(a) Revenue

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a good or service to a customer.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur.

(b) Interest Income

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on discounted cash flow method. Interest income is included under finance income in the income statement.

(c) Dividend Income

Dividend income is recognised in the income statement on the date that the Company's right to receive payment is established, which is generally when the dividend is declared.

(d) Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, including investments, are accounted for in the statement of comprehensive income, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

2.21 EXPENDITURE RECOGNITION

a) 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.

b) 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.

Notes To The Financial Statements Cont..

c) Finance Cost

Finance Cost comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, impairment losses recognized on financial assets.

2.22 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.

2.23 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 assets are recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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.

2.24 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 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.
Strategies	In line with the guidelines issued by the Group, the Company has introduced a range of measures to preserve liquidity and curtail losses in this challenging period; these measures include deferment of non-essential expenditure, recruitment and advertising/ promotion expenses as well as renegotiation with suppliers and banks.

Notes To The Financial Statements Cont..

2.25 ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following amended standards and the interpretations are not expected to have a significant impact on the Companies financial statements.

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

3.1 FINANCIAL RISK MANAGEMENT

The Company is exposed to a range of financial risks through its number of financial instruments. In particular, the key financial risk categories are:

- Credit Risk / Counter party risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Company risk management processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

Credit Risk / Counter party risk

Credit risk arises from credit exposure to unsecured customers and cash and cash equivalents and deposits/investments with banks and financial institutions and when banks/financial institutions fail to discharge their contractual interest and principal on their debt obligations due to declining financial strength. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counter party default rates.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or other financial assets.

Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. The Company's approach to managing its liquidity risk is as follows:

- Regularly monitoring of the Company's assets and liabilities in order to forecast cash flows for up to Future period.
- Monitoring the facility limits i.e. overdrafts with banks.

Notes To The Financial Statements Cont..

Management has assessed the existing and anticipated effect of COVID -19 on liquidity of the Company to settle liabilities when it is due and management is satisfied that the Company does not have significant concerns relating to the Company's liquidity.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Risk Management Disclosures

As at 31st March 2020

Description	Note	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 Years	Total
Trade and Other Payable (Rs.)	11	-	407,427	-	-	-	407,427
		-	407,427	-	-	-	407,427

As at 31st March 2019

Description	Note	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 years	>5 Years	Total
Trade and Other Payable (Rs.)	11	-	253,017	-	-	-	253,017
		-	253,017	-	-	-	253,017

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks;

- Foreign exchange risk
- Interest rate risk
- Equity price risk

Foreign Exchange Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company does not use any derivative financial instruments to hedge the risk. The Company is not exposed to foreign currency risk as it does not operate internationally.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest Rates relate primarily to the Company's long term debt obligations with floating interest rates.

Equity Price Risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities

Notes To The Financial Statements Cont..

Operational Risk

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

- Requirements for appropriate segregation of duties, including the independent authorization of Transactions
- Compliance with regulatory and other legal requirements
- Training and professional development
- Ethical and business standards

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

Notes To The Financial Statements Cont..

3.2 FINANCIAL ASSETS AND LIABILITIES

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

	Note	Debt Instruments, Derivatives and Equity Instruments at FVTPL Rs.	Debt Instruments at FVTOCI Rs.	Debt Instruments at Amortised Cost Rs.	Total Rs.
31st March 2020					
Financial Assets					
Investment - Measured at Fair Value Through Profit or Loss	5	254,725,761	-	-	254,725,761
Cash and Cash Equivalents	9	-	-	717,494	717,494
		254,725,761	-	717,494	255,443,255

	Note	Liabilities at FVTPL Rs.	Liabilities (at Amortised Cost) Rs.	Total Rs.
Financial Liabilities				
Trade & Other Payables	11	-	407,427	407,427
		-	407,427	407,427

	Note	Fair Value Through Profit / (Loss) (At Fair Value) Rs.	Held to Maturity (Carried at Amortised Cost) Rs.	Loans & Receivables (at Amortised Cost) Rs.	Total Rs.
31st March 2019					
Financial Assets					
Investment - Measured at Fair Value Through Profit or Loss	5	130,199,901	-	-	130,199,901
Cash and Cash Equivalents	9	-	-	4,079,986	4,079,986
		130,199,901	-	4,079,986	134,279,887

	Note	Liabilities (at Amortised Cost) Rs.	Total Rs.
Financial Liabilities			
Trade & Other Payables	11	253,017	253,017
		253,017	253,017

Notes To The Financial Statements Cont..

4. EQUITY-ACCOUNTED INVESTEEES (INVESTMENT IN ASSOCIATES)

	Percentage Of Holding		No. of Shares		Balance as at	Balance as at
	31.03.2020	31.03.2019	31.03.2020	31.03.2019	31.03.2020	31.03.2019
					Rs.	Rs.
On'ally Holdings PLC (Note 4.1.1)	43.82%	46.57%	40,754,820	8,150,964	944,853,144	902,183,778
Amalgamated Investments (Pvt) Ltd (Note 4.1.2)	47.03%	47.03%	99,056	99,056	150,898,440	152,589,309
Mcshaw Automotive Ltd (Note 4.1.3)	-	50.00%	-	2,752,500	-	69,241,008
Interocean Lubricants (Pvt) Ltd (Note 4.1.4)	-	45.00%	-	689,417	-	64,446,701
					1,095,751,584	1,188,460,796

4.1.1 ON'ALLY HOLDINGS PLC

	Balance as at	Balance as at
	31.03.2020	31.03.2019
	Rs.	Rs.
Balance on 1st April	902,183,778	956,185,991
Adjustment due to Renunciation of rights	(7,489,209)	-
Share of Comprehensive Income / (Expenses) (Net of Tax)	77,056,756	(25,477,116)
Dividend Received during the year	(26,898,181)	(28,525,097)
Balance on 31st March	944,853,144	902,183,778

4.1.2 AMALGAMATED INVESTMENTS (PVT) LTD

	Balance as at	Balance as at
	31.03.2020	31.03.2019
	Rs.	Rs.
Balance on 1st April	152,589,309	137,499,562
Amount Invested during the year	-	14,993,000
Share of Comprehensive Income / (Expenses) (Net of Tax)	(1,690,869)	1,285,419
Dividend Received during the year	-	(1,188,672)
Balance on 31st March	150,898,440	152,589,309

4.1.3 MCSHAW AUTOMOTIVE LTD

	Balance as at	Balance as at
	31.03.2020	31.03.2019
	Rs.	Rs.
Balance on 1st April	69,241,008	-
Amount Invested during the year	-	66,335,250
Share of Comprehensive Income / (Expenses) (Net of Tax)	(3,127,836)	2,905,758
Disposed during the year	(66,113,172)	-
Balance on 31st March	-	69,241,008

Notes To The Financial Statements Cont..

4.1.4 INTEROCEAN LUBRICANTS (PVT) LTD

	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Balance on 1st April	64,446,701	-
Amount Invested during the year	-	64,446,701
Share of Comprehensive Income (Net of Tax)	3,349,524	-
Disposed during the year	(67,796,225)	-
Balance on 31st March	-	64,446,701

4.2 SHARE OF PROFIT FROM EQUITY-ACCOUNTED INVESTEEES

Share of Profit from Equity-Accounted Investees

On'ally Holdings PLC (4.2.1)	105,998,473	146,903,111
Amalgamated Investments (Pvt) Ltd (4.2.2)	(1,690,870)	1,285,419
Mcshaw Automotive Ltd (4.2.3)	(269,502)	3,240,553
Interocean Lubricants (Pvt) Ltd (4.2.4)	52,616	-
	104,090,717	151,429,083

4.2.1 ON'ALLY HOLDINGS PLC

SHARE OF PROFITS

For the year ended

	31.03.2020	31.03.2019
	Rs.	Rs.
Revenue	201,223,526	180,137,952
Other Operating Income	13,531,827	24,643,978
Other Operating Expenses	(71,091,040)	(64,254,573)
Operating Profit	143,664,313	140,527,357
Finance Income	57,858,952	45,743,160
Fair Value gain on Investment Property	40,370,618	129,175,899
Profit Before Tax	241,893,883	315,446,416
Company's Share of Profit	105,998,473	146,903,111
(-) Company's Share of Tax	(29,636,927)	(173,884,585)
Company's Share of other Comprehensive Income	695,210	1,504,358
Company's Share of Comprehensive Income /(Expense) (Net of Tax)	77,056,756	(25,477,116)

SUMMARIZED FINANCIAL INFORMATION

	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Non Current Assets	2,281,155,395	2,218,747,938
Current Assets	640,298,480	471,768,273
Total Assets	2,921,453,875	2,690,516,211
Non Current Liability	700,020,488	659,089,630
Current Liability	65,219,001	94,162,724
Total Liabilities	765,239,489	753,252,354
Net Asset	2,156,214,386	1,937,263,857
Company Share of Net Asset	944,853,144	902,183,778

Notes To The Financial Statements Cont..

4.2.2 AMALGAMATED INVESTMENTS (PVT) LTD

SHARE OF PROFITS

For the year ended	31.03.2020	31.03.2019
	Rs.	Rs.
Revenue	(3,529,742)	2,933,308
Cost of Sales	-	-
Gross Profit / (Loss)	(3,529,742)	2,933,308
Administration Expenses	(62,708)	(41,361)
Finance and other charges	(2,850)	(2,700)
Profit / (Loss) Before Tax	(3,595,300)	2,889,247
Company's share of profit / (loss) before Tax	(1,690,870)	1,285,419
(-) Company's share of Tax	-	-
Company's share of profit / (loss) after Tax	(1,690,870)	1,285,419

SUMMARIZED FINANCIAL INFORMATION

	Balance as at	Balance as at
	31.03.2020	31.03.2019
	Rs.	Rs.
Non Current Assets	302,888,400	307,969,859
Current Assets	2,338,500	851,341
Total Assets	305,226,900	308,821,200
Non Current Liability	-	-
Current Liability	27,000	26,000
Total Liabilities	27,000	26,000
Net Asset	305,199,900	308,795,200
Company Share of net Asset	143,535,513	145,226,382
Goodwill on Acquisition	7,362,927	7,362,927
	150,898,440	152,589,309

4.2.3 MCSHAW AUTOMOTIVE LTD

SHARE OF PROFITS

For the period	From	From
	01.04.2019 to	01.04.2018 to
	31.12.2019	31.03.2019
	Rs.	Rs.
Revenue	1,778,626,236	2,219,823,611
Cost of Sales	(1,388,255,441)	(1,767,881,134)
Gross Profit	390,370,795	451,942,477
Other Income	89,441	120,832
Selling and Distribution expenses	(118,269,911)	(121,137,181)
Administration Expense	(221,737,287)	(257,344,863)
Finance Costs	(50,992,044)	(59,279,873)
Profit / (Loss) Before Tax	(539,005)	14,301,392
Company's Share of profit / (loss) before Tax	(269,503)	3,240,553
(-) Company's share of Tax	(2,858,333)	(334,795)
Company's Share of profit / (loss) after Tax	(3,127,836)	2,905,758

Notes To The Financial Statements Cont..

SUMMARIZED FINANCIAL INFORMATION	Balance as at	Balance as at
	31.03.2020	31.03.2019
	Rs.	Rs.
Non Current Assets	-	32,216,431
Current Assets	-	1,067,796,603
Total Assets	-	1,100,013,034
Non Current Liabilities	-	12,820,778
Current Liabilities	-	991,020,835
Total Liabilities	-	1,003,841,613
Net Asset	-	96,171,421
Company Share of net Asset	-	48,085,710
Goodwill on Acquisition	-	21,155,298
	-	69,241,008

4.2.4 INTEROCEAN LUBRICANTS (PVT) LIMITED

SHARE OF PROFITS	From	From
	01.04.2019 to	01.04.2018 to
For the period	31.12.2019	31.03.2019
	Rs.	Rs.
Revenue	517,414,322	735,359,026
Cost of Sales	(394,191,806)	(538,197,747)
Gross Profit	123,222,516	197,161,279
Other income	700,322	521,683
Administrative Expense	(81,238,993)	(130,171,559)
Selling and Distribution Expenses	(24,579,515)	(25,734,416)
Net Finance Cost	(17,987,405)	(46,528,337)
Profit / (Loss) before Tax	116,925	(4,751,350)
Company's share of profit before Tax	52,616	-
(-) Company's share of Tax	3,296,908	-
Company's share of profit after Tax	3,349,524	-

SUMMARIZED FINANCIAL INFORMATION	Balance As At	Balance As At
	31.03.2020	31.03.2019
	Rs.	Rs.
Non Current Assets	-	21,507,744
Current Assets	-	368,347,771
Total Assets	-	389,855,515
Non Current Liability	-	6,330,927
Current Liability	-	335,266,313
Total Liabilities	-	341,597,240
Net Asset	-	48,258,275
Company Share of Net Asset	-	21,716,224
Goodwill	-	42,730,477
	-	64,446,701

Notes To The Financial Statements Cont..

4.3 LOSS ON DISPOSAL OF EQUITY-ACCOUNTED INVESTEEES

	31.03.2020 Rs.	31.03.2019 Rs.
Loss on disposal of equity accounted Investees (Note 4.3.1)	3,127,447	-
Loss on renunciation of rights of On'ally Holdings PLC (Note 4.3.2)	6,683,241	-
	<u>9,810,688</u>	<u>-</u>

4.3.1 Loss on disposal of equity-accounted investees

During the year the Company has disposed the equity accounted investees in Mashaw Automotive Limited and Interocean Lubricant (Pvt) Ltd and the loss on disposal is as follows:

For the year ended	31.03.2020 Rs.	31.03.2019 Rs.
Proceeds from the disposal	130,781,950	-
Carrying value of equity accounted Investees		
- Mashaw Automotive Limited	(66,113,172)	-
- Interocean Lubricant (Pvt) Ltd	(67,796,225)	-
Loss on disposal of equity accounted investees	<u>(3,127,447)</u>	<u>-</u>

4.3.2 Loss on renunciation of rights of On'ally Holdings PLC

Adjustment due to renunciation of rights	(7,489,209)	-
Proceeds from sale of rights	805,968	-
Net loss on renunciation of rights	<u>(6,683,241)</u>	<u>-</u>

5. INVESTMENTS - MEASURED AT VALUE THROUGH PROFIT OR LOSS

	Balance as at 31.03.2020 Rs.	Balance as at 31.03.2019 Rs.
Balance on 1st April	130,199,901	178,574,324
Additions during the year	231,240,408	24,397,751
Disposals during the year	(98,052,718)	(28,360,000)
Fair Value Loss on Investments	(8,661,830)	(44,412,174)
Balance on 31st March	<u>254,725,761</u>	<u>130,199,901</u>

Notes To The Financial Statements Cont..

5.1 INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Name of the Company	31.03.2020		31.03.2019	
	No. of Shares	Market Value Rs.	No. of Shares	Market Value Rs.
Quoted Shares				
Aitken Spense PLC	100	3,070	100	4,100
Asiri Hospitals Holdings PLC	100	1,700	100	2,020
Blue Diamonds Jewellery Worldwide PLC	100	50	100	40
Browns & Company PLC	100	4,200	100	4,800
Cargills Ceylon PLC	114	19,380	114	22,800
Cargo Boat Development Company PLC	18,776	751,040	10,101	616,161
Carsons Cumberbatch PLC	100	15,500	100	16,000
Central Finance Company PLC	209	16,929	208	17,576
Ceylon Hospitals PLC	2,823	225,840	402,823	29,124,103
Chevron Lubricants Lanka PLC	200	10,700	200	12,520
CIC Holdings PLC	100	3,500	100	3,850
Commercial Bank of Ceylon PLC	16,483	990,628	16,222	1,601,111
DFCC Bank PLC	100	6,060	100	7,000
Dialog Axiata PLC	100	850	100	910
Diesal & Motor Engineering PLC	100	25,000	100	30,470
EXPO Lanka Holdings PLC	100	200	100	400
The Colombo Fort Land & Building PLC	100	750	100	1,350
Hatton National Bank PLC	38,955	4,094,171	57,105	9,993,375
Haycarb PLC	4,000	640,000	4,000	508,000
Hayleys PLC	23,104	2,855,654	330,155	55,466,040
Hemas Holdings PLC	103	5,789	103	7,725
John Keells Holdings PLC	274	31,620	18,774	2,928,744
Lankem Ceylon PLC	100	1,710	100	2,200
LB Finance PLC	180	21,690	180	21,618
Lee Hedges PLC	500	32,500	500	35,000
Lanka Orix Leasing Company PLC	50	4,540	20,050	1,782,445
MTD Walkers PLC	7,500	111,000	7,500	111,000
National Development Bank PLC	125	8,275	120	11,304
Nations Trust Bank PLC	104	6,573	104	9,350
Nestle Lanka PLC	100	101,130	100	162,460
Overseas Reality Ceylon PLC	10,140	121,680	10,140	166,296
Printcare PLC	100	2,200	100	3,300
Renuka City Hotel PLC	9,036	1,725,876	100	25,000
Renuka Hotels PLC	1,053,579	42,143,160	529,520	23,828,400
Richard Peiris & Company PLC	100	780	100	920
Sampath Bank PLC	922	109,718	8,718	1,570,112
Singer Srilanka PLC	300	6,060	300	7,500
Sri Lanka Telecom PLC	100	2,200	100	2,140
Softlogic Holdings PLC	124	1,524	124	1,984
Sunshine Holdings PLC	101	3,828	101	4,747
United Motors Lanka PLC	150	6,810	150	10,020
The Autodrome PLC	5,377	311,866	-	-
Textured Jersey Lanka PLC	-	-	50,000	1,520,000
AIA Insurance Lanka PLC	-	-	102	255,000
Unquoted Shares				
Galle Face Properties Ltd	10	10	10	10
Shaw Wallace & Hedges Ltd	20,030,000	200,300,000	30,000	300,000
		254,725,761		130,199,901

Notes To The Financial Statements Cont..

6. DEFERRED TAX ASSET	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Balance on 1st April	2,481,674	3,750,754
Transferred from / (to) Statement of Income	380,676	(1,269,080)
Balance on 31st March	2,862,350	2,481,674
Deferred Tax Liability		
Accelerated Depreciation for tax Purpose	-	-
Deferred Tax Asset		
Assessable tax loss carried forward	2,862,350	2,481,674
Retirement benefit obligation	-	-
Net Deferred Tax Asset	2,862,350	2,481,674
7. INCOME TAX PAYABLE / (REFUND DUE)	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Balance on 1st April	(294,252)	2,974,258
Provision for the year	51,218	-
Under/ (Over) provision in respect of previous year	1,873,306	(1,601,819)
	1,630,272	1,372,439
Payments made during the year	(1,586,198)	(1,372,440)
WHT Paid During the year	(20)	(294,251)
Balance on 31st March	44,054	(294,252)
8. OTHER CURRENT ASSETS	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Advance	-	26,127
	-	26,127
9. CASH AND CASH EQUIVALENTS	Balance as at 31.03.2020	Balance as at 31.03.2019
	Rs.	Rs.
Favourable cash and cash equivalent balances		
Cast at Bank	717,494	4,079,986
Net Balance	717,494	4,079,986

Notes To The Financial Statements Cont..

10. STATED CAPITAL

	Balance as at 31.03.2020	Balance as at 31.03.2019
Number of Ordinary Shares Issued and Fully Paid		
Balance on 1st April	173,798,500	173,798,500
Balance on 31st March	<u>173,798,500</u>	<u>173,798,500</u>
Stated Capital		
Stated Capital on 1st April (Rs.)	878,252,200	878,252,200
Stated Capital on 31st March (Rs.)	<u>878,252,200</u>	<u>878,252,200</u>

11. TRADE & OTHER PAYABLES

	Balance as at 31.03.2020 Rs.	Balance as at 31.03.2019 Rs.
Financial Liabilities	407,427	253,017
Expense Creditors	<u>407,427</u>	<u>253,017</u>

12. REVENUE

	31.03.2020 Rs.	31.03.2019 Rs.
Dividend Income	3,577,877	4,037,038
Gain on Disposal of Quoted Shares	1,110,769	1,734,128
	<u>4,688,646</u>	<u>5,771,166</u>

13. FINANCE INCOME & FINANCE COST

	31.03.2020 Rs.	31.03.2019 Rs.
Finance Income		
Interest Income from Money Market Investments	189,697	591,710
Interest Income from Fixed Deposit	-	4,654,121
Interest Income from Related Party Balances	-	1,444,548
	<u>189,697</u>	<u>6,690,379</u>
Finance Cost		
Interest Expense on Related Party Balances	-	127,397
Other Finance Charges	3,485	-
	<u>3,485</u>	<u>127,397</u>

Notes To The Financial Statements Cont..

14. TAXATION

	31.03.2020	31.03.2019
	Rs.	Rs.
Current Income Tax Expense		
Income tax on profit for the year	51,218	-
Income Tax under/(over) provision for the previous year	1,873,306	(1,601,819)
	<u>1,924,524</u>	<u>(1,601,819)</u>
Deferred Income Tax Expense		
Deferred Tax charged/(reversed) to statement of income	(380,676)	1,269,080
	<u>1,543,848</u>	<u>(332,739)</u>
Charge of Income Tax and Deferred Tax equity-accounted investees	29,198,352	174,219,382
WHT on Dividend received from equity accounted Investees	3,765,745	3,993,972
	<u>34,507,945</u>	<u>177,880,615</u>

14.1 RECONCILIATION BETWEEN CURRENT TAX EXPENSE AND ACCOUNTING PROFIT

	31.03.2020	31.03.2019
	Rs.	Rs.
Accounting Profit before tax	84,722,529	115,801,400
Less : Share of profit from Equity - Accounted Investees	(104,090,717)	(151,429,083)
	<u>(19,368,188)</u>	<u>(35,627,683)</u>
Aggregate Disallowed Items	24,246,531	44,412,174
Aggregate Allowable Items	-	(14,245,040)
Tax exempted Income	(4,688,646)	-
Other sources of Income	(189,697)	-
Taxable Profit / (Loss) from Ordinary Activities	-	(5,460,549)
Other Income	189,697	6,690,379
Tax Loss Claimed	-	(6,690,379)
Taxable Income / (Loss)	<u>189,697</u>	<u>(5,460,549)</u>
Taxable Rate	24% / 28%	28%
Tax on profit for the year	<u>51,218</u>	<u>-</u>

15. PROFIT BEFORE TAXATION

	31.03.2020	31.03.2019
	Rs.	Rs.
Stated after Charging :		
Director Fees	140,000	200,000
Audit Fee	257,600	225,000

Notes To The Financial Statements Cont..

16. EARNINGS/(LOSS) PER SHARE/ DIVIDEND PER SHARE

16.1 Earning/(Loss) Per Share

The Basic Earnings / (Loss) per share is calculated by dividing the Profit / (Loss) for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without corresponding change in the resources such as share split.

	31.03.2020	31.03.2019
Amounts used as Numerator		
Profit / (Loss) Attributable to Equity holders of the Company for Basic earnings / (Loss) per share (Rs)	50,214,584	(62,079,215)
Number of Ordinary Shares used as the Denominator		
Weighted average Number of Ordinary Shares in issue applicable to basic	173,798,500	173,798,500
Earnings / (Loss) per share (Rs.)	0.29	(0.36)
Diluted Earnings / (Loss) Per Share		
Profit / (Loss) Attributable to equity holders of the Company for Diluted Earnings / (Loss) per share (Rs.)	50,214,584	(62,079,215)
Number of Ordinary Shares used as Denominator		
Weighted Average number of Ordinary Shares in issue applicable to Diluted Earnings / (Loss) per Share	173,798,500	173,798,500
Diluted Earning / (Loss) per Share (Rs.)	0.29	(0.36)

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

As at 31.03.2020 & 31.03.2019 there were no dilutive potential ordinary Shares. Hence diluted earnings per share is same as basic earnings per share.

16.2 Dividend per share

	31.03.2020	31.03.2019
Total Dividend paid (Rs.)	22,593,805	22,593,805
Number of Ordinary shares	173,798,500	173,798,500
Dividend per share (Rs.)	0.13	0.13

17. CONTINGENT LIABILITIES

There are no material contingent liabilities which would require adjustments to or disclosure in the Financial Statements as at the reporting date.

18. CAPITAL COMMITMENTS

There were no material capital commitments which have been approved as at the reporting date.

19. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no any other instances which would require adjustments to or disclosure in the financial statements other than following,

The Directors have recommended the payment of a First and Final Dividend of Rs. 0.10 per share for the year ended at 31st March 2020 which will be declared at the Annual General Meeting to be held on 28th September 2020. In accordance with the Sri Lanka Accounting Standard 10 - "Event Occurring after the Reporting Date" this proposed First and Final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2020.

Notes To The Financial Statements Cont..

20. RELATED PARTY TRANSACTIONS

20.1 Transactions with Key Managerial Persons

According to Sri Lanka Accounting Standards 24 - Related Party Disclosures, Key Managerial Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive & Non-Executive Directors), CEO/COO, Head of the Divisions of the Company have been classified as key Managerial Personnel of the Company.

There are no transactions with Key Managerial persons during the year other than transaction listed below :

	31.03.2020	31.03.2019
	Rs.	Rs.
Directors fees	140,000	200,000

20.2. Transactions with Related Companies

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, other than investment related transactions.

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of Transactions	Amount Received / (Paid)		Balance Outstanding	
				2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Renuka Holdings PLC	Ultimate Parent Company	Mr. S. V. Rajiyah	Short Term Loan Received	-	2,000,000	-	-
			Settlement of Short Term Loan	-	(2,000,000)	-	-
		Mr. M. S. Dominic	Interest Income	-	10,275	-	-
			Interest Settlement	-	(10,275)	-	-
Renuka Enterprises (Pvt) Ltd	Parent Company	Mr. S. V. Rajiyah	Interest Expense	-	(127,397)	-	-
			Interest Settlement	-	127,397	-	-
		Mr. P. Gunathilake	Short Term Loan Received	500,000	7,500,000	-	-
			Settlement of Short Term Loan	(500,000)	(7,500,000)	-	-
			Shared Services	(1,819,539)	(1,583,550)	-	-
			Settlement of Invoice	1,819,539	1,583,550	-	-

Notes To The Financial Statements Cont..

20.2. Transactions with Related Companies (Cont..)

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of Transactions	Amount Received / (Paid)		Balance Outstanding	
				2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Renuka Shipping & Travels (Pvt) Ltd	Affiliate	Mr. S. VV.Rajiyah	Short Term Loan Received	-	600,000	-	-
		Mr. P. Gunathilake	Settlement of Short Term Loan	-	(600,000)	-	-
			Interest Income	-	31,358	-	-
			Interest Settlement	-	(31,358)	-	-
Royal Candle Works Ceylon (Pvt) Ltd	Affiliate	Mr. S. V. Rajiyah	Interest Income	-	1,402,915	-	-
		Mr. P. Gunathilake	Interest Settlement	-	(1,402,915)	-	-
			Purchase of Goods	(37,375)	-	-	-
			Settlement of Invoice	37,375	-	-	-
Shaw Wallace & Hedges Ltd	Affiliate	Mr. S. V. Rajiyah	Short Term Loan Received	2,180,000	-	-	-
		Mr. M. S. Dominic	Settlement of Short Term Loan	(2,180,000)	-	-	-

Notes To The Financial Statements Cont..

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

Related Party Transactions - Recurrent

Related Company	Relationship	Nature of Transactions	Name of the Common Directors	Aggregate Value of Related Party Transactions Entered In to During The Financial Year Rs.	Aggregate Value of Related Party Transactions as a % of Net Revenue/ Income %	Terms and Conditions of The Related Party Transaction
Renuka Enterprises (Pvt) Ltd	Parent Company	Shared Services Settlement of Invoices	Mr. S. V. Rajiyah	(1,819,539)	(31.53%)	Comparable uncontrolled Price
			Mr. P. Gunathilake	1,819,539	31.53%	Actual Basis

There are no recurrent transactions other than stated above, that have been entered in to with Related Entities during the year which are more than 10% of the Company turnover that require disclosure in this Annual Report in Terms of Section 9.3.2 of the Listing Rules of Colombo Stock Exchange.

Similarly there are no non-recurrent transactions other than stated below, that have been entered in to with Related Entities during the year which are more than 10% of Equity and 5% of Total assets which ever is lower that require disclosure under the same provision.

Related Party Transactions - Non Recurrent

Name of the Company / Director	Nature of Relationship	Aggregate Value of Related Party Transactions Entered In to During The Financial Year Rs.	Value of the Related Party Transactions As a % of Equity	Value of the Related Party Transactions As a % of Total Assets	Terms and Conditions Of the Related Party Transaction	Rationale For Entering in to the Transaction
Shaw Wallace Ceylon Ltd	Affiliate	100,000,000	8%	8%	Based on Net Asset Value	Investment
Shaw Wallace Properties Pvt Ltd	Affiliate	100,000,000	8%	8%	Based on Net Asset Value	Investment

Five year Summary

Year Ended 31st March	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
a) Summary of Operation					
Revenue	4,689	5,771	2,353	11	34
Profit/ (Loss) before net finance cost and tax	84,536	109,238	536,000	(5,135)	(5,821)
Profit/ (Loss) before taxation	84,723	115,801	562,509	(5,135)	(5,808)
Taxation	(34,508)	(177,881)	(32,621)	428	1,385
Profit/ (Loss) after tax	50,215	(62,079)	529,888	(4,707)	(4,423)
Profit/ (Loss) attributable to equity holders of the company	50,215	(62,079)	529,888	(4,707)	(4,683)
b) Summary of Financial Position					
As At 31 March	2020 Rs. '000	2019 Rs. '000	2018 Rs. '000	2017 Rs. '000	2016 Rs. '000
Equity					
Stated capital	878,252	878,252	878,252	500	500
Retained earnings	475,354	447,038	530,206	4,995	9,702
Total Equity	1,353,606	1,325,290	1,408,458	5,495	10,202
Liabilities					
Current liabilities	451	253	3,213	6,917	11,507
Total Liabilities	451	253	3,213	6,917	11,507
Total Equity and Liabilities	1,354,057	1,325,543	1,411,671	12,412	21,709
Assets					
Investment in Associates	1,095,752	1,188,461	1,093,686	-	-
Investment measured at FVTPL	254,726	130,200	178,574	8,631	-
Deferred Tax Asset	2,862	2,482	3,751	3,701	3,273
Current assets	717	4,400	135,661	80	10,339
Total Assets	1,354,057	1,325,543	1,411,671	12,412	13,612
c) Key Indicators					
Earnings /(Loss) per share (Rs.)	0.29	(0.36)	4.10	(0.94)	(93.66)
Net assets value per share (Rs.)	7.79	7.63	8.10	109.90	204.04
Current ratio (times)	1.59	17.39	42.22	0.01	0.90
d) Dividend per share (Rs.)	0.13	0.13	-	-	-

Shareholders and Investor information

SHARE INFORMATION

	2020	2019
Total No. of shareholders	1,343	1,079
Total No. of Shares	173,798,500	173,798,500

PUBLIC SHARE HOLDING

	2020	2019
The percentage of Ordinary Shares held by the public	11.66%	11.00%
Total number of shareholders representing the public holding	1,337	1,072

SHARE TRADING INFORMATION

1st of April to 31 st March	2020	2019
	Voting	Voting
Share Price		
Highest (Rs.)	4.40	4.80
Lowest (Rs.)	1.60	3.20
As at 31st March	1.70	3.40
Market Capitalization	2020	2019
As at 31st March (Rs. '000)	295,457	590,915
No. of Traders	8,338	2,488
No. of Shares Traded	66,044,654	22,283,621
Value of Shares Traded (Rs)	215,343,672	83,960,260

The company has over 10% public shareholding and over 200 public shareholders meeting the minimum thresholds for compliance on minimum public holding under the option "2" of Section 7.13.1 (b) of continuing listing requirements.

Voting Shares Details

VOTING SHARES

No of Shares Held	31st March 2020			31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	636	189,215	0.11%	532	178,262	0.10%
1,001 - 10,000	426	1,831,093	1.05%	348	1,487,100	0.86%
10,001 - 100,000	234	8,280,694	4.76%	164	5,460,630	3.14%
100,001 - 1,000,000	41	10,469,218	6.02%	29	8,189,158	4.71%
1,000,001 & Over	6	153,028,280	88.06%	6	158,483,350	91.19%
	1,343	173,798,500	100.00%	1,079	173,798,500	100.00%

VOTING SHARES

Analysis of Shareholders	31st March 2020			31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,283	75,213,086	43.28%	1,022	51,167,841	29.44%
Institutions	60	98,585,414	56.72%	57	122,630,659	70.56%
Total	1,343	173,798,500	100.00%	1,079	173,798,500	100.00%

ANALYSIS OF SHAREHOLDERS - VOTING

Analysis of Shareholders	31st March 2020			31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Resident	1,330	173,676,885	99.93%	1,068	173,062,600	99.58%
Non Resident	13	121,615	0.07%	11	735,900	0.42%
Total	1,343	173,798,500	100.00%	1,079	173,798,500	100.00%

ANALYSIS OF SHAREHOLDERS - VOTING

Analysis of Shareholders	31st March 2020			31st March 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Related Companies	1	94,401,000	54.32%	2	114,510,200	65.89%
Directors and Spouses	5	59,128,280	34.02%	5	40,167,550	23.11%
Public	1,337	20,269,220	11.66%	1,072	19,120,750	11.00%
Total	1,343	173,798,500	100.00%	1,079	173,798,500	100.00%

Top 20 Major Shareholders

No	Name	Voting as at 31.03.2020		Voting as at 31.03.2019	
		No. of Shares	%	No. of Shares	%
1	RENUKA ENTERPRISES (PRIVATE) LIMITED	94,401,000	54.32%	94,401,000	54.32%
2	DR. S R RAJIYAH Jt. MRS I R RAJIYAH	46,124,900	26.54%	31,065,700	17.87%
3	MR. S V RAJIYAH Jt. MRS J J B ALOYSIUS RAJIYAH	6,401,530	3.68%	-	-
4	MR. S V RAJIYAH	4,098,850	2.36%	7,098,850	4.08%
5	MS. S R RAJIYAH	1,001,000	0.58%	1,001,000	0.58%
5	MRS J J B ALOYSIUS RAJIYAH	1,001,000	0.58%	501,000	0.29%
7	DR. H S D SOYSA	900,100	0.52%	900,100	0.52%
8	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/T.K.FERNANDO	700,000	0.40%	700,000	0.40%
9	MR. R E RAMBUKWELLA	658,497	0.38%	185,500	0.11%
10	MR. K JAYAKODY Jt. W. A. G. PERERA	529,000	0.30%	-	-
11	MS. A L RAJIYAH	501,000	0.29%	501,000	0.29%
12	MR. A M ILYAS	487,507	0.28%	364,043	0.21%
13	MR. D S R DARANAKUMBURA	478,440	0.28%	-	-
14	MR. A H L S SAPUMAL	407,000	0.23%	377,000	0.22%
15	SHALSRI INVESTMENTS (PRIVATE) LTD.	310,100	0.18%	310,100	0.18%
16	BANSEI SECURITIES CAPITAL (PVT) LTD/M.A.U. GNANATILAKE	310,000	0.18%	292,761	0.17%
17	MERCHANT BANK OF SRI LANKA & FINANCE PLC	305,000	0.18%	100,000	0.06%
18	WALDOCK MACKENIE LIMITED/MR.S.S.THANGARAJAH	250,000	0.14%	250,000	0.14%
19	SIR CHITTAMPALAM A GARDINER TRUST	231,800	0.13%	231,800	0.13%
20	MR. D D GUNARATNE	228,126	0.13%	273,126	0.16%
		159,324,850	91.68%	138,552,980	79.73%

Notice of Meeting

Notice is hereby given that the 63rd Annual General Meeting of the RENUKA CAPITAL PLC will be held as a virtual meeting on Monday, 28th September 2020 at 4.30 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. 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. M.R. Ratnasabapathy as a Director who retires in terms of Article 26 (2).
3. To re-elect Mr. M.S. Dominic as a Director who retires by rotation in terms of Article 28 (1)
4. To declare a dividend of Rs. 0.10 per share.
5. To authorise the Directors to determine the contribution to charity.
6. To re-appoint M/s Kreston MNS & Co., 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

25th August 2020

Notice of Meeting Cont..

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.
- (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 4.30 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.

Form of Proxy

I / We of
 being a member/members of Renuka Capital PLC,
 hereby appoint;
 (NIC No.) of

Or failing her/him

Mr. S.V. Rajiyah or failing him
 Mr. P. Gunathilake or failing him
 Mr. M.S. Dominic or failing him
 Mr. B.V. Selvanayagam or failing him
 Mr. M.R. Ratnasabapathy

as my/ our proxy to represent me / us and to speak and to vote on my / our behalf at the Annual General Meeting of the Company to be held on the 28th day of September 2020 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Report of the Directors and the Statement of the Audited Financial Statements for the year ended 31st March 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. M.R. Rathnasabapathy as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. M.S. Dominic as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To declare a dividend of Rs.0.10 per share.	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the Directors to determine the contribution to charity.	<input type="checkbox"/>	<input type="checkbox"/>
6. To re-appoint M/s Kreston MNS & Co., Chartered Accountants as Auditors to the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Dated this day of 2020.

.....
 Signature of Shareholder

Note:

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

Instructions As To Completion Of The Form Of Proxy

1. To be valid, the completed Form of Proxy should be deposited at the Registered Office of the Company, at “Renuka House”, No. 69, Sri Jinaratana Road, Colombo 2, on or before 4.30 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.
2. In perfecting the Form of Proxy, please ensure that all the details are legible.
3. Please indicate with an ‘X’ in the space provided how your proxy to vote on each resolution. If no indication is given the proxy, in his discretion, will vote, as he thinks fit.
4. In the case of a Company / Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. In the case of proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office at “Renuka House”, No. 69, Sri Jinaratana Road, Colombo 2, for registration.

Corporate Information

Name of the Company

Renuka Capital PLC

Registration Number

PQ 149

Legal Form

Quoted Public Company with Limited Liability

Principal Activity

Investing and trading in listed equity, debt instruments, private equity and other alternate asset classes.

Associate Companies

On'ally Holdings PLC

Amalgamated Investments (Pvt) Ltd

Board of Directors

Mr. S. V. Rajiyah

Mr. P. Gunathilake

Mr. B. V. Selvanayagam

Mr. M.S. Dominic

Mr. M.R. Ratnasabapathy - Appointed w.e.f.

01st February 2020

Company Secretaries

Renuka Enterprises (Pvt) Ltd

No. 69, Sri Jinaratana Road

Colombo 02

Registrar

S S P Corporate Services (Pvt) Ltd

No. 546, Galle Road

Colombo 03

Registered Office

No. 69, Sri Jinaratana Road

Colombo 02, Sri Lanka

Telephone : 0094-11-2314750-5

Email: info@renukagroup.com

Fax: 0094-11-2445549

Stock Exchange Listing

Colombo Stock Exchange

Audit Committee

Mr. M.S. Dominic - Chairman

Mr. M.R. Ratnasabapathy

Mr. B. V. Selvanayagam

Related Party Transactions Review Committee

The Related Party Transactions Review committee of ultimate parent Renuka Holdings PLC., acts as the Related Party Transactions Review committee of Renuka Capital PLC.

Mr. T. K. Bandaranayake - Chairman

Mr. M. S. Dominic

Dr. J. M. Swaminathan

Remuneration Committee

The Remuneration Committee of ultimate parent Renuka Holdings PLC, acts as the Remuneration Committee of Renuka Capital PLC

Mr. M. S. Dominic - Chairman

Mr. L. M. Abeywickrema

Mr. T. K. Bandaranayake

Nomination Committee

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

Mr. L. M. Abeywickrema - Chairman

Mr. M. S. Dominic

Mr. T. K. Bandaranayake

Auditors

Kreston M N S & Co.

Chartered Accountants

Legal Consultants

Nithya Partners -Attorney-at-Law

Bankers

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC



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